



UNIVERSITY OF THE PUNJAB

PART – II S/2016
Examination:- B. Com.

Roll No.

Subject: Advanced Financial Accounting
PAPER: BC-401

TIME ALLOWED: 3 hrs.
MAX. MARKS: 100

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

Q.1: Answer the following questions in brief.

- I. Explain the term dividend.
- II. What is meant by right shares?
- III. Name the different types of debentures.
- IV. What is difference between "account sale" and "sale account?"
- V. Define del-creder commission.

Q.2: A Company has 12% outstanding debentures of Rs.100,000 On 1st January, 2014. The Company pays interest on 30th June and 31st December. It purchases its own debentures as investment of Rs.10,000 at 98 ex-interest on 1st May, 2014. The Company decides to cancel its own debentures purchased by it on December 31, 2014.

Required: Pass the necessary Journal entries in the books of the Company for the year 2014. (Please support your entries along with working notes)

Q.3: Maira Hassan Ltd. purchased a machine on 1-1-2013 on hire purchase system. The cash price of the machine was 11,175 and payment was to be made as follows:

Rs.3,000 was to be paid on signing of the contract and balance in three equal installment of Rs.3,000 each, at the end of the each year. The hire vendor charges interest 5% p.a. Maira Hassan Ltd. writes off depreciation @ 15% p.a. on diminishing balance method. Maira Hassan Ltd. could not pay the installments due on 31-12-2014 and as result of this; the hire vendor took the possession of machine.

Required: Show the ledger accounts in both parties' books.

Q.4: What are the grounds on which a company issue right shares? Explain its objective and procedure of issuing right shares?

Q.5: The following particulars relates to the contract undertaken by Khawaja Shahkot Developers Engineers:

Material sent to site Rs. 85,349; labor engaged on the site Rs.74, 375; plant installed at cost Rs.15, 000; direct expenditure Rs.3, 167;

Establishment charges Rs.4,126; Material returned to stores Rs.549; work certified Rs.195,000; cost of work not certified Rs.4,500; material in hand at the end of year Rs.1,883; wages accrued at the end of year Rs.24,00; direct expenses accrued have been agreed at Rs. 250,000; cash received from contractee was Rs.180,000.

You are required to prepare Contract Account, Contractee account and also show calculation of work in progress and balance sheet.

Q6: Kashif Trading Company Limited presents the following balance sheet as on 31st December, 2014:

LIABILITIES	Rs.	ASSETS	Rs.
Authorized Capital:	30,00,000	Land & Building	900,000
Issued, subscribed & paid up:		Plant & machinery	800,000
12,000 shares of Rs.100 each	12,00,000	Furniture	190,000
General reserve	800,000	Stock	250,000
Profit & loss	250,000	Debtors	220,000
Creditors	175,000	Bank	130,000
Provision for tax	65,000		
	24,90,000		24,90,000

The company purchases fresh machinery for Rs.200, 000 for which it pays Rs.25, 000 in cash and for balance allots ordinary shares of Rs.100 each at 25% premium. The company then issues two bonus shares for every five ordinary shares held at present. For the purpose of amount of bonus, utilize the profit & loss account and balance out of reserves.

Required: You are required to pass the journal entries for the above arrangements and redraft the company's balance sheet.

P.T.O.

Q.7: From the following balance sheet calculate (a) Current ratio (b) Quick ratio (c) Total debt equity ratio (d) Fixed assets to total assets ratio (e) Long term debt to equity ratio.

LIABILITIES	Rs.	ASSETS	Rs.
Equity share capital	200,000	Land and buildings	80,000
General reserve	90,000	Machinery	120,000
Sundry creditors	60,000	Cash	10,000
Bills payable	20,000	Bank	30,000
Bank overdraft	30,000	Stock	140,000
Provision for tax	5,000	Short-term investments	25,000
Proposed dividend	10,000	Sundry debtors	40,000
Outstanding salaries	5,000	Less provision	<u>4,000</u>
Long term loans	60,000	Bills receivable	10,000
		Prepaid insurance	9,000
		Preliminary expenses	20,000
	480,000		480,000

Q.8: From the following list of balances of Farooq Ltd. as on 31st March 2014 has been exerted from its books of accounts. Prepare profit & loss account of the year ended 31st March 2014 and balance sheet as at that date.

Land and building	Rs. 70,000	Share capital	Rs. 100,000
Furniture and fitting	4,000	(1000 shares of Rs.100 each)	
Plant and machinery	50,000	General reserve	15,000
Stock on 31-03-2014	64,000	8% debenture	50,000
Salaries	4,000	Bank overdraft	2,000
Printing and stationary	600	Sundry creditors	8,000
Debtors	35,000	Share premium	5,000
Trade investment	3,000	Debenture redemption reserve	20,000
Cash in hand	1,000	Gross profit	52,000
Preliminary expenses	2,000	Profit and loss account	3,000
Advance payment of income tax	4,000		
Bank balance	9,400		
Interest	4,000		
Debentures interest	1,000		
Directors fees	2,000		
Rent, rates and insurance	1,000		
	255,000		255,000

The following information is relevant for the purpose of preparation of final accounts:

- Outstanding expenses; audit fee Rs.1,000 interest on debentures for 6 months Rs.2,000.
- Machinery worth Rs.20,000 was purchased and installed on 1st October 2013. Provide depreciation on land and building at 2.5% and on Machinery and Plant at 10%
- Prepaid insurance Rs.400.
- The directors desire the following appropriation to be made:
 - Rs.5,000 to be transferred to debentures redemption reserve.
 - Rs.2,000 to be transferred to the general reserve.
 - Dividend on share capital to be proposed at 8%.
 - Provision for taxation Rs.12,000.
- Write off 50% of the preliminary expenses.
- The authorized capital of the company consists of 5,000 Equity shares of Rs.100 each.