THE INSTITUTE OF CORPORATE SECRETARIES OF PAKISTAN C.I.S EXAMINATION JULY 2012 MODULE A PAPER: INTRODUCTION TO ACCOUNTING GROUP I

Time allowed 3 Hours

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Q1.	Ch	Choose the right answers from the following situations:						(10)
	a)	When current assets are equal to current liabilities. What will the current ratio :						
		i)	1:1	ii)	2:2		iii)	3:1
	b)	The balance of Un-appropriated profit in the balance sheet as under is shown as :						
		Current year balance Previous year balance			Rs. Rs.	1,250,000 1,000,000		
		i)	Net Profit	ii)	Reser	ves	iii)	Assets
	c)	When 16% Sales Tax is Rs. 16,000, what will the Sales value :						
		i)	Rs. 100,000	ii)	Rs. 1	16,000	iii)	Rs. 84,000
	d)	Class	Classify the advances from customer into :					
		i)	Debtors	ii)	Liabi	lities	iii)	Deposits
	e)	e) What is the main purpose of maintenance of Bank Book on transaction					ansaction basis :	
		i) Receipts & Paymentsiii) Bank reconciliation			ii) Maintain serial order of cheques			
	f)	F) What is the particular cost control?						
		i) Purchases verification ii) Sales enhancement ii				ent iii)	ii) Low inventory	
	g)	maintenance. g) When the creditors at end of the year is increased what will the impa					ne impact on cash flow	
	-	i) Increase in Cash flowiii) Increase in bank balances.				ii) Decrease in Cash flow		
	h)		nature of assets nses are debited :	is Debit.	. Expe	nses are also	debited	l. What it means as
		i) ii) Services are i) Loss is incu			ii) Payr	nents ar	e made
	i)	The Company has a Share Capital of Rs. 10,000,000 (1,000,000 ordinary shares o Rs. 10/- each). The Board of Directors of the Company has announced a dividend of Re.0.50 per share. What will be the percentage of dividend declared?						
		• \	-			100/		

i) 5% ii) 10% iii) 15%

Max. Marks: 100

- j) The achievement from the quarterly Budgeted Sales target of Rs. 5,000,000, actual sales was Rs. 4,500,000. What is the variance in percentage and whether is favourable or unfavourable :
 - i) 10% ii) 5% iii) 4.5%
- Q2. Explain any five (5) of the following accounting terms used in financial statements

(4	U)

a.	Accounting policies	b.	Current assets
с.	Current maturity of Long	d.	Treatment of normal wear and
	Term Loans		tear in fixed assets
e.	Cost of production	f.	Administrative overheads
g.	Share Capital	h.	Preliminary expenses
i.	Gross Profit		

Q3. What is the Revenue Recognition, when the accounting policies are as under:

(10)

- a) Sales are recognized on dispatch of goods to the customers.
- b) Income on investment is recognized on time basis.
- c) Dividends are recognized on receipts of dividend warrants.
- d) Invoices to the customers are raised during the year of Rs. 4,000,000. Some of the receipts of the invoices are received after year end i.e., 30 June 2012, amounting Rs. 500,000.
- e) 10% per annum interest on investment of Rs. 1,200,000 is due on 31 July 2012.
- f) Dividend warrant of Rs. 100,000 is received on 10 July 2012.
- g) Calculate the revenue to report in Profit & Loss A/c for the year ending 30 June 2012.
- Q4. a) Prepare a Bank Reconciliation Statement as on June 30, 2012 from the following information: (10)

Particulars	Rupees		
Balance as per Bank Statement on 30 June 2012	1,000,000		
Cheques issued but not presented in the Bank	200,000		
Cheques deposited but not credited by the Bank	100,000		
On-line deposits in the Bank but not recorded in Bank			
Book/Ledger	500,000		
Bank charges not recorded in bank book/ledger	20,000		
Post dated cheques issued and recorded in bank book ledger but			
are not become due on 30 June 2012	200,000		

b) What will be reported bank balance for the balance sheet as at 30 June 2012?

Q5. Prepare the adjusted Trial Balance of ABC Company for the year ending June 30, 2012 from the following data and adjustments given hereunder: (20)

Debit balances	Amount	Credit balances	Amount
Fixed assets –Net	800,000	Capital	500,000
Investment	200,000	Retained earnings	200,000
Stocks	240,000	Sales	600,000
Debtors	150,000	Short term loans	100,000
Prepaid rent	12,000	Short term loans	100,000
Cash & Bank balances	50,000	Creditors	50,000
		Accrued expenses	2,000
Total	1,452,000	Total	1,452,000

Additional Information:

Following adjustments are required in the above accounts:

- i) Depreciation is to be provided @ 10% per annum on straight-line basis on net fixed assets.
- ii) The management has decided to write off the debtors by the amount of Rs.50,000 being more than three years old.
- iii) In a lawsuit, it has been decided that the company is liable to compensate to debtors for short sales of Rs.10,000.
- iv) Rent is paid in advance for the year and is due on September 1, 2012 no adjustment has been made in the accounts as yet.
- v) 10% annual interest income is due on September 30, 2012.
- vi) Quarterly payment of mark up on short term loan is due on 31st July 2012 @ 15% per annum.
- vii) A receipt of Rs. 40,000 as advances from customers is recorded as sales.
- viii) A physical count of stock shows a decrease over the book balance by Rs. 10,000. The company normally shows as 'Stock Loss' and charge the cost in the income statement.
- ix) Unpaid expense bills on June 30, 2012 are of Rs. 10,000.
- Q6. Prepare the Profit & Loss account and Balance Sheet of AB & Co. (Pvt) Ltd. for the year ending June 30, 2012.

	(Rs.in '000')
Collections from customers during the year	5,000
Opening debtors	100
Opening Capital	600
Investment by owner during the year	50
Purchases	4,200
Creditors	200
Operating expenses	500
Fixed assets -net	1,000
Depreciation for the year on fixed assets-net balance	10%
Unpaid expense bills on June 30, 2012	50
Debtors at end	200
Taxation for the year	20%

(10)

Stock at end	400
Advances to suppliers of goods	240
Cash & Bank balances	100
Un-appropriated Profit & (Loss) balance	100

Q7. Find out the amount debtors at end of the year from the following information:

	(Rs. in '000)
Debtors at beginning of the year	200
Sales during the year	5,000
Cheques from customers received & deposited	4,000
Cheques dishonoured	60
Sales return	20
Sales discount	30
Ascertained bad debts	50

Q8. Pass the necessary journal entries to correct the errors and omission occurred in data:

- a) Stock of Rs. 5,000 has been debited to Accounts Receivables.
- b) A party of Payable is paid Rs.10,000 and entered in Accounts Receivables.
- c) Sales of Rs. 15,000 are entered in Sales Return account.
- d) Bad debts of Rs. 5,000 are debited to Sales account.
- e) A remittance of Rs. 100,000 in bank from export sales is not recorded in the book.
- f) Depreciation expense on fixed assets of Rs. 10,000 is credited to bank account.

(8)

(12)