

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
CMA DECEMBER-2018 EXAMINATION  
SUBJECT: 001- PRINCIPLES OF ACCOUNTING

**MODEL SOLUTION**

**Solution to the question No.1**

AI – Tawaf Ltd.  
WORK SHEET  
For the year ended December 31, 2016

Accounts Title	Trial Balance		Adjustments		Adjusted T/B		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	120,000	-	-	-	120,000	-	-	-	120,000	-
Furniture & Fixtures	95,000	-	-	-	95,000	-	-	-	95,000	-
Accumulated Depreciation – Furniture & Fixtures	-	15,000	-	4,750	-	19,750	-	-	-	19,750
Accounts receivable	110,000	-	-	-	110,000	-	-	-	110,000	-
Allowances for Bad debts	-	2,000	-	2,780	-	4,780	-	-	-	4,780
Inventory (01.01.2016)	65,000	-	-	-	65,000	-	65,000	-	-	-
Unexpired Insurance	15,000	-	-	10,000	5,000	-	-	-	5,000	-
Supplies on hand	7,000	-	-	5,000	2,000	-	-	-	2,000	-
Accounts Payable	-	64,000	-	-	-	64,000	-	-	-	64,000
Common Stock	-	170,000	-	-	-	170,000	-	-	-	170,000
Retained Earning	-	50,000	-	-	-	50,000	-	-	-	50,000
Sales	-	290,000	-	-	-	290,000	-	290,000	-	-
Sales Return & Allowances	12,000	-	-	-	12,000	-	12,000	-	-	-
Purchase	120,000	-	-	-	120,000	-	120,000	-	-	-
Transportation in	10,000	-	-	-	10,000	-	10,000	-	-	-
Operating Expenses	43,000	-	-	-	43,000	-	43,000	-	-	-
Interest Expenses	5,000	-	-	-	5,000	-	5,000	-	-	-
Interest Revenue	-	11,000	-	-	-	11,000	-	11,000	-	-
<b>Total:</b>	<b>602,000</b>	<b>602,000</b>								

Depreciation Expenses			4,750	-	4,750	-	4,750	-	-	-
Bad Debt Expenses			2,780	-	2,780	-	2,780	-	-	-
Insurance Expenses			10,000	-	10,000	-	10,000	-	-	-
Supplies Expenses			5,000	-	5,000	-	5,000	-	-	-
Office Salaries Expenses			3,000	-	3,000	-	3,000	-	-	-
Office Salaries payable			-	3,000	-	3,000	-	-	-	3,000
<b>Net profit</b>							<b>20,470</b>	-	-	<b>20,470</b>
<b>Total</b>			<b>25,530</b>	<b>25,530</b>	<b>612,530</b>	<b>612,530</b>	<b>301,000</b>	<b>301,000</b>	<b>332,000</b>	<b>332,000</b>

**(b) (ii)**

Particulars	Debit Taka	Credit Taka
Office Salaries Expense To Office Salaries Payable	3,000	3,000
Bad Debts Expenses To Allowance for Bad Debt Expense	2,780	2,780
Depreciation Expenses – Furniture & Fixture To Accumulated Depreciation – Furniture & Fixture	4,750	4,750
Insurance Expense To Unexpired Insurance	10,000	10,000
Supplies Expense To Supplies	5,000	5,000

**Solution to the question No. 2**

(i)

Balance as per bank statement		<u>Taka</u> 129,900	<u>Taka</u>
Add: Deposit in transit (d)	5,000		
Wrongly Charged (g)	<u>400</u>	<u>5,400</u>	
		1,35,300	
Less: Outstanding Cheque (e)	8,200		
Wrongly Credited (f)	<u>2,000</u>	<u>10,200</u>	
<b>Adjusted balance</b>			<u>1,25,100</u>
Balance as per cash book		124,084	
Add: Wrong Deposit (h)	36		
Notes Collected (b)	<u>2,000</u>	<u>2,036</u>	
		126,120	
Less: NFS Cheque(c)	920		
Service Charge	<u>100</u>	<u>1,020</u>	
<b>Adjusted balance</b>			<u>125,100</u>

(ii)

1. Cash	2,036	
Account Receivable		2,000
Account Payable		36
2. Accounts Receivable	920	
Service Charge	100	
Cash		1,020

**Solution to the question No. 3 (b)**

(i)

Units	Unit Cost	Total Cost
60,000	Tk. 0.40	Tk. 24,000
50,000	Tk. 0.41	Tk. 20,500
40,000	Tk. 0.42	Tk. 16,800
50,000	Tk. 0.45	Tk. 22,500
<b>2,00,000</b>		<b>Tk. 83,800</b>

Beginning inventory + Purchase = Cost of units available for sale.  
 Or Beginning inventory + Tk. 83,800 = Tk. 1,18,800  
 Or Beginning inventory = Tk. 1,18,800 – Tk. 83,800  
 Or Beginning inventory = Tk. 35,000

No. of units in hand on December 01 = Tk. 35,000/ Tk. 0.35 = 1,00,000 Units

(ii) Beginning inventory + Purchase - Sales = Ending inventory.

Or - Sales = - Beginning inventory - Purchases + Ending inventory  
 Or Sales = Beginning inventory + Purchase – Ending inventory  
 Or Sales = 1,00,000 Units + 2,00,000 Units – 50,000 Units  
 Or Sales = 2,50,000 Units

No. of units sold during December – 2,50,000 Units

(iii) **Unit cost of inventory at December 31**

= Cost of units available for sale / Quantity of units available for sale  
 = Tk. 1,18,800 / 3,00,000 Units\* [\*Beginning inventory + Purchase=3,00,000 Units]  
 = Tk. 0.396 per unit

Per unit cost Tk. 0.396

(iv) **Value of ending inventory** = 50,000 units x Tk. 0.396  
 = Tk. 19,800

**Solution to the question No. 4 (b)**

Beximco Ltd,  
Journal Entries

Date	Particulars	P.R	Debit Tk.	Credit Tk.
2017 Feb 1	Retained Earnings Accumulated depreciation		25,000	25,000
March 1	Memo: 2 for 1 stock split resulted in increasing no. of shares to 120,000 (60,000X2) and reducing par value to Tk.10.(20/2)			
May 30	Retained Earnings {(120,000x10%)x Tk. 13} Common Stock Dividend distributable {(120,000x10%)x Tk. 10} Paid in capital in excess of par {(120,000x10%)x Tk. 3}		156,000	120,000 36,000

July 31	Common Stock Dividend distributable Common Stock		120,000	120,000
Aug 15	Treasury Stock Cash		36,000	36,000
Sep 5	Cash Retained Earnings Treasury Stock		11,200 3,200	14,400
Oct 10	Cash Treasury stock Paid in capital in excess of par		10,000	9,000 1,000

**Solution to the question No. 5 (a)**

**(i) Straight line Method:**

$$\text{Depreciation per year} = \frac{1,30,000 - 4,000}{7}$$

$$= \text{Tk. } 18,000$$

Depreciation for 2016 and 2017: Tk.18,000

**(ii) Units of output Method:**

$$\text{Depreciation per unit} = \frac{1,30,000 - 4,000}{5,25,000} = \text{Tk. } 0.24$$

Depreciation for 2016:  $55,000 \times 0.24 =$  Tk.13,200  
 2017:  $48,000 \times 0.24 =$  Tk.11,520

**(iii) Working Hour method**

$$\text{Depreciation per hour} = \frac{1,30,000 - 4,000}{42,000} = \text{Tk. } 3$$

Depreciation for 2016:  $6000 \times 3 =$  Tk.18,000  
 2017:  $5,500 \times 3 =$  Tk.16,500

**(iv) Sum of years digit method**

Sum of total number of year  $1+2+3+4+5+6+7 = 28$

$$\text{Depreciation for 2016: } (130,000 - 4,000) \times \frac{7}{28} =$$
 Tk.31,500

$$\text{Depreciation for 2017: } 126,000 \times \frac{6}{28} =$$
 Tk.27,000

**(v) Double declining balance:**

$$\text{Depreciation for 2016: } (130,000 \times *28.57\%) =$$
 Tk.37,141

[\* Straight line rate  $\times 2 = (100\%/7) \times 2$ ]

$$\text{Depreciation for 2017: } (130,000 - 37,141) \times *28.57\% =$$
 Tk.26,530

<b>(b)</b>		Tk.	Tk.
	Franchise	84,000	
	Prepaid rent	56,000	
	Organization expense	6,000	
	Retained earnings	10,000	
	Patents (74,000+12,650)	86,650	
	Research and development expense (25,000+80,000)	1,05,000	
	Goodwill	2,78,400	
	Intangible assets		6,26,050
	Franchise amortization expenses (84,000÷8)	10,500	
	Retained earnings (84,000÷8) × $\frac{6}{12}$	5,250	
	Franchise		15,750

Rent expense ( $56,000 \div 2$ )	28,000	
Retained earnings ( $28,000 \times \frac{3}{12}$ )	7,000	
Prepaid rent		35,000
Patent amortization expense	8,170	
Patent		8,170
$(74,000 \div 10) + (12,650 \times \frac{7}{*115}) = 8,170$		
* $[(10 \times 12) - 5]$		

**= THE END =**