

**NOTE:** Attempt FIVE Questions in All. Selecting Minimum TWO Questions from Each Part. Calculator is Allowed.

## PART A

**Q. No. 1:** The financial statements are prepared under International Accounting Standards (IAS). Elaborate main standards that are to be adhered to during the process of preparation of Financial Statements.

(20 Marks)

**Q. No. 2:** In June 2009, Wendy Winger organized a corporation to provide aerial photography services. The company, called Aerial Views, began operations immediately. Transactions during the month of June were as follows:—

- June 1** The corporation issued 60,000 shares of capital stock to Wendy Winger in exchange for \$60,000 cash.
- June 2** Purchased a plane from Utility Aircraft for \$222,000. Made a \$40,000 cash down payment and issued a note payable for the remaining balance.
- June 4** Paid Woodrow Airport \$2,500 to rent office and hangar space for the month.
- June 15** Billed customers \$8,320 for aerial photographs taken during the first half of June.
- June 18** Paid Hannigan's Hanger \$1,890 for maintenance and repair services on the company plane.
- June 25** Collected \$4,910 of the amounts billed to customers on June 15.
- June 30** Billed customers \$16,450 for aerial photographs taken during the second half of the month.
- June 30** Paid \$6,000 in salaries earned by employees during the second half of the month.
- June 30** Received a \$2,510 bill from Peatree Petroleum for aircraft fuel purchased in June. The entire amount is due July 10.
- June 30** Declared a \$2,000 dividend payable on July 15.

The account titles used by Aerial Views are:

Cash	Retained Earnings
Accounts Receivable	Dividends
Aircraft	Aerial Photography Revenue
Notes Payable	Maintenance Expense
Accounts Payable	Fuel Expenses
Dividends Payable	Salaries Expenses
Capital Stock	Rent Expense

**Instructions:**

- a. Prepare journal entries and post each transaction to appropriate ledger accounts.
- b. Prepare a trial balance dated June 30, 2009.

(20 Marks)

**Q. No. 3:**

Silver Lining, Inc., provides investment advisory services. The company adjusts its accounts monthly, but performs closing entries annually on December 31. The firm's unadjusted trial balance dated December 31, 2009, is shown on the following:-

**SILVER LINING, INC.**  
**Unadjusted Trial Balance**  
**December 31, 2009**

	Debit	Credit
Cash		
Accounts receivable	\$ 42,835	
Office supplies	2,000	
Prepaid rent	205	
Unexpired Insurance	1,200	
Office equipment	270	
Accumulated depreciation: office equipment	54,000	
Accounts Payable		\$ 35,250
Interest Payable		1,400
Income Taxes Payable		360
Notes Payable		1,750
Unearned consulting services revenue		9,000
Capital stock		3,500
Retained earnings		30,000
Dividends	1,000	8,000
Consulting services revenue		60,000
Office supplies expenses	605	
Depreciation expense: office equipment	8,250	
Rent expense	3,525	
Insurance expense	1,010	
Salaries expense	27,100	
Interest expense	360	
Income taxes expense	6,900	
	<b>\$ 149,260</b>	<b>\$ 149,260</b>

**Other Data:**

- 1- Accrued but unrecorded and uncollected consulting services total \$1,500 at December 31, 2009.
- 2- The company determined that \$2,500 of previously unearned consulting services revenue had been earned at December 31, 2009.
- 3- Office supplies on hand at December 31 total \$ 110.
- 4- The company purchased all of its equipment when it first began business. At that time, the estimated useful life of the equipment was six years (72 months).
- 5- The company prepaid its six-month rent agreement on October 1, 2009.
- 6- The company prepaid its 12-month insurance policy on March 1, 2009.
- 7- Accrued but unpaid salaries total \$1,900 at December 31, 2009.
- 8- On June 1, 2009 the company borrowed \$9,000 by signing a nine-month, 8 percent note payable. The entire amount, plus interest, is due on March 1, 2010.
- 9- The company's CPA estimates that income taxes expense for the entire year is \$7,500. The unpaid portion of this amount is due early in 2010.

**Instructions:**

Prepare an income statement and statement of Retained Earnings for the year ended December 31, 2009. Also prepare the Company's Balance Sheet dated December 31, 2009.

**Q. No. 7:**

Sale of a company was Rs.100 million in a particular year. The cost of goods was 60% of the sales. Cost of Raw Materials was 60% the cost of Goods Manufactured. While labour cost was 20% of the CGM. Remaining were factory overheads labour cost was 80% variable and 20% was fixed while 30% of factory overheads were fixed. Selling Expenses (commission) were 5% of sales. While administrative expenses were 3% of sales. Financial expenses were 5% of sales. Income Tax was Rs.3million Dividend Rs. 10million. During the year the company operated at 80% efficiency.

**Required:**

Work out the Break Even Sales and also Break Even Capacity.

**(20 Marks)****Q. No. 8:**

What will be the impact of following on cash flow statement i.e. will they result in cash inflow or outflow:

- a- Increase in Fixed Assets.
- b- Depreciation.
- c- Increase in Receivable Capital.
- d- Repayment of Long Term Loan.
- e- Decrease in Current Assets excluding Cash.
- f- Decrease in Long Term Liabilities.
- g- Increase in Capital Work in Progress.
- h- Payment of Dividend.
- i- Payment of Income Tax.
- j- Payment of Financial Expenses.

**(20 Marks)**

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