

## Advanced Financial Accounting

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

- 1) Define any EIGHT of the Following:

### SECTION-A

- |                            |                                      |
|----------------------------|--------------------------------------|
| i) ACCOUNTING RATIOS       | ii) RIGHT SHARES                     |
| iii) PRELIMINARY EXPENSES. | iv) HIRE VENDOR                      |
| v) MORTGAGE DEBENTURE      | vi) STOCK DIVIDEND                   |
| vii) UN-CERTIFIED WORK     | viii) ABSORPTION                     |
| ix) INTERIM DIVIDEND       | x) PROSPECTUS OF PUBLIC LTD. COMPANY |

### SECTION-B

- 2) Z Ltd., with an authorized capital of Rs. 5, 00,000 shares of Rs. 100 each. The company issued 4,000 shares of Rs. 100 each at a discount of 5 percent. The company received application for 3,000 shares. All applicants paid their money due. During the year the company made a capital profit of Rs 20,000. It was decided to write off the discount of Rs. 10,000 out of this profit. Pass the necessary Journal Entries and show the Balance Sheet 10,10
- 3) A company has 12% outstanding debentures of Rs. 1 Lakh on 1<sup>st</sup> January 2013. Its purchase its own debentures, as investment of Rs. 10,000 at 98 EX-Interest on 1<sup>st</sup> May 2013. The company decided to cancel the own debentures purchased by it on 31<sup>st</sup> December 2013. You are required to pass the necessary Journal Entries and closing entries in the books of the company.
- 4) The Balance Sheet of M/S Abdullah Ltd. Lahore is given below:

Liabilities	Rs.	Assets	Rs.
Share Capital	8, 00,000	Building	12, 00,000
15% Debentures	4, 00,000	Machinery	2, 40,000
P & L A/c (current Year)	6, 00,000	Debtors	13, 00,000
General Reserve	6, 00,000	Stock	7, 00,000
Current Liabilities	11, 60,000	Bank	1, 20,000
	<u>35, 60,000</u>		<u>35, 60,000</u>
Net sales for the year Rs. 57, 60,000			
Compute:	i) Liquidity Ratio	ii) Current Ratio	iii) Debt-Equity Ratio
	iv) Stock Turnover Ratio		v) Debtors Turnover Ratio

- 5) From the following Trial Balance of company on 31<sup>st</sup> December, 2013. Prepare Trading, profit and Loss Account and Balance sheet.

	Rs.	Rs.
Stocks (1 <sup>st</sup> January)	2,000	
Book Debts	2,000	
Plant and machinery	1,000	
Wages	500	
Salaries		5,000
Ordinary shares	3,000	
Free Holds		1,000
Creditors		1,000
General Reserve		1,000
Travelling Expenses	250	
Purchases	10,000	
Sales		15,000
Cash	3,050	
	<u>22,000</u>	<u>22,000</u>

Adjustment : i) Stocks on: 31<sup>st</sup> Dec, 2013 was Rs. 2500. ii) Charge depreciation on Plant and Machinery at 10%  
iii) Provide Reserve 10% of Book Debts. iv) Place Rs. 100 to Bonus Fund for staff.  
v) Place Rs. 1250 to General Reserve Fund. vi) Pay 5% dividend on ordinary shares Capital.

### SECTION-C

- 6) Mr. Nazir purchased a machine from Ahmad Motors on the hire purchase agreement; the terms of the agreement were Rs. 4,000 payable down, Rs. 6,000 at the end of 1<sup>st</sup> year, Rs. 5,000 at the end of 2<sup>nd</sup> year and Rs. 2,000 at the end of 3<sup>rd</sup> year. The cash price of the machine is Rs. 15,980. The vendor charges interest at the rate of 5% on annual balances, depreciation to be provided at 10% under reducing installment system.  
Give Journal Entries and necessary accounts in the book of Mr. Nazir for two year. Also show the Machinery Account at its written down value in the Balance sheet after two years.

7) From the following particulars, prepare Branch Account showing the Profit Or Loss of the branch:

Opening stock at branch	30,000
Goods sent to branch	90,000
Sales (cash)	1, 20,000
Salaries	10,000
Other expenses	4,000

Closing stock could not be ascertained, but it is known that the branch usually sells at cost plus 20%Thebranch manager is entitled a commission of 5% on profit of the branch before charging such commission.

8) The following expenditures were incurred by modern Builders Ltd. construction of a club building during 2013:

Material	1, 24,000	Direct wages	1, 55,000
Wages accrued	5,000	Machinery sent at site	20,000
Overhead Charges	8,600		

Cash received on account to December 31<sup>st</sup> amounts to Rs. 2, 60,000 being 80% of the value of work certified. The cost of materials at site was ascertained at Rs. 8,500 and uncertified work was valued at cost Rs. 15,000, and machinery was valued at Rs.16,000.

**Required:** Prepare contract account and show how the working progress would appear on the balance sheet.

9) The following particulars are available in respect of the business carried on by Mr. Shakeel:

i) Capital invested		Rs. 50,000
ii) Trading Results:		
2010	Profit	12,200
2011	Profit	15,000
2011	Loss	2,000
2013	Profit	21,0

- iii) The market rate of interest on investment 8%
- iv) Market rate of risk return on capital invested in business. 2%
- v) Remuneration from alternative employment of the proprietor (p.a)
- vi) Required: Compute the value of good will of the business on the basis of 3 years purchase of super profit taking average of last four year.

\*\*\*\*B.com-II (15/A) \*\*\*\*

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