

University of the Punjab
Part I Annual 2014 Examination ADC/BCOM
Subject: Financial Accounting Paper: BC:304
Time Allowed: 3 Hours Maximum Marks: 100

Composed by Iftikhar Ali Lecturer Statistics, Finance & Accounting

<https://bcfeducation.com>

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

Question 1:

A draws on B a bill of exchange for Rs. 5,000 on 1st January 2013 at three months for mutual accommodation B accepts the bill and sends it to A who gets it discounted for Rs 4,800 and remits immediately half of the proceeds to B On 31st March 2013, A unable to send the B for Rs 3,500 B sends Rs 900 to A. Before the maturity of the bill accepted by A, he becomes insolvent and 40 % is received from his estate as final dividend.

Required: Pass the journal entries in the books of both the parties Also, show A's account in B 's books.

Question 2:

From the following particulars prepare a Bank Reconciliation Statement of Mr. Shaheer as on 31.12.2013

- 1) Cash and cheques totaling Rs. 80,000 were sent to the bank in the month of December but out of them one cheque for Rs. 10,000 was credited in the pass book on 2nd January 2014.
- 2) On 26th December cheques were issued in favour of creditors for Rs. 38,000 but out of them two cheques for Rs, 10,000 each were encashed on 3rd January 2014.
- 3) Interest Rs 2,800 credited by the bank in the pass Book which was not recorded in the Cash Book.
- 4) Insurance premium Rs.4,000 was directly paid by the bank for which there was no record in the Cash book.
- 5) On 29th December a cheque for Rs. 26,000 was deposited into the bank but in January 2014the cheque was returned by the bank as dishonoured.
- 6) Balance as per the Pass Book (Credit) Rs. 120,800

Question 3:

The Trial Balance of Mr. Ishtiaq did not agree. The accountant transferred the difference to the Suspense account and subsequently detected the following mistakes.

1. Return of goods to a supplier, shabeer for Rs. 4,000 has Not been posted to his account.
2. Interest received Rs. 4,800 though entered in the Cash Book was not posted to the relevant income account.
3. Purchases return to Malilk shakeel Rs. 6,000 have been wrongly entered in the sales Return Book.
4. An amount of Rs7,680 which was to be debited to Shumaila account , wrongly debited as Rs.7,860
5. Rs. 14000 paid for purchase of furniture was charged to the Building account.
6. Rs. 16,000 being wages paid debited to Wages account twice.

Required: Give Rectifying journal Entries and Prepare Suspense Account.

<https://bcfeducation.com>

Question 4:

The following balances are obtained from the books of Mr. Zaheer as 31st December 2013:

	01-01-2013	31-12-2013
Sundry Creditors	31,200	28400
Furniture & Fixtures	3400	3400
Bank Overdraft	40800	39200
Bills Receivable	30500	28800
Motor Car	4200	4200
Cash at Bank	900	2800
Sundry Debtors	22800	21400
Stock in Trade	33400	37400

The following additional information are relevant to the year 2013:

Drawings during the year amounted to Rs.4,800, Depreciate Furniture at 10%. Write off Rs.800 on Motor Car. Provide Rs.1,000 as bad debts and 5% as reserve on Debtors, Provide reserve of Rs.1,600 on Bills Receivable.

Required: From the above information prepare a statement showing profit or Loss and Statement of Affairs for the year Ended December 31, 2013.

Question 5:

The following are the balances are taken from the books of a Trader.

Accounts Title	Rs.	Accounts Title	Rs.
Capital Account	150,000	Drawings	25000
Stock (1-1-2013)	75,000	Plant & Machinery	68,750
Furniture	2500	Purchases	112,500
Sales	312,500	Prepaid Insurance	4375
Purchases Return	3750	Sales Return	3125

Bills Receivable	6250	Bills Payable	20,000
Salaries	35,000	Wages	31250
Bad Debts	1875	Investment@10%	3750
Sundry Debtors	50,000	Sundry Creditors	75000
Carriage	1250	Cash	26875
Land & Building	62,500	Loose Tools	1250
Goodwill	50,000		

After making the following adjustments, prepare Trading, Profit & Loss Account/Income Statement for the year ended 31st December 2013 & Balance Sheet as on that date.

- (1) Stock on 31st December 2013 Rs. 50,000.
- (2) Depreciate Plant & Machinery by 10% & Building by 5%.
- (3) Wages Rs. 2500 are outstanding.
- (4) Provide 5% on debtors for bad debt reserve & for discount on debtors 2%.
- (5) Investment is made on 1-1-2013 & no interest has been received or recorded so far.
- (6) Insurance expired Rs. 1875.

<https://bcfeducation.com>

Question 6:

Convert the following Receipts & Payments Account of a Literary Society for the year ended 31st December 2013 into an Income & Expenditure Account and prepare a Balance Sheet.

Receipts & payments Account

Receipts	Rs.	Payments	Rs.
Balance b/d	500	Rent & Taxes	1000
Entrance Fees	1500	Wages	500
Subscriptions	10,000	Lighting Charges	250
Life Membership fees	3000	Lectures fees	1000
Donations	1000	Books	1500
Interest on Investments	100	Office Expenses	2000
Receipt from Lectures	3000	Fixed Deposits (on 1-7-13 @ 10%)	10,000
		Furniture	2000
		Cash	850
	19100		19100

At the beginning of the year Society had the following assets:

Books Rs. 4,000; Furniture Rs. 1,000; Investments, Rs. 1,000. Subscriptions receivable at the beginning of the year was Rs. 1,000, at the end of the year is Rs. 500. Rent was outstanding for six months (Rs. 500) both at the beginning and at the end of the year. Capitalize entrance fees and life members' fees. Depreciate Rs. 300 on furniture and Rs. 100 on books. Interest on fixed deposit was not yet received.

You are required to prepare Income and Expenditure Account for the year ending 31st December 2013 and a Balance Sheet as on that date.

Question 7:

Humaira and Saba were partners in a firm sharing profits and losses in the ratio of 3:2. Their business position was as below:

Assets	Rs.	Liabilities	Rs.
Cash	1500	Humaira's Capital	51450
Stock	28000	Saba's Capital	36750
Sundry Debtors	19500	Sundry Creditors	11800
Machinery	48500		
Furniture	2500		
Total	100,000	Total	100,000

They agree to admit Rehana into the partnership and give her 1/8th share in the future profits on the following terms:

- 1) Goodwill of the entire firm to be valued at twice the average of the last three year's profits which amounted to Rs. 21,000; Rs. 34,000 and 25,560/
- 2) Rehana to bring in cash for the amount of her share of Goodwill
- 3) Rehana is to bring in cash Rs. 15000 as her capital

You are asked to record the above transactions in the books of the firm and prepare balance sheet of the new firm Also state the future profit sharing ratio.

<https://bcfeducation.com>

Q.8. Define Double entry book keeping system, Discuss its advantages and disadvantages.

For More Learning Visit <https://www.youtube.com/c/BlueChipFin/featured>