

University of the Punjab
Part I 2016 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.1 On 1st July 2015, X sold goods to Y worth Rs. 100,000 on credit basis and drew on Y four bills of Rs. 25,000 each at 2 months, 3 months, 4 months and 5 months respectively. X retained the first bill till due date. On 4th July, he discounted the second bill with the bank at 10 % p.a. He endorsed the third bill in favour of his creditor Z on 6th July. The 4th bill is sent to the bank for collection on 7th July. All the bills are dishonoured on due date. The noting charges of Rs. 200 were paid by the holder of each Bill. A sum of Rs. 100 was charged by the bank as collection charges.

Required: Pass the Journal Entries in the books of drawer and drawee.

Q.2 On 31st December 2015, the bank column of Rabia's Cash Book showed an overdraft of Rs. 30,000. On comparing Cash Book with the Bank Statement you find that:

- i) Cheques drawn amounting to Rs. 50,000 had not been presented in the bank up to 31st December 2015.
- ii) Cheques of Rs. 25,000 entered in the Cash Book and paid into the bank but not yet been cleared.
- iii) A dividend of Rs. 6,000 received directly by the bank as per standing orders of Rabia, had not been recorded in Cash Book, as no information is received from bank.
- iv) Bank charges entered in the Bank Statement had not yet been entered in the Cash Book Rs.3, 000.
- v) A cheque of 5,000 deposited into bank had been dishonored and returned by bank, but no action is taken in the Cash Book after receiving it back from the Bank.
- vi) A cheque for Rs. 13,000 drawn by Reham had been charged to Rabia's Bank Account in error in the month of December 2015.
- vii) No entry had been made in the Cash Book for trade subscription of Rs. 1,000 paid by the banker of Rabia as per standing orders.

Required: Prepare Bank Reconciliation Statement as on 31st December 2015.

Q.3 The following trial balance of Hamza Traders, prepare Trading & Profit & Loss Account for the year ended 31st December 2014 and Balance Sheet as on that date.

Debit Balances	Rs.	Credit Balances	Rs.
Opening Inventory	10420	Sales	36300
Bills Receivable	200	Accounts Payable	14890
Purchases	14225	Bills Payable	785
Drawings	2958	Bank Loan	3000
Carriage Inwards	70	Capital	14415
Trade Expenses	1400	Return outwards	525
Wages	9122		
Accounts Receivable	13420		
Salaries	1750		
Taxes & Insurance	854		
Bad Debts	135		
Interest & Discount	275		
Cash in Hand	71		
Cash at Bank	1515		
Building	6100		
Plant & Machinery	7400		
	69915		69915

The following adjustments are to be made:

- 1) Inventory on 31st December 2014 amounted to Rs. 10,900.
- 2) Make a provision for bad & doubtful debts at 5% of accounts receivable.
- 3) Make an allowance for depreciation on Plant & Machinery & Building at 10% & 5% respectively.
- 4) Salaries still payable Rs. 500.
- 5) Trade Expenses payable Rs. 250.

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Q.4 Following errors has been discovered after the preparation of final accounts.

1. Repair of building Rs. 2,000 has been debited to Building Account.
2. The Sales Book was overacted by Rs. 1,000.
3. Goods valued Rs. 2,000 was returned by customer, taken in the stock but no entry has been made in the books.
4. Rs. 20,000 paid for machinery purchased had been charged to Purchased Account.
5. Rs. 100 paid for Repairs posted as Rs. 10.
6. Rs. 4,000 received from Saleem in settlement of his account, posted to the credit of Sales Account.
7. The Purchase Book has been over added by Rs. 1,000.

Required: Make rectify entries and show the effect of errors on final accounts.

Q.5 Faisal keeps his books on single entry system. His statement of Assets and Liabilities as on 31st December 2011 is as follows:

Assets	Rs	Liabilities	Rs
Land & Buildings	20,000	Sundry Creditors	65,000
Furniture & Fixture	3000	Loan from Money Lender	56,600
Plant & Machinery	55,000	Other Liabilities	13,400
Stock	9200	Capital	?
Sundry Debtors	75,500		
Cash	8300		

His drawings during the year amount to Rs.3000. land and building are to be depreciated by 2%, furniture and fixture by 5% and plant and machinery by 10%. Sundry debtors are to be reduced by 2%. He has used Rs. 800 worth of stock of his business for private purposes. During the year 2011 he sold some of his household furniture for Rs. 1000 and paid this into his business bank account. His capital at beginning of the year was Rs. 30,000.

Draw up his statement of profit and loss of the year ended 31st December 2011.

Q.6. Mr.Umer and Mr.Irfan are partners sharing profits as 2:1. The position of the firm as on 31st December, 2011 when they decided to dissolve the business was as follows:

Assets	Rs.	Liabilities	Rs.
Plant & Machinery	12,500	Sundry Creditors	7,500
Furniture	2,000	General Reserve	5,000
Stock	5,000	Capital Accounts:	
Sundry Debtors	10,000	Mr. Umer	11,000
Cash at Bank	5,000	Mr. Irfan	11,000
	34,500		34,500

The realization shows the following results:

1. Mr.Umer took over Plant & Machinery and Furniture at book values less 10%.
2. Mr.Irfan took over the stock and goodwill at Rs.8,750.
3. Sundry debtors realized Rs.9,250.
4. Sundry Creditors were settled at a discount of 5 %.

Prepare necessary Journal entries to close the books of the firm. Also prepare relevant Ledger Accounts.

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Q.7. The following particulars are obtained from the books of an Association, for the year ended December 31, 2010.

Receipts & Payments Account for the year ended December 31, 2010.

Receipts	Rs.	Payments	Rs.
Balance b/d	7000	Salaries	3000
Subscriptions:		Printing & Stationery	300
2009 500		Postage & Telephone	1800

2010	9000		Municipal Taxes	1600
2011	1000	10,500	Cutlery Purchases	3000
	Entrance fees	1000	Electricity Charges	1200
	Life membership fees	5000	Annual Dinner Charges	4800
	Annual Dinner	6000	Fixed deposit with Bank	12,000
	Hall Rent	3000	Balance c/d	5400
	Miscellaneous Income	600		
		33,100		33,100

On 1 January, 2010 the Association had a building worth Rs. 2,00,000, cutlery worth Rs. 6000 and kitchenware worth Rs. 8,000. There is a deposit with the Telephones Department under the "Own Your Telephone Scheme" amounting to Rs. 8,000. Entrance Fees and Life Membership Fees are to be capitalized.

You are required to depreciate building by 5 %, cutlery by 40 % and kitchenware by 25%.

The Annual Subscription of the Association Members is Rs. 10, and 100 members are in arrears during this year.

Municipal taxes were paid up to March 31, 2011.

You are required to prepare an Income and Expenditure Account for the year ended December 31, 2010 and a Balance Sheet as on that date, after making the necessary adjustments.

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Q.8. On January 1st 2015, Mr. Ibrahim started business with the capital of Rs. 5,00,000 and his transactions of the month were as follows:

- Jan. 3 Purchased building for cash Rs. 1, 40,000
- Jan 5 Sold goods for Cash 25,000
- Jan 7 Purchased goods from Asif 16,000
- Jan 9 Goods returned to Asif 2,000
- Jan 15 Sold goods to Akram 15,000
- Jan 22 Returned goods by Akram 3,000
- Jan 28 Received commission 3,000
- Jan 30 Paid salaries 13,000

Required: Journalize the above transaction. Prepare ledger accounts and Trail Balance.