

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

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

Q. No. 1

- (a) Briefly explain how and when revenues and expenses are recognized in construction contract as per IAS-II.
- (b) Miracle Construct Inc. is executing a gigantic project of constructing the tallest building in the country. The project is expected to take three years to complete.

The company has signed a fixed price contract of Tk. 12,000,000 for the construction of this prestigious tower.

The details of the costs incurred to date in the first year are:

Site labor costs	Tk. 10,00,000
Cost of construction materials	30,00,000
Depreciation of special plant equipment used in contracting to build the tallest building	5,00,000
Marketing and selling costs to get the tallest building in the country the right exposure	<u>10,00,000</u>
Total:	<u>Tk. 45,00,000</u>
Total contract cost estimate to complete	Tk. 55,00,000

Required:

Calculate the percentage of completion and the amounts of revenue, costs and profits to be recognized under IAS-11.

[Marks: (5+12) = 17]

Q. No. 2

- (a) What do you understand by a statement of affairs and a Deficiency account? How are these prepared?
- (b) A filed his petition for bankruptcy on 31, December 2018. His books showed that he owed Tk. 50,000 to trade creditors, Tk. 30,000 to creditors holding lien on stock-in-trade for Tk. 8,000; Tk. 10,000 mortgage on works; and Tk. 1,000 for salaries, wages and rates. Bills for exchange for Tk. 10,000 had been discounted with his bankers; and it was estimated that there was a liability of Tk. 3,000 in respect of them.

A's assets were:

Consignment Tk. 20,000 estimated to realise Tk. 2,000; Good book debts Tk. 18,000; Doubtful debts Tk. 6,000 estimated to realise Tk.3000. Bad debts Tk. 15,650. Work cost Tk. 100,000 (depreciated out of profit and loss to Tk. 75,000) estimated to realize Tk. 50,000. Furniture and fittings Tk. 2000 estimated to realise Tk. 1,000; Stock-in-trade Tk. 25,000 estimated realize Tk. 8,000; cash Tk. 1,350. He commenced business 1st January 2014 with a capital of Tk. 90,000. After charging annually Tk. 5,000 for depreciation on works and Tk. 5,500 for interest on capital, the trading shows a profit Tk. 6,500 in 2014. Tk. 5,000 in 2015 and loses of Tk. 6,000 in 2016 Tk. 7,000 in 2017 and Tk. 9,500 in 2018. He lost Tk. 14,500 in speculation while his drawings averaged Tk. 4,000 a year.

Required:

- (i) Prepare statement of affairs based on the above information.
- (ii) Draw up his Deficiency Account.

[Marks: (5+10+8) = 23]

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Q. No. 3

- (a) State the provision with regard to “Loan Loss Provision” and “Interest Suspense” in a banking company financial statements
- (b) The following is the Trial Balance of City Bank Ltd. As on 31st December 2019:

Particulars	Debit Rs.	Credit Rs.
Share Capital (3,000 share of Tk.10 each)		300,000
Statutory Reserve		400,000
Deposits - Fixed		278,000
Saving		450,000
Current		374,000
Cash in Hand	290,000	
Cash with RBI	420,000	
Interest and Discount		300,000
Commission and Brokerage		50,000
Interest on Fixed Deposit	30,000	
Interest on Saving Deposit	20,000	
Interest on Current Deposit	12,500	
Salaries (including Tk. 12,000 to Manager)	131,000	
Rent, Insurance and Taxes	4,000	
Postages and Telegrams	900	
Printing and Stationery	7,000	
Audit Fees	4,000	
Depreciation	3,300	
Investment on Shares	84,000	
Loans, Cash Credit and Overdrafts	490,000	
Bills Discounted and Purchased	180,000	
Governments Bonds	160,000	
Furniture	40,000	
Premises	300,000	
Branch Adjustment Account		24,700
	2,176,700	2,176,700

Additional Information:

- (1) Rebate on Bills discounted Tk. 27,000
- (2) Create Contingency of Tk. 11,000
- (3) Acceptances on behalf of customers Tk. 80,000

You are required to prepare Profit and Loss Account for the year ended 31st December 2019 and a unformal Balance Sheet as at December 31, 2019.

[Marks: (5+8+7) = 20]

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Q. No. 4

Venus Ltd. a manufacturing business, exports some of its products through its overseas branch whose currency is 'Florins'. The branch carries out the final assembly operations before selling the goods. The trial balance of the head office and the branch as on 30th June, 2006 were as under.

Particulars	Head Office		Branch Office	
	Dr. (Tk.)	Cr. (Tk.)	Dr. (Tk.)	Cr. (Tk.)
Freehold building at cost	14,000		63,000	
Debtors/ Creditors	8,900	9,500	36,000	1,560
Sales		1,04,000		4,3,2000
Authorized and issued capital		40,000		
Components sent to branch		35,000		
Head office / Branch	60,100			5,04,260
Branch - cost of sales			3,60,000	
Provision for depreciation on machinery		1,500		56,700
Head office cost of sales (including goods sent to br.)	59,000			
Administration cost	15,200		18,000	
Stock on 30th June ,2006	28,900		11,520	
Profit and loss account		2,000		
Machinery at cost	6,000		1,26,000	
Remittances		28,000	2,72,000	
Balance at bank	4,600		79,200	
Selling and distribution cost	23,300		28,800	
	2,20,000	2,20,000	9,94,520	9,94,520

The following adjustments are to be made:

- (1) The cost of sales figures include a depreciation charge of 10% per annum on the cost of machinery
- (2) A provision of Tk. 300 for unrealized profit in branch stock is to made.
- (3) On 26th June, 2005 the branch remitted 16000 Florins. This amount was received by the head office on 4th July, 2005 and realized Tk. 1,990.
- (4) During May, 2005 a branch customer, paid in error the head office for goods supplied. The amount due was 320 Florins which realized Rs.36. It has been correctly dealt with by the head office but not yet entered in the branch accounts
- (5) A provision has to be made for a commission of 5% of the net profit of the branch after charging such commission which is due to the branch manager.
- (6) The currency rates of exchange were:
 - (a) At 1st July, 2004 10 Florins = 1 Taka
 - (b) At 30th June, 2005 8 Florins = 1 Taka
 - (c) Average for the year 9 Florins = 1 Taka
 - (d) On the date of purchase of building and 7 Florins = 1 Taka

You are required to prepare the following:

- (i) Branch Trial Balance in Head Office currency
- (ii) Trading and Profit & Loss Account of the Head Office and that of the branch for the year ended 30 June 2006
- (iii) Combined Balance Sheet of the Head Office and that of the branch as on 30 June 2006

[Marks: (6+7+7) = 20]

Q. No. 5

Trial Balance for the general fund of DSCC as of December 31, 2019 is presented below:

**The General Fund
Trial Balance
as at December 31, 2019**

Accounts Title	Debit	Credit
	Tk.	Tk.
Cash	830,000	
Property Tax Receivable	45,000	
Estimated uncollectible Taxes		20,000
Due from Trust Fund	50,000	
Vouchers Payable		460,000
Reserve for encumbrances		30,000
Unreserved Fund Balance		415,000
	925,000	925,000

Transactions for the year ended December 31, 2020, are summarized as follows:

1. The council adopted a budget for the year with estimated revenue of Tk. 735,000 and appropriation of Tk. 700,000.
2. Property Taxes in the amount of Tk. 590,000 were levied for the current year. It is estimated that Tk. 24,000 of the taxes levied will prove to be uncollectible.
3. Proceeds from the sale of equipment is the amount of Tk. 35,000 were received by the General Fund
4. License and fees in the amount of Tk.110,000 were collected.
5. The total amount of encumbrances against fund resources for the year was Tk. 642,500.
6. An amount of Tk. 28,000 was received for goods ordered in 2019. The invoice was approved for payment.
7. Property taxes amounted to Tk.570,000 were collected
8. Vouchers in the amount of Tk. 475,000 were paid.
9. Tk. 50,000 was transferred to the general fund from the trust fund.
10. The DSCC authorized to write off of Tk. 30,000 uncollectible property taxes

Required:

- (i) Prepare Journal entries to record the transactions for the year ended December 31, 2019
- (ii) Prepare the closing Trial Balance for the general fund as of December 31, 2019
- (iii) Prepare necessary closing entries for the year ended December 31, 2019
- (iv) Prepare a Balance Sheet as at December 31, 2019

[Marks: (4 x 5) = 20]

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