



UNIVERSITY OF THE PUNJAB

Associate Degree in Commerce Part-I Annual Exam – 2022

Roll No.

Subject: Financial Accounting

Paper: BC-304

Time: 3 Hrs. Marks: 100

NOTE: Attempt any FIVE questions. All questions carry equal marks.

Q.1 On 1st January, 2022, Mr. X bought goods for Rs 60000 from Mr. Y and accepted two bill of exchange in settlement, one for Rs 20000 at four months and second for Rs 40000 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 of Faheem Stores

- Goods bought from a supplier amounting to Rs 560 had been posted to the credit of his account as Rs 650.
- An item of Rs 1000, entered in the Returns Inwards Book had been posted to the debit of the customers who return the goods.
- Sundry items of Plants sold amounting to Rs. 5000 had been entered in the Sales Book.
- An amount of Rs. 8000 owing by a customer had been omitted from the schedule of Sundry Debtors.
- 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.

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

Accounts	Amount Rs	Accounts	Amount Rs
Stock (1-1-21)	80000	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		
Total	750000	Total	750000

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

- Stock on 31st December 2021 Rs 65000.
- Depreciate Plant and machinery by 10% & furniture by 15%.
- Wages Rs 7000 and salaries Rs 2500 are outstanding.
- 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 30th June, 2022 and a Balance Sheet on that date:

Receipts	Amount Rs	Payments	Amount Rs
Balance at Bank 01-07-2021	70000	Salaries of librarian	20000
Subscriptions	50000	Rent and 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
	185000		185000

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.

- Q.5 Following is the Balance Sheet of M and N as at January 1st 2021:

Assets	Amount Rs	Liabilities and Owners Equity	Amount Rs
Cash at Bank	50000	Sundry Creditors	40000
Sundry Assets	140000	General Reserve	40000
		M Capital	60000
		N Capital	50000
	190000		190000

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 31st 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.

- Q.7 Saad keeps his books under Single Entry. He wishes to ascertain his profits for the year ending 31st 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 31st December 2021 was 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 31st December, 2021 and a Balance Sheet as on that date, after (1) providing 5 per cent depreciation on Furniture, (2) writing off Rs 3000 as actual bad debts and making a further provision at 5 per cent 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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PART – I A/14
Examination:- B. Com.

Roll No.

Subject: Financial Accounting
PAPER: BC-304

TIME ALLOWED: 3 hrs.
MAX. MARKS: 100

Attempt any FIVE questions. All questions carry equal marks.

Q.1 A draws on B a bill of exchange for Rs.5,000 on 1st January, 2013 at three months for mutual accommodation. B accepts the bill and sends it to A who gets it discounted for Rs.4,800 and remits immediately half of the proceeds to B. On 31st March, 2013, A unable to send the remaining amount to B, and accepts a bill for Rs. 3,600 for three months which is discounted by B for Rs.3,500. B sends Rs. 900 to A. Before the maturity of the bill accepted by A, he becomes insolvent and 40 % is received from his estate as final dividend.

Required: Pass the journal entries in the books of both the parties. Also, show A's account in B's books.

Q.2 From the following particulars prepare a Bank Reconciliation Statement of Mr. Shaheer as on 31-12-2013.

- 1) Cash and cheques totaling Rs.80,000 were sent to the bank in the month of December but out of them one cheque for Rs.10,000 was credited in the pass book on 2nd January 2014.
- 2) On 26th December cheques were issued in favour of creditors for Rs.38,000 but out of them two cheques for Rs.10,000 each were encashed on 3rd January 2014.
- 3) Interest Rs 2,800 credited by the bank in the Pass Book which was not recorded in the Cash Book.
- 4) Insurance Premium Rs 4,000 was directly paid by the bank for which there was no record in the Cash Book.
- 5) On 29th December a cheque for Rs.26,000 was deposited into the bank but in January 2014 the cheque was returned by the bank as dishonoured.
- 6) Balance as per the Pass Book (Credit) Rs.120,800.

Q.3. The Trial Balance of Mr. Ishtiaq did not agree. The accountant transferred the difference to the Suspense account and subsequently detected the following mistakes:

1. Return of goods to a supplier, Shabeer for Rs 4,000 has not been posted to his account.
2. Interest received Rs 4,800 though entered in the Cash Book was not posted to the relevant income account.
3. Purchases return to Malik Shakeel Rs 6,000 have been wrongly entered in the Sales Return Book.
4. An amount of Rs.7,680 which was to be debited to Shumaila account, wrongly debited as Rs 7,860
5. Rs.14,000 paid for purchase of furniture was charged to the Building account.
6. Rs.16,000 being wages paid debited to Wages account twice.

Required: Give Rectifying Journal Entries and Prepare Suspense Account.

Q. 4 The following balances are obtained from the books of Mr Zaheer as 31st December 2013.

	01-01-2013	31-12-2013
Sundry Creditors	31,200	28,400
Furniture & Fixture	3,400	3,400
Bank Overdraft	40,800	39,200
Bills Receivables	30,500	28,800
Motor Car	4,200	4,200
Cash & Bank	900	2,800
Sundry debtors	22,800	21,400
Stock in Trade	33,400	37,400

The following additional information are relevant to the year 2013:-

Drawings during the year amounted to Rs.4,800; Depreciate Furniture at 10%. Write off Rs 800 on Motor Car. Provide Rs 1,000 as bad debts and 5% as reserve on Debtors. Provide reserve of Rs 1,600 on Bills Receivable.

Required: From the above information prepare a statement showing Profit or Loss and Statement of Affairs for the Year Ended December 31, 2013.

(P.T.O.)

Q. 5 The following balances are taken from the books of a Trader.

Accounts Title	Rs	Accounts Title	Rs
Capital	1,50,000	Drawings	25,000
Stock (1-1-2013)	75,000	Plant & Machinery	68,750
Furniture	2,500	Purchases	1,12,500
Sales	3,12,500	Prepaid Insurance	4,375
Purchases returns	3,750	Sales returns	3,125
Bills Receivables	6,250	Bills Payable	20,000
Salaries	35,000	Wages	31,250
Bad debts	1,875	Investments @10%	3,750
Sundry debtors	50,000	Sundry creditors	75,000
Carriage	1,250	Cash	26,875
Land & Building	62,500	Loose Tools	1,250
Goodwill	50,000		

After making the following adjustments, prepare Trading and Profit and Loss account/Income statement for the year ended 31st December 2013 and a balance sheet as on that date.

1. Stock on 31stDecember 2013 Rs. 50,000.
2. Depreciate Plant & Machinery by 10% & Building by 5%.
3. Wages Rs. 2,500 are outstanding.
4. Provide 5% on debtors for bad and reserve for discount on debtors at 2 %.
5. Investment is made on 1.1.2013 and no interest has been received or recorded so far.
6. Insurance expired Rs 1,875

Q.6. Convert the following Receipts and Payments Account of a Literary Society for the year ended 31 December 2013 into an Income and Expenditure account and prepare a Balance Sheet.

Receipts	Rs.	Payments	Rs.
Balance at bank---1-1-2013	500	Rent & Taxes	1,000
Subscriptions	10,000	Wages	500
Entrance Fees	1,500	Lighting Charges	250
Life Membership Fee	3,000	Lecturer's Fee	1,000
Donations	1,000	Books	1,500
Interest on Investment	100	Office expenses	2,000
Receipts from Lectures	3,000	Fixed Deposit on 1.7.2013 @ 10%	10,000
		Furniture	2,000
		Cash	850
	19,100		19,100

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

Books Rs 4,000; Furniture Rs 1,000; Investment Rs 1,000

Subscriptions Receivables at the beginning of the year was Rs 1,000 and at the end of the year was Rs 500. Rent is outstanding for six months Rs 500 both at the beginning and at the end of the year. Capitalize Entrance Fee and Life Membership Fee. Depreciate Furniture Rs 300 and Books Rs 100. Interest on Fixed Deposit was not yet received.

Q.7 Humaira and Saba were partners in a firm sharing profits and losses in the ratio of 3 : 2. Their business position was as below:

Assets	Rs.	Liabilities	Rs.
Cash	1,500	Humaira's capital	51,450
Stock	28,000	Saba's capital	36,750
Sundry debtors	19,500	Sundry creditors	11,800
Machinery	48,500		
Furniture	2,500		
Total	100,000	Total	100,000

They agree to admit Rehana into Partnership and give her 1/8th share in the future profits on the following terms:

- a) Goodwill of the entire firm be valued at twice the average of the last three year's profits which amounted to Rs 21,000; Rs 24,000 and Rs 25,560.
- b) Rehana to bring in cash for the amount of her share of Goodwill.
- c) Rehana is to bring in cash Rs 15,000 as her Capital

You are asked to record the above transactions in the books of the firm and prepare Balance Sheet of the New Firm. Also state the future profit sharing ratio.

Q. 8. Define Double Entry Book Keeping System. Discuss its advantages and disadvantages.



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PART – I S/2014
Examination:- B. Com.

Roll No.

Subject: Financial Accounting
PAPER: BC-304

TIME ALLOWED: 3 hrs.
MAX. MARKS: 100

Attempt any FIVE questions. All questions carry equal marks.

Q.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. 56,250 which is discounted by Yasir for Rs. 52,875. Yasir meets his acceptance and remits Rs. 2,700 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.

Q. 2 On 31st March, 2005, the Cash Book of Mr. Bilal shows Rs. 33,456 as bank balance. But it does not agree with the balance as shown by the Pass Book. On comparison, you find the following discrepancies.

1. The payment side of the Cash book was under cast by Rs. 400.
2. A cheque issued for Rs. 524 on 25th March, was recorded in the Cash Column.
3. A cheque of Rs. 600 deposited was recorded in the Cash Column of the Cash Book.
4. On 20th March, the debit balance of Rs. 6,104 as on the previous day was brought forward as credit balance.
5. Of the total cheques amounting to Rs. 46,056 drawn in the last week of March, 2005, cheques totaling Rs. 31,260 encashed in April.
6. Dividends of Rs. 1,000 collected by the bank were not entered in the Cash Book.
7. Trade subscription of Rs. 400 paid by the bank was not recorded in the Cash Book.
8. One outgoing cheque for Rs. 1,400 was recorded twice in the Cash Book.

Required: Prepare a Bank Reconciliation Statement with the help of revised cash book as at 31st March, 2005.

Q. 3 A trader by preparing his trial balance found out Rs. 780 excess debit and transferred it to the suspense account. Later he found the following errors.

- a) Commission account balance (Dr.) Rs. 2,430 was not transferred to the trial balance.
- b) The total of sales book Rs. 3,480 had not been posted to the sales A/c.
- c) Sale of old furniture for Rs. 2,400 was entered in the sales book.
- d) Purchases made from Raja stores for Rs. 2,250 had been forgotten to enter in the books.
- e) Cash paid to Rehman Rs. 3,520 was posted to his account as Rs. 3,250.
- f) Goods sold to A for Rs. 1,250 posted in B's account.

Required:

1. Pass the rectifying entries.
2. Prepare suspense account.
3. Ascertain correct profit after rectification of errors- before the rectification of errors the profit was Rs. 43,870.

Q. 4 Yasir, who keeps his books on single entry, submitted returns to the Income Tax Authorities showing his income to be as follows:

	Rs.
Year ending December 31 st , 2000	14,700
Year ending December 31 st , 2001	14,800
Year ending December 31 st , 2002	15,740
Year ending December 31 st , 2003	27,500
Year ending December 31 st , 2004	24,280
Year ending December 31 st , 2005	18,520

The Income Tax officer is not satisfied as to the accuracy of the accounts submitted. You are instructed to assist in establishing their correctness, and for that purpose you are supplied with the following information:

- a. Business liabilities and assets at 31st December, 1999 were; Debtors, Rs. 2,900; Cash at Bank and in hand Rs. 18,940; Stock Rs. 10,840 (at selling price which is 25% above cost); creditors Rs. 14,640.
- b. Yasir owed his brother, Rs. 8,000 on 31st December, 1999. On 15th February, 2002 he repaid this amount and on 1st January, 2005 he lent his brother Rs. 6,000.
- c. Yasir owns a house which he purchased in 1995; for Rs. 40,000 and a car which he purchased in 2001 for Rs. 15,000. In 2004, he bought Rs. 20,000 shares in X Ltd. for Rs. 15,000.
- d. In 2005 Rs. 6,000 were stolen from his house.
- e. Yasir estimates that his living expenses have been: In 2000, Rs. 6,000; 2001, Rs. 8,000; 2002, Rs. 12,000; 2003, 2004 and 2005 Rs. 14,000 per annum exclusive of the amount stolen.

(P.T.O.)

- f. On 31st December, 2005 the business liabilities and assets were: creditors Rs. 16,800, Debtors, Rs. 11,840; Cash at Bank and in hand Rs. 38,900 and Stock, Rs. 13,480 (at selling price which shows a gross profit of 25%).

From the information submitted prepare a statement showing whether or not the income declared by Yasir is correct.

Q. 5 Given below is the Receipts and Payments account of the Eagle Club for the year ending 31st December 2004:

	Rs.		Rs.
Balance b/d	10,250	Salaries	6,000
Subscriptions:		General expenses	750
2003	400	Drama expenses	4,500
2004	20,500	News-papers etc.,	1,500
2005	600	Municipal taxes	400
Donations for prize fund	5,400	Charity	3,500
Proceeds of Drama tickets	9,500	Investment	20,000
Sales of waste paper	450	Electricity charges	1,450
		Balance c/d	9,000

Prepare the Club's Income and Expenditure Account for the year ended 31st December, 2004 and its balance sheet as on that 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 Rs. 400 per annum have been paid up to 31st March 2005, and Rs. 500 is outstanding for salaries.
- Building stood in the books at Rs. 50,000 and it is required to write off depreciation at 5%.
- Three per cent interest has accrued on investment for five months.

Q. 6 Define cash book. Explain different types of cash book. Also provide the specimen of the three column cash book.

Q. 7 From the following trial balance and adjustments, you are required to prepare trading and profit and loss account for the year ended 31st December, 2013 and a balance sheet as on 31.12.2013.

Debit balances	Rs.	Debit balances	Rs.
Plant and machinery	450,000	Cash at bank	31,800
Bills Receivable	30,000	Cash in hand	4,800
Sundry Debtors	303,600	Closing stock	180,000
Purchases(adjusted)	540,000	<u>Credit balances</u>	
Buildings	300,000	Capital	420,000
Salaries	66,000	Sundry creditors	60,000
Wages	86,400	Bills payable	30,000
Postage & telegrams	4,500	Sales	1,390,200
Carriage inward	4,500	Provision for bad debts	2,100
Bad debts	5,700	Reserve	120,000
Carriage outwards	6,000		
General expenses	9,000		

Adjustments:

- Salaries unpaid Rs. 54,000.
- Charges 5% interest on capital.
- Raise bad debts provision to 2.5% of debtors.
- Transfer 2.5% of net profit to reserve A/c.
- It was discovered in January, 2013 that the stock on 31st December, 2012 was over cast by Rs. 6,000.

Q. 8. A and B are partners in a firm sharing profits and losses as 5:3. The position of the firm as on 31st March, 2011 is as follows:

Assets	Rs.	Liabilities	Rs.
Plant and Machinery	40,000	Capital Accounts:	
Stock	30,000	A 30,000	
Sundry Debtors	20,000	B <u>20,000</u>	50,000
Bills Receivable	10,000	Sundry Creditors	15,000
Cash at Bank	7,500	Bank overdraft	42,500

C now joins them on condition that he will share $\frac{3}{4}$ th of the future profits, the balance of profits being shared by A and B as 5:3. He introduces Rs. 40,000 by way of capital in cash and pays off the overdraft. He also pays Rs. 4,000 by way of premium for goodwill of the business and this amount is to remain in business. The partners agree to depreciate plant by 10% and raise a reserve against Sundry debtors by 5%.

You are asked to journalize the entries in the books of the firm and the resultant balance sheet and also show how will the partners share future profits?



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PART – I A/2015
Examination:- B. Com.

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TIME ALLOWED: 3 hrs.
MAX. MARKS: 100

NOTE: Attempt any FIVE questions. All questions carry equal marks.

Q. # 1: Ali, Murtaza and Mujtaba are the debtors and creditors of each other. They drew the bills in the following manner.

- Ali drew on Murtaza for Rs. 15000 and on Mujtaba Rs. 12000.
- Murtaza drew on Ali for Rs. 18000 and on Mujtaba Rs. 30000.
- Mujtaba drew on Ali for Rs. 24000 and on Murtaza Rs. 12000.

All the bills were discounted at 10%. All the bills were paid on due date. Show entries in the books of Ali, Murtaza and Mujtaba.

Q. # 2: From the following particulars prepare the bank reconciliation statement of Mr. Mujtaba Rehan at 31st October 2014.

- Bank overdraft as per cash book Rs. 3500.
- Cheques issued but not encased during the year Rs. 2200.
- Cheques deposited but not credited by the bank during the year Rs. 660.
- Bank charges not recorded in the cash book Rs. 150.
- Cheques deposited as per bank statement not entered in the cash book Rs. 950.
- Interest charged by the bank recorded twice in the cash book Rs. 450.
- Club dues of Mr. Mujtaba paid by bank as per standing instruction not recorded in the cash book Rs. 100.
- Cheques issued by Mr. Mujtaba dishonored Rs. 1200.

Q. # 3: The following trial balance is extracted from the books of Behzad and co on 31st March 2014. You are required to prepare trading and profit and loss a/c and balance sheet as on that date:

Details	Debit (Rs.)	Credit (Rs.)
Drawings	30000	
Capital		372000
Purchases and purchases return	450600	1800
Stock on 1.4 2013	138000	
Cash in hand	10380	
Bank balance	67800	
Plant and machinery	115800	
General expenses	2520	
Printing charges	4920	
Accounting fee	840	
Commission		9900
Investment purchased on 1.4 2013 @10%	12000	
Interest received on investment		600
Sundry debtors and creditors	108000	89010
Wages	75000	
Salaries	42000	
Income tax	4800	
Discount allowed and received	18900	13800
Sales returns and sales	1650	626850
Bill receivable	9600	
Furniture	9150	
Rent and rates	12000	
	1113960	1113960

The following adjustments are to be made:

- Charge interest on capital at 5% p.a and 3% on drawings.
- Stock on 31.3.2005 is Rs. 156000.
- Provide Rs. 15000 for wages.
- Accrued rent is Rs. 1500.
- Charge 5% depreciation on plant and machinery and 10% furniture.
- Insurance to the amount of Rs. 600 relates to next year.

Q. # 4: A trader by preparing his trial balance found Rs. 780 excess debit and transferred it to the suspense a/c. later he found the following errors:

- The total of the sales book Rs. 3480 had not been posted to the sales A/c.
- Sales of old furniture for Rs. 2400 were entered in the sales book.
- Commission a/c balance (Dr.) rs. 2430 was not transferred to the trial balance.
- Purchase made from Ali stores for Rs 2250 had been forgotten to enter in the books.
- Cash paid to Rehan Rs 3520 was posted to his a/c as Rs. 3250.

(P.T.O.)

F. Goods sold to A for Rs. 1250 posted in B's account.

Pass the journal entries to rectify them and prepare the suspense account. Also show the effects on profit. Before rectification of errors the profit was Rs. 53790.

Q. # 5: Murtaza is not writing his books properly. From the following information prepare a statement showing profit and loss and statement of affairs for the year ending 30th June 2014.

Details	1-7-2013	30-6-2014
Cash in hand	900	2800
Debtors	22800	21400
Creditors	31200	28400
Stock	33400	37400
Bill receivables	30500	28800
Bank overdraft	40800	39200
Motor van	4200	4200
Furniture	3400	3400

Drawings Rs. 4800, depreciate furniture @10%. Write off Rs. 800 on motor van. Provide Rs. 1000 as bad debts and 5% as reserve on debtors. Provide reserve of Rs. 1600 on bill receivables.

Q. # 6: The following is the receipts and payment of Murtaza foundation hospital for the year ending 31st December 2014.

Details	Rs.	Details	Rs.
Opening balances:		Payments:	
Cash	500	Furniture purchased	100
Bank	8000	Salaries	23000
Govt. securities	180000	Instruments Purchased	500
		Diet expenses	2000
Receipts:		Surgery and dispensary	1000
Subscription	25000	Rent and taxes	500
		Insurance	200
Interest	9000	Office expenses	700
Donation for charity fund	4000	Miscellaneous expenses	100
Miscellaneous	300	Closing balances:	
		Bank	18000
		Cash	700
		Govt. securities	180000
	226800		226800

Requirement:

You are asked to prepare the income and expenditure account for the year and the balance sheet as on 31st December 2014. The other assets on 1st January 2014 were: Furniture Rs. 2000; Land, Rs. 50000; building Rs. 150000; instruments, Rs. 3500. The govt. securities of the face value Rs. 200000 (cost 180000) represent investment of the 2013 endowment fund. The subscription received includes Rs. 10000 for the year 2013 but Rs. 7000 is outstanding for 2014. Salaries paid include Rs. 1000 for 2013 but Rs. 1500 is payable for 2014. Interest received includes Rs. 2000 for 2013 but Rs. 2300 is outstanding for 2014.

Q. # 7: Irtaza and Murtaza were partner in a firm sharing profit equally. Their business position as on 30th June 2014 is as follow:

Assets	Rs.	Liabilities	Rs.
Cash in hand	150	Sundry creditors	6000
Stock	3600	Bank overdraft	1500
Sundry debtors	6200	Irtaza's capital	2100
Furniture	600	Murtaza's capital	1600
Investments	650		
	11200		11200

It is agreed to take Mujtaba into partnership and to make the followings adjustments.

- Bad debts are to be written off for Rs. 1600.
- Value of furniture is to be reduced to Rs. 400
- Depreciate stock at 10%.
- Write off 20% on investment.
- Raise good will for Rs. 1000.

Mujtaba introduced Rs. 1000 as capital for his 1/3 share. Other partner's capital should be adjusted according to new partner's capital.

Pass the journal entries and prepare the balance sheet of the new firm.

Q. # 8: Define bill of exchange. Discuss its features and types.



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NOTE: Attempt any FIVE questions. All questions carry equal marks.

Q. 01. For mutual accommodation, A draws a bill on B for Rs. 10,000 at two months which is accepted by B. On the same date B draws a bill on A for a similar amount at two months. Both the parties get their bills discounted by their respective banks at 12% p.a. On the due date A met his acceptance but B failed to meet his acceptance.

Required: Give journal entries in the books of A and B.

Q. 02. Prepare a Bank Reconciliation statement as on 31st December, 2005 from the following particulars.

1. Bank balance as per the Cash Book on 31st Dec. 2005, Rs. 48,020.
2. Cheques for Rs. 16,000 deposited for collection but not credited by the bank prior to 31st December, 2005.
3. Cheques amounting to Rs. 18,000 were issued on 28th December, out of which Cheques for Rs. 16,000 were cashed up to 31st December, 2005.
4. A wrong debit of Rs.1,800 appeared in Pass Book.
5. Bank charges Rs. 220 appeared in the Pass Book but not in the Cash Book.
6. Interest on investment collected by the bank not yet recorded in the Cash Book Rs. 12,000.

Q. 03. A trader by preparing his trial balance found out Rs. 780 excess debit and transferred it to the suspense account. Later he found the following errors.

- a) Commission account balance (Dr.) Rs. 2,430 was not transferred to the trial balance.
- b) The total of sales book Rs. 3,480 had not been posted to the sales A/c.
- c) Sale of old furniture for Rs. 2,400 was entered in the sales book.
- d) Purchases made from Azam stores for Rs. 2,250 had been forgotten to enter in the books.
- e) Cash paid to Ahmad Rs. 3,520 was posted to his account as Rs. 3,250.
- f) Goods sold to A for Rs. 1,250 posted in B's account.

Required:

1. Pass the rectifying entries.
2. Prepare suspense account.

Q. 04. From the following Trial Balance of Bilal & Company, You are required to prepare Trading and Profit and Loss A/c for the year ending 31st December, 2005 and a Balance Sheet as at that date.

Details	Rs.	Rs.
Land and Building	170,000	
Plant and Machinery	80,000	
Furniture and Fixture	26,000	
Opening Stock	80,600	
Drawings and Capital	64,000	280,000
Purchases and Sales	220,000	408,000
Debtors and Creditors	60,800	48,000
Returns	12,000	10,000
Loan from Bank on 1.10.2005 @ 12% p.a		80,000
Wages and Salaries	53,000	
Printing and Stationary	6,200	
Bad Debts	8,400	
Provision for doubtful debts		6,750
Cash at Bank	51,750	

Adjustments:

1. Closing stock was valued at 150,000.
2. Depreciate, land & building at 2.5%, plant & machinery at 10% and furniture and fixture at 5%.
3. Write off Rs. 7,200 as bad debts from debtors.
4. Maintain Reserve for doubtful debts at 8 %.

P.T.O.

Q. 05. Shakeel not writing his books properly, from the following information prepare a statement showing profit or loss and statement of affairs for the year ending 31st December, 2010.

Details	31 st Dec. 2009	31 st Dec. 2010
Cash in hand	Rs 900	Rs 2,800
Debtors	22,800	21,400
Creditors	31,200	28,400
Stock	33,400	37,400
Bills Receivable	30,500	28,800
Bank overdraft	40,800	39,200
Motor Van	4,200	4,200
Furniture	3,400	3,400

Drawings Rs. 4,800; Depreciate furniture at 10%; write off Rs. 800 on motor van. Provide Rs. 1,000 as bad debts and 5% as reserve on debtors. Provide reserve of Rs. 1,600 on Bills receivable.

Q. 06. The following is the receipts and payments accounts of Young men's Society for the year ending 31st December, 2005.

Receipts	Rs.	Payments	Rs.
Balance 1.1.2005	3,485	Books	6,150
Entrance Fees	650	Printing and stationery	465
Donations	6,000	Newspapers bill	1,110
Subscriptions	8,565	Sports Material purchased	5,000
Interest on Investment	200	Repairs	650
Sale of furniture (face value 2,000)	1,685	Investments	2,000
Sale of old papers	465	Furniture	2,000
Receipts from recreations	865	Salaries	1,500
Miscellaneous receipts	125	Balance 31.12.2005	3,165

Capitalize entrance fees and Donations. Depreciation on sports material is 20%.

Required: You are required to prepare Income and Expenditure Accounts for the year ending 31st December, 2005 and Balance Sheet as on that date.

Q. 7. A and B are partners in a firm sharing profits and losses as 5:3. The position of the firm as on 31st March, 2011 is as follows:

Assets	Rs.	Liabilities	Rs.
Plant and Machinery	40,000	Capital Accounts:	
Stock	30,000	A 30,000	
Sundry Debtors	20,000	B <u>20,000</u>	50,000
Bills Receivable	10,000	Sundry Creditors	15,000
Cash at Bank	7,500	Bank overdraft	42,500

C now joins them on condition that he will share $\frac{3}{4}$ th of the future profits, the balance of profits being shared by A and B as 5:3. He introduces Rs. 40,000 by way of capital in cash and pays off the overdraft. He also pays Rs. 4,000 by way of premium for goodwill of the business and this amount is to remain in business. The partners agree to depreciate plant by 10% and raise a reserve against Sundry debtors by 5%.

Required: You are asked to journalize the entries in the books of the firm and the resultant balance sheet and also show how will the partners share future profits?

Q. 8. Define the following terms:

- Matching Concept.
- Separate Entity Concept.
- Trade Discount.
- Going concern concept.
- Accrual system of Accounting.
- Error of Commission.
- Revaluation Account.
- Goodwill
- Compensating Errors.
- Contingent liabilities.



UNIVERSITY OF THE PUNJAB

PART – I A/2016
Examination:- B. Com.

Roll No.

Subject: Financial Accounting
PAPER: BC-304

TIME ALLOWED: 3 hrs.
MAX. MARKS: 100

NOTE: Attempt any FIVE questions. All questions carry equal marks.

Question No : 1

On 1st January, 2015 Mr. Irtaza sold goods to Mr. Murtaza for Rs. 60,000. Murtaza paid Rs.12,000 in cash and accepts three bills for balance .The first bill for Rs.14,000 at one month , the second for Rs.16,000 at two months and the third for Rs.18,000 at three months .

Irtaza endorsed first bill to Behzad his creditor on 2nd January in full settlement of Rs.14,200 ; discounted the second bill at his bank for Rs.15,840 and retained the third bill till maturity .

The first bill is met at maturity. The second bill is dishonored and Rs.100 being paid as noting charges . Irtaza charges Rs.300 for interest and draw on Murtaza a forth bill for the amount at three months . At maturity the third bill was renewed with the interest of 10% p.a for three months. The fifth bill was duly accepted by Murtaza .The fourth and fifth bills were met on maturity.

Required:

Give journal entries in the books of Irtaza and prepare Murtaza's account in Irtaza's books .

Q.2 Prepare a Bank Reconciliation statement as on 31st December, 2005 from the following particulars.

- i. Bank balance as per the Cash Book on 31st Dec. 2005, Rs. 57,000.
- ii. Cheques for Rs. 7,000 deposited for collection but not credited by the bank prior to 31st December, 2005.
- iii. Cheques amounting to Rs. 18,000 were issued on 28th December, out of which cheques for Rs. 15,000 were cashed up to 31st December, 2005.
- iv. A wrong debit of Rs. 700 appeared in Pass Book.
- v. Bank charges Rs. 420 appeared in the Pass Book but not in the Cash Book.
- vi. Interest on investment collected by the bank not yet recorded in the Cash Book Rs. 2,500.

Q.3 The following balances are obtained from the books of Mr. Salman as on 31st December, 2012 and 31st December, 2013.

	<u>31-12-2012</u>	<u>31-12-2013</u>
	Rs.	Rs.
Sundry Creditors	110,000	75,000
Furniture and fixture	46,000	63,000
Office Equipment	48,000	47,700
Outstanding expenses	2,500	5,880
Motor Truck	47,000	37,600
Cash at Bank	45,000	38,000
Sundry Debtors	80,000	85,000
Stock in Trade	25,000	37,500
Bills payable	9,000	5,000

The following information is relevant for the year 2013.

- a. Cash drawings during the year amounted to Rs. 15,000 and goods costing Rs. 6,000 were taken by Mr. Salman for his personal use.
- b. One sales invoice amounting to Rs. 5,000 dated 1-10-2013 was omitted in books.
- c. Write off 6% from sundry debtors.

You are required to show by means of a statement as to how would you arrive at the Net Profit for the year ended 31st December, 2013.



UNIVERSITY OF THE PUNJAB

PART – I S/2016
Examination:- B. Com.

Roll No.

Subject: Financial Accounting
PAPER: BC-304

TIME ALLOWED: 3 hrs.
MAX. MARKS: 100

NOTE: Attempt any FIVE questions. All questions carry equal marks.

Q.1 On 1st July 2015, X sold goods to Y worth Rs. 100,000 on credit basis and drew on Y four bills of Rs. 25,000 each at 2 months, 3 months, 4 months and 5 months respectively. X retained the first bill till due date. On 4th July, he discounted the second bill with the bank at 10 % p.a. He endorsed the third bill in favour of his creditor Z on 6th July. The 4th bill is sent to the bank for collection on 7th July. All the bills are dishonoured on due date. The noting charges of Rs. 200 were paid by the holder of each Bill. A sum of Rs. 100 was charged by the bank as collection charges.

Required: Pass the Journal Entries in the books of drawer and drawee.

Q.2 On 31st December 2015, the bank column of Rabia's Cash Book showed an overdraft of Rs. 30,000. On comparing Cash Book with the Bank Statement you find that:

- i) Cheques drawn amounting to Rs. 50,000 had not been presented in the bank up to 31st December 2015.
- ii) Cheques of Rs. 25,000 entered in the Cash Book and paid into the bank but not yet been cleared.
- iii) A dividend of Rs. 6,000 received directly by the bank as per standing orders of Rabia, had not been recorded in Cash Book, as no information is received from bank.
- iv) Bank charges entered in the Bank Statement had not yet been entered in the Cash Book Rs.3, 000.
- v) A cheque of 5,000 deposited into bank had been dishonored and returned by bank, but no action is taken in the Cash Book after receiving it back from the Bank.
- vi) A cheque for Rs. 13,000 drawn by Reham had been charged to Rabia's Bank Account in error in the month of December 2015.
- vii) No entry had been made in the Cash Book for trade subscription of Rs.1, 000 paid by the banker of Rabia as per standing orders.

Required: Prepare Bank Reconciliation Statement as on 31st December 2015.

Q.3 From the following Trial Balance of Hamza Traders prepare Trading and Profit and Loss Account for the year ended 31st December 2014 and Balance Sheet as on that date.

Debit Balances	Rs.	Credit Balances	Rs.
Opening Inventory	10,420	Sales	36,300
Bills Receivable	200	Accounts Payable	14,890
Purchases	14,225	Bills Payable	785
Drawings	2,958	Bank Loan	3,000
Carriage Inwards	70	Capital	14,415
Trade Expenses	1,400	Returns Outwards	525
Wages	9,122		
Accounts Receivable	13,420		
Salaries	1,750		
Taxes and Insurance	854		
Bad Debts	135		
Interest & Discount	275		
Cash in hand	71		
Cash at Bank	1,515		
Building	6,100		
Plant and Machinery	7,400		
	69,915		69,915

Adjustment:

- 1) Inventory on 31st December 2014 amounted to Rs. 10,900.
- 2) Make a provision for bad and doubtful debts at 5 % of accounts Receivable.
- 3) Make an allowance for depreciation on Plant & Machinery and Building at 10 % and 5% respectively.
- 4) Salaries still payable Rs. 500
- 5) Trade Expenses payable Rs. 250.

Q.4 Following errors has been discovered after the preparation of final accounts.

- 1. Repair of building Rs. 2,000 has been debited to Building Account.
- 2. The Sales Book was overacted by Rs. 1,000.
- 3. Goods valued Rs. 2,000 was returned by customer, taken in the stock but no entry has been made in the books.
- 4. Rs. 20,000 paid for machinery purchased had been charged to Purchased Account.
- 5. Rs. 100 paid for Repairs posted as Rs. 10.
- 6. Rs. 4,000 received from Saleem in settlement of his account, posted to the credit of Sales Account.
- 7. The Purchase Book has been over added by Rs. 1,000.

PTO

Required: Make rectify entries and show the effect of errors on final accounts.

Q.5 Faisal keeps his books on Single Entry system. His statement of Assets and Liabilities as on 31st December 2011 is as follows:

Assets	Rs.	Liabilities	Rs.
Land and Building	20,000	Sundry Creditors	65,000
Furniture and Fixture	3,000	Loan from money lenders	56,600
Plant and Machinery	55,000	Other Liabilities	13,400
Stock	9,200	Capital	?
Sundry Debtors	75,500		
Cash	8,300		

His drawings during the year amount to Rs. 3,000. Land and Building are to be depreciated by 2%, Furniture and fixture by 5% and Plant and machinery by 10%. Sundry debtors are to be reduced by 2%. He has used Rs. 800 worth of stock of his business for private purposes. During the year 2011 he sold some of his household furniture for Rs. 1,000 and paid this into his business bank account. His capital at the beginning of the year was Rs. 30,000.

Required: Draw up his statement of profit and Loss of the year ended 31st December 2011.

Q.6. Mr.Umer and Mr.Irfan are partners sharing profits as 2:1. The position of the firm as on 31st December, 2011 when they decided to dissolve the business was as follows.

Assets	Rs.	Liabilities	Rs.
Plant and Machinery	12,500	Sundry Creditors	7,500
Furniture	2,000	General Reserve	5,000
Stock	5,000	Capital Accounts:	
Sundry Debtors	10,000	Mr.Umer	11,000
Cash at Bank	5,000	Mr.Irfan	11,000
	34,500		34,500

The realization shows the following results:

1. Mr.Umer took over Plant & Machinery and Furniture at book values less 10%.
2. Mr.Irfan took over the stock and goodwill at Rs.8,750.
3. Sundry debtors realized Rs.9,250.
4. Sundry Creditors were settled at a discount of 5 %.

Prepare necessary Journal entries to close the books of the firm. Also prepare relevant Ledger Accounts.

Q.7. The following particulars are obtained from the books of an Association for the year ended December 31, 2010.

Receipts and Payment account for the year ended 31st December 2010

Receipts	Rs.	Payments	Rs.
Balance b/d	7,000	Salaries	3,000
Subscriptions		Printing & Stationary	300
2009 Rs.500		Postage & Telephone	1,800
2010 9,000		Municipal Taxes	1,600
2011 1,000	10,500	Cutlery purchases	3,000
Entrance fees	1,000	Electricity charges	1,200
Life Membership fees	5,000	Annual dinner charges	4,800
Annual Dinner	6,000	Fixed deposit with Bank	12,000
Hall Rent	3,000	Balance c/d	5,400
Miscellaneous income	600		
	<u>33,100</u>		<u>33,100</u>

On 1 January, 2010 the Association had a building worth Rs. 200,000, Cutlery worth Rs.6000 and kitchenware worth Rs. 8,000. There is a deposit with the telephones department under the " Own Your Telephone Scheme" amounting to Rs.8000. Entrance Fees and Life Membership Fees are to be capitalized.

You are required to depreciate building by 5%, cutlery by 40% and kitchenware by 25%.

The Annual Subscription of the Association Members is Rs.10, and 100 members are in arrears during the year.

Municipal Taxes were paid up to March 31, 2011.

You are required to prepare an Income and Expenditure Account for the year ended December 31st, 2010 and a Balance Sheet as on that date, after making the necessary adjustments.

Q.8. On January 1st 2015, Mr Ibrahim started business with the capital of Rs. 5, 00,000 and his transactions of the month were as follows:

Jan. 3 Purchased building for cash	Rs. 1, 40,000
Jan 5 Sold goods for Cash	25,000
Jan 7 Purchased goods from Asif	16,000
Jan 9 Goods returned to Asif	2,000
Jan15 Sold goods to Akram	15,000
Jan 22 Returned goods by Akram	3,000
Jan 28 Received commission	3,000
Jan 30 Paid salaries	13,000

Required journalize the above transaction. Prepare ledger accounts and Trail Balance.



UNIVERSITY OF THE PUNJAB

PART - I A/2017
Examination:- B. Com.

Roll No.

Subject: Financial Accounting
PAPER: BC-304

TIME ALLOWED: 3 hrs.
MAX. MARKS: 100

NOTE: Attempt any FIVE questions. All questions carry equal marks.

Question No.1

On 1st January, 2016, X sells goods to Y for Rs. 30,000. X draws three bills on Y; 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 X to his creditor Z on 3rd January. The second bill is discounted at bank on 4th January for Rs. 14,550. The third bill is retained by X until due date. The first bill is met at maturity. The second bill is dishonored and the bank pays Rs. 60 for noting charges. On Y's request, X draws a fourth bill on Y for Rs. 15,150 including Rs. 90 as interest. Y accepts the bill at two months. On maturity, the third and the fourth bills are honoured. Show the entries in the books of X and Y.

Question No.2

From the following particulars, prepare a revised Cash Book and a Bank Reconciliation Statement of Irtaza Stores as on 28th February, 2016.

- Credit balance as per the Cash Book on 28.02.2016 was Rs. 60,000.
- A wrong debit of Rs. 2,000 has been given by the bank in the Pass Book.
- Bank charges made by the bank Rs. 480 were recorded only in the Pass Book.
- Out of the cheques for Rs. 100,000 paid into the bank, cheques for Rs. 75,000 were cleared and credited by the bank.
- Two cheques for Rs. 30,000 and Rs. 60,000 were issued but out of them only one cheque for Rs. 30,000 was presented for payment up to 28th February, 2016.
- Dividend on shares Rs. 18,000 was collected directly by the bank. The trader has no information about this.
- The Pass Book contains an entry for Rs. 20,000 being a direct payment made by a customer into the bank.

Question No.3

Mr. Murtaza failed to balance his trial balance. The credit side was exceeding the debit side by Rs.1000. The difference was entered in a suspense account. Later the following errors were discovered. Pass the necessary journal entries to rectify them and prepare suspense account.

- The total of the credit side of Mohsin A/c was overcast by Rs. 1000.
- Sales Book was under-cast by Rs. 1000.
- Goods worth Rs. 1000 were purchased from Nasir but were entered in the Sales Book. However, the account of Nasir was correctly credited.
- The total of purchases returns book Rs. 2000 was not posted to the ledger.
- A credit balance of Rs. 7550 of the Rent received Account was shown as Rs. 5700.
- Goods worth Rs. 6200 sold to Dawood, were correctly entered in the Sales Book, but posted to Dawood A/c as R. 2600.
- 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.

Question No.4

Irtaza 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, 2016.

	01-07-2015	30-06-2016
Cash in hand	900	2800
Debtors	22800	21400
Creditors	31200	28400
Stock	33400	37400
Bills receivable	30500	28800
Bank overdraft	40800	39200
Motor van	4200	4200
Furniture	3400	3400

Drawings Rs. 4800; Depreciate furniture at 10 %. Write off Rs. 800 on motor van. Provide Rs. 1000 as bad debts and 5 % as reserve on debtors. Provide reserve of Rs. 1600 on Bills receivable.

Question No.5

The following Trial Balance has been extracted from the books of Mr. Bahzad on 31st March, 2016. Prepare Trading and Profit and Loss A/c for the year ending 31st March, 2016 and a Balance Sheet as at that date:

	Debit Rs.	Credit Rs.
Opening Stock	230,000	
Debtors	130,000	
Horses and Carts	20,000	
Purchases	600,000	
General Expense	52,000	
Discount	2,200	
Wages	300,000	
Salaries	80,000	
Traveling Expenses	20,000	
Carriage	11,000	
Insurance	6,000	
Commission	13,000	
Rent	20,000	
Cash in hand	1,000	
Cash at Bank	109,000	
Printing Charges.....	6,800	
Repairs	5,200	
Interest on Mortgage	4,000	
Building	160,000	
Machinery	60,000	
Capital		422,200
Sales		12,00,000
Mortgage		124,000
Sundry Creditors		84,000
Total	18,30,200	18,30,200

The following adjustments are required:

1. Rent Payable Rs. 1,200
2. Insurance prepaid Rs. 800
3. Reserve for discount 2.5 % both on debtors and creditors.
4. Depreciate Building 2.5 %, Machinery 5 % and Horses and Carts at 7.5 %
5. Stock on 31st March, 2016 Rs. 240,000.

Question No.6

A firm purchased a second-hand truck for Rs. 50,000 on 1st January, 2012 and spent Rs. 20,000 on its overhauling. Depreciation is written off 10 % p.a. on the reducing balance. On 30th June, 2015 the truck was sold for Rs. 30,000 being unsuitable. Prepare the Truck Account from 2012 to 2015 assuming that Accounts are closed on 31st December every year.

Question No.7

Below is given the Receipts and Payments Account of Sultan Baig Club of Faisalabad, Prepare Income and Expenditure Account as on 31st December 2016 and a Balance sheet as on that date, from it and subjoined information.

	(Rs)		(Rs)
Balance b/d	2,476	General Expenses	1,084
Annual Subscription	3,260	Salaries	1,100
Life Membership fees	500	Furniture	1,600
Entrance fees	400	Rent	1,120
Miscellaneous Receipts	466	Printing	250
Interest	80	Repairs	300
	<u>7,182</u>	Balance c/d	<u>1,728</u>
			<u>7,182</u>

On 31 December, 2016 the annual subscriptions in arrears amounted to Rs. 700. Rs. 200 is to be written off as depreciation on furniture.

Question No.8

Abdur Raqeeb and Abdul Wahab are partners sharing profits in the ratio 3:2. Their balance sheet stood as under on 31-12-2016

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	Abdur Raqeeb	29,000
Less Provision	400	Abdul Wahab	15,000
Machinery	19,000		44,000
Buildings	35,000		
Furniture	5,000		
	<u>86,500</u>		<u>86,500</u>

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

- (a) Stock to be depreciated 5 %.
- (b) Provision for doubtful debts is to be increased to Rs.500.
- (c) Furniture to be depreciated 10 %.
- (d) Building is valued at Rs. 40,000.

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



UNIVERSITY OF THE PUNJAB

PART-I: 2nd Annual - 2017

Examination: B. Com.

Roll No.

Subject: Financial Accounting
PAPER: BC-304

TIME ALLOWED: 3 hrs.
MAX. MARKS: 100

NOTE: Attempt any FIVE questions. All questions carry equal marks.

Q.1 For their mutual accommodation, Ahmad accepted a bill on 1st March, 2005, drawn on him by Aqeel for Rs. 12,000 at three months. The bill was got discounted at 10% p.a. and the proceeds were shared equally.

On 1st April, 2005, Ahmad drew a bill for Rs. 18,000 on Aqeel at three months for the same purpose. Aqeel accepted the bill. Ahmad got the bill discounted at 10% p.a. and the proceeds were shared as 2/3 to Ahmad and 1/3 to Aqeel. Before the due date of the first bill Ahmad sent a cheque to Aqeel in full settlement of his account. On 15th June, 2005, Aqeel became insolvent and his estate paid a dividend of 50 paise in a rupee.

Required: Give journal entries and Aqeel's account in the books of Ahmad.

Q.2 Prepare a Bank Reconciliation statement as on 31st December, 2015 from the following particulars.

- Bank balance as per the Cash Book on 31st Dec. 2015, Rs. 77,000.
- Cheques for Rs. 17,000 deposited for collection but not credited by the bank prior to 31st December, 2015.
- Cheques amounting to Rs. 28,000 were issued on 28th December, out of which cheques for Rs. 25,000 were cashed up to 31st December, 2015.
- A wrong debit of Rs. 900 appeared in Pass Book.
- Bank charges Rs. 520 appeared in the Pass Book but not in the Cash Book.
- Interest on investment collected by the bank not yet recorded in the Cash Book Rs. 3,500.

Q.3 Rectify the following errors.

- Rs. 840, a debit balance in Ahsan account are written off as bad debts, but only Rs. 480 were entered instead of Rs. 840, in addition to it Amir Account was credited instead of Ahsan A/c.
- Rs. 2,000 paid for college fees of proprietor's son were charged to the Trade Expenses account.
- Bad debts recovered Rs. 500 from Amjad were credited to his account.
- A receipt of Rs. 3,500 from Bilal & Co. was credited to his account as Rs. 5,300.
- The total of the credit side of Ahmad A/c was overcast by Rs. 1000.
- Sales Book was under-cast by Rs. 1,000.
- Goods worth Rs. 1,000 were purchased from Nasir but were entered in the Sales Book. However, the account of Nasir was correctly credited.
- The total of purchases returns book Rs. 2,000 was not posted to the ledger.
- A credit balance of Rs. 7,550 of the Rent received Account was shown as Rs. 5,700.
- Goods worth Rs. 6,200 sold to Usman, were correctly entered in the Sales Book, but posted to Usman A/c as Rs. 2,600.

Q.4 The following is the receipts and payments accounts of Young men's Society for the year ending 31st December, 2005.

Receipts	Rs.	Payments	Rs.
Balance 1.1.2005	3,485	Books	6,150
Entrance Fees	650	Printing and stationery	465
Donations	6,000	Newspapers bill	1,110
Subscriptions	8,565	Sports Material purchased	5,000
Interest on Investment	200	Repairs	650
Sale of furniture (face value 2,000)	1,685	Investments	2,000
Sale of old papers	465	Furniture	2,000
Receipts from recreations	865	Salaries	1,500
Miscellaneous receipts	125	Balance 31.12.2005	3,165

Capitalize entrance fees and Donations. Depreciation on sports material is 20%.

You are required to prepare Income and Expenditure Accounts for the year ending 31st December, 2005 and Balance Sheet as on that date.

P.T.O.

Q. 5 From the following trial balance and adjustments, prepare trading and profit and loss account for the year ending 31st march, 2015 and a balance sheet as at 31.3.2015.

Debit balances	Rs.	Debit Balances	Rs.
Cash in hand	3,000	Insurance	7,200
Cash at bank	13,200	Office rent	12,000
Bills receivables	31,800	Productive wages	129,000
Furniture	60,000	Manufacturing expenses	9,000
Machinery	168,000	Trade Expenses	32,400
Drawings	43,200	Credit Balances	
Stock on 1.4.2014	123,000	Sales	843,000
Purchases	408,000	Accounts payable	85,800
Freight Inward	9,000	Provision for bad debts	6,000
Accounts receivables	141,000	Bills payable	25,200
Printing and Stationery	10,200	Capital	360,000
Salaries	96,000		
Factory rent	24,000		

The following adjustments should be taken into account:

- Stationery unused on 31.3.2015 is Rs.1,800.
- Closing stock valued at Rs. 170,000
- Write off Rs. 3,000 as bad debts and increase the provision for bad debts by 5% on accounts receivables.
- Depreciation machinery by 5% and furniture by 10%.
- On 28th February, 2015 a fire broke out and destroyed stock of the value of Rs. 60,000 the stock was not covered by insurance.

Q. 6 Zulfiqar and Ahmad are partners in a firm sharing profits and losses as Zulfiqar $\frac{3}{4}$ and Ahmad $\frac{1}{4}$ on 1st January, 2005; their position was as given below:

Assets	Rs.	Liabilities	Rs.
Plant	40,000	Capital Accounts:	
Stock	10,000	Zulfiqar	50,000
Debtors	30,000	Ahmad	<u>30,000</u>
Cash at Bank	20,000	Sundry creditors	80,000
			20,000

Riaz is now to join the partnership. He agrees to pay the partners Rs. 20,000 by way of goodwill and introduces $\frac{3}{5}$ of the combined capital of the two existing partners after depreciating plant and stock at 20% and 10% respectively and raising a reserve of 10% against Sundry Debtors. The new partner is to be allowed $\frac{1}{4}$ th share of the profits of the firm.

You are required to record the above transactions in the books of the firm and give the resultant balance sheet of the new firm.

Q. 7. Define cash book. Explain different types of cash book. Also provide the specimen of three column cash book.

Q. 8. A firm purchased a second-hand truck for Rs. 50,000 on 1st January, 2002 and spent Rs. 20,000 on its overhauling. Depreciation is written off at the rate of 10% p.a. On 30th June, 2005 the truck was sold for Rs. 30,000 being unsuitable. Prepare the Truck Account from 2002 to 2005 assuming that Accounts are closed on 31st December every year under the following methods.

- Straight line method.**
- Written down value method.**



UNIVERSITY OF THE PUNJAB

PART - I A/2018
Examination:- B. Com.

Roll No.

Subject: Financial Accounting
PAPER: BC-304

TIME ALLOWED: 3 hrs.
MAX. MARKS: 100

NOTE: Attempt any FIVE questions. All questions carry equal marks.

Q. No. 1 On 1st January, 2017, Abdullah drew and Hasaan accepted a bill at 3 months for Rs. 10,000. On 4th January, 2017, Abdullah discounted the bill at his bank at 8 percent per annum and remitted half the proceeds to Hasaan. On 1st February, 2017, Hasaan drew and Abdulla accepted a bill at 3 months for Rs. 10,000. On 4th February, 2017, Hasaan discounted the bill at 8 percent, per annum and remitted half the proceeds to Abdullah. Abdullah & Hasaan agreed to share the discount equally.

At maturity Abdullah met his acceptance, but Hasaan failed to meet his and Abdullah therefore, had to pay it. Abdullah drew and Hasaan accepted a new bill of 3 months for the amount of the original bill plus interest 8 % per annum. On 1st August, 2017, Hasaan became insolvent and only 50 paisa in a rupees received from him.

Recorded the above transactions in Abdullah's journal and write up Hasaan's account.

Q. No. 2 The December 2017 bank statement received by Ghazi Associates from HBL Model Town branch shows credit balance Rs.500,000 while Ghazi Associates' records shows a debit balance of Rs.561,000 on December 31, 2017. The accountant while doing bank reconciliation found out the following reconciliation items.

1) Two checks issued in January have not yet cleared by bank and not included in paid checks returned by bank along with bank statement.

Check No.	Date	Amount
056789	15-12-2017	Rs.8,000
056799	20-12-2017	7,000

2) A deposit of Rs.70,000 was not credited by bank in Ghazi Associates account as it was deposited in late hours.

3) December 22, Rs.7, 000 dividend incomes on investment in the shares of National bank were collected by HBL bank and credited in Ghazi Associates' account but not yet recorded in cash book.

4) December 31, Rs. 7, 000 interest computed on average balance during January was credited by bank in Ghazi Associates' account but not yet debited in cash book by accountant.

5) December 25, Rs.1, 000 was debited as collections charges by bank for handling various collections from accounts receivable but not appeared on the credit side of cash book.

6) December 30, a check of Rs.10, 000 marked NSF was returned by bank.

7). A check No. 875890 dated 20-12-2017 of Rs.32, 000 issued in favour of PTCL to pay telephone bill was erroneously recorded as Rs.23, 000 in cash book by accountant.

Required: Prepare bank reconciliation statement and determine the balance at bank to be reported in the balance sheet on December 31,2017.

Q. No. 3 The Trial Balance of Zee ltd. shows a difference of Rs. 1,27,000 which is debited to Suspense Account. Subsequently the following errors are discovered. You are required to correct the errors and prepare Suspense Account.

- (a) The total of the Returns Outwards Books Rs. 21,000 has not been posted in the ledger.
- (b) A purchase of Rs. 40,000 from Majid has been entered in the Sales Book. However, Majid's account has been correctly credited.
- (c) A sales of Rs. 43,000 to Rahman has been credited in his account as Rs. 34,000.
- (d) A sale of Rs. 29,600 to Kareem has been entered in the Sales Book as Rs. 26,900.
- (e) Old furniture sold for Rs. 54,000 has been entered in the sale account as Rs.45,000.
- (f) Goods taken by proprietor, Rs. 10,000, have not been entered in the books at all.

Q. No. 4 From the following information prepare Trading & Profits and Loss Accounts of Pak Flour Mill for the year ended 30th September, 2017 and the Balance Sheet as on that date:

Account Title	Rs.	Account Title	Rs.
Capital	1,20,000	Audit Fee	2,000
Trade Creditors	15,200	Office Expenses	2,000
Bill Payable	1,000	Interest Paid	1,700
Unexpired Commission	2,300	Bad Debts	1,400
Sale	6,24,000	Salaries	13,000
Discount Received	2,100	Repair & Renewals	1,800
Stocks	1,01,000	Printing & Stationery	1,400
Purchases	5,18,000	Plant & Machinery	53,000
Carriage Inwards	8,900	Buildings	35,000
Discount Allowed	750	Tools	8,650
Trade Debtors	16,000		

Stock as on 30th September, 2017 was valued at Rs. 1, 09,900. Plant and Machinery is to be depreciated at 10 percent, Buildings at 5 percent and tools at 15 percent.

Reserve against Bad Debts is to be created at 5 percent of the Trade Debtors.

Q. No. 5 The following is Receipts and Payments Account of the Lahore Club for the year ended 31st December, 2017.

Receipts	Dr. Rs.	Payments	Cr. Rs.
To Balance 1 st Jan. 2017	3,000	By Rent	52,000
To Entrance Fees	5,500	By Stationery etc.	30,680
To Subscription, 2016	2,000	By Wages	53,300
To Subscription, 2017	1,69,000	By Billiards Table	39,000
To Subscription, 2018	3,000	By Repairs & Renewals	8,060
To Lockers Rents	5,000	By Interest	15,000
To Special Subscription for Governors Party	34,500	By Balance 31 st December	23,960
Total	2,22,000	Total	2,22,000

Locker Rent, Rs. 600 referred to 2016 and Rs. 900 is still owing; Rent Rs. 13,000 pertained to 2016 and Rs. 13,000 is still due; Stationery Rs. 3120 related to 2016, still owing Rs. 3640; Subscription unpaid for 2017 Rs. 4680; Special Subscriptions for Governor's party outstanding Rs. 5500.

Q. No. 6 The Balance Sheet of Noor and Associates was as under on 1st July, 2017.

Liabilities and Capital	Rs.	Assets	Rs.
Sundry Creditors	90,000	Cash	10,000
Reserve	50,000	Debtors	1,00,000
Noor's Capital	1,50,000	Stock	1,20,000
Nazir's Capital	1,20,000	Furniture	20,000
		Buildings	1,60,000
Total	4,10,000	Total	4,10,000

Munir was admitted as a partner and was given 1/4th share on the following terms:

- He should bring Rs. 1,50,000 as his capital.
- His share of goodwill was valued at Rs. 50,000 but he was unable to bring it in cash and, therefore it was to be raised.
- Stock and Furniture be depreciated by 10 percent.
- A provision of 6 percent on debtors be created.
- An amount of Rs. 10,000 included in creditors not to be treated as a liability.
- A provision of Rs. 5,000 be created against bill discounted.
- The buildings be treated as worth Rs. 2,00,000.

It was agreed that except cash, other assets and liabilities were to be shown at same old figure in the balance sheet.

Requirement: Give journal entries to record the transaction on the admission of Munir and show the balance sheet after his Admission.

Q. No. 7 Zain 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, 2017.

	01-07-2016	30-06-2017
Cash in hand	Rs. 9,000	Rs. 28,000
Debtors	2,28,000	2,14,000
Creditors	3,12,000	2,84,000
Stock	3,34,000	3,74,000
Bill receivable	3,05,000	2,88,000
Bank overdraft	4,08,000	3,92,000
Motor van	42,000	42,000
Furniture	34,000	34,000

Drawings Rs. 48,000; Depreciate furniture at 10 %. Write off Rs. 8,000 on motor van. Provide Rs. 10,000 as bad debts and 5 % as reserve on debtors. Provide reserve of Rs. 16,000 on Bill Receivable.

Q.No.8. Al-Hadi transporter purchase a truck for Rs. 5,00,000 on 1st January, 2014. Depreciation is written off 20 % p.a. on the reducing balance. On July 1, 2016, Al-Hadi spent Rs. 1,00,000 on overhauling of truck. On July 1, 2017, Al-Hadi exchanged its old truck with new one. The purchase price of new truck was Rs. 8,50,000 and the vendor allowed trade in allowance Rs. 2,50,000 for the old truck. Depreciation rate for new truck is 15% p.a. on the reducing balance.

Required: Prepare the Truck Account from 2014 to 2017 assuming that accounts are closed on 31st December every year.



UNIVERSITY OF THE PUNJAB

PART-I: 2nd Annual – 2018

Examination: B. Com.

Roll No.

Subject: Financial Accounting
PAPER: BC-304

TIME ALLOWED: 3 Hrs.
MAX. MARKS: 100

NOTE: Attempt any FIVE questions. All questions carry equal marks.

Q. No. 1 A firm purchase a second-hand truck for Rs. 6,00,000 on 1st January, 2015 and spent Rs. 50,000 on its overhauling. Depreciation is written off 20 % p.a. on the reducing balance. On July 1, 2017 the truck was sold for Rs. 3,00,000. Prepare the Truck Account from 2015 to 2017 assuming that accounts are closed on 31st December every year.

Q. No. 2 Hasnain 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 December 31, 2017.

	01-01-2017	31-12-2017
Cash in hand	Rs.17,000	Rs.22,000
Debtors	2,20,000	2,20,000
Creditors	3,20,000	2,80,000
Stock	3,34,000	3,74,000
Bill receivable	3,05,000	2,88,000
Bank overdraft	4,00,000	3,96,000
Motor van	50,000	50,000
Furniture	30,000	30,000

Drawings Rs. 48,000; Depreciate furniture at 10 %. Write off Rs. 8,000 on motor van. Provide Rs. 10,000 as bad debts and 5 % as reserve on debtors. Provide reserve of Rs. 16,000 on Bill Receivable.

Q. No. 3 The Trial Balance of Naveed Merchants shows a difference of Rs. 12,700 which is debited to Suspense Account. Subsequently the following errors are discovered. You are required to correct the errors and prepare Suspense Account.

A sale of Rs. 2,960 to Ahmad has been entered in the Sales Book as Rs. 2,690.

Old Equipment sold for Rs. 5,400 has been entered in the sale account as Rs. 4,500. The total of the Returns Outwards Books Rs. 2,100 has not been posted in the ledger.

A purchase of Rs. 4,000 from Ghafar has been entered in the Sales Book. However, Ghafar's account has been correctly credited.

Goods taken by Naveed, Rs. 1,000, have not been entered in the books at all.

A sales of Rs. 4,300 to Iftikhar has been credited in his account as Rs. 3,400.

Q. No. 4 From the following figures prepare a Trading and Profit and Loss Account of Faisal Brothers for the year ended 31st December, 2017 and a Balance Sheet as on that date, after making the necessary adjustments:

	Rs.		Rs.
Capital	50,450	Discount Received	400
Trade Creditors	10,000	Buildings	10,000
Bill 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:

- (1) The value of stock on hand on 31st December, 2017, was Rs. 18,000.
- (2) During December, 2017 there was a fire which destroyed goods worth Rs. 3,500. The Insurance Company had admitted the claim for Rs. 2,500.
- (3) Depreciate Buildings at 2 percent p.a. and Plant and Machinery at 10 percent p.a.
- (4) The Managers is entitled to a commission of 10 percent of net profits after charging his commission.

Q. No. 5 The Balance Sheet of Ahmad and Associates was as under on 1st January, 2017.

Liabilities and Capital	Rs.	Assets	Rs.
Sundry Creditors	90,000	Cash	40,000
Reserve	50,000	Debtors	1,00,000
Capital A	1,50,000	Stock	1,20,000
Capital B	1,50,000	Furniture	20,000
		Buildings	1,60,000
Total	4,40,000	Total	4,40,000

P.T.O.

Naveed was admitted as a partner and was given 1/3rd share on the following terms:

- He should bring Rs.1,50,000 as his capital.
- His share of goodwill was valued at Rs. 50,000 but he was unable to bring it in cash and, therefore it was to be raised.
- Stock and Furniture be depreciated by 10 percent.
- A provision of 6 percent on debtors be created.
- An amount of Rs.10,000 included in creditors not to be treated as a liability.
- A provision of Rs.5,000 be created against bill discounted.
- The buildings be treated as worth Rs.2,00,000.

It was agreed that except cash the other assets and liabilities were to be shown at same old figure in the balance sheet.

Requirement: Give journal entries to record the transaction on the admission of Naveed and show the balance sheet after his Admission.

Q. No. 6 The following is Receipts and Payments account of the Sahiwal Club for the year ended 31st December, 2017.

Receipts	Dr. Rs.	Payments	Cr. Rs.
To Balance 1 st Jan. 2017	4,000	By Rent	53,000
To Entrance Fees	5,000	By Stationery etc.	30,000
To Subscription, 2016	2,000	By Wages	53,000
To Subscription, 2017	1,70,000	By Billiards Table	39,000
To Subscription, 2018	3,000	By Repairs & Renewals	8,000
To Lockers Rents	4,000	By Interest	15,000
To Special Subscription for Commissioner's Party	34,000	By Balance 31 st December	24,000
Total	2,22,000	Total	2,22,000

Locker Rent, Rs. 600 referred to 2016 and Rs. 900 is still owing; Rent Rs. 13,000 pertained to 2016 and Rs. 13,000 is still due; Stationery Rs. 3120 related to 2016, still owing Rs. 3640; Subscription unpaid for 2017 Rs. 4680; Special Subscriptions for Commissioner's party outstanding Rs. 5500.

Q. No. 7 The December 2017 bank statement received by Ahmad Traders from UBL City branch shows balance Rs.50,000 while Ahmad Traders' records shows a balance of Rs.56,100 on December 31, 2017. The accountant while doing bank reconciliation found out the following reconciliation items.

1) Two checks issued in January have not yet cleared by bank and not included in paid checks returned by bank along with bank statement.

Check No.	Date	Amount
012789	15-12-2017	Rs.1,000
012799	20-12-2017	500

- A deposit of Rs.7,000 was not credited by bank in Ahmad Traders account as it was deposited in late hours.
- December 22, Rs.1,000 dividend incomes on investment in the shares of DG Cement were collected by UBL bank and credited in Ahmad Traders' account but not yet recorded in cash book.
- December 31, Rs.400 interest computed on average balance during January was credited by bank in Ahmad Traders' account but not yet debited in cash book by accountant.
- December 25, Rs.100 was debited as collections charges by bank for handling various collections from accounts receivable but not appeared on the credit side of cash book.
- December 30, a check of Rs.1,000 marked NSF was returned by bank.
- A check No. 012890 dated 20-12-2017 of Rs.3,200 issued in favour of LESCO to pay electricity bill was erroneously recorded as Rs.2,300 in cash book by accountant.

Required: Prepare bank reconciliation statement and determine the balance of cash book to be reported in balance sheet on December 31, 2017.

Q.No.8. On 1st April, 2017. Zeshan drew and Azim accepted a bill at 3 months for Rs. 8,000. On 1st April, 2017. Zeshan discounted the bill at his bank at 6 percent per annum and remitted half the proceeds to Azim. On 4th April, 2017. Azim drew and Zeshan accepted a bill at 3 months for Rs. 8,000. On 4th May 2017, Azim discounted the bill at 6 percent, per annum and remitted half the proceeds to Zeshan. Zeshan & Azim agreed to share the discount equally.

At maturity Zeshan met his acceptance, but Azim failed to meet his and Zeshan therefore, had to pay it. Zeshan drew and Azim accepted a new bill at 3 months for the amount of the original bill plus interest 6 % per annum. On 1st November, 2017, Azim became insolvent and only 70 paise in a rupees received from him.

Required: Record the above transactions in Zeshan's journal and write up Azim's account.



UNIVERSITY OF THE PUNJAB

B.Com. Part – I Annual Exam – 2019

Roll No.

Subject: Financial Accounting

Paper: BC-304

Time: 3 Hrs.

Marks: 100

NOTE: Attempt any FIVE questions. All questions carry equal marks.

Q. No. 1 Define accounting information and briefly explain its usefulness for the creditors, shareholders, employees, lenders and government.

Q. No. 2 Enter the following transactions of M. Rauf in a Double Column Cash Book.

Jan.1	Cash in hand	Rs.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

Q.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:

- (a) 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.
- (b) Machine to the value of Rs. 2,18,000, purchased for enlarging the factory, had been debited to purchase account.
- (c) 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.
- (d) 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 the books.

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

Q. 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:

Accounts Title	Rs.	Accounts Title	Rs.
Capital	50,450	Discount received	400
Trade creditors	10,000	Buildings	10,000
Bill 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

PTO

Adjustments:

- (1) The value of stock on hand on 31st December, 2018, was Rs. 18,000.
- (2) During December, 2018 there was a fire which destroyed goods worth Rs. 3,500. The Insurance Company had admitted the claim for Rs. 2,500.
- (3) Depreciate Buildings at 2 percent p. a. and Plant and Machinery at 10 percent p.a.
- (4) The Managers is entitled to a commission of 10 percent of net profits after charging his commission.

Q. No. 5 From the following receipts and payment account of the Pakistan Nursing Society for the year ended 30th June, 2018, prepare an income and expenditure account and also balance sheet.

Receipts	Rs.	Payments	Rs.
To Balance at Bank – 1-7-2017	2,010	By salaries of Nurses	656
To Subscriptions	1,115	By Board, Laundry and Domestic help	380
To fees from non-members	270	By Rent, Rates & Taxes	200
To Municipal Grant	1,000	By Cost of Car	2,000
To Donation for Building Fund	1,560	By Car expenses	840
To Interest	38	By Drugs & Incidental Expenses	670
		By Balance c/d	1,247
Total	5993	Total	5,993

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.

Q. 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.

Accounts Titles	01-07-2017	30-06-2018
Cash in hand	Rs. 900	Rs. 2800
Debtors	22800	21400
Creditors	31200	28400
Stock	33400	37400
Bill receivable	30500	28800
Bank overdraft	40800	39200
Motor van	4200	4200
Furniture	3400	3400

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.

Q.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, 2018 the 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.

Q.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 Goodwill. 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 Good will is withdrawn



UNIVERSITY OF THE PUNJAB

B.Com. Part – I 2nd Annual Exam – 2019

Subject: Financial Accounting

Paper: BC-304

Roll No.

Time: 3 Hrs. Marks: 100

NOTE: Attempt any FIVE questions. All questions carry equal marks.

Q. No. 1 From the following particulars prepare a bank reconciliation statement of Rashid & Sons and determine the amount of bank balance to be reported in the balance sheet on Dec. 31, 2018.

Overdraft balance as per bank statement on Dec. 31, 2018	Rs. 4,700
Overdraft balance as per cash book on Dec. 31, 2018	4,480
Checks issued prior to Dec. 31 but not yet presented to bank	2,850
Interest on overdraft for six months ended on Dec. 31	235
Checks deposited but not cleared and credited by bank till Dec. 31	3,250
Annual ATM and other service charges debited by bank	65
Interest and dividend collected and credited by bank in Rashid & Sons account	350
A check received from a customer was entered in cash book but not sent to bank.	220
A customer directly paid into bank account	350

Q. No. 2 The following errors were detected in the books of Faisal & Sons on 31st December, 2018. The difference in the Trail Balance has been transferred to a Suspense A/c. The final accounts had been prepared on the basis of incorrect figures and the net profit disclosed by the profit and loss Account was Rs. 86,400.

- Sales returns book was under cast by Rs. 2000.
- Rs. 400 paid for stationery were credited to stationery account.
- Wages paid for erection of machinery debited to wages account Rs. 1520
- Cash received from Qasim had been debited in the cash book Rs. 780, but not credited to Qasim A/c.
- Sales book was overcast by Rs. 1000.

Required: Give journal entries to rectify the above errors. Find out the correct net profit for the year and also close the Suspense A/c.

Q. No. 3. On 1st July, 2018, Miss Hania drew and Miss Hina accepted a bill at 2 months for Rs. 20,000. On 1st July, 2018 Hania discounted the bill at his bank at 5 percent per annum and remitted half the proceeds to Hina. On 1st August, 2018, Hina drew and Hania accepted a bill at 2 months for Rs. 20,000. On 2nd August 2018, Hina discounted the bill at 5 percent, per annum and remitted half the proceeds to Hania. Hania & Hina agreed to share the discount equally.

At maturity Hania met her acceptance, but Hina failed to meet her and Hania therefore, had to pay it. Hania drew and Hina accepted a new bill at 2 months for the amount of the original bill plus interest 6 % per annum. On 1st December, 2018, Hina became insolvent and only 40 paise in a rupees received from her.

Required: Record the above transactions in Hania's journal and write up Hina's account.

Q. No. 4 Zahir, Zeshan and Zaman are partners in the 3-Z firm and sharing profit and loss in the ratio of 3:3:2. The accounts of 3-Z are closed on December 31 each year. They have taken out a joint life policy for Rs. 8,00,000, the annual premium of Rs. 24,000 being charged to profit and loss account. The Partnership Deed provides that on the death of any partner the goodwill of the firm is to be valued at two years' purchase of the average of the three immediately preceding years' profit. The deceased partner share will be credited to his capital account. The deceased partner is also entitled to interest on capital 6% p.a. as well as to a share of profit from the date of last balance sheet to the date of death based on the average of the three immediately preceding years' profits, Zaman died on July 1, 2018, when his capital stood at Rs. 5,00,000 and his drawing at Rs. 70,000. The trading results of the last three preceding years were as follows:

Year	Profit (Loss)
2015	Rs. 4,00,000
2016	(1,00,000)
2017	3,00,000

Required: Make journal entries and draw up Zaman's capital account showing the total amount paid to his executors in settlement of his account.

Q. No. 5 Khurshid Mills purchased a second-hand truck for Rs. 4,00,000 on 1st January, 2015 and spent Rs. 50,000 on its overhauling. Depreciation is written off 20 % p.a. on the reducing balance. On July 1, 2017 old truck was exchanged with a new truck. The purchase price of new truck was Rs. 8,00,000 and vendor allowed trade in allowance Rs.2,00,000 for the old truck. Depreciation rate for new truck is 20% p.a. on the reducing balance.

Required: Prepare the Truck Account from 2015 to 2018 assuming that accounts are closed on 31st December every year.

Q. No. 6 From the following balances, prepare the trading & profit and loss account of Shaheen Traders for the year ending 31st March, 2019 and the balance sheet as at that date after taking into consideration the following adjustments.

- (1) Stock on 31st March, 2019 was Rs. 3,500.
- (2) Loose tools on 31st March, 2019 was valued at Rs. 70.
- (3) Write off Rs. 400 out of sundry debtors on account of bad debts.
- (4) Depreciate plant and machinery at 10 percent.

Accounts Title	Rs.	Accounts Title	Rs.
Stock – opening	9,600	Office Expenses	600
Wages	3,700	Sundry Debtors	3,500
Bill Receivable	500	Income tax	50
Purchases	12,000	Drawings	500
Loose Tools	100	Capital	5,000
Rates & Taxes	220	Bill Payable	900
Plant & Machinery	2,000	Sales	24,900
Repairs	660	Reserve for bad debts	500
Cash	200	Sundry Creditors	2,330

Q. No. 7 The following is a summary of cash transaction of a library and debating society for the year ended 31st December, 2018.

Receipts	Rs.	Payments	Rs.
Balance from last year	63,800	Rent and Rates	33,600
Entrance fee	51,000	Wages	49,000
Subscriptions	3,20,000	Lighting	14,400
Donations	33,000	Lecture's fees and Expenses	87,000
Life Membership Subscriptions	50,000	Books	42,600
Interest	2,800	Office Expenses	90,000
Profits from Entertainments	8,400	Placed on 3 percent Fixed Deposit on 1-7-2018	1,60,000
		Cash at bank	48,400
		Cash in Hand	4,000
Total	5,29,000	Total	5,29,000

Other Information: (a) At the beginning of the year, the society possessed books worth Rs. 4, 00,000 and furniture valued at Rs. 1, 70, 000. (b) Ordinary subscriptions in arrear at the beginning of the year amounted to Rs. 7,000 and at the end of the years to Rs. 9,000; (c) Six month's rent Rs. 12,000 was due both at the beginning and at the end of the years. (d) Rs. 10,000 is to be written off furniture and Rs. 22,600 of books.

Required: Prepares the society's income and expenditure account for the year ended 31st December, 2018 and the balance sheet as on that date.

Q. No. 8 Following is the position of assets and liabilities of Sajid Associates, who keeps his books by single entry system.

Accounts Title	Jan. 1, 2018	Dec. 31 2018
Debtors	Rs.53,000	Rs.88,000
Creditors	15,000	19,500
Stock	17,000	19,000
Fixed Assets	21,400	17,400
Following are the other details:		
Total sales (including cash sales Rs. 5,000)		Rs.1,00,000
Total purchases (including cash purchases Rs. 20,500)		45,000
General expenses of the business		10,000
Drawings		3,000
Cash in hand and at bank		4,100
Payment for fixed assets		5,000
Stock used by Sajid for personal use		5,000
Material used for the construction of Plant		500
Interest on Capital		5% p.a.

Required: Prepare trading & profit and loss account and balance sheet of Sajid Associates relating to year 2018.



UNIVERSITY OF THE PUNJAB

Associate Degree in Commerce / B.Com. Part – I Annual Exam – 2020

Roll No.

Subject: Financial Accounting

Paper: BC-304

Time: 3 Hrs. Marks: 100

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	Credit
	Rs.	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

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.

- Machinery sold for Rs. 10,000 has been posted to Sales A/c.
- Rs. 5000 withdrawn by the proprietor for his personal use have been debited to Trade Expenses A/c.
- Cost of repairs Rs. 500 has been charged to Machinery account.
- Rs. 3900 received from Ghulam Abbas have been posted to Usman Sheikh A/c.
- Furniture purchased for Rs. 8000. has been debited to purchase A/c.
- Purchase of goods from Ashraf Mughal & Co. Rs. 4000 was omitted to be recorded in the books.
- Rs. 9500 paid to Saghir Ahmed have been wrongly debited to Nabeel Amjad A/c.
- A sale of Rs. 3000 to Habibullah was wrongly debited to the account of Khurram Shehzad.
- Sales book was overcast by Rs. 3000.
- Total of the sales book Rs.54540 was posted to the sales A/c as Rs.55440.

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:

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

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

RECEIPTS AND PAYMENTS ACCOUNT

	Rs		Rs.
Balance b/d	400	Rent and Taxes	9,00
Entrance fees	1,500	Wages	500
Subscriptions	10,000	Lighting charges	250
Life member's fees	3,000	Lectures, fees	1,000
Donations	1,000	Books	1,500
Interest on Investments	100	Office Expenses	2,000
Receipts from lectures	3,000	Fixed deposits	10,000
		(on 1.7.18 @ 10 %)	
		Furniture	2,000
		Cash in hand	50
		Cash at bank	800
	<u>19,000</u>		<u>19,000</u>

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 members' 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.

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	<u>400</u>	Mahad	<u>15,000</u>
Machinery	19,000		44,000
Buildings	35,000		
Furniture	5,000		
	<u>86,500</u>		<u>86,500</u>

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

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

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

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 $\frac{1}{4}$ 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.



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2nd Annual – 2020 & Annual – 2021

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NOTE: Attempt any FIVE questions. All questions carry equal marks.

Q # 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. 56,250 which is discounted by Yasir for Rs. 52,875. Yasir meets his acceptance and remits Rs. 2,700 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.

Q # 2 The cash book balance of Mr. Rehman on July 31, 2020 was Rs 38400. On comparing, the Cash Book with the Bank Statement (Pass Book), the following discrepancies were noted.

1. A pay-in-slip of the month of July, showing a deposit of Rs. 61,680 has not yet been credited by the bank
2. Bank charges of Rs. 1,400 shown on the bank statement have not been recorded in the Cash Book.
3. A cheque deposited into bank for collection of Rs. 3760 has been returned dishonored, but not recorded in cash book.
4. Interest of Rs. 720 has been debited by the bank but not entered in the Cash Book.
5. Debit side of cash Book was undercast by Rs. 2,520
6. Three cheques issued to the suppliers for Rs. 8,560, Rs. 14,800 and Rs. 1,200 have not yet been presented to the bank.
7. The bank has wrongly debited a cheque for Rs. 2,880 to the trader's account

Req. 1. Revise the Cash Book for the month, July, 2020

2. Prepare a Bank Reconciliation Statement as on 31.07.2020

Q # 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.

Q # 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	Credit
	Rs.	Rs.
Sales		300,000
Creditors		19500
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.

Q# 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.

	1.7.2019	30.6.2020
Cash in hand	900	2800
Debtors	22800	24400
Creditors	31200	28400
Stock	33400	37400
Bills receivable	30500	28800
Bank overdraft	40800	39200
Motor van	4200	4200
Furniture	3400	3400

Drawings Rs. 4800; Depreciate furniture at 10 %. Write off Rs. 800 on motor van. Provide Rs. 4000 as bad debts and 5 % as reserve on debtors. Provide reserve of Rs. 1600 on Bills receivable.

Q # 6 Given below is the Receipts and Payments Account of the Tiger Club for the year ending 31st December 2020:

	Rs		Rs.
Balance B/d	10,250	Salaries	6,000
Subscriptions:		General expenses	750
2019	400	Drama expenses	4,500
2020	20,500	News-papers etc.,	1,500
2021	600	Municipal taxes	400
Donations for prize fund	5,400	Charity	3,500
Proceeds of Drama tickets	9,500	Investments	20,000
Sale of waste paper	450	Electricity Charges	1,450
		Balance c/d	9,000
	47,100		47,100

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

- a. There are 500 members, each paying an annual subscription of Rs. 50, Rs. 500 being in arrears for 2019.
- b. Municipal taxes amounting to Rs. 400 per annum have been paid up to 31st March 2021, and Rs. 500 for salaries is outstanding.
- c. Buildings stood in the books at Rs. 50,000 and it is required to write off depreciation at 5 per cent.
- d. Three per cent interest has accrued on investments for five months.

Q # 7 The following was the Balance Sheet of A and B who were sharing profits 2/3 and 1/3 on 31st March, 2005.

Assets	Rs.	Liabilities	Rs.
Buildings	25,000	Capital accounts	
Plant and 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:

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

Q # 8 write short notes on:

- a) Adjusting Entries
- b) Contra entry
- c) Capital receipts
- d) Intangible assets