

THE INSTITUTE OF BANKERS PAKISTAN
ISQ Examination (Summer-2011)
ACCOUNTING FOR FINANCIAL SERVICES

- Q.1** Please write the alphabet of the selected answer in the given space:
- Q.2** List 04 revenue and expenditure items for financial institutions.
- Q.3** List 2 off balance sheet items for financial institutions.
- Q.4** The following financial statements are from the 2010 Annual Report of the Niagara Company:

Income Statement for Year Ended December 31, 2010	
	US\$
Sales	1,000
Cost of goods sold	(650)
Depreciation expense	(100)
Sales and general expense	(100)
Interest expense	(50)
Income tax expense	(40)
Net income	60

Balance Sheets at December 31, 2009 and 2010		
	2009	2010
	US\$	US\$
ASSETS		
Cash	50	60
Accounts receivable	500	520
Inventory	750	770
Current assets	1,300	1,350
Fixed assets (net)	500	550
Total assets	1,800	1,900
LIABILITIES AND EQUITY		
Notes payable to banks	100	75
Accounts payable	590	615
Interest payable	10	20
Current liabilities	700	710
Long-term debt	300	350

Deferred income tax	300	310
Capital stock	400	400
Retained earnings	100	130
Total liabilities & equity	1,800	1,900

Required: Cash Flow statement by using Indirect Method

Q.5 Explain the closing process through “expense and revenue summary account”.

Q.6 Identify which general accounting principle best describes each of the following practices:

- (a) Mr. Ali owns both beverages and tourism services. In preparing financial statements for tourism services, Mr. Ali makes sure that the expense transactions of beverages are kept separate from tourism’s statements.
- (b) In December, 2010, A-Plus Floors received customer’s order and cash prepayments to install carpet in a new house that would not be ready for installation until March, 2011. A-Plus Floors should record the revenue from the customer order in March 2011, not in December, 2010.
- (c) If Rs 30,000 cash is paid to buy land, the land is reported on the buyer’s balance sheet at Rs 30,000.
- (d) A telecommunication company sells talk time through scratch cards. No revenue is recognized when the scratch card is sold, but it is recognized when the subscriber makes a call and consumes the talk time.

Q.7 The following balances are extracted from the books of M/s . Asrar & Bros at December 31, 210.

Cash	Rs 3,950
Supplies	Rs 9,720
Prepaid Insurance	Rs 2,400
Equipment	Rs 26,000
Account Payable	Rs 6,200
Unearned Consulting Revenue	Rs 3,000
Capital	Rs 30,000
Withdrawals	Rs 600
Consulting Revenue	Rs 5,800
Rental Revenue	Rs 300

The following transactions need to be adjusted as on December 31, 2010.

- (a) Remaining unused supplies are Rs 8,670.
- (b) Depreciation expense for the period is Rs 375.
- (c) Insurance expired during the period Rs 100

- (d) Rs 250 consulting revenue have been earned from the unearned consulting revenue.
- (e) Unpaid salaries Rs 210.
- (f) Accrued consulting revenues Rs 1,800.

Required:

- A) Prepare the adjusted trial balance at December 31, 2010.
- B) Prepare work sheet for the period ended on December 31, 2010.

Q.8 The following information relates to transactions between a company and its customers.

- Balance as on 1.4.2009 is Rs. 50,000.
- Bad debts are 2% and discount to the customers is given @ 1% of the opening balance of Sundry Debtors.
- Returns from the customers are Rs 3,000
- Cash received from Debtors is Rs. 2,30,000.
- Cash received from Debtors in transit is Rs. 14,000.
- Cash Sales are Rs. 5,00,000.
- Credit Sales are Rs. 2,50,000.

Required: Calculate the amount of Sundry Debtors as on 31.3.2010.

Q.9 Table shows the balance sheet and income statement of ABC ltd. As on 31st December, 2010.

Balance Sheet		Income Statement	
Fixed Assets	100,000	Sales	100,000
Current Assets	50,000	COGS	20,000
Investments	20,000	Operating Expenses	10,000
	170,000	Depreciation	5,000
Capital	20,000	Interest	2,000
Reserves	80,000	Tax	10,000
Long Term loans	40,000	Total Expense	47,000
Current Liabilities	30,000	Profit	53,000
	170,000		

Required: Compute Return on Capital Employed (ROCE).

Q.10 The following information is collected of accounts receivable of M/s Modern Chemicals Ltd.

	Rupees
Accounts Receivable 1-1-2010	750,000
Less Allowance for Bad Debt Account	100,000

	Total Rs	650,000
Credit Sales for the year 2010		2,800,000
Other transactions during the year were as under:		
Accounts Receivable written off		75,000
Cash collection against credit sales		1,900,000
Account Receivable recovered which were written off previously		25,000

Compute the following:

- A) Accounts Receivable outstanding as on 31st December, 2010.**
- B) The management estimates that 1.5% of its credit sales will prove to be uncollectible. Make provision under income statement approach.**
- C) Pass journal entry for the amount of provision computed at (B) above and prepare a T account showing the balance which will appear against Allowance for Bad Debt Account at the close of the year.**
