ICMAB
THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH

CMA JUNE-2019 EXAMINATION
FOUNDATION LEVEL
SUBJECT: 001- PRINCIPALS OF ACCOUNTING

Model Solution

Solution to the question No. 1 (a)

DHAKA TRADING CO. LTD.
Income Statement
For the year ended 30th June 2018

	Taka	Taka	Taka
Revenue from Sales:			
Sales			200,000
Cost of goods sold:			
Opening Inventory		6,000	
Purchases	81,000		
Freight in	7,000	88,000	
Cost of goods available for sale		94,000	
Less : Closing Inventory		10,000	84,000
Gross profit on sales			*116,000*
Operating Expenses:			
Selling Expenses:			
Bad Debt expenses (6000+19000-16000)		9,000	
Selling Expenses		1,500	
Sales Men Salaries		2,000	
		12,500	
General and Adm. Expenses:			
Rent rate and Taxes		6,000	
Salaries and all. (20000+2000)		22,000	
Dep. Exp. Building		7,000	
Dep. Exp. Furniture		1,000	
		36,000	
Total operating expenses			48,500
Total operating Income			67,500
Interest Income			1,000
			68,500
Interest Expenses (4000+1000)			5,000
Net Income before Income Tax			63,500
Less Income Tax 35%			22,225
Net Income after Income Tax			**41,275**

DHAKA TRADING CO. LTD.
Retained Earnings Statement
For the year ended 30th June 2018

Balance as on 01.07.2017	7,000
Add net income after tax	41,275
	48,275
Less Dividend Paid	15,000
Balance as on 30.06.2018	**33,275**

(b)

DHAKA TRADING CO. LTD.
Balance Sheet
As at 30th June 2018

Assets	Taka	Taka
Current Assets:		
Cash		2,000
Accounts Receivable	29000	
Less allowance for doubtful a/c	19000	10,000
Inventory		10,000
		22,000
Fixed Assets:		
Furniture	10000	
Less : Acc. Depreciation	5000	5,000
Building	140000	
Less : Acc. Depreciation	37000	103,000
		108,000
Total Assets		**130,000**

Liabilities and Owners Equity		
Current Liabilities:	Taka	Taka
Salaries Payable	2,000	
Interest Payable	1,000	
Selling Exp. Payable	1,500	
Income Tax Payable	22,225	26,725
Long Term Liabilities:		
Bond Payable		10,000
		36,725
Owners Equity		
Capital	60,000	
Add Retained Earnings	33,275	93,275
Total Liabilities and Owners Equity		**130,000**

Solution to the question No. 2 (b)

(i)

	Number of Days outstanding					
	Total	0-30	31-60	61-90	91-120	Over-120
	Tk.	Tk.	Tk.	Tk.	Tk.	Tk.
A/C Receivable	375,000	220,000	90,000	40,000	10,000	15,000
% Uncollectible		1%	4%	5%	8%	10%
Estimated Bad Debts	10,100	2200	3600	2000	800	1500

(ii) Bad Debts Expenses 18,100
Allowance for Doubtful Accounts 18,100
(10100 + 8000)

(iii) Allowance for Doubtful Accounts 5,000
Accounts Receivable 5,000

(iv) Accounts Receivable 5,000
Allowance for Doubtful Accounts 5,000

Cash 5,000
Accounts Receivable 5,000

(v) If the Co. used 3% of total accounts receivable rather than aging the individual accounts the bad debt expenses adjustment would be Tk. 19,250 (375,000X3%) + 8,000. The rest of the entries would be the same as they were when aging the accounts receivable.

Aging the individual accounts rather than applying a percentage to the total accounts receivable should produce a more accurate allowance account and bad debts expenses.

Solution to the question No. 3 (a)

ABC Trading Company
Cost of merchandise Inventory

		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		
	123,800		
Transportation-in	3,900	127,700	
Goods available for sale		542,700	810,000
Cost/retail price ratio:			

(542,700/810,000 = 67%)

Sales during the month	575,500	-	
Sales return and allowances	3,500	-	
Net Sales during March			572,000
Ending Inventory at retail price			***238,000***

Ending Inventory at cost, March 31, appx.

(Cost/retail price ratio-67% of 238,000) *159,460*

Solution to the question No. 3 (b)

Perpetual inventory system

FIFO Method

Date	Received	Issued	Balance
2017- Jun.01			300@17.50= 5,250.00
Jun.08		150@17.50= 2,625.00	150@17.50= 2,625.00
Jun.10	900@18.00= 16,200.00		150@17.50= 2,625.00 900@18.00= 16,200.00 18,825.00
Jun.18		150@17.50= 2,625.00 450@18.00= 8,100.00	450@18.00= 8,100.00
Jun.20	1200@18.25= 21,900.00		450@18.00= 8,100.00 1200@18.25= 21,900.00 30,000.00
Jun. 26		450@18.00= 8,100.00 550@18.25= 10,037.50	650@18.25= 11,862.25

LIFO Method

Date	Received	Issued	Balance
2017- Jun.01			300@17.50= 5,250.00
Jun.08		150@17.50= 2,625.00	150@17.50= 2,625.00
Jun.10	900@18.00= 16,200.00		150@17.50= 2,625.00 900@18.00= 16,200.00 18,825.00
Jun.18		600@18.00= 10,800.00	150@17.50= 2,625.00 300@18.00= 5,400.00 8,025.00
Jun.20	1200@18.25= 21,900.00		150@17.50= 2,625.00 300@18.00= 5,400.00

			1200@18.25= 21,900.00 29,925.00
Jun. 26		1000@18.25= 18,250.00	150@17.50= 2,625.00 300@18.00= 5,400.00 200@18.25= 3,650.00 11,675.00

Average Method

Date	Received	Issued	Balance
2017- Jun.01			300@17.50= 5,250.00
Jun.08		150@17.50= 2,625.00	150@17.50= 2,625.00
Jun.10	900@18.00= 16,200.00		1050@17.929=18,825.00
Jun.18		600@17.929= 10,757.00	450@17.929= 8,068.00
Jun.20	1200@18.25= 21,900.00		1650@18.162=29,968.00
Jun. 26		1000@18.162= 18,162.00	650@18.162= 11,806.00

Solution to the question No. 4 (b)

(i)	Supplies expenses (Used adjustment)	Tk. 950
	Balance of un used supplies	Tk. 800
	Total supplies available	Tk. 1,750
	Less; Purchase in January	Tk. 1,050
	Debit balance or balance on January 1	Tk. 700
(ii)	Monthly insurance expenses	Tk. 400
	Total Premium of insurance Tk. 400 x 12 =	Tk. 4,800
	Premium expired on January 31 = Tk. 4,800 – (2,400)	Tk.2,400
	Policy was purchased 2400/400 = 6 month back from January 31 i.e. on August 1, 2016.	
(iii)	Salary paid in January	Tk. 2,500
	Salaries expense in adjusted trial balance	Tk. 1,800
	Salaries payable on December 2016 paid in January	Tk. 700
	Salaries payable balance at 31 Jan	Tk. 750
	Balance of Salaries payable at Dec 31, 2016	Tk. 1,450
(iv)	Total fees earned	Tk. 2,500
	Fees received during January	Tk. 1,700
	Unearned fees earned in January on December 2016	Tk. 800
	Balance of un earned fees at end	Tk. 700
	Add Unearned fees earned during January 2017	Tk. 800
	Balance of unearned fees at December 3, 2016	Tk. 1,500

Solution to the question No. 5

X – Textiles Co.
Reconciliation of Receipts, Disbursement and Bank Balance
As of August 31

	Beginning Reconciliation July 31 Tk.	Receipts Tk.	Disbursement Tk.	Ending Reconciliation August 31 Tk.
Balance as per book	507,000	822,000	942,000*	387,000
Notes and interest Collected by bank		101,500		101,500
Bank Service Charge:				
July	(1,000)		(1,000)	
August			1,500	(1,500)
Corrected book Balance	506,000	923,500	942,500	487,000
Balance as per bank balance	497,000	929,500**	923,500***	503,000
Receipts not deposited:				
July 31 (Tk. 736,000-Tk. 711,000)	25,000	(25,000)		
August (Tk. 822,000+Tk. 25,000)-828,000		19,000		19,000
Outstanding Cheques:				
July (Tk. 629,000 – Tk. 613,000)	(16,000)		(16,000)	
August (Tk. 941,000+ Tk 16,000 - Tk. 922,000)			35,000	(35,000)
Corrected bank balance	506,000	923,500	942,500	487,000

Working Notes:

- Disbursement = (Tk. 941,000 + Tk. 1,000) = Tk. 942,000

** Receipts = (Tk. 828,000 + Tk. 101,500) = Tk. 929,500

*** Disbursement = (Tk. 922,000 + Tk. 1,500) = Tk. 923,500

= THE END =