

University of the Punjab
Part I Annual 2020 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, 2019, Irtaza sells goods to Behzad for Rs. 30,000. Irtaza draws three bills on Behzad; the first for Rs. 9,000 for one month, the second for Rs. 15,000 for two months and the third for Rs. 6,000 for 3 months. The first bill is endorsed by Irtaza to his creditor Waqas on 3rd January. The second bill is discounted at bank on 4th January for Rs. 14,550. The third bill is retained by Irtaza. Until due date. The first bill is met at maturity. The second bill is dishonoured and the bank pays Rs. 60 for noting charges. On Behzad's request, Irtaza draws a fourth bill on Behzad for Rs. 15,150 including Rs. 90 as interest. Behzad accepts the bill at two months. On maturity, the third and the fourth bills are honoured. **Show the entries in the books of Irtaza, Behzad and Waqas.**

Q.2 Prepare a Bank Reconciliation Statement of Mr. Waqas Jamil with the help of revised cash book from under mentioned items as on 31.12.2018.

1. Cash and cheques totaling Rs. 147,800 were sent to the bank in the month of December, but out of them one cheque for Rs. 18,000 was credited in the Pass Book on 2nd January, 2019.
2. On 26th December cheques were issued in favor of Creditors for Rs. 38,000, but out of them two cheques for Rs. 28,000 were encashed on 3rd January, 2019.
3. One customer had deposited directly into the bank Rs. 5,000 but it was not mentioned in the Cash Book.
4. The trader had withdrawn from the bank Rs. 14,000 but the same had not been entered in the Cash Book.
5. On 29th December, a cheque for Rs. 12,000 was received and entered in the Cash Book but had been omitted to be sent to the bank.
6. On 27th December, 2018 Rs. 700 were credited in the Pass Book as interest on deposits but the same had been recorded in the Cash Book on 31st December, 2018.
7. Bank balance as per the Cash Book Rs. 80,000.

Q.3 From the following Trial Balance of M. Murtaza & Co. prepare Trading and Profit and Loss Account for the year ended 31st March, 2019, and a Balance Sheet as at that date:

	Debit Rs.	Credit Rs.
Stock on 1.4.2018	150,000	

Drawings	72,000	
Cash in hand	9,660	
Cash at Bank	34,800	
Purchases and Sales	783,000	14,70,000
Returns	18,000	12,000
Capital		771,000
Provision for Doubtful Debts		6,000
Bills Receivable & Bills Payable	300,000	30,000
Carriage Inwards	45,000	
Plant & Machinery	360,000	
Furniture	21,000	
Sundry Debtors & Creditors	420,000	276,000
Coal, gas and water	9,000	
Wages	75,000	
Import duty and clearing charges	9,000	
Office rent	28,800	
Printing & Stationery	6,000	
Insurance	2,400	
Carriage Outwards	37,200	
Salaries	162,000	
Factory rent	14,400	
Sundry expenses	7,740	
	25,65,000	25,65,000

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The following adjustments are to be taken into account:

- 1) Allow interest on capital at 5 % p.a.
- 2) Closing stock valued at Rs. 300,000
- 3) Outstanding liabilities to be provided for salaries Rs. 28,800 and for Factory rent Rs. 14,400.
- 4) Provision for doubtful debts to be adjusted to 2.5 % of Sundry Debtors after writing off Bad debts amounting to Rs. 24,000.
- 5) Goods taken away by the proprietor for his private use Rs. 18,000, for which no record has been kept.
- 6) Depreciate Plant & Machinery and Furniture at 10 %.

Q.4 Give journal entries to rectify the following errors.

- a) Machinery sold for Rs. 10,000 has been posted to Sales A/c.
- b) Rs. 5000 withdrawn by the proprietor for his personal use have been debited to Trade Expenses A/c.
- c) Cost of repairs Rs. 500 has been charged to Machinery account.
- d) Rs. 3900 received from Ghulam Abbas have been posted to Usman Sheikh A/c.
- e) Furniture purchased for Rs. 8000 has been debited to purchase A/c.
- f) Purchase of goods from Ashraf Mughal & Co. Rs. 4000 was omitted to be recorded in the books.

- g) Rs. 9500 paid to Saghir Ahmed have been wrongly debited to Mabee! Amjad A/c.
- h) A sale of Rs. 3000 to Habibullah was wrongly debited to the account of Khurram Shehzad.
- i) Sales book was overcast by Rs. 3000.
- j) Total of the sales book Rs.54540 was posted to the sales A/c as Rs.55440.

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Q.5 Mr. Mujtaba Rehan commenced business on 1st Jan., 2019, with a capital of Rs. 50,000. He immediately purchased furniture for Rs. 12000. On 1st April, 2019, he borrowed Rs. 30,000 from his friend Mr. Shaigan Dilbar @ 10 % p.a. and introduced a further capital of his own amounting to Rs. 19000. He had withdrawn Rs. 1800 at the end of each month for family expenses. On 31st, Dec. 2019, his position was as follows:

Cash in hand Rs. 1200, cash at bank Rs. 15600, sundry debtors Rs. 28800, stock Rs. 40800, B/R Rs. 9600, sundry creditors Rs. 3000, rent due Rs. 900. Ascertain the profit or loss made by him after considering the following adjustments:

- (1) Depreciate furniture @ 10 % p.a.
- (2) Charge interest on capital @ 10 %.
- (3) Interest is unpaid on Mr. Shaigan Dilbar's Loan.
- (4) Write off Rs. 2800 from sundry debtors.

Q.6 The following was the Receipts & Payments Account of Fawad & Iftikhar Foundation for the year ending 31st December 2018

Receipts & payments Account

Receipts	Rs.	Payments	Rs.
Balance b/d	400	Rent & Taxes	900
Entrance Fees	1500	Wages	500
Subscriptions	10,000	Lighting Charges	250
Life Membership fees	3000	Lectures fees	1000
Donations	1000	Books	1500
Interest on Investments	100	Office Expenses	2000
Receipt from Lectures	3000	Fixed Deposits (on 1-7-18 @ 10%)	10,000
		Furniture	2000
		Cash in Hand	50
		Cash at Bank	800
	19000		19000

At the beginning of the year Society had the following assets:

Books Rs. 4,000; Furniture Rs. 1,000; Investments, Rs. 1,000. Subscriptions receivable at the beginning of the year was Rs. 1,000, at the end of the year is Rs. 500. Rent was outstanding for six months (Rs. 500) both at the beginning and at the end of the year. Capitalize entrance fees and life member's fees. Depreciate Rs. 300 on furniture and Rs. 100 on books. Interest on fixed deposit was not yet received.

You are required to prepare Income and Expenditure Account for the year ending 31st December 2018 and a Balance Sheet as on that date.

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Q.7 Ahmad and Mahad are partners sharing profits in the ratio 3:2. Their balance sheet stood as under on 31-12-2019:

BALANCE SHEET			
Assets	Rs.	Liabilities	Rs.
Cash	2,000	Creditors	38,500
Stock	15,000	Outstanding liabilities	4,000
Prepaid insurance	1,500	Capitals:	
Debtors	9,400	Ahmad	29,000
Less Provision	(400)	Mahad	44,000
Machinery	19,000		
Buildings	35,000		
Furniture	5,000		
	86,500		86,500

Ismail is admitted as a new partner introducing a capital of Rs. 16,000. The new profit sharing ratio is decided as 5: 3 : 2. Ismail is unable to bring in any cash for goodwill. So it is decided to raise goodwill account, amount being calculated on the basis of Ismail's share in the profits and the capital contributed by him. Following revaluations are made:

- (i) Stock to be depreciated 5 %.
- (ii) Provision for doubtful debts is to be increased to Rs.500.
- (iii) Furniture to be depreciated 10 %.
- (iv) Building is valued at Rs. 40,000.

Show the necessary ledger accounts and the balance sheet of the new firm.

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Q.8 On 1st July 2016, Basharat Ali purchased machinery for Rs. 80,000. Depreciation is to be provided for at 10% on diminishing balance each year. On 31st October, 2018 ¼ of Machinery was sold for Rs. 8000 as they became useless. On the same date he purchased a new machinery for Rs. 25,000. Prepare machinery Account from 2016 to 2019. Accounts are closed on 31st December every year.