ADVANCED ACCOUNTING 2019

Time: 3 Hours **(REGULAR)** **Max Marks: 100**

Instructions: Attempt any five questions in all.

Q.01: ABSORPTION

After the approval of shareholders and fulfilling the legal requirements, Badar Limited, Absorbed Yasmeen Limited under the following terms and conditions:

i) All assets and liabilities to be taken at book value.
ii) Badar Company Ltd. Issued its three ordinary shares of Rs.10 each for every four ordinary shares to the shareholders of Yasmeen Limited, The market price of Badar Company's share is Rs.12/-

Following are the assets and equities of Yasmeen Ltd. As on Dec 31' 2018:

EQUITIES:

- Account payable Rs.60,000; Notes Payable Rs.40,000; Allowance for Depreciation for Bad Debts Rs.20,000; Ordinary share capital (par value of Rs.10) Rs.860,000. Total Rs.10,20,000

ASSETS:

- Cash Rs.80,000 supplies Rs.10,000; merchandise inventory Rs.1,10,000 Accounts Receivable Rs.120,000, Building Rs.5,80,000, Land Rs.1,20,000, Total Rs.10,20,000/-.

REQUIRED: General journal entries in the books of:

(a) Yasmeen Ltd.
(b) Badar Ltd.

Q.02: INSTALLMENT SALES

On September 01, 2018 SHAHID & TAHIR COMPANY sold five FAW V12 Cars on installment basis at per car. The cost of each car was Rs.12,15,000. Installment sales agreement states that:

i) 20% of the total installment sales will be paid as down payment.
ii) After making the down payment, remaining balance will be paid in 36 monthly installments for each car, starting from October 1, 2018.
iii) Interest at 14% will be applied on the unpaid balance of installment account receivable. The interest will be paid along With the monthly installment. During 2018 all installments were received without any default.

REQUIRED:

Make necessary dated journal entries including adjusting & closing entries for the year ended Dec. 31st, 2018.

Q.03: (a)

BRANCHES ACCOUNTING

on June 30, 2019 the following information pertains to AMJAD HUSSAIN & COMPANY. The branch account in the books of head office Shows a balance of Rs.44,000. The head office account in the books of Kaghan branch shows a balance of Rs.25,000. The following discrepancies are responsible for the difference in both the account:

(1) Merchandise returned by the Kaghan branch, but not yet received by the head office Rs.9,000.
(2) Merchandise supplied by the head office to its Kaghan branch at billed price of Rs.8,000 on June 29 not received by the branch till June 30.
(3) Payment of Kaghan branch's utilities of Rs.2,000 by head office but not recorded by the branch.

(4) The Kaghan branch collected a head office accounts receivable of Rs.5,000 but failed to inform the head office.

(5) Head office paid Kaghan branch's advertisement expense Rs.5,000 but not recorded by the branch.

REQUIRED:

(a) Pass necessary journal entries in the books of Head Office and Branch

(b) Prepare Head Office account in the books of Branch.

Q.03: (b)

QAISAR HUSSAIN & COMPANY has many branches in Sindh. Following transactions were performed by its Hyderabad and Sukkur branches:

HYDERABAD BRANCH

1- Goods transferred to Sukkur branch of Rs.50,000 and paid freight of Rs.2,000.

2- Collected Head Office Accounts Receivable Rs.15,000.

3- Paid to Sukkur branch creditors Rs.5,000.

SUKKUR BRANCH:

1- Collected Hyderabad branch Accounts Receivable Rs.18,000

2- Paid Head Office A/c Payable Rs.9,000

3- Cash transferred to Hyderabad branch Rs.7,000.

REQUIRED:

Pass the entries in the books of Hyderabad and Sukkur branches (Note: Branches work under the H. O. instruction.)

Q.04: AMALGAMATION

On January 1, 2019, balance sheet of Syed Company, Ali Company and Imran Company are given below:

	SYED LTD.	ALI. LTD	IMRAN. LTD
Cash	Rs.200,000	Rs.300,000	Rs.400,000
Other Assets	Rs.300 000	Rs.400 000	Rs.500 000
	Rs.500,000	Rs.700,000	Rs.900,000
A/C. Payable	Rs.50,00	Rs.100,000	Rs.100,000
Retained Earnings	Rs.100,000	Rs.50,000	Rs.200,000
Share Capital	Rs.350,000	Rs.550,000	Rs.600,000
	Rs.500,000	Rs.700,000	Rs.900 000

On January decided to amalgamate their businesses and a new company namely SAI COMPANY LTD. formed with and authorized capital of Rs.30,00,000 consisted of shares of Rs.10 each, The above three companies liquidated under the following terms and condition:

1- SAI COMPANY LTD, takes over all the assets and liabilities of SYED LTD. and issued 47,000 ordinary shares as purchase consideration.

2- SAI COMPANY LTD. takes over all the assets and liabilities of ALI LTD. and issued 57,000 ordinary shares to the shareholders of ALI LTD.

3- SAI COMPANY LTD. takes over all the assets and liabilities of IMRAN LTD. and Issued shares of Rs.10 each equal to the net assets of IMRAN LTD.

REQUIRED:

(a) Compute the purchase consideration of above three amalgamating companies.
(b) Pass the all necessary Journal entries in the book of Sal COMPANY LTD.
(c) Prepare initial balance sheet of SAI COMPANY LTD. as on January 1, 2019.

5. FINANCIAL STATEMENTS

Following is the pre-closing Trial Balance of Maryam & Hasnain Com an on June 30 2019:

DEBITS:

Cash 75,000; A/c Receivable 45,000; Prepaid Insurance 25,000; Merchandise Inventory 45,000; Sales Discount 10,000; Purchases 190,000; Carriage Inward 18,000; Plant & Machinery 280,000; Supplies 15,000; Sales Returns 5,000; Land 200,000; Rent Expanse 45,000; Salaries Expanse 72,000 Prepaid Advertising 25 000. Total Rs.10,50,000

CREDIT:

A/C Payable 87,000, Purchase Discount 12,000; Note Payable 23,000; Ordinary Share Capital 420,000, Retained Earnings 23,000, Sales 372,000; Unearned Consultation Income 11,000, Plant Expansion Reserve Rs.5,000. Total Rs.10,50,000

ADDITIONAL DATA on June 30, 2019:

i) Merchandise inventory Rs.50,000.
ii) 10% estimated depreciation on fixed assets.
iii) Salaries expense for the ear Rs.70,000.
iv) Rent expense for the ear Rs.40,000.
v) Declared 25 paisa per share dividend
vi) Bad debts estimated at 2.5% ear end A/c Receivable.
vii) Consultation income Rs.10,000.
viii) 4/5 advertising expired.
ix) 4/5 insurance still prepaid.
x) Create Contingencies Reserves Rs.7,000.
xi) Plant Expansion Reserve increased u to Rs.9,000.

REQUIRED:

(1) Prepare income Statement and Retained Earnings Statements for the year ended June 30, 2019.
(2) Prepare Balance Sheet at June 30, 2019.

6. RATIOS ANALYSIS

(a) The following data were taken from the balance sheet of TAUSEEF JILANI COMPANY:

DESCRIPTION	2018	2017
Cash	Rs.2,80,000	Rs.2,65,000

Marketable securities	Rs.1,31,000	Rs.1,21,000
Accounts receivable	Rs.395,000	Rs.3,84,000
Inventories	Rs.5,70,000	Rs.5,55,000
Prepaid expenses	Rs.19,000	Rs.40,000
Accounts Payable	Rs.2,50,000	Rs.2,85,700
Accrued Expenses	Rs.60,000	Rs.64 300
Unearned income	Rs.50,000	Rs.70,000
Net Credit Sales	Rs10,00,000	Rs.900 000

REQUIRED:

Determine:

(1) Working Capital for 2017.
(2) Current ratio for 2018.
(3) Acid-Test ratio 2017
(4) Receivable turn over 2018.

Q.06: (b)

The following data were extracted from the Income Statement of two companies:

Description	Sales	Beginning inventories	Gross Profit	Ending inventories	Inventory turnover
ARSALAN Co.	30,00,000	?	30%on sales	360,000	7 times
SALMAN Co.	20,00,000	190,000	20%on sales	?	8 times

REQUIRED:

Determine the missing amounts of inventories

Q.07: ISSUANCE OF SHARES & DEBENTURES

Following are the transactions of different Companies :

(1) Samsam & Company offered 120,000 Ordinary Shares of Rs.10 each at 10% premium. Banker informed that 150,000 Ordinary shares application were received. Company finalized the allotment.
(2) Naeem Khalid & Company offered 78,000 Ordinary shares of Rs.10 each. Banker informed that 70,000 shares application were received. Directors finalized the allotment & the remaining shares were taken by underwriters.
(3) Farhan Qazi & Company purchased Equipment and in consideration issued 12,500 Ordinary shares of Rs,10 each to the vendors at that time prevailing market price of shares was Rs.12.5 each.
(4) Waris & Moiz Company issued 5,000 debentures of Rs.100 at Rs.104 each, redeemable after 3 years at par
(5) Waqas & Zaki Co. offered 50,000 10% 5 years debentures of Rs.100 at Rs.97, redeemable after 5 years at Rs.105.

(6) Zohaib Company issued 12,000 8%-debentures of Rs.100 each at 5% discount, redeemable after 5 ear at par.
(7) A.K. Farooq & Company purchased Furniture Rs.d50,000 and issued shares of Rs.10 each, at Rs.12.50 each

REQUIRED:

Record the above transaction in Genera Journal.

Q.08: STATEMENT OF CASH FLOWS

Comparative balance sheets of CPA COMPANY are given below: CPA COMPANY LTD.,

BALANCE SHEET.

ASSETS	31.12.2018	31.12.2017
Cash	23,000	16,000
AIC. Receivable	18,000	10,000
Inventory	34,000	30,000
Plant Assets	56,000	55,000
Accumulated Depreciation	(56,000)	(10,000)
Total	119,000	101,000

LIA. & SHAREHOLDER EQUITY	31.12.2018	31.12.2017
Accounts Pa able	20,700	18,200
Wages Payable	800	300
Income Tax Payable	500	1,500
Ordinary Share Capital	60,000	50,000
Retained Earnings	37,000	31,000
Total	119,000	101,000

Income Statement of CPA COMPANY for the year 2018 is given below:

CPA COMPANY LTD., Income Statement for the year ended Dec. 31, 2018.

Sales		59,000
Less: Cost of Goods sold		(30,000)
Gross Profit		29,000
Less: Expenses		
Wages Expense	10,000	
Depreciation Expense	5,000	
Other Operating Expenses	3,000	

Income Tax Expenses	2,000 (20,000)
Net income	9,000

Assume that during 2018 the following transaction took place, In addition to routine transaction:

(1) Purchased new plant assets for Rs.8,000.
(2) Issued additional Ordinary Shares at par for Rs.10,000.
(3) Declared and paid cash dividends of Rs.3,000.
(4) Sold plant asset (having book value Rs.4,000 and accumulated depreciation for Rs.4,000 cash,

REQUIRED:

Prepare the statement of Cash Flow.

COST ACCOUNTING 2019

Time: 3 Hours **(REGULAR)** **Max Marks: 100**

Instructions: Attempt any five questions in all.

Q.01. CONCEPTS & COST ACCUMULATION PROCEDURE

a) What is meant by the following :

i) Period Costs (ii) Equivalent units

(iii) Direct Costs (iv) Indirect Costs

(b) Explain similarities and the differences between Job Order & Process Costing.

Q.02. UFACTURING CONCERN

Selected data from the accounting year ended on Dec 31, 2018 of M/S Zubair Ltd are as follows:

	Beginning	Ending
Raw Material	17,750	20,250
Work in Process	20,000	7,500
Finished Goods	22,000	27,500

Other Data:

i) Direct Material used Rs.81,500
ii) Total Manufacturing Costs Rs.1,71,500
iii) Selling & Administrative Expenses Rs.7,875

FOH applied at a rate of 60% of D.L Cost

REQUIRED:

(a) Cost of R.M. Purchased during the year.
(b) Direct Labor charged to production during the year
(c) Cost of goods manufactured
(d) Cost of goods sold

Q.03. FACTORY LEDGER ENTRIES:

M/S Noor Ltd uses a general ledger and a factory ledger. The following transaction took place:

I) Purchased Material for Rs.30,000.
II) Requisition of Rs.6,000 of Direct Material and Rs.3,000 for indirect Materials.
III) Factory Payroll Rs.3,000 (Direct Labor 90% Indirect Labor 10%) was made at the Home office. Rs.2,500 in cash was sent to the factory, deducting Rs.300 for EOBI and Rs.200 for Social Security.
IV) Depreciation of Factory Equipment Rs.300.
V) Misc. Factory overhead Rs.1200 paid by the Home office and transferred to the factory.
VI) A job was completed in the factory amounting Rs.2,000.
VII) The completed job was billed to customer for Rs.3,500

REQUIRED: Journal entries on the Factory Books and the General Office Books.

Q.04. JOB ORDER COSTING:

MIS Mehmood Ltd uses a 0b Order Costing System to individual Production Orders. Two Processing Department A and B are involved in the manufacturing of the product. FOH is applied on the basis of Machine Hours in Department A, and on the basis of Direct Labor Hours in Department B.

At the Normal Production Level, the following estimates were made:

	Department ‘A’	Department ‘B’
Factory Overhead	Rs.100,000	Rs.210,000
Machine Hours	Rs.10,000	Rs.20,000
Direct Labor Hours	Rs.15,000	Rs.30,000

Production Order Number 405 for 5000 units started and completed during the month. The costs recorded show the following information:

	Department 'A'	Department 'B'
Direct Material used	Rs.20,000	Rs.30,000
Direct Labor incurred	Rs.15,000	Rs.20,000
Machine Hours	500	600
Direct Labor Hours	300	400

REQUIRED

i) Determine the overhead rates to be used in applying Overhead Costs to job No. 405.
ii) Total cost of job No.405.
iii) Unit Cost of job NO.405.
iv) Journal Entries.
   a) To record Manufacturing Cost incurred (One compound entry)
   b) To record Cost of job completed.

Q.05. PROCESS COSTING:

MIS Qasim Ltd provides the following information relating to Department 1 for the month of Jan 2018:

Costs		Units	
WIP Opening	100,000	WIP - Opening	20,000 units
D. M. used	200,000	Units Started	100,000 units
Direct Labor	300,000	WIP - ending	15,000 units
FOH	500,000		

WIP - Opening (85% complete as to Material and 70% to conversion)
WIP - Closing (85% as to Material, 60% complete as to conversion)
REQUIRED: Cost of Production Report

Q.06. MATERIAL COSTING

(A) DEFECTIVE WORK

The following costs have been incurred by MIS. Rahat Ltd for producing 200 of a product Y.

Direct Material	Rs.40,000
Direct Labor	Rs.30,000
Facto Overhead	Rs.20,000

20 Units are found to be defective and are to be reworked at a total costs of Rs.500 for Material, Rs400 for Labor and Rs.300 for Factory Overhead.

REQUIRED: Journal Entries:

(i) Rework Cost is charged to the specific job.
(ii) Rework Cost is spread over all production.

(B) Record Material Variance entry and also close variances accounts from the following information:

Actual Material Cost	36,000 Unfavorable
Standard Material Cost	39,600 Favorable
Material Quantity Variance	5,400
Material Price Variance	9,000

Q.07. INCENTIVE WAGE PLAN-STRAIGHT PIECE WORK PLAN

(A) Standard Time to produce One unit is Five Minutes. Guaranteed Base pay rate is Rs.96 per hour. Workers A, B, C, D, and E produced 10,12,14,16, and 18 units respectively in one Hour.

REQUIRED:

- Prepare a Schedule Showing per hour and unit Labor Cost for each worker.

(B)

Standard Labor Cost	21,600
Actual Labor Cost	28,080 (unfavorable)
Labor Rate Variance	2,160

REQUIRED:

- Find Labor Efficiency Variance and give entries to Close Variances accounts.

Q.08. FACTORY OVERHEAD VARIANCES

(A) The normal capacity level was estimated at 2 Lac (200,000) Direct Labor Hours for the next period. At this level FOH was estimated at Rs.600,000 consist of Rs.250,000 for Fixed Factory Overhead and Rs.350,000 for Variable FOH. Actual Direct Labor Hours Worked during the period 190,000 Direct Labor Hours. Actual Factory Overhead Cost incurred Rs.584,000.

REQUIRED:

(i) Spending Variance
(ii) Idle Capacity / Volume Variance

(B)

Product	X	Y	Z
Actual FOH	14,000	20,000	27,000
A lied FOH	14,000	18,000	28,000

REQUIRED:

(i) Calculate over or under applied FOH for each Product
(ii) Give journal entries for disposition of over or under applied FOH to cost of goods sold (Separate entry for each Product)

ADVANCED ACCOUNTING 2018

Time: 3 Hours **(REGULAR)** **Max Marks: 100**

Instructions: Attempt any five questions in all.

Q.01. COMPANY - SHARES & DEBENTURES / RETAINED EARNING:

(a) Brooks Pakistan Ltd. Was incorporated with authorized Capital of divided into shares of Rs.10 each. The following transaction were completed:

i) Offered 50,000 shares at par. 40,000 application were received. Shares issued against applications and unsubscribed shares issued to underwriter with 5% undertaking commission.
ii) Purchased machine & issued 5,000 shares at Rs.9 each.
iii) Issued 10,000 shares at par in settlement of bonds payable of Rs.1,25,000
iv) Acquired a piece of land for by issuing shares at Rs.12 each
v) Paid Preliminary expenses of Rs.25,000.
vi) Issued 3,000, 10% debentures at Rs.105.

vii) Received Rs1,96,000 on issuance of 10% debentures Rs.100 each at Rs.98 repayable at Rs.103 after 5 years.

REQUIRED:

Record the above transactions in the books of Brooks Pakistan Ltd.

(b) Basil Company Ltd. Has the following balances in the .books of accounts on Dec. 31, 2018:

Shares Capital (50000 shares @ Rs.10)

Retained earnings (debit) 15,000 Income summary (credit)

The board of directors decided:

i) Declare cash dividend Rs.O.50 per
ii) Declare stock dividend 10%.
iii) Appropriate Rs.10,000 for contingencies

REQUIRED:

Prepare Statement of Earnings for the year ended Dec. 31, 2018.

Q,02. INSTALLMENT SALES:

M/S Orix Limited uses perpetual inventory system for recording merchandise, and installment method for recognizing profit. The following transaction during the year ended Dec. 31, 2018 were as under:

i.	Merchandise Inventory (Jan. 1, 2018)	1,45,000
ii.	Purchases on account	5,05,000
iii.	Defective goods returned to suppliers	20,000
iv.	Sales on installment basis	8,40,000
v.	Cash collection during the year	4,30,000
vi.	Payments to Suppliers	2,50,000
vii.	Expenses paid	60,000
viii.	Merchandise inventory (Dec. 31, 2018)	84,000

REQUIRED:

Record the above transactions in General Journal giving adjusting and closing entries.

(b) The following information is obtained from the record of Majeed installment Co.

i)	Value of Repossessed Goods from a defaulted customer	20,000
ii)	Loss on Repossession	4,000
iii)	Rate of unrealized gross profit	40%
iv)	Installment A/C. Receivable cancelled	?

REQUIRED:

Pass journal entries to record the loss on repossession.

Q.03. BRANCH ACCOUNTING INCOME STATEMENT:

The following are selected transactions of the Branch of Karachi Company, located in Sahiwal as on 31.12.2016.

Inventory opening 15,000

Purchases 21,000

Shipment from head office 48,000

Defective goods returned to head office 6,000

Sales 65,000

Operating expense 8,000

Inventory ending 20,000

The Head Office has followed the practice of billing the Branch at 20% above cost. The opening and ending inventory includes 10% local purchase.

REQUIRED:

(a) Prepare income statement of Branch for the year ended December 31, 2016.
(b) Record the branch profit I loss, and Allowance for overvaluation in the books of Head Office.

Q.04. CASH FLOW STATEMENT:

The comparative balance sheets of Shan Company Ltd as on Dec. 31, 2016 and 2017 were as under:

DEBIT BALANCES	2017	2016
Cash	29,000	5,000
Accounts Receivable	29,000	35,000
Merchandise Inventory	50,000	56,000
Prepaid Expenses	7,000	4,000
Machinery	100,000	90,000
Land	50,000	60,000
Goodwill Total	25,000	20,000
Total	2,80,000	2,70,000
CREDIT BALANCES	**2017**	**2016**
Accounts Payable	28,000	35,000
Accrued Expenses	26,000	20,000
Accumulated Depreciation	30,000	22,000
10% Bonds Payable	40,000	50,000
Share Capital	1,20,000	1,00,000
Retained Earning	36,000	43,000
Total	2,80,000	2,70,000

Additional information on Dec. 31, 2017

i) Land costing Rs.10,000 was sold for Rs.20,000.
ii) Machine costing Rs.20,000 was sold Rs.9,000 at a loss of Rs.3,000.
iii) Cash dividend paid during the year Rs.20,000.

REQUIRED:

- Prepare statement of cash flow for the year 31.12.2007.

Q.05. ANALYSIS OF FINANCIAL STATEMENT:

The balance sheet of Shah Wilayat Ltd as on Dec. 31, 2016 is given below:

ASSETS	
Cash	56,000
Accounts Receivable	60,000
Merchandise Inventory	45,000
Prepaid Expenses	1,65,000
Fixed Assets	4,24,000
Total	7,50,000
EQUITIES	
Accounts Payable	70,000
Notes Payable	90,000
Long Term Loan	1,40,000
Share Capital	2,00,000
Retained Earnings	2,50,000
Total	7,50,000

ADDITIONAL INFORMATION FROM INCOME STATEMENT:

Gross Profit (25% of sales)	1,50,000
Depreciation Expenses	50,000

REQUIRED:

Compute the following:

(a)	Working Capital	(b)	Inventory turnover
(c)	Current Ratio	(d)	operating cycle days
(e)	Quick Ratio	(f)	Earnings per share
(g)	Receivable turnover	(h)	Book value per share

6. COMPANY - FINANCIAL STATEMENT:

Taimoor Company Ltd was registered with an authorized capital of divided into ordinary shares of Rs.10 each. Following is the pre-closing trial balance of the company on Dec. 31, 2015.

DEBIT BALANCES	
Cash	64,000
Accounts Receivable	65,000
Merchandise Inventory	25,000
Prepaid Insurance	8,000
Equipment-Cost	1500,000
Purchases	4,80,000
Transportation in	20,000
Salaries Expenses	58,000
Rent Expenses	45,000
Auditor Fee Expense	23,000
Director Fee Expense	18,000
Total	2306,000
CREDIT BALANCES	
Account Payable	60,000
Allowance for Depreciation	1,40,000
Allowance for Bad Debts	8,000
10% Bonds Payable	2,89,000
Share Capital	100,000
Retained Earning	59,000
Sales Revenue	7,50,000
Total	2306,000

Data for adjustments on Dec. 31 2015:

(i) Merchandise Inventory valued Rs.l,80,000
(ii) Allowance for doubtful account increase by Rs.2,000
(iii) Equipment depreciated by 20% diminishing bal. method.
(iv) Insurance expired during the year Rs.3,000
(v) Prepaid Salaries Rs.8,000.
(vi) Three month rent is unpaid @ Rs.5,000 / month.
(vii) Appropriate Rs.30,000 for contingencies.

REQUIRED:

- Income statement and Retained earnings statement for the year ended Dec. 31, 2015.
- Balance Sheet as on Dec. 31, 2015.

7. COMPANY - ABSORPTION:

The balance sheet of Rainbow Company Ltd as on Dec. 31, 2018 was as under:

DEBIT BALANCES

Cash	70,000	
Accounts Receivable		50,000
Merchandise Inventory		1,20,000
Land	1,50,000	
Building	1,10,000	
Total	5,00,000	

CREDIT BALANCES

Share Capital		2,00,000
Share Premium		30,000
Allowance for Bad Debts		30,000
General Reserve		20,000
Retained Earnings		1,40,000
Bonds Payable		70,000
Account Payable	10,000	
Allowance for Depreciation	7,50,000	
Total		5,00 000

The above company absorbed by Park Lane Ltd on the following terms:

i) All and liabilities (except cash and bonds payable) taken over by Park Lane Ltd at book values.
ii) Purchase consideration was satisfied by 4,00,000 in the shape of:

Cash	1,00,000
Shares (26000@ Rs.12)	3,00,000

iii) Rainbow co. Ltd paid Rs.120,000 in full settlement of bonds payable
iv) The liquidation expenses Rs.10,000 to be paid by the Rainbow Co. Ltd.

REQUIRED:

- Give General Journal entries in the books of: (a) Rainbow Co. Ltd (b) Park Lane Ltd.

8. BRANCH A/C. - G. JOURNAL ENTRIES:

Bilal & Company Karachi opened a branch at Rawalpindi. The Head office sent goods to its Branch at 25% above cost. The transition of the Head office and its branch are as follows:

HEAD OFFICE:

i)	Purchase Merchandise on account	2,50,000
ii)	Shipment merchandise to branch	1,50,00
iii)	Remitted cash to branch	35,000
iv)	Paid salaries of branch	35,000
v)	Paid account payable of branch	15,000
vi)	Collected cash from a customer of branch	18,000

BRANCH

i)	Purchase Merchandise from local market on cash	5,000
ii)	Defective goods returned to head office	10,000
iii)	Paid travelling expenses to head office staff	12,000
iv)	Purchased computer on AIC. for office	25,000
v)	Sold merchandise for cash	75,000
vi)	Paid office rent for the year in advance @ Rs.2000 per month	

REQUIRED:

Give necessary journal entries in the books of head office and branch respectively recording the reciprocal transaction.

ADVANCED ACCOUNTING 2018

Time: 3 Hours **(Private)** **Max Marks: 100**

1. COMPANY ACCOUNTING - ABSORPTION:

The balance sheet data of AMJAD LTD. was as under:

Credit balances: Authorized capital share premium Rs.50,000, Reserve Rs.50,000, Paid up capital 5,00,000 Retained earnings Rs.92,000, Bonds payable Rs.100,000 Accounts payable Rs.50,000, Total: Rs.8,42,000

Debit balances: Cash Rs.1,12,000 other assets = ?

AMJAD LTD. was observed by SAMSAM Limited on the following terms

1. All the assets (except cash) and A/C Payable were taken over by SAMSAM LTD. At book values.
2. Shareholders of Amjad Limited received 50000 shares of Rs.10 each and cash payment of Rs.1,11,000 from SAMSAM LTD.
3. Bondholders of Amjad LTD. Limited received cash 1,05,000 from SAMSAM LTD.
4. SAMSAM LTD. also paid cash Rs.14,000, to AMJAD LTD. for its liquidation expense.

REQUIRED:

(a) Compute the Purchase consideration.
(b) Give the necessary journal entries in the book of *AMJAD Ltd and *SAMSAM LTD.

Q.02. INSTALLMENT SALES:

ASGHAR LTD. Uses of perpetual inventory system recording Merchandise and installment method for recognizing profit their transaction for the year ended Dec 31 2012 were under:

1- Sales on installment basis Rs,.14,00,000

2- Cost of installment sales Rs,10,50,000
3- Purchased Merchandise on account 12,00,000
4- Payment of account payable 5,00,000
5- Expense paid Rs.9,200.
6- Installment accounts cancelled Rs.24,000.
7- Repossessed Merchandise was valued Rs.15,000.

REQUIRED: Record the above transactions in general journal giving adjusting and closing entries.

Q3. BRANCH ACCOUNTING:

NASIR & IMRAN CO. establish a branch at Islamabad. The head office & branch transactions were as under:

HEAD OFFICE TRANSACTION:

i) Transfer of cash to branch Rs.50,000.
ii) Merchandise shipment to branch at cost Rs.80,000.
iii) Paid branch salaries Rs.14,500.
iv) Paid branch accounts payable Rs.20,000.
v) Collected branch accounts receivable Rs.12,000.

BRANCH TRANSACTIONS:

i) Sold goods for cash Rs.66,000.
ii) Paid Head Office accounts payable Rs.9,000.
iii) Received head office accounts receivable Rs.58,500 after discount of Rs.1,500.
iv) Branch paid' advertising expense Rs.20,000, including head office advertising expense Rs.15,000.
v) Branch reported loss Rs.3,000.

REQUIRED: Prepared journal entries in the books of:

(a) Head Office (b) Branch.

Q.04. AMALGAMATION:

The balance sheets of Ziyan Ltd and Ghazi Ltd as at January 01 2019 Rs. under:

TITLE OF ACCOUNTS	ZIYAN LTD.	GHAZI LTD.
PROPERTY & ASSETS		
Plant & Machinery	46,000	22,000
Stock in Trade	16,000	18,000
Sundry Debtors	6,000	4,000
Bank Account	12,000	16,000
Total	80,000	60,000
TITLE OF ACCOUNTS	ZIYAN LTD.	GHAZI LTD.
LIABILITIES & CAPITAL		
Share Capital Rs.10	30,000	20,000

Reserve Account	14,000	-----
Profit & Loss	6,000	12,000
Sundry Creditors	30,000	28,000
Total	80,000	60,000

The above two companies agree to amalgamate and form a new company Sikandar Ltd on the following condition for both companies.

All assets and liabilities all taken over at book value. Purchase consideration paid to both companies by Sikander Ltd as: 70% in the shape of shares of Rs.10 each and 30% in the shape of Bonds of Rs.100 each.

REQUIRED:

a) Pass journal entries in the books of new company.
b) Prepare balance sheet under uniting of interest method at January 1, 2019.

Q.05. FINANCIAL STATEMENT:

CPA Company Ltd was registered with an authorized capital of Rs.20,00,000 divided into 1,00,000 ordinary shares of Rs.10 each and 1,000, 9% preference shares of Rs.100 each. Before closing the balances of accounts were extracted from the books of the company on December 31 2018.

DEBIT BALANCES:

Cash in hand 1,00,000 cash at Bank 3,00,000 Merchandise inventory (1.1.2018) Rs.20,000 Prepaid insurance Rs.6,000; Accounts Purchase Receivable Rs.75,000; Machine Cost 3,00,000 purchases Rs.2,50,000 Transportation on purchases 12,000 ; Salaries Expense Rs.20,000; Advertising Expenses Rs.10,000; Auditors Fee Expense Rs.5,000. Directors Fee Expense Rs.2,000. Total 11,00,000

CREDIT BALANCES:

Allowance for Depreciation on Machinery Rs.50,000; Allowance for bad debts Rs.2,000 Mortgage Notes Payable Rs.70,OOO; Sales Revenue Rs.3,20,000; Retained Earnings Rs.10,000; Share capital: Paid up Preference Shares Rs.4,75,000; Ordinary Shares Rs.l,25,000 accounts payable 48,000 Total Rs.11,00,000.

Supplementary data for adjustment on 31.12. 2018.

1- Merchandise inventory was valued on December 31, 2018 Rs.32,000.
2- 2- Insurance expired Rs.4,000.
3- Salaries due but not paid Rs.5,000
4- Allowance for bad debts to be increased by Rs.1,000.
5- Announce for depreciation on machinery to be provided for the year was estimated at Rs.5,000.
6- The company decided to appropriate Rs.5,000, for reserved for contingencies and to appropriate Rs.8,000, for Reserve for plant expansion.

REQUIRED:

(a) Prepare income statement for year ended 31.12.2018.
(b) Prepare a classified balance sheet.
(c) Prepare a statement of retained earnings.

Q.06. STATEMENT OF CASH FLOW:

Shown below are comparative balance sheet for BAMZ COMPANY on Dec 31:

DEBIT BALANCES	2018	2017
Cash	88,000	22,000
Accounts Receivable	88,000	76,000
Merchandise Inventory	1,67,000	1,89,000
Land	80,000	1,00,000
Equipment 260,000 200,000		
Accumulated Depreciation (Equipment)	(66,000)	32,000
Total	5,97,000	5,55,000
CREDIT BALANCES		
Accounts payable	39,000	43,000
Bonds Payable	150,000	200,000
Ord. Share Capital (Rs.10 each)	216,000	174,000
Retained Earnings	192,000	138,000
Total	597,000	555,000

ADDITIONAL INFORMATION:

1. Net income for 2018 was Rs.93,000
2. Depreciation expense Rs.34,000.
3. Cash dividends of Rs.39,000 were declared and paid.
4. Bonds payable amounting to Rs.50,000 were redeemed for cash Rs.50,000.
5. Ordinary shares were issued for Rs.42,000, cash.
6. No equipment was sold during 2018.
7. Land was sold for its book value.

REQUIRED:

- Prepare statement of cash flow for 2018 using the indirect method.

Q.07. ISSUANCE OF SHARES & DEBENTURES:

Following are the selected transactions of SADIQ COMPANY LTD:

1. Offered Ordinary shares of Rs.10 each at 35% premium to general public. Received shares applications till closing date
2. Issued offered shares and return the excess shares' application money.
3. Purchased land and issued shares at prevailing market price of Rs.14 each.
4. Declared and paid interim stock dividend of Rs.9,50,000, why issue of suitable number of shares.
5. Issued 10,000, 12% debentures at 5% premium redeemable after 7 years at 2% premium.
6. Issued 8,000, 9% debentures of Rs.100 each at 3% discount, redeemable after 5 years at 4% discount. Create contingency Reserve of Rs. 1 million.

REQUIRED: Pass the entries in general journal.

Q.08. RATIOS ANALYSIS:

Following data have been obtained from the financial statements of AHSAN & CO for the year ended Dec 31, 2017 and 2018:

Title of Accounts	2017	2018
Cash	200,000	250,000
Accounts Receivable	300,000	250,000
Merchandise Inventory	400,000	300,000
Prepaid Expenses	50,000	25 000
Accounts Payable	250,000	300,000
Note Payable	150,000	100,000
Accrued Expenses	25 000	20,000
Net Sales	8,00,000	12,00,000
Cost of Goods Sold	6,00,000	850,000

REQUIRED:

Compute the following for Current 2017 and Ratio2018.

i) Amount of working capital
ii) Inventory turn over
iii) Gross profit Rate
iv) Quick ratio
v) Current ratio
vi) Receivable turnover

ADVANCE ACCOUNTING 2017

(PRIVATE)

1. **Company - Issue of Share and Debentures:**

Siddiqui Co. Ltd. Was incorporated with authorized capital of Rs.1,000,000 divided into 100,000 ordinary shares of Rs.10 each. Following transactions were completed:

1) Company offered 80,000 shares at par. Applications for 70,000 shares were received. Shares were allotted to the applicants and remaining to the underwriters.
2) Purchased furniture worth Rs.60,000 and issued 5,000 shares in consideration.
3) Company paid Rs.25,000 as preliminary expenses .
4) Land costing Rs.72,000 was acquired by issuing 7,000 shares.
5) Issued 5,000 debentures at Rs.100 each repayable at par value of Rs.100.
6) Issued 1,000 debentures of Rs.100 each at Rs.95 per debenture.

REQUIRED:

a) Record the above transactions in the book of Siddiqui Co. Ltd.
b) Prepare the balance sheet.

2. **Company - Reconstruction:**

The balance sheet data of Agha Ltd. As on December 31, 2018 are as follows:

Credit Balances		Debit Balances	
Authorized capital par Rs.25 per share (Rs.1,500,000)		Plant assets	Rs.1,200,000
Paid up capital @ Rs.25	Rs.1,125,000	Goodwill	75,000
Long term bonds payable	300,000	Preliminary expenses	15,000
Sundry creditors	105,000	Stock - in - trade	180,000
Allowance for depreciation - Plant	120,000	Cash in hand	7,500
		Profit and loss (deficit)	37,500
		Sundry debtors	135,000
	1,650,000		1,650,000

The following scheme of internal reconstruction is agreed and implemented:

i. The amount of authorized capital to remain unchanged at Rs.1,500,000 par value of each share now to be Rs.10.

ii. Holders of two shares receive three ordinary shares of Rs.10 each fully paid. iii. Bonds are fully redeemed by the issue of 33,000 new ordinary shares of Rs.10 each to the bond holders. iv. Goodwill, preliminary expenses and balance of profit and loss account are completely written off.

v. Sundry debtors are estimated to realize Rs.117, 500, stock -in - trade is valued Rs.160, 000 and plant assets are assigned at book value of Rs.825, 000.

REQUIRED:

(a) Entries in general journal.to give effect to the above scheme. (b) Revised balance sheet of Agha Ltd.

3. **Cash Flow Statement:**

The selected transactions taken from the books of Raja & Co. are as under:

Debit Balance	*2017*
Cash	Rs.210,000
Accounts receivable	100,000
Land	240,000
Machinery	400,000
Goodwill	60,000

Credit Balance	*2017*	*2016*
Accounts payable	Rs,20,000	Rs.40,000
Accumulated depreciation	5.0,000	30.000
Bonds payable	300,000	370,000
Share capital	400,000	300,000
Retained earnings	240,000	200,000

The company declared and paid cash dividend Rs.120, 000 during 2017.

REQUIRED:

(a) Compute the net income of 2017
(b) Prepare a cash flow statement

4. **Installment Sales:**

On January 1, 2018 Hammad & Co. Sold a car for Rs.600,000 on installment basis. Rs. 150,000 was received as down payment and balance will be collected in 5 quarterly installments including interest. The rate of interest charged on the unpaid balance is 6% per annum. The cost of the car is Rs.450,000. All payments were dully received. The accounting year ends on December 31each year.

REQUIRED:

Give journal entries including adjusting and closing entries for the year 2017 only showing computations.

5. **Analysis of Financial Institution:**

Selected data from the financial statement of Kamal Co. ltd. and Jamal & Co. Ltd. are as follows:

	Kamal & Co. Ltd	*Jamal & Co. Ltd*
Total assets	Rs.800,000	Rs.600,000
Total liabilities	200,000	100,000
Sales (all on credit)	2.000.000	1.600.000
Average Inventory	280,000	300,000
Average receivable	250,000	200 000

Gross profit as % on sales	30%	25%
Net Income as % of sales	6%	5%

a) Net income.
b) Net income as a percentage of shareholders' equity.
c) Accounts receivable turnover and the average number of days required to collect the receivable.
d) Inventory turnover and the average number of days required to turn over the inventory.

6. <u>Branch Accounting:</u>

On January 1, 2018 Maaz & Co. Karachi opened a branch at Hyderabad. Following is the information on for the month of January 2018:

1. Shipped to the branch goods billed at Rs.120,000
2. During the month additional shipment was made at billed price of Rs.45,000.
3. During the month the branch returned goods of billed price Rs.6,000.
4. At January 31, 2018 branch inventory at billed price was Rs.60 000.
5. Branch reported a loss of Rs.7,500.

The head office had followed the practice of billing the branch at 20% above cost.

<u>REQUIRED:</u>

Give the journal entries on the books of head office:

a) To record the above transactions.
b) To record overvaluation adjustment. Note: Show all necessary computation.

7. <u>Company -Absorption:</u>

The following balances appear in the balance sheet of Sana Co. Ltd. as on November 30, 2017:

Debit Balances		Credit Balances	
Cash	Rs.200,000	Allowance for bad debts	Rs.25,000
Accounts receivable	400,000	Allowance for depreciation	25,000
Office equipment Retained	350,000	Accounts payable	150,000
earnings	300,000	Share capital	1,050,000
Total	1,250,000	Total	1,250,000

Sana Co. Ltd. Was absorbed by saba Co. Ltd. On the following term:

i. All assets (except cash) to be taken over at book values.
ii. Purchase consideration to be paid in cash 250,000 and shares of Rs.450,000.
iii. Sana Co. ltd. paid Rs.135 000 In full settlement of accounts payable and Rs.20,000 as liquidation expenses. iv. Shares and remaining cash were distributed among the shareholders of Sana Co. Ltd.

REQUIRED:

Prepare entries in general journal of: (a) Sana Co. Ltd. (b) Saba Co. Ltd.

8. Company – Amalgamation:

On January 1, 2018 balance sheet of Junaid Co. and Jamshed Co. appeared as follows:

Assets	**Junaid Co.**	**Jamshed Co.**
Cash	20,000	8,000
Accounts Receivable	40,000	20,000
Merchandise	30,000	36,000
Prepaid Insurance	8,000	---
Plant Assets	1,00,000	1,60,000
Total	1,98,000	2,24,000
Assets	**Junaid Co.**	**Jamshed Co.**
Allowance for Depreciation - Plant	28,000	30,000
10% Bonds Payable	---	40,000
Ord. share Capital (Rs. 10 Par)	1,00,000	1,00,000
Retained Earning	70,000	54,000
Total	1,98,000	2,24,000

The two companies amalgamate on January 1, 2018 Into Junaid Jamshed & Co. Ltd. on the following conditions:

i. Authorized capital of Junaid Jamshed & Co.Ltd.to be 100,000 ordinary shares of Rs.10 each.

ii. All the assets of Junaid Co. ltd. (except cash and prepaid Insurance) are taken over at book values and its shareholders are issued 16,000 shares (fully paid) in Juna1d Jamshed & Co. Ltd.

iii. Of the assets of Jamshed Co. cash, accounts receivable and merchandise are taken over at book values and plant assets are taken over at Rs 120,000. The bondholders are issued 4,200 shares and a suitable number of shares were issued to the shareholders of Jamshed Co.

REQUIRED:

a) Show computation of purchase consideration of each Company.
b) Pass necessary journal entries in the books of newly formed company.
c) Prepare the operating Balance sheet of the new Co.

ADVANCE ACCOUNTING 2017

(REGULAR)

1. Company – Financial Statements:

Muneeb Company Ltd. was registered with an authorized capital of Rs.500, 000 divided into 50,000 shares of Rs.10 each. The company's book showed the following balances on June 30, 2017:

Debit	Rs.	Credit	Rs.
Merchandise Inventory (1-7-16)	50,000	Sales revenue	2 75,000

Sales returns	5,000	Commission income	2,000
Purchases	122,000	Accumulated depreciation	3,000
Transportation - in	6,000	Retained earnings	70,000
Salaries expense	15,000	Share capital	300,000
Prepaid advertising	8,000	10% Debentures payable	50,000
Director's fee	12,000	Accounts payable	12,000
Plant assets	83,000	Purchase returns	2,000

Data for Adjustment on June 30, 2017:

(1) Merchandise inventory valued at Rs.45,000.
(2) Advertising unexpired Rs.3,000.
(3) Interest on debentures payable accrued for six months.
(4) Accrued salaries Rs.2,000.
(5) Provide depreciation on plant assets at 5%·of book value.
(6) Outstanding commission income Rs.5,000.
(7) Directors decided to declare cash dividend @ 10% on paid-up capital and to appropriate for plant expansion Rs.10,000 and for contingencies Rs.8,000.

REQUIRED:

(a) Income statement for the year ended June 30, 2017.

(b) Retained earnings statement for the year ended June 30, 2017.

(B). Company - issue of Shares and Debentures:

Following are selected transact ions relating to Zafar Ltd.:

- On August 5, company offered 40,000 shares of Rs.10 at Rs.25. on August 20, the company's banker reported that applications for 50,000 shares were received. On August 30, the company allotted 40,000 shares to applicants and refunded the excess amount.
- On September 15, company acquired a piece of land costing Rs.500,000 issuing suitable number of shares of Rs.10 at Rs.25.
- On September 30, company issued 5,000, 8% debentures of Rs.100 at Rs.90 redeemable after five years at Rs.120.

REQUIRED:

General Entries.

2. (a) Installment Sales:

Gross profit rates of Zulfiqar Trading Company were 35%, 33% and 30% of sates price for 2014, 2015 and 2016 respectively. The following accounts are available at the end of year 2016:

Year	Installment Accounts Receivable	Deferred Gross Profit
2014	Rs.12,000	Rs.14,700
2015	Rs.123,000	Rs.122,100

2016	Rs.390,000	Rs.240,300

REQUIRED:

i. Cash collection and realized gross profit during the year 2016. ii. Entries to record cash collections and Realized gross profit.

(B). Installment Sales:

Merchandise sold for Rs.64,000 in 2015 at 25% profit on cost. In the same year, a total of Rs.24, 000 were collected. In 2016 no collections were made and the merchandise was repossessed. The market value of the merchandise was Rs.33,000.

REQUIRED:

Compound general entry for repossession showing computations.

3. Company - Amalgamation:

On January 1, 2017 the balance sheet data of X Co. Ltd. and Y Co. Ltd. are given below:

	X Co. Ltd	Y Co. Ltd.
Cash	20,000	8,000
Accounts receivable	40,000	20,000
Merchandise	30,000	36,000
Prepaid insurance	8,000	---
Plant assets	1,00,000	1,60,000
Allowance for depreciation (Plant)	28,000	30,000
10% Bonds payable	---	40,000
Share capital	1,00,000	1,00,000
Retained earnings	70,000	54,000

The above two companies are amalgamated to form Z Co. Ltd. on the following terms:

i. Authorized capital of Z Co. Ltd.is Rs.1,000,000 divided into 100,000 shares of Rs.10 each.
ii. All the assets of X Co. (except cash and prepaid insurance) are taken over at book values, shareholders issued 20,000 shares of Rs.10 in Z Co. Ltd.
iii. Of the assets of Y Co., cash, accounts receivable and merchandise are taken over at book values and plant assets are taken over at Rs.120, 000. The bond holders are issued 4,100 shares and a suitable number of shares are issued to shareholders.
iv. Z Co. Ltd. paid Rs.5,000 for preliminary expenses.

REQUIRED:

i. Entries in the book of Z Co. Ltd.
ii. Initial balance sheet of Z Co. Ltd.

4. Company – Absorption:

The balance sheet of Salman Ltd. is as under:

Authorized capital Rs.2,000,000;Paid up capital Rs.800,000;Share premium Rs.100,000;Retained earnings Rs.200,000;General reserve Rs.100,000; Bonds payable Rs.200,000; Accounts payable Rs.120,000 and preliminary expenses Rs.200,000.

(a) All assets and accounts payable were taken over by Rehan Ltd. at book values.

(b) Rehan Ltd. issued 60,000 shares of Rs.10 each to Salman Ltd.at Rs.15 each and also paid cash Rs.500,000.

(c) Bond holders of Salman Ltd. received 21,000 shares of Rs.10 each from Rehan Ltd.

(d) Rehan Ltd. paid the liquidation expense of Rs.50,000 to Salman Ltd.

REQUIRED:

i. Purchased Consideration
ii. Entries in the books of Salman Ltd. And Rehan Ltd.

5. (a) Cash Flow Statement:

A comparative balance sheet data of Farhan Company for the year 2015 and 2016 show the following changes:

	Debit	Credit
Cash	15,000	---
Other current assets	---	19,000
Plant assets	120,000	---
Allowance for depreciation - Plant	---	47,000
Current liabilities	40,000	---
Debentures payable	75,000	---
Share capital	---	200,000
Share premium	---	20,000
Retained earnings	---	14,000
General reserves	50,000	---

During the year company declared cash dividend of Rs.60, 000 and stock dividend of Rs.100, 000. (Bonus shares were issued at par).

REQUIRED:

Cash flow statement for the year ended December 31, 2016.

(B). Cash Flow Statement:

The selected data taken from income statement and balance sheet of Farooqi Co. Ltd. are as follows: Net loss Rs.2, 000; Depreciation expense Rs.20,000; Amortization of patents Rs.4,000; Uninsured fire damage of Rs.10,000; Gain on sale of marketable securities Rs.15,000; Amortization of share premium Rs.5,000; Loss on sale of old equipment Rs.6,000;Amortization of discount an issue of bonds Rs.8,000.

Balance Sheet	2016	2015
Accounts receivable	500,000	430,000

Inventory	159,000	143,000
Prepaid expenses	15,000	22,000
Accounts payable	421,000	382,000
Accrued expenses	63,000	54,000
Unearned commission	74,000	81,000

REQUIRED:

Cash from operating activities.

6. **(a) Financial Ratio Analysis:**

The following data relate to Qureshi Company as on June 30, 2017 (first year of operation):

Debit Balance		Credit Balance	
Cash	4,800	Allowance for bad Debts	2400
Marketable Securities	16,000	Allowance for Depreciation	40,000
Accountable Receivable	62,400	Account Payable	54,000
Merchandise Inventory	65,800	Outstanding Expenses	120,000
Prepaid Expense	3,000	Long Term Bonds Payable	56,000
Plant Assets	280,000	Share capital (par Rs. 10)	160,000
		Retained earnings	107,200
Total	432,000	Total	423,000

INCOME STATEMENT

Sales revenue (including cash sales of Rs. 60,000) Rs.960,000

Cost of goods sold Rs.720,000

Operating expenses Rs.160,000
Other Information: Market price per share is Rs.18.

REQUIRED:

i. Quick ratio.
ii. Accounts receivable turnover times. iii. Current ratio. iv. Equity ratio.
v. Gross profit ratio.
vi. Inventory turnover times. vii. Earnings per share. viii. Price earnings ratio.

(B). Financial Ratio Analysis:

Compute the amount of:

Total assets. When total liabilities are Rs.50, 000 and the debt ratio is 0.20.

Ending inventory. when cost of goods sold is Rs.300, 000, inventory turnover is 10 times and beginning inventory is Rs.25, 000.

7. (A) Branch Accounting:

The head office account appears in the books of its branch as shown follows:

HEAD OFFICE (YEAR 2016)

Dec.12	Remittance to head office	15,000	Dec. l	Balance b/d	50,000
Dec. 14	Merchandise return	1,000	Dec. 5	Merchandise shipment	14,000
Dec. 25	Payment of head office accounts payable	5,000	Dec. 20	Overstatement of depreciation of 2015	1,200
Dec.30	Payment of head office expenses	3,000	Dec. 24	Collection of head office accounts receivable	4,000

REQUIRED:

Branch account in the ledger of head office.

(B). Branch Accounting:

On June 30, 2017 the branch account in the head office books shows a balance of Rs.50,400 and head office account in the books of branch shows a different balance. The following items are responsible for the differences:

Merchandise billed at Rs.8,600 was supplied by the head office to the branch on June 29. The merchandise was not received till June 30.

The branch collected a head office accounts receivable of Rs.20,000 but failed to inform to the head office.

The head office recorded the profit of the branch for the period Rs.6,750. This was an error, as the branch reported a profit of Rs.7,650

The head office has not charged Rs.4,290 in Respect of merchandise returned by branch. The merchandise was in transit.

REQUIRED:

(a) Balance of head office account in the branch ledger before adjustments.

(b) Adjusting entries in the books of head office.

8. Branch Accounting:

The following are the selected balances taken out from the trial balance of head office and branch on June 30, 2017:

ACCOUNT TITLE	HEAD OFFICE	BRANCH
Merchandise inventory (opening)	58,000	50,000
Sales revenue	600,000	300,000
Purchases	500,000	---
Purchase discount	5,000	---
Goods sent to branch	128,000	---

Goods received from head office	---	160,000
Allowance for overvaluation	36,000	---
Salaries expense	40,000	10,000
Miscellaneous expense	10,000	2,000

Additional Data:

Merchandise Inventory	80,000	40,000
Accrued salaries	---	2,000
Prepaid Salaries	4,000	---
Depreciation expense	6,000	1,000

REQUIRED:

a) Income statement of branch.
b) Consolidated income statement of head office and branch.
c) Entries in the books of head office to incorporate branch net income or net loss and adjustment of allowance for overvaluation account.

ADVANCE ACCOUNTING 2016

(PRIVATE)

1. Financial Statements:

Qureshi Co. Ltd. was registered with an authorized capital of Rs. 3,500,000 divided into ordinary shares of Rs.10 each. The company's books showed the following balances on June 30, 2016:

DEBIT	*Rs.*	*CREDIT*	*Rs.*
Plant assets	3,750,000	Sales revenue	1,875,000
Cash	345,000	Commission income	20,000
Accounts receivable	162,000	Accumulated depreciation	350,000
Merchandise inventory (1-7-15)	63,000	Retained earnings	368,000
Sales returns	7,000	Ordinary shares capital	2,500,000
Purchases	1,000,000	10% Debentures payable	500,000
Transportation - in	20,000	Accounts payable	112,000
Salaries expense	145,000	Purchases returns	2,000
Prepaid advertising	20,000		
Director's fee	215,000		
Total	5,727,000	Total	5,727,000

Data for Adjustment on June 30. 2016:

(i) Merchandise inventory valued at Rs.145,000.
(ii) Advertising expired Rs.15,000.
(iii) Director's fee payable Rs.30,000.
(iv) Prepaid salaries Rs.25,000.

(v) Depreciation on plant assets at 5% of cost. (vi) Outstanding commission income Rs.5,000.

(vii) The board of directors resolved:

(1)To declare cash dividend @ 5% on paid-up-capital.

(2)To appropriate for plant expansion Rs.60,000 and for contingencies Rs.50,000.

REQUIRED:

Prepare:

(a) Income statement. (b) Statement of retained earnings. (c) Balance sheet.

2. Company - Issue of Shares and Debentures:

Following are the selected transactions performed by Munawar Limited:

a) Offered 20,000 shares of Rs.10 each at Rs.12 per share. The company's bank received applications for 15,000 shares. The directors allotted 15,000 shares to the applicants and remaining shares to the underwriter as per agreement.
b) Offered 10,000 shares of Rs.10 each at Rs.8 per share. The applications were received for 15,000 shares. The directors finalized the allotment of 10,000 shares and refunded excess money.
c) Issued 8,000 shares @ Rs.10 each to the directors for their services. I
d) Purchased office equipment and issued 3,000 shares for Rs.10 each. The market price per share is Rs.12.
e) Purchased land for Rs.100,000 and issued suitable number of shares of Rs.10 each. The market price per share is Rs.12.50.
f) Issued 1,000 8% debentures of Rs.100 at Rs.90 redeemable after three years at Rs.110. g) Declared 10% cash dividend.

REQUIRED:

Record the above transactions in general journal and prepare share capital account.

3. Cash Flow Statement

The comparative balance sheet data of Farooqui Limited is given below:

Account Title	*30 -06 - 2016*	*30 -06 - 2015*
Cash	Rs.18,000	Rs.10,000
Accounts receivable	58,000	70,000
Merchandise inventory	100,000	115,000
Prepaid expenses	14,000	8,000
Machinery	200,000	180,000
Land	100,000	120,000
Goodwill	30,000	40,000
	Rs.520,000	Rs.543,000

Account Title	***30 -06 - 2016***	***30 -06 - 2015***
Accounts payable	Rs.56,000	Rs.70,000
Accrued expenses	52,000	40,000
Allowance for depreciation	60,000	44,000
10% Bonds payable	30,000	lOQ,000
Share capital	250,000	200,000
Retained earnings	72,000	89,000
	Rs.520,000	Rs.543,000

Additional information:

Land costing Rs.20,000 was sold for Rs.40,000.

Machinery costing Rs.40,000 was sold for Rs.18,000. Its book value was Rs.14,000.

Cash dividend declared and paid Rs.25,000.

Stock dividend Rs.15,000 declared and bonus shares were issued.

REQUIRED:

Prepare cash flow statement for the year ended June 30, 2016.

4. Installment Sales:

On June 30, 2015 Muneeb Company presents the following balances:

Installment accounts receivable Rs.60,000 and Deferred gross profit on installment sales Rs.15,000. During the year ended June 30, 2016 the company made sales on installment basis totaling Rs.200,000 the cost being Rs.120,000. The following amounts were collected on installment accounts receivable during the year ended June 30, 2016:

For the year ended amount collected June 30, 2015 Rs.50,000 and June 30,2016 Rs.100,000. Installment accounts receivable or igniting in the year ended June 30, 2015 with the balance totaling Rs.6,000 were determined to be uncollectible and the merchandise repossessed was valued at Rs.3,250.

REQUIRED:

Give journal entries to record the above transactions including adjusting and closing entries for the year ended June 30, 2016.

5. Company -Amalgamation

The balance sheet data of Company – A and Company - B are given below:

	Company – A	*Company - 8*
Cash	Rs.6,000	Rs.5,000
Accounts receivable	8,000	6,000
Merchandise	10,000	12,000

Equipment	60,000	50,000
Allowance for depreciation	10,000	8,000
Accounts payable	9,000	7,000
Bonds payable	10,000	---
Share capital	50,000	50,000
Retained earnings	5,000	8,000

The above two companies are amalgamated to form Company - C on the following terms:

a) Authorized capital of Company - C is Rs.500,000 divided into 50,000 shares of Rs.10 each.
b) Shareholders of Company - A receive 6,000 shares of Rs.10 each in Company - C for all the assets and liabilities transferred.
c) Assets (except cash) and accounts payable of Company - B are taken over by Company - C at the following valuation: Accounts receivable Rs.5,500; Merchandise Rs.11,500;Equipment Rs.40,000 and Accounts payable Rs.7,000.
d) Suitable number of shares in Company - C is issued to Company - B.
e) Company - C paid preliminary expenses of Rs.3,000.

REQUIRED:

1) Entries in the books of Company - C.
2) Initial balance sheet of Company - C.

6. (A). Financial Ratio Analysis:

The following balance sheet data is presented by Zafar Ltd. having some missing figures. You are required to compute these missing figures and prepare the balance sheet:

Cash	Rs.20,000	Current liabilities	7
Accounts receivable	?	Non - current liabilities	?
Merchandise	7	Total liabilities	7
Current assets	100,000	Shareholders' equity	150,000
Fixed assets	?	Total equities	?
Total assets	7		

Other information: Debt ratio = 0.25:1; Current ratio = 4:1 and Quick ratio = 2:1

(B). Financial Ratio Analysis:

Compute the missing values of the income statement:

Net sales	?	Less: Cost of goods sold	?
Gross profit (40% of net sales)	?	less: Operating expenses	?
Operating profit (20% of net sales)	?	Less: Financial charges	5,000

Income before income tax	?	Less: Income tax	3,000
Net income	32,000		

7. Branch Accounting:

Ansar Company of Karachi opened a branch at Lahore. The head office and branch selected transactions for the year ended December 31, 2016 are given below:

a) The head office sent goods to branch costing Rs.50,000 at billed price 125% of cost.
b) The head office paid branch salaries of Rs.10,000.
c) The branch sold goods on account for Rs.80,000.
d) The branch paid head office accounts payable Rs.8,000.
e) The head office collected branch accounts receivable Rs.12,000.
f) The branch returned goods at billed price of Rs.4,000.
g) The head office paid branch accounts payable Rs.7,000.
h) The branch paid shop rent Rs.3,000.
i) The branch reported a net loss of Rs.2,000.

REQUIRED: Record the transact ions in the books of head office and Lahore branch.

8. Branch Accounting:

Zulfiqar Company of Islamabad has a branch at Karachi. Following are the balances of both as on December 31, 2016:

Particular	Head Office		Branch	
	Debit	Credit	Debit	Credit
Cash	20,000	---	10,000	---
Accounts receivable	40,000	---	45,000	---
Merchandise inventory (1-1-16)	90,000	---	40,000	---
Purchases	220,000	---	80,000	---
Operating expenses	30,000	---	20,000	---
Accounts payable	---	50,000	---	20,000
Equipment	100,000	---	50,000	---
Accumulated depreciation	---	10,000	---	5,000
Sales	---	250,000	---	200,000
Shipment to branch	---	80,000	---	---
Shipment from head office	---	---	100,000	---
Allowance for overvaluation	---	30,000	---	---
Branch I Head Office	120,000	---	---	120,000

Capital	---	200,000	---	---
Total	620,000	620,000	345,000	345,000

Additional Information:

(a) Ending inventory of merchandise reported by head office Rs.50,000 and by branch Rs.60,000 including purchases from outside Rs. 150,000

(b) Head office operating expenses were prepaid Rs.4,000 and branch operating expenses were accrued Rs.5,000.

(c) Fixed assets are depreciated @ 10% of cost.

REQUIRED:

Prepare consolidated income statement and consolidated balance sheet of head office and branch of Zulfiqar Company.

ADVANCE ACCOUNTING 2016

(REGULAR)

1. Financial Statements:

Following is the trail balance of TJ Corporation at June 30, 2016 (Authorized capital is Rs.2,000,000 divided into 200,000 ordinary shares):

Particulars	Debit	Credit
Merchandise inventory (July 1,2015)	115,200	---
Cash in hand	145,800	---
Cash at bank	82,600	---
Accounts receivable	290,000	---
Purchases	813,500	---
Sales return	13,600	---
Wages expense	169,600	---
Advertising expense	94,600	---
Carriage on sales	64,000	---
Carriage on purchases	40,800	---
Building	640,000	---
Land	200,000	---
Machinery	400,000	---
Salaries expense	300,000	---
General expense	60,000	---
Preliminary expenses	12,000	---
Insurance expense	104,900	---
Sales	---	1,975,600
Purchase returns	---	10,000
Paid up share capital	---	1,090,000
Accounts payable	---	126,000
10% Bonds payable	115,200	100,000

Rental income	145,800	180,000
Retained earnings (July 1'1 2015)	82,600	65,000
Total	5,546,600	5,546,600

Following additional information is supplied to you:

(i) Closing inventory is valued at Rs.136,000.

(ii) Machinery & building are to be depreciated @10%.

(iii) Salaries for the month of June, 2016 amounting to Rs.30,000 are unpaid.

(iv) Insurance in paid in advance to the extent of Rs.13,000.

(v) Rent receivable Rs.20,000.

(vi) Company's directors declared Rs.200,000 cash dividend and reserved Rs.100,000 for contingencies.

REQUIRED:

(a) Prepare income statement for the year ended June 30, 2016.

(b) Prepare statement of retained earnings for the year ended June 30, 2016.

(c) Prepare classified balance sheet as on June 30, 2016.

2. Installment Sales:

Filrish Company Karachi deals in home appliances, on regular and installment basis. During 2016 company sold the following items on installment basis:

Date of Sale	*Item*	*Sales Price*	*Cost*	*Down Payment*	*No. of Installments*
February l'', 2016	Refrigerator	Rs.60,000	Rs.45,000	20%	8
July 2"", 2016	Air Conditioner	Rs.45,000	Rs.30,000	Rs.5,000	10
September 4,2016	L.E.D. TV	Rs.50,000	Rs.40,000	16%	6

All the installments were collected at the start of each month (next to sales month). The company's financial year ends on December 31'1each year.

REQUIRED: Compute: **(a)**

- Deferred gross profit and gross profit rate for each item sold.
- Amount per installment for each item.
- Cash collection from customers during 2016 only.
- Realized gross profit during 2016.

(b) Record realized gross profit in general journal.

3. <u>Cash Flow Statement:</u>

The accounting records of Asif Ltd. shows the following balance at the end of year 2016 and 2015:

Debit Balances	December 31,2016	December 31,2015
Cash	Rs.224,000	Rs.200,000

Accounts receivable	300,000	280,000
Merchandise inventory	264,000	270,000
Equipment	120,000	80,000
Patents	40,000	50,000
Total	948,000	880,000

Deb it Balances	*December 31,2016*	*December 31,2015*
Accumulated depreciation Equipment	Rs.32,000	Rs.24,000
Accounts payable	48,000	60,000
Notes payable (short term)	16,000	20,000
Bonds payable	200,000	240,000
Share capital (paid up)	580,000	480,000
Retained earnings	72,000	56,000
Total	Rs.948,000	Rs.880,000

Additional Data:

(i) Equipment that costs Rs. 20,000 was sold during the year for Rs.8,000. The book value at the time of sale was Rs.8,000.

(ii) Cash dividend of Rs.80,000 were declared and paid.

REQUIRED:

Prepare cash flow statement for the year ended December 31, 2016 showing operating, investing and financing activities.

4. **Financial Ratio Analysis:**

Following are the financial statements of TJ. Ltd. Karachi for the year ended December 31, 2016:

TI LTD.

BALANCE SHEET

AS ON JUNE 30, 2016

Equities	Rs.	Assets	Rs.
Shareholders' Equity:		*Current Assets:*	
Ordinary share capital (Rs.10 par)	1,000,000	Cash	400,000
Shares premium	300,000	Accounts receivable	600,000
Retained earnings	700,000	Inventory	800,000
Total shareholders' equity	2,000,000	Total current assets	1,800,000
Liabilities:		*Non - Current Assets:*	
Current Liabilities:		Property, plant and equipment	1,900,000

Accounts payable	450,000	Accumulated depreciation	(500,000)
Unearned income	150,000	Net non - current assets	1,400,000
Total current liabilities	600,000		
Long - Term Liabilities:			
8% Bonds payable	600,000		
Total equities	3,200,000	Total assets	3,200,000

TJ. LTD.

INCOME STATEMENT FOR THE YEAR
ENDED JUNE 30, 2016

Sales	Rs.5,000,000
Cost of goods sold	?
Gross profit (40% of sales)	?
Operating expenses	?
Earnings before interest and tax	1,000,000
Interest expense	90,000
Earnings before tax	?
Income taxes	160,000
Net profit after tax	750,000

Other Information:

- Market price per share Rs.15.
- Use the above balances as average also.

REQUIRED:

Calculate the ratio:

(i) Current ratio.
(ii) Quick ratio.
(iii) Inventor turnover.
(iv) Receivable turnover.
(v) Debt ratio.
(vi) Net profit percentage.
(vii) Return on assets.
(viii) Price earnings ratio.
(ix) Return on equity.
(x) Earnings per share.

5. Company - Absorption:

The balance sheet of Hilal & Co. Ltd. on June 30, 2016 was as under:

Assets	
Cash	R
Merchandise inventory	1
Accounts receivable	1
Land	2
Plant assets	6
Retained earnings	2
Total	1,

Equities	
Accounts payable	Rs.90,000
Allowance for depreciation - Plant assets	120,000
5% Debentures payable	200,000
Share capital(88,000 shares @ Rs.10 each)	880,000
Total	1,290,000

The above company is absorbed by Candy & Co. Ltd. on the following terms:

(1) All the assets (except cash) and accounts payable to be taken over at book value.

(2) Four new shares of Rs.10 each for every five shares held were issued to the shareholders of Hila! & Co. Ltd.

(3) The debentures holders of the liquidating company were issued new 10% debentures.

(4) The liquidation expense Rs.6,000 to be paid by the Candy & Co. Ltd.

REQUIRED:

(a) Compute purchase consideration.

(b) General entries in the books of Hila! & Co. Ltd. and Candy & Co. Ltd.

6. Branch Accounting:

Pak Foods Ltd. has head office in Karachi and a branch in Lahore to which goods are invoiced at cost price plus 25%.Following are the transactions between head office and Lahore branch during 2016:

1) Goods sent to branch costing Rs. 320,000.
2) Goods returned to head office (Invoice price) Rs. 24,000.
3) Cash sales by branch, deposited in head office account on same date Rs. 160,000.
4) Branch collected accounts receivable of head office Rs. 55,000.
5) Cash remitted by branch to head office Rs. 55,000.
6) Equipment purchased on credit by head off ice and sent to branch Rs. 10,000.
7) Salaries of branch paid by head off ice Rs. 110,000.
8) Operating expenses of branch paid by head office Rs. 20,000. 9) Branch reported net profit Rs. 40,000.

Inventories at branch:

Inventory on 11 January, 2016 (Invoice price) Rs. 125,000.

Inventory on 31'1December, 2016 (Invoice price) Rs. 150,000.

Assume the entire inventory consists of head office shipment.

REQUIRED:

a) Record entries in both head office and Lahore branch journals.
b) Prepare allowance for overvaluation account.

7. Company -Internal Reconstruction:

The following is the balance sheet of Iron & Steel Corporation as on December 31, 2015:

Equities		Assets	
Ordinary share capital of Rs.100 par	Rs.11,000,000	Cash	Rs.2,000,000
Share premium	1,000,000	Other current assets	7,000,000
Accounts payable	2,750,000	Fixed assets	10,000,000
Interest payable	250,000	Profit and loss account	900,000
10% Debentures payable of Rs.100 par	5,000,000	Preliminary expenses	100,000
Total	Rs.20,000,000	Total	Rs.20,000,000

On January 1st 2016 the following scheme of reconstruction was sanctioned:

I. All the existing ordinary shares are reduced to Rs.60 each.
II. The debenture holders surrendered their existing holdings and in exchange received fresh 12% debentures of Rs.80 each for every debenture held by them.
III. Outstanding interest was paid in full.
IV. The fixed assets are to be written down by 30%.
V. The other current assets are revalued at Rs. 5,600,000.
VI. It was decided to write -off loss and preliminary expenses.

8. Company -Issuance of Shares:

Following is the equities section of Al - Majeed Co. as on December 31’ 2015:

Shareholders' Equity:	
Authorized Shares Capital:	
5,000,000 Ordinary shares of Rs.10 each	50,000,000
Issued and paid - up Capital:	
2,000,000 Ordinary shares of Rs.10 each	20,000,000
Ordinary shares premium	2,000,000
Retained earnings	4,000,000
Reserve for building extension	400,000
Liabilities:	
Accounts payable	600,000
10% Debentures payable	3,000,000

During 2016, the company performed the following transactions in addition to routine business:

i. The company offered 100,000 shares of Rs.10 at Rs.15 each. The bank received applications for 125,000 shares. The company finalized the allotment and the excess money was refunded.

ii. Purchased a machinery for Rs.750,000 by allotting sufficient number of shares of Rs.10 par at a premium of Rs.S per share.
iii. Created a reserve for contingencies in the amount of Rs.200,000. iv. Issued 10,000 10% 5 year's debentures of Rs.100 par for cash to be redeemed at Rs.110 at maturity.
v. The company declared stock dividend of Rs.500,000. Bonus shares were not issued.
vi. Company closed the reserve for building extension account, as the purpose is over.
vii. Declared cash dividend @ 15% dividend warrants were not issued.

REQUIRED:

(a) Record the above transactions in the general journal.

(b) Prepare equities sect ion in proper form after the effects of the above transactions.

ADVANCE ACCOUNTING 2015

(REGULAR)

1. Company - Absorption:

Balance sheet data of Ashar Ltd. are given below:

Paid up capital (Rs.10 par}	Rs.200,000	Good will	Rs.20,000
Retained earnings	Rs.70,000	Preliminary expenses	Rs.10,000
Accounts payable	Rs.40,000	Cash	Rs.40,000
Notes payable	Rs.32,000	Accounts receivable	Rs.20,000
Plant assets	Rs.240,000	Allowance for bad debts	Rs.2.000
Allowance *for* depreciation	28,000	Merchandise inventory	Rs.42,000

Nasr Ltd. took over assets (except cash) of Ashar Ltd.at the following values:

Accounts receivable at realizable value Rs.16,000;plant assets Rs.210,000 and inventories Rs.25,000. Nasr Ltd. assumed accounts payable and issued S shares of Rs.10 each against 4 shares to the shareholders of Ashar ltd. Liquidation expenses of Rs.10,000 were paid by Nasr ltd. Ashar ltd. paid Rs.40,000 in settlement of notes payable.

REQUIRED:

(a) Purchase consideration.

(b) General Journal entries in the books of Ashar ltd. and Nasr Ltd.

2. Cash Flow Statement:

The balance sheet of Farooqi Ltd. at December 31, 2015 and 2014 are as follows:

EQUITIES:	*201S*	*2014*
Share capital	Rs.800,000	Rs.700,000
Retained earnings	Rs.20,000	Rs.170,000
10% Debentures payable	Rs.100,000	Rs.122,000
Accounts payable	Rs.20,000	Rs.18,000
ASSETS:		

Machinery	Rs.350,000	Rs.250,000
Allowance for depreciation (Machinery)	(Rs.75,000)	(Rs.50,000)
Furniture	Rs.350,000	Rs.300,000
Allowance for depreciation (Furniture)	(Rs.90,000)	(Rs.70,000)
Merchandise inventory	Rs.125,000	Rs.150,000
Accounts receivable	Rs.120,000	Rs.160,000
Marketable securities	Rs.200,000	Rs.220,000
Sank	(Rs.40,000)	Rs.50,000

Additional information:

The company sold marketable securities of Rs. 40,000 for Rs.50,000. It also sold furniture costing Rs.10,000 for Rs.7,000. At the time of sale book value of furniture was Rs.9,000.

REQUIRED:

Cash flow statement showing cash flow from operating, investing and financing activities.

3. Financial Ratio Analysis:

Qazi Company uses perpetual inventory system to record inventories. Its selected beginning balances are as follows:

Cash Rs. 150,000; Accounts receivable Rs. 70,000; Office equipment Rs. 80,000; Inventory Rs. 70,000; Accounts payable Rs. 110,000; Ordinary share capital Rs.360,000.

During the period following transactions were completed:

a) Purchased merchandise Rs. 180,000 on account.
b) Sold merchandise costing Rs. 150,000 for Rs. 200.000 on account.
c) Returned some defective merchandise to suppliers Rs. 5,000.
d) Collected cash from customers Rs. 140,000.

REQUIRED:

Computation of the following at the end of the period:

i. Quick ratio.
ii. Receivable turnover.
iii. Current ration. iv. Inventory turnover. (**B**). **Financial Statement – Retained earnings:**

Babar Company Ltd. Is registered with a capital of Rs. 5,000,000 divided Into ordinary shares of Rs.10 each.The following are its selected balances as of June 30,2015:

Accounts payable Rs. 600,000; 5% Debentures payable Rs.400,000;Ordinary share capital Rs. 1,000,000; Retained earnings Rs. 1,300,000 (before transfer of loss of Rs. 500,000 for the year). On June 30, 2015 Company declared cash dividend Rs.5 per share and stock dividend @ 10%. It also appropriated Rs. 50,000 for debenture redemption.

REQUIRED:

Statement of retained earnings.

4. **Installment Sales:**

Samsam Co. started installment safes business on January 1, 2014. Following Information is obtained from its records:

	2014	*2015*
Purchased merchandise on account	Rs.500,000	Rs.680,000
Sold merchandise on installment basis	Rs.1,000,000	Rs.1,200,000
Collected installment of 2014 sales	Rs.300,000	Rs.200,000
Collected installment of 2015 sales	....	Rs.400,000
Paid accounts payable	Rs.400,000	Rs.600,000
Paid operating expenses	Rs.75,000	Rs.100,000
Installment contract (2014) cancelled but	--	Rs.50.000
Merchandise could not be repossessed	--	---
Merchandise inventory ending	Rs.100,000	Rs.240,.000

The company used perpetual inventory system and closes its accounts on December 31 each year.

REQUIRED:

Entries for the year 2015 including adjusting and closing entries.

5. **Branch - income Statement:**

Given below are partial financial data of N. Khalid Co. for 2015. The company uses FIFO method of inventory valuation:

	Head Of/ice	***Branch***
Sales	Rs.63,000	--
Inventory. January 1	Rs.25,400	Rs.3,600
Purchases	Rs.120,000	--
Shipment to branch / from head office	Rs.45,400	Rs.59,020
Inventory, December 31	Rs.55,000	Rs.5,200
Operating expenses	Rs.8,000	-.

The head office bills the branch for merchandise shipments in 2014, 20% .above cost.

REQUIRED:

(a). Head office income statement showing on it the branch net loss of Rs. 6,020 and the profit from overvaluation for 2015.Computations are necessary.

(b). Entries in head office books to:

i. Record net loss reported by branch.
ii. Adjust allowance for overvaluation account.
iii. Close branch income summary ac-count.

6. **Share and Debentures:**

(a) Give at least three differences between shares and debentures.

(b) On January, 2015, Yasir Company Ltd. issued 4,000 shares of Rs.10 each for cash.

REQUIRED

(i) Par.
(ii) 10% premium. (iii) 5% discount

(c). A. Khursheed Company Ltd. acquires land Rs. 400,000; building Rs.500,000 and machinery Rs.100,000; payingcash Rs.250,000 and issuing suitable number of shares of Rs.10 each at a premium of Rs.2.50.

(d) Shehzad Company Ltd. issued the following debentures having par value of Rs.100 each:

	No. of Debentures	Issued @	Maturity Per od	Redeemable @
6% Debentures	7,000	98%	5 years	100%
5% Debentures	5,000	96%	4 years	105%

REQUIRED:

General journal entries in the books of A. Khursheed Company Ltd.

7. **Branch – Reciprocal Entries:**

Nadeem & Co. Karachi opened two branches - A and 8.Head office bills goods to its branches at 25% above cost. Following transactions were completed during December 2015:

(1) Remitted cash to branch A Rs. 40,000 and to branch 8 Rs. 50,000.

(2) Sent goods to branch A costing Rs. 60,000.

(3) Sent goods to branch 8 at billed price Rs. 50,000.

(4) Head office instructed branch 8 to transfer furniture worth Rs. 20,000 to branch A. Branch 8 duty executed the instruction.

(5) Branch A returned goods to head office at billed price Rs. 10,000.

(6) Branch A so d goods for Rs. 70,000 and branch B for Rs.20,000.

(7) Branch A reported net Income of Rs. 12,000 and branch B reported net loss of Rs.6,000.

On December 31, 2015 merchandise inventory reported by branch 8 Rs. 28,000 and branch A Rs. 32,000.
REQUIRED:

Head office general journal entries including entries to adjust allowance for overvaluation accounts.

8. **Company - Amalgamation:**

	Zulfiqar Co.	**Khan Co.**
Net assets	Rs. 5,00,000	Rs. 4,00,000
Liability	Rs. 1,00,000	Rs. 1,50,000

Zulfiqar Co. and Khan Co. were amalgamated into ZK Company Ltd. which issued 55,000 ordinary shares of Rs.10each to Zulfiqar Co. and 38,000 ordinary shares of Rs.10 each to Khan Co. as purchase consideration.

REQUIRED:

(1) General journal entries in the books of Zulfiqar Co. Khan Co. and ZK Co. Ltd.

(2) Balance sheet of ZK Co. Ltd. (Author zed capitals one million)

ADVANCE ACCOUNTING 2015

(PRIVATE)

1. FINANCIAL STATEMENT:

Tayan Company Ltd. Registered with a capital of Rs. 10,00,000 divided into 1,00,000 ordinary shares. On Dec. 31, 2015 following information is available:

Cash	60,000	Res. for contingencies	20,000
Ale. Receivable	80 000	inventory (Jan. 11	60 000
Unexpired Insurance	12 000	Sales	450 000
Prepaid Advertising	25,000	Sales Return	10 000
Furniture	150 000	Purchase	180 000
Land	500 000	Carriage in	20 000
Office Equipment	100 000	Ale. Payable	175 000
Salaries Expenses	40,000	5% Bank Loan	60 000
Rent Expenses	50 000	Purchase Return	10 000
Retained Earning	50 000	Income Tax	15 000
All. For bad debts	10 000	Share Capital	?
All. For depreciation (fur)	20 000	All. for depreciation (Equip)	10 000

Data for Adjustment:

1. Prepaid Advertisement amounted to Rs. 20,000.
2. Insurance was paid in advance for one year on Oct 1, 15.
3. Salaries expense for the year Rs. 30,000.
4. Accrued rent was Rs. 5,000.
5. Bad debts estimated @2.5% on net credit sales.
6. Income Tax for the year Rs. 16,000.
7. Depreciation estimated @ 10% per annum on written down value of fixed assets.
8. Accrued Commission Income Rs. 15,000.
9. Inventory on Dec. 31, 2015 valued at Rs. 30,000.
10. Reserved for contingencies Rs. 10,000 and for plant extension Rs. 30,000.

REQUIRED: Prepare multiple step Income Statement and statement of Retained Earning.

2. **CASH FLOW STATEMENT:**

ASSETS	**2015**	**2014**
Cash	68,000	22,000
Accounts Receivables	88,000	76,000
Merchandise Inventory	167,000	189,000
Land	80,000	100,000
Equipment	260,000	200,000
All. for Depreciation (Equipment)	(66 000)	(32,000)
TOTAL	597,000	555,000
EQUITIES:	**2015**	**2014**
Accounts Payable Share Capital	39,000	43,000
Bond Payable	150,000	200,000
Ordinary Share Capital (Rs.10 each)	216,000	174,000
Retained Earnings	192,000	138,000
Total	597,000	555,000

Cash dividends of Rs. 39,000 were declared and paid.

REQUIRED: Prepare a statement of Cash Flows showing Operating, Investing and Financing activities.

3. **FINANCIAL RATIO ANALYSIS:**

Take the data from Question No. 2.

REQUIRED: Compute for both year;

(I) Quick Ratio
(II) Current Ratio
(III) Debt Ratio
(IV) Equity Ration (V) Book value per share.

4. **INSTALLMENT SALES:**

On October 31, 2015, Kamran Construction Company sold property costing Rs. 6,00,000 for Rs.7,50,000 on Installment basis. Received Rs. 2,00,000 as down payment and the balance is receivable in 20 equal monthly Installments. First two installments received during November and December 2015 including interest amounted to Rs. 30,250 and Rs. 30,113 respectively.

REQUIRED: Give entries in General Journal Including adjusting and closing.

5. **COMPANY - RECONSTRUCTION:**

Following is the Balance Sheet of Bukhtiar & Company Ltd. As on December 31, 2015:

EQUITIES		ASSEST	
Authorized Capital 60,000 Ord. Shares of Rs.10 each.	600,000	**Non-Current Assets**	
Paid Up Capital		Machinery	90,000
45,000 Ord. Shares of Rs. 10 each.	450,000	Equipment	50,000

A/c. Payable	21,000	Patents	70,000
Accrued Expenses	25,000	Preliminary expense	8,000
		Current Assets	
		Inventory	78,000
		Ale. Receivable	80,000
		Cash	100,000
		Profit & loss A/c	20,000
	496,000		496,000

The following resolution was passed and confirmed:

1. Rs.10 Share be reduced to the same number of fully paid shares of Rs.8 each.
2. The sum thus rendered available be applied as follows:

(a) The balance of Profit & Loss account and Preliminary Expenses to be written off entirely.
(b) The inventory to be reduced to Rs. 30,000.
(c) Patents to be reduced by Rs. 5,000.
(d) The balance to be utilized in writing down Machinery.

REQUIRED:
Give Journal Entries and prepare revised Balance Sheet.

6. BRANCH - RECIPROCAL ENTRIES:
On July 5, 2014, Shahani Traders established a branch at Hyderabad. The following are the transactions of the Head Office completed during the year ended June 30, 2015:

1. Cash remitted to branch Rs. 44,000.
2. Merchandise shipment to branch costing Rs. 1,00,000 which was billed at 25% above cost
3. Purchase merchandise on account Rs. 58,000 and for cash Rs.1,35,000. 4. Purchase Furniture for cash Rs. 19,000 & sent to branch 5. Sales on account Rs.82,000 and for cash Rs. 86,000.
6. Administrative and general expenses paid Rs. 18,000.
7. Cash received from customers Rs. 47,000.
8. Cash paid to Creditors Rs. 23,500.
9. Paid branch salaries Rs. 10,500.

Beginning and ending inventories were Rs.70,000 and Rs.50,000 respectively.

REQUIRED:
(a) Give entries in General Journal of Head Office & Branch.
(b) Prepare adjusting journal entry for Allowance for overvaluation, assuming that the Branch reported ending inventory Rs.60,000.

7. **HEAD OFFICE - INCOME STATEMENT:**
Take the data from Question no.6.
REQUIRED: Prepare income statement of Head Office showing on it Branch Profit / Loss.

8. **COMPANY - ABSORPTION:**
Following is the Balance Sheet of Moon Company Ltd. on Dec. 31, 2015.

ASSETS		EQUITIES	
Cash	15,000	A/c payable	1,00,000
Cash at bank	30,000	Share capital (100,000 x 100)	10,00,000

A/c receivable	1,50,000	Retained earning	90,000
Merchandise inv.	1,55,000		
Land and Building	4,90,000		
Machinery and plant	2,00,000		
Patents	1,50,000		
	1,190,000		1,190,000

On Balance Share data the Moon Company Ltd. was absorbed by Star Company Ltd. under the following terms:

1. All the assets (except cash) and A/C. Payable were taken over by the absorbing Co. at book values.
2. Star Company Ltd. issued three shares of Rs.1o each for every five shares in Moon Company Ltd. at Rs.13 per shares. Cash of Rs. 1,75,000 was also the part of purchase consideration.
3. Liquidation expense of Moon Company Ltd. were Rs.25,000 of which Rs. 20,000 were paid by Absorbing Company.

REQUIRED:

1. Compute the amount of purchase consideration.
2. Give the necessary Journal Entries in the books of Absorbing and Absorbed Companies.

ADVANCE ACCOUNTING 2014

(REGULAR)

1) **ACCOUNTING FOR INSTALLMENT:**

(a). Differentiate between realized gross profit and unrealized gross profit.

(b). The Smith Co. recorded installment sales of Rs. 6,00,000 In 2013. Cost of installment sales was Rs. 4,20,000. The total collection on installment sales were Rs. 3,60,000. The estimated value of the merchandise repossessed was Rs. 1,10,000 and installment account receivable cancelled Rs. 2,40,000.

REQUIRED: Calculate loss or gain and record repossession.

(c). The following data are available from the Western Corporation's installment sales record:

Year	% of gross profit	Installment Receivable Jan. 1, 2012	Cash Collection during 2012	Installment Receivable Dec. 31, 2012
2010	40%	30,000	30,000	---
2011	45%	50,000	34,000	16,000
2012	50%	200,000	60,000	140,000

REQUIRED: Prepare all the journal entries for 2012 including adjusting entries.

2) **CASH FLOW STATEMENT:**

(a) Nishat Corporation acquired land by issuing 60,000 shares of Rs.10 each. Will this transaction be disclosed in cash flow statement? Reason.

(b) In year 2010, George Corporation made Cash sales Rs. 6,501000, Credit sales Rs. 5,50,000, Accounts Receivable decreased by Rs. 1,20,000.

COMPUTE: (i) Total sales (ii) Cash received from customers on account (iii) Total cash received.

(d) The following income statement and balance sheet for the past two years are available for Caravan Corporation.

CARAVAN CORPORATION
INCOME STATEMENT

For the year ended Dec. 31, 2012 & 2013.

	2012	2013
Sales	5 00 000	3 50 000
less: Cost of Goods sold	2.00,000	1,40.000
Gross Profit	3.00 000	2,10,000
Less: Operating exp. (including dep)	2,60,000	2,43,000
Loss on sale of marketable securities		1000
Net Income (loss)	40,000	(34,000)

CARAVAN CORPORATION

BALANCE SHEET

Dec. 31, 2012 & 2013

ASSETS	**2012**	**2013**
Cash	10,000	60,000
Marketable Securities	20,000	5,000
Accounts Receivable	40,000	23,000
Inventory	120,000	122,000
Plant & Equipment	320,000	340,000
Accumulated Depreciation	(20,000)	(55,000)
Total	490,000	495,000

EQUITIES	**2012**	**2013**
Accounts Payable	50,000	73.000
Accrued Expenses	17000	4,000
Notes Payable	2,45,000	2,63,000
Share Capital	1.20.000	1.35.000 20,000
Retained Earning	58,000	
Total	4,90,000	4,95,000

ADDI TIONALI NFORMATION:

1) Company declared and paid Rs. 4,000 cash dividend.
2) Marketable securities coasting Rs. 15,000 were sold for Rs. 14,000 cash, resulting Rs. 1,000 loss.
3) The Company Purchased plant assets for Rs. 20,000, paying Rs. 2,000 in cash and issuing a note payable for the Rs. 18,000 balances.

REQUIRED: Prepare a format cash now statement for 2013 showing Operating, Investing and Financing Activities.

3) **FINANCIAL STATEMENT ANALYSIS:**

The following is information for William Corporation at the end of 2013.

Cash	2,25,000
Marketable Securities	1,20,000
Notes Receivable	1,80,000
Accounts Receivable	3,00,000
Allowance for doubtful account	15,000
Inventory	2,40,000
Prepaid Expenses	30,000
Notes payable within one year	90,000
Accounts Payable	2,47,500
Accrued liabilities	22,500.

The following trans3ct ions are completed early in 2014.

1. Sold Inventory costing Rs. 36,000 for Rs. 30,000.
2. Declared a cash dividend Rs. 1,20,000.
3. Paid accounts payable Rs. 60.000.
4. Purchased goods on account Rs. 45,000.
5. Issued additional shares of Rs. 4,50,000.
6. Wrote off uncollectible accounts Rs. 9,000.
7. Acquired plant and equipment for cash Rs. 2,40,000 .

REQUIRED:

(a) Compute current ratio, acid test ratio and working capital at the end of 2013.

(b) Indicate the effects (Increase, Decrease, No change) of the above transactions on:

(i) Current Ratio (ii) Acid Test Ratio

4) **COMPANY A/C. - ABSORPTION:**

(a) Differentiate between Amalgamation and Absorption.

(b) The balance sheet of M/s. Black Corporation Ltd. As on December 31 2013is as under:

ASSETS		EQUITIES	
Preliminary Exp.	20,000	Share Capital	300,000
Building	225,000	General Reserve	60,000
Mrds. Inventory	75,000	Retained Earning	30,000
A/c receivable	75,000	Long term loans	75,000
Cash	107,000	All. For Depreciation	15,000
		All. For Bad Debts	7,500
		A/c Payable	15,000
	502,500		**502,500**

Black Corporation was absorbed by Wh1to Corporation Ltd. on the following terms:

1. White Corporation takes over all the assets and liabilities of Black Corporation at book values. (Except Cash and Long term Loans)
2. 5 new shares were issued against every 4 shares of Black Corporation@Rs.10 each.
3. Liquidation expenses paid by White Corporation Rs.15,000.

REQUIRED:

(a) Calculate purchase consideration.

(b) Record entries in the books of:

(I) Black Corporation (ii) White Corporation

5) **BRANCH - RECIPROCAL TRANSACTION**

The following account is found in the books of Ford Corporation:

FAISALABAD BRANCH

1.1.13	Balance	67,500	19.1.13	Remittance from Branch	3,000
10.1.13	Payment of Branch Notes	2,500	25.1.13	Goods return by branch	2,500
15.1.13	Payment for Branch Furniture	10,000	29.1.13	Collection of Branch Account	1,500
20.1.13	Shipment of goods to branch	25,000	31.1.13	Net loss of Branch	890
30.1.13	Expense Charged to Branch	1,500			

REQUIRED:

1. Prepare entries in the General Journal of Branch.
2. Prepare T account of Head Office in the ledger of Branch

6. **BRANCH A/C. ALLOW. FOR OVER VALUATION & INTER BRANCH TRANSACTION:**

(a) The Marsh Corporation bills its Islamabad branch at 35% above cost On December 31, 2013, its branch reported the Following inventory balance:

Particular	Received from Head office	Purchased from Outside
Mrds. Inventory opening	16,200	4,000
Shipment from head office	20,250	12,000
Mrds. Inventory ending	18,900	5,000

(a) Calculate allowance for overvaluation before adjustment
(b) Prepare entry to record the adjustment of allowance for overvaluation account

(b). Beta Corporation sent merchandise costing Rs. 30,000 at billed price Rs.40,000 to Lahore branch. Freight charges wore Rs. 2,500. Head Office instructed the Lahore branch to send same merchandise to Multan branch. Lahore branch sent merchandise to Multan branch with payment of additional freight charges of Rs.1,000. If Head Office had directly sent merchandise to Multan branch freight charges would have been Rs.2,500.

REQUIRED: Record entries in General Journal of

(i) Head Office (ii) Lahore branch (iii) Multan branch.

7. **ISSUANCE OF SHARES & DEBENTURES:**

Haroon Textile Mills Limited offered 95,000 shares of Rs. 10 each. The Company received applications for 90,000 shares. The under writing commission is 1 % paid in cash.

During the year co1npany con1pleted the following transactions.

1. Issued 4.000 shares al Rs.12 each for office equipment purchased worth Rs. 48,000.
2. Issued 35,000 ordinary shares to promoters. The market value of shares was Rs.15 each.
3. Decided to capitalize Rs. 20,000 against Retained Earnings and issued 1,600 shares of Rs.10 each.
4. 9% debenture payable of Rs. 70,000 was settled by 1he issue of shares of Rs.10 each.
5. Issued 5500, 8% debentures of Rs.100 each at Rs.90.
6. Issued 70,000 debentures at Rs.95 each and repayable after 9 years at Rs.120.

7. Paid stock dividend by issued 5500 shares at Rs.15 each **REQUIRED:** Prepare entries in the books of Haroon Textile.

8. **FINANCIAL STATEMENTS:**

Moon Ltd. has an authorized capital of Rs. 40,00,000 divided into 40,000 shares of Rs.100 each. Following Is the Preclosing trial balance on Dec.31, 2013.

MOON LTD.,

PRE – CLOSING TRIAL BALANCE

As on Dec. 31, 2013

DEBIT BALANCE		**CREDIT BALANCE**	
Cash	17,000	Share Capital	800,000
A/c. Receivable	30,000	All. For bad debts	1,500
Inventory	140,000	Account Payable	25,000
Machinery	400,000	Retained earnings	200,000
Building	700,000	Sales	500,000
Purchases	300,000	Commission income	3,500
Carriage in	2,000	10% Bond payable	100,000
Salaries Expenses	18,000		
Director's Fees	10,000		
Rent Expenses	8,000		
Office Supplies	2,000		
Prepaid insurance	3,000		
Total	1630,000		1630,000

1. Depreciation for the year of machinery at 10% and Building at 15%.
2. Insurance expired Rs. 1,000.
3. Roni Expense for the year was Rs. 6,000.
4. Allowance for bad debts is to be maintained at 4% of Account Receivable.
5. Accrued Interest on bond for three months.
6. Merchandise ending valued Rs. 70,000.
7. The company decided to declare cash dividend of Rs. 15,000 and appropriate a sum of Rs.40,000 for buildlng extension.

REQUIRED:--

(i) Prepare an income statement for the year Dec. 311 2013.

(ii) Prepare balance sheet as on Dec.31, 2013.

ADVANCE ACCOUNTING 2014

(PRIVATE)

1. FINANCIAL STATEMENTS:

Xerox Ltd. has an Authorized Capital of Rs. 20,00,000 divided ·into shares of Rs.100 each. Following is the Pro· closing Trial balance as on Dec. 31, 2014.

Cash	34,000	Paid up Capital	1600,000

A/c. Receivable	60,000	Allow. For bad debt	3,000
Inventory (Jan.1)	280,000	A/c. Payable	50,000
Machinery	800,000	Retained Earning	400,000
Building	1400,000	Sales	1000,000
Purchases	600,000	Commission income	7,000
Carriage In	4,000	10% Bond Payable	200,000
Salaries Expenses	36,000		
Directors Fee	20,000		
Rent Expense	16,000		
Office Supplies	4,000		
Prepaid insurance	6,000		
	3260,000		3260,000

Additional information as on Doc. 31, 2014.

1) Depreciation is estimated on machinery @ 10% and on Building @ 15%.
2) Unexpired insurance was nil.
3) Rent expense for the year Rs. 12,000.
4) Provisions for bad debts to be maintained @ 6% of Accounts Receivable.
5) Bonds are issued on October 1,2014.
6) Merchandise inventory Rs. 1,40,000.
7) The Company decided to declare cash dividend @ Rs.2 per share and appropriated a sum of Rs. 80,000 for Building extension.

REQUIRED: Prepare:

(i) Income Statement (Ill) Balance Sheet.

(ii) · Statement of Retained Earning.

2. ISSUANCE OF SHARES & DEBENTURES:

Give entries in General Journal standard form to record the following independent cases with brief narrations assuming the per values of shares and debentures are Rs.10 each and Rs.100 each respectively.

1) Issued 20,000 shares at a premium of Rs.2 per share for cash.
2) Issued 14,000 shares to promoters at par for the services rendered l)y them.
3) Issued 6,400 shares against Stock Dividend at Rs.12.50 per share.
4) Purchased Equipment costing Rs. 450,000 and issued sufficient shares in full settlement at the market value Rs.9 per share.
5) Issued 10,000, 8% Debentures at Rs. 96 each repayable after 10 years at Rs.105 each.

3. INSTALLMENT SALES:

(a) Blue Star Company sells merchandise Income on Installment basis and uses perpetual inventory system. The following Information is available.

Sales years	Gross Profit Rate	Inst. A/c Receivable Jan. 1, 2014	Collection During 2014	Inst. A/c Receivable Dec. 31,2014
2012	30%	60,000	?	20,000
2013	32%	110,000	?	30,000
2014	34%		90,000	210,000

REQUIRED:

Record only the Gross Profit realized during 2014. (b)
Consider the following information:

	Jan 1, 2014	Dec 31, 2014
Installment A/c receivable 2013	160,000	40,000
Unrealized Gross Profit 2013	64,000	60,000

REQUIRED: Record the cancellation of installment accounts receivable assuming that the merchandise sold was not repossessed.

4. CASH FLOW STATEMENT:

The comparative balance sheets of Al-Qasim Corporation at December 31, 2014 and 2013 are as follows:

ASSETS	**2014**	**2013**
Cash	40,000	96,000
Marketable securities	---	64,000
Accounts Receivable	76,000	1,04,000
Merchandise Inventory	80,000	1,20,000
Prepaid Expenses	21,000	16,000
Land	32,000	---
Building	4,00,000	---
Total	6,49,600	4,00,000
EQUITIES		
Accounts payable	1,00,000	68,000
Accrued income	60,000	52,000
Long term Bonds payable	1,60,000	---
Share Capital	2,40,000	2,40,000
Retained Earning	89,000	40,000
Total	6,49,000	4,00,000

During the year 2014 the corporation declared and paid Cash dividend Rs. 22,400.

REQUIRED:

Prepare cash flow statement for the year ended December 31.2014 using Indirect Method showing: (a) Cash flows from operating activities.

(b) Cash flows from investing activities.

(c) Cash flows from financing activities.

5. FINANCIAL STATEMENT ANALYSIS:

a) At the end of financial year, selected information from the books of LEO Company Ltd. is givn below:

Cash Rs. 28,000; Notes Payable (short term) Rs. 60,000; Accounts Receivable Rs.90,000; Accounts Payable Rs. 100,000;

Merchandise Inventory Rs.200,000; Prepaid Expenses Rs. 10,000; Equipment Rs.399,000; Other Plant Assets Rs. 25,000; Long term Loan Rs. 140,000; Share Capital Rs. 200,000 (Rs.10 par) Retained Earnings Rs.250,000; During the year the company earned total gross profit of Rs.324,000 which is equal to 30% of Net Sales.
REQUIRED: Compute:
(i) Current Ratio (ii) Quick Ratio
(iii) Working Capital (iv) Equity Ratio (v) Total days of operating cycle. **b)**
Years

Years	2014	2013	2012	2011	2010	2009
Net sales	900,000	720,000	660,000	542,000	624,000	600,000
Net income	45,900	29,100	42,900	38,400	31,200	30,000

REQUIRED:
Compute the trend percentage from above information.

6. COMPANY ABSORPTION:

The Balance Sheet of Waris Company Ltd. as on December 31, 2014 was as under.

Building	300,000	**Authorized Capital**	
Inventory	100,000	100000 Ord. shares of Rs. 10 each	10,00,000
A/c receivable	100,000	**Paid up capital**	
Cash	90,000	40000 Ord. Shares of Rs. 10 each	400,000
Preliminary Exp.	80,000	Profit and loss	40,000
		General reserve	80,000
		Long term loan	100,000
		A/c payable	20,000
		Allow. For depreciation	20,000
		Allow. For bad debts	10,000
	670,000		670,000

The above company was absorbed by Kainat Company Ltd. on the following terms:
(a) All the Assets and Liabilities (other than Cash and Long term Loon) were taken over by absorbing company at book values.
(b) The liquidating Company received 40,000 shares of Rs.10 each and cash Rs. 1,00,000 from absorbing Company.
(c) Waris Company paid Liquidation expenses amounting to Rs. 20,000 and long term Loan at book value. **REQUIRED:**
(i) Compute purchase consideration.
(ii) Give General Journal entries in the books of:
(a) Waris Company Ltd. (b) Kalnat Company Ltd.

7. COMPANY - RECONSTRUCTION:

The Balance Sheet of Sher Afzal Ltd. as on December 31, 2014 was under:

Plant Assets	1600,000	**Authorized Capital**	
Goodwill	1,00,000	80000 Ord. shares of	
Preliminary Exp.	20,000	Rs.25 each	20,00,000
Stock	2,40,000	**Paid up Capital**	
Cash	10,000	60000 *Ord.* shares at	
Profit & Loss	- 50.000	Rs.25 each	15,00 000
Sundry Debtors	t,80,000	Long term Bond P/A	4 00 000

		Sundry Creditors
		Allow for depreciation
	22,00,000	

1,40,000

160 000 22,00,000

The following scheme of Internal Reconstruction was approved and implemented:

(a) The amount of Authorized Capital to remain unchanged and par value of each share now to be Rs.10.

(b) The holders of two shares receive three ordinary shares of Rs.10 each fully paid.

(c) Bonds were redeemed by issuance of 44,000 ordinary shares of Rs.10 each to Bond holders.

(d) Goodwill, preliminary expenses and balance of profit & loss were completely written off.

(e) Sundry Debtors were estimated to realize Rs. 1,70,000, Stock valued Rs.2,00,000 and Plant assets were assigned book value of Rs.11,00,000.

REQUIRED: Prepare:

(i) Entries in the General Journal to give effects of the above scheme. (ii) Revised Balance Sheet.

8. <u>BRANCH ACCOUNTING:</u>

Syed & Company of Karachi opened a new Branch at Islamabad. The Head Office and Branch transactions were as under:

<u>HEAD OFFICE TRANSACTIONS:</u>

Transfer of Cash to Branch Rs. 30,000.

Merchandise Shipment to Branch at cost Rs. 75,000.

Paid Branch salaries Rs. 22,500.

Paid Branch Accounts Payable Rs. 18,000.

Collected Branch Accounts Receivable Rs. 15,000.

<u>BRANCH TRANSACTIONS:</u>

Sold goods for cash Rs. 75,000.

Paid Head office Accounts Payable Rs. 9,000.

Reported Not Profit Rs. 4,000.

REQUIRED:

(a) Prepare journal entries in the books of:
Head Office
Branch

(b) Prepare and complete in all respects Branch Account in Head Office ledger and Head Office Account in branch ledger.

ADVANCE ACCOUNTING 2013

(PRIVATE)

<u>ACCOUNTING FOR COMPANIES AMALGAMATION:</u>

Two companies carrying on similar bus ness enter into a contract to amalgamation. A new company called Al Falah Ltd. being formed to take over the assets and liabilities of both the companies. The agreed balances in the balance sheet of each company are as under:

AMBER LTD.			
Share capital	1,250 000	Building	480,000
Accounts payable	200,000	Machinery	450,000

		Merchandise	370,000
		Bank	50,000
		Profit & loss	100,000
Total	*l,450,000*	*Total*	*l,450,000*

RANIA LTD.			
Share capital	l,000,000	Building	375,000
General reserve	250,000	Machinery	500,000
Accounts payable	150,000	Merchandise	225,000
Profit &loss	50.000	**Accounts receivable**	175,000
		Bank	175,000
Total	*l,450,000*	*Total*	*l,450,000*

In the contract, it was provided that fully paid Rs.100 shares shall be issued by Al Falah Ltd.to the value of net assets of each of the old companies.

REQUIRED:

(i) Calculate the amount of purchase consideration of the two companies.

(ii) Record journal entries in the books of Al Falah Ltd. and also prepare its balance sheet.

BRANCH ACCOUNTING:

Karachi head office has a branch at Multan. Decentralized accounting is followed. The head office supplies goods to branch at 20% above cost. Data relating to branch for 2012 are summarized below: a) Goods supplied to branch billed price Rs. 240,000.

b) Cash remitted to branch Rs. 30,000.

c) Branch purchased goods from local market on account Rs. 60,000.

d) Operating expenses paid by branch Rs. 8,400.

e) Head office paid branch operating expenses Rs.400.

f) Cash remitted to head office Rs. 90,000.

g) Branch sold merchandise for cash Rs. 292,000. Data for Adjustments on 31 - 12 - 2012:

(i) Accrued operating expenses Rs.1,200.

(ii) Prepaid operating expenses Rs.900.

(iii) Ending Inventory valued at Rs. 8,000of purchases from local market and Rs.75,000 of goods supplied by head office {Branch had beginning inventory of Rs.50,000 which includes 40% of local purchases) .

REQUIRED:

(1) General Journal entries including adjusting and closing entries in the books of the branch.

(2) Journal entries in the books of the head office to record branch net income or loss and for adjustment of overvaluation. (Show the necessary computation). Also pass closing entry.

INSTALLMENT SALES:

a) A merchant sells merchandise on installment basis, at a gross profit of 42%. The invoice price of merchandise is Rs. 8,000. One customer defaults and the amount receivable from him is Rs. 6,600. The merchandise was repossessed and given an inventory of Rs. 3,250.

REQUIRED: Give necessary entries in General Journal on repossession.

b) Pak Traders sell merchandise in installment basis. The following data relate to their operations for the year 2012:

Merchandise inventory (1- 1- 2012)	16,250
Purchases on account	44,250
Installment sales	75,000
Cash collection from customers	25,000
Merchandise inventory (31 - 12 - 2012)	15,500

REQUIRED:

(i) Find out the cost of installment sales.

(ii) Give journal entries under installment method including adjusting entry/entries, using perpetual system.

CASH FLOW:

Comparative balance sheet of Decent Products Ltd. on December 31• 2012 and 2013 follows:

	2013	*2012*
Cash	Rs.40,000	Rs.15,000
Accounts receivable	*80,000*	60,000
Allowance for bad debts	{8,000)	(6,000)
Inventories	150,000	120 000
Machinery	100,000	80,000
Accumulated depreciation	(20,000)	(16,000)
Accounts payable	75,000	95,000
5% Debentures payable	20,000	--
Ordinary share capital	200,000	160 000
Ordinary share premium	20,000	10,000
Retained earnings	17,000	{12,000)
General reserve	10,000	---

During the year cash dividend was declared and paid Rs. 18,000 and a machine costing Rs. 10,000 with accumulate depreciation of Rs. 1,000 was sold at a loss of Rs 2,000.

REQUIRED:

Statement of cash flow showing cash flow from operating, inventing and financing activities.

FINANCIAL STATEMENT ANALYSIS:

Following information have been taken from the financial records of a limited company:

Inventory - beginning	Rs.3,000
Purchases	9,000
Inventory - ending	2,000
Accounts receivable - beginning	3,500
Accounts receivable -ending	2,500
Sales (credit)	15 000
Net profit	2,000
Total liquid assets	8,100
Total current assets	18 000
Total current liabilities	9,000

REQUIRED: Compute the following.

(1) Working capital
(2) Current ratio
(3) Receivable turnover (times and days)
(4) Acid test ratio
(5) Inventory turnover (times and days)
(6) Days of operating cycle

ADVANCE ACCOUNTING 2013

(REGULAR)

ANALYSIS OF FINANCIAL STATEMENTS:

a) On March l, 2012 the amount of current liabilities of a company was Rs. 40,000 which is 2/3 of current assets. During the month the company purchased furniture Rs. 26,500 by paying cash Rs. 12,000 and issuing a six month note for the balance.

REQUIRED:

Compute current ratio on March 31, 2012. No other transaction has been taken place during the month except mentioned above.

b) Umar & Co. supplied the following information: Account balances on July 1, 2008:

Accounts receivable Rs. 70,000; Accounts payable Rs. 60 000; Accrued operating expenses Rs. 50,000 and Merchandise inventory Rs.28,000.

During the year the following transactions took place: Sales return Rs. 9,000; Returned goods to suppliers Rs. 40 000; Discount allowed to customers Rs. 15,000; Discount received from suppliers Rs. 2,000; Collection from customers Rs.80,000 and payment to suppliers Rs. 50,000.

Account balances on June 30, 2009: Accounts receivable Rs. 250,000; Accounts payable Rs. 90,000; Accrued operating expenses Rs. 56,000 and Merchandise Inventory Rs. 20,000.

REQUIRED:

Compute the following: (Suppose all sales and purchases were on credit).

- Inventory turn over
- Rate of net income on sales

- Receivable turn over
- Rate of operating expenses on sales

INSTALLMENT SALES:

On January 1, 2010 Star Installment Co. has 5 computers In stock costing Rs. 20,000 each. On January 6, 2010 Co. purchased 7 computers for Rs.175,000 on account from M/S Sun Computer House. On March 20, 2010 Star Installment Co. sold 9 computers for Rs. 270,000. The customers paid Rs. 3,000 for each computer as down payment on the same date and rest will be paid in 10 equal quarterly installments. The agreement shows that the amount of installment will be received on the last day of each quarter and buyer will pay 6% interest on unpaid balance. The first installment due on June 30, 2010. Star Installment Co. uses FIFO method of inventory valuation and Co.'s accounting year ends on December 31, each year.

REQUIRED:

Prepare journal entries including adjusting and closing for the year 2010 only.

CASH FLOW STATEMENT:

The comparative balance sheet of Hamza Corporation at December 31, 2011and 2012 are as follows:

DEBIT BALANCES		
	Dec.31,2011	Dec.31,2012
Cash	131,000	115 000
A/c receivable	42,000	25,000
Inventories	30,000	38,000
Machinery	65,000	93,000
Land	65,000	55,000
Patents	17,000	20,000
	350,000	*346,000*

CREDIT BALANCES		
	Dec.312011	Dec.31,2012
Accounts payable	24,000	30,000
Accrued expenses	32,000	24,000
Bonds payable	120 000	40,000
Ordinary share capital	100,000	180 000
Share premium	25,000	28,000
Retained earnings	39,000	29,000
All. for dep.(machinery)	10,000	15,000
	350,000	*346,000*

The Corporation declared a cash dividend of Rs. 15,000 and stock dividend of Rs. 25,000 during 2012. Machinery sold for Rs. 17,000 costing Rs.18,000 and at the time of sale its book value was Rs.16,500.

REQUIRED:

(a) Prepare a cash flow statement showing operating & investing and financing activities for the year ended December 31, 2012.
(b) Determine working capital for both the years.

COMPANY ACCOUNTING – RECONSTRUCTION:

The following is the balance sheet of Aman & Co. Ltd.as on December 31, 2012:

Equities: Accounts payable Rs.90,000; Interest on debentures payable Rs. 6,500; Bank loan Rs.20,000; 5% Debentures payable Rs. 130,000; General reserves Rs. 500,000; Ordinary shares capital Rs. 800,000 (80,000 shares of Rs.10 each).

Assets: Cash Rs. 4,000; Accounts receivable Rs. 120,000; Inventory Rs. 214,000; Patents Rs. 108,500; Machinery Rs.570,000; Building Rs. 400,000;Profit & loss Rs.130,000.

The company was authorized to issue 100,000 ordinary shares of Rs. 10 each. During the past few years the company sustained huge losses and, therefore, a scheme of reconstruction is prepared and approved by the shareholders. A summary of the scheme is as follows:

i. Every ordinary share holder should surrender 50% of his holdings to the company.
ii.The debenture holders have agreed to forego the outstanding interest. iii. The debenture holders accept 1,000 ordinary shares and thirty - day note in exchange of debentures.
iv. The surrendered ordinary shares are to be utilized as under:
a) To write off deficit.
b) To bring down the value of patents to Rs. 68,500.
c) Inventory is valued at Rs. 123,000.
d) To write off Rs. 10,000 from accounts receivable.
e) The balance of the surrendered shares is to be utilized in written down the machinery.
v. Company further issued 1,000 ordinary shares at Rs.10 each against cash. The cash so received is utilized in paying bank loan and the note issued against the balance of debentures.

REQUIRED:

1) Pass entries in the General Journal of Aman Company Ltd. to give effect to the above scheme.

2) prepare revised balance sheet of Aman Company Ltd.

BRANCH ACCOUNTING:

The following are the selected data taken from M/S Wisha & Company and its branch on December 31, 2012. Head office sent goods to its branch at 20% above cost.

	Head office	Branch
Cash	400,000	250,000
Furniture (purchased on Oct 1,12)	80,000	---
Equipment	---	20,000
Land	100,000	---

Merchandise	250,000	120,000
Sales	720,000	350,000
Purchases	300,000	120,000
Fright in	72,000	---
Goods sent to branch	133,750	---
Goods received from head office	---	?
Rent expenses	16,000	17,000
Other Operating Expenses	120,000	---

Additional Data for Adjustment on December 31, 2012:

a) Inventory on December 31, 2012 at head office Rs. 75,000 and branch Rs. 27,000 (including Rs.9,000) from local purchases).
b) Head office accrued rent Rs.2,000.
c) Branch prepaid rent Rs.5,000.
d) Depreciation on fixed assets charges @ 15% per annum.

REQUIRED:

(a) Prepare consolidated income statement of head office and branch for the year ended December 31, 2012.

(b) Prepare adjusting entry for allowance for overvaluation in the books of head office. (Show necessary computation).

ADVANCE ACCOUNTING 2013

(PRIVATE)

ACCOUNTING FOR COM PANY – ABSORPTION:

The balance sheet data of Mustafa ltd. was as under:

Author zed capital	Rs.1,000,000
Paid up capital	400,000
Share premium	50,000
Retained earnings	100 000
Reserve	50,000
Bonds payable	100,000
Accounts payable	60,000
Goodwill	100 000

Mustafa ltd. was absorbed by Raza Ltd. on the following terms:

a) All the assets and accounts payable were taken over by the absorbing company at book values.
b) Mustafa ltd. received 50,000 shares of Rs.10 each @ Rs.12 per share and cash payment of Rs. 60,000 from the absorbing company.
c) The bondholders received 11,000 shares of Rs.10 @ Rs.12 each from absorbing company.

d) Raza ltd. paid the liquidation expenses of Rs.10 000 to Mustafa ltd.

REQUIRED:

a) Compute the purchase consideration.
b) Give necessary journal entries on the books of (a) Mustafa ltd. (b) Raza ltd.

FUND/ CASH FLOW STATEMENT:

The following are balance sheet data of Jannat Company Ltd:

Debit Balances	***2011***	***2010***
Cash	12,000	4,000
Accounts receivable	40,000	50,000
Merchandise Inventory	95,000	130,000
Prepaid expenses	7,000	3,000
Land	65,000	75,000
Building	200.000	125,000
Equipment	18,000	10,000
Retained earnings	10,000	

Credit Balances	*2011*	*2010*
Allowance for bad debts	4,000	S,000
All. For depreciation Building	30,000	27,000
All. For depreciation Equipment	3,000	5,000
Accounts payable	50,000	63,000
Accrued expenses	10,000	7,000
Long term loan	100 000	80,000
Capital stock Rs.10 par	250,000	200,000
Retained earnings		10,000

Additional Data:

During the year land costing Rs. 10,000 was sold at a gain of Rs. 5,000 for cash and the old equipment costing Rs.10,000 was sold for Rs.2,000 on credit.

REQUIRED:

Prepare a Cash Flow Statement using Indirect Method for the year ended Dec. 31, 2011.

FINANCIAL STATEMENT ANALYSIS:

i. Find current liabilities when current ratio is 4:1 and current assets Rs. 80,000. ii. Find current assets when current ratio is 3:1 and current liabilities Rs 40 000. iii. Find quick assets when quick ratio is 3:1and current liabilities Rs 60,000.
iv. Find total liabilities when debt ratio is 1:3 and total assets Rs. 600,000.
v. Find coco/ capital when equity ratio is 5:8 and total assets Rs. 800,000.
vi. Find cost of goods sold when inventory turnover is 20 times and average inventory is Rs. 60,000. vii. Find net credit sales when accounts receivable turnover is 10 times and average accounts receivable Rs 80,000. viii. Find net sales when gross profit ratio is 1:3 and gross profit Rs. 5,000 (Show computation). ix. Which of the above ratios measure liquidity?

BRANCH ACCOUNTING

On March 1, 2011 Tooba Company of Karachi opened a branch at Lahore. The information for the month is as under:

Goods shipped to the branch at billed price of Rs. 165,000.

During the month additional shipment was made at billed price of Rs. 67,000.

Goods returned by the branch at billed price of Rs.5 050.

Merchandise inventory at branch on March 31,2011was valued at Rs. 54,000.

The head office follows the practice of billing the branch at 20% above cost.

REQUIRED:

Give General Journal entries in the books of head office to record the above transactions and an adjusting entry to record profit from allowance for overvaluation.

INSTALLMENT SALES:

Sana Company Ltd. sells merchandise on installment basis. The transactions for the year ended December 31, 2011are as under:

Merchandise inventory Jan. 1,2011	150,000
Purchased merchandise on account	400,000
Purchased merchandise for cash	200,000
Sold merchandise on installment basis	800,000
Collection of installment accounts receivable (2011)	300,000
Collection of installment accounts receivable (2009)	50,000
Collection of installment accounts receivable (2010	100,000
Payment made to creditors	250,000
Installment accounts receivable of 2009 in the amount of Rs 8,000 was Cancelled because of default but the merchandise could not be repossessed.	

Expenses paid	25,000
Merchandise inventory Dec.31,2011	270,000

Note: Gross profit rate 2009- 42%, 2010 - 44%.

ACCOUNTING FOR INSTALLMENT SALES:

The Ghareeb Nawaz Co. sells merchandise on installment basis. It uses perpetual system for recording merchandise and installment method for recognizing profits. The data related to installments sales of the Co. for the years 2010 and 2011 are:

Installment sales	360,000	48-0,000
Cost of installment sales	60%of sales	65% of sales
Cash collection of accounts receivable 2010 installment sales	200,000	140,000
Cash collection of accounts receivable 2011installment sales		242,000

REQUIRED:

i. Give the necessary journal entries including those for adjustment recording the above data for 2010 and 2011respectively on the books of the company.
ii. Assume that the customer default on Installment sales of 2010 after cash collection in 2011 and the merchandise was repossessed and was valued at Rs. 5,000. Give journal entries for recoding the default.

ACCOUNTING FOR BRANCH:

On December 01,Waqas Co. opened a branch at Multan, shipping to the branch merchandise billed at Rs.60,000.Duringthe month additional shipment were made at billed price of Rs 24,000. During December the branch returned merchandise that was defective and received credits of Rs.750 on the returns. At the end of month the branch record it's Inventory at Rs. 18,500 as follows.

Merchandise acquired from outsiders	2,000
Merchandise acquired from head office at billed price	16,500
Total	18,500
Branch loss	3 600

The head office has followed the practice of billing the branch at 25% above cost. Further the head office has recorded branch merchandise shipments and returns in its regular sales and sales return accounts at this billed price.

REQUIRED:

Give the journal entries that are necessary on the books of head office at the end of month to record branch operations and make necessary entry to adjust profit from allowance for over valuation.

ACCOUNTING FOR COMPANIES – ABSORPTION:

The following is the balance sheet of X. Co. Ltd.as on Jan. 01, 2012:

Assets		***Equities***	
Furniture & fittings	85,000	100,000 Ord. shares of 10 each	1,000,000
Inventory	720,000	Bank overdraft	55,000
Accounts receivable	107,000	Accounts payable	175,000
Profit loss account	318,000		
Total	1,230,000	Total	1,230,000

Y Co. Ltd takes over the X. Co, Ltd on the following terms:

Y. Co. ltd. took over furniture and fittings after depreciating the same by 10%, Inventories at Rs. 501,850, Accounts receivable at 55% of the balance sheet value.

Y. Co. ltd. discharge the purchase cons deration by allotment of 20,000 ordinary shares of Rs.10 each at an agree value of Rs.15 each & balance amount paid in cash.

REQUIRED:

Necessary journal entries in the books of X. Co. Ltd.

ANALYSIS OF FINANCIALS STATEMNTS:

(a) The data shown below is taken from the comparative balance sheets of Maqsood All & Co.:

	2009	*2010*
Cash	16,000	30,000
Marketable securities	20,000	10,000
Accounts receivable	45,000	55,000
Inventories	60,000	75,000
Prepaid expenses	2,000	4,000
Plant & equipment	80,000	90,000
Intangible assets	25,000	20,000
	248,000	284,000
Current liabilities	60,000	80,000

REQUIRED:

a) From the data above calculate for 2009 and 2010:

i. Working capital
ii. Current ratio
iii. Acid test ratio

(b) Compute rupee and percentage changes in 2010 as compare to 2009 for current assets and current liabilities. c) Compute ratio of cash to current liabilities for 2009 and 2010.

d) The average Inventory of XY Co. as cost price is Rs. 40,000. Sales for 2011were made at 20% above cost and totaled Rs. 300,000.

REQUIRED:

i. What was the inventory turnover rate?
ii. What is the average age of inventory?

CASH FLOW STATEMENT:

During 2011, Manzoor Co. showed the following changes (Note Increase In assets are shown in debit column and increase in equities in the credit column and vice versa).

	Debit	*Credit*
Cash		8 750
Merchandise inventory		6,250
Prepaid Rent		2 500
Accounts receivable	7,500	
Plant assets	20,000	
Accumulated Depreciation		7,500
Share capital		17,500
Accounts payable	5,000	
Debentures payable	17,500	
Retained earnings		7,500

Additional Data: Cash dividend of Rs. 37,500 were declared and paid during 2011.

REQUIRED:

Prepare Cash Flow Statement.

ADVANCE ACCOUNTING 2011

(PRIVATE)

1. ACCOUNTING FOR COMPANY – AMALGAMATION:

Differentiate between amalgamation and absorption.

GIVEN Sun ltd. and Moon ltd. decided to amalgamate their business and a new company Stars Lid.is formed to take over all assets and liabilities of the two concerns. The new Co. Stars Ltd. issue 110,000 shares of Rs.10 each at Rs.20 to Sun Ltd. and 90,000 shares of Rs.10 each at Rs.20 to Moon Ltd. The following are the balance sheets:

Sun Limited

Balance Sheet December 31, 2010

Cash	Rs.120,000	Accounts payable	Rs.180,000
Accounts receivable	400,000	**General reserves**	300,000
Merchandise inventory	600,000	Share capital	
Machines	1,200,000	(190,000 shares of Rs.10 each)	1,900,000
Furniture	60,000		
	2,380,000		**2,380,000**

Moon Ltd.

Balance sheet December 31, 2010

Cash	Rs.250,000	Accounts payable	Rs.200,000
Accounts receivable	300,000	General reserves	100,000
Merchandise inventory	700,000	Share capital	
Machines	800,000	(185,000 shares of Rs.10 each)	1,850,000
Office equipment	100,000		
	2,150,000		**2,150,000**

REQUIRED:

a) Give entries in General Journal form in the books of Stars Ltd.
b) Prepare amalgamated balance sheet in the books of Stars Ltd.

2. BRANCH ACCOUNTING:

GIVEN The following balances were taken from the books of Usman Motorcycles (Pvt) Ltd. Karachi as of Dec. 31, 2009:

Cash	Rs.150,000	Accounts payable	Rs.40,000
Accounts receivable	80,000	Sales tax payable	10,000
Merchandise inventory	250,000	Share capital	400,000
Furniture	70,000	**Retained earnings**	100,000
	550,000		**550,000**

January 01, 2010 a branch was established In Lahore at which time the head office sent cash of Rs. 50,000 and merchandise costing Rs. 80,000 which were billed at 20% above cost. Additional transactions for the month ended January 31,2010were as follows:

	Head Office	*Branch*

Purchases on account (including 16% sales tax)	Rs.580,000	Rs.30,000
Sales on account (including 16% sales tax)	928,000	46,400
Accounts receivable collected	400,000	20,000
Accounts payable paid	200,000	15,000
Operating expenses paid	95 000	10,000
Furniture bought for cash and sent to the branch	25,000	
Cash remitted to the head office		20,000
Sales tax paid	10 000	

Closing inventories on Jan.31, 2010 were Rs. 180,000 and Rs.90,000 (at billed price) at the head office and branch respectively. Depreciation was taken at 10% per annum on fixed assets.

REQUIRED:

Head office journal entries for the month of Jan.2010including adjusting and closing entries.

3. CASH FLOW STATEMENT:

GIVEN The comparative balance sheet of Zubair Ltd. for the two years are produced below:

905,000	*900,000*
Dec.31 ,11	***Dec.31, 10***
605 000	570 000
90,000	100,000
90,000	125,000
120,000	105,000
905,000	*900,000*

Debit Balances (In Rs.)	***Dec.31.11***	***Dec.31.10***
Cash	87,500	105,000
Merchandise inventory	162 SOO	175,000
Prepaid rent	40,000	45,000
Accounts receivable	175,000	160,000
Plant assets	440,000	415,000
Total Rs.		

Credit Balances (in Rs.)

Ordinary share capital

Accounts payable

Debentures payable

Retained earnings

Total Rs.

Additional Data:

(1) Net income for the year 2011, Rs. 90,000.
(2) Declared cash dividend Rs.75,000.

REQUIRED:

(a) Working capital for both the year. (b) Prepare cash flow statement.

4. INSTALLMENT SALES:

The Daniyal Electric Products Company 1nanufactures table fans. It is a practice of the company to sell 30% of its production on installment basis. The company recognizes profit on sales on the basis of cash collected from customer the following are the data for three years:

Years	*Profit*	*Installment Receivable 011 January 1,2010*	*Collection D11rin9 2010*	*Installment Receivable 011 December 31, 2010*
2008	44%	Rs. 80,000	Rs. 80.000	...
2009	42%	Rs. 165.000	Rs. 75.000	Rs. 90,000
2010	40%		Rs. 150,000	Rs. 300,000

REQUIRED:

Prepare all journal entries for 2010 from the data above, including those required for the recognition or gross profit at the end of year.

5. ANALYSIS OF FINANCIAL STATEMENT:

GIVEN a condensed balance sheet for Amjad Ltd. prepared at the year ended Dec. 31, 2010 appears as follows:

Assets		*Equities*	
Cash	Rs.95,000	Notes payable (Due in 6 months)	Rs.40,000
Accounts receivable	155,000	Accounts payable	110,000
Inventory	270,000	long term liabilities	360,000
Prepaid expenses	60,000	Capital stock Rs.50 par	300 000
Plant & equipment - Net	570,000	Retained earnings	430 000
Other fixed assets	90,000		

Total assets	*1,240,000*	*Total equities*	*1,240,000*

During the year the company earned a gross profit of Rs. 1,116,000 on credit sales of Rs. 2,950 000. Accounts receivable, inventory and plant assets remained almost constant in amount throughout the year.

REQUIRED:

Compute the following:

(a) Current ratio
(b) Quick ratio
(c) Working capital
(d) Accounts receivable turnover
(e) Debt ratio
(f) Inventory turnover
(g) Book value per share

ADVANCE ACCOUNTING 2011

(REGULAR)

1. ACCOUNTING FOR COMPANY - FINANCIAL STATEMENTS:

GIVEN X, Y Company ltd. was registered with an authorized capital of Rs. 8,000,000 divided into 800,000 ordinary shares of Rs.10 each. The company's books showed the following balances on June 30, 2011:

Title of Accounts	*Debit*	*Credit*
Cash in bank	94,500	
Accounts receivable	150 000	
Allowance for bad debts		4,500
Office supplies	18,000	
Merchandise inventory 1.7.10	225 000	
Prepaid insurance	12,000	
Machinery –cost	1,500,000	
Allowance for depreciation –Machinery		150 000
Preliminary expenses	10,000	
Accounts payable		40,000
10% Bonds payable		200,000
Paid up capital		800,000
Retained earnings		310,000
Sales revenue		800,000
Commission on income		706 000
Sales return & allowance	20,000	

Purchases	900,000	
Transportation- in	40 000	
Purchases returns & allowances		40,000
Salaries expenses	40,000	
Rent expenses	26,000	
Income tax expenses	10,000	
Advertising expenses	5,000	
	3,050,00	3 ,050 ,500

Data for adjustment on June 30, 2011:

(a) Rent expenses for the year amounted to Rs. 30,000.

(b) Merchandise inventory was valued on June 30, 2011 at Rs. 260,000.

(c) Provide allowances for depreciation on machinery for the year Rs. 135,000.

(d) Allowance for bad debts Rs. 5,000 for the year.

(e) Appropriate Rs. 50,000 for plant extension and Rs. 40,000 for contingencies.

(f) Declared cash dividend @ 10% on capital.

REQUIRED:

(a) Prepare a classified income statement for the year ended June 30,2011and also a statement of retained earnings.
(b) Prepare a balance sheet as of June 30,2011in classified form.

2. COMPANY ACCOUNTING – ABSORPTION:

GIVEN the following are the asset and equity account balance of A.B Co. Ltd. as on June 30, 2011.

Dr. Balances		*Cr. Balances*	
Cash	50,000	Allowance for depreciation - Plant	50,000
Merchandise inventory	105,000	Accounts payable	50,000
Plant assets	200,000	Share capital (Rs.10 par)	270,000
Preliminary expenses	5,000		
Retained earnings	10,000		

The above Company was absorbed by MY Company Ltd. on July 1,2011on the following terms:

All the assets and liabilities (with the exception of cash) were taken over by the absorbing company at book values.

Two new shares of Rs.10 at Rs.12 each for every three shares are issued to the shareholders or A.B Co. Ltd.

REQUIRED

1) Entries In the books of A.B Co. Ltd. relating to transfer of bus ness and final settlement of accounts.
2) Entries in the books of MY Co. Ltd. relating to record the absorption of A.B Co. Ltd. And issuance of shares to vendors.

3. <u>ANALYSIS OF FINANCIAL STATEMENTS:</u>

GIVEN Following are the selected data taken from books of Rafiq Co. Ltd. at the end of year 2010:

Cost of goods sold	540,000
Accounts payable	200,000
Merchandise inventory (opening) 120,000	
Bills payable 50,000	
Accounts receivable (Opening)	380,000
Marketable securities	142,000
Cash	108,000
Accounts receivable (Ending)	350,000
Merchandise inventory (Ending}	150,000
Credit sales (Net)	1,825,000
Total operating expenses	600,000

<u>REQUIRED:</u>

On the basis of above information, find out:

a) Working capital
b) Current ratio
c) Acid test ratio
d) Net profit percentage
e) Inventory turnover
f) Accounts receivable turnover
g) Gross profit percentage
h) Operating expenses rate

4. <u>ACCOUNTING FOR INSTALLMENT SALES:</u>

GIVEN lrfan Limited sells merchandise on installment basis. Data relating to the inventory, purchases and sales of equipment during the year 2010 are as follows.

Inventory of equipment January l, 2010 Rs.	150,000
Purchases of equipment on account	500,000
Sales of equipment during the year	750,000
Cash collection from customers	250,000

Inventory of equipment December 31, 2010	200,000

REQUIRED:

Give journal entries in the General Journal to record the above transactions including adjusting and closing entries.

5. ACCOUNTING FOR BRANCHES:

GIVEN A Karachi firm whose accounting year ends on 31 December has two branches one at Hyderabad and the other at Multan. The branches keep a complete set of books. On 31 December, 2010 the Hyderabad and Multan branches account in the head office books showed debit balance of Rs. 30,450 and Rs. 45,000 respectively before taking the following information into account.

i. Merchandise valued Rs. 2,000 were transferred from Hyderabad to Multan branch under instruct on from head office.
ii. The Hyderabad branch collected Rs. 2,500/= from a customer of head office. iii. The Multan branch paid Rs. 5,000/= for certain goods purchased by the head office. iv. Rs. 5,000/= remitted by the Hyderabad branch to the head office.
v. The Multan branch received on behalf of the head office Rs. 1,500/= as dividend from a Multan Co.
vi. For the year 2010 the Hyderabad branch showed a net loss of Rs. 1,250/= and the Multan branch a net profit of Rs.5 400/=.

REQUIRED:

Pass journal entries to record these matters in the head office books and then write up the two branches accounts there in.

ADVANCE ACCOUNTING 2010

(PRIVATE)

COMPANY ACCOU NTING -ABSOR PTION

GIVEN FoIlowing balance sheet relates to business of Bilquis & Co.

Equities		Assets	
<u>Authorized Capital:</u>		**Non - Current Asset :**	
40 000 ordinary shares		Plant & Property	200,000
Of Rs.10 Each	400,000		
Paid up Capital:		**Current Assets:**	
24,000 ordinary shares	240,000	Inventory	30,000
Bonds payable	340,000	Office supplies	60,000
Current liabilities:		Accounts receivable	120,000
Accounts payable	60,000	Cash	230,000
Total equities	**640,000**	*Total assets*	**640,000**

Bilquis & Company was absorbed by Umer & Company under the following terms & conditions:

1. Umer & Co. took over all business assets (except cash) and assumed accounts payable at book values.
2. In cons deration Umer & Co. issued 41,000 shares of Rs.10 each to the shareholders of Bilquis & Co.
3. The bonds holders of Bilquis & Co. were issued 24,200 shares of Rs.10inUmer & Co.
4. The liquidation expenses were paid by Bilquis & Co. Rs. 16,000 cash.

REQUIRED:

a) Record entries in the books of Bilquis & Co.
b) Record entries in the books of Umer & Co.
c) Prepare an initial balance sheet of Umer & Co. as on July 1,2010. Umer & Co. was registered with a capital of Rs. 800,000 which is divided into 80,000 ordinary shares of Rs.10 par.

FINANCIAL RATIO ANALYSIS:

GIVEN The following items have been taken from the financial record of Fazal & Company:

Cash Rs.50,000; Accounts receivable on January 1,2010 Rs. 90,000; Office supplies Rs. 9,000; Inventory on December 31,2010 Rs. 60,000; 5-year bonds payable Rs. 140,000; operating expenses Rs. 32,000; Bank overdraft Rs. 135,000; Accounts receivable on December 31,2010 Rs. 120,000; Ordinary shares capital Rs.400,000 (par value Rs.10 each share); Cost of sales Rs. 225,000 which is 75% of sales; Retained earnings Rs.57,000 (exclusive of current year income); Accrued expenses Rs. 90,000; Prepaid expenses Rs.171,000; Inventory on January 1, 2010 was Rs. 90,000; Plant and machinery Rs.195,000.

REQUIRED:

Compute the following:

(a) Current ratio (b) Inventory turnover days

(c) Receivable turnover days (d) Equity ratio

(e) Earnings per share (f) Book value per share

CASH FLOW STATEMENT:

GIVEN The following trial balances have been taken from the books of Farooqui ltd. Karachi:

	2010	*2009*
Cash	150,000	210,0z
Accounts receivable	240,000	200,00
Marketable securities	160,000	0120,00
Inventories	350,000	360,00
Prepaid expenses	30,000	20,000
land & building	1,000,000	1,000,000
Machinery & equipment	700,000	520,000
Discount on issue of bonds	10,000	20,000
Total	**2,640,000**	**2,640,000**
Allowance for bad debts	12,000	11,000
Allowance for depredation (Building)	120,000	115,000
Allowance for depreciation {Machine)	110 000	90,000
Accounts payable	160,000	150 000
Accrued expenses	50,000	40,000
Bonds payable	450 000	650 000
Capital stock	825 000	425,000
Retained earnings	513,000	369,000
Reserve for plant extension	400 000	600 000
Total	**2,640,000**	**2,640,000**

Additional information:

(1) Sold an old equipment costing Rs. 20,000 having a book value of Rs.15,000 at Rs.10,000 on credit.

(2) Cash dividend of Rs. 150,000 was declared and paid.

(3) Stock dividend of Rs. 100,000 was declared and issued required number of shares of Rs. 10 par.

REQUIRED:

Prepare Cash Flow Statement showing Operating, Investing and Financing Activities.

BRANCH ACCOUNTING:

GIVEN M/S. Nazeer Company Cifton, Karachi has a branch in Lahore the goods are billed to the branch at 20% above cost. All expenses of the branch are paid by the head office. The following particulars are available with branch on January 31, 2009:

Opening Balances of January 1 , 2009:

Merchandise inventory at bill price	55,000
Goods received from head office at billed price ***Expenses***	100,000

Paid by Head office:

Rent	3,000
Salary and other expenses	5,500

Remittance ta Head Office:

Cash sales	13,250
Cash collected from customers	105,000
Goods returned to *H.* office against the shipment	2,000
Merchandise inventory at billed price	65,000

REQUIRED:

(1) Prepare entries in the books of head office and branch.

(2) Prepare allowance for overvaluation account.

(3) Find profit from allowance from overvaluation & prepare supporting adjusting entry.

INSTALLMENT SALES:

GIVEN Hasnain & Brothers follows installment method for recognizing profits & closes its accounting year on June 30 every year.

On September 12, 2010 Hasnain & Brothers purchased 30 computers from Tauseef Computers for Rs. 36,000] each on credit.

On October, 2010 Hasnain & Brothers sold 25 computers @ Rs.45,000 each. The customers paid Rs.20,000 per computer as down payment of October 1,2010 and agreed to pay the balance in 8 equal quarterly Installments (The first quarter started from October ,2010). The ownership would be transferred on the payment of the final installment. The installments received on the last day of each quarter.

REQUIRED:

Prepare journal entries including adjusting and closing to record the above transactions only for the year ended June 30, 2011.

ADVANCE ACCOUNTING 2010

(REGULAR)

COMPANY ACCOUNTING - CAPITAL REDUCTION:

GIVEN Sharif Company Ltd. Faisalabad obtained permission from court to do as under:

1. To reduce 200,000 ordinary shares of Rs. 10 each to 100,000 ordinary shares of Rs. 10 each fully paidup.

2. To write off preliminary expenses Rs. 170,000; goodwill Rs. 150,000 and loss Rs. 500,000.
3. To write off plant assets of Rs. 1,220,000 to the extent of remaining balance of capital reduction. The company issued suitable number of ordinary shares to pay its long term liabilities.

REQUIRED:

a) Prepare balance sheet before the scheme of reduction, assuming that the company had no assets and equities other than mentioned above.
b) Prepare entries in General Journal of Sharif Company.
c) Prepare revised balance sheet.

FINANCIAL RATIO ANALYSIS:

A. GIVEN selected data taken from the balance sheet of Imam Co.at the end of fiscal year on Dec. 31, 2010.

Cash	100,000
Marketable securities	50,000
Accounts receivable	150 000
Inventories	250 000
Prepaid expen.se	200 000
Current liabilities	250,000

REQUIRED: Compute:

i. Working Capital ii.
The current ratio iii.
Acid test ratio

Note: Write relevant formula in the computations.

B. GIVEN Zulfiqar Company's ordinary shares capital account for 2010 and 2009 showed: Ordinary share Rs.10 par value Rs.45,000.

The following data are provided relative to 2010 & 2009:

	2010	*2009*
Dividends	Rs.2,250	Rs.3,600
Market price per share	Rs.20	Rs.22
Earnings per share	Rs.2.13	Rs.2.67

REQUIRED:

Compute for year 2010 and 2009:

i. Dividend per share and

ii. Dividend yield

Note: Write relevant formula in the computations. Compare answer for the year 2010 with the year 2009 and give comments.

INSTALLMENT SALES:

GIVEN Kamran Electric Company's deals in the sales of generators on installment basis. The company has two plans which are summarized below:

Explanation	***Plan "A"***	***Plans***
Down payment for each generator	10%of the sales price	Rs.7,000
No. of installments	15 equal monthly installments	5 equal quarterly installments
Rate of interest on unpaid balance	Nil	6% per annum
Installment amount due.	At the start of the each month	the end of each month

Kamran Company had inventory of 20 generators 2500 KV costing Rs. 80,000.

Under Plan-A, company sold 6 generators to Sardar Industries on October 5, 2009 at a profit of 35% on cost. Sardar Industries will start to pay installments from November, 2009.

Under Plan- B, company sold 5 generators to Shahani & Sons for Rs. 50,000 each on June 28, 2009.Quarter starts from July 1, 2009.

REQUIRED:

Prepare dated journal and adjusting entries, separately under each plan for the year 2009 only.

BRANCH ACCOUNTING:

GIVEN Hyderabad Branch of AK Farooqui Company submitted the following trial balance data of December 31, 2009 to its head office in Karachi:

Debit:

Balance at bank Rs. 32,500; Cash in hand Rs.10,000; Accounts receivable Rs.75,000; Purchases Rs.100,000; Rent & rates Rs.40,000; Utilities expenses Rs.7,500; Salaries expenses Rs.27,500; Stock (January 1,2009) Rs.62,500 (Total Rs.355,000)

Credit:

Accounts payable Rs. 90,000; Sales Rs.225,000; Head office Rs.40,000 (Total Rs.355,000)

Additional information:

The salaries include a sum of Rs.12,500 paid to the branch manager, who is further entitled to a commission at 7%on the net profit of the branch before charging such commission, which is payable after a month. The ending stock of the branch amounted to Rs.95,000 and utilities expenses payable Rs.4,000.

REQUIRED:

From the above Information prepare:

i). Income statement of Hyderabad branch

ii). Balance sheet as of Hyderabad branch

CASH FLOW:

(a) Differentiate between Financial Accounting and Cost Accounting. (Give at least 5 points of differentiation).

(b) Distinguish between Fund Flow and Cash Flow Statements.

(c) GIVEN Net income reported on the income statement for the year 2010 was Rs. 87,100. Depreciation recorded on equipment and building amounted to Rs. 32,250 for the year. Balance of the current assets and current liabilities accounts at the beginning and end of the year are as follows:

	End of the Year	*Beginning of the Year*
Cash	Rs.61,125	Rs.58,725
Accounts receivable	87,500	80,000
Inventories	110,000	95,000
Prepaid expenses	6,900	7,650
Accounts payable	77,200	72,700
Salaries payable	3,750	6.250

REQUIRED:

Prepare the cash flows from operating activities section of the statement of cash flows.

ADVANCE ACCOUNTING 2009

(PRIVATE)

RECONSTRUCTION OF COMPANY:

GIVEN the balance sheet of Al Raza ltd as on June 30, 2009 is as follows:

Credit Balances:

Authorized capital:100,000 ordinary shares of Rs 20 2000,000

Paid up Capital:

45,000 ordinary shares of Rs.20 each 900,000

7% Bond payable	200.000
Accounts payable	75,000
Allowance for depreciation -Plant assets	150,000
	1,325,000
Debit Balances:	
Plant assets	600,000
Accounts receivable (Net)	240,000
Merchandise inventory	260,000
Cash	20,000
Preliminary expenses	45,000
Profit / Loss	160,000
	1325,000

The following scheme of reconstruction was agreed and implemented on the same date:

The amount of authorized capital to remain unchanged but the par value of each share is now to be Rs.10 as per companies.

The shareholders were issued 50,000 shares at Rs.10each against their holdings.

Bonds payable were settled by issuing 21,000 shares at par.

Preliminary expenses and profit or loss accounts were completely written off, merchandise was valued at Rs. 270,000, accounts receivable were estimated to realize to the extent of 90%. The balance of reduced capital's amount was utilized to reduce the value of plant assets.

REQUIRED:

(a) Entries in the books of Al Raza Ltd.to give effects of the above scheme.

(b) Revised balance sheet as on June 30, 2009.

BRANCH ACCOUNTING:

GIVEN Mehdi Corporation bills merchandise to its E - Branch at cost and maintains complete accounting records under perpetual inventory system. Equipment and other fixed assets used at branch are carried in home office books. Transactions during December 2009, the first month of E Branch operations are summarized below:

Cash Rs. 1,000 was forwarded to E-Branch.

Merchandise costing Rs. 60,000 was shipped by head office to E-Branch.

Equipment was acquired by E - Branch for Rs. 500 cash.

Credit sales by branch amounted to Rs. 80,000 costing Rs. 45,000.

Collection of accounts receivable by E Branch Rs. 62,000.

Payment of operating expenses by E Branch totaled Rs.20,000.

Cash Rs.37 500 remitted by E-Branch to head office.

Operating expenses paid by head office and charged to E - Branch amounted to Rs. 3,000.

REQUIRED:

General Journal entries in the books of:

(i) E - Branch

(ii) Head office

ANALYSIS OF FINANCIAL STATEMENTS:

GIVEN the following terms are taken from financial statement of Aman Company. All sales are made on account:

made on account:

Sales (on account)	1,800,000
Plant and equipment	2,400,000
Average shareholders' equity	3,800,000
long term liabilities	900,000
Average accounts receivable	375,000
Average merchandise inventory	255,000
Gross profit	525,000

REQUIRED:

Compute the following:

(I) Accounts receivable turnover.

(II) Merchandise inventory turnover.

(III) Ratio of plant and equipment to long term liabilities.

(IV) Rate of return on shareholders' equity. (V) Gross profit percentage.

FUND FLOW / CASH FLOW ANALYSIS:

The following are the comparative balance sheets of Nadeem Ltd:

Debit Balances	*31.12.2008*	*31.12.2009*
Cash	90,000	126,000
Accounts receivables (Net)	150,000	248,000
Merchandise inventory	228,000	184,000

Machinery	510,000	390,000
Land	240,000	390,000
Patents	120,000	102,000
Total	**1,338,000**	**1,440,000**
Credit Balances		
Accounts payable	180,000	145,000
Unpaid expenses	144,000	191,000
Debentures payable	240,000	120,000
Ordinary share capital	480,000	600,000
Share premium	120,000	150,000
Retained earnings	174,000	234,000
Total	**1,338,000**	**1,440,000**

At the end of 2009, declared cash dividend Rs. 90,000 and stock dividend Rs. 150,000.

REQUIRED:

(a) A statement showing changes in working capital.

(b) Cash Flow Statement.

ADVANCE ACCOUNTING 2009

(REQULAR)

ACCOUNTING FOR COMPANIES – ABSORPTION:

The following balances relate to the business of Ashar Company Ltd. as on June 30, 2009:

Cash Rs. 350,000; Other assets Rs. 315,000 and accounts payable Rs. 30,000 which is 1/3 of long term Labilities, Ordinary share capital (par value Rs.10 per share) Rs. 500,000, Retained earnings Rs. 45,000. Ashar Company was absorbed by Absar Company Limited under the following terms and conditions:

i. Absar Company Ltd.to take over allthe business assets except cash and to assume accounts payable at book value.

ii. The shareholders of Ashar Company Ltd.to receive 5 shares in Absar Company Ltd. against 4 shares of Rs.10 per share. iii. Long term liabilities of Ashar Company Ltd. settled by issuing 9,500 ordinary shares in Absar Company Ltd. Of Rs.10.

iv. Absar Company Ltd.to pay liquidation expenses of Rs. 18,000 cash to Ashar Company Ltd.

REQUIRED:

(a) Compute the amount of purchase cons deration.

(b) Prepare journal entries in the books of liquidating company.

CASH FLOW STATEMENT:

The Accounting staff of nasr & company has present the following information:

	31.12.08	*31.2.07*
	42,000	50,200
Accounts receivables	50,000	62,000
Office supplies	25,000	16,000
Accrued income	42,000	20,000
Plant & equipment	300,000	260,000
Accumulated depreciation(Plant & equipment)	(38,000)	(26,000)
Land & building	200,000	263,000
Investment in bonds	370,000	340,000
Accounts payables	18,000	23,000
Accrued utilities	24,000	20,000
Long term loans	170,000	242,200
Share capital	550 000	500,000
Retained earnings	229 000	200 000

During the year 2008 the company declared cash dividend Rs. 32,000.

REQUIRED:

(a) Compute the net income from operation.

(b) Cash generated from operation.

(c) Prepare Cash Flow Statement.

FINANCIAL RATIO ANALYSIS:

Following comparative data has been taken from the records of Nuzhat & Company:

NUZHAT & COMPANY

COMPARATIVE INCOME STATEMENT For
the year ended December 31, 2007 and 2008

	2008	*2007*
Net sales	1,200,000	850,000

	(690,000)	(510,000)
	510 000	340,000

Operating Expense:

Selling expense	(120 000)	(95,000)
General & administrative overheads	(160,000)	(130,000)
Income before interest & taxes (IBIT)	230 000	115,000
Financial charges	(32,000)	(24,000)
Income before tax	198 000	91,000
Income tax	(29,700)	(13,650)
Net income	168 300	77,350

Assets:

Non - Current Assets:

Property, plant and equipment	382 300	170,000
Intangible assets	150 000	120,000

Current Assets:

Inventories	70,000	70,000
Prepaid expenses	90 000	30,000
Accrued financial income	70,000	60,000
Accounts receivables	190,000	110,000
Marketable securities	180 000	170,000
Cash and bank	120 000	198,000

Authorized Capital:

50,000 ordinary shares @ Rs. 10	500,000	500,000

Share Capital:

Ordinary share capital@ Rs.10	450,000	410,000
Retained earnings	368,300	200,000

Long Term Liability:

Bonds payable	135 000	125 000
Deferred Income	20,000	--

Current Liability:

Accounts payable	200 000	123,000
Accrued expenses	75,000	70,000

Current maturity of deferred income	4,000

REQUIRED:

Compute the following ratios:

i. Current ratio for 2007
ii. Earnings per share for 2007
iii. Inventory turnover for 2007 and 2008 iv. Return on assets for 2007 and 2008
v. Quick ratio for 2008
vi. Book value per share for 2008. vii. Receivable turnover for 2007 and 2008

INSTALLMENT SALES:

Mirta Installment Company purchased 15 computers from Alam & Bilal Traders @ Rs. 33,600 each on credit. The company sold 7 computers on installment @ Rs. 42,000 each on September 1, 2008. The terms of installment sales were to pay 25% on each computer as a down payment and the remaining amounts to be collected in 15 monthly installments starting from October l, 2008.

All installments collected on the first day of each month. Three of the computer holders defaulted to pay the installments after the payment of 5th installment and company repossessed the computers which have the fair market value of Rs. 17,000 each computer.

Mirta Installment Company closes its accounting year on June 30 each year.

REQUIRED:

Compute the following:

i. Amount or installment sales.
ii. Amount of down payment received.
iii. Monthly installment amount of each computer. iv. Unrealized (deferred) gross profit.
v. Rate of Unrealized (deferred) gross profit.
vi. Total amount of installment accounts receivable cancelled. vii. Book value of repossessed merchandise.
viii. Gain or loss on repossession. ix. Total amount collected during the period.
x. Amount of realized gross profit.

HEAD OFFICE AND BRANCH ACCOUNTING

Following are some of the items extracted from the books of Khursheed & Hassan Company Karachi and its Lahore Branch:

	Head Office	Branch
Cash	40 000	18,000
Inventory (opening)	15,000	20,000
Purchases	18,000	6,000
Sales revenue		30,000
Goods sent to branch	6 000	…
Goods received from head office	...	7,500
Salaries expense	2,000	1,000
Prepaid rent	1,200	800
Allowance for overvaluation	2 000	--

On December 31, 2008 data for adjustment:

Head Office: Inventory valued Rs. 3,000, Prepaid salaries Rs.,200 and prepaid rent Rs.800.

Branch: Inventory with respect to head office Rs. 1,500 and of local purchases Rs.1,200. Accrued salaries Rs. 500 and rent expired during the period Rs. 200.

REQUIRED:

i. Allowance for overvaluation in opening inventory.
ii. Rate of allowance for overvaluation. iii. Adjusting entry of allowance for overvaluation. iv. Prepare Consolidated Income Statement for the year ended December 31, 2008.

ADVANCE ACCOUNTING 2008

(PRIVATE)

ACCOUNTING FOR COMPANIES - FINANCIAL STATEMENT

Star Co. Ltd. was registered with capital of Rs.800,000 divided into shares of Rs.10 each.

The following are the account balances of the company as on June 30,20-07:

Debit Balances:

Cash Rs.11,000,Allowance for bad debts Rs.1,000,Marketable securities Rs.6,000,Accounts receivable Rs.22,000,Merchandiseinventory Rs.10,000,Machine cost Rs.55,000,Purchases Rs.325,000,Sales returns & allowances Rs.30,000,Office salaries expense Rs.13,000,Sales salaries expense Rs.15 000, Advertising expense Rs.8,000,Office rent expense Rs.24,000,Auditors fees Rs.5,000,Directors fee Rs.14,000, Discount shares Rs.10,000.

Credit Balances:

Accounts payable Rs. 6,000 Debentures payable Rs. 5,000 Shares capital Rs. 110,000,Sales Rs.400,000, Retained earnings?

Data for Adjustment on June 30, 2007;

1) Merchandise inventory valued at Rs. 58 000.

2) Estimated allowance for bad debts Rs. 1,300.

3) Depreciation expense for the year Rs. 9,000.

4) Prepaid rent Rs. 4,000.

5) Declared cash dividend Rs.4,000 & stock dividend Rs. 1,000.

REQUIRED:

Prepare:

(i) As Income Statement for the year ended June 30, 2007. (ii) Statement of Retained Earnings.

(iii) A Balance Sheet as of June 30, 2007In a classified form.

AMALGAMATION:

Hafeez Co. Ltd and Rasheed Co. Ltd. decided to amalgamate their business and a new company Hameed Co. Ltd. was formed to take over all assets and liabilities of the two companies.

Hameed Co. ltd. Issued 100,000 shares of Rs.10 each at Rs.26 to Hafeez Co. Ltd. and 98.000 shares of Rs.10 each at Rs.26 to Rasheed Co. Ltd. At the time of amalgamation following were the balance sheets of two companies:

Hafeez Co. Ltd.

Balance Sheet as on Dec. 31, 2007

Cash	110,000	Accounts Payable	280,000
Accounts receivable	400,000	**Shares Capital:**	
Merchandise inventory	600,000	190,000 shares of Rs. 10	1,900,000
Building	1,300,000	General reserves	300,000
Furniture	70,000		
	2,480,000		**2,480,000**

Rasheed Co. Ltd.

Balance Sheet as on Dec. 31, 2007

Cash	200,000	Accounts payable	200,000
Accounts receivable	350,000	Share Capital:	
Merchandise inventory	600,000	185,000 shares of Rs.10	1,850,000
Building	900,000	General reserves	100,000
Furniture	100,000		
	1,150,000		1,150,000

REQUIRED:

(I) Compute purchase cons deration for each of the amalgamating company.
(II) Give all necessary entries in the General Journal of Hameed Co. Ltd.
(III) Prepare a balance sheet of Hameed Co. ltd. after amalgamation.

ACCOUNTING FOR INSTALLMENT SALES:

Rehan Co. ltd. reports profits on installment basis. It uses perpetual inventory system, for recording merchandise. The transactions for the year ended Dec. 31, 2007 are as under:

i. Purchased merchandise on account for Rs. 360,000.
ii.Sales on installment basis Rs. 450,000. iii. Cost of installment sales Rs. 250,000.
iv. Collection of installment accounts receivable Rs. 300,000.
v. Payment of accounts payable Rs. 155,000.
vi. Repossession of goods sold on installment basis:
Installment account cancelled Rs. 22,000. Repossession of goods valued Rs. 11,000.
vii. Expenses incurred but not paid Rs. 8,000.

REQUIRED:

Give entries in General Journal to record the above transactions including adjusting and closing entries.

HEAD OFFICE AND BRANCH ACCOUNTING:

Following are the transactions entered into by Zafar Co. Ltd. with its branch at Hyderabad during the year ended June 30, 2007. The head office billed merchandise to branch at 25% above cost.

i. Shipped to the branch merchandise billed at Rs. 70,000.
ii.The branch returned merchandise at billed price of Rs. 1,500. iii. At June 30, the branch inventory was valued at billed price of Rs. 3,000. iv. The branch reported a loss of Rs. 4,500 for the year.

REQUIRED:

i. Give journal entries on the books of head office to record above transactions.
ii. Calculate and record the profit it from allowance for overvaluation.

FINANCIAL STATEMENT ANALYSIS:

The selected data given below are taken from the records of the Hasan Co. Ltd. at the end of the year 2007:

Cash	30,000	Accounts receivable (beg)	4 150

Prepaid insurance	12,500 Accounts	receivable (end)	43,500
Inventory {beginning)	18,150 Sales		255,000
Inventory {ending)	32,500	Operating expenses	52,300
Purchases		120,000 Accounts payable	22,500
Share capital (par value Rs.10		250,000 Accrued expenses	32,500
Retained earnings	30,000	Total assets	650 000

REQUIRED:

Determine the following ratios on the basis of the above information:

i. Working capital
ii. Acid test ratio
iii. Current ratio iv. Operating expense ratio
v. Rate of gross profit on sales
vi. Equity ratio
vii. Accounts receivable turnover rate
viii. Inventory turnover rate

ADVANCE ACCOUNTING 2008

(REGULAR)

ACCOUNTING FOR COMPANIES:

The following are the balance sheet accounts of Rasheed Co. Ltd. as on 30" June 2007:

Debit		***Credit***	
Cash	21 000	Accounts payable	40,000
Accounts receivable	73,000	Bank overdraft	52,000
Merchandise inventory	61,000	Share Capital:	
Plant & machinery	84 000	25,000 Ordinary shares of Rs. 10	250,000
Preliminary expenses	2,000		
Retained earnings (Deficit)	85,000		
Patents	16,000		
	342,000		342,000

The company proved unsuccessful and resolutions were passed to carry out the following schemes of reconstruct ion by reduction of capital:

1. That the ordinary shares be reduced to an equal number of fully paid shares of Rs.5 each.
2. That the amount so available be utilized for wiping out losses and reduction of assets as follows: Preliminary expenses and retained earnings account (Dr. Balance) to be written off entirely. The plant & machinery be reduced by Rs. 8,000. The merchandise inventory be written down by Rs.6 000. Make provision for bad debts Rs. 8,000. The patents to be completely written off.

REQUIRED:

i. Make necessary journal entries in the books of the company to implement the above scheme of reconstruction.
ii. Prepare the balance sheet (revised).

ACCOUNTING FOR INSTALLMENT SALES:

The following balances are taken from the pre-closing trial balance of Hassan Co. as of Dec. 31, 2007:

(i) Installment accounts receivable - 2006	Rs.80 000
(ii) Installment accounts receivable - 2007	120,000
(iii) Installment sales	200,000
(iv) Cost of installment sales	140,000
(v) Unreal zed gross profit - 2006	80 000

REQUIRED

1) Prepare all entries for the year ended Dec.31, 2007 adjusting and closing as well, assuming that rate of gross profit on installment sales of 2006 was 25%. Show all computations.
2) On Jan.10, 2008 a customer defaulted on his payment. Give journal entries for repossession with the help of the following information:
   i. Original sale on installment Rs. 2,000
   ii. Date of sale 12 Aug 2006
   iii. Collection up to date Rs. 1,500 iv. Estimated market value of repossessed merchandise Rs.600

ACCOUNTING FOR BRANCH:

Asad ltd. sent merchandise costing Rs. 60,000 which was billed at 20% above cost to its Lahore Branch and paid transportation cost of Rs. 7,800.

On request of the Faisalabad Branch, Asad ltd. advised Lahore Branch to transfer the same shipment to Faisalabad branch. Lahore Branch sent the same to Faisalabad Branch and paid transportation charges Rs. 2,200.

REQUIRED:

Pass journal entries in the books of:

(1) Asad ltd.

(2) Lahore Branch.

(3) Faisalabad Branch.

Note: If the merchandise had been supplied directly by the head office (Asad ltd.) to Faisalabad Branch the transportation charges would have been Rs. 8,000.

CASH FLOW STATEMENT:

On December 31, 2006 and 2007 balance sheet of nazim Ltd. Shows the following.

Assets	*2007*	*2006*
Cash	7 000	4,800
Accounts receivable	8 500	9 500
Merchandise inventory	32,500	33,200
Equipment	30,100	24,000
Total	*78,100*	*71,500*
Equities	*2007*	*2006*
Accumulated depreciation- Equipment	6 100	4,800
Accounts payable	16 800	19 400
Mortgage payable	6 000	10,000
Share capital - Rs.10 per share	30,000	25,000
Share premium	2 500	--
Retained earnings	16,700	12,300
Total	*78,100*	*71,500*

Additional information:

(1) A fully depreciated equipment that costs of Rs 800 was discarded and related accounts were closed.

(2) Cash dividend of Rs 4,000 were declared and paid.

REQUIRED:

Prepare a Cash Flow Statement showing Operating, Investing and Financing Activities.

ANALYSIS OFFINANCIAL STATEMENTS:

The following data have been obtained from the financial statements of Mujahid & Co. for the year ended Dec. 31, 2006 and 2007:

	2007	*2006*
Cash	28,750	20,000
Accounts receivable	39 000	46,000
Merchandise inventory		15,000
Prepaid expenses		7 500
Accounts payable	14,000	16,000
Notes payable	30,000	35,000
Accrued expenses	7,000	8,700
Net sales	205 000	240,000
Cost of goods sold	110,000	125,000

REQUIRED:

Compute the following for 2006 and 2007:

i. Amount of working capital
ii. Acid test ratio
iii. Receivable turnover iv. Current ratio
v. Inventory turnover
vi. Gross profit rate