

**CMA APRIL, 2019 SPECIAL EXAMINATION
FOUNDATION LEVEL
SUBJECT: 001. PRINCIPLES OF ACCOUNTING**

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

Q. No. 1

The account balances taken from the ledger of Al – Tawaf & Co. on December 31, 2017 are -

Debit	Taka	Credit	Taka
Accounts Receivable	53,000	Share Capital	275,500
Cash	210,500	Accounts Payable	21,800
Merchandise Inventory	55,000	Sales	180,000
Unexpired Insurance	800	Accrued property taxes	440
Sales discount	1,250	Purchase discount	1,650
Purchase	112,000	Interest income	3,000
Freight in	3,400	Foreign Loan	40,860
Advertising expenses	1,100	Allowance for bad debt	1,500
Delivery expenses	2,300	Allowance for dep. on store equipment	16,000
Sales salaries	18,000		
Rent	3,600		
Interest expenses	2,000		
Store Equipment	57,800		
Office supplies	20,000		
Total	540,750	Total	540,750

Adjustments:

- (i) The merchandise inventory on December 31, amounts to Tk. 75,000.
- (ii) The Allowance for bad debts are to be increased to Tk. 2,000.
- (iii) Sales salaries accrued amounting to Tk. 3,000.
- (iv) Office supplies on hand Tk. 5,520.
- (v) Depreciation– 10% p.a.
- (vi) Tk. 3,000 is reported as interest income from which Tk. 1,200 is unearned.
- (vii) Tk. 2,000 is reported as interest expense of which Tk. 500 represents a payment for the year 2018.

Required:

Prepare a multiple step Income Statement and Classified Balance Sheet for the period concerned.

[Marks: (10+10) = 20]

Q. No. 2

- (a) What is aging of Accounts Receivable? Explain the need for estimating uncollectible Accounts receivable.
- (b) The Bonton Company closes its books monthly. On June 30 selected ledger account balances are:

Notes Receivable.....Tk. 19,800.00
 Interest receivable.....Tk. 132.80

Notes receivable include the following:

<u>Date</u>	<u>Maker</u>	<u>Face Value</u>	<u>Terms</u>	<u>Interest Rate</u>
May – 21	Alder Inc.	Tk. 6,000	60 days	12%
May – 25	Dorn Co.	Tk. 4,800	60 days	11%
June - 30	MJH Corp.	Tk. 9,000	06 months	09%

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Q. No. 2 (cont'd...)

During July, the following transactions were completed:

- July – 05 : Made sale of Tk. 6,200 on Bonton Credit Cards.
- July – 14 : Made sale of Tk. 700 on VISA Card Credit. The credit card service charge is 3%.
- July – 16 : Added Tk. 415 to Bonton charge customers balance for finance charge on unpaid balance.
- July – 20 : Received payment in full from Alder Inc. on the amount due.
- July – 25 : Received notice that Dorn notes has been dishonored. (Assume that Dorn is expected to pay in the future).

Instructions:

- (i) Journalize the July transactions and the July 31 adjusting entry for accrued interest receivable (Interest is computed using 360 days).
- (ii) Enter the balance at July 1 in the receivable account and post the entries to all of the receivable accounts.

[Marks: 4+(8+8) = 20]

Q. No. 3

The Bank Balance as per books of M/s. Dhaka Trading Ltd. showed a balance of Tk. 3,78,085 on 30.6.2018. The Bank Statement as on that date showed a balance of Tk. 4,99,720. While compared the difference in Cash book and Bank Statement, the following facts were discovered:

(i)	A Customer cheque No. 600312 amounting to Tk. 15,000 deposited in the Bank on 26.06.18 dishonored by the Customers Bank due to insufficient balance in the account.
(ii)	An amount of Tk. 3,500 credited by the Bank on Account of interest for the period.
(iii)	Cheque No. 1864 and 5038 for total of Tk.8,900 entered in the cash book on 28.06.18 given to the office bearer to deposit in the Bank but erroneously kept in his pocket up to 02.07.18.
(iv)	Bank Account debited by an amount of Tk. 365 for bank charges on collection of cheques and remittances.
(v)	An amount of Tk. 95,000 transferred by a Customer on 29.06.18 from Dhaka in settlement of invoice No. 2006 dated 25.05.18. The intimation has not been reached to the cashier as yet.
(vi)	The following cheques were issued by the Company not yet presented to the Bank for payment. Cheque No. 300113 Tk. 25,600 Cheque No. 300115 Tk. 7,900 Cheque No. 300117 Tk. 18,200 Cheque No. 300128 Tk. 3,000
(vii)	Cheque No. 300130 issued to M/s. Jamuna Ltd. A/C Payee only for an amount of Tk. 25,000 on 28.06.18 reported to be lost by an employee of M/s. Jamuna Ltd., This has been informed to the Bank by a written Statement which was finally caught by the Bank on 07.07.18 and reported to the police. However the depositor of the stolen cheque not be traced yet. The case is under investigation.
(viii)	An amount of Tk. 9,600 deposited to the Bank on 30.06.18 which was credited in the Bank account correctly but the cashier Mr. Rahim debited the cash book erroneously for Tk. 6,900.
(ix)	As per standing order bank is paying Tk. 35,000 to Mr. Rahman on the last working day of every month which has not been recorded by the Cashier.

Required:

- (a) Prepare a Bank Reconciliation Statement showing the corrected Bank balance as on 30.06.2018.
- (b) Make Journal entries in order to bring the Cash book in agreement with the Bank Balance.

[Marks: (14+6) = 20]

Q. No. 4

- (a) Ulfat Enterprise received a Tk. 24,000, 60-days, 10% note dated December 1 from Alfaz Enterprise. Ulfat's accounting period ends on December 31 every year. Answer the following required questions for Ulfat Enterprise.

Required:

- (i) Journalize the adjusting entry for accrued interest on December 31.
(ii) Journalize if the note is honored on the maturity date.

- (b) You are provided with the following information for CRIPSON Inc. for the month ended June 30, 2012. CRIPSON uses the periodic method for inventory.

<u>Date</u>	<u>Description</u>	<u>Quantity</u>	<u>Unit Cost or Selling Price (Tk.)</u>
June 01	Beginning Inventory	25	30.00
04	Purchases	85	32.00
10	Sales	70	45.00
11	Sales return	10	45.00
18	Purchases	35	34.00
18	Purchase return	5	34.00
25	Sales	50	42.50
28	Purchase	20	36.00

Required:

Calculate (1) ending inventory and (2) Cost of goods sold under each of the following methods: (i) LIFO (ii) FIFO (iii) Average Cost.

[Marks: (5+15) = 20]

Q. No. 5

- (a) ABC Company Ltd. acquired and put into use a machine on January 1, 2017, at a total cost of Tk. 45,000.00. The machine was estimated to have a useful life of 10 years and a salvage value of Tk. 5,000.00. It was also estimated that the machine would produce one million units of product during its life. The machine produced 90,000 units in 2017 and 125,000 units in 2018.

Required:

Compute the amounts of Depreciation to be recorded in 2017 and 2018 under each of the following method:

- (i) Straight -line method.
(ii) Units-of-production method.
(iii) Sum-of-the-years-digits method.
(iv) Double-declining balance method.

- (b) ABC Company Ltd., acquire an office equipment on 1st January, 2014 at a cost of Tk. 11,000 with an estimated life of 10 years and a scrap value of Tk. 1000 at the end of life. The equipment was sold out on 1st July, 2018 at a price of Tk. 5000 received in cash.

Required:

Pass journal entry to record the sale and profit /loss on the sale. Show all computations.

- (c) ABC Company Ltd., purchase a machine at a price of Tk. 36,000 on 1st January, 2001. The machine was depreciated straight line on the basis of a life of 12 years having no salvage value. On 1st January, 2010 the machine was exchanged for a new one with a list price of Tk. 40,000. The trade -in value agreed for the old machine was Tk.10,000 and the balance was paid in cash.

Required:

Pass journal entry to record the receipt of cash and the profit/loss on the exchange. Show necessary computations.

[Marks: (10+5+5) = 20]

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