

University of the Punjab
Part I 2020 2nd Annual/2021 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

Amir for mutual accommodation, draws a bill for Rs. 45,000 on Yasir at three months. Amir gets the bill discounted by his banker for Rs. 43,875 and remits Rs. 14,625 to Yasir. On maturity Amir is not able to send the amount due to Yasir, to enable him to meet the bill. He, however, accepts a bill for Rs. 56250 which is discounted by Yasir for Rs. 52,875. Yasir meets his acceptance and remits Rs. 2700 to Amir. Before the due date of the bill Amir becomes insolvent and a dividend of 60 paise in the rupee is received from his estate.

Required. Pass journal entries and show account of Amir in the books of Yasir.

Question No. 2

The cash book balance of Mr. Rehman on July 31, 2020 was Rs. 38400. On comparing the Cash Book with the statement (Pass Book) the following discrepancies were noted:

- A pay-in-slip of the month of July, showing a deposit of Rs. 61680 has not yet been credited by the bank.
- Bank charges of Rs. 1,400 shown on the bank statement have not been recorded in the Cash Book.
- A cheque deposited into bank for collection of Rs.3760 has been returned dishonored, but not recorded in cash book
- Interest of Rs. 720 has been debited by the bank but not entered in the cash Book.
- Debit side of cash Book was undercast by Rs. 2520
- Three cheques issued to suppliers for Rs. 8,560, Rs. 14800 and Rs. 1200 have not yet been presented to the bank.
- The bank has wrongly debited a cheque for Rs. 2880 to the trader's account.

Required:

1. Revise the Cash Book for the month July, 2020
2. Prepare a Bank Reconciliation Statement as on 31-07-2020

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Question No. 3

A book-keeper failed to balance his Trial Balance. The credit side was exceeding the debit side by Rs. 1000. The difference was entered in a suspense A/C. Later the following errors were discovered: Pass the journal entries to rectify them and prepare the suspense account.

- a. Goods worth Rs. 6200 sold to Hasan, were correctly entered in the Sales Book, but posted to Hasan A/C as Rs. 2600.
- b. Goods sold to Ali for Rs.2000 posted In Bashir's Account.
- c. The total of the credit side of Mohsin A/C was overcast by Rs. 1000.
- d. Sales Book was under-cast by Rs. 1000.
- e. Goods worth Rs. 1000 were purchased from Nasir but were entered in the Sales Book. However, the account of Nasir was correctly credited.
- f. The total of purchases returns book Rs. 2000 was not posted to the ledger.
- g. A credit balance of Rs. 7550 of the Rent received Account was shown as Rs. 5700.
- h. Goods amounting, to Rs. 750 were sold to Mahmood & Co. for cash. It was correctly recorded in the Cash Book, but was wrongly posted to Mahmood & Co. account also.

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Question No. 4

Following is the Trial Balance of Mukhtar Trading Co. as on 31st December, 2020. You are required to prepare the Trading and Profit and Loss A/C of the business for the year ending 31st December, 2020 and a Balance Sheet as at that date:

	Debit Rs.	Credit Rs.
Sales		300,000
Creditors		19,500
Opening stock	30,000	
Purchases	120,000	
Sundry Debtors	90,000	
Plant & Machinery	105,000	
Freehold Premises	72,000	
Bills Receivable	6,000	
Salaries	15,000	
Wages	18,750	
Carriage Inward	975	
Carriage Outward	1,125	
Printing & Stationery	1,200	
Bad debts	1,500	
Provision for Bad debts		675
Trade expenses	2,250	
Cash at Bank	9,000	

Cash in hand	750	
Capital		150,000
Bill Payable		4,875
Unexpired insurance	1,500	
	475,050	475,050

Adjustments:

- 1) Outstanding wages Rs. 1,500.
- 2) Insurance expired Rs. 900.
- 3) Write off depreciation at 5 % on Machinery.
- 4) Create provision for discount on creditors at 3%.
- 5) Bad debts Provision to be adjusted to 2% on Debtors.
- 6) Allow interest on capital at 5%.
- 7) Closing stock valued at Rs. 45,000.

Question No. 5

Mr. Irshad Iqbal 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, 2020.

	01-07-2019	30-06-2020
Cash in hand	9,00	28,00
Debtors	228,00	244,00
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. 4000 as bad debts 5 % as reserve on debtors. (e) Provide reserve of Rs. 1600 on Bill Receivable.

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Question No. 6

Given below is the Receipts & Payments Account of the Tiger Club for the year ending 31st December 2020:

Receipts	Rs.	Payments	Rs
Balance b/d	10250	Salaries	6000
Subscription:		General Expenses	750
2019	400	Drama Expenses	4500
2020	20500	Newspapers etc.	1500

2021	600	Municipal Taxes	400
Donations for prize fund	5400	Charity	3500
Proceeds from Drama Tickets	9500	Investments	20,000
Sale of Waste Paper	450	Electricity Charges	1450
		Balance c/d	9000
	47,100		47,100

Prepare the Club's Income & Expenditure Account for the year ended 31st December 2020 and its Balance Sheet as on the date, after taking the following information into account:

- There are 500 members, each paying an annual subscription of Rs. 50. Rs. 500 being in arrears for 2003.
- Municipal Taxes amounting to Rs. 400 per annum have been paid up to 31st March 2005 and Rs. 500 for salaries is outstanding.
- Building stood in the books at Rs. 50,000 and it is required to write off Depreciation at 5%
- 3% interest has accrued on investment for five months.

Question No. 7

The following was the Balance Sheet of A and B who were sharing profits 1/3 and 1/3 on 31st March, 2005.

Assets	Rs.	Liabilities	Rs.
Building	25,000	Capital Accounts:	
Plant & Machinery	17,500	A	15,000
Stock	10,000	B	10,000
Sundry Debtors	4,850	Sundry Creditors	32,950
Cash in hand	600		
	57,950		57,950

They agreed to admit C into partnership on the following terms:

- C was to bring Rs. 7,000 as his capital and Rs. 3,000 as goodwill for one-fourth share in the firm.
- That the values of the stock and plant and machinery were to be reduced by 5%.
- That a reserve was to be created in respect of sundry debtors Rs. 375.
- That the buildings account was to be appreciated by 10%.
- That goodwill money was to be retained in the business.

Required: Pass the necessary journal entries to give effect to the above arrangements, prepare Revaluation account, the capital accounts and the new balance sheet.

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Question No. 8

Write short notes on:

- Adjusting Entries
- Contra entry
- Capital receipts
- Intangible assets