Punjab University B.Com Part 2

Advanced Financial Accounting By Sohail Afzal

Solutions - Key Book

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PDF

Price: Rs . 200

Chapter - 1
JOINT STOCK COMPANIES
INTRODUCTION

Solutions

Q.1 (a) **JOURNAL**

Date	Details	L/F	Debit (Rs.)	Credit (Rs.)
2010 July. 15	Bank Account Dr.		20,00,000	
	Ordinary Share Application Account			20,00,000
	(Money received alongwith application for 200,000 shares @ Rs. 10 each)			
July. 31	Ordinary Share Application Account Dr.		20,00,000	
	Ordinary Share Capital Account			20,00,000
	(Applicants allotted the shares)			

(b) **JOURNAL**

Date	Details	L/F	Debit (Rs.)	Credit (Rs.)
2010 July. 15	Bank Account Dr.		23,00,000	
	Ordinary Share Application Account			23,00,000
	(Money received alongwith application)			
July. 31	Ordinary Share Application Account Dr.		23,00,000	
	Ordinary Share Capital Account			23,00,000
	(200,000 shares allotted to applicants)			
"	Ordinary Share Application Account Dr.		300,000	
	Bank Account			300,000
	(Refund of money on 30,000 shares)			

Chapter - 2
ISSUANCE OF BONUS SHARES & RIGHT SHARES

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Q.1 Existing capital = C = Rs. 40,00,000

Free Reserves = FR = Rs. 50,00,000

Quantum of Bonus = Q

Increased capital = C+Q

Residual Reserves = FR -Q

$$Q = \frac{4FR - C}{5}$$

$$= \frac{4(50,00,000) - 40,00,000}{5}$$

$$= \frac{160,00,000}{5}$$

Q = Rs. 32,00,000

CHECK:

Residual reserves should be atleast 25 % of increased capital:

Residual Reserves = FR – Q

= 50,00,000 – 32,00,000 = Rs. 18,00,000

Increased Capital = C+ Q

Chapter 3

DEBENTURES BONDS AND TFCs

Solutions

Q.1 **JOURNAL**

Date	Details	L/F	Debit (Rs.)	Credit (Rs.)
2010	**(a) Issued at par:**			
Jan. 1	Bank A/c Dr.		500,000	
	12% Debentures A/c			500,000
	(Being the issuance of 12% debentures at par)			
”	**(b) Issued at 10% premium:**			
	Bank A/c Dr.		550,000	
	12% Debentures A/c			500,000
	Premium on Issuance of Debentures A/c			50,000
	(Being the issuance of 12% debentures at 10% premium)			
”	**(c) Issued at 10% discount:**			
	Bank A/c Dr.		450,000	
	Discount on Issue of Debentures A/c Dr.		50,000	500,000
	12% Debentures A/c			
	(Being the issuance of 12% debentures at 10% discount)			

Q.2 **BOOKS OF HAIDER LTD.**
JOURNAL

Date	Details	L/F	Debit (Rs.)	Credit (Rs.)
(a)	Business Purchase A/c Dr.		460,000	
	Rashid’s A/c			460,000
	(Being the purchase agreement signed)			
	Sundry Assets A/c Dr.		500,000	
	Sundry Liabilities A/c			40,000
	Business Purchase A/c			460,000
	(Being the Assets and Liabilities taken over)			

Chapter - 4

Company Final Accounts

Solutions

Q.1 **JOURNAL**

Date	Particulars	Debit (RS.)	Credit (RS.)
	Profit and Loss Appropriation Account Dr. Reserve Fund Account (Being amount appropriated for reserve)	6,000	6,000
	Profit and Loss Appropriation Account Dr. Profit for Taxation Account (Being amount appropriated for taxation)	10,000	10,000
	Profit and Loss Appropriation Account Dr. Proposed Dividend Account (Being Amount appropriated for final dividend)	10,800	10,800

Net Profit for the Year

Gross Profit – Operating Expense

65000 – 21,000

Rs. 44,000

Dr **PROFIT AND LOSS APPROPRIATION A/C** **CR**

References	Rs.	References	Rs.
Reserve Fund	6,000	Net profit for the year	44,000
Provision for Taxation	10,000	Balance of previous year	9,000
Proposed Dividend	10,800		
Balance Transferred to B/S	26,200		
	53,000		53,000

Chapter - 5

Analysis of Accounting Ratios

Solutions

Q.1 (i) Current Ratio $= \frac{\text{Current Assests}}{\text{Current Liabilities}}$

$= \frac{240,000}{240,000} = 1 : 1$

(w-1) Current Assests = Stock + Debtors + Bank+ Prepaid insurance

= 120,000+90,000+ 22,800 + 7,200 = Rs. 240,000

(w-2) Current Liabilities = Creditors + Provision for tax +Bank Overdraft

= 150,000 + 10,000+80,000 = Rs. 240,000

(ii) Liquidity Ratio $= \frac{\text{Liquid Assests}}{\text{Current Liabilities}}$

$= \frac{112,800}{240,000} = 0.47 : 1$

(w-3) Liquid Assets = Current Assets - Stock - Prepaid Exp.

= 240,000-120,000-7,200 = Rs. 112,800

(iii) Stock Turnover Ratio $= \frac{\text{Cost of Goods Sold}}{\text{Avg. Stock}}$

$= \frac{500,000}{120,000} = 4.17$times

(w-4) Cost of Goods Sold:

Suppose cost	= 100
Gross profit	= 20
Sales	= 120

Sales	:	Cost of sales
120	:	100

Chapter – 8

CONSIGNMENT ACCOUNTS

Solutions

Q.1 **RAUF & CO'S JOURNAL**

Date	Details	L/F	Debit (Rs.)	Credit (Rs.)
	Consignment to Farooq Account Dr. Goods sent on Consignment Account (Goods sent on consignment)		24,000	24,000
	Consignment to Farooq Account Dr. Cash Account (Carriage and insurance paid)		2,000	2,000
	Cash Account Dr. Farooq Account (Advance received in cash)		10,000	10,000
	Farooq Account Dr. Consignment to Farooq Account (Goods sold by consignee)		34,000	34,000
	Consignment to Farooq Account Dr. Farooq Account (Transportation and warehousing charges paid by consignee)		1,500	1,500
	Consignment to Farooq Account Dr. Farooq Account (15 % commission charged by consignee)		5,100	5,100
	Consignment to Farooq Account Dr. General P & L Account (Profit on consignment transferred to General P & L A/c)		1,400	1,400

Chapter - 9

Contract Accounts

Solutions

Q.1

Dr. **CONTRACT ACCOUNT** **Cr.**

Reference	Rs.	Reference	Rs.
Material	120,000	Work in Progress A/c:	
Wages	164,400	Value of Work Certified	
Plant	20,000	240,000 x 100/80	300,000
Business Charges	8,600	Material on hand	10,000
Profit Carried down	15,000	Plant (20,000-2,000)	18,000
	338,000		328,000
Profit & Loss A/c		Profit brought down	15,000
(15,000 + 2.3x80 %)	8,000		
Work in progress A/c			
(Reserve for contingencies) 0.2	7,000		
	15,000		15,000

Q.2

Dr. **CONTRACT ACCOUNT** **Cr.**

Reference	Rs.	Reference	Rs.
Materials:		Work-in-Progress:	
From Store	20,300	Work Certified 275,000	
From Purchased	105,000	Work Uncertified 4,125	279,125
Labor on Site	101,250	Material on Site	1,575
Depreciation on Plant	3,025		
Overhead Charges	9,275		
Direct Expenses	5,750		
Wages Accrued	1,950		
Direct Expenses Accrued	400		
Profit c/d	33,750		
	280,700		280,700

Chapter - 10

Hire Purchase and Installment Purchase

Solutions

HIRE PURCHASE AND INSTALLMENT PURCHASE

Q.1 **BREAK UP TABLE**

Description	Cash Price	Installment		Total
		Interest	Cash Price	
	Rs.	Rs.	Rs.	Rs.
	117,750			
Less Down payment paid	300,00		30,000	30,000
Outstanding Balance	81,750			
Less 1st Installment pad at the end of 1 year	25,912	4,088	25,912	30,000
Outstanding Balance	55,838			
Less 2nd Installment paid at the end of 2 year	27,208	2,792	27,208	30,000
Outstanding Balance	28,630			

BOOKS OF THE PURCHASE

JOURNAL

Date	Particulars	L/F	Debit (Rs.)	Credit (Rs.)
1st year	Machinery A/c Dr.		1,11,750	
	Hire Vender A/c			1,11,750
	(Being purchase of machine on H/P)			
"	Hire Vendor A/c Dr.		30,000	
	Bank A/c			30,000
	(Being amount paid as down payment)			
"	Interest A/c Dr.		4,088	
	Hire Vendor			4,088
	(Being interest due on O/S balance)			
"	Hire Vendor A/c Dr.		30,000	
	Bank A/c			30,000
	(Being amount of 1st Installment paid)			
"	Depreciation A/c Dr.		11,175	

