

SOLVED PAPER 2011

QUESTION NO. 1

Ahsan's Journal

Date	Particulars	L.F	Debit (R.s)	Credit (R.s)
	Noman To Bills Payable A/c (Acceptance given to Noman for three months)		45,000	45,000
	Bank A/c (43,875 / 3) Discount A/c (1,125 / 3) To Noman (1/3 proceed received from Noman)		14,625 375	15,000
	Bill Receivable A/c To Noman (Acceptance received from Noman)		56,250	56,250
	Bank A/c Discount A/c To Bill Receivable A/c (Bill discounted from Bank)		52,875 3,375	56,250
	Bill Payable A/c To Bank A/c (Met his acceptance)		45,000	45,000
	Noman To Bank A/c To Discount A/c (Cash and discount remitted to Noman)		4,787	2,700 2,087
	Noman To Bank A/c (Noman's acceptance dishonoured due to his insolvency)		56,250	56,250
	Cash A/c Bad Debts A/c To Noman (60% dividend received from Noman)		20,872 13,915	34,787
	TOTAL		313,324	313,324

Noman's Account

Date	Particulars	Rs.	Date	Particulars	Rs.
	To Bill Payable A/c	45,000		By Bank A/c	14,625
	To Bank A/c	2,700		By Discount A/c	375
	To Discount A/c	2,087		By Bill Receivable A/c	56,250
	To Bank A/c	56,250		By Cash A/c	20,872
				20,872	34,787
				By Bad Debts	13,915
		106,037			106,037

WORKINGS:

Discount of 2nd Bill Remitted:

$$\begin{aligned}
 &= \frac{\text{Discount of 2nd bill}}{\text{Cash of 2nd bill}} \times \text{Total amount due} \\
 &= \frac{3,375}{52,875} \times (30,000 + 2,700) \\
 &= \frac{3,375}{52,875} \times (32,700) \\
 &= \underline{\underline{\text{Rs. 2,087.}}}
 \end{aligned}$$

QUESTION NO. 2

(a)

Mr.

Bank Reconciliation Statement (A/c No.1)
As on 31st December, 2010

	<u>(Rs.)</u>
Pass book balance (overdrawn) (Dr.)	60,000
Add: Cheques drawn prior to 31 st March but not presented as yet	16,000
	76,000
Less: Cheques paid in to bank on 31 st March but not yet credited	(28,000)
	48,000
Less: Interest debited by the bank but not entered in the cash book as yet	(1,600)
	46,400
Add: Transfer from A/c No. 2 to A/c No. 1 recorded by the bank on 31 st March but Not entered in the cash book	19,000
	58,400
Less: Bank charges debited by the bank but not recorded in the cash book as yet	(40)
Cash book (over drawn) (Cr.)	58,360

(b)

Cash Book

Date	Particular	V/ N	L/ F	Cash (Rs.)	Bank (Rs.)	Date	Particular	V/ N	L/ F	Cash (Rs.)	Bank (Rs.)
2010 April 1	Balance b/d			80,000		2010 April 1	Balance b/d				270,000
April 4	Sales A/c-X			120,000		April 5	Furniture –A			120,000	
“ “	Sales A/c-Y			160,000		“ “	B			160,000	
“ 10	Sales A/c			200,000		“ 10	Bank A/c		(c)	200,000	
“ 10	Cash		(c)		200,000	“ 16	Stationary A/c				10,000
“ 18	P			160,000		“ 25	Furniture A/c			120,000	
“ 22	Q				70,000	“ 30	Incidental				
“ 30	Cash		(c)		80,000	“ 30	Charges A/c				3,000
						“ 30	Bank		(c)	80,000	
						“ 30	Balance c/d			40,000	67,000
				720,000	350,000					720,000	350,000

QUESTION NO. 3

Rectified Journal Entries

Date	Particulars	L.F	Debit (R.s)	Credit (R.s)
(a)	Suspense A/c To Purchases A/c (Being the purchases A/c over casted now rectified)		3,600	3,600
(b)	Debtors A/c To Suspense A/c (Being the debtors A/c less recorded now recorded)		5,200	5,200
(c)	Suspense A/c To Suspense A/c (Being Khawaja & Co. less credited now rectified)		1,600	1,600
(d)	Ahsan To Suspense A/c (Being Ahsan A/c not debited now rectified)		14,000	14,000
(e)	Sales Return A/c To Suspense A/c (Being the sales return A/c not debited now rectified)		6,000	6,000

Suspense Account

Date	Particulars	Rs.	Date	Particulars	Rs.
	Balance b/d	20,000	(2)	Debtor A/c	5,200
(1)	Purchases A/c	3,600	(4)	Ahsan	14,000
(3)	Khawaja & Co.	1,600	(5)	Sales Return A/c	6,000
		25,200			25,200

Effects of Errors on Final Accounts

Trading & Profit & Loss Account

- (1) Gross profit understated by Rs. 3,600
- (2) No Effect
- (3) No Effect
- (4) No Effect
- (5) Gross profit overstated by Rs. 6,000

Balance Sheet

- (1) Capital understand by Rs. 3,600
- (2) Debtors understand by Rs. 5,200
- (3) Debtors overstated by Rs. 1,600
- (4) Debtors understated by Rs. 14,000
- (5) Capital overstated by Rs. 6,000

QUESTION NO. 4

Realization Account

Date	Particulars	Rs.	Date	Particulars	Rs.
	Machinery	100,000		Creditors	68,000
	Stock	60,000		Bank A/c (Assets	
	Debtors	78,000		Realized)	
	Bank A/c – Creditors	84,000		Debtors 63,000	109,000
	X's Capital A/c			Stock 46,000	80,000
	(Payment in lieu of expenses)	3,000		X's Capital A/c – Machinery	

				Capital A/c (Losses)	
				X's Capital A/c 24,000	48,000
				Y's Capital A/c 16,000	
				Z's Capital A/c <u>8,000</u>	
		325,000			325,000

X's Capital Account

Date	Particulars	Rs.	Date	Particulars	Rs.
	Realization A/c – Machinery	80,000 24,000		Balance b/d	100,000
	Realization - Loss			Realization A/c - Expenses	3,000 1,000
				Bank A/c (Balancing figure)	
		104,000			104,000

Y's Capital Account

Date	Particulars	Rs.	Date	Particulars	Rs.
	Realization A/c (Loss)	80,000		Balance b/d	10,000
				Bank A/c (Balancing figure)	6,000
		16,000			16,000

Z's Capital Account

Date	Particulars	Rs.	Date	Particulars	Rs.
	Realization A/c (Loss)	8,000		Balance b/d	72,000
	Bank A/c (Balancing figure)	64,000			
		72,000			72,000

Bank Account

Date	Particulars	Rs.	Date	Particulars	Rs.
	Balance b/d	32,000		Realization A/c (Creditors)	84,000
	Realisation A/c (Assets)	109,000		Z's Capital A/c	84,000
	X's Capital A/c	1,000			
	Y's Capital A/c	6,000			
		148,000			148,000

NOTE:

- (1) As X has agreed to bear all expenses of realization at an agreed amount of Rs. 3,000. So, realization account has been debited and X's capital account has been credited with Rs. 3,000. Now, actual expenses Rs. 5,000 are immaterial for the firm.
- (2) Deficiency in the capital accounts of partner's X and Y for Rs. 1,000 and Rs. 6,000 has been made good by them depositing the required in firm's bank account.

QUESTION NO. 5

Mumtaz Club
Income & Expenditure Account
For the period ended 31st December 2010

Expenditures	Rs.	Income	Rs.
Salaries	6,000	Subscription (2010)	20,500
Add: Outstanding Salaries	500	Add: Receivable	4,500
General Expenses	750	Donation for Prize Fund	5,400
Drama Expenses	4,500	Proceeds from dram Tickets	9,500
New Papers etc.	1,500	Sale Waste Papers	450
Municipal Taxes	400	Interest on Investment	250
Less: Prepaid (400 x 3/12)	(100)	(20,000 x 3% x 5/12)	
Charity	3,500		
Electricity Charges	1,450		
Depreciation on Building (50,000 x 5%)	2,500		
Surplus	19,600		
	40,600		40,600

Mumtaz Club
Balance Sheet
As on 31st December 2010

Assets	Rs.	Liabilities	Rs.
Current Assets		Current Liabilities:	
Cash in hand	9,000	Subscription Received in Advance for 2011	600
Prepaid Municipal Taxes	100	Outstanding Salaries	500
Subscription Receivable:		Capital Fund:	
2010	4,500	Capital Fund	61,150
2009	500	Add: Surplus	19,600
Investment	20,000		80,750
Accrued Interest on Investment	250		
Fixed Assets:			
Building	50,000		
Less: Depreciation	(2,500)		
	47,500		
	81,850		81,850

**Financial Accounting Punjab University
B.Com Part 1 Solved Past Papers**

2009 - 2018

WORKINGS:

Subscription Receivable for 2010:

	Rs.
Subscription due = 500 members x Rs. 50 =	25,000
Less Received in 2010	(20,500)
	4,500

Capital Fund as on 1st Jan. 2010:

	Rs.
Cash-in-hand	10,250
Subscription Receivable for 2009 (400 + 500)	900
Building	50,000
Capital Fund	61,150

QUESTION NO. 6

**Shahid Bros.
Trading and Profit & Loss Account
For the period ended 31st December, 2010**

	Rs.		Rs.
To Opening Stock	48,400	By Sales	239,200
To Purchases	82,000	By Closing Stock	65,200
To Wages	48,000		
Add: Outstanding Wages	6,000		
To Gross Profit c/d	120,000		
	304,400		304,400
To Salaries	52,000	By Gross Profit b/d	120,000
To General Expenses	12,000	By Interest Receivable on Govt. Securities	3,200
To Depreciation on Building (160,000 x 2%)	3,200	By Discount on Creditors (50,000 x 3%)	1,500
To Depreciation on Machinery (72,000 x 5%)	3,600		
To Depreciation on Furniture (48,000 x 10%)	4,800		
To Allowance for Doubtful Debts	3,360		
To Discount on Debtors	3,192		
To Net Profit transferred to Capital A/c	42,548		
	124,700		124,700

Shahid Bros.
Balance Sheet
As at 31st December, 2010

Liabilities	Rs.	Assets	Rs.
<u>Current Liabilities:</u>		<u>Current Assets:</u>	
Creditors	50,000	Cash-in-hand	8,000
Less: Discount on Creditors	(1,500)	Cash-at-bank	12,000
Outstanding Salaries	5,200	Sundry Debtors	67,200
Outstanding Wages	6,000	Less: Allowance for Doubtful Debts	(3,360)
<u>Owner's Equity:</u>			63,840
Capital	366,400	Less: Discount on Debtors	(3,192)
Add: Net Profit	42,548		60,648
	408,948	10% Investment in Govt Securities	32,000
Less: Drawings	(16,800)	Accrued interest on Investment in Govt Securities	3,200
	392,148	Closing Stock	65,200
Less: Income Tax	(2,400)	<u>Fixed Assets:</u>	
	389,748	Furniture	48,000
	449,448	Less: Depreciation	(4,800)
		Machinery	72,000
		Less: Depreciation	(3,600)
		Building	160,000
		Less: Depreciation	(3,200)
			156,800
			449,448

WORKINGS:

Allowance for Doubtful Debts:

N = 67,200 X 5% = 3,360

B = 0

O = 0

N + B - O

3,360 + 0 - 0

→ P & L A/c (Dr. Side)

→ B/S Assets Side Less from Debtors

Discount on Debtors:

= 67,200 - 3,360 = 63,840 x $\frac{5}{100}$ = Rs. 3,192

QUESTION NO. 7

(a) Machinery Account

Date	Particular	Rs.	Date	Particular	Rs.
01-07-07	To Bank A/c	60,000	31-12-07	By Depreciation A/c (60,000 x 10/100 x 6/12)	3,000
				By Balance c/d	57,000
		60,000			60,000
01-01-08	To Balance b/d	57,000	31-12-08	By Depreciation A/c (57,000 x 10%)	5,700
				By Balance c/d	51,300
		57,000			57,000
01-01-09	To Balance b/d	51,300	31-12-08	By Cash A/c	6,000
01-10-09	To Bank A/c	20,000	"	By Profit & Loss A/c	5,756
			31-12-08	By Depreciation A/c	5,250
			"	By Balance c/d	54,294
		71,300			71,300

WORKINGS:

	Rs.
31-10-2009	
Machinery as on 01-07-07 $(60,000 \times \frac{1}{4})$	
Less: Depreciation on 31-12-07 $(15,000 \times \frac{10}{100} \times \frac{6}{12})$	(750)
Written Down Value on 31-12-07	14,250
Less: Depreciation on 31-12-08 $(14,250 \times 10\%)$	(1,425)
Written Down Value on 31-12-08	12,825
Less: Depreciation up to 31-12-09 on 31-10-09 of $\frac{1}{4}$ th Machinery $(12,825 \times \frac{10}{100} \times \frac{10}{12})$	(1,069)
Written Down Value on 31-12-09 of $\frac{1}{4}$ th Machinery	11,756
Less: Sold for	(6,000)
Loss on Sale of Machinery	5,756

31-12-2009

(1)	Depreciation on Machinery ($\frac{3}{4} \times 60,000$)	
	<u>Written Down Value on 31-12-08 of Machinery</u>	
	= $51,300 \times \frac{3}{4} \times 10\%$	= 3,848
(2)	Add: Depreciation Charged for the year on 1/4 Machinery Sold on 31-10-09	1,069
(3)	Add: Depreciation Charges on New Machinery Purchased on 31-10-09 $(20,000 \times 10\% \times \frac{2}{12})$	333
	Depreciation for the year 2009	5,250

(b) Adjusting Entries

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
(i)	Salaries A/c To Outstanding Salaries, A/c (Outstanding salaries recorded)		4,000	4,000
(ii)	Accrued Interest on Deposit A/c To interest on Deposit A/c (Accrued Interest on Deposit recorded)		2,000	2,000
(iii)	Commission Income A/c To Unearned Commission Income A/c (Unearned commission income recorded)		1,000	1,000
(iv)	Drawings A/c To Purchases A/c (Goods taken by proprietor recorded)		2,000	2,000

QUESTION NO. 8

Accounting

The system of recording and summarizing business and financial transactions and analyzing, verifying, and

Need and Importance of Accounting

Accounting can be referred to as the systematic and comprehensive recording of a financial transaction relating to any business. Also refers to as a process of analyzing, summarizing and reporting these transactions to the tax collection agencies and oversight agencies.

Accounting helps the management to be able to ascertain the financial position of the business. With all accounting activities, the final report provided helps management to know the business position so they can be able to know which direction they are ending.

Accounting is very important and needed for any business transactions. It helps in recording, classifying and finally summarizing the transactions in a business. This enables coming up with a well analyzed financial document like balance sheet, trial balance among others when accounting is done properly within the business transactions.

The Importance Of Accounting

Accounting helps in decision making, planning, and controlling processes. It's with the help of accounting there will be documents which will be factored in carrying out these processes. Again with these methodical documents, they help in reduction of theft and frauds.

Availability of accounting in any business transactions ignites the business to run with efficiency, effectiveness and accuracy manner on all the activities undertaken. This leads to more productions since the management will make the right decision and proper planning due to the good flow of transactions in a business.

Importance of Accounting in Business Organization

A business organization involves an individual or a group of people who collaborate so as to achieve certain commercial goals.

Planning Budget

Budgeting is a core factor in every business. Planning budgets help business to make strategies, save money and noticing any expenditure exceeding the budgeted amount. To make a budget you need various previous records. In order for these documents to be available, they must be very well maintained through accounting since they are the basis of planning and making budgets.

Banks and lenders

In order to get any loan from the financial institution, you must be able to present your financial status in acceptable order. So in order to make it, you need to have proper accounting system so as to present various books of records such as profits recorded, assets and liabilities, taxes paid among others. Financial institutions will scrutinize them carefully before landing to a decision of awarding loan.

Keeping Records

Every business needs to keep records and act upon them in order to run smoothly. In this case, accounting plays a big role in keeping records. All records are collected, organized, and interpreted in order to be communicated to the end users, therefore helping in making an economically viable decision which will lead to the positive productivity of the business organization.

Decision Making

Any economic or any decision regarding the business organization is made depending on the financial statement of the organization. A financial statement is as a result of accounting. Without proper accounting in a business organization, the executives can't make a sounding decision since they will be operating in blindness hence making it impossible to achieve organization objectives.

Information to Investors

Financial statements and accounts are used to represent the organization to the stakeholders such as debtors, creditors, government, and investors, customers and employees. Many investors will run away from your organization if you lack financial records and accounts to presents so as they can know the business progress.

Reporting Profits

The key objective of any business is to make profits. Every business, being a small or large organization, must maintain accounting system so as they can ascertain what they are making on their business transactions. This also enables interested parties to make the decision on the progress of the business productivity.

Managing and Monitoring Cash Flow

Proper accounting systems will take care of working capital and any other cash requirements within the business organization.