Government College University, Faisalabad

B.Com. Part 2nd Annual 2016
Course Code: BCO-B11 Course Title: Advanced Financial Accounting
Time Allowed: 03:00 Hours Maximum Marks: 100

Pass Marks: 40%

Note: Attempt any five questions. All questions carry equal marks

Q 1. The following is the balance sheet of Nadir Ltd. as on December 31, 2014.

<table>
<thead>
<tr>
<th>Authorized capital:</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Shares of Rs.10 each</td>
<td>1,00,00,000</td>
</tr>
<tr>
<td>Sundry assets</td>
<td>32,75,000</td>
</tr>
</tbody>
</table>

Issued, subscribed and paid up capital:

- 250,000 shares of Rs.10 each | 25,00,000 |
- Share premium | 1,25,000 |
- General reserve | 4,00,000 |
- Profit & loss account | 2,50,000 |

The board of directors decided to issue bonus shares at the rate of one bonus share for every four shares held at present. For this purpose the amount available in share premium and profit & loss account will be utilized completely and the balance will be provided from general reserves.

The directors further decided to issue right shares at the rate of five shares for every twenty five (25) shares held. The shares were offered and fully subscribed. Required: Give general entries to give effect to the above resolution and prepare an amended balance sheet.

Q 2. Chand Company has outstanding 6% debentures of Rs.6,00,000 on 1st January, 2010. The company paid interest on 30th June and 31st December. It purchases debentures of Rs.60,000 for cancellation on 1st May, 2010 at Rs.101 cum interest. It purchases for redemption debenture of Rs.1,20,000 on 1st September 2010 at Rs.98 ex-interest. On 31st December 2010, Company further purchases debentures of Rs.20,000 at a cost of Rs.19000.

Required: Pass the general entries in the book of the company for 2010. Also show computations?

Q 3. X transport Ltd. purchased from Lahore Motors 3 trucks costing Rs.50,000 each on the hire purchase system. Payment was to be made Rs.30,000 down and the reminder in 3 equal installments together with interest at 9%. X transport Ltd writes off depreciation @ 20% on the diminishing balance method. It paid the installment due at the end of the first year but could not pay the next. Lahore Motors agreed to leave one truck with the purchaser, adjusting the value of the other two trucks against the amount due. The trucks were valued on the basis of 30% depreciation annually.

Required: Show the necessary accounts in the books of X. Transport for 2 years?

Q 4. The Naeem Stores Ltd., Multan has a branch at Hyderabad. Goods are invoiced to the branch at a selling price, being cost plus 20%. The branch keeps its own sale ledger and deposits all cash received daily to the credit of the Head Office Account opened at the MCB, Hyderabad. All expenses are paid by cheques from Multan.

From the following information, prepare Branch Account in the Head Office Books and make the necessary adjustments therein to arrive at the actual branch profit or loss during the year 2007.

<table>
<thead>
<tr>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock on 1-1-07</td>
</tr>
<tr>
<td>Stock on 31-12-07</td>
</tr>
<tr>
<td>Sundry Debtors on 1-1-07</td>
</tr>
<tr>
<td>Sundry Debtors on 31-12-07</td>
</tr>
<tr>
<td>Goods Invoiced from H. O</td>
</tr>
<tr>
<td>Rent, Rates and Taxes</td>
</tr>
<tr>
<td>Sundry Expenses</td>
</tr>
<tr>
<td>Cash Sales for the year</td>
</tr>
<tr>
<td>Credit sales</td>
</tr>
<tr>
<td>Cash Received from Debtor</td>
</tr>
<tr>
<td>Wages Paid</td>
</tr>
</tbody>
</table>

Q 5. The following particulars relates to the contract undertaken by Zahid Developers Engineers:

- Material sent to the site Rs.85,349; Labour engaged on the site Rs.74,375; Plant installed at cost Rs.15,000; Direct expenditure Rs.3,167; establishment charges Rs.4,126; Material returned to stores Rs.549; Work certified Rs.195,000; Cost of work not certified Rs.4,500; Material in hand at the end of year Rs.1,883; Wages accrued at the end of year Rs.2,400; Direct expenses accrued at the end of year Rs.240; Value of plant at the end of year Rs.11,000. The contract price has been agreed at Rs.250,000; cash received from Contractee was Rs.180,000.

Required: You are required to prepare Contract Account, Contractee’s Account and also show calculation of work-in-progress?

Q 6. You are provide with the following figures/ratios worked out from the Profit and Loss Account for the year ended 31st December, 2001 and a balance sheet as at that date of Practical Industrial Limited:
Cost of goods sold ........................................ 630,000
Stock of finished goods turnover .................. 6
Gross profit on sales ................................ 25%
Net Profit to sales .................................... 8%
Debtors Collection period (assuming 360-day year) 45 days
Current Ratio ............................................ 2.4
Quick Ratio ............................................. 1.0
Stock of Raw Materials .................................. 3.0 Months
(in terms of number of months consumption)
Material consumed to sales .......................... 30%

REQUIRED: Calculate the value of the following
(a) Current Liabilities
(b) Quick Assets
(c) Debtors
(d) Current Assets
(e) Stock of Finished Goods

Q 7. The following is the Balance Sheet XYZ Co. Ltd. on 31st December 2011:

Liabilities .......................... Rs.  Assets .......................... Rs.
Share Capital .......................... 200,000  Land and buildings .......................... 100,000
20,000 shares of Rs.10 each .............. 100,000  Plant machinery .......................... 150,000
Debentures .......................... 30,000  Work-in-progress .......................... 30,000
Sundry creditors .......................... 60,000  Stock .......................... 30,000
Reserve fund .......................... 2,500  Furniture and fitting .......................... 2,500
Dividend equalization fund ............... 25,000  Sundry debtors .......................... 25,000
P & I Appropriation A/c .......................... 12,500  Cash at Bank .......................... 100,000
Cash in hand .......................... 100,000  380,100

The company is absorbed by ABC Co. Ltd. on the above date. The consideration for the
absorption is the discharge of the debentures at a premium of 5%, taking over of the liability in respect of
the Sundry Creditors and a payment of Rs.7 in cash and one share of Rs. 5 in ABC Co. Ltd. at the market
value of Rs.8 per share in the exchange of one charge on XYZ & Co. Ltd. The cost of liquidation of
Rs.500 is to be made by the purchasing company.

REQUIRED: Pass necessary journal entries to close the books o accounts of XYZ company and
prepare relevant ledger accounts?

Q 8. Abu Bakr Limited had the following balances in their Trial Balance as at 31st December
2009:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Debit Rs.</th>
<th>Particulars</th>
<th>Credit Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land &amp; Building</td>
<td>310,000</td>
<td>Share Capital-fully paid up</td>
<td>400,000</td>
</tr>
<tr>
<td>Plant &amp; Machinery</td>
<td>310,000</td>
<td>Share Premium</td>
<td>40,000</td>
</tr>
<tr>
<td>Preliminary Expenses</td>
<td>15,000</td>
<td>General Reserve</td>
<td>100,000</td>
</tr>
<tr>
<td>Stock 1st Jan. 2009</td>
<td>65,000</td>
<td>Profit &amp; Loss A/c</td>
<td>25,000</td>
</tr>
<tr>
<td>Purchases</td>
<td>330,000</td>
<td>Bank Loan at 12% taken on 1st July 2009</td>
<td>200,000</td>
</tr>
<tr>
<td>Salaries</td>
<td>50,000</td>
<td>Sundry Creditors</td>
<td>35,000</td>
</tr>
<tr>
<td>General Expenses</td>
<td>15,000</td>
<td>Sales</td>
<td>600,000</td>
</tr>
<tr>
<td>Director Fees</td>
<td>3,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditors Fees</td>
<td>2,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages</td>
<td>60,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carriage</td>
<td>5,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing Expenses</td>
<td>20,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>20,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sundry Debtors</td>
<td>60,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>90,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Balance</td>
<td>45,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>14,00,000</td>
<td></td>
<td>14,00,000</td>
</tr>
</tbody>
</table>

ADJUSTMENTS
(1) Stock on 31st December 2009 was Rs.65,000
(2) The Managing Director is entitled to a commission of 5% on Net Profit after charging his
commission.
(3) General Expenses include prepaid insurance totaling Rs.300.
(4) A provision for income tax is required to be maintained at Rs.15,000.
(5) The directors recommended a dividend at 5%.
(6) Depreciation should be charged at the rate of 10% on Plant & Machinery and 2% on Land &
Building.

REQUIRED: Prepare Trading and Profit & Loss Account for the year ended 31st December 2009 and
Balance sheet as at that date?
Q.1 Define Auditing. Explain its objects.

Q.2 Define interim audit. Describe its merits and demerits.

Q.3 Define internal control. Explain the principles of internal control.

Q.4 Briefly explain the necessary steps to be taken by auditor in vouching of:
   (a) Investment  (b) Capital expenditure

Q.5 What do you mean by verification? How would you verify the followings?
   (a) Capital  (b) Debentures

Q.6 Describe the procedure of appointment of auditors of a Company.

Q.7 What is a Qualified audit report? Give a draft of Qualified report.

Q.8 State and explain the special points to which your attention should be directed in examining the accounting records of a Cement Industry.
Q. 1) Discuss the guidelines for good listening and barriers to good listening as well.

or

Define Market Report and state the advantages or function of a market report?

Q. 2) Write Short Notes on the following:
   i. Nonverbal Communication
   ii. Feedback
   iii. Formal and Informal Communication
   iv. Noise and Barriers
   v. Methods of delivering oral presentation

or

Discuss in detail the parts and composition of Official letters.

Q. 3) Define informative speaking. Describe its kinds and organizations.

or

Define oral presentations. Write down essential steps for preparing good oral presentation.

Q. 4) Draft a sales letter to be sent to your dealers for promoting the sale of a newly designed car that your company has placed in the market.

or

Explain merits of written and oral communication.

Q. 5) The direct approach works best for routine communication when the information is favourable or neutral. Illustrate it.

or

A bad news message varies from a good news message in structure, tone and information. Explain it.
1) Define acceptance. Explain its features and discuss its communication.
2) What is difference between cheque and promissory note?
3) Define consideration and also explain features, types and exceptions.
4) What is private carrier? Discuss its important features
5) What are the rules regarding health, safety and security of workers under Industrial Act?
6) What is difference between contract of indemnity and contract of guarantee?
7) Define and explain the various implied condition and warranties in a contract of sale.
8) Write short note on the following
   i. Void agreement
   ii. Contract of indemnity
   iii. Mistake
   iv. Caveat emptor
a) Royalty  
b) Appellate Tribunal  
c) Industrial Undertaking  
d) Non-Profit Organization  
e) Turnover  
Q. 2. Explain exemption in following case with reference to Income Tax Ordinance 2001  
a) Profit on Debt to Attract Foreign Funding  
b) Foreign Source Income of Returning Expatriates.  
c) Amount of Gratuity  
d) Perquisites Received by Employee  
e) Income of Venture Capital Company  
Q. 3. Define Agriculture Income. What are the types of Agricultural Income? Give examples of agricultural, Non-Agricultural Income and Partial Agriculture and partial Non-agriculture Income.  
Q. 4. What are the powers and functions of Chief Commissioner Inland Revenue and Commissioner Inland Revenue under the Law?  
Q. 5. Discuss the procedure of making appeal to Commissioner Inland Revenue (Appeals) and to the appellate Tribunal.  
a) Value of Supply  
b) Produce  
c) Output Tax  
d) Zero Rated Supplies  
Q. 7. Calculate sales tax liability of a Company for the month of January 2015 under Sales Tax Act, 1990:  
1. Taxable supplies to registered person Rs. 1,000,000.  
2. Taxable supplies to non-registered person Rs. 200,000  
3. Zero rated supplies include Rs. 300,000.  
4. Duty and Tax Remission Exports Rs. 200,000  
5. Exempted supplies Rs. 340,000  
6. Import value determined for custom duty Rs. 200,000  
7. Federal excise duty Rs. 30,000  
8. Custom duty Rs. 20,000  
9. Purchased from registered person Rs. 500,000  
10. Purchase of raw material Rs. 200,000  
11. Amount of electricity bill paid Rs. 40,000  
12. Purchase against commercial invoice Rs. 34500
Q. 8. Determine the taxable income, tax payable of Mr. ABC. for the tax year ended 30th June 2014 on the basis of following information

<table>
<thead>
<tr>
<th>Basic Salary</th>
<th>Rs.12,00,000</th>
<th>Profit on sale of Modariba certificate (holding period within 12 months)</th>
<th>70,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonus</td>
<td>1,50,000</td>
<td>Sale of personal car at profit</td>
<td>2,50,000</td>
</tr>
<tr>
<td>Fixed education allowance for children</td>
<td>80,000</td>
<td>Professional book purchased</td>
<td>20,000</td>
</tr>
<tr>
<td>Incentive award</td>
<td>1,35,000</td>
<td>Insurance Money received on maturity of policy</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Pay in lieu of leave</td>
<td>44,000</td>
<td>Contribution to approved fund during the year</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Entertainment Allowance</td>
<td>12,000</td>
<td>Legal expenses incurred during the year</td>
<td>15,000</td>
</tr>
<tr>
<td>Donation to bait-ul-Mal</td>
<td>1,20,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>| Rate of Income Tax |
|--------------------|-----------------|-----------------|-----------------|</p>
<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Rate of tax</th>
<th>Taxable Income</th>
<th>Rate of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Where taxable income does not exceed Rs.400,000</td>
<td>0%</td>
<td>Where taxable income exceeds Rs.18,00,000 but does not exceed Rs.25,00,000</td>
<td>1,40,00,000 + 17.5% of the amount exceeding Rs.18,00,000</td>
</tr>
<tr>
<td>Where taxable income exceeds Rs.4,00,000 but does not exceed Rs.7,50,000</td>
<td>5% of the amount exceeding Rs.4,00,000</td>
<td>Where taxable income exceeds Rs.25,00,000 but does not exceed Rs.30,00,000</td>
<td>262500 + 20% of the amount exceeding Rs.25,000</td>
</tr>
<tr>
<td>Where taxable income exceeds Rs.7,50,000 but does not exceed Rs.14,00,000</td>
<td>17500 + 10% of the amount exceeding Rs.7,50,000</td>
<td>Where taxable income exceeds Rs.30,00,000 but does not exceed Rs.35,00,000</td>
<td>362000 + 22.5% of the amount exceeding Rs.30,000</td>
</tr>
<tr>
<td>Where taxable income exceeds Rs.14,00,000 but does not exceed Rs.15,00,000</td>
<td>82500 + 12.5% of the amount exceeding 14,00,000</td>
<td>Where taxable income exceeds Rs.35,00,000 but does not exceed Rs.40,00,000</td>
<td>475000 + 25% of the amount exceeding Rs.35,000</td>
</tr>
<tr>
<td>Where taxable income exceeds Rs.15,00,000 but does not exceed Rs.18,00,000</td>
<td>95000 + 15% of the amount exceeding Rs.15,00,000</td>
<td>Where taxable income exceeds Rs.40,00,000 but does not exceed Rs.70,00,000</td>
<td>600,000 + 27.5% of the amount exceeding Rs.40,00,000</td>
</tr>
<tr>
<td>Where taxable income exceeds Rs.18,00,000</td>
<td>14,25,000 + 30% of the amount exceeding Rs.70,00,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Q.1. Care Pharmacy obtains patents of medicine on the condition that a royalty equal 23% of the sales price shall be paid to inventor of the medicine. It is expected that during the year 40,000 bottles of the medicine will be sold. Estimated cost for the above mentioned sales volume is as under:

<table>
<thead>
<tr>
<th>Estimated Cost</th>
<th>Total</th>
<th>Per Bottle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>Rs.1,770,000</td>
<td>Rs.35.40</td>
</tr>
<tr>
<td>Labor</td>
<td>300,000</td>
<td>6.00</td>
</tr>
<tr>
<td>Factory overhead</td>
<td>150,000</td>
<td>3.00</td>
</tr>
<tr>
<td>Marketing expenses (other than royalty)</td>
<td>750,000</td>
<td>15.00</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>250,000</td>
<td>5.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Rs.3,220,000</strong></td>
<td><strong>Rs.64.40</strong></td>
</tr>
</tbody>
</table>

Company wants to earn 31% net profit on every unit sold.

Required: (a) Compute the sales price per unit.
(b) Compute total royalty payable for sale of 40,000 bottles.
(c) Prepare estimated income statement for the above mentioned medicine.

Q.2. Jhelum Industry Limited purchases an item of raw materials in lots of 9,600 units which is a six months supply. The cost per unit is Rs.40.00, ordering cost is Rs.75 per order and carrying cost is 20%.

Required: How much can the company save per year by buying in the most economical lots?

Q.3. University Fabricators is producing lot No. 657, which called for 2500 dresses style No. 34 incurred costs as follows:

<table>
<thead>
<tr>
<th>Material</th>
<th>Rs. 2.00 per dress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Labour Cost</td>
<td>Rs. 1.20 per dress</td>
</tr>
<tr>
<td>Factory Overhead Cost</td>
<td>Rs. 1.60 per dress</td>
</tr>
</tbody>
</table>

When the lot was completed, inspection rejected 200 spoiled dresses which were sold for Rs. 3.00 each.

Required: (a) Journal Entries, if the loss is to be charged to Lot No. 657.
(b) Journal Entries, if the loss is to be charged to all production.

Q.4 From the following data, prepare a statement showing the cost per day of eight hours of engaging a particular type of labour:

(a) Monthly basic salary plus D. A. Rs. 400
(b) Leave salary 5% of (a)
(c) Employer’s contribution to P.F. 8% of (a) and (b)
(d) Employer’s contribution to Group Insurance 2.5% of (a) and (b)
(e) Pro-rate expenditure on amenities to labour Rs.35 per head p.m.
(f) Working days in a month 25 days

Q.5. Factory overhead variance analysis for the year ended December 31, 2013 showed the following:

| Budgeted factory overhead for capacity attained | Rs. 83,500 |
| Volume variance (Cr.)                          | Rs. 4,200  |
| Budget variance (Dr.)                          | Rs. 1,800  |

You are required to calculate:
(a) Actual factory overhead for the year.
(b) Applied factory overhead for the year.
Q.6. Mixing department of Dulux Company during April received 8,800 units from the preceding department at a cost of Rs. 70,400 to which materials are added resulting in 30% increase in number of units. Cost incurred by mixing department during April are: materials Rs. 52,500, labour Rs. 17,500 and factory overhead Rs. 10,000. On account of normal spoilage 440 units are lost. 9,500 units are transferred to the next department and remaining units are 1/3 complete.

Required: Prepare a cost of production report for the month of April.

Q.7. Z Industries Limited has two production departments A and B and two mutually interdependent service departments X and Y. Cost of service departments are apportioned on the basis of following percentages:

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>X</th>
<th>Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service dept. X</td>
<td>50%</td>
<td>30%</td>
<td>—</td>
<td>20%</td>
</tr>
<tr>
<td>Service dept. Y</td>
<td>40%</td>
<td>50%</td>
<td>10%</td>
<td>—</td>
</tr>
</tbody>
</table>

Following figures of departmental costs are available after the primary distribution.

<table>
<thead>
<tr>
<th>Department</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department A</td>
<td>Rs. 15,750</td>
</tr>
<tr>
<td>Department X</td>
<td>Rs. 11,750</td>
</tr>
<tr>
<td>Department B</td>
<td>Rs. 7,500</td>
</tr>
<tr>
<td>Department Y</td>
<td>Rs. 5,000</td>
</tr>
</tbody>
</table>

Required: Calculate total factory overhead of production departments by preparing a work sheet showing the secondary distribution using:

(i) Repeated distribution method.
(ii) Simultaneous Equation.

Q.8. Bring out clearly the significance of each of following cost classifications and explain the meaning of the terms used therein:

a. Direct and indirect.
b. Variable and Fixed.
c. Controllable and Uncontrollable.
Q.No.1- what are the causes of low per capita income in Pakistan.

Q.No.2- Discuss the role of Education in Economic Development.

Q.No.3- what are the causes of the food problem in Pakistan? Suggest solutions for this problem

Q.No.4- Define land tenure system? What are the defects of land tenure system in Pakistan?

Q.No.5- Explain the impacts of globalization on Pakistan.

Q.No.6- Discuss the importance of transport and communications in a country?

Q.No.7- Describe the disadvantage of foreign aid for less developed countries?

Q.No.8- Write short note on any two of the following.

b) Human resource development
c) Unemployment
d) Cooperative farming in Pakistan.
Q.No. 1

Explain the Ideology of Pakistan in the light of sayings of Allama-Iqbal.

Q.No. 2

Discuss the Educational and Political Services of sir Syed Ahmad Khan

Q.No. 3

Why was the Khilfat Movment started? Analyzed its achievements?

Q.No. 4

What are the hurdles in the way of industrial development in Pakistan? Suggest the measures of enhancing it.