

Advanced Financial Accounting

Attempt FIVE Questions in all. Section-A is Compulsory. Attempt TWO Questions from Section-B, and Two from Section-C. All Questions carry equal marks.

SECTION-A

1- Attempt any EIGHT of the following:

2.5x8

- | | | |
|------------------------------|-----------------------------|---------------------|
| i) Holding Company | ii) Convertible Debenture | iii) Stock Dividend |
| iv) Leverage Ratios | v) Over riding Commission | vi) Bonus Shares |
| vii) Sinking Fund | viii) Prospectus of Company | ix) Work Certified |
| x) Branch Invoicing of goods | | |

SECTION-B

2- The extracts are taken from the draft balance sheet M/s Munir & Company, Ltd; as on 31st December, 2016.

12,8

	Rs.
Authorised Capital: 4,00,000 ordinary shares of Rs. 10 each	40,00,000
Issued subscribed and paid up capital: 1,00,000 shares of Rs. 10/= each.	10,00,000
Share premium	2,00,000
General Reserve	6,00,000
Profit and Loss Account	3,50,000

The board of directors passed a resolution to capitalized a part of its existing reserves by issuing bonus shares. Bonus shares are issued at the rate of 40% of the ordinary shares. For this purpose Rs. 1,00,000 is provided out of share premium and balance equally out of general reserve and profit and loss account.

Required: Make the necessary Journal entries for give the effect to the above resolution and prepare also an amended balance sheet.

3- A company has 12% outstanding debentures of Rs.1, 00,000 on 1st January 2014. The company pays interest on 30th June and 31st December. It purchases its own debentures as investment of Rs. 10,000 at 98 ex-interest on 1st May, 2014. The company decides to cancel its own debenture purchased by it on December 31, 2014.

Required: Pass the necessary Journal entries in the books of company for the year 2014.

(Please support your entries along with working notes).

20

4- Hasan Ltd., purchased a machine on 1-1-2013 on Hire purchase system. The cash price of the machine was Rs. 11,175 and payment was to be made as follows: Rs. 3,000 was to be paid on signing of the contract and balance on these equal installments of Rs. 3,000 each at the end of the each year. The hire vendor charges interest 5% p.a. Hasan Ltd could not pay the installments due on 31-12-2014, as a result of this, the hire vendor took the possession of machine.

Required: Show the ledger accounts in both parties' books.

20

5- The following is the balance sheet of Gohar Enterprises Ltd.; for the year ended 2016.

4x5=20

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	4,00,000	Good will	2,40,000
Capital Reserves	80,000	Fixed Assets	5,60,000
12% Mortgage Loan	2,00,000	Stock	1,20,000
Sundry Creditors	1,60,000	Investment (Short Term)	10,00,000
Bank Overdraft	40,000	Cash	1,20,000
Prov for Taxation	80,000		
Profit and Loss A/C	1,20,000		
	<u>10,80,000</u>		<u>10,80,000</u>

Showing the full working, calculate the following ratios giving the formula:

- | | | | |
|------------------|-----------------|------------------------|-----------------------|
| i) Current Ratio | ii) Quick Ratio | iii) Proprietary Ratio | iv) Debt-Equity Ratio |
|------------------|-----------------|------------------------|-----------------------|

Section-C

- 6- Yusuf & Co., of Dasqa sent goods on consignment to Zeeshan & Co., of Lahore at an invoice price of Rs. 30,000 and paid for freight Rs. 800, cartage Rs. 252 and insurance Rs. 700. $\frac{3}{4}$ th of the goods were sold by agent for Rs. 26,250 subject to his commission of Rs. 900, storage expenses of Rs. 200 and other selling expenses of Rs. 400. $\frac{1}{8}$ th of the consignment was lost by fire and claim of Rs. 2,500 was recovered.

Required: Draw up the necessary accounts in the books of Yousaf and Co. and ascertain profit or loss made on consignment. The consignor received two months bill of exchange from the agent in satisfaction of the dues. 20

- 7- The following are the expenditures on a contract for Rs. 600,000 commenced on 1-1-2000:

Rs.		Rs.	
Materials	1,20,000	Plant	20,000
Wages	1,64,400	Business Charges	8,600

Cash received on account to 31st December, Rs. 2,40,000 being 80% of work certified, the value of material on hand at 31st December was Rs. 10,000. Prepare an account showing the position at the end of the year and the proportion of the profit which might reasonably be taken to profit and loss account after charging 10% depreciation on plant.

- 8- M/S Bilal Traders has a branch at Islamabad. Goods are invoiced to the branch at cost plus 20 percent. The expenses of branch are paid from head office and branch keeps a Sales Journal and Debtors Ledger only. On the basis of the following information prepare Branch Account as it would appear in books of head office: 20

Rs.	
Opening stock (At invoice prices)	12,000
Closing stock (At invoice price)	9,000
Credit sales	20,500
Cash sales	8,750
Receipts from debtors	18,950
Sundry debtors on 31 st March, 2015	4,580
Goods received from Head office	15,000
Goods in transit from H.O. on 31-3-2015	1,800
Expenses paid by head office for the branch	5,200

- 9- Usman Munir & Company of Sargodha with an authorized capital of Rs. 10,00,000 divided into 100,000 shares of Rs. 10 each. On 31st December 2016, 50,000 shares were fully called and paid up. The following are the balances taken from the ledger of company at 31st December 2016. 20

Rs.		Rs.	
Sales	8,50,000	Printing & Stationary	4,800
Stocks (Opening)	1,00,000	Advertisement	7,600
Purchases	600,000	Postage & Telephone	21,000
Wages	1,40,000	Debtors	77,400
Dist. Allowed	8,400	Creditors	70,440
Dist. Received	6,300	Plant & Machinery	1,61,000
Insurance upto 30 th June 2017	13,440	Furniture	34,000
Salaries	37,000	Cash at Bank	2,79,600
Rent	12,000	General Reserve	50,000
General Expenses	17,900	Loans from Managing Director	31,400
Profit & Loss (CR.)	12,400	Bad Debts	6,400

Additional Information:

- i) Closing stock Rs. 200,000.
- ii) depreciation to be charged on plant & machinery 15% p.a and on furniture at the rate of 10% p.a.
- iii) Outstanding expenses: Wages Rs. 10,400, Salary Rs. 2,400 and Rent Rs. 1,200.
- iv) Dividend at 5% on paid up capital is to be provided.

Required: Prepare Trading and Profit and Loss Account for the year ended 31st December 2016 and Balance Sheet as at that time.

*** B.Com-II (18/A) i ***