Q.1 Show the impact on the below mentioned independent situations on the Accounting Head Please denote whether the accounting heads will Increase or Decrease.

S. #	Independent Situations	Assets	Expenses	Liabilities	Revenue	Capital
1	Services worth Rs.20, 000 were provided to the customer. The customer has been billed for the services.					
2	The owner withdrew Rs.10, 000 cash from the business for his personal use.					
3	Purchased business vehicle for Rs.125, 000. Paid Rs.25, 000 in cash and signed a note for the remaining amount.					
4	The owner invested Rs.25,000 cash in business.					
5	The utility bill for the month of April amounted to Rs. 5,000. The bill has not yet been paid.					

Q.2 Bank Janoobi has rented a space from Kareem Brothers to open up their branch. Following transactions took place between the two parties: -

- On January 1st 2013, Bank Janoobi and Kareem Traders signed an agreement under which the bank would rent the space at a charge of Rs.240, 000 per annum.
- On January 3rd, the bank issued a cheque of Rs.240, 000 in favor of Kareem Brothers.
- Assume that both parties adjust their accounts on a monthly basis.

A. Record the above transactions in books of Bank Janoobi and Kareem Brothers.
B. What entry will be recorded in the books of Bank on March 31, 2013?
C. What entry will be recorded in the books of Kareem Brothers on March 31, 2013?

Q.3 A. Define amortization and give examples of any two items that can be amortized.

B. Company A, B and C manufactures similar products and have similar production equipment. Assume that each of these companies purchased identical equipment at the same time and same purchased price. Company A uses straight line method for depreciation whereas Company B uses double declining method and Company C use units of production method. Based on this scenario, answer the following questions:

i. Between Company A and B, who will record a higher depreciation expense in Year 1?

ii. How will Company C calculate its depreciation expense for Year 2?
iii. Which company will record the highest depreciation expense over the total life of the assets?

Q.4 Shoaib is an investment Manager at Awami Bank which complies with the International Financial Reporting Standards (IFRS). He had been allocated around PKR 5,000 Million (Mn) to invest in both debt and equity markets in FY-2012. He invested 35%, 45% and 20% of allocated funds in Bonds, T-Bills and Shares of Laraib Company respectively but was unsure which investment should be classified as Held-to-maturity (HTM), Held-for-trading (HFT) and Available-for-sale (AFS) that would yield maximum gain to the bank.

Exhibit-1 shows the investments details on purchased date i.e. 1-Jan-2012.

Exhibit-1	**1-Jan-12**		
(Amounts in PKR)	**Bond**	**T-Bill**	**Fuji Shares**
Investment Size(In Mn)	1,750	2,250	1,000
Par value per unit	100	100	10
Purchased price per unit	105	94	10.45

After eleven months, he was analyzing the performance of his investment portfolio using the last available closing prices and market interest rate as on 1-Dec-2012 to report to his immediate supervisor as presented in Exhibit-2.

Exhibit-1	**1-Dec-2012**		
(Amounts in PKR)	**Bond**	**T-Bill**	**Shares**
Market price per unit	104	96	11
Coupon/Dividend received per unit during the period	6	0	1
Amortization of Premium/Discount per unit	2	5	0

Using Exhibit 1 & 2, solve the following questions:

A. How would this investment be reported on balance sheet on purchase date if Bonds were classified as HTM, Shares as AFS and T-Bill as HFT?
B. How would this investment be reported on balance sheet at year end if Bonds were classified as HFT, Shares as AFS and T-Bill as HTM?
C. How much capital gain would be recognized if T-Bill and share investments were sold at market prices on 1-Dec-2012? Bonds were classified as HTM, Shares as AFS and T-Bill as HFT. (Show working)

Q.5 Following selected data is extracted from Awami Bank's financial statements on 31-December-2012. (Marks 5)

Accounts	**2012**	**2011**
Lending to financial institutions	5,400	500
Investments	600	700
Advances	1,000	1,000
Bills payable	300	200

Borrowing	200	400
Retained earnings	400	300
Mark-up earned	300	500
Fee commission income	200	100
Total income	800	900
Total liabilities	1,000	1,200
Total equity	1,200	1,300

Perform vertical and horizontal analysis of the year 2012.

Q.6. Classify the below mentioned items of a financial institution to the appropriate accounting head.

S.#	Items	Assets	Liabilities	Expense	Revenue
1	Security Stationery				
2	Remittances				
3	Provision against non-performing loans				
4	Sundry creditors				
5	Letter of Guarantees				
6	Mark-up income				
7	Commission				
8	Management costs				
9	Underwriting loans raised by government				
10	Revenue Stamps				

Q.7 The account receivable outstanding of the Ahmed and Company as of March 31st, 2012 was PKR. 3,321,000/-. The aging of these receivables is as follow:

Aging of Account Receivable
As at 31-Mar-2012

No. of Accounts	Total Amount (Rs)	Not yet due (Amount in Rs)	1-30 days (Amount in Rs)	31-60 days (Amount in Rs)	61-89 days (Amount in Rs)	90 - 179 days (Amount in Rs)	180 days till 1 year (Amount in Rs)	1 year or more
32	720,000	720,000						
17	230,000		230,000					
41	460,000			460,000				
26	350,000				350,000			

10	965,000					965,000		
7	430,000						430,000	
9	166,000							166,000
142	3,321,000	720,000	230,000	460,000	350,000	965,000	430,000	166,000

The organization's past record reveals the following

Past Due	% of Default
Not yet due	1%
1-30 days	3%
31-60 days	2%
61-89 days	5%
90-179 days	7%
180 days up to 1 year	10%
1 year or More	11%

Prepare estimated doubtful accounts receivable schedule as per the following grid.

Q.8. You are a credit analyst at Yakjehti Bank and your manager has asked you to prepare a comparative analysis of the business performance of two similar businesses, M/s Yarn Expert and M/s Cotton Cares. The financial accounts of the two firms are as under:

Balance Sheet

	M/s Yarn Expert	M/s Cotton Cares
Assets		
Cash & cash Equivalents	4,000	8,000
Notes receivable	7,000	13,000
Inventory	5,000	16,000
Operating Fixed Assets	18,000	33,000
Other Assets	5,000	6,000
Total Assets	39,000	76,000
Liabilities & Stockholder's Equity		
Accounts payable	4,000	5,000
Notes payable	7,000	8,000
Bonds payable	13,000	24,000
Capital	11,000	16,000
Retained Earnings	4,000	23,000
Total Liabilities & Stockholder's Equity	39,000	76,000

Income Statement

Sales	60,000	95,000
Cost of Goods Sold	41,800	67,000
Gross Margin	18,200	28,000
Operating Expenses		
Selling Expense	9,000	12,000
Administrative expenses	4,000	6,000
Interest expenses	2,000	3,600
Income Tax	1,800	3,500
Total Operating expenses	16,800	25,100
Net Income	1,400	2,900

Additional information:
No. of shares of M/s Yarn Experts and M/s Cotton Cares is 1,000 and 3,000 respectively.
Market price of shares of M/s Yarn Experts is Rs. 35 and of M/s Cotton Cares is Rs. 18
Dividend paid by M/s Yarn Experts is Rs. 6 and by M/s Cotton Cares is Rs. 5.2

Compute the following for the two firms:

A. Prepare an analysis of liquidity, using any 3 of the following ratios – current ratio, quick ratio, Average days sales collected, average days inventory converted.
B. Prepare an analysis of profitability using any 4 of the ratios from gross profit margin, net profit margin, asset turnover, returns on asset, returns on equity, earning per share.
C. Prepare an analysis of long term solvency, using any 2 of the ratios from debt ratio, debt to equity ratio or interest coverage ratio.
D. Prepare an analysis of market tests using either PE ratio or dividend yield.

Q.9 The balance sheet of Jamil Brothers for the year ended 31 December 2011, together with comparative figures for the previous year, is shown below.

	2011		*2010*	
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Non-current assets		270		180
Less: Depreciation		(90)		(56)
		180		124
Current assets				
Inventory	50		42	
Receivables	40		33	
Cash	0		11	
		90		86
		270		210
Capital and reserves				

Ordinary share capital Rs. 1 shares		25		20
Share premium account		10		8
Accumulated profits		93		81
Shareholders' funds		128		109
Non-current liabilities				
15% loan notes repayable 20X8		80		60
Current liabilities				
Trade and operating payables	33		24	
Taxation	19		17	
Bank overdraft	10	62	__	41
		270		210

You are informed that:

- There were no sales of non-current assets during 2011
- New loan notes and shares issued in 2011 were issued on 1 January
- Dividends paid during the year totaled Rs. 26,000.

A. Calculate net profit before tax for Jamil Brothers for the year ended 31-Dec-2011.

B. Prepare a cash flow statement for 31-Dec-2011, using indirect method.