

ACCOUNTING FOR FINANCIAL SERVICES – STAGE-I
ISQ Examination (Summer-2010)

Q.1 State True or False in the answer column.

Q.2 Please write the alphabet of the selected answer in the given space:

Q.3 Strike out one of the two words which is not true from the following statements. Give reasons for your choice below each statement.

- (i) Purchase of new spare wheel at a cost of Rs. 5000 for an old truck because the spare wheel was stolen, is Revenue / Capital expenditure.**

Reason:-

- (ii) Spent Rs. 30,000 for a PABX telephone exchange of a higher capacity in replacement of existing one of lower capacity, is Revenue/ Capital expenditure**

Reason:-

- (iii) Construction of new under-ground water tank at a cost of Rs, 100,000 because the water was leaking from the old one, is Revenue/Capital expenditure**

Reason:-

- (iv) Purchase of new pencil cells at a cost of Rs. 100 for wall clocks, is Revenue / Capital expenditure**

Reason:-

- (v) Purchase of a new Toyota Truck at a cost of Rs. 1,000,000/= in replacement of old KIA Truck, is Revenue / Capital expenditure**

Reason:-

- (vi) Installation charges of Rs. 200,000/= of a newly purchased plant, is Revenue/ Capital expenditure

Reason:-

- (vii) Consultancy fees paid for a new project estimated to be completed at Rupees ten million, is Revenue/Capital expenditure

Reason:-

- (viii) The re-painting of a car of a new colour at a cost of Rs. 50,000/= after 4 days of its purchase because the colour of the car is not liked by the management, is Revenue/Capital expenditure

Reason:-

- (ix) Paid Rs. 5000 for painting the company name and product on the new car purchased at a cost of Rs. 500,000/-, is Revenue / Capital expenditure

Reason:-

- (x) Purchase of a new battery of an office car for Rs. 4000 in replacement of unserviceable one, is Revenue/ Capital expenditure

Reason:-

Q.4 ABC & Company had the following transactions upto 30th June 2009

- (i) Purchased goods for Rs. 50,000 and availed a cash discount of 5%
- (ii) 2% Commission received in Cash on third party deal of Rs. 20,000
- (iii) Paid Rs. 400 as wages to Mr. Waheed
- (iv) Sold goods for Rs. 34,500 to Ahreem & Co
- (v) Sales worth Rs. 4,000 were returned by Shahed Brothers
- (vi) A cheque for Rs. 1000 was received for cash sales from Mr. Jaffer
- (vii) Sold an old asset which was rendered unserviceable for Rs. 15,000
- (viii) A cheque for Rs. 10,000 was discounted through bank at 1%

- (ix) Cash payment of Rs. 390 was made to Shamim Brothers for purchase of office supplies
- (x) A cheque for Rs. 4,000 issued to a creditor was dishonored by bank and returned by creditor

Required:

Journal Entries to record the above transactions

Q.5 Following is the information about bank transactions in respect of Jamal and Company.

- (i) On September 30, balance of cash book was Rs. 264,130 and balance as per bank statement was Rs. 278,278
- (ii) Cash receipts of Rs. 40,126 on September 30, were not deposited till October 1
- (iii) Among the paid cheques returned by the bank was one for Rs. 21,000 drawn by Jamal Brothers, but charged in error to Jamal and Company
- (iv) The following memoranda accompanied the bank statement
 - (a) Debit Memo for service charges for the month of September Rs. 315
 - (b) Debit memo attached to a cheque of AB Company, marked NSF for Rs. 6,245
 - (c) Credit memo for Rs. 60,500 representing the proceeds of non interest bearing note collected by the bank from Jamal and Company. The note face value was Rs. 61,000, balance was deducted by bank as collection charges.

(v) Following cheques were issued, but not presented for payment.

Cheque No	348	Rs	12,600
	351	Rs	5,180
	356	Rs	3,554

			Rs 21,334
			=====

Required

- (a) Bank Reconciliation Statement as of September 30 (07)
- (b) Journal Entries to correct the cash book balance (03)

Q.6 Mohammad Naqi & Co entered into a deal with Hanif Enterprizes for purchase of their business. Following are the balance sheets of Hanif Enterprizes and Mohammad Naqi & Co.

Hanif Enterprizes

(Rs)

Assets		Liabilities & Equity	
Inventories	65,000	Account Payable	24500
Notes Receivable	37,000	Long-term Loans	71000
Prepaid Insurance	3,600	Share Capital	180000
Plant & Equipment	197,000	Retained Earnings	27100
	<u>302,600</u>		<u>302,600</u>

Mohammad Naqi & Co

(Rs)

Assets		Liabilities & Equity	
Inventories	136,400	Account Payable	56,600
Account Receivable	26,000	Bank Borrowings	112,400
Unexpired rent	600	Capital	200,000
Plant & Equipment	151,000		
Cash & Bank balance	55,000		
	<u>369,000</u>		<u>369,000</u>

The basis of purchase is net worth (owners equity) of Hanif Enterprizes plus Rs. 100,000 for good will. A sum of Rs. 300,000 will be borrowed from bank for the purpose of the purchase.

Required:

- (A) Work out the purchase price including goodwill (03)
- (B) Revised balance sheet of Mohamamd Naqi & Co after incorporating the deal (07)

Q.7 Hamid & Mahmud deal in grocery. Following data is extracted from the Balance Sheet as on June 30, 2009.

	(Rs)	
	Balance as on June 30, 2009	Balance as on June 30, 2008
Interest Payable	17,500	2,000
Unearned Rental Income	30,000	60,000
Unexpired Insurance	18,000	Nil

Income Statement for the year ended June 30, 2009 of Hamid & Mahmud provides following information relating to above heads of accounts

Interest Expenses Rs 20,000/-
 Rental Income Rs 360,000/-
 Insurance Expenses Rs 14,000/-

Required:

Computation of cash received and paid during the year end June 30, 2009 on account of

- A) Rental Income (02)
- B) Interest (02)
- C) Insurance (02)

Q.8 Give below the formula for calculating each of the following ratios & briefly state purpose of the ratio: (10)

(i) Current Ratio
(A) Formula

(B) Purpose

(ii) Acid test Ratio
(A) Formula

(B) Purpose

(iii) Merchandise Inventory Turnover
(A) Formula

(B) Purpose

(iv) Turnover of Accounts Receivable
(A) Formula

(B) Purpose

(v) Income to owners equity
(A) Formula

(B) Purpose
