University of the Punjab
Part I Annual 2012 Examination ADC/BCOM
Subject: Financial Accounting Paper: BC:304
Time Allowed: 3 Hours Maximum Marks: 100

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

Question No. 1

A sold goods to B for Rs. 50, 000 and drew on B a bill for the amount at 3 months. A endorsed the bill-to his creditor. C. C endorsed it to his creditor D. D got the bill discounted by his bank at 12% p.a. On maturity, the bill is dishonored and bank pays Rs. 50 for noting charges. Pass entries in the books of A, B, C, D and the bank.

Question No. 2

On 31st March, 2011, the Cash Book of Mr. Aqeel shows Rs.33, 436 as bank balance. But it does not agree with the balance as shown by the Pass Book. On comparison, you Find the following discrepancies:

(1) The payment side of the cash book was under cast by Rs. 400.
(2) A cheque issued for Rs: 524 on 25th March, was recorded in the cash column of the cash book.
(3) A cheque of Rs. 600 deposited was recorded in the cash column of the cash book.
(4) On 20th March, the debit balance of Rs. 6, 104 as on the previous day was brought forward as credit balance.
(5) Of the total cheques amounting Rs. 46, 056 drawn in the last week of March 2011, cheque totaling Rs. 31, 260 encashed in March.
(6) Dividend of Rs. 1, 000 collected by the bank was not entered in the cash book.
(7) Trade subscription of Rs. 400 paid by the bank was not recorded in the cash book.
(8) One outgoing cheque for Rs. 1, 400 was recorded twice in the cash book.

Prepare a Bank Reconciliation Statement with the help of revised cash book as at 31st March, 2011.

Question. 3

From the following Trial Balance & adjustments, you are required to prepare Trading, Profit & Loss Account for the year ended 31st December, 2011 and a balance sheet as on 31st December 2011.

Debit Balances	Rs.	Credit Balances	Rs.
Plant & Machinery	450000	Capital	420,000
Bills Receivable	30000	Sundry Creditors	60,000

Sundry Debtors	303600	Bills Payable	30,000
Purchases (adjusted)	540000	Sales	13,90,200
Buildings	300000	Provision for Bad Debts	2100
Salaries	66000	Reserve	120,000
Wages	86400		
Postage & Telegram	4500		
Carriage inward	4500		
Bad debts	5700		
Carriage outward	6000		
General Expenses	9000		
Cash at Bank	31,800		
Cash in Hand	4800		
Closing Stock	180,000		

Adjustments:

(i) Salaries Unpaid Rs. 54000
(ii) Charge 5% interest on Capital
(iii) Raise Bad debts provision to 2.5% on debtors.
(iv) Transfer 2.5% of net profit to Reserve A/C.
(v) It was discovered in January, 2011 that stock on 31st December 2010 was overcast by Rs. 6000.

Question No. 4
In taking out the Trial Balance the accountant finds that the total of the credit side exceeds that of debit side by Rs.2, 410. He places the difference to a suspense account subsequently detects the following mistakes:

(i) Stationary purchased for Rs. 890 but debited to stationary account as Rs. 980.
(ii) A sum of Rs. 650 received from Alain was credited twice in his account.
(iii) Wages Rs. 250 paid to installing a machine ware debited to wages account as Rs. 520.
(iv) A sale of Rs. 350 was entered in the purchase book as Rs. 530 but customer's account was correctly debited with Rs. 350.
(v) A sale of Rs. 1, 000 to Fawad was credited to his account twice.
(vi) Old furniture sold for Rs. 6,000 was passed through sale book.

Give the rectifying entries and prepare the suspense account.

Question No. 5
Enter five imaginary transactions in Journal, post them in ledger and prepare trial balance.

Question No. 6
Write short notes on:

(i) Cash discount and trade discount.
(ii) Fixed installment method and Diminishing balance method of depreciation.
(iii) Work sheet and income statement.
(iv) Capital expenditures and revenue expenditures.

Question 7:
The following are the assets and liabilities of Mr. Qaiser at the end and beginning of the year 2011, under single entry system.

	As at 31st Dec 2011	As at 1st Jan 2011
Land & Building	58,800	60,000
Plant & Machinery	120,000	96,000
Furniture & Fixtures	16,200	16,000
Stock in Trade	56,000	30,000
Sundry Debtors	310,000	280,000
Sundry Creditors	150,000	145,000
Loan from Bank	100,000	120,000
Other Outstanding Liabilities	80,000	90,000
Cash at Bank	32,000	36,000

During the year Mr. Qaiser had withdrawn Rs. 6, 000 in cash and Rs. 3, 000 in goods from the business. He had also introduced Rs.100, 000 as additional capital. A machine book value Rs. 25, 000 had been sold during the year for Rs. 30, 000 and new machine costing Rs.58, 000 was purchased in replacement. New furniture costing Rs.2, 000 was purchased during the year.

Question No. 8
Ali and Babar are partners in a firm sharing profits and losses as All 3/4 and Babar 1/4 on January, 2011 their position was as given below:

Assets	Rs.	Liabilities	Rs.
Plant	80,000	Capital Accounts	
Stock	20,000	Ali	100,000
Debtors	60,000	Babar	60,000
Cash at Bank	40,000	Sundry Creditors	40,000
	200,000		**200,000**

Usman is now to join the partnership. He agrees to pay the partners Rs. 40, 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 114th share of the profits of the firm.

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