

University of the Punjab
Part I Annual 2009 Examination ADC/BCOM
Subject: Financial Accounting Paper: BC:304
Time Allowed: 3 Hours Maximum Marks: 100

Composed by Iftikhar Ali Lecturer Statistics, Finance & Accounting

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Note: Attempt any five questions. All questions carry equal marks.

Question No. 1

Give short answers of following question

- (1) Define “Intangible Assets”
- (2) What do you mean by “mutual Accommodation?”
- (3) What are “Capital Expenditures”?
- (4) Define the term “Depreciation”
- (5) What do you mean by “Super Profit?”
- (6) Write down the formula for determining the net profit under Net worth method
- (7) What is the difference between Journal Ledger?
- (8) Define “Worksheet”
- (9) Why “Realization Account” is Prepared?
- (10) Pass adjusting entry for “Unearned Commission”

Question No. 2

For their mutual accommodation, Amar draws a bill for Rs.10, 000 on Bilal for three months. Bilal accepts it and returns it to Amar. The proceeds of the business are to be shared by Amar and Bilal in the ratio of 3/5 and 2/5 respectively. The bill is discounted by Amar for Rs. 9,950 and he remits 2/5 of the proceeds to Bilal. Before the due date Bilal draws another bill for Rs. 20, 000 on Amar at three months with the help of these proceeds the first bill is met by Bilal. The bill discounted for Rs. 19,

900. Before the due date of the second bill Amar becomes insolvent and his estate pays only 25% of the debts.

Required: Pass the entries in the books of both parties

Question No. 3

Form the Following particulars; prepare a revised cashbook and a Bank Reconciliation Statement of Paradise Stores as 31st March, 2008.

- (a) Credit balance as per the cash Book on 31-03-2008 was Rs. 60, 000.
- (b) A wrong debit of Rs. 2,000 has been given by the bank in the Pass Book.
- (c) Bank charges made by the bank Rs. 480 were recorded only in the Book.
- (d) Out of the cheques for Rs. 100, 000 paid into the bank, cheques for Rs. 75, 000 were cleared and credited by the bank.
- (e) Two cheques for Rs. 30,000 and Rs. 60, 000 were issued but out of them only one cheque for Rs.30000 was presented for payment up to 31st march, 2008.
- (f) Dividend on shares Rs.18, 000 was collected directly by the bank. The trader has no information about this.
- (g) The pass book contains an entry for Rs. 20, 000 being a direct payment made by a customer into the bank.

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Question No. 4

Following is the Receipts & Payments Account of Chenab Club for the year ended 31st December 2002:

Receipts	Rs.	Payments	Rs
Opening Balance	8000	Salaries	3600
Subscriptions:		Stationery	350
2001	2000	Telephone Charges	400
2002	18000	Insurance	1200
2003	1500	Miscellaneous Expenditure	480
Entrance Fees	1300	Subscriptions to newspapers	640
Sale of Old Magazines	50	Purchase of sports Material	6000
Interest on Investments	500	Closing Balance	19480
Other Receipts	800		
	32,150		32,150

2001 December 31st Balance of investments Rs. 10,000, Furniture Rs. 5,000, Building Rs. 25,000; Subscriptions due Rs. 3,000, Subscription received in advance of 2002 Rs. 2,000, Stock of sports material Rs. 4,000; Stock of stationery Rs. 200. The balance as on 31st December 2002 are--- Subscriptions due Rs 2500, Stock of sports material Rs. 3,000 & stock of stationery Rs. 150. Depreciate furniture by 10% and building by 5%. Interest due on investments Rs. 500. Prepare Income & Expenditure Account and Balance Sheet.

Question No. 5

Hamza and Subhan were partners in a firm sharing profits and losses as Hamza and Subhan 1/4 on 1st January 2009. Their business position was as below.

Assets	Rs	Liabilities	Rs
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Cash at Bank	20,000	Capital accounts	
Stock	10,000	Hamaz Capital	50,000
Sundry Debtors	30,000	Subhan Capital	30,000
Plant	40,000	Sundry Creditors	20,000
	100,000		100,000

They agreed to admit Riaz into partnership. He agrees to pay the partners Rs.20, 000 by way of goodwill and introduce 3/5 of the combined capital of the two existing partners after depreciating plant and stock at 20% and 10% respectively and raising a reserve of 10% against sundry Debtors, The new partner is to be allowed 1/4th share of the profit of the firm.

Required: You are asked to record the above transaction in the books of the firm and give the resultant Balance sheet of the new firm.

Question No.6

Enumerate the methods of calculating “Depreciation”. Discuss briefly the merits and demerits of each method

Question No. 7

In taking out the Trial Balance the accountant finds that the total of the credit side exceeds that of debit side by Rs.2410. He places the difference to Suspense Account and subsequently detects the following mistakes:

- Stationery purchased for Rs. 890 but debited to stationery account as 980.
- A sum Rs. 650 received from Alam was credited twice in his account.
- Wages Rs. 250 paid for installing a machine was debited to wages account as Rs. 520.
- A sales of Rs. 350 was entered in the purchase book as Rs. 530 but customer’s account was correctly debited with Rs. 350.
- A sale of Rs. 1,000 to Fawad was credited to his account twice.
- Old furniture sold for Rs. 6,000 was passed through sales book.

Required: Pass the rectifying journal entries and close the suspense account.

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Question No. 8

From the following trial Balance of Farhan and co. you are required to prepare Trading and profit and loss account / Income statement for the year ending on 31st March 2009, and a Balance sheet as at that date:

Particulars	Debit	Credit
Opening Stock	75,000	
Land and Building	62,000	
Good will	50,000	
Plant and Machinery	68,750	
Loose tools	1,250	
Drawing and Capital	25,000	150,000
Bills Receivable and Bills payable	6,250	20,000
Purchase and sales	112,00	312,500
Carriage	1,250	
Salaries	35,000	
Wages	31,250	
Loan to Ahsan and co.10% p.a	3,750	
Sundry debtors and creditors	50,000	75,000
Cash at Bank	25,625	
Cash in Hand	1,250	
Furniture	2,500	
Returns	3,125	3,750
Bad debts	1,875	
Prepaid Insurance	4,375	
	561,250	561,250

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Adjustments:

- (1) Stock on 31-03-2009 was valued at Rs. 50, 000
- (2) Depreciation Plant and machinery at 10% and Building at 5%.
- (3) Outstanding wages Rs.2, 500.
- (4) Interest on saleem and Co. loan was due for one year.
- (5) Insurance expired Rs.1, 875.
- (6) Provide 5% on debtors for Bad debts and 2% for discount

The End