QUESTION 4 – IAS 1 (CAF5 A17)

Following is the trial balance of Younus Limited (YL) as on 30 June 2017:

Particular	Debit	Particular	Credit
	Rs. in '000		Rs. in '000
PPE	200,000	Share capital (Rs. 10 each)	35,000
Receivables and advances	13,000	Un-appropriated profit	66,820
Office rent	1,120	5% Bank loan	52,000
Opening stock	54,000	Trade payables	10,000
Taxation (advance tax)	6,000	Acc. dep. – 30 June 2017	120,000
Cash and bank	40,000	Sales	240,000
Purchases	170,000		
Selling expenses	20,000		
Administrative expenses	17,000		
Financial charges	2,700		
	523,820		523,820

The following additional information is available:

(i) On 1 July 2016 engine of a delivery truck seized and was replaced at a cost of Rs. 2 million on the next day. Rs. 1.2 million was paid in cash whereas the remaining amount was adjusted against the trade in value of the seized engine. The payment was charged to selling expenses.

The delivery truck was purchased on 1 July 2010. The cost of the delivery truck is Rs. 5 million of which approximately Rs. 1 million is attributable to the seized engine. Delivery trucks are depreciated over their useful life of 10 years.

(ii) Certain goods despatched on 28 June 2017 reached YL's warehouse on 2 July 2017. Break-up of the amount paid against these goods is as follows:

	Rs. in '000
20% advance to supplier	500
Insurance in transit	50
Delivery charges	100

The above amounts are appearing under the head 'Receivables and advances'.

(iii) Cost of stock in hand as on 30 June 2017 is Rs. 50 million.

(iv) During the year, YL gave free samples to certain customers. The selling price and gross profit on these goods was Rs. 5.4 million and 20% of cost respectively. No adjustment has been made in the books in this regard.

(v) Office rent pertains to the period from July 2016 to December 2017 and is inclusive of an upward revision of 10% with effect from 1 January 2017.

(vi) Bank loan was obtained on 1 July 2015. The principal is repayable in 20 equal quarterly installments. The principal along with interest is paid on the first day of the next quarter.

(vii) Tax expense for the year is Rs. 7.7 million.

Required:

Prepare statement of financial position as at 30 June 2017 and statement of profit or loss for the year ended 30 June 2017 in accordance with International Financial Reporting Standards.

(20)

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ANSWER 4 – IAS 1 (CAF5 A17)
Younus Limited
Statement of Profit or Loss
For The Year Ended June 30, 2017

	Rs. 000
Sales	240,000
Cost of sales 54,000 + 170,000 – 50,000 **J4** – 4,500 **J5**	(169,500)
Gross profit	70,500
Other income (Gain on disposal) **J1**	400
	70,900
Administration cost 17,000 + 1,120 – 385 **J6**	(17,735)
Selling & distribution expense 20,000 – 1,200 **J1** + 400 **J2** + 4,500 **J5**	(23,700)
Financial charges2,700 + 650 **J7**	(3,350)
Profit before tax	26,115
Income tax expense **J8**	(7,700)
Profit for the year	18,415

Younus Limited
Statement of Financial Position
As at June 30, 2017

	Rs. 000
Non – current assets	
PPE 200,000 – 120,000 + 1,600 **J1** – 400 **J2**	81,200
Current assets	
Inventory 50,000 **J4** + 2,650 **J3**	52,650
Receivable and advances 13,000 – 650 **J3**	12,350
Prepaid rent **J6**	385
Cash and bank	40,000
	105,385
	186,585
Capital and Liabilities	
Share capital	35,000
Un- appropriated profit (66,820 + 18,415)	85,235
	120,235
Non – current liabilities	
Bank loan [52,000-16,000]	36,000
Current liabilities	
Trade payables 10,000 + 2,000 **J3**	12,000
Current portion of bank loan 52,000 x 4 Quarters / 13 remaining Quarters	16,000
Income tax payable 7,700 **J8** – 6,000 advance	1,700
Interest payable **J7**	650
	30,350
	186,585

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Journal Entries

			Rs 000	
(i)	1	PPE (new)	2,000	
		Selling expenses		1,200
		PPE (old) 1,000 – (1,000 x 10% x 6 years)		400
		Other income (gain on disposal)		400
Correction of error				

(i)	2	Distribution costs (depreciation)	400	
		PPE		400
Depreciation impact of correction of error 2,000 – 400 = 1,600 / 4 years remaining life = Rs. 400				

(ii)	3	Inventory in transit	2,650	
		Receivables and advances		650
		Payables [500 / 20%] – 500 advance		2,000
Goods in transit and relevant payable recorded				

(iii)	4	Inventory	50,000	
		COS		50,000
Inventory closing				

(iv)	5	Distribution costs	4,500	
		Purchases / COS		4,500
5,400 x 100 /120 = Rs. 4,500 cost of free samples				

(v)	6	Prepaid rent	385	
		Rent expense		385
1,120 / [0.5 year + (1 +10% year)]= 700 per year x 6/12 = 350 + 10% = 385				

(vi)	7	Finance costs	650	
		Interest payable		650
Accrued interest 52,000 x 5% x 3/12 = Rs. 650				

(vii)	8	Tax expense	7,700	
		Tax payable		7,700
Tax payable				

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