ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD
(Department of Commerce)

ADVANCED ACCOUNTING (444)

CHECK LIST

SEMESTER: AUTUMN, 2013

This packet comprises of the following material:-

1. Text Book (ONE)
2. Assignment No. 1 & 2
3. Assignment Forms (2 sets)
4. Schedule for Assignment Submission and Tutorial Meetings

In this packet, if your find anything missing out of the above-mentioned material, please contact at the address given below:

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WARNING

1. **PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
2. **SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

Instructions:

You are required to solve all questions if you are unable to understand any question of assignment, do seek help from your concerned tutor. But keep in mind that tutors are not supposed to solve the assignment questions for you.

Course: Advanced Accounting (444) **Semester: Autumn, 2013**
Level: B.Com/B.A **Total Marks: 100**

ASSIGNMENT No. 1
(Units 1–4)

Note: ALL QUESTONS ARE COMPULSORY

Q.1 Sultan and Saleem agreed to enter into a joint venture to buy and sell television sets. Profits and Losses were to be shared equally. **(20)**

On 5th May, 2010 Sultan purchased three television sets for Rs.3,000. Rs.3,500 and Rs.4,000 respectively. He bought a special cabinet costing Rs.750, which he fixed for one of the sets. On 31st May, 2010 he sold two of the sets for Rs.4,000 each paying the proceeds into his private bank account.

On 15th June, 2010, he sold the other set for Rs.4,500 which amount he paid over to Saleem who paid it into his Bank Account.

On 6th May, 2010, Saleem purchased a TV set for Rs.3,000 having incurred expenditure of RS.200 on repairing, sold it on 14th May, 2010 for RS.3,800, paying the proceeds into his own bank account. This set developed mechanical trouble and on 26th May, 2010, Saleem agreed to take the set back at a price of Rs.2,800 which he paid out of his bank account. The set was still unsold at 30th June, 2010 and it was agreed that Saleem should take it over for his personal use at a valuation of Rs.2,600.

Sultan incurred Rs.300 as showroom charges and Saleem incurred Rs.225 as travelling and postage.

You are required to prepare (a) the account of Joint venture with Sultan as it would appear in the books of Saleem and (b) Memorandum Joint Venture Account showing the net profit.

Q.2 Shabbir of Sialkot consigned 100 machines costing Rs.50,000 to their agent Mahmood of Quetta at 20% above the cost, to be sold on behalf of Consignor. Consignor incurred Rs.50 for packing and other charges on each machine. **(20)**

Mahmood received consignment by paying Rs.500 as railway charges and spent Rs.50 for carriage to warehouse. He rendered an Account Sales showing that:
20 Machines, realised Rs.12,000 in cash.
50 Machines sold on credit at Rs.650 each.
10 Machines taken to his own stock at Rs.610 each.
Mahmood remitted the balance after deducting his commission at 5% on invoice price of goods sold and 15% on any excess price realised.

You are required to pass the journal entries, show the Consignment Account and Mahmood's Account in the books of Shabbir.

Q.3 The Pak Stores, Ltd., Faisalabad has a branch at Multan. Goods are invoiced to the branch at selling price, being cost plus 25%. The branch keeps its own Sales Ledger and deposits all cash received daily to the credit of the Head Office Account in the bank at Multan. All expenses are paid by cheque from Faisalabad. **(20)**

From the following details, prepare a Branch Account in the Head Office Books and make the necessary adjustments therein to arrive at the actual branch profit and loss during the year 2011.

	Rs.		**Rs.**
Stock 1st January, 2011	7,500	Cash Sales for the year	32,400
Stock 31st December, 2011	9,000	Credit Sales	21,000
Sundry Debtors, 1st June, 2011	4,200	Cash received from Ledger Accounts	19,800
S. Debtors, 31st Dec. 2011	5,400	Wages paid	2,040
Goods invoiced from H.O.	54,600	Wages still owing	200
Rent, Rates and Taxes	2,400	Sundry Expenses	480

Q.4 What is meant by Departmental Accounts? What are the objectives and advantages of preparing the departmental accounts? Also explain the basis of allocation of expenses over various departments. **(20)**

Q.5 a) X Ltd. purchased the business of Y Ltd. for Rs. 1,80,000 payable in fully paid shares. X Ltd. allotted equity shares of Rs. 10 each' fully paid in satisfaction of claim by Y Ltd. Show the necessary journal entries in the books of X Ltd. assuming that: **(20)**

(a) Such shares are issued at Par

(b) Such shares are issued at a premium of 20%

(c) Such shares are issued at a discount of 10%

b) X Ltd., purchases its own 6% debentures of nominal value of Rs. 20,000 at Rs. 95 on 30th April 2012. Interest is payable on 30th June and 31st December.

Record the transactions in the books of X Ltd., at the time of purchase of debentures and cancellation of debentures if the quotation is (i) cum-interest and (ii) ex-interest.

ASSIGNMENT No. 2

(Units 5–9) **Total Marks: 100**

Q.1 The Fast Ltd. has a nominal capital of Rs. 6,00,000 divided into shares of Rs. 10 each. The balances as per ledger of the company as at December 31, 2012 were as follows: **(20)**

	Rs.		**Rs.**
Premises	3,00,000	Stock (1.1.2012)	75,000
Plant & Machinery	3,60,000	Fixtures	7,200
Interim Dividend Paid	7,500	Sundry Debtors	87,000
Purchases	1,85,000	Goodwill	25,000
Preliminary Expenses	5,000	Cash in hand	8250
Freight	13,100	Cash at Bank	39,900
Director's Fees	5,740	Wages	84,800
Bad Debts	2,110	General Expenses	16,900
6% Debentures	3,00,000	Salaries	14,500
Profit & Loss Account (Cr)	14,500	Share Capital (fully called)	460,000
Sundry Creditors	50,000	Bills Payable	38,000
General Reserve	25,000	Sales	4,15,000
4 % Government Securities	60,000	Provision of Bad Debts	3,500
Debenture Interest	9,000		

Prepare the Final Accounts and the Balance Sheet relating to 2012 from the figures given above after taking into account the following:-

1. Depreciate Plant & Machinery by 10 per cent and Fixtures by 5% per cent;
2. Write off 1/5 of Preliminary Expenses
3. Rs. 10,000 of wages were utilized in adding rooms to the premises, but included in wages account.
4. Leave Bad Debts Provision at 5 per cent of the Sundry Debtors
5. Provide a final dividend at 5 per cent.

6. Transfer Rs. 10,000 to General Reserve; and

7. Make a provision for income tax to the extent of Rs. 25,000;

8. The Stock on 31st December, 2012 was Rs. 1,01,000.

Q.2 From the following information, find out (a) Sales (b) Closing Stock, (c) Sundry Debtors and (d) Sundry Creditors **(20)**

Gross Profit Ratio	25 per cent
Debtors Turnover Ratio	4 months
Stock Turnover Ratio	4 times
Creditors Turnover Ratio	6 months

Closing Stock Rs. 10,000 more than the opening Stock. Bills receivable amount to Rs. 65,000, and Bills payable to Rs. 80,000. Cost of goods sold for the year is Rs. 900,000.

Q.3 On 1st January 2012, the Pak Colliery Company bought from Baker & Co. four wagons on hire-purchase basis. The cash down price of the wagons was Rs. 5,000 each and the installments were Rs.1,100 each, the first payment being payable on the signing of the contract and the other four at the end of each year. The rate of interest charged by the seller was 5%. The Pak Colliery Co., decided to charge depreciation at the rate of 10 per cent per annum on the diminishing balance method. Show the entries in the books of both the Pak Colliery Co., and Baker & Co. **(20)**

Q.4 a) Differentiate between operating lease and capital lease. **(20)**

b) Shah Corporation leases an equipment on 1st January, 2010 that has fair value of Rs. 12,000 from Zain Corporation for four years. Interest rate implicit in the lease is 15%. Useful life of equipment is 4 years. Annual rentals payable at the end of each year are amounting Rs. 4,203.18. The lessee depreciates the asset using the straight line method.

Required:

i. Identify the type of lease.

ii. Prepare amortization schedule.

iii. Prepare journal entries for the first two years in the books of lessor and lessee.

iv. Extracts of Balance Sheet as at 31^{st} December, 2010 in the books of lessor and lessee.

Q.5 What is the difference between shares and debentures? Also, explain in detail the various types of shares and debentures, which may be issued by a Joint Stock Company. **(20)**