

**INSTITUTE OF CORPORATE SECRETARIES OF PAKISTAN
CIS EXAMINATION JANUARY 2012
INTRODUCTION TO ACCOUNTING**

Time allowed: 3 hours **Max Marks: 100**
Note: Attempt all questions and submit workings

Q No	Description	Marks
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Q-1 Select the most appropriate answer of the following statements: (10)

- (a). A,B,C are partners sharing profit in the ratio of 2:2:1 C retired. The new profit sharing ratio will be:
i) 3:2 ii) 2:1 iii) 1:1
- (b) Dividend is usually paid on:
i) Authorized capital ii) Issued capital iii) Paid-up capital
- (c). Sales are equal to:
i) Cost of goods sold-gross profit ii) Cost of goods sold-net profit
iii) Cost of goods sold + profit.
- d) Accounting principles are generally based on:
i) Convenience in recording ii). Subjectivity iii) Practicability
- e) The prime function of Accounting is to:
i) Record economic data ii) Provide the informational basis for action
iii) Classify and record business transaction of financial nature

Q-2 Define any four of the following terms of Accounting: (20)

- | | |
|--------------------------|-----------------------|
| a) Operating Assets | b) First-in-First Out |
| c) Financial Information | d) Depreciation |
| e) Long-term liabilities | f) Current Assets |

Q-3 The following are the particulars of Lahore Branch Account:

Opening Stock at Branch	Rs 30,000	Branch salaries	Rs 10,000
Goods sent to Branch	90,000	Branch expenses	4,000
Sales (cash)	120,000		

Closing stock could not be ascertained, but it is known that Branch usually sells at cost plus 20%. The Branch Manager is entitled to a commission of 5% of the profit before charging such commission.

Required: Prepare Branch Account showing the profit or loss of the Branch for the year ended June 30, 2010. (10)

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Q-4 Gulshan Traders have provided the following financial data for the year ended September 30, 2011

<u>Financial Data</u>	<u>Rs in 000</u>
Stock of stationery on October 01, 2010	Rs 300
Creditors for stationary on October 01, 2010	200
Advances paid for stationary carried forward balance	20
Total amount paid for stationary during 2010-2011	1,080
Stock of stationary on at the year end	50
Creditors for stationary at the year end	130
Advance paid for stationary at the year end	30

Required: Calculate the amount of stationary purchased and consumed during the year ended September 30, 2011. (10)

Q-5 Basit and Manzar agreed to purchase timber on July 01, 2011, and opened bank account by depositing of Rs 1,500,000 and Rs 1,000,000 respectively. They agreed to share profits and losses in the ratio of their cash contribution. They paid Rs 2,210,000 for purchase of timer and Rs 199,000 as freight and insurance charges. Upto October 31, 2011, the sales amounted to Rs 2,874,000 which enabled them to cover the amount of venture. They decided to close the Joint Venture account and Manzar agreed to take over the unsold timer for Rs 1,260,000 which is to be deducted from his share of profit.

Required: Prepare Joint venture and other necessary accounts showing cash distribution to them on October 31, 2011. (16)

Q-6 Explain the Accounting Treatment of the following transaction ? (10)

- a). Erection and Installation of machinery for production.
- b). Damaged stock of inventory items having cost of Rs 2 million.
- c). Registration charges for intellectual property rights.
- d). Amount received on sale of fixed assets of Rs 3 million.
- e). Amount raised through issue of term finance certificates of Rs 2 million.

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Q-7 Following balances have been extracted from the books of Akbar & Co. Ltd. at September 30, 2011

Particulars	Rs in 000'	Particulars	Rs in 000
1) Land	1,300	15) Sundry creditors	3,400
2) Building	1,740	16) Advances from customers	1,500
3) Plant and machinery	2,300	17) Short term borrowings	1,125
4) Furniture	1,122	18) Provision for taxation	2,100
5) Raw materials- opening	2,670	19) Sales	42,300
6) Finished goods – opening	3,100	20) Misc. income	2,548
7) Sundry debtors	1,400	21) Raw materials purchased	28,030
8) Cash in hand	62	22) Power & Utility charges	880
9) Cash at bank	280	23) Salaries, wages and bonus	11,600
10) Prepaid expenses	460	24) Communication expenses	530
11) Staff advances	708	25) Traveling and conveyance	410
12) Income-Tax advances	3,000	26) Repair and maintenance	86
13) Share capital Paid-up	4,000	27) Auditors' fees	165
14) General reserve	3,000	28) Misc. expenses	130

The following additional information is also available:

- i) Depreciation plant and machinery, furniture and building @ 10%
- ii) The closing stock of finished goods and raw material valued at Rs 3.5 million and Rs 2.1 million respectively.
- iii) 15% dividend on the paid up capital has been recommended.
- iv) Balance in profit and loss account may be transferred to general reserve.

Required: Prepare Financial Statements as required by International Financial Report Standards as applicable in Pakistan and the Companies Ordinance, 1984. (24)