



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

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

AGP

May Exam-2026

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Q.1. Carrying Amount = Rs. 600,000

a

Calculation of recoverable amount:

Value in use (W-1) = Rs. 555,736

FV less CTS (W-2) = Rs. 548,000

Higher of is Rs. 555,736. After selection of higher figure, that figure is called as recoverable amount. As carrying amount is Rs. 600,000 therefore difference of Rs. 44,264 is impairment loss which should be immediately recognized as follows:

Impairment loss	Rs. 44,264
Accumulated Impairment loss	Rs. 44,264

After impairment loss, revised carrying amount i.e., $600,000 - 44,264 = 555,736$ is depreciated over remaining useful life.

WORKINGS:		
W-1 Calculation of value in use		
2021	200,000 (1.1) ⁻¹	181,818
2022	200,000 (1.1) ⁻²	165,289
2023	100,000 (1.1) ⁻³	75,131
2024	100,000 (1.1) ⁻⁴	68,301
2025	105,000 (1.1) ⁻⁵	65,197
Total		555,736

W-2 FV less CTS	
Fair value	570,000
Less: Cost to sell	(22,000)
Total	548,000

Q.1. When items of property, plant and equipment are stated at revalued amounts the following must be disclosed:

b

- The effective date of the revaluation;
- Whether an independent valuer was involved;
- For each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and
- The revaluation surplus, indicating the change for the period; and any restrictions on the distribution of the balance to shareholders

Q.2. Calculation of correct net profit

Unadjusted profit	15,000
Add: Prepaid insurance (as exp. is decreased so we will add to profits) $(2,400 \times 3/12)$	600
Less: NRV adjustment $(12,800 - 8,300)$	(4,500)
Adjusted profit	11,100



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P/L Appropriation account

	Dr.	Cr.
Interest on capital		Adjusted net profit
Ali (52,000 x 5%)	2,600	11,100
Moeen (43,000 x 5%)	2,150	
Profit (bal)		Interest on drawings
Ali (6,600 x 3/5)	3,960	Ali (6,000 x 5%) x 6/12
Moeen (6,600 x 2/5)	2,640	Moeen (4,000 x 5%) x 6/12
		150
		100

Drawings are assumed to be in the mid of year.

Partners' capital accounts (reconstructed/Adjusted)

	Ali	Moeen		Ali	Moeen
Drawing	6,000	4,000	b/d (W-1)	52,000	43,000
Int. on drawing	150	100	Interest on capital	2,600	2,150
			Profit	3,960	2,640
c/d (bal.)	52,410	43,690			

(W-1) Partners capital account which was prepared by accountant before taking the effect of adjustments

Partners' capital accounts

	Ali	Moeen		Ali	Moeen
Drawing (given)	6,000	4,000	b/d (bal.)	52,000	43,000
			Profit (given)		
			Ali (15,000 x 3/5)	9,000	
			Moeen (15,000 x 2/5)		6,000
c/d (given)	55,000	45,000			

- Q.3.**
- i. Revenue from sale of goods amounting to Rs. 60,000 and service of Rs. 25,000 both should be recognized on February 28, 2025 when installation is complete. Up to that date amount received will be shown as liability.
 - ii. Rs. 60,000 will be treated as unearned revenue (liability) on January 01, 2025. Later on revenue will be recognized over the period during which service is to be performed i.e. $60,000/12=5,000$ per month will be transferred to revenue on monthly basis
 - iii. Advance received of Rs. $55,000 \times 60 \times 25\% = 825,000$ will be treated as liability. Revenue from sales will be recognized when systems are altered and delivered to buyer so as the risk and rewards are transferred and it its control is available to customer to obtain economic benefits from it.
 - iv. Sales will be recognized when amount of revenue can be measured reliable i.e. when sale price is decided by Chief Executive Officer. As per IFRS-15, it requires determination of price to fulfill 5 steps model for revenue



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Q.4.

a

a) Amount of borrowing cost to be Capitalized

Specific borrowings (W-1)	546,667
General borrowings (W-2)	59,550
	<u>606,217</u>
1) Specific borrowing	
Interest Incurred	
$8,000,000 \times 18\% \times 5/12 =$	600,000
Investment Income	
$8,000,000 \times 4\% \times 2/12 =$	(53,333)
	<u>546,667</u>
2) General Borrowings	
$1,000,000 \times 11.91\% \times 3/12 =$	29,775
$3,000,000 \times 11.91\% \times 1/12 =$	29,775
$6000,000 \times 11.91\% \times 0/12 =$	-
	<u>59,550</u>

Workings

$$\text{Capitalization Rate} = \frac{5,000,000 + 3,625,000 + 1,500,000}{50,000,000 + 25,000,000 + 10,000,000} \times 100 = 1,0125,000 \times 100 = 11.91\%$$

Details of Expenditures

	Particulars	Amount	Owne	Specific	General
1-4-2011	10% Payment	2,000,000	2,000,000	-	-
31-7-2011	45% Payment	9,000,000	-	8,000,000	1,000,000
30-9-2011	15% Payment	3,000,000	-	-	3,000,000
31-10-2011	30% Payments	6,000,000	-	-	6,000,000

Q.4.

b

b) Carrying Amount

Construction Cost	20,000,000
Borrowing Cost	606,217
Total Cost	<u>20,606,217</u>
Less: Acc. depreciation	(342437)
$(20,606,217 \div 10 \times 2/12)$	
Carrying Amount	<u>20,262,780</u>

Q.4.

c

c) Interest Expense to be charged in income statement

Specific

$8,000,000 \times 18\% \times 2/12$	Nov & Dec	240,000
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General

$Aay 50,000,000 \times 10\% =$	5,000,000
$Bee 25,000,000 \times 14.5\% =$	3,625,000
$Cee 10,000,000 \times 15\% =$	1,500,000
	<u>10,125,000</u>
Interest Capitalized	(59,550)
To be expensed	<u>10,065,450</u>
Total Borrowing cost to be expensed out $(240,000 + 10,065,450)$	<u>10,305,450</u>



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Q.5.

Value of stock as on April 04, 2026	483,700
Add: Sales at cost	14,800
Less: Sales return at cost	(400)
Less: Purchase	(38,400)
Add: Purchase return	1,800
	(22,200)
Value of stock as on March 31, 2026	<u>461,500</u>

Q.6. A bonus issue, also known as a scrip issue or a capitalization issue, is an offer of free additional shares to existing shareholders in proportion to their existing shareholding. For example, a company may give one bonus share for every five shares held.

Bonus issue is always at par value and it does not involve any cash inflows. A company may decide to distribute bonus shares as an alternative to paying cash dividends and thus avoiding the cash outflow. The company converts some of its reserves (share premium or retained earnings or both) into extra share capital.

Date	Particulars	Dr.	Cr.
05-02-2025	Share premium	160	
	Share capital [800 x 1/5]		160

Q.7.

Average age of Debtors

2023	2024	2025
60 days	75 days	81 days

Average age of Creditors

2023	2024	2025
63 days	60 days	62 days

Average age of inventory

2023	2024	2025
90 days	104 days	111 days

Current ratio

2023	2024	2025
3.10	3.26	3.31

Quick ratio

2023	2024	2025
1.67	1.60	1.64

Comments on Co.'s working capital Management

- Average age of debtors is increasing from 2023 to 2025. These show slow and ineffective collections from debtors. This affects cash inflow situation. Hence, company is facing short term cash flow problems.
- Average age of creditors shows that the speedy payments to the creditors. Hence cash flow situations are affected. The payment period should match with the credit policy.
- Average age of inventory increasing from 2023 to 2025. This shows ineffective management of stock.
- Current ratio is improving with the span of time which shows good condition of business but because of more debtors and stocks. In addition, cash balance has also been converted into overdraft.
- Quick ratio is also good.

Q.8.

Zainab
Statement of Comprehensive Income
For the year ended 30-06-2025

	Rs.	Rs.
Sales (353,300 – 10,000 – 2432)		340,868
Cost of Sales:		
Opening Stock	127,762	
Add: Purchases (330,530 – 500)	330,030	
Add: Carriage Inwards	10,420	
Less: Closing Stock	(237,500)	(230,712)
Gross Profit		<u>110,156</u>
Other Income		
Interest Received		11,930
Other Income		3,100
Operating Expenses:		
Interest	800	
Power and utilities	6,500	
Salaries (40,400 + 1,800)	42,200	
Rent	6,992	
Insurance (2,000 – 650)	1,350	
Advertisement	4,512	
Miscellaneous Expenses	4,130	
Depreciation (4,550 + 2,120)	6,670	
Bad debts	1,288	(74,442)
Net Profit		<u><u>50,744</u></u>

Zainab
Statement of Financial Position
As on June 30-06-2025

	Rs.	Rs.	Rs.
Non-Current Assets:			
Goodwill	20,000		
Plant & Machinery (45,000 – 4,550 + 500)		40,950	
Factory Building (42,400 – 2,120)		40,280	
Current Assets:			
Stock		237,500	
Trade Receivable	109,420		
Allowance for bad debts	(2,188)	107,232	
Bills Receivable		32,526	
Prepaid Insurance		650	
Cash at Bank		13,512	
Cash in Hand		728	
			<u><u>493,378</u></u>

Capital & Liabilities:

Capital	300,000	
Add: Net Profit	50,744	
Less: Drawings (30,500 – 1,800)	(28,700)	322,044

Non-Current Liabilities:

Loan from Bank	40,000
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Current Liabilities:

Bills Payable	23,150
Accrued Expenses	3,460
Creditors	104,724

493,378**Working & Adjustments**

	Rs.	Rs.
(i) Machine Purchases	500	500
(ii) Salary (150 × 12) Drawings	1,800	1,800
(iii) Prepaid Insurance Insurance Expense	650	650

(iv) Calculation of Depreciation:

Plant & Machinery = 45,000 × 10%	4,500
Add: 500 × 10%	50
	4,550
Factory Building = 42,400 × 5%	2,120

(v) Allowance

	Rs.		Rs.
		b/d	900
		Bad debts (balance)	1,288
c/d (109,420 × 5%)	2,188		

	Rs.	Rs.
Bad debts	1,288	
Allowance		1,288