

University of the Punjab
Part I Annual 2016 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 January, 2015 Mr. Irtaza sold goods to Mr. Murtaza for Rs.60,000. Murtaza paid Rs. 12,000 in cash and accepts three bills for balance. The first bill for Rs. 14,000 at 1 month, the second for Rs. 16,000 at two months and the third for Rs. 18,000 at three months.

Irtaza endorsed first bill to Behzad his creditor on 2nd January in full settlement of Rs. 14,200: Discounted the second bill at his bank for Rs. 15,840 and retained the third bill till maturity. The first bill is met at maturity. The second bill is dishonored and Rs. 100 being paid as nothing charges. Irtaza charges Rs. 300 for interest and draw on Murtaza a fourth bill for the amount at three months. At maturity the third bill was renewed with the interest of 10% p.a for three months. The fifth bill was duly accepted by Murtaza. The fourth and fifth bills were met on maturity.

REQUIRED:

Give Journal entries in the books of Irtaza and prepare Murtaza's account in Irtaza's books.

Q2. Prepare a Bank Reconciliation statement as on 31st December, 2005 from the following particulars

- (i) Bank balance as per the Cash Book on 31st December 2005, Rs. 57,000.
- (ii) Cheques for Rs. 7,000 deposited for collection but not credited by the bank prior to 31st December 2005.
- (iii) Cheques amounting to Rs. 18,000 were issued on 28th December, out of which cheques for Rs. 15,000 were cashed up to 31st December, 2005.
- (iv) A wrong debit of Rs. 700 appeared in Pass Book.
- (v) Bank charges Rs. 420 appeared in the Pass Book but not in the Cash Book.
- (vi) Interest on investment collected by the bank not yet recorded in the Cash Book Rs. 2500

Q.3 The following balances are obtained from the books of Mr. Salman as on 31st December, 2012 and 31st December 2013.

Details	31-12-2012	31-12-2013
Sundry Creditors	110,000	75,000

Furniture & Fixture	46,000	63,000
Office Equipment	48,000	47,700
Outstanding Expenses	2500	5880
Motor Truck	47,000	37,600
Cash at Bank	45,000	38,000
Sundry Debtors	80,000	85,000
Stock in Trade	25,000	37,500
Bills Payable	9,000	5,000

The following information is relevant for the year 2013.

- Cash drawings during the year amounted to Rs. 15,000 and goods costing Rs. 6,000 were taken by Mr. Salman for his personal use.
- One sales invoice amounting to Rs. 5,000 dated 1-10-2013 was omitted in books.
- Write off 5% from sundry debtors.

You are required to show by means of a statement as to how would you arrive at the Net Profit for the year ended 31st December, 2013.

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Q.4 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:

- Inventory on 31st December 2014 amounted to Rs. 10,900.
- 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.

Q.5 Waqas Jamil, Dilber Hussain and M. Usman trading in partnership and sharing profit and losses in the proportion of $\frac{1}{2}$, $\frac{1}{3}$ and $\frac{1}{6}$ respectively agree to take Irtaza in to partnership on the following terms.

- (a) Irtaza should be given $\frac{1}{4}$ share and should bring Rs. 10,000 as goodwill and 1,28,000 as capital.
- (b) A reserve for bad and doubtful debts should be created at 5%.
- (c) The value of the land and building should be brought up to 620,000.
- (d) Stock should be taken at Rs. 2,61,000.
- (e) Machinery should be revalued at Re. 61,600.

The following is the balance sheet of the firm of the Waqas Jamil, Dilbar Hussain and M. Usman on the data of Irtaza admission.

Balance Sheet as on 31-12-2015

Assets	Rs.	Liabilities	Rs.
Cash in hand	8,000	Sundry creditors	38,000
Debtors	252,000	Partners' capital:	
Stock	290,000	Waqas Jamil :	570,000
Machinery	70,000	Dilbar Hussain :	320,000
Land and building	480,000	M. Usman :	160,000
		Reserve fund	12,000
Total	11,00,000	Total	11,00,000

REQUIRED:

Pass journal entries in the books of new firm keeping these arrangements in view and. Show the necessary accounts, balance sheet of the newly constituted firm and new Profit sharing ratio.

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Q.6 Amir and Babar share profits in the proportion of $\frac{3}{4}$ th and $\frac{1}{4}$ th. The balance sheet on 31st December, 2004 was as follows:

Assets	Rs.	Liabilities	Rs.
Cash at bank	45,000	Sundry creditors	83,000
Bills receivable	6,000	Amir's capital	60,000
Debtors	32,000	Babar's capital	32,000
Stock	40,000		
Furniture	2,000		

Buildings	50,000		
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On 1st January, 2005 Jamal was admitted in to partnership on the following terms.

- That Jamal pays Rs. 20,000 as his capital for a 5th share.
- That Jamal pays Rs. 10,000 for goodwill. Half of this sum is to be withdrawn by Amir and Babar.
- That the capitals of Amir and Babar be adjusted on the basis of Jamal's Capital.
- That stock and fixture to be reduced by 10% and a 5% provision is created for doubtful debts on debtors and bills receivable.
- That value of buildings be appreciated by 20%
- That an item of Rs. 650 included in creditors is not likely to be claimed and hence should be written back.

REQUIRED:

Prepare revaluation account, capital accounts and give balance sheet of the new firm.

Q.7 The following was the Receipts & Payments Account of Model Town Literary Society for the year ending 31st December 2013

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 in Hand	50
		Cash at Bank	800
	19100		19100

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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.

Q.8 Rectify the following errors by passing Journal Entries:

- An amount of Rs. 800 paid for installation of machinery was debited to the wages A/c.
- Salaries paid Rs. 850 were debited to the salaries to the salary's A/c Rs. 580.
- Good sold to Murtaza for Rs. 7,000 were debited to Mujtaba A/c.

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- d)** A bill of Rs. 5,000 paid for owner's personal use was wrongly debited to trade expenses A/c.
- e)** Rs. 51,214 received from Ali whose account had already been written off as bad debts were credited to his account.
- f)** Goods purchased for Rs. 4,000 from Basharat Ali were recorded in the sales book.
- g)** A sale Rs. 7,000 to Mr. Jawad was wrongly passed through the purchases book.
- h)** A sale of Rs. 14,000 to Kashaf Batool was wrongly passed through the purchases Return book.

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