



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA JUNE, 2016 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 bank portion of the bank reconciliation for backhaus Company at November 30, 2008 was as follows:

**Backhaus Company
Bank Reconciliation
November 30, 2008**

	<u>Taka</u>
Cash Balance as per Bank	14,367.90
Add: Deposits in Transit	<u>2,530.20</u>
	16,898.10

Less: Outstanding Checks:

<u>Check Number</u>	<u>Check Amount (Taka)</u>	
3451	2,260.40	
3470	720.10	
3471	844.50	
3472	1,426.80	
3474	<u>1,050.00</u>	<u>6,301.80</u>
Adjusted cash Balance per bank		<u>10,596.30</u>

The adjusted Cash Balance per Bank agreed with the cash balance per books at November 30:

The December bank statement showed the following checks and Deposits:

Bank Statement					
Checks			Deposits		
Date	Number	Amount (Taka)	Date		Amount (Taka)
1-Dec	3451	2,260.40	1-Dec		2,530.20
2-Dec	3471	844.50	4-Dec		1,211.60
7-Dec	3472	1,426.80	8-Dec		2,365.10
4-Dec	3475	1,640.70	16-Dec		2,672.70
8-Dec	3476	1,300.00	21-Dec		2,945.00
10-Dec	3477	2,130.00	26-Dec		2,567.30
15-Dec	3479	3,080.00	29-Dec		2,836.00
27-Dec	3480	600.00	30-Dec		1,025.00
30-Dec	3482	475.50	Total		<u>18,152.90</u>
29-Dec	3483	1,140.00			
31-Dec	3485	540.80			
Total		<u>15,438.70</u>			

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Q. No. 1. (cont'd.....)

The Cash records per books for December showed following:

Cash Payments Journal			Cash receipts Journal	
<u>Date</u>	<u>Number</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
1-Dec	3475	1,640.70	3-Dec	1,211.60
2-Dec	3476	1,300.00	7-Dec	2,365.10
2-Dec	3477	2,130.00	15-Dec	2,672.70
4-Dec	3478	621.30	20-Dec	2,954.00
8-Dec	3479	3,080.00	25-Dec	2,567.30
10-Dec	3480	600.00	28-Dec	2,836.00
17-Dec	3481	807.40	30-Dec	1,025.00
20-Dec	3482	475.50	31-Dec	1,690.40
22-Dec	3483	1,140.00	Total	17,322.10
23-Dec	3484	798.00		
24-Dec	3485	450.80		
30-Dec	3486	1,889.50		
Total		14,933.20		

The bank statement contained two bank memoranda.

- (1) A credit of Taka 4,145 for the collection of a Taka 4,000 note for Backhaus Company plus interest of Taka 160 and less a collection fee of Taka 15. Backhaus Company has not accounted for the collection.
- (2) A debit of Taka 572.80 for NSF check written by D. Chagnon, a customer. At December 31, the check had not been redeposited in the bank.

At December 31, the cash balance per books was Taka 12,485.20 and the cash balance per the bank statement was Taka 20,154.30. The bank did not make any errors, but two errors were made by Backhaus company.

Required:

- (a) Prepare a Bank reconciliation at December 31.
- (b) Prepare the adjusting entries based on the reconciliation.

[Marks: 20]

Q. No. 2.

- (a) Jamuna Trading Company uses a perpetual inventory system. The Company has the opening inventory, purchases and sales data for the month of March 2014 as under:

Inventory	March 01	200 units @ Tk. 4.00
Purchases:	March 10	500 units @ Tk. 4.50
	March 20	400 units @ Tk. 4.75
	March 30	300 units @ Tk. 5.00
Sales	March 15	500 units
	March 25	400 units

The physical inventory count on March 31 shows 500 units on hand.

Required:

Determine the cost of inventory on hand at March 31 and the cost of goods sold for March under the (i) FIFO, (ii) LIFO and (iii) average cost method.

- (b) "The key to successful business operations is effective inventory management". Do you agree? Explain.

[Marks: (15+5) = 20]

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Q. No. 3.

Mr. XYZ closed its books of Accounts as on 31.12.2015. The followings balances are taken from the ledger of Mr. XYZ:

**Mr. XYZ
 Trial Balance
As at December 31, 2015**

<u>Accounts Titles</u>	<u>Debit (Tk.)</u>	<u>Credit (Tk.)</u>
Cash	55,000	
Accounts Receivable	60,000	
Allowance for doubtful Accounts		2,500
Office Supplies Inventory	5,000	
Prepaid Rent	15,000	
Prepaid Advertising	10,000	
Unexpired Insurance	6,500	
Office Equipments	55,000	
Accumulated Depreciation - Office Equipments		6,000
Furniture and Fixture	40,000	
Accumulates Depreciation - Furniture and Fixture		4,000
Accounts Payable		30,000
Notes Payable (01/12/2014)		20,000
Capital		100,000
Drawings	20,000	
Service Revenue		200,000
Salaries Expenses	60,000	
Utilities Expenses	10,000	
Delivery Expenses	5,000	
Miscellaneous Expenses	21,000	
Total	362,500	362,500

Additional Information are given below:

- (a) Office supplies on hand at December 31, 2015 Tk. 2,000.
- (b) Rent Expenses for 2015 Tk. 12,000.
- (c) Advertising Expenses for 2015 Tk. 8,000.
- (d) Insurance Expenses for 2015 Tk. 4,500.
- (e) Allowance for doubtful accounts increased up to Taka 4,000.
- (f) Depreciation on fixed Assets @ 10% per year.
- (g) Accrued Interest on notes payable 10% per year.
- (h) Salaries payable of Tk. 8,000.

Required :

- (i) A 10 column worksheet.
- (ii) Adjusting Entries

[Marks: (20+5) = 25]

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Q. No. 4.

On January 1, 2008 Frybendall Company had Accounts Receivable Tk.56,900 and Allowances for Doubtful Accounts Tk.4,700. Frybendall Company prepares financial statements annually. During the year the following selected transactions occurred.

- Jan. 5 Sold Tk. 6,300 of merchandise to Klosterman Company, terms n/30.
- Feb. 2 Accepted a Tk. 6,300, 4-month, 10% promissory note from Klosterman Company for the balance due.
 - 12 Sold Tk.7,800 of merchandise to Menard Company, and accepted Menard's Tk.7,800, 2-month, 10% note for the balance due.
 - 26 Sold Tk.4,000 of merchandise to Louk Co., terms n/10.
- Apr. 5 Accepted a Tk.4,000, 3-month, 8% note from Louk Co. for the balance due.
 - 12 Collected Menard Company note in full.
- June 2 Collected Klosterman Company note in full.
- July 5 Louk Co. dishonors its note of April 5. It is expected that Louk will eventually pay the amount owed.
 - 15 Sold Tk.7,000 of merchandise to Peck Co. and accepted King's Tk.7,000, 3-month, 12% note for the amount due.
- Oct. 15 Peck Co.'s note was dishonored. Peck Co. is bankrupt, and there is no hope of future settlement.

Required:

Journalize the transactions.

[Marks: 20]

Q. No. 5.

- (i) How can a company have a profit but not have cash?
- (ii) How does the average cost method of inventory costing differ between a perpetual inventory system and a periodic inventory system?
- (iii) What does debit memo mean on a bank statement?
- (iv) Distinguish between FOB shipping point and FOB destination. Identify the freight terms that will result in a debit to Merchandise Inventory by the purchaser and a debit to Freight-out by the seller.
- (v) Explain the meaning of the credit term 2/10, n/30.
- (vi) What is net realizable value?

[Marks: (2.5 x 6) = 15]

= THE END =