

University of the Punjab
Part I Annual 2017 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.

Question 1:

On 1st January, 2016, X sells goods to Y for Rs. 30,000. X draws three bills on Y; the first for Rs.9,000 for one month, the second for Rs. 15,000 for two months and the third for Rs.6,000 for 3 months. The first bill is endorsed by X to his creditor Z on 3rd January. The second bill is discounted at bank on 4th January for Rs.14,550. The third bill is retained by X until due date. The first bill is met at maturity; The second bill is dishonored and the bank pays Rs. 15,150 including Rs.90 as interest. Y accepts the bill at two months/ on maturity. The third and the fourth bills are honored.

Show the entries in the books of X and Y.

Question 2:

From the following particulars, prepare a Revised. Cash Book and a Bank Reconciliation Statement of Irtaza Stores as on 28th February, 2016.

- Credit balance as per the Cash Book on 28-02-2016 was Rs.60,000
- A wrong debit of Rs.2000 has been given by the bank in the Pass Book.
- Bank charges made by the bank Rs. 480 were recorded only in the Pass Book.
- Out of the cheques for Rs.100,000 paid into the Bank, cheque for Rs.75,000 were cleared and credited by the Bank.
- Two cheques for Rs.30,000 and Rs.60,000 were issued but out of them only one cheque for Rs. 30,000 was presented for payment up to 28th February, 2016.
- Dividend on shares Rs.18,000 was collected directly by the bank. The trader has no information about this.
- The pass book contains an entry for Rs.20,000 being a direct payment made by a customer into the Bank.

Question 3:

Mr. Murtaza failed to balance his Trial Balance. The credit side was exceeding the debit side by Rs.1,000. The difference was entered in a suspense account later the following errors discovered.

Pass the journal entries to rectify them and prepare the suspense account:

- The total of credit side of Mohsin account was overcast by Rs.1,000.
- Sales book was under cast by Rs.1000.
- Goods worth Rs.1,000 purchased from Nasir but were entered in the sales book. However, the account of Nasir was correctly credited.
- The total purchases return book Rs.2,000 was not posted to the ledger.
- A credit balance of Rs.7,550 of the rent received account was shown as 5,700
- Goods worth Rs.6200 sold to Dawood, were correctly entered in the sales book posted to Dawood account as Rs.2600.

Question 4:

Irtaza is not writing his books properly. From the following information prepare a statement showing profit or loss and statement of affairs for the year ending 30th June 2016.

	01-07-2015	30-06-2016
Cash in hand	9,00	2,800
Debtors	22,800	21,400
Creditors	31,200	28,400
Stock	33,400	37,400
Bills Receivable	30,500	28,800
Bank overdraft	40,800	39,200
Motor van	4,200	4,200
Furniture	3,400	3,400

Drawings Rs. 4,800; Depreciate furniture at 10%. Write off Rs. 800 on motor van. Provide Rs. 1000 as bad debts 5% as reserve on debtors. Provide reserve of Rs. 1600 on Bill Receivable

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Question 5:

The following Trial Balance has been extracted from the books of Mr. Bahzad on 31st March, 2016. Prepare Trading and Profit & Loss A/C for the year ending 31st March, 2005 and a Balance Sheet as at that date:

	Dr. Rs.	Cr. Rs.
Opening Stock	230000	
Debtors	130000	
Horses & Carts	20000	
Purchases	600000	
General Expenses	52000	
Discount	2200	
Wages	300000	
Salaries	80000	
Travelling Expense	20000	
Carriage	11000	
Insurance	6000	
Commission	13000	

Rent	20000	
Cash in Hand	1000	
Cash at bank	109000	
Printing Charges	6800	
Repairs	5200	
Interest on Mortgage	4000	
Building	160000	
Machinery	60000	
Capital		422200
Sales		1200000
Mortgage		124000
Sundry Creditors		84000
	1830200	1830200

Adjustments:

- 1) Rent Payable Rs. 1200
- 2) Insurance Prepaid Rs. 800
- 3) Reserve for discount 2.5% both on debtors & creditors
- 4) Depreciate Building 2.5%, Machinery 5% and Horses & carts at 7.5%
- 5) Stock on 31st March, 2005 Rs. 240,000

Question 6:

A firm purchased a second-hand truck for Rs.50,000 on 1st January, 2012 and spent Rs.20,000 on its overhauling. Depreciation is written off 10% p.a. on the reducing balance. On 30th June, 2015 the truck was sold for Rs.30,000 being unsuitable.

Prepare the Truck Account from 2012 to 2015 assuming that accounts are closed on 31st December every year.

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Question 7:

Below is given the Receipts and payments Account of Sultan Baig Club of Faisalabad, Prepare Income and Expenditure Account as on 31st December 2016 and a Balance sheet as on that date, from it and subjoined information.

<u>Receipts</u>	<u>Rs</u>	<u>Payments</u>	<u>Rs</u>
Balance b/d	2476	General Expenses	1084
Annual Subscription	3260	Salaries	1100
Life Membership fees	500	Furniture	1600
Entrance fees	400	Rent	1120
Miscellaneous Receipts	466	Printing	250
Interest	80	Repairs	300
		Balance c/d	1728

	7182		7182

On 31st December, 2016 the annual subscriptions in arrears amounted to Rs. 700. Rs. 200 is to be written off as depreciation on furniture.

Question No.8

Abdur Raqeeb and Abdul Wahab are partners sharing profits in the ratio 3:2. Their balance sheet stood as under on 31-12-2016.

References	Rs.	References	Rs.
Cash	2,000	Creditors	38,500
Stock	15,000	Outstanding liabilities	4,000
Prepaid insurance	1,500	Capital:	
Debtors 9,400		Abdur Reqeeb: 29,000	
Less: Provision 400	9,000	Abdul Wahab: 15,000	44,000
Machinery	19,000		
Buildings	35,000		
Furniture	5,000		
	86,500		86,500

Abdul Ahad is admitted as a new partner introducing a capital of Rs.16,000. The new profit sharing ratio is decided as 5:3:2. Abdul Ahad is unable to bring in any cash for goodwill. So, it is decided to raise goodwill account, amount being calculated on the basis of Abdul Ahad's share in the profits and the capital contributed by him.

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Following revaluations are made:

- a) Stock to be depreciated 5%
- b) Provision for doubtful debts is to be increased to Rs.500.
- c) Furniture to be depreciated 10%
- d) Building is valued at Rs.40,000.

Show the necessary ledger accounts and the balance sheet of the new firm.

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