



**Pakistan Institute of Public  
Finance Accountants**

**May Exam-2026**

**[08.May.2026] [03:30 – 06:15 pm]**

**Additional time – 15 min for Paper Reading**

**Financial Accounting and Analytical Review of Audited Accounts**

**AGP**

**Marks-80**

**Subjective**

**Duration: 02 Hours 30 Minutes**

**[Instructions]**

- Ensure that the question paper delivered to you is the same, in which you intend to appear.
- Read the instructions given on the title page of Answer Script.
- **Books are not allowed**
- Start each question from fresh page.

- Q.1. (a)** A machine has a carrying amount of Rs. 600,000 as on 31.12.2020. It is expected that the machine has a remaining useful life of five years. The net cash flows generated from the use of that machine are estimated as follows:

Year	(Rs.)
2021	200,000
2022	200,000
2023	100,000
2024	100,000
2025	100,000

- Net disposal proceeds at the end of 2015 are expected to be Rs. 5,000.
- Appropriate discount rate is 10% per annum.
- Fair value of the machine is Rs. 570,000
- Costs to sell the machine is Rs. 22,000 as on 31.12.2020

**Required:**

Calculate the Impairment Loss, if any, as on 31.12.2020.

**05**

- (b) Happiness Limited** have revaluated their Fixed Assets at the end of the year from a well-known professional firm. Fee paid to the firm was Rs. 3.5 million through cheque. Previously the assets were carried in the books using Cost Model. Happiness Ltd. is to follow IFRS while preparing Financial Statement for the current year.

**Required:**

List down the specific disclosure requirements as per IAS-16 when assets are revalued.

**04**

- Q.2. Ali and Moeen** are two partners sharing profits and losses in the ratio of 3:2 respectively. On 31.12.2024 their capital accounts stood at Rs. 55,000 and Rs. 45,000 after distribution of net profit of Rs. 15,000 and due consideration of drawings of the partners for Rs. 6,000 and Rs. 4,000 respectively. After closing the books, following discrepancies were discovered:

- An item in the inventory was valued at Rs. 12,800 but had a realizable value of Rs. 8,300.
- Rs. 2,400 paid for insurance premium for the year ending on 31.3.2025 had been debited to P/L account.

**Contd.....**

(2)

- (iii) Interest on capital at 5% on Partners' Capital as at the beginning of the year and interest on drawings (mid of the year) of Partners at 5% per annum were ignored.

**Required:**

Ascertain the correct Net Profit of the firm and redistribute the profit by preparing a P/L Appropriation Account and determine the adjusted balance of Partners' Capital Accounts for the year ended 31.12.25.

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**Q.3. Shaheen Security Limited (SSL)** is a supplier of high-quality security systems. The company also provides services for maintenance of the systems. The following are some of the transactions which were carried out in January 2025:

- (i) Two systems were delivered to customers on January 05, 2025. According to the terms of sales, SSL was required to install the systems within three months. The installation work was completed on February 28, 2025. Sale price and installation charges of Rs. 60,000 and Rs. 25,000, respectively, had been paid by the customer in advance.
- (ii) A service contract was signed under which SSL was required to provide repair and maintenance with parts and accessories. A non-refundable annual fee amounting to Rs. 60,000 was received as advance on January 01, 2025.
- (iii) A firm contract was signed for the supply of sixty systems at a price of Rs. 55,000 each. The systems were required to be altered for the customer's specific requirement. It was agreed that in case of cancellation, the customer will have to pay compensation equal to 25% of the total agreed price. SSL has estimated that it would have to bear the cost of Rs. 12,000 to bring the systems in general saleable condition. According to the agreement, the customer had paid 25% in advance on January 17, 2025.
- (iv) Three systems have been delivered and installed at the office premises of **Mr. Fine**, a close friend of Chief Executive Officer (CEO), on January 08, 2025. The accountant has not recorded the sale, as the amount of discount has not been decided by the CEO. The list price of each system is Rs. 2.5 million.

**Required:**

Explain how and when the Revenue should be recorded in each of the above case?

08

**Q.4. Solar Ltd.** started construction of a factory building on 1<sup>st</sup> April, 2021. Construction took seven months to complete. A contractor was hired for this work and total contract price was agreed to be Rs. 20 million.

Progress payment were made as follows:

1 <sup>st</sup> April	10%
31 <sup>st</sup> July	45%
30 <sup>th</sup> September	15%
31 <sup>st</sup> October	30%

Construction was financed partly by own savings and partly by loans. First payment to contractor was made out of own funds. Afterwards all payments were made from borrowed funds.

A loan of Rs. 8 million was obtained on 31<sup>st</sup> May, 2021 specifically for this construction. This loan carried a markup of 18%. Loan is to be repaid by the end of 2022. Unutilized portion of loan was kept in a deposit account yielding an interest rate 4%.

**Contd.....**

(3)

Any shortage of funds was fulfilled from the existing pool of loans:

Bank	Loan Amount (Rs.)	Interest
Aay	50,000,000	10%
Bee	25,000,000	14.5%
Cee	10,000,000	15%

All these loans remained outstanding throughout the year. Factory building has a useful life of 10 years. After completion of construction, due to a delay in the purchase of furniture, building was brought into use from 1<sup>st</sup> January, 2022.

**Required:**

- (a) Calculate the amount of borrowing cost eligible for capitalization. **08**
- (b) Calculate the carrying amount of building as on 31<sup>st</sup> December, 2021. **03**
- (c) Calculate the amount of borrowing cost to be recognized in Income Statement in the year ended 31<sup>st</sup> December, 2021. **04**

**Q.5.** For the year ended 31<sup>st</sup> March, 2026 a company did a physical check of inventory on 4<sup>th</sup> April, 2026, leading to an inventory value at cost at this date of Rs. 483,700. Between 1<sup>st</sup> April, 2026 and 4<sup>th</sup> April, 2026, the following transactions took place:

- (i) Goods costing Rs. 38,400 were received from suppliers.
- (ii) Goods that had cost Rs. 14,800 were sold for Rs. 20,000.
- (iii) A customer returned, some goods in good condition, which had been sold to him in March for Rs. 600 and which had cost Rs. 400.
- (iv) The company returned goods that had cost Rs. 1,800 in March to the supplier and received a credit note for them.

**Required:**

What figure should appear in the Company's Financial Statements at 31<sup>st</sup> March, 2026 for closing inventory, based on this information? **04**

**Q.6.** **Klass Limited (KL)** had following equity balances as on 1<sup>st</sup> January, 2025:

	(Rs.)
Ordinary share capital (Rs. 100 each)	800
Share premium	450
Retained earnings	390

On 5<sup>th</sup> February 2025, KL made a bonus issue of 1 for 5 shares already held.

**Required:**

Explain the Accounting Treatment and purpose of issue of shares for no consideration (bonus issue). **04**

**Q.7.** **Fatima Solar Limited** is presently experiencing short term Cash Flow problems. The following amounts were extracted from the records of the company;

Particulars	Rs. (m)		
	2025	2024	2023
Sales (all on credit)	400	360	300
Cost of sales	300	270	225
Avg. trade debtors	90	75	50
Avg. trade creditors	51	45	39
Avg. stock in trade	92	78	56
Bank/ (overdraft)	(4)	(2)	15

**Contd.....**

(4)

The CEO has approached you for advice on how to improve the present Cash Flow situation.

**Required:**

(a) Calculate the ratios that would be needed to analyze the working capital of the company.

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(b) Comment on Company's Working Capital Management in the light of the ratios.

04

(Assume 360 days a year).

**Q.8.** Following is the Trial Balance of **Zainab Enterprise** for the year ended 30<sup>th</sup> June, 2025:

	Debit Rs. (000)		Credit Rs. (000)
Drawings	30,500	Zainab's capital	300,000
Trade Debtors	109,420	Creditors	104,724
Goodwill	20,000	Loan taken from bank	40,000
Interest on Bank loan	800	Bad debts provision as on 1 <sup>st</sup> July, 2024	900
Cash in hand	728	Sales	353,300
Plant & Machinery-WDV	45,000	Interest received	11,930
Factor building-WDV	42,400	Bills payable	23,150
Sales return	10,000	Accrued expenses	3,460
Cash at bank	13,512	Other income	3,100
Power and utility charges	6,500	-	-
Trade discount	2,432	-	-
Purchase less return	330,530	-	-
Salaries and wages	40,400	-	-
Rent and rates	6,992	-	-
Insurance	2,000	-	-
Advertisement	4,512	-	-
Opening stock	127,762	-	-
Carriage inward	10,420	-	-
Bills receivable	32,526	-	-
Miscellaneous expenses	4,130	-	-
<b>Total</b>	<b>840,564</b>	<b>Total</b>	<b>840,564</b>

**Additional information:**

- (i) On 1<sup>st</sup> July, 2024 a machine was purchased for Rs. 500,000. However, this cost has wrongly been posted to the purchases account.
- (ii) Zainab's son works as the Head of Administration and received a salary of Rs. 150,000 per month, which has been included in drawings.
- (iii) Insurance premium was paid in advance to the extent of Rs. 650,000.
- (iv) Depreciation is to be charged on written down value (WDV) as follows:
  - Plant and machinery @10%
  - Factory and building @5%
- (v) Provision for bad debts is maintained at 2% of trade debtors.
- (vi) Closing stock as on 30<sup>th</sup> June, 2025 amounted to Rs. 237,500.

**Required:**

Prepare Statement of Comprehensive Income (Profit & Loss A/c) and Statement of Financial Position (Balance Sheet) as at 30<sup>th</sup> June, 2025.

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