

University of the Punjab
Part I Annual 2019 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

Define accounting information and briefly explain its usefulness for the creditors, shareholders, employees, lenders and government.

Question No.2

Enter the following transactions of M. Rauf in a Double column cash book.

Jan 1	Cash in hand	100,000
Jan 1	Cash at bank	60,000
Jan 3	Cash sales	40,000
Jan 4	Paid M. Arshad by a cheque	14,000
Jan 6	Received a cheque from Babar	8,000
Jan 8	Cash deposited into bank	19,000
Jan 8	Babar's cheque deposited into bank	15,000
Jan 10	Drew from bank for office use	24,000
Jan 11	Drew from bank for personal use of owner	57,000
Jan 12	Cash purchases	10,000
Jan 15	Received a cheque from S. Rashid	36,000
Jan 16	S.Rashid's Cheque endorsed to Shakeel	1,400
Jan 17	Paid Arshad Khan by a cheque	33,000
Jan 18	S Rashid's cheque returned dishonoured	700
Jan 19	Our cheque to Arshad khan was dishonoured	14,000
Jan 21	Received interest from bank	500
Jan 24	Cash sales	20,000
Jan 27	Incidental charges debited by bank	1,000

Jan 31	Salary paid by cheque	25,000
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Question No.3

The books of Al-Habib Ltd were balanced on 31st December 2018. In checking the books and accounts the following mistakes were discovered:

- Good to the value of Rs. 68,000 has been returned by smith on 30th December were taken into stock but the entries recording the return were not passed through the books until January of the following year.
- Machine to the value of Rs. 2,18,000 purchased for enlarging the factory had been debited to purchase account.
- A dishonored cheque for Rs. 20,000 had been posted to allowance account instead of the account of Riaz from whom it had been received.
- Several creditors' balances amounting to Rs. 2,70,000 stood in the Purchase Ledger, representing cash paid for goods but for which no invoice had been passed through books.

Required:

Make journal entries to correct these errors. What was the effect of these errors on the profit of the firm?

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Question No. 4

From the following figures extracted from the books of a merchant, you are required to prepare a trading and profit and loss account for the year ended 31st December 2018 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

Adjustments:

- The value of stock on hand on 31st December 2018 was Rs. 18,000.
- During December, 2018 there was a fire which destroyed goods worth Rs.3500. The insurance company had admitted the claim for Rs. 2,500.
- 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.

Question No. 5

From the following Receipts & Payments Account of the Pakistan Nursing Society for the year ended on 30th June 2018, prepare an income & expenditure account and also a balance sheet.

Receipts	Rs.	Payments	Rs.
To Bank Balance on 01-07-2017	2010	By Salaries of Nurses	656
To Subscriptions	1115	By Board, Laundry & Domestic Help	380
To Fees from non-members	270	By Rent Rates & Taxes	200
To Municipal Grant	1000	By Cost of Car	2000
To Donation for Building Fund	1560	By Car Expenses	840
To Interest	38	By Drugs & Incidental Expenses	670
		By balance c/d	1247
Total	5993	Total	5993

Other information:

The society own Freeholds Land Costing Rs. 8,000 on which it is proposed to build the Nurses Hostel. A donation of Rs. 100 received to Building Fund was wrongly included in subscription account. A bill for medicine purchased during the year amounting to Rs. 128 was outstanding.

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Question No.6

Mr. Munir 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, 2018.

	01-07-2017	30-06-2018
Cash in hand	9,00	28,00
Debtors	228,00	214,00
Creditors	312,00	284,00
Stock	334,00	374,00
Bills Receivable	305,00	288,00
Bank overdraft	408,00	392,00
Motor van	42,00	42,00
Furniture	34,00	34,00

Other data:

(a) Drawings Rs. 4800; (b) Depreciate furniture at 10%. (c) Write of Rs. 800 on motor van. (d) Provide Rs. 1000 as bad debts 5 % as reserve on debtors. (e) Provide reserve of Rs. 1600 on Bill Receivable.

Question No.7

A firm purchase a second hand truck for Rs. 5, 00,000 on 1st January, 2015 and spent Rs. 2, 00,000 on its overhauling. Depreciation is written off 20% p.a on the reducing balance. On 30th June 2019 the

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truck was sold for Rs. 250,000 being unsuitable. Make journal entries in general journal and prepare the truck account from 2015 to 2018 assuming that accounts are closed on 31st December every year.

Question No.8

A and B are partners in a firm sharing profits and losses in the ratio of 5:3. C is admitted in the firm for 1/5th share of profits. He is to bring in Rs. 3, 00,000 as capital and Rs. 80,000 as his share of good will. Give necessary journal entries.

1. When the amount of Goodwill is retained in the business.
2. When the amount of Goodwill is fully withdrawn.
3. When 50% of the amount of Goodwill is withdrawn.

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