

**CMA DECEMBER-2019 EXAMINATION
FOUNDATION LEVEL
SUBJECT: 001. PRINCIPLES OF ACCOUNTING**

MODEL SOLUTION

Solution of Question No. 1 (i)

**ABC CO. LTD.
Work Sheet
For the year ended 31st December, 2018**

Sl. No.	Head of Accounts	Trial Balance		Adjustment		Income Statement		Balance Sheet	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
		Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
1	Accounts Receivable	4,545,000			5,500			4,539,500	
2	Advertisement	145,000				145,000			
3	Building	550,000						550,000	
4	Building Maintenance	32,500				32,500			
5	Furniture	110,000						110,000	
6	Cash	2,617,500						2,617,500	
7	Freight in	185,000				185,000			
8	Insurance	187,000				187,000			
9	Interest Expenses	127,000				127,000			
10	Inventory 01.01.2018	2,258,440		2,618,700	2,258,440			2,618,700	
11	Land	2,955,000						2,955,000	
12	Office Expenses	788,000				788,000			
13	Purchase	7,955,460				7,955,460			
14	Sales Return	237,900				237,900			
15	Selling Expenses	418,300		42,000		460,300			
16	Supplies Expenses	114,000			7,800	106,200			
17	Rent, Rates and Taxes	225,400		25,000		250,400			
18	Loss on Sale of Furniture	7,500				7,500			
19	Accounts Payable		1,817,500						1,817,500

20	Allowance for Depreciation of Building		65,000		19,250				84,250
21	Allowance for Doubtful accounts		57,500	5,500	76,300				128,300
22	Share Capital		10,000,000						10,000,000
23	Retained Earnings		751,500						751,500
24	Purchase Discount		50,000				50,000		
25	Sales		10,058,900				10,058,900		
26	Interest Income		38,600	700			37,900		
27	Rental Income		620,000		45,000		665,000		
28	Income Summary			2,258,440	2,618,700	2,258,440	2,618,700		
29	Doubtful Accounts Expenses			76,300		76,300			
30	Dep. Expenses - Building			19,250		19,250			
31	Selling Expenses Payable				42,000				42,000
32	Rent, Rates and Taxes Payable				25,000				25,000
33	Supplies			7,800				7,800	
34	Accrued Rental Income			45,000				45,000	
35	Interest Received in Advance				700				700
36	Net Income					594,250			594,250
	Total	23,459,000	23,459,000	5,098,690	5,098,690	13,430,500	13,430,500	13,443,500	13,443,500

Solution of Question No. 1(ii) Income Statement

ABC Co. Ltd.
Income Statement
For the year ended 31st December, 2018

	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Revenue from Sales			
Sales		1,00,58,900	
Less: Sales return		<u>2,37,900</u>	98,21,000
Cost of goods sold:			
Inventory 01-01-2018		22,58,440	
Purchases	79,55,460		
Freight in	<u>1,85,000</u>		
Delivered cost of purchased	81,40,460		
Less: Purchases discount	<u>50,000</u>	<u>80,90,460</u>	
		1,03,48,900	
Less: Inventory 31-12-2018		<u>26,18,700</u>	<u>77,30,200</u>
Gross profit on sales			20,90,800
Operating Expenses:			
Building Maintenance		32,500	
Insurance		1,87,000	
Office Expenses		7,88,000	
Selling Expenses		4,60,300	
Supplies Expenses		1,06,200	
Rent, Rates and Taxes		2,50,400	
Doubtful Accounts Expenses		76,300	
Depreciation-Building		19,250	
Advertisement		<u>1,45,000</u>	<u>20,64,950</u>
			<u>25,850</u>
Operating Income			
Other Income and Expenses			
Interest Income		37,900	
Rental Income		<u>6,65,000</u>	
		7,02,900	
Interest Expenses	1,27,000		
Loss on sale of Furniture	<u>7,500</u>	1,34,500	<u>5,68,400</u>
Net Income			<u>5,94,250</u>

Solution of Question No. 1(ii) Balance Sheet

ABC Co. Ltd.
Balance Sheet
As at 31st December, 2018

Assets	Amount	Amount
Current Assets:		9,700,200.00
Accounts receivables (Net)	4,539,500.00	
Less: Allowances for doubtful accounts	<u>128,300.00</u>	4,411,200.00
Inventory		2,618,700.00
Cash		2,617,500.00
Supplies		7,800.00
Accrued rental income		45,000.00
Non-Current Assets:		3,530,750.00
Buildings	550,000.00	
Less: Allowance for Depreciation of Buildings	<u>84,250.00</u>	465,750.00
Furniture		110,000.00
Land		2,955,000.00
Total Assets		<u>13,230,950.00</u>
Liabilities & Owner's Equity	Amount	Amount
Owners' Equity		11,345,750.00
Share capital		10,000,000.00
Retained Earnings, Opening balance	751,500.00	
Add: Profit during the year	<u>594,250.00</u>	1,345,750.00
Liabilities		
Current Liabilities		1,885,200.00
Accounts Payable		1,817,500.00
Selling expenses payable		42,000.00
Rent, Rates & Taxes Payable		25,000.00
Advance interest received		700.00
Total Liabilities		1,885,200.00
Total Liabilities & Owner's equity		<u>13,230,950.00</u>

Solution of Question No. 2(b) (i)

**Orbit Company
Bank Reconciliation
March 31, 2018**

Particulars	Taka	Taka
Balance as per Bank Statement March 31, 2018		4,450.00
Add: Deposit in transit	1,300.00	
Cheque charged in error	200.00	1,500.00
		5,950.00
Less: Outstanding cheques		1,050.00
Adjusted balance March 31, 2018		<u>4,900.00</u>
Balance as per ledger March 31, 2018		4,459.00
Add: Note collected	1,000.00	
Interest earned on checking A/C	20.00	
Error in recording Customer's cheque	13.50	1,033.50
		5,492.50
Less: Service and collection charge	10.00	
NSF cheque	75.00	
Orbit Company note charged against Account	507.50	592.50
Adjusted balance March 31, 2018		<u>4,900.00</u>

(b) (ii)

Alternatively:

Date 2017	Account Titles	Debit Taka	Credit Taka
July 14	Cash	1,033.50	-
	To, Notes receivable	-	1,000.00
	Interest Revenue	-	20.00
	Accounts Receivable	-	13.50
	(To record additions to cash Account)		
	Bank service charge expense	10.00	-
	Accounts Receivable	75.00	-
	Notes Payable	507.50	-
	To Cash	-	592.50
	(to record deductions from cash account)		

Solution of Question No. 3(c)

- i) $\frac{\text{Cost Tk } 28,20,000 - \text{Salvage Value Tk. } 3,00,000}{\text{Life } 8 \text{ Years}} = \text{Tk. } 3,15,000$
- ii) 2nd Year opening book value Tk. 28,20,000 – 1st Year depreciation Tk. 7,05,000 (25% of 28,20,000) = Tk. 21,15,000
2nd year Depreciation – 25% of Tk. 21,15,000 = Tk. 5,28,750
- iii) 2nd Year Depreciation = $\frac{7}{36}$ of 25,20,000 (28,20,000 – salvage value 3,00,000)
= Tk. 4,90,000
Book Value at the end of 2nd year Tk. 28,20,000 – (accumulated Depreciation 5,60,000 + 4,90,000) = Tk. 17,70,000

Solution of Question No. 4(a)

Journal entries:

(i) 01/01/2010	Debit (Tk.)	Credit(Tk.)
Accumulated Depreciation	72,000.00	
Loss on Disposal of Machinery	12,000.00	
Machinery		84,000.00
(To record retirement of the machinery)		
 (ii) 01/07/09:		
Depreciation Expense	9,000.00	
Accumulated Depreciation		9,000.00
(To record depreciation to the date of disposal for 6 months)		
 01/07/09:		
Cash	15,000.00	
Accumulated Depreciation	63,000.00	
Loss on Disposal of Machinery	6,000.00	
Machinery		84,000.00
(To record the sale of the machinery)		
 01/01/09:		
Machinery (New)	36,000.00	
Accumulated Depreciation	54,000.00	
Machinery (Old)		84,000.00
Cash		6,000.00
(To record exchange of the machinery)		
 Workings: Fair market value of the Machinery	34,000.00	
 Cash paid	6,000.00	
 Cost of the New Machinery	40,000.00	

Gain on exchange adjustment	(4,000.00)
Value of the new machinery	36,000.00
Cost value of the Machinery	84,000.00
Less Accumulated depreciation	(54,000.00)
Book value of machinery	30,000.00

Fair market value of machinery Tk. 34,000.

Therefore the gain on exchange: Tk. 34,000-30,000 = Tk. 4,000.

Solution of Question No. 4(b) (i)

	Taka
Depreciation for 2008 on Tk. 30,000 @ 10%	3,000.00
3,000	
Depreciation for 2009: (Tk. 30,000-3,000)* 10%	2,700.00
Depreciation up to 31-12-2009	5,700.00
Book value of machinery as on 01-07-2010	
(30000 -5700)*10% for 6months	1,215.00
Total depreciation up to 01-07-2010	6,915.00

Journal entries

01/07/10 Cash	15,000.00	
Accumulated Depreciation	6,915.00	
Loss on Disposal of Machinery	8,085.00	
Machinery		30,000.00
(To record the sale of the machinery)		

(b)(ii)

Depreciation of the existing machinery:

Book value of existing MC on 01-01-2010 excluding sold MC: (Tk. 1,75,000 – 24,300) 150,700.00

BV of total MC	175,000
Less: BV of sold MC	24,300
Tk.30,000-3000-2700	

Depreciation @ 10% on Tk. 1,50,700 in 2010, full year charge	15,070.00
Depreciation @ 10% on sold MC Tk. 24,300 in 2010 for 1 st 6 months	1,215.00
Depreciation of the new machinery (Tk. 35,000+2,500)* 10% for 6 months	1,875.00
Total depreciation to be charged in 2010	18,160.00

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