

University of the Punjab
Part I 2015 2nd 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. 01: For mutual accommodation, A draws a bill on B for Rs. 10,000 at two months which is accepted by B. On the same date B draws a bill on A for a similar amount at two months. Both the parties get their bills discounted by their respective banks at 12% p.a. On the due date A met his acceptance but B failed to meet his acceptance.

Required: Give journal entries in the books of A and B.

Q. 02: Prepare a Bank Reconciliation statement on 31st December, 2005 from the following particulars.

1. Bank balance as per the Cash Book on 31st Dec: 2005, Rs. 48,020.
2. Cheques for Rs. 16,000 deposited for collection but not credited by the bank prior to 31st December, 2005.
3. Cheques amounting to Rs. 18,000 were issued on 28th December, out of which Cheques for Rs. 16,000 were cashed up to 31st December, 2005.
4. A wrong debit of Rs. 1,800 appeared in Pass Book.
5. Bank charges Rs. 220 appeared in the Pass Book but not in the Cash Book.
6. Interest on investment collected by the bank not yet recorded the Cash Book Rs. 12,000.

Q. 03. 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. 3480 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 Azam stores for Rs. 2,250 had been forgotten to enter in the books.
- e) Cash paid to Ahmad Rs. 3,520 was posted to his account as Rs. 3,250.
- f) Goods sold to A for Rs. 1250 posted in B's account.

Required:

1. Pass the rectifying entries.
2. Prepare suspense account.

Q. 04: From the following trial balance of Bilal & Company, you are required to prepare Trading, Profit & Loss A/C for the year ending 31st December, 2005 and a Balance Sheet as at that date.

Details	Rs.	Rs.
Land & Building	170,000	
Plant & machinery	80,000	
Furniture & fixture	26,000	
Opening Stock	80,600	
Drawings & capital	64,000	280,000
Purchases & Sales	220,000	408,000
Debtors & Creditors	60,800	48,000
Returns	12,000	10,000
Loan from Bank on 1-10-2005 @ 12% p.a		80,000
Wages & Salaries	53,000	
Printing & Stationary	6200	
Bad Debts	8400	
Provision for doubtful debts		6750
Cash at Bank	51,750	

Adjustments

- 1) Closing Stock was valued at 150,000.
- 2) Depreciate, land & building at 2.5%, plant & machinery at 10% and furniture and fixture at 5%.
- 3) Write off Rs. 7200 as bad debts from debtors.
- 4) Maintain Reserve for doubtful debts at 8%.

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Q. 5: 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.

Q. 6: The following is Receipts & Payments Account of Young men's society for the year ending 31st December, 2005. You are required to prepare Income & Expenditure Account for the year ending 31st December, 2005.

Receipts	Rs.	Payments	Rs
Balance 1-1-2005	3485	Books	6150
Entrance fees	650	Printing & Stationery	465
Donations	6000	Newspapers	1110
Subscription	8565	Sports Material Purchased	5000
Interest on Investments	200	Repairs	650
Sale of Furniture (Face Value 2000)	1685	Investments	2000
Sale of Old Papers	465	Furniture	2000
Receipts from recreation	865	Salaries	1500
Misc. Receipts	125	Balance 31-12-2005	3165

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Capitalize Entrance Fee & Donations. Depreciation on Sports Material is 20%.

You are required to prepare Income & Expenditure Account for the year ending 31st December, 2005.

Q. 7. A and Bare partners in a firm sharing profits and losses as 5:3. The position of the firm as on 31st March, 2011 is as follows:

Assets	Rs.	Liabilities	Rs.
Plant and 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	7500	Bank overdraft	42,500

C now joins them on condition that h~ 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%.

Required: 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?

Q. 8. Define the following terms:

- a) Matching Concept.
- b) Separate Entity Concept.
- c) Trade Discount.
- d) Going concern concept.
- e) Accrual system of Accounting.
- f) Error of Commission.
- g) Revaluation Account.
- h) Goodwill
- i) Compensating Errors.
- j) Contingent liabilities.

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