

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA JUNE, 2018 EXAMINATION
FOUNDATION LEVEL
SUBJECT: 001. PRINCIPLES OF ACCOUNTING

Model Solution

Solution to the question No.1 (a)

**ABC Company Ltd.
Statement of Financial Performance
FOR THE YEAR ENDED ON JUNE 30, 2017**

	Tk.	Tk.	Tk.
Revenue from Sales:			
Sales		2,460,000	
Less: Sales return	33,600		
Sales discount	54,000	87,600	2,372,400
Cost of goods sold:			
Inventory July 1, 2016		648,000	
Purchases	1,384,800		
Freight in	36,000		
Delivered cost of purchased	1,420,800		
Less : Purchase return	78,000		
Purchase Discount	<u>31,600</u>	109,600	1,311,200
Goods available for sale		1,959,200	
Less : Inventory 30.6.2017		507,200	1,452,000
Gross profit on sales			920,400
Operating Expenses:			
Selling expenses:			
Store supplied used	7,000		
Dep. on store equipment	17,000		
Sale salaries	246,000		
Add: Accrued	<u>4,600</u>	250,600	
Delivery exp.	68,000		
Insurance exp.	9,700	352,300	
General and Adm. expenses:			
Office supplies used	3,600		
Insurance exp.	2,600		
Dep. On office equip.	5,200		
Rent Expenses	48,000		
Office salaries	136,000		
Add: Accrued	<u>2,100</u>	138,100	
Office Expenses	15,000		
Misc. General Exp.	13,600	226,100	578,400
Operating Income			342,000
Other revenue and expenses:			
Interest expenses		30,000	
Add: Accrued interest on notes payable		4,800	34,800
			307,200
Gain and Loses:			
Gain on disposal of assets			7,200
Income from contin. operation before income tax			314,400
Income tax @ 45%			141,480
Net Income after Income Tax			172,920

Solution to the question No.1 (b)

**ABC Company Ltd.
Statement of Financial Position
AS AT 30 JUNE, 2017**

ASSETS		Taka	Taka
Current Assets:			
Cash and Bank		240,000	
Accounts receivable		672,000	
Inventory June 30, 2017		507,200	
Office Supplies Inventory		2,200	
Store supplies inventory		9,000	
Prepaid Insurance		12,700	1,443,100
Land, Building and Equipment:		232,000	
Store Equipment	170,000		
Less : Acc. Dep.	<u>62,000</u>	108,000	
Office Equipment	52,000		
Less : Acc. Dep.	<u>21,200</u>	30,800	370,800
Total Assets			1,813,900
LIABILITIES			
Current Liabilities:			
Accounts Payable		360,000	
Sales salaries payable		4,600	
Office salaries payable		2,100	
Accrued interest payable		4,800	
Income Tax payable		141,480	512,980
Long term debt:			
Mortgage notes payable			600,000
Shareholders' equity		528,000	
Net Income		172,920	700,920
Total Liabilities and Shareholders' Equity			1,813,900

Solution to the question No.2 (b)

Orion Company Limited
Bank Reconciliation Statement
 January 31, 2016

(b) (i)

Cash balance per bank statement		Tk. 6,404.60
Add: Deposits in transit		<u>1,916.15</u>
		Tk.8,320.75
Less: Outstanding cheques		<u>576.25</u>
		Tk.7,744.50
Add: Cheque issued by different company charged by bank in error		<u>800.00</u>
Adjusted cash balance per bank		<u>Tk. 8,544.50</u>
Cash balance per books		Tk. 6,781.50
Add: Collection of note receivable Tk. 2,500 plus Tk. 80 interest, less collection fee Tk. 20		<u>2,560.00</u>
		Tk. 9,341.50
Less: Bank charge for additional company cheque	Tk. 40.00	
Errors in recording amount of cash sales Tk. (886.15 – 836.15)	50.00	
Error in recording amount of issued cheque Tk. (685 – 658)	27.00	
NSF cheque	<u>680.00</u>	<u>797.00</u>
Adjusted cash balance per books		<u>Tk. 8,544.50</u>

(b) (ii)

		Tk.	Tk.
January 31, 2016	Cash	2,560	
	Bank charge	20	
	Notes receivable		2,500
	Interest revenue		80
	(To record collection of note by bank)		
	Bank charge	40	
	Cash		40
	(To record bank charge)		
	Sales	50	
	Cash		50
	(To correct error occurred in recording amount of cash sales)		
	Accounts payable	27	
	Cash		27
	(To correct error occurred in recording amount of issued cheque)		
	Accounts receivable	680	
	Cash		680
	(To record NSF cheque from Alom)		

Solution to the question No. 3 (b)**HALIM MOTORS LIMITED**

Date	Particulars	Debit Taka	Credit Taka
April 01, 2016	Retained Earnings Dividend Payable	7,80,000	7,80,000
May 01, 2016	Dividend Payable Cash	7,80,000	7,80,000
August 01, 2016	Retained Earnings $\{(5,20,000 \times 10\%) \times 15\}$ Common Stock Dividend distributable $\{(5,20,000 \times 10\%) \times 10\}$ Paid in capital in excess of par $\{(5,20,000 \times 10\%) \times 5\}$	7,80,000	5,20,000 2,60,000
August 31, 2016	Common Stock Dividend distributable Common Stock	5,20,000	5,20,000
December 01, 2016	Retained Earnings Dividend Payable	8,58,000	8,58,000
December 31, 2016	Income Summary Retained Earnings	12,00,000	12,00,000

Solution to the question No. 4 (b)

Journal Entries			
March 01	Accounts Receivable -Potter Sales (To record sales on account)	Tk. 20,000	Tk. 20,000
March 11	Cash Sales Discounts(2%* Tk.20,000) Accounts Receivable –Potter (To record collection of accounts receivable)	19,600 400	20,000
March 12	Notes Receivable Accounts Receivable –Juno (To record acceptance of Juno Company note)	20,000	20,000
March 13	Accounts Receivable Sales (To record Company credit card sales)	13,200	13,200
March 15	Cash Service Charge Expense (3%*Tk. 6,700) Sales (To record credit card sales)	6,499 201	6,700
April 11	Cash Service Charge Expense (2%*Tk. 8,000) Accounts Receivable (To record sale of receivables to factor)	7,840 160	8,000
April 13	Cash Accounts Receivable (To record collection of accounts receivable)	8,200	8,200

	Accounts Receivable[(Tk.13,200---Tk.8,200)*1.5%] Interest Revenue (To record interest on amount due)	75	75
May 10	Allowance for doubtful Accounts Accounts Receivable (To record write-off of accounts receivable)	16,000	16,000
June 30	Bad debts Expense (Tk.2,000,000*1%) Allowance for Doubtful accounts (To record estimate of uncollectible accounts)	20,000	20,000
July 16	Accounts Receivable –J. Simon Allowance for doubtful Accounts (To reverse write – off of accounts receivable) Cash Accounts Receivable –J. Simon (To record collection of accounts receivable)	4,000 4,000	4,000 4,000

Solution to the question No. 5 (b) (1)

UNITED MOTORS LTD.
Salary Register for the month of January, 2017

Dept.	No. of Emp.	Earnings							Deductions			Net payable
		Basic	House rent	D.A	Conv.	Medi.	Bonus	Total earnings	Union Fee	P.F	Total deduct	
Prod.	300	14,40,000	144,000	144,000	75,000	60,000	360,000	22,23,000	7,500	144,000	151,500	20,71,500
Serv.	175	840,000	84,000	84,000	43,750	35,000	210,000	12,96,750	4,375	84,000	88,375	12,08,375
Adm.& Fin.	25	120,000	12,000	12,000	6,250	5,000	30,000	185,250	625	12,000	12,625	172,625
Total	500	24,00,000	240,000	240,000	125,000	100,000	600,000	37,05,000	12,500	240,000	2,52,500	34,52,500

Solution to the question No. 5 (b) (2)

Date	Particulars	Debit Taka	Credit Taka
January 31, 2017	Payroll expenses Accrued Payroll	37,05,000	37,05,000
„	Accrued Payroll Payroll voucher Union fee P.F	37,05,000	34,52,500 12,500 2,40,000
„	Payroll voucher Cash	34,52,500	34,52,500
„	Wages expense Office salary exp. P.F	228,000 12,000	240,000
„	Wages expense Office salary exp. Payroll expense	35,19,750 185,250	37,05,000

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