

INSTITUTE OF CORPORATE SECRETARIES OF PAKISTAN
CIS EXAMINATION JULY 2011
INTRODUCTION TO ACCOUNTING

Time allowed: 3 hours

Max Marks: 100

Note: Attempt all questions and submit workings

Q No	Description	Marks
Q-1	Select the most appropriate answer of the following statements:	(10)
(a)	The convention of conservatism is applicable in case of: (i). Providing for discount on creditors (ii). Providing for depreciation and amortization (iii). Making provision for bad and doubtful trade debts.	
(b)	An expenditure is treated as capital nature, when: (i). the receiver of the amount spends it for the purchase of fixed assets (ii) it is paid to meet the normal expenses of the business (iii) It increases the quantity or capacity of fixed assets.	
(c.)	Income Tax paid by a sole proprietor on his business income should be debited to: (i). the trading account of his business (ii). The profit and loss account of his business (iii). The capital account in the balance sheet of his business.	
(d).	When a Venturer recording the transactions brings goods to the Joint Venture from his own stock, the amount is credited to: (i). Joint venture account (ii) capital account (iii) purchase account.	
(e).	Goods sent by the head office to its branch but not received by it should be credited to: (i). branch account (ii) trading account (iii) goods in transit account.	
Q-2	Amjad & Co. of Karachi sent goods on consignment account to Bari & Co. Lahore at invoice price of Rs 29.676 million and paid Rs 1.696 million for freight, cartage and insurance. Half goods were sold for Rs 17.50 million subject to recovery Rs 1.425 million as commission, storage and selling expenses. One – fourth of the consignment lost by fire and claim of Rs 5 million was recovered . The consignor received draft in satisfaction of the dues.	

Required: Draw up necessary accounts in the books of the consignor and ascertain profit and loss on the consignment. (15)

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Q No	Description	Marks
Q-6	Following balances have been extracted from the books of Bolan & Co. Ltd. as on June 30, 2010	

<u>Particulars</u>	<u>Rs '000</u>	<u>Particulars</u>	<u>Rs'000</u>
Share capital – paid-up	3,000	Leasehold land	1,200
General reserve	4,000	Building	1,800
Trade creditors	3,000	Plant and machinery	3,500
Short term borrowings	2,000	Furniture and equipments	1,100
Advances from customers	1,600	Vehicles	2,500
Provision for taxation	2,400	Inventory – opening	4,500
Sales - net	43,200	Cash and bank balances	350
Misc. income	2,300	Trade debtors	1,400
		Prepayments	400
		Advance to staff	200
		Income tax - advance	3,000
		Purchases of inventory	27,500
		Salaries and other benefits	9,500
		Rent, rates and taxes	1,200
		Factory expenses	1,800
		Traveling and conveyance	400
		Repairs and maintenance	600
		Misc. expenses	150
		Auditors remuneration	4,00
Total	<u>61,500</u>	Total	<u>61,500</u>

The following additional information are also available:

- (i). The Company was registered with 600,000 ordinary shares of Rs 10, each.
- (ii). The inventory at the year end was valued at Rs 5,500 thousand.
- (iii). Depreciate all fixed assets except leasehold land @ 10% p.a.
- (iv). The Directors recommended 10% cash dividend to the shareholders.

Required: Prepare Financial Statement as required by International Financial Reporting Standards as applicable in Pakistan and the Companies Ordinance, 1984. (25)