

CANDIDATE DETAILS

Access Number	Roll Number	For Official Use Only	Serial Number
Subject ACCOUNTING FOR FINANCIAL SERVICES			
Candidate's Name			
Father's Name			
CNIC Number			
Cell Number		E-mail	
I verify that my particulars given above are correct and I declare that I have read the INSTRUCTIONS printed in the examination booklet, and/or given in the ISQ Examination Guidelines, violation of which would mean cancellation of my paper and debarment from appearing in future examinations.			
Candidate's Signature		Invigilator's Signature	



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The Institute of Bankers Pakistan

ISQ Examination Winter - 2017 Stage - II Accounting for Financial Services

SEAL
BOOK
HERE

Section 2
Constructed and Extended
Response Questions

Number of Questions: 6
Marks: 55

Allotted time : 120 minutes



INSTRUCTIONS FOR THE CANDIDATES

1. The candidate must abide by the ISQ Examination Guidelines sent along with the admit card.
2. The candidate must sign the booklet after verifying the particulars and should **NOT** write his/her name or roll number on any other page of the examination booklet.
3. The candidate is advised **NOT** to approach the invigilators for seeking any explanation related to the questions in the examination paper.
4. Laptops, mobile phones or any other gadgets are **NOT** permitted in the examination hall. **ONLY** simple calculators are allowed except where indicated in the ISQ Examination Guidelines. If any candidate is found in possession of any restricted gadgets or items, his/her examination paper will be cancelled immediately.
5. The candidate must ensure that the examination booklet has all the pages duly numbered. If any page is missing, damaged or not numbered, then return the booklet to the superintendent / invigilator and obtain another booklet.
6. Write your answer **ONLY** in the given space for each question. Anything written outside the given space will not be considered for marking.
7. **ONLY** blue or black ball points are to be used.
8. The candidate must attempt **ALL** questions in the paper.

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Marks Obtained	Q.1	Q.2	Q.3	Q.4	Q.5	Q.6	Total Marks	Total in words
Marker - I								
Q.C								
Scrutiny								
Re-Scrutiny								
Marker- II								

Signatures:

1. Marker - I

2. QC

3. Scrutinizer

4. Re-Scrutinizer

5. Marker - II

B. What is Double Entry Principle/System in Accounting? What are its advantages?

(3 Marks)

C. Explain the difference between Expense and Expenditure.

(2 Marks)



Q2. ABC Agricultural Bank has to post the following transactions in its General Journal and Ledger during the month of December 2016.

Date	
1 st Dec	Equipment purchased in cash for new branches worth Rs. 2 million.
4 th Dec	Old Equipment sold for Rs. 40,000 at neither profit nor loss.
10 th Dec	New Equipment bought on credit from XYZ Co. worth Rs. 90,000
15 th Dec	Some supplies worth Rs. 150,000 for the new equipment expensed out.
20 th Dec	Rent paid for the month of December 2016 and January 2017; Rs. 300,000 for each month.
27 th Dec	Salaries paid for the month of December to 1000 employees amounting to Rs. 5 million.

A. Post the transactions into the Equipment Account. The opening balance for Equipment account as at 1st Dec 2016 was Rs. 12 million. (3 marks)

B. Prepare the Journal Entries for the transactions on 20th December 2016. (3 marks)

C. Compare and contrast various differences between Journal and Ledger. (4 marks)

Q3. F&K Cosmetics, a firm which manufactures organic cosmetic products desires financing from your bank. The Income Statement of the firm for the previous two years is provided below:

F&K Cosmetics Income Statement		
	Rs. ('000) 2015	Rs. ('000) 2016
Sales	N/A	12,500
Cost of Goods Sold	5,000	5,000
Salaries	2,100	2,300
Advertising Expense	500	700
Rent	900	1,100
Other Admin Expenses	400	800
Operating Income	2,100	2,600
Other Income	2,000	N/A
PBIT	4,100	4,000
Interest Expense	500	500
PBT	3,600	3,500
Tax Expense (20%)	N/A	700
Net Profit	N/A	2,800

A. Calculate:

(5 marks)

- i) Other Income as a percentage of the Net Profit for the year 2016
- ii) Sales for the year 2015
- iii) Gross Profit for the year 2016
- iv) Net Profit for the year 2015
- v) Percentage increase/decrease in profit after interest and before tax



Your Bank's Credit Committee has set the following minimum criteria, **each** of which must be met for a loan to be extended to a firm.

Gross Profit Margin	15.0%
Net profit Margin	20.0%
Interest Coverage	9 times

B. Calculate the above mentioned ratios for the year 2016 and decide whether the loan can be extended to F&K Cosmetics? (5 marks)

Q4. Reproduce the following statements by correcting the underlined text. (5 marks)

1. The Income Statement shows the <u>financial position</u> of a company <u>as at a period end</u> .
2. Accrual concept states that revenue is recorded at the time <u>it is paid</u> .
3. Trading Securities are investments in debt or equity that the management plans to <u>buy and hold for profit in long term</u> .
4. Inventory Turnover is calculated as the ratio of <u>Credit Sales for the year</u> to Average <u>Receivables for the year</u> .
5. The difference of current assets and current liabilities is called the <u>Cost of Goods Sold</u> and their ratio is called the <u>Quick Ratio</u> .

C. Using the following data, calculate how much was paid out in dividends during the year:

Beginning Retained Earnings: Rs. 40,000

Net Income: Rs. 15,000

Ending Retained Earnings: Rs. 30,000

(2 Marks)

Q6. Explain:

(10 Marks)

- A. Depletion
- B. Amortization
- C. Depreciation
- D. Accrual
- E. Revaluation

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