

# PUNJAB UNIVERSITY PAPER 2013

Time Allowed: 3 hours

Max. Marks: 100

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

Q.1 Write short notes on the following:

- (1) What is accounting ratios.
- (2) Define and explain amalgamation.
- (3) What is work certified. Give necessary rules of contract accounting.
- (4) What is branch invoicing of goods.
- (5) Define and explain prospectus of a public limited company.

Q.2 The extracts are taken from the draft balance sheet of Mian and Company Limited Shahkot as on 31<sup>st</sup> December 2010:

<u>Authorized Capital:</u>	Rs.
400,000 ordinary shares of Rs. 10 each	<u>40,00,000</u>
<u>Issued and Subscribed and Paid up Capital:</u>	
100,000 shares of Rs. 10 each	10,00,000
Share premium	2,00,000
General reserve	6,00,000
Profit and loss account	3,50,000

The Board of Directors passed a resolution to capitalize a part of its existing reserves by issuing bonus shares. Bonus shares are issued at the rate of 40% of the ordinary shares. For this purpose Rs. 100,000 is provided out of share premium and balance equally out of general reserve and profit and loss account.

### REQUIRED:

Make the necessary journal entries to give the effect to the above resolution and prepare also an amended balance sheet.

Q.3 The Hafiz Akhtar Contractor of Faisalabad ledger of a company indicates the under mentioned expenditure on the account of contract "A" to 31<sup>st</sup> December, 2010.

Materials	Rs. 120,000
Plant	Rs. 20,000
Wages	Rs. 164,000
Establishment expenses	Rs. 6,000

The contract begin in January, 2010; the contract price being Rs. 600,000. Cash received on account to date Rs. 240,000 is 80% of the work certified; and the remainder is to be paid as to 10% on completion and the balance six months after completion. Material on hand Rs. 10,000 and work completed but not certified as Rs. 10,000. Charge depreciation on plant 10%.

### REQUIRED:

Prepare a contract account showing the profit and loss to date also prepare contractee account and balance sheet.

Q.4 Mr. Nazir of Faisalabad purchased a machine from Ahmad Motors on hire purchase agreement; the terms of the agreement were Rs. 4,000 payable down, Rs. 6,000 at the end of first year, Rs. 5,000 at the end of second year and Rs. 2,000 at the end of third year. The cash price of the machine is Rs. 15,980. The vendor charges interest at the rate of 5% on the annual balances, depreciation to be provided at 10% under reducing installment system.

**REQUIRED:**

Give journal entries and necessary accounts in the books of both parties for 2 years. Also show the machinery account at its written down value in the balance sheet.

Q.5 Ayesha Industries Ltd. Faisalabad issued 5,000 10% Debentures of Rs. 100 each. Pass journal entries and prepare balance sheet in each of the following cases:

- (1) Debentures are issued at par and redeemable at par.
- (2) Debentures are issued at 7% discount and redeemable at par.
- (3) Debentures are issued at 8% premium and redeemable at par.
- (4) Debentures are issued at par and redeemable at 4% premium.
- (5) Debentures are issued at 5% discount and redeemable at 4% premium.

Q.6 Discuss in detail the procedure of compulsory dissolution of a Public Limited Company under court orders.

Q.7 The balance sheet of Hateem Iqbal Ltd. Lahore is given below:

Liabilities	Rs.	Assets	Rs.
Share capital	800,000	Building	12,00,000
15% debentures	400,000	Machinery	2,40,000
P & L A/c (Current year)	600,000	Debtors	13,00,000
General reserve	600,000	Stock	7,00,000
Current liabilities	11,60,000	Bank	1,20,000
	<b>35,60,000</b>		<b>5,60,000</b>

Net sales for the current year Rs. 57,60,000.

Compute:

- |                            |                           |
|----------------------------|---------------------------|
| (i) Current ratio          | (ii) Liquidity ratio      |
| (iii) Debt-equity ratio    | (iv) Stock turnover ratio |
| (v) Debtors turnover ratio |                           |

Q.8 From the following trial balance of Akhtar Manufacturing Company. Prepare trading and profit and loss account relating to 2010 and the balance sheet as at 31<sup>st</sup> December 2010.

	Rs.		Rs.
Stock (01-01-2010)	75,000	Preliminary expenses	6,000
Purchases	165,000	Furniture	30,000
Freehold property	216,000	Share premium	7,500
Plant and machinery	256,500	Sundry creditors	9,750
Cash at bank	45,000	Debenture redemption reserve	6,750
Cash in hand	1,200	Discount received	2,400
Fuel and power	2,250	Interim dividend	13,500
Wages and salaries	39,000	Debenture interest paid	9,000
Insurance	6,150	Issued, subscribed paid up capital	225,000
Director fee	6,000	General reserve	15,000
Custom duty clearing charges	5,250	Dividend on investment	1,000
Repairs	3,600	Tax deducted at source	120
Sundry debtors	58,500	Bad debts	1,500
Sales	360,000	Carriage outward	880
Profit and loss A/c (Cr.)	26,250		
Reserve for bad debts	1,800		
6% debentures	300,000		
Investment in shares	15,000		

#### ADDITIONAL INFORMATION:

- (1) Akhtar Manufacturing was incorporated with an authorized capital of Rs. 450,000 divided into shares of Rs. 10 each.
- (2) Wages and salaries include Rs. 2,000 paid as wages for installation of machinery.
- (3) Provide depreciation on: Plant and machinery @ 10%, Furniture and fixture @ 5%.
- (4) The directors recommended the following:
  - (a) Write off preliminary expenses.
  - (b) Transfer Rs. 18,000 to general reserve.
  - (c) Proposed final dividend 10% on equity share capital.
  - (d) Rs. 37,500 is appropriated for taxation provision.
  - (e) Create a reserve for doubtful debts @ 5% on debtors.
  - (f) Closing stock was valued at Rs. 110,000.