

**CMA JUNE-2020 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 201. ADVANCED FINANCIAL ACCOUNTING-I**

Model Solution

Solution of the Q. No. 1

1 (b)

Mr. Khan
Trading and Profit & Loss Account
For the year ended 31-3-2020

Dr.	Taka	Cr.	Taka
To Opening Stock	5,000	By Sales	62,550
To Purchase	50,250	By Closing Stock	5,500
To Gross Profit c/d	12,800		
	68,050		68,050
To business expenses	3,500	By gross Profit b/d	12,800
To Net Profit transferred to Capital	9,750	By Interest on Fixed Deposits (for 3 months)	100
		By Interest on National Defence Certificate (for 1 year)	350
	13,250		13,250

Balance Sheet as at 31-3-2020

Liabilities	Taka	Assets	Taka
Capital:		Freehold Cottage	10,000
as on 31-3-2019	25,100	3.50% National Defence Certificate	10,000
Add: Net Profit	9,750	Stock in Trade	5,500
Less: Drawings	4,000	Sundry Debtors	5,750
	30,850	Bank	1,600
Sundry Creditors	2,000		
	32,850		32,850

Workings:-

(1)	Balance at Bank on 1-4-19:	
	Balance as on 31-3-20	1,600
	Add: Withdrawals during the year	59,250
		60,850
	Less: Lodgements during the year	60,100
		750
(2)	Receipts from Customers during the year:	
	Lodgement into Bank	60,100
	Add: Expenses met out of receipts	
	Business	3,500
	Personal	4,000
		7,500
		67,600

Less: Lodgements of

Encashment Fixed Deposit	5,000	
Interest on it (for 6 months)	200	
Interest on N.D.C. (for 1 year)	<u>350</u>	
		5,550
		<u>62,050</u>
(3) Sales during the year:		
Receipt from customers as in (2)		62,050
Add: Sundry Debtors at the end		<u>5,750</u>
		67,800
Less: Sundry Debtors at the beginning		<u>5,250</u>
		<u>62,550</u>
(4) Purchases during the year:		
Payment to suppliers (59,250 - 10,000)		49,250
Add: Creditors at the end		<u>2,000</u>
		51,250
Less: Creditors at the beginning		<u>1,000</u>
		<u>50,250</u>

(5) Capital on 31-03-19:

Balance Sheet as at 31-3-2019

Liabilities	Taka	Assets	Taka
Sundry Creditors		Freehold Cottage (assumed to be same as on 31-3-19)	10,000
Capital (balancing figure)	1,000	8% Fixed Deposit	5,000
	25,100	Interest accrued thereon (for 3 months)	100
		Stock in Trade	5,000
		Sundry Debtors	5,250
		Bank	750
	26,100		26,100

Solution of the Q. No. 2

Consignment account in the Books of Hannan

Dr.	Taka	Taka	Income	Taka	Cr.
Expenses					
Goods sent to Consignment A/C	500 x 1,000	500,000	Mannan's A/C (Sales)	300 X 2,000	600,000
Cash A/C:					
Freight	150,000		Goods lost in Transit		142,000
Loading	50,000		Consignment Stock		76,000
Insurance	<u>10,000</u>	210,000			
Mannan (consignee) A/C:					
Unloading	24,000				

Carrying	16,000			
Rent	<u>20,000</u>	60,000		
Mannan's Commission A/C:		30,000		
Profit on consignment transferred to Profit and Loss A/C		18,000		
		<u>818,000</u>		<u>818,000</u>

Workings:

(1) Valuation of goods lost in Transit:		<u>Taka</u>
Value of Consignments	500 X	500,000
Add: Expenses incurred by Consignor	1,000	
(1,50,000+50,000+10,000)		<u>210,000</u>
		710,000
Less: Amount of loss in transit of 100 units		
(7,10,000/500 x 100)		<u>142,000</u>
		568,000
Add: Expenses paid by Consignee after Loss		
(24,000+16,000)		<u>40,000</u>
Value of 400 units		<u>608,000</u>

(2) Value of Consignment Stock:		
(6,08,000/400 X 50)		76,000

Solution of the Q. No. 3

**Chittagong Club limited
Income and Expenditure A/C
For the year ended December 31, 2019**

Expenditure	Taka	Taka	Income	Taka	Taka
Salaries	5,600		Subscription	7,500	
Less: Last year Arrear	<u>400</u>		Add: Current year's arrear	<u>400</u>	7,900
	5,200		Subscription received during 2019 in excess of provision made in 2018:		
Add: Current year's Outstanding	<u>500</u>	5,700			
Printing & Stationary	1,750		Subscription Received	200	
Add: Current year's Outstanding	<u>100</u>	1,850	Less: Provisions Made	<u>150</u>	
Expenditure for Refreshment	3,200		Excess Subscription Received		50
Less: Stock of Refreshment	<u>100</u>	3,100	Charges of Refreshment		4,300
	-		Interest income	900	
	-		Less: Last year's Accrued	<u>300</u>	
	-			600	
Excess of Income over Expenses		2,320	Add: Current year's Accrued	<u>120</u>	720
		<u>12,970</u>			<u>12,970</u>

Chittagong Club limited
Balance Sheet
as at December 31, 2019

Liabilities	Taka	Taka	Assets	Taka	Taka
General fund b/f	24,850		Cash and Bank balance		1,400
Add: Excess of Income over Expenses	<u>2,320</u>		Building	20,000	
	27,170		Add: Addition during the year	<u>3,000</u>	23,000
Add: Donation for Sports Equipment	<u>1,000</u>	28,170	Furniture	1,000	
Prize Fund	8,000		Less: Sale of Furniture	<u>200</u>	
Less: Cost of Gold Medal	<u>350</u>	7,650		800	
Donation for Stage		4,000	Add: Addition during the year	<u>500</u>	1,300
Outstanding Salary	-	500	Sports Equipment		1,000
Advance Subscription	-	400	Investment b/f	10,000	
Outstanding Bill for Furniture	-	500	Add: Addition during the year	<u>4,000</u>	14,000
Outstanding Printing Bill	-	100	Accrued Interest on investment		120
	-		Arreare Subscription		400
			Stock of Refreshment	-	100
	Total	1,320		Total	41,320

Solution of the Q. No. 4

New Asia Insurance Co. Ltd.

Revenue Account for the year ended 30th June 2020

Particulars	Schedule	Current Year Tk.
Premium Earned (Net)	1	<u>24,24,504</u>
Total (A)		<u>24,24,504</u>
Claims Incurred (Net)	2	6,81,696
Commission	3	3,11,799
Operating Expenses related to Insurance Business	4	<u>3,75,947</u>
Total (B)		<u>13,69,442</u>
Operating Profit from Fire Business (C) = (A) - (B)		<u>10,55,062</u>
<u>Appropriations:</u>		
Transferred to Shareholders' Account		<u>10,55,062</u>
Total (C)		<u>10,55,062</u>
Operating Profit from Fire Insurance		<u>10,55,062</u>
Income from Investments		<u>1,53,000</u>
Total (A)		<u>12,08,062</u>

Expenses other those related to Insurance Business:

Rent	67,500
Rates & Taxes	5,804
Audit Fee	<u>36,000</u>
Total (B)	<u>1,09,304</u>
Profit before Tax (A)- (B)	<u>10,98,758</u>
Provision for Taxation @ 40%	<u>4,39,503</u>
	<u>6,59,255</u>
Appropriations:	
Proposed Final Dividend @30%	3,00,000
Dividend Distribution Tax @ 17%	51,000
Transfer to General Reserve	<u>2,19,000</u>
	89,255
Balance of Profit brought forward from last year	<u>25,000</u>
Balance Carried forward to Balance Sheet	<u>1,14,255</u>

Balance Sheet as on 30 June, 2020

Particulars	Schedule	Current Year <u>Taka</u>
Source of Funds		
Share Capital	5	10,00,000
Reserves and Surplus	6	<u>9,13,255</u>
Total		<u>19,13,255</u>
Applications of Funds:		
Investments	8	<u>31,30,000</u>
Taka		
Current Assets		
Cash and Bank Balances	11	4,82,462
Advances and Other Assets	12	<u>42,300</u>
Sub-Total (A)		<u>5,24,762</u>
Current Liabilities	13	1,26,500
Provisions	14	<u>16,15,007</u>
Sub-Total (B)		<u>17,41,507</u>
Net Current Assets (C)= (A)- (B)		<u>(12,16,745)</u>
Total		<u>19,13,255</u>

Schedule-1

Premiums Earned (Net)

Premiums	26,01,533
Less: Premium on reinsurance ceded	(1,12,525)
	24,89,008
Adjustment for increase in Reserve for Unexpired Risks, BDT (12, 44,504-11, 80,000)	(64,504)
	24,24,504

Schedule-2**Claims Incurred (Net)**

	Taka
Claims Paid BDT (6,02,815+3,600+20,000)	6,58,815
Less: Reinsurance ceded	<u>(21,119)</u>
	6,37,696
Add: Claims outstanding at the end of the year	<u>1,04,000</u>
	7,41,696
Less: Claims outstanding at the beginning of the year	<u>(60,000)</u>
	<u>6,81,696</u>

Schedule-3

Commission	Taka
Commission paid on :	
Direct Business	2,99,777
Add: Reinsurance accepted	<u>60,038</u>
	3,59,815
Reinsurance ceded	<u>48,016</u>
	<u>3,11,799</u>

Schedule-4

Operating Expenses Related to Insurance Business	
Expenses of Management (BDT 4, 31,947-36,000-20,000)	<u>3,75,947</u>

Schedule-5

Share Capital	<u>10,00,000</u>
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Schedule-6

Reserve and Surplus	Taka
General Reserve	5,80,000
Addition during the year	<u>2,19,000</u>
	7,99,000
Credit Balance of Profit and Loss Account	<u>1,14,255</u>
	<u>9,13,255</u>

Schedule-8

Investments	<u>31,30,000</u>
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Schedule-11

Cash and Bank Balances	<u>4,82,462</u>
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Schedule-12

Advance and other Assets	
Outstanding Premiums	22,300
Agent Balances	<u>20,000</u>
	<u>42,300</u>

Schedule-13

Current Liabilities	
Sundry Creditors	22,500
Claims Outstanding	<u>1,04,000</u>
	<u>1,26,500</u>

Schedule-14

Provisions		Taka
Reserve for Unexpired Risk		12,44,504
For Taxation	4,39,503	
Less: Advance Tax Paid	<u>4,20,000</u>	19,503
For Proposed Dividend		3,00,000
For Dividend Distribution Tax		<u>51,000</u>
		<u>16,15,007</u>

Solution of the Q. No. 5

**BOOKS OF ADROIT
Journal**

		Dr. TK.	Cr. TK.
Joint Venture Account Dr. To Trading Account To Bank Goods sent to Bomanji- to be sold by him on joint account and -- expenses incurred		55,400	50,000 5,400
Joint Venture Account Dr. To Brown The value of good supplied and expenses incurred by Bomanji on Joint Account.		14,800	14,800
Brown To Joint Venture Account Sales proceeds on joint account received by Brown.		92,000	92,000
Joint Venture Account Dr. To Brown The commission due to Brown on joint venture sales at the rate of 5%.		4,600	4,600
Joint Venture Account Dr. To Brown To Profit and Loss Account The profit of TK. 17,200 divided as to 1/5 th to Brown and 4/5 ^{ths} to self – transferred to Profit and Loss Account.		17,200	3,440 13,760
Bank To Brown The draft received from Brownin settlement.	Dr.	69,160	69,160

**LEDGER ACCOUNTS
Joint Venture Account**

	TK.		TK.
To Trading Account (Goods)	50,000	By Brown (Sales)	92,000
Bank (Expenses)	5,400		
Brown:	14,000		
Goods	800		
Expenses	4,600		
Brown (Commission)	3,440		
Brown (1/5 th profit)	13,760		
Profit and Loss A/C (4/5 ^{ths} profit)	<u>92,000</u>		<u>92,000</u>

Brown

		TK.			TK.
	To Joint Venture Account (Sales)	92000		By Joint Venture Account: Goods	14,000
				Expenses	800
				Joint Venture Account: Commission	4,600
				Profit	3,440
				Bank (Bank Draft in settlemtn)	69,160
		<u>92,000</u>			<u>92,000</u>

**BROWN'S LEDGER
Joint Venture Account**

		TK.			TK.
	To Trading Account (Goods)	14,000		By Bank (Sales)	92,000
		800			
	Bank (Expenses) Adroit:				
	Goods 50,000	55,400			
	Expenses <u>5,400</u>	4,600			
	Commission Account	13,760			
	Adroit (4/5 ^{ths} profit)				
	Profit and Loss A/C	<u>3,440</u>			
	(1/5 ^{ths} profit)	<u>92,000</u>			<u>92,000</u>

Adroit

		TK.			TK.
	To Bank (Bank Draft in settlemtn)	69,160		By Joint Venture Account: Goods	50,000
				Expenses	5,400
				Joint Venture Account: Profit	13,760
		<u>69,160</u>			<u>69,160</u>

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