

**University of the Punjab**  
**Part I Annual 2022 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 1<sup>st</sup> January, 2022, Mr. X bought goods for Rs. 60,000 from Mr. Y and accepted two bill of exchange in settlement, one for Rs. 20,000 at four months and second for Rs. 40,000 payable after six months, The first bill was honoured on due date, but before the second bill fell due, it was cancelled by mutual consent and a new bill for three months was accepted by Mr. A for the amount of second bill plus interest Rs. 500. Mr. B sent this bill to his bank for collection, but on due date the bill was dishonoured.

**From the above information, prepare journal entries in the books of both parties,**

**Q.2:** The following errors were found in the books Faheem Stores:

- a) Goods bought from a supplier amounting to Rs. 560 had been posted to the credit of his account as Rs. 650.
- b) An item of Rs. 1000, entered in the Returns Inwards Book had been posted to the debit of the customers who return the goods.
- c) Sundry items of Plants sold amounting to Rs. 5000 had been credited in the Sales Book.
- d) An amount of Rs. 8000 owing by a customer had been omitted from the schedule of Sundry Debtors.
- e) Discount amounting to Rs. 1500, allowed to a customer had been duly entered in his account but not posted to Discount Account.

**Give journal entries necessary to correct these errors and prepare Suspense Account.**

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**Q.3** The following Trial Balance is taken from the Books of Rehan Stores:

Accounts	Amounts Rs.	Accounts	Amounts Rs.
Stock (1-1-21)	80,000	Purchases returns	6000
Furniture	2000	Capital	200000
Rent	4500	Sales	450000
Salaries	19000	Bank Loan	80000

Bad debts	5000	Sundry creditors	14000
Sundry debtors	36000		
Establishment	5800		
Patents	35000		
Drawings	11000		
Plant and machinery	34000		
Purchases	285000		
Insurance	11500		
Sales returns	9000		
Trade expenses	10000		
Wages	20000		
Investment	170000		
Cash	12200		
<b>Total</b>	<b>750000</b>	<b>Total</b>	<b>750000</b>

After making the following adjustments, prepare Trading and Profit and Loss Account/Income Statement for the year ended 31<sup>st</sup> December 2021 and a Balance Sheet on that date.

1. Stock on 31<sup>st</sup> December 2021 Rs. 65000.
2. Depreciate Plant and machinery by 10% & furniture by 15%.
3. Wages Rs. 7000 and salaries Rs. 2500 are outstanding.
4. Interest receivable on investment for the year is Rs. 12000

**Q.4: From the following Receipt and Payment Account of a Peoples Library, prepare Income and Expenditure Account for the year ended 30<sup>th</sup> June, 2022 and a Balance Sheet on that date:**

Receipts	Amount Rs.	Payments	Rs.
Balance at Bank 01-07-2021	70000	Salaries of librarian	20000
Subscriptions	50000	Rent & other expenses	25000
Fees from non-members	10000	Books purchases	41000
Municipal grant	25000	Repair expenses	5000
Donations	30000	Misc. Expenses	3000
		Furniture purchased	20000
		Balance c/d	71000
	<b>185000</b>		<b>185000</b>

A bill for books purchased during the year amounting to Rs. 6000 was outstanding.  
 Subscription receivable Rs. 5000.  
 Charge depreciation on Furniture by Rs. 2000.

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**Q.5: Following is the Balance Sheet of M and N as at January 1<sup>st</sup> 2021:**

Assets	Amount Rs.	Liabilities & Owners Equity	Amount Rs.
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Cash at Bank	50000	Sundry Creditors	40000
Sundry Assets	140000	General Reserve	40000
		M Capital	60000
		N Capital	50000
	<b>190000</b>		<b>190000</b>

M and N were sharing profits and losses in the ratio of 2:1. On the above date, S was admitted as partner as per the following conditions:

- S brings Rs. 40000 as capital
- He pays Rs. 50000 as his share of goodwill
- M and N withdraw half of their share of goodwill
- The new profit sharing ratio among M, N and S is to be 3:1:1 respectively.

**Give journal entries, ledger accounts and Balance Sheet after S's admission.**

**Q.6:** From the following particulars, Prepare a Bank Reconciliation Statement of Mr. Akif on 31<sup>st</sup> March, 2021:

- Balance as per the Pass Book Rs. 72500 Cr.
- Insurance premium of Rs. 8000 was directly paid by the bank for which there is no record in the cash book
- Interest of Rs. 5600 is credited by the bank in the Pass Book which is not recorded in the Cash Book.
- Cheques for a total amount of Rs. 45000 were deposited into the bank in March but out of them cheque for Rs. 15000 were credited in April.
- A cheque for Rs. 20000 was deposited into the bank in March but in April the cheque was returned by the bank as dishonoured.
- A cheque of Rs. 10000 was issued in March but it was not presented to the bank in the same month.

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**Q.7:** Saad keeps his books under Single Entry. He wishes to ascertain his profits for the year ending 31<sup>st</sup> December, 2021. His position on 1st January, 2021 was as follows;  
 "Cash in hand Rs. 13000; Cash at bank Rs. 9000; Stock of goods Rs. 12000; Furniture Rs. 25000; Sundry Debtors Rs. 11000; and Sundry Creditors Rs. 4500.

His position on 31<sup>st</sup> December 2021 is as under:

Cash in hand Rs. 10000; Cash at Bank Rs. 5000; Stock of goods Rs. 9000; Furniture Rs. 4400; Sundry Debtors Rs. 8900; Sundry Creditors Rs. 7550. During the year he had withdrawn from the business Rs. 2000 per month for private expenses.

Prepare a statement showing his trading result for the year ended on 31<sup>st</sup> December, 2021 and a Balance Sheet as on that date, after:

- (1) providing 5 per cent depreciation on furniture
- (2) Writing of Rs. 3000 as actual bad debts and making a further provision at 5 percent on Sundry Debtors for bad debts
- (3) One month rent Rs. 10000 is Outstanding and
- (4) Rs. 2000 have been paid in advance in respect of insurances.

**Q.8:** Differentiate between Financial Accounting and Cost Accounting.

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