ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD
(Department of Commerce)

ADVANCED ACCOUNTING (444)

CHECK LIST

SEMESTER: AUTUMN, 2012

This packet comprises following material:-

1. Text book (one)
2. Assignment No. 1 & 2
3. Assignment forms (Two sets)
4. Schedule for submitting the assignments and tutorial meetings.

If you find anything missing in this packet, 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".**

Note: 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, 2012**
Level: BA/B.Com **Total Marks: 100**

ASSIGNMENT No. 1
(Units 1–4)

Note: All questions are compulsory.

Q.1 Ahmad and Sohail entered into a joint venture to construct a building for Govt. Commercial Training Institute, Islamabad for a contract price of Rs. 36,00,000. They agreed to share profits and losses equally. They opened a joint bank account with National Bank of Pakistan, each of them contributing Rs. 60,000. **(20)**

They incurred Rs. 4,500 miscellaneous expenses in obtaining tender form. Materials worth Rs. 21,02,400 were bought for cash. They paid wages to masons and other workers Rs. 15,400. Ahmad paid Rs.14,800 to supervisors.

The contract was successfully completed. They had to spend Rs.9,700 in getting the building passed fit. The contract price was duly received. Sohail took over the stock of materials lying unused for Rs. 14,600.

Required: **Prepare the joint Venture account, joint bank account and Ahmad and Sohail's accounts showing the final distribution of cash between them.**

Q.2 On 1st June, 1990 M/S Ahmed Bros. consigned goods to Ali of the value of Rs.4000 and invoiced the same at Performa invoice price at 20% above its cost. The consigner had paid freight, insurance etc. Rs.1500 and had drawn a bill on the consignee for Rs.2000, as an advance against the consignment. On 10th June, 1990 he sold the bill for Rs.1975. **(20)**

On 31st august 1990, an Account Sale was received from Ali, showing that he had affected sale of Rs.4000 in respect of ¾ of quantity of goods consigned to him. The expenses of Ali were carriage in Rs.400, salesman salaries Rs.200 and godown rent Rs.100. his commission was 6% and 2.5% del-credere on sales. They remitted the balance by cheque.

Required: Prepare the journal and necessary ledger accounts in the books of Consignor.

Q.3 What do you understand by departmental accounts? Explain the different basis for allocation of expenses over various departmental accounts? **(20)**

Q.4 Define Joint Stock Company. How can a company get the required finance to survive and to operate smoothly? Discuss the each source of finance separately. **(20)**

Q.5 ABC Ltd. Offered to the public 5,000, 10% debentures of Rs. 100 each at Rs. 105 each. 80% of the issued debentures was underwritten by M/s Stock and Shares with an underwriting commission of 25%. The company received applications for 4,000 debentures, which were alloted. **(20)**
Journalise the above transactions in the books of ABC Ltd.

ASSIGNMENT No. 2

(Units 5–9) **Total Marks: 100**

Q.1 Malik Seeds Ltd. was incorporated with a nominal capital of Rs. 10,00,000 composed of equity shares of Rs. 10 each. The following trial balance was extracted from the books as on 31st December 2009. **(20)**

Particulars	Dr. (Rs.)	Cr. (Rs.)
Share Capital (fully called-up)		4,00,000
Stock………………	1,00,000	
Gross Profit………………...		2,00,000
Sundry Debtors and Creditors…	1,45,000	30,000
Fixed Assets (at cost):		
Furniture…………………….	60,000	
Motorcar………………..	21,000	
Premises………………..	2,00,000	
Depreciation Provision up to 31st December, 1992:		
Furniture………………		10,000
Motor Car…………….		6,000
Premises……………...		5,000
Salaries……………….	35,000	
Printing & Stationery…………….	1,000	
Postage & Telegrams…………	1,500	
Motor Car Expenses…………	4,500	
Investments in Shares (at cost)	15,000	
Dividends		1,500
Audit fee	750	
Directors fee	1200	
Profit & Loss Account 31-12-1992…		26,000
Cash at Bank……………..	91,680	
Cash in hand…………..	1,870	
	6,78,500	6,78,500

Additional Information:

i. Market value of shares as on 31st December 2009 Rs. 16,000.

ii. Depreciation to be provided on Furniture at 10% Motor Car at 20%. Premises at 2.5%

iii. Provision to be made for: Taxation Rs. 70,000; Proposed dividend at 15%.

You are required to draw up the:

(a) Profit & Loss Account for the year 2009

(b) Profit and loss Appropriation Account

(c) Balance Sheet as at December 2009.

Q.2 Define recapitalisation. What are the legal provisions for recapitalisation? Discuss the advantages of recapitalisation. **(20)**

Q.3 a) What are the major objectives of ratio analysis? **(10)**

b) Following is the trading and profit & loss account of Anderson Ltd. **(10)**

Trading and Profit & Loss Account

Details	**Rs.**	**Details**	**Rs.**
Opening stock Purchases Manufacturing expenses Gross profit	55,000 125,000 17,500 97,970	Sales Closing stock	265,000 30,470
	295,470		295,470
Office & administrative expenses Selling & distribution expenses Preliminary expenses written off Net profit	13,200 18,420 4,000 62,350	Gross profit	97,970
	97,970		97,970

Calculate: (1) GP Margin (2) Net Profit margin (3) Inventory Turnover Ratio

Q.4 On January 1, 2005. Ahmed acquired a computer on hire-purchase system, agreed to pay four half-yearly installments of Rs.400 each commencing on June 30, 2005. Interest is at 5% for each six-month period on cash price of Rs.1500. **(20)**

On September 30. 2005, Ahmed committed default and the vendor seized the property. It was agreed that he would pay the due proportion of his half-year installment, i.e. Rs.200 together with Rs.180 for the repair of the computer. The returned computer was later on valued at Rs.700.

The Computer was sold for Rs.1200 after incurring renovating expenses of Rs.150.
Required: Show the relevant accounts in the books of vendor and buyer.

Q.5 Tariq and Co. signed an operating lease contract effective for five years from January 1, 2005. He is to pay Rs.18000 at the start of the lease plus Rs.4000 monthly rental throughout the lease term. During January 2005, he spent Rs.10000 for renovating the leased asset and also made additional construction in the building with lessor's consent at a cost of Rs.50000. the estimated life of the additional construction is 10 years, and its residual value is zero. The lease contract does not contain a renewal option and may be terminated by the lessee with three months notice **(20)**

You are required to give journal entries in the books of Tariq and Co. to reflect the renovation expenses, and rental payments for lease period.