



UNIVERSITY OF THE PUNJAB

B.S. 4 Years Program : Third Semester – Fall 2021

Roll No.

Paper: Advanced Financial Accounting-I

Course Code: COMM-201

Time: 3 Hrs. Marks: 60

Q.1. Answer the following Short Questions:

(15x2=30)

1. What are Unsecured Creditors?
2. What are the Sources of bonus issue?
3. What is Under-subscription of shares?
4. Define Amalgamation.
5. What are Right shares?
6. What is Goodwill?
7. What is Retained earnings?
8. Who is Liquidator?
9. Calculate quantum of bonus if: Free Reserves Rs. 8,000,000 and Existing Capital Rs. 6,000,000.
10. Distinguish between common stock and preferred stock.
11. What is Balance Sheet?
12. What is Scrip Dividend?
13. What are the various methods for calculations of the purchase consideration?
14. How does Liquidation differ from Insolvency?
15. Write two methods for valuation of shares.

Answer the following questions.

(2x15=30)

Q.2 The following are the extracts from the draft balance sheet of Abdullah & Company Ltd; as on 30th June 2021:

| | |
|---|-----------------|
| Authorized Capital: | Rs. |
| 30,000 ordinary shares of Rs. 10 each | <u>3,00,000</u> |
| Issued & Subscribed Capital: | |
| 20,000 ordinary shares of Rs. 10 each | 2,00,000 |
| Reserve Fund | 1,20,000 |
| Profit & Loss Account | 70,000 |

The board of directors recommended:

- i. To issue bonus shares in the ratio of one bonus share for every four ordinary shares held.
- ii. To issue right share at par in the ratio of one right share for every four ordinary shares held. The bonus shares will not be entitled for above right shares. For the purpose of issue of bonus shares, the funds were to be provided out of profit & loss account and reserve fund in equal proportion. All right shares were taken up.

Required:

Make necessary journal entries to give effect to the recommendation of the Board and show how they affect the Balance Sheet.

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Q.3 Al-Noor Co., Ltd., went into liquidation with the following liabilities:

- a) Secured Creditors Rs. 20,000 (securities realized Rs. 25,000).
- b) Preferential Creditors Rs. 6,000.
- c) Unsecured Creditors Rs. 30,500.

Liquidators' out of pocket expenses amounted to Rs. 252.

The liquidator is entitled a remuneration of 3% on the amounts realised and 1½% on the amounts distributed to unsecured creditors. The various assets (excluding securities in the hand of fully secured creditors) realised Rs. 26,000.

You are required to prepare the liquidators' Account showing the composition given to the unsecured creditors.

Note: The Liquidator is entitled to his remuneration on the realization of securities in the hands at secured creditors.

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