

CMA JANUARY 2022 EXAMINATION
Foundation Level
FR111.Fundamentals of Financial Accounting
Model Solution

Solution of the Q. No. 1

Question No	Answer	Question No	Answer	Question No	Answer
(i)	(c)	(vi)	(a)	(xi)	(d)
(ii)	(b)	(vii)	(c)	(xii)	(b)
(iii)	(b)	(viii)	(b)	(xiii)	(c)
(iv)	(d)	(ix)	(a)	(xiv)	(e)
(v)	(d)	(x)	(e)	(xv)	(d)

Solution of the Q. No. 2

- (a) False. Sales discount is a contra revenue account.
- (b) False. A balance sheet reports the assets, liabilities, and owner's equity at a specific date.
- (c) False. The worksheet is essentially a working tool of the accountant.
- (d) True
- (e) True

Solution of the Q. No. 3

1(e)	2(h)	3(l)	4(k)	5(b)
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Solution of the Q. No. 4

- (a) Closing value of Inventories at the year-end

Item	Cost(Tk.)	NRV(Tk.)	Lower of cost and NRV
1	36	40	36
2	28	24	24
3	46	48	46
Total Value of three items			<u>106</u>

(b)

- i. Unequal totals. The total debits would be Tk. 27 more than the total credits.
- ii. Equal balance. However, both Accounts Receivable (an asset account) and Accounts Payable (a liability account) would be overstated by Tk. 150.
- iii. Equal balance. However, both accounts would be incorrect. Cash would be overstated by Tk. 378, and Office Supplies would be understated by Tk. 378.
- iv. Equal balance. However, an error has been made by debiting the wrong asset. Therefore, Supplies would be overstated by Tk. 450, and Equipment would be understated by Tk. 450.

(c)

(i)

Dec. 31	Commission Revenue	92,000	
	Income Summary		92,000
Dec. 31	Income Summary	7,800	
	Interest Expense.....		7,800

(ii)

Jan. 1	Commission Revenue	4,500	
	Accounts Receivable.....		4,500

Jan. 1	Interest Payable.....	1,500	
	Interest Expense.....		1,500
(iii)			
Jan. 10	Cash.....	4,500	
	Commission Revenue.....		4,500
Jan. 15	Interest Expense.....	2,500	
	Cash.....		2,500

Solution of the Q. No. 5

(i) Adjusting Entries

- (i) Supplies Expenses Dr. 1250
Supplies Cr. 1250
- (ii) Utilities Expenses Dr. 150
Accounts Payable Cr. 150
- (iii) Insurance Expenses Dr. 250
Prepaid Insurance Cr. 250
- (iv) Unearned Service Revenue Dr. 2,800
Service Revenue Cr. 2,800
- (v) Salaries Expenses Dr. 1900
Salaries and wages payable Cr. 1900
- (vi) Depreciation Expenses Dr. 250
Accumulated Depreciation: Equipment Cr. 250
- (vii) Accounts Receivable Dr. 1200
Service Revenue Cr. 1200

ii. Adjusted Trial Balance at June 30, 2020

Accounts	Debit (tk.)	Credit (tk.)
Cash	8000	
Accounts Receivable [6000+1200]	7200	
Supplies [2000-1250]	750	
Prepaid Insurance [3000-250]	2750	
Equipment	15000	
Accounts Payable [4500+150]		4650
Unearned Service Revenue [4000-2800]		1200
Owner's Capital		22600
Service Revenue [7900+2800+1200]		11900
Salaries and Wages Expense [4000+1900]	5900	
Rent Expense	1000	
Supplies Expenses	1250	
Utility Expenses	150	
Insurance Expenses	250	
Salary and Wages Payable		1900
Depreciation Expenses	250	
Accumulated Depreciation: Equipment		250
Total	<u>42500</u>	<u>42500</u>

iii. Classified Balance sheet as at June 30, 2020

Particulars	Tk.	Tk.
Assets :		
Current Assets:		
Cash	8000	
Accounts Receivable	7200	
Supplies	750	
Prepaid Insurance	2750	
Total Current Assets		18700
Non-Current Assets:		
Equipment 15000		
[-] Acc. Depreciation (250)	14,750	
Total Non-current Assets		14750
Total Assets		<u>33450</u>
Liabilities:		
Current Liabilities:		
Accounts Payable [4500+150]	4650	
Unearned Service Revenue [4000-2800]	1200	
Salaries and Wages payable	1900	
Total Current Liabilities		7,750
Non-Current Liabilities:		00
Total Liabilities		7,750
Owner's Capital 22,600		
[+] Profit during year [Note] 3100	25700	
Total Stockholders' Equity		25700
Total Liabilities and Stockholder equity		<u>33,450</u>

Note: Profit during year

Service Revenue		11,900
Rent expenses	1000	
Salaries and wages expenses	5900	
Utilities Expenses	150	
Insurance Expenses	250	
Depreciation Expenses	250	
Supplies Expenses	<u>1250</u>	<u>(8,800)</u>
Profit During the year		<u>3,100</u>

Solution of the Q. No. 6

(a) Bahar Lotus is correct. A single ratio by itself may not be very meaningful and is best interpreted by comparison with: (1) past ratios of the same company, (2) ratios of other companies, or (3) industry norms or predetermined standards. In addition, other ratios of the enterprise are necessary to determine overall financial well-being.

(b) (i)

MULDUR CORPORATION
Statement of Cash Flows
For the Year Ended December 31, 2020

Cash flows from operating activities		
Net income		Tk. 18,300
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation expense.....	Tk. 5,200*	
Loss on sale of equipment	5,500**	
Increase in accounts payable.....	3,500	

Increase in accounts receivable	<u>(2,900)</u>	<u>11,300</u>
Net cash provided by operating activities.....		29,600
Cash flows from investing activities		
Sale of equipment.....	3,300	
Purchase of investments	<u>(4,000)</u>	
Net cash used by investing activities.....		(700)
Cash flows from financing activities		
Issuance of common stock	Tk. 5,000	
Payment of dividends.....	(16,400)	
Retirement of bonds	<u>(20,000)</u>	
Net cash used by financing activities.....		(31,400)
Net increase in cash		(2,500)
Cash at beginning of period.....		<u>17,700</u>
Cash at end of period		Tk. 15,200
		=====
*[Tk. 14,000 – (Tk. 10,000 – Tk. 1,200)]		
**[Tk. 3,300 – (Tk. 10,000 – Tk. 1,200)]		

(ii) Tk. 29,600 – Tk. 0 – Tk. 16,400 = Tk. 13,200

Solution of the Q. No. 7

(a) (i)

FAMILY VIDEO COMPANY Bank Reconciliation July 31

Cash balance per bank statement.....	Tk. 7,263
Add: Deposits in transit.....	<u>1,500</u>
	8,763
Less: Outstanding checks	<u>591</u>
Adjusted cash balance per bank.....	Tk. 8,172
Cash balance per books	Tk. 7,284
Add: Collection of note receivable (Tk. 900 plus accrued interest Tk. 36, less collection fee Tk. 20)	<u>916</u>
	8,200
Less: Bank service charge	<u>28</u>
Adjusted cash balance per books.....	Tk. 8,172

(ii)

July 31 Cash.....	916	
Miscellaneous Expense	20	
Notes Receivable.....		900
Interest Revenue.....		36
31 Miscellaneous Expense	28	
Cash.....		28

(b)

Date	BMX (Seller)	SNK (Buyer)
May 4	Accounts Receivable-SNK . 1,500 Sales 1,500 Cost of Goods Sold 900 Merchandise Inventory 900	Merchandise Inventory1,500 Accounts Payable-BMX 1,500
6	No entry.	Merchandise Inventory 30 Cash 30
8	Accounts Receivable-SNK . 1,000 Sales 1,000 Cost of Goods Sold700 Merchandise Inventory 700	Merchandise Inventory1,000 Accounts Payable-BMX 1,000
10	Delivery Expense50 Cash 50	No entry.
16	Sales Returns & Allowances .200 Accounts Receivable—SNK 200 Merchandise Inventory 140 Cost of Goods Sold 140	Accounts Payable-BMX 200 Merchandise Inventory 200
18	Cash 800 Accounts Receivable—SNK 800	Accounts Payable—BMX . . .800 Cash 800
21	Accounts Receivable—SNK 2,400 Sales 2,400 Accounts Receivable—SNK 100 Cash 100 Cost of Goods Sold 1,440 Merchandise Inventory 1,440	Merchandise Inventory 2,500 Accounts Payable—BMX 2,500
31	Cash 2,452 Sales Discounts 48 Accounts Receivable—SNK 2,500	Accounts Payable—BMX . .2,500 Merchandise Inventory 48 Cash 2,452