



UNIVERSITY OF THE PUNJAB

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:-

1. There are 500 members, each paying an annual subscription of Rs. 50, Rs. 500 being in arrears for 2003.
2. Municipal taxes amounting Rs. 400 per annum have been paid up to 31st March 2005, and Rs. 500 is outstanding for salaries.
3. Building stood in the books at Rs. 50,000 and it is required to write off depreciation at 5%.
4. 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:

1. Salaries unpaid Rs. 54,000.
2. Charges 5% interest on capital.
3. Raise bad debts provision to 2.5% of debtors.
4. Transfer 2.5% of net profit to reserve A/c.
5. 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?