

University of the Punjab
Part I 2019 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.

Question. No 1

From the following particulars prepare a bank Reconciliation statement of Rashid & Sons and determine the amount of bank balance to be reported in the balance sheet on Dec, 31, 2018.

Overdraft balance as per bank statement on Dec. 31, 2018	Rs. 4,700
Overdraft balance as per cash book on Dec. 31, 2018	4,480
Checks issued prior to Dec. 31 but not yet presented to bank.	2,850
Interest on overdraft for six months ended on Dec. 31	235
Checks deposited but not cleared and credited by bank till Dec. 31	3,250
Annual ATM and other service charges debited by bank.	65
Interest and dividend collected and credited by bank in Rashid & Sons account.	350
A check received from a customer was entered in cash book but not sent to bank.	220
A customer directly paid into bank account.	350

Question No. 2

The following errors were detected in the books of Faisal & Sons on 31st Dec 2018. The difference in the Trail Balance had been transferred to a-Suspense, A/C. The final accounts had been prepared on the basis of incorrect figures and the net profit disclosed by the profit and loss Account was Rs. 86,400.

- a) Sales returns book was under cast by Rs.2000.
- b) Rs. 400 paid for stationery were credited to stationery account.
- c) Wages paid for erection of machinery debited to wages account Rs. 1520.
- d) Cash received from Qasim had been debited in the cash book Rs. 780, but not credited to Qasim A/C
- e) Sales book was overcast by Rs. 1000.

Required: Give journal entries to rectify the above errors, Find out the correct net profit for the year and also close the Suspense A/C.

Question No. 3

On 1st July, 2018. Miss Hania drew and Miss Hina accepted a bill at 2 months for Rs. 20,000. On 1st July, 2018 Hania discounted the bill at his bank at 5 percent per annum and remitted half the proceeds to Hina. On 1st August, 2018 Hina drew and Hania accepted a bill at 2 months for Rs. 20,000. On 2nd August 2018, Hina discounted the bill at 5 percent, per annum and remitted half the proceeds to Hania. Hania & Hina agreed to share the discount equally.

At maturity Hania met her acceptance, but Hina failed to meet her and Hania therefore, had to pay it. Hania drew and Hina accepted a new bill at 2 months for the amount for the original bill plus interest 6% per annum. On 1st December, 2018, Hina became insolvent and only 40 paisa in a rupee received from her.

Required: Record the above transactions in Hania's Journal and write up Hina's Account.

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Question No. 4

Zahir, Zeshan and Zaman are partners in the 3-Z firm and sharing profit and losses in the ratio of 3:3:2. The accounts of 3-Z are closed on December 31 each year. They have taken out a joint life policy for Rs. 800,000, the annual premium of Rs. 24,000 being charged to profit and loss account. The partnership deed provides that on the death of any partner, the goodwill of the firm is to be valued at two years purchase of the average of the three immediately preceding year's profit. The deceased partner share will be credited to the capital account. The deceased partner is also entitled to interest on capital 6% p.a. as well as to a share of profit from the date of last balance sheet to the date of death based on the average of the three immediately preceding year's profits. Zaman died on July 1, 2018, when his capital stood at Rs. 5,00,000 and his drawing at Rs. 70,000. The trading results of the last three preceding years were as follows:

Year	Profit (Loss)
2015	Rs. 400,000
2016	(100,000)
2017	300,000

Required: Make journal entries and draw up Zaman's capital account showing the total amount paid to his executors in settlement of his account.

Question No. 5

Khurshid Mills purchased a second-hand truck for Rs. 4,00,000 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 1st 2017 old truck was exchanged with a new truck. The purchase price of new truck was Rs. 8,00,000 and vendor allowed trade in allowance Rs.2,00,000 for the old truck. Depreciation rate for new truck is 20% p.a. on the reducing balance.

Required: Prepare the Truck Account from 2015 to 2018 assuming that accounts are closed on 31st December every year.

Question No. 6

From the following balances, prepare the trading & profit and loss account of Shaheen Traders for the year ending 31st March, 2019 and the Balance sheet as at that date after taking into consideration the following adjustments.

Account Title	Rs.	Account Title	Rs.
Stock Opening	9600	Office Expenses	600
Wages	3700	Sundry Debtors	3500
Bills Receivable	500	Income Tax	50
Purchases	12,000	Drawings	500
Loose Tools	100	Capital	5000
Rates & Taxes	220	Bills Payable	900
Plant & Machinery	2000	Sales	24,900
Repairs	660	Reserve for Bad debts	500
Cash	200	Sundry Creditors	2330

The following adjustments are to be made:

- 1) Stock on 31st March, 2019 was Rs. 3500.
- 2) Loose Tools on 31st March, 2019 was valued at Rs. 70.
- 3) Write off Rs. 400 out of sundry debtors on account of bad debts.
- 4) Depreciate plant & machinery at 10%.

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Question No. 7

The following is a summary of Cash transaction of a Library and Debating Society for the year ended 31st December, 2018.

Receipts	Rs.	Payments	Rs.
Balance from Last Year	63,800	Rent & Rates	33,600
Entrance Fees	51,000	Wages	49,000
Subscriptions	3,20,000	Lighting	14,400
Donations	33,000	Lecture's Fees & Expenses	87,000
Life Membership Subscriptions	50,000	Books	42,600
Interest	2800	Office Expenses	90,000
Profits from Entertainments	8400	Placed on 3 percent Fixed Deposit on 1-7-2018	1,60,000
		Cash at Bank	48,400
		Cash in Hand	4,000
Total	529,000	Total	5,29,000

Other Information:

- (a) At the beginning of the year, the society possessed books worth Rs. 4,00,000 and Furniture valued at Rs. 1,70,000.

- (b) Ordinary Subscriptions in arrear at the beginning of the year amounted to Rs. 7000 and at the end of the year to Rs. 9000.
- (c) Six month's rent Rs. 12,000 was due both at the beginning and at the end of the years.
- (d) Rs. 10,000 is to be written off furniture and Rs. 22,600 of books.

Required: Prepare the Society's Income & Expenditure Account for the year ended 31st December, 2018 and the Balance Sheet as on that date.

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Question No. 8

Following is the position of assets and liabilities of Sajid Associates who keeps his books by single entry system;

Account Title	Jan 01 2018	Dec 31 2018
Debtors	53,000	88,000
Creditors	15,000	19,500
Stock	17,000	19,000
Fixed Assets	21,400	17,400

Following are the other details:

Total sales (including cash sales Rs. 5,000)	100,000
Total purchases (including cash purchases Rs. 20,500)	45,000
General expenses of the business.	10,000
Drawings	3000
Cash in hand and at bank	4100
Payment of fixed assets	5,000
Stock used by Sajid for personal use	5,000
Material used for the construction of Plant	500
Interest on Capital	5% p.a

Required: Prepare trading & profit and loss account and balance sheet of Sajid Associates relating to year 2018.