

**University of the Punjab**  
**Part I 2017 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** For their mutual accommodation, Ahmad accepted a bill on 1st March, 2005, drawn on him by Aqeel for Rs. 12,000 at three months. The bill was got discounted at 10% p.a. and the proceeds were shared equally. On 1st April, 2005, Ahmad drew a bill for Rs. 18,000 on Aqeel at three months for the same purpose. Aqeel accepted the bill. Ahmad got the bill discounted at 10% p.a. and the proceeds were shared as 2/3 to Ahmad and 1/3 to Aqeel. Before the due date of the first bill Ahmad sent a cheque to Aqeel in full settlement of his account. On 15th June, 2005, Aqeel became insolvent and his estate paid a dividend of 50 paise in a rupee.

**Required:** Give journal entries and Aqeel's account in the books of Ahmad.

**Q.2** Prepare a Bank Reconciliation statement as on 31st December, 2015 from the following particulars. \_

- i. Bank balance as per the Cash Book on 31st Dec. 2015, Rs. 77,000.
- ii. Cheques for Rs. 17,000 deposited for collection but not credited by the bank prior to 31st December, 2015.
- iii. Cheques amounting to Rs. 28,000 were issued on 28th December, out of which cheques for Rs. 25,000 were cashed up to 31st December, 2015.
- iv. A wrong debit of Rs. 900 appeared in Pass Book.
- v. Bank charges Rs. 520 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. 3,500.

**Q. 3** Rectify the following errors.

- a. Rs. 840, a debit balance in Ahsan account are written off as bad debts, but only Rs. 480 were entered instead of Rs. 840, in addition to it Amir Account was credited instead of Ahsan A/c.
- b. Rs. 2,000 paid for college fees of proprietor's son were charged to the Trade Expenses account.
- C. Bad debts recovered Rs. 500 from Amjad were credited to his account.
- d. A receipt of Rs. 3,500 from Bilal & Co. was credited to his account as Rs. 5,300.

- e. The total of the credit side of Ahmad A/c was overcast by Rs. 1000.
- f. Sales Book was under-cast by Rs. 1,000.
- g. Goods worth Rs. 1,000 were purchased from Nasir but were entered in the Sales Book. However, the account of Nasir was correctly credited.
- h. The total of purchases returns book Rs. 2,000 was not posted to the ledger.
- i. A credit balance of Rs. 7,550 of the Rent received Account was shown as Rs. 5,700.
- j. Goods worth Rs. 6,200 sold to Usman, were correctly entered in the Sales Book, but posted to Usman A/c as Rs. 2,600.

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**Q.4** The following is Receipts & Payments Account of Young men's society for the year ending 31<sup>st</sup> December, 2005. You are required to prepare Income & Expenditure Account for the year ending 31<sup>st</sup> 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

Capitalize Entrance Fee & Donations. Depreciation on Sports Material is 20%.  
 You are required to prepare Income & Expenditure Account for the year ending 31<sup>st</sup> December, 2005.

**Q.5** From the following trial balance & adjustments, prepare trading & profit & loss account for the year ending 31<sup>st</sup> march, 2015 and a balance sheet as at 31-3-2015.

Debit Balances	Rs.	Credit Balances	Rs.
Cash in hand	3,000	Sales	843,000
Cash at bank	13,200	Accounts Payable	85,800
Bills Receivable	31,800	Provision for Bad debts	6,000
Furniture	60,000	Bills Payable	25,200
Machinery	168,000	Capital	360,000
Drawings	43,200		
Stock on 1-4-2014	123,000		
Purchases	408,000		
Freight Inward	9,000		
Accounts Receivable	141,000		
Printing & Stationery	10,200		

Salaries	96,000		
Factory Rent	24,000		
Insurance	72,00		
Office Rent	12,000		
Productive Wages	129,000		
Manufacturing Expenses	9,000		
Trade Expenses	32,400		

The following adjustments should be taken into account:

- Stationery unused on 31-3-2015 is Rs. 1800.
- Closing Stock valued at Rs. 170,000
- Write off Rs. 3,000 as bad debts and increase the provision for bad debts by 5% on accounts receivables.
- Depreciation machinery by 5% and furniture by 10%
- On 28<sup>th</sup> February, 2015 a fire broke out and destroyed stock of the value of Rs. 60,000 the stock was not covered by insurance.

**Q.6** Zulfiqar and Ahmad are partners in a firm sharing profits and losses as Zulfiqar  $\frac{3}{4}$  and Ahmad  $\frac{1}{4}$  on 1st January, 2005; their position was as given below:

Assets	Rs.	Liabilities	Rs.
Plant	40,000	<b>Capital Accounts:</b>	
Stock	10,000	Mr. Zulfiqar	50,000
Debtors	30,000	Mr. Ahmad	30,000
Cash at Bank	20,000	Sundry Creditors	20,000

Riaz is now to join the partnership. He agrees to pay the partners Rs. 20,000 by way of goodwill and introduces  $\frac{3}{5}$  of the combined capital of the two existing partners after depreciating plant and stock at 20% and 10% respectively and raising a reserve of 10% against Sundry Debtors. The new partner is to be allowed  $\frac{1}{4}$ th share of the profits of the firm.

**You are required to record the above transactions in the books of the firm and give the resultant balance sheet of the new firm.**

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**Q.7** Define cash book. Explain different types of cash book. Also provide the specimen of three column cash book.

**Q.8** A firm purchased a second-hand truck for Rs. 50,000 on 1st January, 2002 and spent Rs. 20,000 on its overhauling. Depreciation is written off at the rate of 10% p.a. On 30th June, 2005 the truck was sold for Rs. 30,000 being unsuitable. Prepare the Truck Account from 2002 to 2005 assuming that Accounts are closed on 31<sup>st</sup> December every year under the following methods.

- Straight line method.
- Written down value method.