

**Model Paper “Financial Accounting-II”**  
**For D.Com-Part-II**  
**Annual Examinations 2013 & Onward**

**Part-A**  
**Objective**

Roll No. \_\_\_\_\_

Time: 30 Minutes

Marks: 20

**Note:-** This part is compulsory. It should be attempted on the question paper and returned to the Supervisory staff after the prescribed time. Cutting, overwriting and use of lead pencil is not allowed. Supervisory staff is required to attach it with the Answer Book.

---

---

**Q.1. Choose the correct answer and encircle it.** (20 x 1) = 20

1. IASC was established in 1973 at:  
(a) London (b) New York  
(c) Paris (d) Islamabad
2. If applied factory overhead is greater than the actual factory overhead it is called as:  
(a) Under applied F.O.H (b) Over-applied FOH  
(c) Actual FOH (d) None of these
3. Interest received is:  
(a) Gross Income (b) Net Income  
(c) Other Income (d) Operating income
4. Freight in is:  
(a) Direct labour (b) Direct expenses  
(c) Factory overhead (d) Indirect expenses
5. When material is issued, it is recorded in:  
(a) Receipts section (b) Issued section  
(c) Balance section (d) Sales section
6. Receipt and Payment Account Shows:  
(a) Income & Expenses (b) Cash Received and Paid  
(c) Assets & Liabilities (d) Capital and Profit
7. If debit side of receipt and payment account exceeds credit, it represents:  
(a) Cash at bank (b) Bank overdraft  
(c) Deficit balance (d) Surplus balance
8. Non-trading institutions prepare:  
(a) Trading account (b) Profit and loss account  
(c) Income and expenditure account (d) Income statement
9. A partner who invest in the business but does not take active part is:  
(a) Secret partner (b) Sleeping partner  
(c) Active partner (d) Nominal Partner
10. An intangible asset regarding the reputation of a business is known as:  
(a) Trade mark rights (b) Patent rights  
(c) Goodwill (d) Bonus

11. Revaluation account is a:
- (a) Real account
  - (b) Personal account
  - (c) Cash account
  - (d) Nominal account
12. Sacrificing ratio is calculated by the formula:
- (a) Capital ratio-Old ratio
  - (b) New ratio-Old ratio
  - (c) Old ratio-New ratio
  - (d) Gaining ratio-Profit ratio
13. Loss on Realization is divided among the partners:
- (a) In Capital Ratio
  - (b) In Profit Sharing Ratio
  - (c) In Equal Ratio
  - (d) None of these
14. A corporation is managed by:-
- (a) Owners
  - (b) Promoters
  - (c) Directors
  - (d) Managers
15. The shares of public limited company are:
- (a) Not refundable
  - (b) Not transferable
  - (c) Transferable
  - (d) Transferable with the permission of registrar
16. Shares discount is shown in the Balance Sheet as an:
- (a) Assets
  - (b) Deduction from paid up capital
  - (c) Separate item on liability side
  - (d) None of above
17. Statement of retained earning is also known as:
- (a) Profit loss appropriation account
  - (b) Statement of affairs
  - (c) Income statement
  - (d) None of these
18. If depreciation is not charged, the profit is:
- (a) Overstated
  - (b) Understated
  - (c) No effect
  - (d) None of these
19. Under the straight line method of providing depreciation it:
- (a) Increases every year
  - (b) Decreases every year
  - (c) Remains constant every year
  - (d) None of these
20. Depreciation is necessary to calculate:
- (a) Net profit
  - (b) Net financial position
  - (c) Tax
  - (d) None of these

**Model Paper “Financial Accounting-II”  
For D.Com-Part-II  
Annual Examinations 2013 & Onward**

**Part-B  
Subjective**

Time: 02:30 Hours

Marks: 80

**Section-I**

**Q.2. Write the short answer to any Twenty Five (25)  
from the following questions:-**

**(25x2=50)**

- (1) Give four advantages of IAS.
- (2) Briefly describe IAS-7.
- (3) Prime Cost.
- (4) Conversion Cost.
- (5) Fictitious Assets.
- (6) What is meant by Cost of Goods Sold?
- (7) What is meant by Applied FOH?
- (8) What is meant by Operative Expenses?
- (9) What is meant by LIFO Method?
- (10) What is meant by Purchase Requisition?
- (11) Legacies.
- (12) NGO.
- (13) Give three examples of non trading concerns.
- (14) What is meant by Deficit of the year?
- (15) What is meant by subscriptions in arrears?
- (16) What is meant by accrued incomes?
- (17) Active Partner.
- (18) Give three disadvantages of partnership?
- (19) What is meant by Secret Partner?
- (20) Why a minor can not become full fledged partner?
- (21) What is meant by profit on revaluation?
- (22) Name three methods for the valuation of goodwill?
- (23) How the ratio of sacrifice is calculated?
- (24) What is meant by all the partners insolvent?
- (25) What was the decision of Garner vs Murray case?
- (26) When the liabilities are not transferred to realization account?
- (27) What do you know about preliminary expenses?
- (28) Define Prospectus.
- (29) What is Purchas Consideration?
- (30) Define Bonus Share.
- (31) Retained Earnings.
- (32) Dividend.
- (33) Scrap Value.
- (34) Diminishing Balance Method.
- (35) Straight Line Method.
- (36) Write down four methods of depreciation.
- (37) What is meant by wear and tear of asset?

## Section-II

### Long Questions

**Note:- Attempt any three (3) questions.**

**(3x10 = 30)**

**Q.3.** At the end of 2010, Brothers Manufacturing Company has the following balances:-

	<u>Rs.</u>		<u>Rs.</u>
Material Inventory (01-01-2010)	45,000	Material Inv (31-12-2010)	55,000
Work in Process Opening Inv.	70,000	Work in Process End. Inv.	50,000
Finish Goods Opening Inv.	63,000	Finish Goods End. Inv.	60,000
Fuel Opening Inventory	4,000	Fuel Ending Inventory	2,000
Fuel Purchases	3,000	Purchase of Material	90,000
Superintendence	4,000	Repair to Machinery	500
Rent of Factory	5,500	Factory Insurance	700
Tool Expenses	200	Depreciation Machinery	2,000
Indirect Labour	1,200	Power, heat and light	3,000
Freight-in	2,000	Purchases Return	4,000
Direct Labour	50,000		

Factory Overhead applied at 85% of Direct Labour.

**REQUIRED:** Prepare Cost of Goods Sold Statement.

**Q.4.** Following is the summary of cash transactions of Faisalabad Hockey Club for the year ended on 31<sup>st</sup> December 2011.

<b>Receipts</b>	<b>Amount</b>	<b>Payments</b>	<b>Amount</b>
Balance of Cash	5,070	Salaries	3,800
Admission Fee	1,280	Furniture Purchased	8,400
Ground rent	2,340	Refreshment	1,200
Municipal grant	5,200	Repairs	1,900
Annual subscription	9,500	Special match expenses	2,100
Miscellaneous receipts	4,200	Purchase of sports material	7,250
Loan from bank	10,000	Sport fee paid	1,400
		Balance of Cash	11,540
	<b>37,590</b>		<b>37,590</b>

The club owned building Rs.90,000 and furniture Rs.8,400 as on 1<sup>st</sup> January 2011.

**Required:** Prepare income and expenditure account and balance sheet as on 31<sup>st</sup> December 2011.

**Q.5.** A.B and C are partners sharing profit and loss equally. Their Balance Sheet stood as follows on 31<sup>st</sup> December, 2011.

Assets	Amount	Liabilities	Amount
Cash in hand	800	Accounts payable	5,000
Accounts receivable	35,000	Reserve Fund	6,000
Merchandise inventory	5,200	Capital Account	1,50,000
Furniture	20,000	A. 50,000	
Land and Building	1,00,000	B. 50,000	
		C. <u>50,000</u>	
	<b>1,61,000</b>		<b>1,61,000</b>

They admitted D into partnership on 1<sup>st</sup> January 2011 on the following terms:

- i) D is to pay Rs.52,500 as his capital.
- ii) Merchandise inventory is valued at Rs.5,000
- iii) Furniture is to be depreciated at 10%
- iv) Land and Building is valued at Rs.1,18,700.

**Required:** Pass the necessary journal entries and prepare balance sheet of the new firm.

**Q.6.** Zahid Limited with an authorized Capital of Rs.2,00,000 divided into 4,000 shares of Rs.50 each has taken necessary steps to issue 3,000 shares at discount of 10%, out of these 500 shares were issued to directors on 25<sup>th</sup> March 2012 and 2,500 to the general public. Applications were received for 2,000 shares on 1<sup>st</sup> April, 2012. The directors allotted these shares on 10<sup>th</sup> April, 2012.

**Required:** Record the Journal entries and prepare the balance sheet.

**Q.7.** A merchant purchased a machine worth Rs.17,000. The estimated life of the machine is 5 years. During these five years, the working hours of the machine was as under:-

1<sup>st</sup> year 1,800 hours      2<sup>nd</sup> year 1,200 hours      3<sup>rd</sup> year 2,000 hours  
 4<sup>th</sup> year 1,400 hours and    5<sup>th</sup> year 1,600 hours

The scrap value of the machine is Rs.2,000.

You are required to calculate the yearly depreciation charges and prepare a Comparative Schedule of Depreciation Expenses using the following methods:-

1. Straight Line method.
2. Double Declining Balance method.
3. Sum-of-the-year's-digits methods.
4. Unit of Production method.

=====