

QUESTION PAPER 2015

QUESTION NO. 1

Khush Bakht Ltd issued 6,000 12% Debentures of Rs. 100 each at 105 on 1st January, 2014. The debenture holder had the option of converting within one year debentures into ordinary shares of Rs. 100 each at Rs.125.

At the end of 1st year the interest on debentures was outstanding. Holders of 300 debentures decided to take advantages of the option.

Required: Give journal entries and prepare balance sheet.

QUESTION NO. 2

Following is the balance sheet of XYZ Limited as on 31st December 2014.

Liabilities	Rs.	Assets	Rs.
Share Capital		Machinery	400,000
2,400 Shares @ Rs. 100 each	240,000	Furniture	50,000
Profit & Loss Account	60,000	Stock	120,000
10 % debentures	150,000	Sundry Debtors	90,000
Sundry Creditors	150,000	Cash at Bank	22,800
Provision for taxation	10,000	Prepaid Insurance	7,200
Bank overdraft	80,000		
	690,000		690,000

Sales Rs.600,000

Gross Profit 20% on cost.

Calculate the following ratios:

- (a) Current Ratio (b) Liquid Ratio (c) Stock turnover ratio (d) Debtors turnover ratio

QUESTION NO. 3

A Head Office in Kohat has a branch in Lahore to which goods are invoiced by Head Office at Cost Price plus 25%. From the following particulars show how the Branch Account will appear in the Head Books.

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Particulars	Rs.	Rs.
Stock on 1 st January 2014 (Invoice Price)		12,500
Branch debtors on 1 st January 2014		12,000
Goods sent to branch (Invoice Price)		40,000
Remittance to Kohat:		
Cash sales	16,000	
Cash received from debtors	29,500	45,500
Cash paid by branch debtors direct to head office		1,500
Goods returned to Head Office		2,400
Cheque Received from Kohat:		
Wages & Salaries	11,000	
Rent & Rates	3,000	
Insurance upto 31 st March 2015	500	14,500
Stock on 31 st December 2014 (Invoice Price)		15,000
Debtors on 31 st December 2014		22,500

QUESTION NO. 4

A firm of building contractors began to trade on 1st April, 2013. The following was the expenditure on the contract for Rs 300000:

Material issued to contract Rs. 51000; Plant used for contract Rs.15000; Wages incurred Rs. 81000; Other Expenses incurred Rs. 5000.

Cash received on account by 31' March, 2014 amounted Rs.128000, being 80% of the work certified of plant and material changed to the contact plant which cost Rs. 2500 were lost. On 31st March, 2014 plant which cost Rs. 2000 was returned to stores, the cost of work done but uncertified was Rs.1000 and materials costing Rs. 2300 were in hand on site.

Charge 15% depreciation of plant take to the profit and loss account 2/3 of the profit received.

Prepare a Contract account, Contractee's account and a balance sheet from the above particulars.

QUESTION NO. 5

On 1st January, 2013, Mujahid & Company purchased machinery on hire purchase. The terms of the contract were as follows:

(a) Cash price of the machine was Rs. 40,000.

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- (b) Rs. 16,000 were to be paid on the signing of the agreement.
(c) The balance was to be paid in annual installment of Rs. 8,000 plus interest.
(d) Interest chargeable on the outstanding balance was 12% per annum. Depreciation at 10% per annum is to be written off on diminishing balance method.

Required:

- (a) Prepare Machinery Account and Hire Vendor Account.
(b) Show how Machinery Account at its written down value in the balance Sheet of the purchaser as at 31st December, 2014.

QUESTION NO. 6

The following is the Trail Balance of Star Limited Company for the year ending December 31st, 2014.

	Rs.	Rs.
Salaries and wages	68,100	
Carriage outward	11,600	
Interim dividend	24,000	
Share Capital		350,000
Gross profit		176,550
Technical Know how	18,000	
Closing Stock	283,000	
Furniture	70,000	
Profit & Loss Account		74,250
Freehold property	200,000	
Share Premium		40,000
Cash in hand	15,000	
Debtors	115,000	
9 % Debentures		100,000
General Reserve		28,000
Bills Receivable	12,000	
Debentures Interest	4,500	
Creditors		50,400
Bills Payable		12,000
Transfer to general reserves	10,000	

- (1) Star company has an authorized capital of Rs.60,000 divided into ordinary shares of Rs. 10 each. The company had issued 35,000 shares. which are fully paid.
(2) Depreciation is to be provided @ 10% on furniture and property.
(3) Credit sales Rs. 3,450 were left unrecorded.
(4) Create provision for bad debts @ 4% on debtors.
(5) The directors proposed the following:

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- a. 5% proposed dividend.
- b. Provision for taxation Rs. 30,000.

Required: Prepare Trading and Profit & Loss Account for the year ended December 31;2014 and a Balance Sheet as on that date.

QUESTION NO. 7

What are the different modes of winding up of company?

QUESTION NO. 8

What is amalgamation? Why companies do amalgamation?