ALLAMA IQBAL OPEN UNIVERSITY

Level: **Bachelor** Semester: Spring 2009
Paper: **Financial Accounting (182)** Maximum Marks: 100
Time Allowed: 3 hrs Pass Marks: 40

Note: - **ATTEMPT FIVE QUESTIONS. ALL CARRY EQUAL MARKS.**

Q No 1 — 20

The partnership of Avery and Krick was formed on July 1, when they agreed to invest equal amounts and to share profits and losses equally. The investment by Avery consists of Rs. 30,000 cash and an inventory of merchandise valued at Rs.56,000.
Krick also is to contribute a total of Rs.86,000. However it is agreed that her contribution will consist of the following assets of her business along with the transfer to the partnership of her business liabilities. The agreed values of the business items as well as their carrying values on Krick's records are listed below. Krick also contributes cash to bring her capital account to Rs.86,000.

Investment by Krick

	Balance on Krick record	Agreed value
Accounts receivable	Rs. 81,680	Rs.79,600
Inventory	11,400	12,800
Office equipment	14,300	9,000
Accounts payable	24,800	24,800

Required:
(a) Draft journal entries to record the investment of Avery Krick in new partnership
(b) Prepare beginning balance sheet of partnership at the close of business on July 1, reflecting the above transfers to the firm.

Q No 2 — 20

During the current year, Crown Developers disposed of plant assets in the following transactions:

Feb 10: Office equipment costing Rs.14,000 was given to a scrap dealer. No proceeds were received from the scrap dealer. At the date of disposal, accumulated depreciation on the office equipment amounted to Rs. 11,900.

Apr 1: Crown sold land and a building to Villa Associates for Rs. 630,000; receiving Rs.200,000 in cash and a 5 year 10% note receivable for Rs.430,000. Crown's accounting records showed the following amounts: Land Rs.120,000; Building Rs.350,000; accumulated depreciation as of April 1 is Rs.115,000.

Oct 1: Crown traded in its old computer system as part of the purchase of a new system. The old computer had cost Rs.150,000 and as of October 1 accumulated depreciation amounted to Rs.110,000. The new computer had a list price of Rs.90,000. Crown was granted a Rs.10,000 trade in allowance for the old computer system; paid Rs.30,000 in cash and issued a Rs.50,000, 2 year, 9 % notes payable to Action Computers for the balance.(computers are included in the office equipment account).

Required:
Prepare journal entries to record each of these transactions. Assume that depreciation expense on each asset has already been recorded up to the date of disposal. Thus you need not update the accumulated depreciation figures stated in this problem.

Q No 3 — 20

A Trading Corporation was formed with an authorized capital of 50,000 ordinary shares of Rs.1,000 each. On 1st Jan, 1994, the company issued 30,000 shares to the general public and 5,000 shares were issued to vendor, Mr. Asghar from whom company had acquired machinery worth Rs.500,000. Applications were received on 10th Jan 1994 only for 25,000 shares and consequently 5,000 shares were taken up by the underwriters. On 20th jan 1994, shares were allotted to the applicants.
Pass the journal entries in the books of the company and show the balance sheet

Q No 4 — 20

Following are the ratios relating to the trading activities of an organization:

Debtor's velocity	3 months
Stock velocity	6 months
Creditors velocity	2 months
Gross profit ratio	20 %

Gross profit for the year ended 31st December, 2001 was Rs.500,000. Stock at the end of 2001 was Rs.20,000 more than what it was at the beginning of the year. Bills payable and bill receivable were Rs. 36,667 and Rs. 60,000 respectively.

You are to ascertain the figure of:
(a) Sales (b) Sundry Debtors
(c) Sundry Creditors (d) Stock.

Q No 5 — 20

What is an Accounting Information System? How an effective Accounting Information System can be developed?

Q No 6 — 20

What are bonds? How tax advantage is available in case of bond financing?

Q No 7 — 20

Discuss in detail the various methods of accounting for consolidations?

Q No 8 — 20

What role financial analysis plays for the stockholders and stakeholders?