ADVANCED FINANCIAL ACCOUNTING PAST PAPER 2010
B.Com Part 2 Punjab University

Q.1 The Modern cycles Limited of Karachi appointed A of Lahore as their selling agent on the following terms:

(a) Goods to be sold at invoice price or over.

(b) A to be entitled to a commission of 7½ per cent on the invoice price and 20 per cent of any surplus price realized.

(c) The principal to draw on the agent of 30 d/d 80 per cent of the invoice price.

On 1st August 2009, 1000 bicycles were consigned to A, each bicycle costing Rs. 640 including freight and invoiced at Rs. 800.

Before December 31, 2009 (when the principal's books are closed). A met his acceptance on the due date; sold 820 bicycles at an average price of Rs. 930 per bicycle, the sale expenses being Rs. 12,500; and remitted the amount due by means of a bank draft.

Twenty of the unsold bicycles were shop-soiled and were to be valued at a depreciation of 40 per cent.

REQUIRED:

Prepare necessary accounts in the books of Modern Cycles Ltd.

Q.2 What is meant by Departmental Accounts. What are the objects and advantages of preparing Departmental Accounts.

Q.3 Define "bonus shares". What are the objectives of issue of bonus shares. Also explain the process of issuing these shares.

Q.4 Moti Traders opened a Branch at Rawalpindi on 1st July, 2009. Goods are sent from the Head Office at cost plus 25%. The branch is advised to deposit cash every day in the bank in head Office. Petty cash at the branch is maintained on imprest system.

		Rs.		Rs.
Cash sent to branch for meeting petty expenses		440	Cash sales by the branch	61,500
Furniture purchased for the branch		8,000	Credit sales during 6 months	28,000
Goods sent to branch at invoice price		120,000	Cash received from debtors	20,000
Expenses paid by Head Office:			Discount allowed to debtors	200
Rent	1,200		Goods returned by debtors (Invoice price)	600
Advertisement	800		Bad debts written off	50
Salaries	4,000		Petty expenses paid by branch	560
Insurance	300	6,300	Stock at cost on 31st December (Including stock received from debtors)	26,000
			Provide depreciation on furniture at 10% p.a.	

REQUIRED:

Rawalpindi Branch A/c in the books of Head Office.

Q.5 Paramount Builders Ltd. began their business on 1st January, 2009. During 2009 the company was engaged in only one contract of which the contract price was Rs. 500,000.

Of the plant and materials charged to the contract, plant which cost Rs. 5,000 and materials which cost Rs. 4,000 were lost in an accident. Materials costing Rs. 2,500 were damaged and disposed off for Rs. 600.

On 31st December, 2009 plant which cost Rs. 3,000 was returned to the store, the cost of work done but uncertified was Rs. 20,000 and materials costing Rs. 5,000 were in hand on site charge 10% depreciation on plant.

Trial Balance (31-12-2009)

	Rs.	Rs.
Share capital		120,000
Creditors		10,000
Cash received on contract (80% of work certified)		200,000
Land, building, etc.	43,000	
Bank balance	25,000	
Charged to contract:		
Materials	90,000	
Plant	25,000	
Wages	140,000	
Expenses	7,000	
	330,000	330,000

REQUIRED:

Prepare Contract Account and balance sheet from the above trial balance on 31st December, 2009.

Q.6 Moon Limited went into voluntary liquidation on 31st December 2009, having assets appearing the books as follows:

Works and other properties	Rs. 85,000
Liquid assets	Rs. 25,000

Its liabilities are Rs. 20,000 and its capital (paid up) Rs. 100,000. The assets are sold to a new company for Rs. 75,000, Rs. 50,000 payable in shares of that company of Rs. 10 each, and Rs. 25,000 in cash, which later just suffices to pay the liabilities and cost of liquidation.

REQUIRED:

Close the books of the company in liquidation.

Q.7 Following balances are extracted from the accounting records of ABC Ltd:

	Rs.		Rs.
Share capital	500,000	Financial charges	10,000
Long-term liabilities	250,000	Liquid assets	300,000
Current liabilities	250,000	Sales	900,000
Fixed assets	600,000	Purchases	600,000

REQUIRED:

Calculate the following ratios:

(1) Debt-equity ratio (2) Fixed assets ratio (3) Proprietary ratio

(4) Current ratio (5) Liquidity ratio

Q.8 Indus Weaving Ltd. is a company with an authorized capital of Rs. 500,000 divided into 5,000 ordinary shares of Rs. 100 each. On 31-12-2009, 2,500 shares were fully called and paid up. The following are the balances extracted from the ledger of the company as on 31-12-2009.

	Rs.		Rs.
Stock (Opening)	50,000	Advertisement	3,800
Sales	437,500	Bonus to employees	10,500
Purchases	300,000	Debtors	38,700
Wages	70,000	Creditors	35,200
Discount allowed	4,200	Plant and machinery	80,500
Discount received	3,150	Furniture	17,100
Insurance	6,720	Cash at bank	152,200
Salaries	18,500	Reserve	25,000
Rent	6,000	Loan from Managing Director	15,700
General expenses	8,950	Bad debts	3,200
Profit and loss account	6,220		
Printing and stationary	2,400		

ADDITIONAL INFORMATION:

(1) Closing stock was valued at Rs. 89,000.

(2) Depreciation to be charged on plant and furniture at 15% and 10% respectively.

(3) Outstanding liabilities; Wages Rs. 5,200; Salary Rs. 1,200 and Rent Rs. 600.

(4) Dividend at 5% on paid up share capital to be provided.

(5) Write of Rs. 700 as further bad debts and create reserve for bad and doubtful debts at 5% on debtors.

REQUIRED:

Prepare trading and profit and loss account, profit and loss appropriation account for the year ended 31st December 2009 and the balance sheet as on that date.