

University of the Punjab
Part I Annual 2011 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

Noman for mutual accommodation draws a bill for Rs.45, 000 on Ahsan at three months. Noman gets the bill discounted by his banker for Rs. 43, 875 and remits Rs. 14, 625 to Ahsan on maturity Noman is not able to send the amount due to Ahsan, to enable him to meet the bill. He, however, accepts a bill-for Rs. 56,250 which is discounted by Ahsan for Rs. 52,875. Ahsan meets his acceptance and remits Rs. 2,700 to Noman. Before the due date of the bill Noman becomes insolvent and a dividend of 60 paise in the rupee is received from his estate.

Required: Pass journal entries and show account of Noman in the books of Ahsan.

Question No. 2

(a) A trader has two Bank Accounts a/c No.1 and a/c No.2. The following particulars relating to a/c No.1 are available on 31st March 2010.

- (i). Pass Book balance (overdrawn) Rs. 60, 000.
- (ii). Cheque drawn prior to 31st March but not presented as yet Rs.16, 000.
- (iii). Cheque paid into the bank on 31st March 2010 but not yet credited Rs. 28, 000.
- (iv). Interest debited by the bank but not entered in the cash book as yet Rs. 1, 600.
- (v). Transfer from A/c No. 2 to A/c No.1 recorded by the bank on 31st March, but not entered in the cashbook Rs. 12, 000.
- (vi). Bank charges debited by the bank but not recorded in the cash book as yet Rs. 40.

Required: Prepare a Bank Reconciliation Statement for account No. 1 as on 31st March. 2010.

(b) Enter the following transactions in the books of A Rahim in a double column cash book and balance the same on 30th April, 2010.

- April 1 Cash in hand Rs. 80, 000 and bank overdrawn balance Rs. 270, 000.
- April 4 Received two cheques for cash sales
 - (a) From X Rs. 120, 000.
 - (b) From Y Rs, 16, 000
- April 5 Endorsed the first cheque to purchase furniture from A and the second cheque to B to settle his account
- April 10 Sold goods to M for cash Rs. 200, 000 and deposited the same into the bank.
- April 12 The cheque endorsed to B returned dishonored,
- April 16 Purchased stationery for Rs. 10, 000 by cheque.
- April 18 Received from P Rs 160, 000 on account.
- April 22 Q, a customer deposited into the bank Rs.70, 000
- April 25 Bought furniture for cash Rs. 120, 000.
- April 30 Bank debited Rs. 3, 000 for incidental charges.
- April 30 Deposited all cash over Rs. 40, 000 into the bank.

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Question No. 3

The Trail Balance of Farooq & Co. did not agree. The credit side was exceeding that of debit side by Rs. 20, 000 and the difference was placed in Suspense A/c. The following errors were discovered later on. To rectify these errors pass necessary journal entries and prepare suspense account State also the effect of errors on final accounts.

1. Purchase Book was overcast by Rs. 3, 600.
2. An amount of Rs. 5, 200 receivable from Salman & Co. was not included in Debtors schedule.
3. Received Rs. 11, 600 from Khawaja & Co. but this was credited to their account as Rs. 10, 000.
4. Goods sold to Ahsan for Rs.14, 000 on credit were not posted to his account.
5. Rafiq Bros. returned goods worth Rs. 6, 000. This was credited to their account but not entered in the sales returns book.

Question No. 4

X Y and Z carrying on business and sharing profits in the ratio of 3:2:1 respectively agreed to dissolve their partnership firm on 31st December 2010. The balance sheet of the firm as on that date is as follows:

Assets	Rs.	Liabilities	Rs.
Machinery	100,000	Creditors	88,000
Stock	60,000	Capital:	
Debtors	78,000	X	100,000
Cash at Bank	32,000	Y	10,000
		Z	72,000
	272,000		272,000

X agreed to take over machinery at on agreed value of Rs. 80, 000. A sum of Rs. 63, 000 could be realized from debtors and stock was sold for 46, 000. The creditors were satisfied by payment of Rs. 84,000. X agreed to bear all expenses of dissolution. For this service X is to be paid Rs. 3, 000? Actual expenses amount to Rs.5, 000. Draw up a realization account, bank account and partner's capital accounts assuming that all partners are solvent.

Question No. 5

Given below is the Receipts & Payments Account of the Eagle Club for the year ending 31st December 2004:

Receipts	Rs.	Payments	Rs
Balance b/d	10250	Salaries	6000
Subscription:		General Expenses	750
2003	400	Drama Expenses	4500
2004	20500	Newspapers etc.	1500
2005	600	Municipal Taxes	400
Donations for prize fund	5400	Charity	3500
Proceeds from Drama Tickets	9500	Investments	20,000
Sale of Waste Paper	450	Electricity Charges	1450
		Balance c/d	9000
	47,100		47,100

Prepare the Club's Income & Expenditure Account for the year ended 31st December 2004 and its Balance Sheet as on the date, after taking the following information into account:

- (a) There are 500 members, each paying an annual subscription of Rs. 50. Rs. 500 being in arrears for 2003.
- (b) Municipal Taxes amounting to Rs. 400 per annum have been paid up to 31st March 2005 and Rs. 500 for salaries is outstanding.
- (c) Building stood in the books at Rs. 50,000 and it is required to write off Depreciation at 5%
- (d) 3% interest has accrued on investment for five months.

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Question No. 6

From the following Balance of Shahid Bros, prepare a trading, profit & loss A/C for the year ended 31st December 2010 and also a Balance sheet as on the above date.

Particulars	Dr. Balances	Cr. Balances
Stock on 1-1-2010	48400	
Purchases	82000	
Sales		239200
Capital		366400
Drawings	16800	
Furniture	48000	

Salaries outstanding		5200
Sundry Debtors	67200	
Sundry Creditors		50000
Income Tax	2400	
Machinery	72000	
Building	160,000	
Investment in 10% Govt. Securities	32000	
Wages	48000	
Salaries	52000	
General Expenses	12000	
Cash at Bank	12000	
Cash in Hand	8000	
	660,800	660,800

Adjustments:

1. Depreciate Building at 2% p.a; machinery at 5% p.a and furniture at 10% p.a
2. Provide for doubtful debts @ 5% and for discount @ 5% on sundry debtors.
3. Create Reserve for discount on creditors @ 3%.
4. Wages payable Rs. 6000.
5. Stock on 31-12-2010 is Rs. 65,200

Question No 7 (a): On 1st July 2007 Raiz purchased machinery for Rs. 60, 000. Depreciation is to be provided for at 10% on diminishing balance each year. On 31st October 2009 1/4 of Machinery was sold for Rs. 6,000 as they became useless. On the same date he purchased new machinery for Rs. 20,000. Prepare machinery account from 2007 to 2009. Accounts are closed on 31st December every year.

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(b) Pass the necessary adjusting entries from the following for the year ended on 31st December 2010.

- (i) Salaries outstanding for the month of December, 2010 Rs. 4, 000.
- (ii) Accrued interest on bank deposit Rs. 2, 000.
- (iii) Commission received in advance Rs. 2, 000 out of which Rs. 1, 000 has been earned.
- (iv) Goods value Rs. 2,000 was taken away by the proprietor for personal use for which no record has been made in the book.

Question No.8

Define accounting. What is the need and importance of accounting?