Allama Iqbal Open University AIOU B.Com solved assignment no 1 autumn 2024 Code 444 Advance Accounting

Q. 1

A and B, both contractors, undertook a join venture involving the construction of a building. A joint Bank Account was opened in which A contributed Rs. 750,000 and contributed Rs. 375,000. The contract price was Rs. 3750,000. The result of the joint venture was shared as to A 2/3 and B 1/3. The details of the transactions were as follows:

Wages paid	Rs. 890,000
Materials Supplied by A	135,000
Materials Supplied by B	120,000
Material Purchased	1,650,000
Salaries	120,000
Cartage	180,000
Architec fee paid by A	100,000
Concrete mixer plant purchased	380,000

The stock of materials on the completion of the contract, valued at Rs. 160,000 was taken over by A. Concrete mixer plant was taken over by B for Rs. 100,000. A was to be paid Rs. 360,000 pa.

against establishment expenses, to be charged to the joint venture account. The contract lasted for 8 months.
Required: Prepare joint venture account, join bank account and accounts of A and B.   (20)

Ans:

To prepare the required accounts for this joint venture, the steps involve calculating the revenues, expenses, and distribution of profits based on the agreed sharing ratio of 2/3 for A and 1/3 for B. Below are the necessary accounts:

Step 1: Preparing the Joint Venture Account

This account records all expenses, revenues, and profit distribution.

Joint Venture Account

Particulars	Rs.	Particulars	Rs.
To Wages Paid	890,000	**By Contract Price**	3,750,000
To Materials Supplied by A	135,000	**By Stock of Materials (A)**	160,000
To Materials Supplied by B	120,000	**By Concrete Mixer (B)**	100,000

To Materials Purchased	1,650,000		
To Salaries	120,000		
To Cartage	180,000		
To Architect Fee (by A)	100,000		
To Concrete Mixer Purchase	380,000		
To Establishment Expense (by A)	360,000		
To Profit shared: A (2/3)	330,000		
To Profit shared: B (1/3)	165,000		
Total	4,430,000	**Total**	4,430,000

Step 2: Preparing the Joint Bank Account

This account tracks cash contributions and cash expenses.

Joint Bank Account

Particulars	Rs.	Particulars	Rs.

To A's Contribution	750,000	**By Wages Paid**	890,000
To B's Contribution	375,000	**By Materials Purchased**	1,650,000
To Contract Price	3,750,000	**By Salaries**	120,000
		By Cartage	180,000
		By Architect Fee (to A)	100,000
		By Concrete Mixer Purchase	380,000
		By Establishment Expense (to A)	360,000
		By Balance c/d (Profit)	1,195,000
Total	4,875,000	**Total**	4,875,000

Step 3: Accounts of A and B

These accounts track individual contributions, supplies, and profits.

Account of A

Particulars	Rs.	Particulars	Rs.

To Joint Venture (Supplies)	135,000	**By Joint Venture (Profit)**	330,000
To Joint Venture (Establishment)	360,000	**By Joint Bank (Architect Fee)**	100,000
		By Stock Taken Over	160,000
Total	495,000	**Total**	590,000

Account of B

Particulars	**Rs.**	**Particulars**	**Rs.**
To Joint Venture (Supplies)	120,000	**By Joint Venture (Profit)**	165,000
		By Concrete Mixer Taken Over	100,000
Total	120,000	**Total**	265,000

Q.2

H. Ltd. forwarded on 1st December 2023, 50 pressure cookers to Ali of Lahore to be sold on behalf of H. Ltd. The cost of one pressure cooker was Rs 6,200 but the invoice price was Rs 7,600. H. Ltd. incurred Rs 12,000 on freight and insurance. Ali received the consignment on 14th December 2020 and accepted a 3 month draft drawn upon him by H. Ltd. for Rs 300,000. Ali paid Rs 10.500 as rent and Rs 1250 as insurance and by 31st March had disposed of 40 pressure cookers at Rs 9,500 each. Ali is entitled to a commission of 5 per cent on sales including a del credere commission of 1%. Ali sold. 10pressure cookers on credit and was not able to recover sale proceeds of one pressure cooker because of insolvency of the debtor. You are required to: (i) Prepare all the ledger accounts in the books of H Ltd; and (ii) Pass journal entries for all the transactions relating of consignment. (20)

Ans:

Consignment to Ali Account

Particulars	Rs.	Particulars	Rs.
To Goods Sent on Consignment	310,000	By Bank (Freight & Insurance)	12,000
To Bank (Freight & Insurance)	12,000	By Ali (Sales)	380,000
To Ali (Expenses)	11,750	By Stock on Consignment	62,000
To Ali (Commission)	19,000	By Profit & Loss A/c (Profit)	33,250
Total	352,750	**Total**	487,250

Ali's Account

Particulars	Rs.	Particulars	Rs.

To Consignment to Ali (Sales)	380,000	By Bills Receivable	300,000
To Consignment to Ali (Exp.)	11,750	By Consignment A/c	19,000
		By Bank (Balance)	72,750
Total	391,750	**Total**	391,750

Goods Sent on Consignment Account

Particulars	Rs.	Particulars	Rs.
To Purchases/Stock A/c	310,000	By Consignment to Ali A/c	310,000

Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
To Bad Debt	9,500	By Consignment A/c (Profit)	33,250

Journal Entries in H Ltd's Books

Goods Sent on Consignment:

Consignment to Ali A/c Dr. 310,000

To Goods Sent on Consignment A/c 310,000

1.

Freight and Insurance Paid:

Consignment to Ali A/c Dr. 12,000

To Bank A/c 12,000

2.

Ali's Expenses Incurred:

Consignment to Ali A/c Dr. 11,750

To Ali's A/c 11,750

3.

Sales Proceeds Received:

Bank A/c Dr. 300,000

Bills Receivable A/c Dr. 80,000

To Ali's A/c 380,000

4.

Commission Payable to Ali:

Consignment to Ali A/c Dr. 19,000

To Ali's A/c 19,000

5.

Unsold Stock Value (10 Cookers):

Stock on Consignment A/c Dr. 62,000

To Consignment to Ali A/c 62,000

6.

Q.3

Soban Limited, with its head office in Islamabad, invoiced goods to its branch at Multan at 20% less than the catalogue price which is cost plus 50% with instructions that cash sales were to be made at invoice price and credit sales at catalogue price. Head office also gave the instruction to provide discount@ 20% of catalogue price on prompt payments by debtors. From the particulars available from the branch, prepare the Branch Stock Account, Branch Adjustment Account and Branch Profit and Loss Account for the year ended 31" December 2023 (showing workings) in the head office books: (20)Stock on 1 Jan 2023 (Invoice Price) 12,000Discount allowed to Debtors 13,365Debtors on 1 Jan, 202310,000Expenses at the branch6,000Goods received from H.O. (Invoice Price132,000Remittances to H. O120,000Sales (cash)46,000Debtors on 31st December 202311,000Sales (Credit)100,000Cash in hand on 31 Dec 20235,635Cash received from Debtors85,635Stock on 31 December 2023 (Invoice Price)15,000It was further reported that a part of the stock was lost by fire (not covered by insurance) during the year whose value is to be ascertained and a provision should be made for discount to be allowed to debtors as on 31 December 2023 based on year's trend of prompt payments.

Ans:

Step 1: Understanding Key Information

- **Catalogue Price Formula** = Cost + 50% Markup
- **Goods invoiced to the branch**: 20% less than the catalogue price
- **Cash Sales**: At invoice price
- **Credit Sales**: At catalogue price
- **Prompt Payment Discount**: 20% of the catalogue price
- **Stock Loss due to fire**: Uninsured stock loss to be calculated and adjusted.

Step 2: Prepare Branch Stock Account

Particulars	Rs.	Particulars	Rs.
To Opening Stock (1 Jan 2023)	12,000	By Sales (Cash)	46,000
To Goods Invoiced from H.O.	132,000	By Sales (Credit)	100,000
To Stock Loss by Fire	12,000	By Closing Stock (31 Dec 2023)	15,000

Total	156,000	**Total**	156,000

Step 3: Calculate Fire Loss

Fire Loss = Opening Stock + Goods Invoiced - Closing Stock
= 12,000 + 132,000 - 15,000
= 129,000

Stock Loss due to fire = Rs. 12,000

Step 4: Branch Adjustment Account

Particulars	Rs.	Particulars	Rs.
To Cash (Remittances to H.O.)	120,000	By Sales (Catalogue Price)	100,000
To Discount Allowed to Debtors	13,365	By Branch Expenses	6,000
To Profit and Loss A/c (Loss)	12,000	By Fire Loss	12,000

Total	145,365	**Total**	145,365

Step 5: Branch Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
To Discount Allowed to Debtors	13,365	By Cash Sales	46,000
To Fire Loss	12,000	By Credit Sales	100,000
To Branch Expenses	6,000	By Closing Stock Adjustment	15,000
Total	31,365	**Total**	31,365

Step 6: Discount Provision Calculation

- Discount allowed to debtors = 20% of catalogue price on credit sales

- Catalogue price = Cost + 50% = 100% + 50% = 150% of cost price.

Credit Sales = Rs. 100,000
Discount = 20% of 150% catalogue price = 0.20 × 150% × 100,000 = Rs. 30,000

Final Answers:

1. **Branch Stock Account**

Particulars	Rs.	Particulars	Rs.
To Opening Stock (1 Jan 2023)	12,000	By Sales (Cash)	46,000
To Goods Invoiced from H.O.	132,000	By Sales (Credit)	100,000
To Stock Loss by Fire	12,000	By Closing Stock (31 Dec 2023)	15,000
Total	156,000	**Total**	156,000

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2. **Branch Adjustment Account**

Particulars	Rs.	Particulars	Rs.
To Cash (Remittances to H.O.)	120,000	By Sales (Catalogue Price)	100,000
To Discount Allowed to Debtors	13,365	By Branch Expenses	6,000
To Profit and Loss A/c (Loss)	12,000	By Fire Loss	12,000
Total	145,365	**Total**	145,365

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3. **Branch Profit and Loss Account**

Particulars	Rs.	Particulars	Rs.
To Discount Allowed to Debtors	13,365	By Cash Sales	46,000

To Fire Loss	12,000	By Credit Sales	100,000
To Branch Expenses	6,000	By Closing Stock Adjustment	15,000
Total	31,365	**Total**	31,365

Q.4

A company carries on business through five departments, A, B, C, D, and E, the trial balance as at 31" December, 2023 was as follows:ABCDEOpening StockRs. 15,000Rs. 13,000Rs. 12,500Rs. 14,000Rs. 14,500Purchases150,000130,000110,000126,000134,000Sales148,000121,00019,500123,000130,000Closing Stock16,00014,00013,50015,00015,500 The opening and closing stocks have been valued at cost. The expenses, which are to be charged to each department in proportion to the cost of goods sold in the respective departments, are as follows:Salaries and Commission Rs. 16,000Rent and rates 11,500Miscellaneous expense 11,200Insurance 10,800

Required: Show the final result and percentage on sales in cach department and also the combined result with percentage to sales.

Ans:

Step 1: Understanding the Data and Requirements

We have five departments (A, B, C, D, and E) with their respective opening stock, purchases, sales, and closing stock. Expenses (salaries, rent, miscellaneous, insurance) are allocated to each department based on the proportion of the cost of goods sold (COGS) in each department.

Data provided:

- **Opening Stock, Purchases, Sales, Closing Stock** for each department.
- Expenses to be allocated as a percentage of COGS.

Step 2: Calculate Cost of Goods Sold (COGS) for each department

COGS = Opening Stock + Purchases - Closing Stock

Department	Opening Stock	Purchases	Closing Stock	COGS (Cost of Goods Sold)

A	15,000	150,000	16,000	(15,000 + 150,000 - 16,000) = 149,000
B	13,000	130,000	14,000	(13,000 + 130,000 - 14,000) = 129,000
C	12,500	110,000	13,500	(12,500 + 110,000 - 13,500) = 109,000
D	14,000	126,000	15,000	(14,000 + 126,000 - 15,000) = 125,000
E	14,500	134,000	15,500	(14,500 + 134,000 - 15,500) = 133,000

Step 3: Allocation of Expenses

Total COGS = 149,000 + 129,000 + 109,000 + 125,000 + 133,000 = 645,000

- **Salaries and Commission (16,000)**:
  Proportion = COGS / Total COGS = 149,000645,000\frac{149,000}{645,000}, 129,000645,000\frac{129,000}{645,000}, etc.
  Allocations:
    - A = 149,000 / 645,000 × 16,000 = 3,703

    - B = 129,000 / 645,000 × 16,000 = 3,200
    - C = 109,000 / 645,000 × 16,000 = 2,683
    - D = 125,000 / 645,000 × 16,000 = 3,872
    - E = 133,000 / 645,000 × 16,000 = 3,542
- **Rent and Rates (11,500)**:
  Allocations:

    - A = 149,000 / 645,000 × 11,500 = 2,811
    - B = 129,000 / 645,000 × 11,500 = 2,460
    - C = 109,000 / 645,000 × 11,500 = 2,166
    - D = 125,000 / 645,000 × 11,500 = 2,386
    - E = 133,000 / 645,000 × 11,500 = 2,777
- **Miscellaneous Expenses (11,200)**:
  Allocations:

    - A = 149,000 / 645,000 × 11,200 = 2,836
    - B = 129,000 / 645,000 × 11,200 = 2,440
    - C = 109,000 / 645,000 × 11,200 = 2,078
    - D = 125,000 / 645,000 × 11,200 = 2,332
    - E = 133,000 / 645,000 × 11,200 = 2,514
- **Insurance (10,800)**:
  Allocations:

    - A = 149,000 / 645,000 × 10,800 = 2,675
    - B = 129,000 / 645,000 × 10,800 = 2,292
    - C = 109,000 / 645,000 × 10,800 = 1,853
    - D = 125,000 / 645,000 × 10,800 = 2,243
    - E = 133,000 / 645,000 × 10,800 = 1,937

Step 4: Calculate Total Expenses and Profit for each department

Department	COGS	Salaries	Rent	Miscellaneous	Insurance	Total Expenses	Sales	Net Profit	% of Sales
A	149,000	3,703	2,811	2,836	2,675	11,025	148,000	2,975	2.01%
B	129,000	3,200	2,460	2,440	2,292	10,392	121,000	9,608	7.95%
C	109,000	2,683	2,166	2,078	1,853	8,780	19,500	10,720	54.97%
D	125,000	3,872	2,386	2,332	2,243	10,833	123,000	7,167	5.83%
E	133,000	3,542	2,777	2,514	1,937	10,770	130,000	8,230	6.32%

Combined Result

Particulars	Sales	Total Expenses	Net Profit	% of Sales
Total	651, 500	41,000	62,500	9.61%

Q.5

a. X Ltd. purchased the business of Y Ltd. for Rs. 90,000 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 10%(c)   Such shares are issued at a discount of 5%b. Ltd. purchases its own 6% debentures of nominal value of Rs. 40,000 at Rs. 95 on 30th April 2012. Interest is payable on 30 June and 31 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.

Ans:

Part (a): X Ltd. purchases Y Ltd.'s business

X Ltd. purchased the business of Y Ltd. for Rs. 90,000 payable in fully paid shares.

Journal Entries in the books of X Ltd.

(i) Issued at Par (Rs. 10 each fully paid)

Date	Particulars	L. F.	Debit (Rs.)	Credit (Rs.)
X Ltd. A/c	To Y Ltd. (Purchase Consideration)		90,000	
Share Capital	To Equity Share Capital A/c (Rs. 10 each fully paid)			90,000

(ii) Issued at Premium of 10%

Date	Particulars	L. F.	Debit (Rs.)	Credit (Rs.)
X Ltd. A/c	To Y Ltd. (Purchase Consideration)		90,00 0	

Share Capital	To Equity Share Capital A/c (Rs. 10 each, fully paid)			90,000
Securities Premium Reserve A/c	To Securities Premium A/c (10% Premium)			9,000

(iii) Issued at Discount of 5%

Date	Particulars	L. F.	Debit (Rs.)	Credit (Rs.)
X Ltd. A/c	To Y Ltd. (Purchase Consideration)		90,000	
Share Capital	To Equity Share Capital A/c (Rs. 10 each, fully paid)			85,500
Discount on Issue of Shares A/c	To Discount on Issue of Shares A/c (5% of 90,000)			4,500

Part (b): Purchase of Own Debentures

(i) Quotation Cum-Interest

Date	Particulars	L. F.	Debit (Rs.)	Credit (Rs.)
Debentures A/c	To Bank A/c (Nominal Value + Interest)		40,000 + 1,200	
Bank A/c	To Debentures A/c (Nominal Value + Interest)			41,200

(ii) Quotation Ex-Interest

Date	Particulars	L. F.	Debit (Rs.)	Credit (Rs.)
Debentures A/c	To Bank A/c (Nominal Value)		40,000	
Bank A/c	To Debentures A/c (Nominal Value)			40,000
Interest A/c	To Bank A/c (Interest)		1,200	

Cancellation of Debentures

Date	Particulars	L. F.	Debit (Rs.)	Credit (Rs.)
Debentures A/c	To Debenture Cancellation A/c		40,000	
Debenture Interest A/c	To Debenture Interest A/c		1,200	
Bank A/c	To Debenture Cancellation A/c			41,200