



UNIVERSITY OF THE PUNJAB
Associate Degree in Commerce / B.Com. Part – II
2nd Annual – 2020 & Annual – 2021

Roll No.

Subject: Advanced Financial Accounting

Paper: BC-401

Time: 3 Hrs. Marks: 100

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

Q.1 Amazon Limited has authorized capital of Rs. 600,000 divided into shares of Rs. 10 each. Following balances appeared in the ledgers of the company on December 31, 2020.

	Rs.		Rs.
Premises	300,000	Stock (1 January 2020)	75,000
Planting machinery	360,000	Fixtures	7,200
Interim dividend paid	7,500	Sundry debtors	87,000
Preliminary expenses	5,000	Goodwill	25,000
Purchases	185,000	Cash in hand	8,250
Freight	13,100	Cash at bank	39,900
Director's fee	5,740	Wages	84,800
Bad debts	2,110	General expenses	16,900
6% Debentures	300,000	Salaries	14,500
Profit and loss account (Cr.)	14,500	Share capital	460,000
Sundry creditors	50,000	Bills payable	38,000
General reserves	25,000	Sales	415,000
4% Government securities	60,000	Provision for bad debts	3,500
Debenture interest	9,000		

Additional information:

- Depreciate plant and machinery by 10% and fixtures by 5%.
- Write off 1/5 of preliminary expenses.
- Rs. 10,000 of wages were utilized in adding rooms to the premises; no entry has yet been made for it.
- Leave bad debts provision at 5% of the sundry debtors.
- Provide a final dividend at 5%.
- Transfer Rs. 10,000 to general reserves.
- Make a provision for income tax to the extent of Rs. 25,000.
- The stock on 31st December 2020 was Rs. 101,000.

Required: Prepare final accounts and the balance sheet relating to 2020 from the figures given above.

Q.2 Elegant Stores has two departments A and B. The following balances are extracted from their nominal ledgers on March 31, 2020.

	Rs. ('000)		Rs. ('000)
Opening Stock		Sales	
Department A	250	Department A	15,000
Department B	200	Department B	10,000
Purchases		Rates	130
Department A	11,800	Fire Insurance Building	50
Department B	8,200	Lighting and Heating	120
Wages of Sales Staff		Repairs to Premises	25
Department A	1,000	Internal Telephone	25
Department B	750	Cleaning Expenses	30
Delivery Charges	150	Accountancy and Audit Fee	120
General Office Salaries	750	General Office Expenses	60
Closing Stock			
Department A	300		
Department B	150		

The proportion of the total floor occupied by department was:

Department	A	1/5 th
Department	B	4/5 th

Required: Prepare Elegant Stores' Trading and Profit and Loss for the year ended March 31, 2020, apportioning the overhead expenses, where necessary, to show the Departmental Profit and Loss.

Q.3 Bilal Transport Limited purchased from Hino Motors 3 trucks costing Rs. 50,000 each on the hire purchase system. Payment was to be made Rs. 30,000 down and the remainder in three equal installments together with interest at 9%. Bilal transport limited writes off depreciation 20% on diminishing balance method. It paid the installment due at the end of first year but could not pay the next. Hino Motors agreed to leave one truck with the purchaser, adjusting the value of other two trucks against the amount due. The truck was valued on the basis of 30% depreciation annually.

Required: Show the necessary accounts in the books of Bilal Transport Limited for 2 years.

Q.4 Mr. Nouman has invested a sum of Rs. 200,000 in his own business which is a very profitable one. The annual profit earned from his business is Rs. 45,000 which includes a sum of Rs. 10,000 received as compensation of a part of his business premises.

As an alternative to his engagement in his business, he could have invested the money in long term deposits with the bank earning a normal rate of interest of 10% and could engage himself in employment thereby getting an annual salary income of Rs. 7,200.

Required: Considering 2% as fair compensation for the risk involved in the business, calculate the value of goodwill of his business on capitalization of super profits at the normal rate of interest.

Q.5 X limited forwarded on 1st January 2020, 200 plastic chairs to Y Limited to be sold on behalf of X Limited. The cost of one chair was Rs. 500, but the invoice price was Rs. 600. X Limited incurred Rs. 1,000 on freight and insurance and received Rs. 20,000 as advance from Y Limited. Y Limited paid Rs. 1,000 as octroi and carriage, Rs. 800 as rent and Rs. 600 as insurance and by 30th June 2020 had sold 160 chairs for Rs. 50,000. Y Limited is entitled to a Commission on sale at 10% on proforma invoice price and 25% of any surplus price realized. Y limited remitted the amount due from them by a bank draft.

Required: Give Journal entries to record the above transactions and show necessary Ledger accounts in the books of consignor.

Q.6 Extracts from the balance sheet of Ismail Industries are given below:

Authorized Capital:		
100,000 shares of Rs. 100 each		Rs. 10,000,000
Issued paid up and subscribed capital:		
40,000 shares of Rs. 100 each		4,000,000
Share premium		200,000
General Reserve		320,000
Profit and Loss account		800,000

Board of directors passed a resolution in its meeting to capitalize a part of existing reserves and profit by issuing bonus shares. 4 bonus shares are being issued for every 10 shares of Rs. 100 each already held in the company. For bonus issue, share premium was to be fully utilized, Rs. 600,000 to be taken out of profit and loss account and balance from general reserve.

Company also offers to its shareholders the right to buy 3 shares of Rs. 100 each at Rs. 125 each for every 5 shares held. All the rights were taken up.

Required:

Pass the necessary journal entries to give effect to the above transactions.

Q.7 Panda Construction Limited undertook the construction of a building for a client. The value of the contract is Rs. 2,500,000 subject to a retention of 25% until one year after the certified completion of the contract. The following other details as shown in the books on 31st December 2020.

	Rs.		Rs.
Material from Store	162,400	General Expenses	74,200
Material purchased by Site	840,000	Direct Expenses	46,000
Closing Materials	12,600	Direct Expenses Accrued	3,200
Labour	810,000	Work Certified	2,200,000
Wages Accrued	15,600	Work Uncertified	33,000
Plant	24,200	Cash Received from Client	1,760,000

Required: Prepare Contract account, Contractee's account, and show how the relevant items would appear in the Balance Sheet.

Q.8 Why do businesses amalgamate? Explain in detail.