

**University of the Punjab**  
**Part I 2014 2<sup>nd</sup> Annual 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:** Amir for mutual accommodation draws a bill for Rs. 45,000 on Yasir at three months. Amir gets the bill discounted by his banker for Rs. 43,875 and remits Rs. 14,625 to Yasir. On maturity Amir is not able to send the amount due to Yasir, to enable him to meet the bill. He however, accepts a bill for Rs. 56,250 which is discounted by Yasir for Rs. 52,875. Yasir meets his acceptance and remits Rs. 2,700 to Amir. Before the due date of the bill Amir becomes insolvent and a dividend of 60 paise in the rupee is received from his estate.

**Required:** Pass journal entries and show account of Amir in the books of Yasir.

**Q.2:** On 31st March, 2005, the Cash Book of Mr. Bilal shows Rs. 33,456 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.
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 to Rs. 46,056 drawn in the last week of March, 2005, cheques totaling Rs. 31,260 encashed in April.
6. Dividends of Rs. 1,000 collected by the bank were 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.

**Required:** Prepare a Bank Reconciliation Statement with the help of revised cash book as at 31<sup>st</sup> March, 2005.

**Q.3:** A trader by preparing his trial balance found out Rs. 780 excess debit and transferred it to the suspense account. Later he found the following errors.

- a) Commission account balance (Dr.) Rs. 2,430 was not transferred to the trial balance.

- b) The total of sales book Rs. 3,480 had not been posted to the sales A/c.
- c) Sale of old furniture for Rs. 2,400 was entered in the sales book.
- d) Purchases made from Raja stores for Rs. 2,250 had been forgotten to enter in the books.
- e) Cash paid to Rehman Rs. 3,520 was posted to his account as Rs. 3,250.
- f) Goods sold to A for Rs. 1,250 posted in B's account.

**Required:**

1. Pass the rectifying entries.
2. Prepare suspense account.
3. Ascertain correct profit after rectification of errors- before the rectification of errors the profit was Rs. 43,870.

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**Q.4: Yasir, who keeps his books on single entry, submitted returns to the Income Tax Authorities showing his income to be as follows:**

Date	Rs.
Year Ending December 31 <sup>st</sup> 2000	14,700
Year Ending December 31 <sup>st</sup> 2001	14,800
Year Ending December 31 <sup>st</sup> 2002	15,740
Year Ending December 31 <sup>st</sup> 2003	27,500
Year Ending December 31 <sup>st</sup> 2004	24,280
Year Ending December 31 <sup>st</sup> 2005	18,520

The Income Tax officer is not satisfied as to the accuracy of the accounts submitted. you are instructed to assist in establishing their correctness, and for that purpose you are supplied with the following information:

- a. Business liabilities and assets at 31<sup>st</sup> December, 1999 were; Debtors, Rs.2,900; Cash at Bank and in hand Rs. 18,940; Stock Rs. 10,840 (at selling price which is 25% above cost); creditors Rs. 14,640.
- b. Yasir owed his brother, Rs.8,000 on 31<sup>st</sup> December, 1999. On 15th February 2002 he repaid this amount and on 1<sup>st</sup> January, 2005 he lent his brother Rs. 6,000.
- c. Yasir owns a house which he purchased in 1995; for Rs. 40,000 and a car which he purchased in 2001 for Rs. 15,000. In 2004, he bought Rs. 20,000 shares in X Ltd. for Rs. 15,000.
- d. In 2005 Rs. 6,000 were stolen from his house.
- e. Yasir estimates that his living expenses have been: In 2000, Rs. 6,000; 2001, Rs. 8,000; 2002, Rs.12,000; 2003, 2004 and 2005 Rs. 14,000 per annum exclusive of the amount stolen.
- f. On 31<sup>st</sup> December, 2005 the business liabilities and assets were: creditors Rs. 16,800, Debtors, Rs. 11,840; Cash at Bank and in hand Rs. 38,900 and Stock, Rs. 13,480 (at selling price which shows a gross profit of 25%).

**From the information submitted prepare a statement showing whether or not the income declared by Yasir is correct.**

**Q.5: Given below is the Receipts & Payments Account of the Eagle Club for the year ending 31<sup>st</sup> 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
	<b>47,100</b>		<b>47,100</b>

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

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

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**Q.6:** Define cash book. Explain different types of cash book. Also provide the specimen of the three column cash book.

**Q.7:** From the following trial balance and adjustments, you are required to prepare trading & profit and loss account for the year ended 31<sup>st</sup> December, 2013 and a balance sheet as on 31-12-2013.

Debit Balances	Rs.	Credit Balances	Rs.
Plant & Machinery	450000	Capital	420000
Bills Receivable	30000	Sundry Creditors	60000
Sundry Debtors	303600	Bills Payable	30000
Purchases (Adjusted)	540000	Sales	1390200
Buildings	300000	Provision for bad Debts	2100
Salaries	66000	Reserve	120000
Wages	86400		
Postage & Telegrams	4500		
Carriage Inward	4500		
Bad Debts	5700		
Carriage Outwards	6000		

General Expenses	9000		
Cash at Bank	31800		
Cash in Hand	4800		
Closing Stock	180,000		

**Adjustments:**

- (1) Salaries unpaid Rs. 54,000.
- (2) Charges 5% interest on capital
- (3) Raise Bad debts provision to 2.5% of debtors.
- (4) Transfer 2.5% of net profit to reserve A/C.
- (5) It was discovered in January, 2013 that the stock on 31<sup>st</sup> December, 2012 was over cast by Rs. 6000.

**Q.8:** A and B are partners in a firm sharing profits and losses as 5:3. The position of the firm as on 31<sup>st</sup> March, 2011 is as follows:

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C now joins them on condition that he will share 3/4th of the future profits, the balance of profits being shared by A and B as 5:3. He introduces Rs. 40,000 by way of capital in cash and pays off the overdraft. He also pays Rs. 4,000 by way of premium for goodwill of the business and this amount is to remain in business. The partners agree to depreciate plant by 10% and raise a reserve against Sundry debtors by 5%.

Assets	Rs.	Liabilities	Rs.
Plant & Machinery	40,000	Capital Accounts:	
Stock	30,000	A 30,000	
Sundry Debtors	20,000	B 20,000	50,000
Bills Receivable	10,000	Sundry Creditors	15,000
Cash at Bank	75,00	Bank overdraft	42,500

You are asked to journalize the entries in the books of the firm and the resultant balance sheet and also show how will the partners share future profits?

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