

CMA JUNE, 2019 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 following balances are taken from the books of accounts of DHAKA TRADING CO. Ltd. On 30th June 2018:

	<u>Taka</u>
Accounts Receivable	29,000.00
Building	140,000.00
Furniture	10,000.00
Cash	2,000.00
Freight in	7,000.00
Interest Expenses	4,000.00
Salaries and Allowances	20,000.00
Inventories	6,000.00
Purchase	81,000.00
Rent, Rates and Taxes	6,000.00
Salesmen, salaries	2,000.00
Bad Debts	6,000.00
Dividends paid	15,000.00
Allowance for Doubtful accounts	16,000.00
Capital	60,000.00
Retained Earnings	7,000.00
Sales	200,000.00
Interest Income	1,000.00
Accumulated Depreciation -Furniture	4,000.00
Accumulated Depreciation -Building	30,000.00
Bonds Payable	10,000.00

Adjustments on June 30, 2018 are required as follows:

- (a) The Inventory on hand is Tk. 10,000.00
- (b) Depreciation on Furniture is to be 10% on original cost.
- (c) Building is depreciated @ 5% per annum.
- (d) The allowance for doubtful accounts are to be increased to a balance of Tk. 19,000.00
- (e) Accrued salaries Tk. 2,000.00
- (f) Accrued interest on Bonds Tk. 1,000.00
- (g) Accrued selling expenses Tk. 1,500.00
- (h) Income tax are estimated to be 35% of the net income before taxes.

Required:

- (a) Prepare a Multiple Step Income Statement and Retained Earnings Statement for the year ended June 30, 2018.
- (b) Prepare a Balance sheet as on June 30, 2018.

[Marks: (12+8) = 20]

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Q. No. 2

- (a) Identify the different types of receivables and explain how companies recognize accounts receivable.
 (b) The following represents selected information taken from a company's aging schedule to estimate uncollectable accounts receivable at year end.

Particulars	Number of days Outstanding					
	Total	0-30	31-60	61-90	91-120	Over-120
	Tk.	Tk.	Tk.	Tk.	Tk.	Tk.
Accounts receivable	375,000	220,000	90,000	40,000	10,000	15,000
Uncollectible %		1%	4%	5%	8%	10%

Required:

- (i) Calculate the total estimated bad debts based on the above information.
 (ii) Prepare the year end adjusting journal entry to record the bad debts using the aged uncollectible accounts receivable determined in (a). Assume the current balance in the allowance for doubtful accounts in a Tk. 8000 debit.
 (iii) On the above account, Tk.5000 is determined to be specifically uncollectible. Prepare the Journal entry to write off the uncollectable account.
 (iv) The Company collects Tk.5000 subsequently on a specific account that had previously been determined to be uncollectable in (iii). Prepare the journal entries necessary to restore the account and record the cash collection.
 (v) Comments on how your answers to (i)-(iv) would change if the Company used 3% of total accounts receivable, rather than aging the accounts receivable. What are the advantages to the Company of aging the accounts receivable rather than applying a percentage to total accounts receivable?

[Marks: (5+15) = 20]

Q. No. 3

- (a) Selected data on merchandise inventory purchase and sales for ABC Trading Company are presented below:

	Cost(Tk.)	Retail(Tk.)
Merchandise inventory , March 1	415,000	595,000
Transactions during the month-		
Purchases	125,000	215,000
Purchases discount	1,200	
Transportation-in	3,900	
Sales during the month	-	575,500
Sales return and allowances	-	3,500

Required:

Determine the estimated cost of merchandise inventory of ABC Trading Company on March 31, by retail method, presenting details of the computations.

- (b) X- Textiles Co. uses a perpetual inventory system. The company has same inventory, purchase and sales data for the month of June 2017 as shown below:

Inventory:	June 01 – 300 units @ tk. 17.50
Purchase:	June 10 – 900 units @ tk. 18.00
Purchase	June 20 – 1200 units @ tk. 18.25
Sales:	June08 – 150 units
Sales:	June 18 – 600 units
Sales:	June 26 – 1000 units

Required: Determine the cost of inventory on hand at June 30, 2017 under

- (i) FIFO method, (ii) LIFO method and (iii) Average method (Moving average).

[Marks: (10+10) = 20]

Q. No. 4

- (a) Explain the concept of Business entity and going concern.
 (b) A partial adjusted trial balance of X- Textiles Co. at January 31, 2017 shows following:

Adjusted Trial Balance

	Debit (Tk.)	Credit (Tk.)
Supplies	800	-
Prepaid Insurance	2,400	-
Unearned fees	-	700
Salaries Payable	-	750
Supplies expenses	950	-
Insurance expenses	400	-
Salaries expenses	1,800	-
Fees earned	-	2,500

Required:

Assuming the year begins on January 01.

- (i) If the amount of supplies expense in January is Tk. 950 and Tk. 1,050 of supplies was purchased in January, what was the balance of supplies on January 01?
 (ii) If the amount of insurance expense in January is Tk. 400 and the original insurance premium was for one year, what was the total premium and when the policy purchased?
 (iii) If Tk. 2,500 of salaries was paid in January, what was the balance in salaries payable at December 31, 2016?
 (iv) If Tk. 1,700 of fees was received in January for service performed in January, what was the balance in unearned fees at December 31, 2016?

[Marks: 4+ (4x4) = 20]

Q. No. 5

- (a) Differentiate between Intangible Assets and Wasting Assets;
 (b) X- Textiles Co. began doing business with Eastern Bank Ltd. on July 01. On that date the correct cash balance was Tk. 400,000. All cash transactions are cleared through the bank account. Subsequent transactions during July and August relating to the records of X- Textiles Co. and Eastern Bank Ltd. are summarized below:

	X- Textiles Co.	Eastern Bank Ltd.
July deposits	7,36,000	7,11,000
July cheques	6,29,000	6,13,000
July Service charges	-	1,000
July 31, balance	5,07,000	4,97,000
August deposits	8,22,000	8,28,000
August cheques	9,41,000	9,22,000
August Service charges	-	1,500
Notes collected by (includes Tk. 1,500 interest)	-	1,01,500
July service charge	1,000	-
August 31, balance	3,87,000	5,03,000

Instructions:

- (i) On the basis of the foregoing data prepare a reconciliation of receipt and disbursement and bank balance for August.
 (ii) Pass the necessary entries if required.

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

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