

# PUNJAB UNIVERSITY, PAPER 2011

**Max. Marks: 100**

**Time Allowed: 3 hours**

**Attempt any FIVE questions from the following. All questions carry equals marks.**

**Q.1** Write short notes on the following:

- (1) What is bonus share and right shares.
- (2) Define and explain absorption and liquidation.
- (3) What is work uncertified. Give necessary rules of contract accounting.
- (4) What is cost plus contract.
- (5) Define and explain current ratio and banker ratio. Also give its formula.

**Q.2** The extracts have been taken from draft balance sheet of Iqbal Limited Company as 31-12-2010:

<u>Authorized Capital:</u>	Rs.
30,000 shares of Rs. 100 each	<u>30,00,000</u>
<u>Issued, Subscribed and Paid up Capital:</u>	
12,500 shares of Rs. 100 each	12,50,000
Reserve fund	825,000
Profit & loss account	330,000

The board of directors recommended issuing bonus share at the rate of 15 shares of Rs. 100 each for every 50 shares held at present. For this purpose, Rs. 200,000 is to be provided out of profit & loss account and balance out of reserve. The approval of controller of capital issue is already obtained.

**REQUIRED:**

Pass necessary journal entries in this regard. Also prepare new balance sheet to show the effects.

**Q.3** Discuss in detail the procedure of registration of a Public Limited Company.

**Q.4** On 1<sup>st</sup> January, 2008 Naveed & Co. purchased machinery on hire purchase. The terms of the contract were as follows:

- (a) Cash price of machine Rs. 10,000.
- (b) Rs. 4,000 were to be paid on the signing of the agreement.
- (c) The balance was to be paid in annual installment of Rs. 2,000 plus interest.
- (d) Interest chargeable on the outstanding balance was 10% p.a. Depreciation at 20% p.a. is to written off on straight line method.

**REQUIRED:**

Prepare relevant accounts in the books of Naveed & Co. from 1<sup>st</sup> January, 2008 to 31<sup>st</sup> December 2010. Show machinery account in the balance sheet of the purchaser as at 31<sup>st</sup> December 2009.



**Q.5** Nazir & Co. Lahore has a branch at Faisalabad. Goods are invoiced to the branch at selling price, being cost plus 25%. The branch keeps its own sales ledger and deposits all cash received daily to credit of the head office account opened at HBL, Faisalabad. All expenses are paid by cheque from Lahore. From the following information, prepare Branch account in the books of Head office after making necessary adjustments and calculate branch profit and loss for the year 2010.

Particulars	Rs.
Stock 01-01-2010	60,000
Stock 31-12-2010	72,000
Sundry debtors 01-01-2010	33,600
Sundry debtors 31-12-2010	43,200
Petty cash 01-01-2010	1,500
Petty cash 31-12-2010	1,500
Goods invoiced from H.O.	436,800
Wages paid	19,200
Sundry expenses	3,840
Cash sales	259,200
Credit sales	168,000
Cash collected from debtors	158,400
Rent paid	17,920

**Q.6** Following balances are extracted from the accounting records of Stanford Company:

Particulars	2009 Rs.	2010 Rs.
Cash	16,000	30,000
Marketable security	20,000	10,000
Trade receivable (net)	45,000	55,000
Inventories	60,000	75,000
Prepaid expenses	1,500	2,500
Plant and equipment	80,000	85,000
Intangible assets	25,000	22,500
Other assets	5,000	6,000
	<b>252,500</b>	<b>286,000</b>
Current liabilities	60,000	100,000

(a) From the following data calculate for both years 2009 and 2010.

- |   |   |
|---|---|
| (1) The working capital                 | (2) The current ratio                           |
| (3) The acid test ratio                 | (4) The ratio of current assets to total assets |
| (5) The ratio of cash to current assets |   |

(b) Evaluate each of the above changes.



- Q.7** The following information relating to Amir Construction Company Limited as on 31-12-2010. You are required to prepare Contract Account showing profit, Contractee's Account and to show suitable entries in the balance sheet of the company.

Material sent to site Rs. 85,349; labour engaged on site Rs. 74,375; plant installed at site Rs. 15,000; direct expenditures Rs. 3,167; establishment charges Rs. 4,126; material returned to stores Rs. 549; work certified Rs. 195,000; cost of uncertified work Rs. 4,500; material in hand at the end Rs. 1,883, wages accrued at the end of the year Rs. 2,400; direct expenses accrued at the end of the year Rs. 240, value of the plant at the end Rs. 11,000; the contract price agreed at Rs. 250,000; cash received from contractee was Rs. 180,000.

- Q.8** Sohail & Company have authorized capital of Rs. 10,00,000 divided into 1,00,000 share of Rs. 10 each. You are required to prepare trading, profit & loss account and balance sheet as on 31-12-2010.

Particulars	Rs.	Particulars	Rs.
Plant & machinery	295,000	Manufacturing wages	75,000
Auditor remuneration	12,500	Printing and stationary	5,000
Purchases	210,000	Stock on 01-01-2010	60,000
Sales	415,000	Bad debts	2,000
Insurance	8,000	Legal expenses	1,000
Sales return	15,000	Goodwill	60,000
Purchases return	10,000	Freehold property	180,000
Salaries	34,000	Share capital	400,000
Cash in hand	7,000	6% debentures	200,000
Cash at bank	15,000	Bills receivable	57,500
Furniture	47,000	Debenture interest	12,000
Sundry creditors	255,000	Preliminary expenses	9,000
Sundry debtors	205,000	Profit & loss account (Cr.)	30,000

### ADJUSTMENTS:

- (i) Depreciate plant and machinery @ 10% and furniture @ 15%.
- (ii) Closing stock on 31-12-2010 was Rs. 100,000.
- (iii) Provide final dividend @ 5%.
- (iv) Transfer Rs. 8,000 to general reserve and taxation reserve Rs. 20,000.
- (v) Write off 1/3 of preliminary expenses.