



# UNIVERSITY OF THE PUNJAB

B.S. 4 Years Program : Third Semester – Spring 2023

Roll No. ....

Paper: Advanced Financial Accounting-I

Course Code: COMM-201

Time: 3 Hrs. Marks: 60

## THE ANSWERS MUST BE ATTEMPTED ON THE ANSWER SHEET PROVIDED

- Q.1. Answer the following short questions: (10x3=30)
- i. What are Secured Creditors?
  - ii. Define and differentiate between discount and premium on issue of shares?
  - iii. What is Over-subscription of shares?
  - iv. Why do companies issue debentures?
  - v. What are Bonus shares?
  - vi. What are preliminary expenses and why are they written on asset side of balance sheet.
  - vii. Why do companies issue bonus shares?
  - viii. Define Contra Asset Account?
  - ix. Enlist types of shares of a joint stock company.
  - x. Define and differentiate between direct and indirect expenses.

Answer the following questions.

Q.2 Silver Ltd. Co. with and authorized capital of Rs. 300,000, divided into 30,000 shares of Rs. 10 each. The company issued 25,000 shares which are fully paid. The following is the trial balance extracted from company's Account as on December 31, 2021.

	Rs.		Rs.
Carriage	11,500	Issued and paid-up capital	250,000
Purchases	260,000	Sales	400,000
Insurance	3,000	Profit & Loss (Cr.)	8,000
Rent	5,000	Provision for Bad Debts	2,400
General Expenses	6,900	General Reserve	10,000
Debtors	40,000		
Advertisement	500		
Salaries	25,000		
Bad Debts	1,600		
Plant and Machinery	90,500		
Equipment	100,000		
Furniture	60,000		
Stock (1-1-2021)	45,000		
Cash in hand & at bank	21,400		
	<b>670,400</b>		<b>670,400</b>

**Additional information:**

- a) Closing stock is Rs. 105,500.
- b) Insurance of Rs. 630 is paid in advance.
- c) Depreciation is to be charged @ 10% on Plant & Machinery and Equipment and 5% on Furniture.
- d) Rent of Rs. 600 is outstanding.
- e) Debtors of Rs. 400 write off now and create a further provision 5% on remaining debtors.

**Required:** Prepare Trading and Profit & Loss Account for the year ended 31<sup>st</sup> December 2021 and Balance Sheet as on that date. (10)

**Q.3** On 1st July 2020, a company issued 2,000 6% debentures of Rs. 100 each. The interest is payable on 30<sup>th</sup> June and 31<sup>st</sup> December every year. The company is allowed to purchase its own debentures which may be kept or cancelled or reissued at the company's option. The company made the following purchase by cheque in the open market.

On 31 <sup>st</sup> May, 2020	200 debentures @ Rs. 98 ex-interest.
On 30 <sup>th</sup> September, 2021	100 debentures @ Rs. 97 cum interest

The debentures which were purchased on 31<sup>st</sup> May 2020 were cancelled on 31<sup>st</sup> December, 2021. All payments were made on due dates.

**Required:** Pass the necessary journal entries in the books of the company. **(10)**

**Q.4** Golden Limited agreed to take over the business of Sufian Limited. The assets and liabilities of Sufian Limited are shown below:

Land & Building	Rs. 200,000	Creditors	Rs. 30,000
Plant & Machinery	160,000	Bank Loan	20,000
Furniture	80,000		
Debtors	70,000		

The purchase consideration is settled by fully paid-up shares of Rs. 10 each at par value.

**Required:** Pass necessary journal entries if purchase consideration is determined at;

- a) Book value
- b) Rs. 500,000
- c) Rs. 420,000