

**SOLVED PAPER 2009**

**QUESTION NO.1**

- (i) Assets which have no physical existence and which cannot be seen, touched or felt are called intangible assets, e.g., goodwill, patents, trade mark etc.
- (ii) Sometimes, for the purpose of arranging temporary financial accommodation, bills are drawn, accepted and endorsed without any consideration. These types of bills are called "Mutual Accommodation".
- (iii) Expenditure means the amount spent. Any expenditure incurred for the following purposes is called expenditure.
- (a) For acquiring fixed assets, such as land, buildings, plant and machinery, furniture and fitting and motor vehicles. These assets should not be acquired with a view to resell them at a profit but to retained in the business. The cost of fixed asset would include all expenditure up to the time the asset becomes ready for use.
- (b) For making improvement and extensions to the fixed assets e.g. additions to buildings.
- (c) For increasing the earning capacity of a business or for reducing the cost of manufacture, administration or distribution in a business. e.g. expenditure incurred in removing the business to a central locality or compensation paid to a retrenched employee.
- (d) For rising capital monies for the business such as brokerage for arranging loans, discount on issue of shares and debentures, underwriting commission etc.  
All capital expenditure represents either on asset or liability and are shown in the balance sheet.
- (iv) The gradual decreases in the value of fixed asset due to its use in business is known as depreciation.
- (v) Super profit is the positive difference between actual profit and normal profit i.e, actual profit is more than normal profit.  
Super profit = Actual profit – Normal profit
- (vi) Formula for calculating of profit or loss.  
Profit or loss = Closing capital + Drawings – Opening capital  
– Fresh capital introduced – Interest on capital

(vii)

<b>Journal</b>	<b>Ledger</b>
The book in which transactions are first of all recorded chronologically together with its short description is called journal.	The book in which all the transactions of a business concern are finally recorded in the concerned accounts in a summarized and classified form is called ledger.

- (viii) The worksheet is an analytical device which accumulates data for the adjusting data for the adjusting and closing entries and working paper for the accountant and for analyzing the trial balance in order to prepare the financial statements. It should be noted that worksheet is not a part of the accounting records. It is simply a working paper which is prepared by the accountant for this own convenience it makes the construction of financial statements easy,

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convenient and accurate at the end of the year. The worksheet is usually prepared in pencil. It is prepared at the time of dissolution of partnership form to ascertain the net gain or net loss on realization of assets or settlement of liabilities.

Adjusting Entry for "Unearned Commission".

Commission Account	..... Dr.	xxx	
Unearned Commission Account			xxx
(Being the unearned commission)			

### QUESTION NO.2

#### Amar's Journal

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
	Bills Receivable Account To Bilal Account (Acceptance received from Bilal for 3 months)		10,000	10,000
	Bank Account Discount Account To Bills Receivable Account (Bill discounted)		9,950 50	10,000
	Bilal Account To Bank Account To Discount Account (2/5 of the proceeds remitted to Bilal)		4,000	3,980 20
	Bilal Account To Bills Payable Account (Acceptance given for 3 months)		20,000	20,000
	Bank Account Discount Account To Bilal Account (2/5 of the remaining proceeds received from Bilal)		3,960 40	4,000
	Bills Payable Account To Bilal Account (Bill dishonoured due to insolvency)		20,000	20,000
	Bilal Account To Cash Account To Deficiency Account (25% of the amount due is paid in cash and balance transferred to deficiency A/c)		10,000	2,500 7,500
	<b>TOTAL</b>		<b>78,000</b>	<b>78,000</b>

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
	Amar Account To Bills Payable Account (Acceptance given to Amar for 3 months)		10,000	10,000
	Bank Account Discount Account To Amar Account (2/5 of the proceeds received from Amar)		3,980 20	4,000
	Bilal Receivable Account To Amar Account (Acceptance received from Amar for 3 months)		20,000	20,000
	Bank Account Discount Account To Bill Receivable Account (Bill discounted)		19,900 100	20,000
	Bills Payable Account To Bank Account (1 <sup>st</sup> bill paid with the help of 2 <sup>nd</sup> bill)		10,000	10,000
	Amar Account To Bank Account To Discount Account (2/5 of remaining proceeds sent to Amar)		4,000	3,960 40
	Amar Account To Bank Account (Bill dishonoured due to insolvency of Amar)		20,000	20,000
	Cash Account Bad Debts Account To Amar Account (25% of the amount due to received in cash and balance transferred to bad debts A/c)		2,500 7,500	10,000
	<b>TOTAL</b>		<b>98,000</b>	<b>98,000</b>

**QUESTION NO.3**  
**Paradise Stores**  
**Revised Cash Book**  
**(Bank Column Only)**

**For the period ended 31<sup>st</sup> March 2008**

Date	Particulars	Rs.	Date	Particulars	Rs.
(f)	To Dividend on Shares.	18,000	(a)	By Balance b/d	60,000
(g)	To Customer A/c	20,000	(c)	By Bank Charges	480
	To Balance c/d	22,480			
		<u>60,480</u>			<u>60,480</u>

**Paradise Stores**  
**Bank Reconciliation Statement**  
**As on 31<sup>st</sup> March, 2008**

	<b>Rs.</b>
Over draft Cash Book Balance (Cr./Old)	22,480
(b) Add: Wrong Debited by Bank	2,000
	24,480
(d) Add: Cheques Paid in to Bank but yet Collected	25,000
	49,480
(e) Less: Cheques issued but not presented	60,000
Balance as per Pass Book (Cr.)	<u>10,520</u>

**QUESTION NO.4**

**Chenab Club**  
**Income & Expenditure Account**  
**For the period ended 31<sup>st</sup> Dec, 2002**

Expenditures	Rs.	Incomes	Rs.
Salaries	3,600	<b>Subscription Income:</b>	
<b>Stationary Expense:</b>		Received During 2002	18,000
Opening Balance	200	Add: Received in Advance	
Add: Purchased	350	Of 2002 in 2001	2,000
	550		20,000
Less: Closing Balance	150	Add: Outstanding for 2002	2,500
	400	Entrance Fee	1,300
Telephone Charges	400	Sale of Old Magazine	50
Insurance	1,200	Interest on Investment	500
Miscellaneous Expenditure	480	Add: Receivable	500
Subscription to Newspaper	640	Other Receipts	800

<b>Sports Material Expenses:</b>			
Opening Balance	4,000		
Add: Purchased	6,000		
	10,000		
Less: Closing Balance	3,000	7,000	

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Depreciation on Furniture (5,000 x 10/100)	500		
Depreciation on Building (25,000 x 5/100)	1,250		
Surplus	10,180		
	<b>25,650</b>		<b>25,650</b>

**Chenab Club**  
**Balance Sheet**  
**As on 31<sup>st</sup> Dec, 2002**

Assets	Rs.	Liabilities	Rs.
Cash Balance	19,480	Subscription Received in A Advance for 2003	1,500
<b>Subscription Due:</b>		Capital Fund (w-1)	53,200
2001 (3000 – 2000)	1,000	Add: Surplus	10,180
2002	2,500		63,380
Investment	10,000		
Interest due on Investment	500		
Furniture	5,000		
Less: Depreciation	500		
Building	25,000		
Less: Depreciation	1,250		
Sports Material	3,000		
Stationary Stock Balance	150		
	<b>64,880</b>		<b>64,880</b>

**WORKINGS:**

**(w-1) Calculation of Capital Fund:**

**Chenab Club**  
**Balance Sheet**  
**As on 31<sup>st</sup> Dec, 2001**

Assets	Rs.	Liabilities	Rs.
Cash Balance	8,000	Subscription Received in Advance for 2002	2,000
Subscription Due	3,000	Capital Fund (Balancing Figure)	53,200
Investment	10,000		
Furniture	5,000		
Building	25,000		
Stock of Sports Material	4,000		
Stock of Stationary	200		
	<b>55,200</b>		<b>55,200</b>

**QUESTION NO. 5**

**Firm's Journal**

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
	Bank Account To Riaz's Capital Account (w-1) (Capital introduced by Riaz)		52,800	52,800
	Bank Account To Goodwill Account (Cash received from Riaz on A/c of goodwill)		20,000	20,000
	Goodwill Account To Hamza's Capital Account To Subhan's Capital Account (Goodwill distributed among old partners)		20,000	15,000 5,000
	Revaluation Account To Plant Account To Stock Account To Reserve for Bad Debts Account (Assets revalued)		12,000	8,000 1,000 3,000
	Hamza's Capital Account Subhan's Capital Account To Revaluation Account (Lesson revaluation distributed among old partners)		9,000 3,000	12,000
	TOTAL		116,800	116,800

**Revaluation Account**

Particulars	Rs.	Particulars	Rs.
To Plant A/c	8,000	By Hamza's Capital A/c	9,000
To Stock A/c	1,000	By Subhan's Capital A/c	3,000
To Reserve for Bad Debts A/c	3,000		
	12,000		12,000

**Hamza's Capital Account**

Particulars	Rs.	Particulars	Rs.
To Revaluation A/c (Loss)	9,000	By Balance b/d	50,000
To Balance c/d	56,000	By Goodwill A/c	15,000
	65,000		65,000

**Subhan's Capital Account**

Particulars	Rs.	Particulars	Rs.
To Revaluation A/c (Loss)	3,000	By Balance b/d	30,000
To Balance c/d	32,000	By Goodwill A/c	5,000
	35,000		35,000

**Riaz's Capital Account**

Particulars	Rs.	Particulars	Rs.
To Balance c/d	52,800	By Bank A/c	52,800
	52,800		52,800

**Bank Account**

Particulars	Rs.	Particulars	Rs.
To Balance b/d	20,000	By Balance c/d	92,800
To Riaz's Capital A/c	52,800		
To Goodwill A/c	20,000		
	92,800		92,800

**M/S Hamza, Subhan & Riaz**  
**Balance Sheet**  
**As on 1<sup>st</sup> January 2009**

Assets	Rs.	Liabilities	Rs.
Cash at Bank	92,800	Capital Accounts:	
Stock	9,000	Hamza's Capital	56,000
Sundry Debtors                      30,000	27,000	Subhan's Capital	32,000
Less: Reserve for Bad Debts      3,000	32,000	Riaz's Capital	52,800
Plant	160,800	Sundry Creditors	20,000
			160,800

**WORKINGS:**

**(w-1) Riaz's Capital:**

Hamza's New Capital	56,000
Subhan's New Capital	32,000
	88,000

**Riaz's Capital** =  $88,000 \times \frac{3}{5} = \underline{\underline{\text{Rs. } 52,800}}$

**QUESTION NO. 7**

**Journal (Rectified Entries)**

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
(a)	Suspense Account To Stationary Account (Stationary Account Rectified)		90	90
(b)	Alam Account To Suspense Account (Alam's account rectified)		650	650
(c)	Machinery Account Suspense Account		250 270	

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	To Wages Account (Machinery and wages account rectified)		520
(d)	Suspense Account	880	
	To Purchases Account		530
	To Sales Account (Purchases and sales accounts rectified)		350
(e)	Fawad Account	3,000	
	To Suspense Account (Fawad's account rectified)		3,000
(f)	Sales Account	6,000	
	To Furniture Account (Sales & furniture accounts rectified)		6,000

**Suspense Account**

Particulars	Rs.	Particulars	Rs.
To Balance b/d (Difference in Trial Balance)	2,410	By Alam A/c	650
To Stationary A/c	90	By Fawad A/c	3,000
To Wages A/c	270		
To Purchases A/c	530		
To Sales A/c	350		
	<u>3,650</u>		<u>3,650</u>

**QUESTION NO. 8**

**Farhan & Co.**

**Trading and Profit & Loss Account  
For the period ended 31<sup>st</sup> March, 2009**

	Rs.		Rs.
To Opening Stock	75,000	By Sales	312,500
To Purchases	112,500	Less: Return	3,125
Less: Returns	3,750	By Closing Stock	50,000
To Carriage	1,250		
To Wages	31,250		
Add: Outstanding	2,500		
To Gross Profit c/d	140,625		
	<u>359,375</u>		<u>359,375</u>
To Salaries	35,000	By Gross Profit b/d	140,625
To Provision for Bad Debts:		By Interest Receivable on	
New Provision	2,500	Loan to Ahsan & Co.	
Add: Bad Debts	1,875	(3,750 x 10/100)	375
	4,375		
Less: Old Provision	-		
	4,375		



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To Discount on Debtors (50,000 – 2,500 x 2/100)	950		
To Insurance Expired	1,875		
To Depreciation on Plant & Machinery (68,750 x 10/100)	6,875		
To Depreciation on Building (62,500 x 5/100)	3,125		
To Net Profit Transferred to Capital A/c	88,800		
	141,000		141,000

**Farhan & Co.**  
**Balance Sheet**  
**As on 31<sup>st</sup> March 2009**

Assets	Rs.	Liabilities & Capital	Rs.
<b><u>Current Assets:</u></b>		<b><u>Current Liabilities:</u></b>	
Cash in Hand	1,250	Sundry Creditors	75,000
Cash at Bank	25,625	Bill Payable	20,000
Bills Receivable	6,250	Outstanding Wages	2,500
Sundry Debtors	50,000	<b><u>Owner's Equity</u></b>	
Less: Provision for Bad Debts	2,500	Capital	150,000
	47,500	Add: Net Profit	88,800
Loan Provision for Discount	950		238,800
Loan to Ahsan & Co. @ 10% p.a.	3,750	Less: Drawings	25,000
Interest Receivable on Loan to Ahsan & Co.	375		213,800
Prepaid Insurance (4375- 1875)	2,500		
Closing Stock	50,000		
<b><u>Fixed Assets:</u></b>			
Land & Building	62,500		
Less: Depreciation	3,125		
Plant & Machinery	68,750		
Less: Depreciation	6,875		
Loose Tools	1,250		
Furniture	2,500		
Goodwill	50,000		
	311,300		311,300