

University of the Punjab
Part I Annual 2018 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, 2017 Abdullah drew and Hassan accepted a bill at 3 months for Rs. 10,000. On 4th January, 2017, Abdullah discounted the bill at his bank at 8 percent per annum and remitted half the proceeds to Hassan. On 1st February 2017, Hassan drew and Abdullah accepted a bill at 3 months for Rs. 10,000. On 4th February, 2017, Hassan discounted the bill at 8 percent per annum and remitted half the proceeds to Abdullah. Abdullah and Hassan agreed to share the discount equally.

At maturity Abdullah met his acceptance, but Hassan failed to meet his and Abdullah therefore, had to pay it. Abdullah drew and Hassan accepted a new bill of 3 months for the amount of the original bill plus interest 8 % per annum. On 1st August, 2017, Hassan became insolvent and only 50 paise in rupees received from him.

Record the above transactions in Abdullah's Journal and write up Hassan's Account.

Q.2 The December 2017 Bank Statement received by Ghazi Associates from HBL Model Town Branch shows credit balance Rs. 500,000 while Ghazi Associates records shows a debit balance of Rs. 561,000 on December 31, 2017. The accountant while doing bank reconciliation found out the following reconciliation items.

(1) Two cheques issued in December have not yet cleared by bank and not included in paid cheques returned by bank along with bank statement.

Cheque No	Date	Amount
056789	15-12-2017	Rs.8000
056799	20-12-2017	Rs.7000

(2) A deposit of Rs. 70,000 was not credited by bank in Ghazi Associate account as it was deposited in late hours.

(3) December 22, Rs. 7,000 dividend incomes on investment in the shares of National Bank were collected by HBL Bank and credited in Ghazi Associates account but not yet recorded in cash book.

(4) December 31, Rs. 7,000 interest computed on average balance during December was credited by bank in Ghazi Associate account but not yet debited in cash book by accountant.

- (5) December 25, Rs. 1,000 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 cheque of Rs. 10,000 marked NSF was returned by bank.
- (7) A cheque No. 875890 dated 20-12-2017 of Rs. 32,000 issued in favour of PTCL to pay telephone bill was erroneously recorded as Rs. 23,000 in cash book by accountant.

Required:

Prepare bank reconciliation statement and determine the balance at bank to be reported in the balance sheet in December 31, 2017.

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Q.3 The trial balance of Zee Ltd shows a difference of Rs. 127,000 which is debited to Suspense Account. Subsequently the following errors are discovered. You are required to correct the errors and prepare suspense account.

- The total of the returns outwards book Rs. 21,000 has not been posted in the ledger.
- A purchase of Rs. 40,000 from Majid has been entered in the Sales Book. However, Majid's account has been correctly credited.
- A sales of Rs. 43,000 to Rahman has been credited in his account as Rs. 34,000.
- A sale of Rs. 29,600 to Kareem has been entered in the Sales book at Rs. 26,900
- Old furniture sold for Rs. 54,000 has been entered in the sale account as Rs. 45,000
- Goods taken by proprietor, Rs. 10,000 have not been entered in the books at all.

Q.4 From the following information prepare Trading & Profits & Loss Account of Pak Flour Mill for the year ended 30th September, 2017 and the Balance Sheet as on that date:

Account Title	Rs.	Account Title	Rs.
Capital	120,000	Audit Fee	2000
Trade Creditors	15,200	Office Expenses	2000
Bills Payable	1000	Interest Paid	1700
Unexpired Commission	2300	Bad Debts	1400
Sale	624,000	Salaries	13,000
Discount Received	2100	Repair & Renewals	1800
Stocks	101,000	Printing & Stationery	1400
Purchases	518,000	Plant & Machinery	53,000
Carriage Inwards	8900	Buildings	35,000
Discount Allowed	750	Tools	8650
Trade Debtors	16,000		

The following adjustments are to be made:

- Stock as on 30th September, 2017 was valued at Rs. 109,900.
- Plant & Machinery is to be depreciated at 10%, Building at 5% and tools at 15%.
- Reserve against Bad Debts is to be created at 5% of the Trade Debtors.

Q.5 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	3,000	By Rent	52,000
Entrance Fees	5500	By Stationary etc.	30,680
To Subscription, 2016	2,000	By Wages	53,300
To Subscription, 2017	1,69,000	By Billiards Table	39,000
To Subscription, 2018	3,000	By Repairs & Renewals	8,060
To Locker's Rent	5,000	By Interest	15,000
To Special Subscription for Governor's Party	34,500	By Balance 31 st December	23960
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.

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Q.6 The Balance sheet of Noor and Associates was as under on 1st July, 2017

Liabilities & Capital	Rs.	Assets	Rs.
Sundry Creditors	90,000	Cash	10,000
Reserve	50,000	Debtors	100,000
Noor's Capital	150,000	Stock	120,000
Nazirs Capital	120,000	Furniture	20,000
		Buildings	160,000
Total	410,000	Total	410,000

Munir was admitted as a partner and was given 1/4th share on the following terms

- He should bring Rs. 15,000 as his capital
- 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.
- Stock and furniture be depreciated by 10 percent.
- A provision of 6 percent on debtors be created
- An amounts of Rs. 10,000 included in creditors not to be treated as a liability.
- A provision of Rs. 5,000 be created against bill discounted
- The buildings be treated as worth Rs. 200,000

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

Required: Give Journal entries to record the transaction on the admission of Munir and Show the balance sheet after his admission.

Q.7 Zam 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 2017.

	01-07-2016	30-06-2016
Cash in hand	9,000	28,000
Debtors	228,000	214,000
Creditors	312,000	284,000

Stock	334,000	374,000
Bills Receivable	305,000	288,000
Bank overdraft	408,000	392,000
Motor van	42,000	42,000
Furniture	34,000	34,000

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

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Q.8 Al-Hadi Transporter purchase a truck for Rs. 500,000 on 1st January, 2014, Depreciation is written off 20% p.a on the reducing balance. On July 1, 2016, Al-Hadi spent Rs. 1,00,000 on overhauling of truck. On July 1, 2017, Al-Hadi exchanged its old truck with new one. The purchase price of new truck was Rs. 850,000 and the vendor allowed trade in allowance Rs. 250,000 for the old truck. Depreciation rate for new truck is 15% p.a on the reducing balance.

Required:

Prepare the Truck Account from 2014 to 2017 assuming that accounts are closed on 31st December every year.

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