# University of the Punjab
# Part I Annual 2010 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.

**Q.1:** On 1st January, 2010 Abdullah sold goods to Omer for Rs 60, 000 Omer paid Rs 12, 000 in cash and three bills for balance. The first bill for Rs. 14,000 at one month the second for Rs 16, 000 at two months and the third for the balance amount at three months Abdullah endorsed 1st bill to Akram his creditor on 2nd January in full settlement of Rs 14,200, discounted the 2nd bill at his bank for Rs. 15, 840 and retained the third bill till maturity. The first bill is met at maturity. The second bill is dishonored and Rs. 200 being paid as noting charges. Abdullah charges Rs..300 for interest and draw on Omer a forth bill for the amount at three months. At maturity the 3rd bill was renewed with interest of 10% p.a. for three months. The 5th bill was duly accepted by Omer. The fourth and fifth bills were met on maturity.

**Required:** Journal entries in the books of Abdullah

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**Q.2: From the following particulars prepare Bank Reconciliation Statement of Mr. Hamza as at 31st December 2009.**

**(a).** Bank overdraft as per Bank Statement Rs. 4,700.

**(b).** Cheques issued prior to 31st December amounted to Rs, 1, 800 of which cheques of Rs. 1, 050 have so far been presented to the bank.

**(c).** Interest on over draft for six months ending on 31st December Rs. 235 debited in the bank Statement.

**(d).** Cheque paid into Bank but not cleared and credited by the Bank were Rs. 3,250

**(e).** Bank charges debited in the Bank Statement amounted to Rs. 65.

**(f).** Interest and dividends on investments, etc, collected and credited by the bank in the Bank Statement amounted to Rs 350.

**(g).** A cheque for Rs. 220 received from a customer and entered in the bank column of the cash Book was omitted to be paid into the bank.

**(h).** A customer has directly paid Rs. 350 to our banker in the settlement of his account.

**Q.3:** The following balances appeared in the Books of Sania on 31st December, 2008

| | Rs. | | Rs. |
|---|---|---|---|
| Building | 70000 | Carriage on Purchases | 1291 |
| Motor Car | 12000 | Carriage on Sales | 800 |
| Furniture | 1640 | Reserve for Bad Debts | 1320 |
| Sundry Debtors | 15600 | Establishment | 2135 |
| Sundry Creditors | 18852 | Taxes & Insurance | 783 |
| Stock | 15040 | Interest (Cr) | 340 |
| Cash in Hand | 988 | Bad Debts | 613 |
| Cash at Bank | 14534 | Audit Fee | 400 |
| Bills Receivable | 5844 | General Charges | 3950 |
| Bills Payable | 6930 | Travelling Expenses | 325 |
| Purchases | 85522 | Discount (Dr) | 620 |
| Sales | 121850 | Investments | 8922 |
| Capital | 92000 | Sales Return | 285 |

***Adjustments:***

1. Stock on 31st December, 2008 amounted to Rs. 15550
2. Depreciate Motor Car at 20% and Furniture at 10%
3. Increase Bad Debt Reserve by 5% on Sundry Debtors.
4. Salaries Rs. 500 and Taxes Rs. 150 are Outstanding
5. Unexpired Insurance Rs. 50
6. Interest accrued on investments Rs. 120
7. Rent Due for the portion of the building let Rs. 150
8. A Bill Receivable for Rs. 500 was discounted in December, 2008 but was not due till January 2009

**Required:** Prepare Trading Profit & Loss Account and Balance sheet at the year ended 31st December, 2008

**Q.4: Ms. Affaf finds excess debit of Rs 800 in the trial balance. She places the difference to a newly opened suspense account to balance the trial balance. Later she discovers the following discrepancies.**

**(a)** An item of Sale for Rs 5, 900 was posted to the sale a/c at 9,500.
**(b)**The total of the sales returns book has been added Rs. 100 short
**(c)** An amount of Rs 3,700 received from a customer has been credited to his account as Rs. 7,300.
**(d)** Rs. 150,000 paid for purchase of building has been charged to the ordinary purchase account.
**(e)** A sum of Rs 9,500 written off from building a/c as depreciation has not been posted to depreciation a/c.
**(f)** An amount received from a debtor of Rs. 9.700 has been debited to his account as Rs. 7,900.

**Required:** Give the rectifying entries and prepare the Suspense Account. State also the ultimate effect of these correcting entries on the profit of the business.

**Q.5:** Suleman keeps his books on single entry system. His statement of Assets and Liabilities as on 31st December 2007 is as follows:

| Assets | Amount | Liabilities | Amount |
|---|---|---|---|
| Land & Buildings | 40000 | Sundry Creditors | 130000 |
| Furniture & Fixture | 6000 | Loan from Money Lender | 113200 |
| Plant & Machinery | 110000 | Other Liabilities | 26800 |
| Stock | 18400 | | |
| Sundry Debtors | 151000 | | |
| Cash | 16600 | | |
| | **342000** | | **270000** |

His drawings during the year amount to Rs.6000. land and building are to be depreciated by 2%, furniture and fixture by 10% and plant and machinery by 10%. Sundry debtors are to be reduced by 2%. He has used Rs. 1600worth of stock of his business for private purposes. During the year 2007 he sold some of his household furniture for Rs. 2000 and paid this into his business bank account. His capital at beginning of the year was Rs. 60,000.
**Draw up his statement of profit and loss of the year ended 31st December 2007.**



**Q.6:** The partnership of A, B and C who are sharing profits and losses in the proportion of 4/9, 2/9 and 1/3 is dissolved on 1st April 2005. Their balance sheet of 31st March was as follows:

| Assets | Rs. | Liabilities | Rs. |
|---|---|---|---|
| Cash in Hand | 1500 | Sundry Creditors | 4500 |
| Cash at Bank | 2250 | Bills Payable | 2050 |
| Bills Receivable | 2800 | A's Loan | 2000 |
| Investments | 12000 | Capital: | |
| Debtors | 15500 | A: 34000 | |
| Stock | 9700 | B: 23000 | |
| Furniture | 1850 | C: 1500 | 58500 |
| Machinery | 7500 | Reserve Fund | 6300 |
| Stock | 9700 | Profit & Loss | 2250 |
| | **75600** | | **75600** |

The assets realized – investment 15% less, Bills receivable and debtors Rs. 14,100, Stock 25% less, Furniture Rs. 1,025, Machinery Rs. 4,300 and Buildings Rs. 13, 200. The cost of realization was Rs.300. All the liabilities were paid off. C becomes bankrupt and Rs. 512 only is received from his estate full settlement of his indebtedness to his indebtedness to the firm. Partners are paid off.

**Show the realization account and capital accounts of the partners:**
**(i)** When capitals of the partners are fixed amounts and
**(ii)** When the capitals are not filed.



**Q.7:** Discuss in details the following accounting concepts:

- Separate entity concept
- Dual aspect concept
- Matching concept
- Going concern concept
- Cost concept

**Q.8:** Define worksheet. Explain its various columns. Elaborate its importance in the modern accounting?

***The End***