

University of the Punjab
Part I 2018 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. No. 1

A firm purchase a second-hand truck for Rs. 6,00,000 on 1st January, 2015 and spent Rs. 50,000 on its overhauling. Depreciation is written off 20 % p.a. on the reducing balance. On July 1, 2017 the truck was sold for Rs. 3,00,000. Prepare the Truck Account from 2015 to 2017 assuming that accounts are closed on 31st December every year.

Q. No. 2

Hasnain 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 December 31, 2017.

	01-01-2017	31-12-2017
Cash in hand	17000	22,000
Debtors	220,000	220,000
Creditors	320,000	280,000
Stock	334,000	374,000
Bills Receivable	305,000	288,000
Bank overdraft	400,000	396,000
Motor van	50,000	50,000
Furniture	30,000	30,000

Drawings Rs. 48,000; Depreciate furniture at 10 %. Write off Rs. 8,000 on motor van. Provide Rs. 10,000 as bad-debts and 5 % as reserve on debtors. Provide reserve of Rs. 16,000 on Bill Receivable.

Q. No. 3

The Trial Balance of Naveed Merchants shows a difference of Rs. 12,700 which is debited to Suspense Account. Subsequently the following errors are discovered. You are required to correct the errors and prepare Suspense Account.

- a) A sale of Rs. 2,960 to Ahmad has been entered in the Sales Book as Rs. 2,690.
- b) Old Equipment sold for Rs. 5,400 has been entered in the sale account as Rs. 4,500. The total of the Returns Outwards Books Rs. 2,100 has not been posted in the ledger.
- c) A purchase of Rs. 4,000 from Ghafar has been entered in the Sales Book. However, Ghafar's account has been correctly credited.
- d) Goods taken by Naveed, Rs. 1,000, have not been entered in the books at all.
- e) A sales of Rs. 4,300 to Iftikhar has been credited in his account as Rs. 3,400.

Q. No. 4

From the following figures prepare a Trading & Profit and Loss Account of Faisal Brothers for the year ended 31st December, 2017 and a Balance Sheet as on that date, after making the necessary adjustments:

Particulars	Rs.	Particulars	Rs.
Capital	50,450	Discount Received	400
Trade Creditors	10,000	Buildings	10,000
Bills Payable	1,000	Plant & Machinery	15,000
General Reserve	5,000	Book Debts	16,400
Provision for Bad Debts	1,000	Bank Balance	3,400
Sales	75,000	Investments	10,000
Discount Allowed	750	Bill Receivable	5,000
Stock	15,000	Wages & Salaries	13,000
Audit Fee	2,000	Repair & Renewal	1,800
Office Expenses	2,000	Interest Paid	700
Purchases	48,000	Bad Debts Recovered	200

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Adjustments:

- 1) The value of stock on hand on 31st December 2017 was Rs. 18,000.
- 2) During December, 2017 there was a fire which destroyed goods worth Rs.3500. The insurance company had admitted the claim for Rs. 2,500.
- 3) Depreciate Buildings at 2% p.a and Plant & Machinery at 10% p.a.
- 4) The Managers is entitled to a commission of 10 percent of net profits after charging his commission.

Q. No. 5

The Balance Sheet of Ahmad and Associates was as under on 1st January, 2017.

Liabilities and Capital	Rs.	Assets	Rs.
Sundry Creditors	90,000	Cash	40,000
Reserve	50,000	Debtors	100,000
Capital A	150,000	Stock	120,000
Capital B	150,000	Furniture	20,000
		Buildings	160,000
Total	4,40,000	Total	4,40,000

Naveed was admitted as a partner and was given 113rd share on the following terms:

- a) He should bring Rs. 1,50,000 as his capital. .
- b) His share of goodwill was valued at Rs. 50,000 but he was unable to bring it in cash and, therefore it was to be raised.
- c) Stock and Furniture be depreciated by 10 percent.
- d) A provision of 6 percent on debtors be created.
- e) An amount of Rs. 10,000 included in creditors not to be treated as a liability.
- f) A provision of Rs. 5,000 be created against bill discounted.
- g) The buildings be treated as worth Rs. 2,00,000.

It was agreed that except cash the other assets and liabilities were to be shown at same old figure in the balance sheet.

Requirement: Give journal entries to record the transaction on the admission of Naveed and show the balance sheet after his Admission.

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Q. No. 6

The following is Receipts & Payments account of the Lahore Club for the year ended 31st December, 2017.

Receipts	Dr. Rs.	Payments	Cr. Rs.
To Balance 1 st Jan, 2017	4,000	By Rent	53,000
Entrance Fees	5,000	By Stationary etc.	30,000
To Subscription, 2016	2,000	By Wages	53,300
To Subscription, 2017	1,70,000	By Billiards Table	39,000
To Subscription, 2018	3,000	By Repairs & Renewals	8,000
To Locker's Rent	4,000	By Interest	15,000
To Special Subscription for Governor's Party	34,000	By Balance 31 st December	24,000
Total	2,22,000	Total	2,22,000

Locker Rent. Rs. 600 referred to 2016 and Rs. 900 is still owing; Rent Rs. 13,000 pertained to 2016 and Rs. 13,000 is still due; stationery Rs. 3120 related to 2016, still owing Rs. 3640; Subscription unpaid for 2017 Rs. 4680; Special Subscriptions for Governor's party outstanding Rs. 5500.

Q. No. 7

The December 2017 bank statement received by Ahmad Traders from UBL City branch shows balance Rs. 50,000, while Ahmad Traders' records shows a balance of Rs. 56,100 on December 31, 2017. The accountant while doing bank reconciliation found out the following reconciliation items.

1) Two checks issued in January have not yet cleared by bank and not included in paid checks returned by bank along with bank statement.

Cheque No	Date	Amount
012789	15-12-2017	Rs. 1000
012799	20-12-2017	500

- 2) A deposit of Rs.7,000 was not credited by bank in Ahmad Traders account as it was deposited in late hours.
- 3) December 22, Rs.1,000 dividend incomes on investment in the shares of DG Cement were collected by UBL bank and credited in Ahmad Traders' account but not yet recorded in cash book.
- 4) December 31, Rs.400 interest computed on average balance during January was credited by bank in Ahmad Traders' account but not yet debited in cash book by accountant.
- 5) December 25, Rs.100 was debited as collections charges by bank for handling various collections from accounts receivable but not appeared on the credit side of cash book.
- 6) December 30, a check of Rs.1,000 marked NSF was returned by bank.
- 7) A check No. 0128.90 dated 20-12-2017 of Rs.3,200 issued in favour of LESCO to pay electricity bill was erroneously recorded as Rs.2,300 in cash book by accountant.

Required: Prepare bank reconciliation statement and determine the balance of cash book to be reported in balance sheet on December 31, 2017.

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Q.No.8.

On 1st April, 2017. Zeshan drew and Azim accepted a bill at 3 months for Rs . 8,000. On 1st April, 2017. Zeshan discounted the bill at his bank at 6 percent per annum and remitted half the proceeds to Azim. On 4th April, 2017. Azim drew and Zeshan accepted a bill at 3 months for Rs. 8,000. On 4th May 2017, Azim discounted the bill at 6 percent, per annum and remitted half the proceeds to Zeshan. Zeshan & Azim agreed to share the discount equally.

At maturity Zeshan met his acceptance, but Azim failed to meet his and Zeshan therefore, had to pay it. Zeshan drew and Azim accepted a new bill at 3 months for the amount of the original bill plus interest 6 % per annum. On 1st November, 2017, Azim became insolvent and only 70 paisa in a rupees received from him.

Required: Record the above transactions in Zeshan's journal and write up Azim's account.

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