

Course: Advanced Accounting (5419)
Semester: Spring, 2021
Assignment No. 1

Q.1

Green Ltd. Issued 4,000 6% Debentures of Rs. 100 each at Rs. 105. The debenture holders had the option of converting within one year, debentures into Ordinary Shares of Rs. 100 each at Rs. 125. At the end of the 1st year the interest on debentures was outstanding. Holders of 200 debentures decided to take advantage of the option. Give journal entries and show the Balance Sheet of the company.

Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
	Bank A/c Dr.		420,000	
	To Debentures Application A/c			420,000
	(Being the application money received on 4,000 Debentures at Rs. 105 per Debentures)			
	Debentures Application Account Dr.		420,000	
	To 6% Debentures Account			25,000
	To Bank A/c			395,000
	(Being the transfer of applicant money on 200 Debentures of 6% Debentures A/c)			
	Debentures allotment Account Dr.		5,00,000	
	To 6% Debentures Account			25,000
	(Being the amount due on 4,000 Debentures at Rs. 125 per Debentures)			
	Bank A/c Dr.		5,00,000	
	To Debentures Allotment A/c			5,00,000

Q.2

On 15th March, 2021 Hammad & Co. of Rawalpindi consigned 1000 cases of milk powder to Jawad & Co. of Jhelum, invoiced at Rs. 200,000 which was 25 above their cost price. Hammad & Co. paid Rs. 12,000 as insurance. On 1st June, Jawad & Co., paid carriage inward Rs. 20,000, Unloading Charges 4,000 and sent

Course: Advanced Accounting (5419)

Semester: Spring, 2021

to the consignors a bank draft for Rs. 80,000 as advance. On 1st August, 2021, they sold 800 cases for Rs. 210,000. The consignee is entitled to a commission of 8 percent on the invoice price and 20 percent of any surplus price realized. Jawad & Co. enclosed a bill at 2 months for the amount due.

Required: Show the Transactions and necessary accounts in the books of Consignor and Consignee.

Jawad & CO.

Cases of Milk = 1000

1000 cases = 200000

Cost Price = 25

Hammad & Co.

Insurance = 12000

Carriage inward = 20000

Unloading Charges = 4000

Bank Draft = 80000

800 cases = 210000

Commission = 8% (involve Price)

Commission = 20% (Surplus Price)

Bill = 2 Month

Particulars	Jawad	Hammad	Particulars	Jawad	Hammad
Goods Sent	1000	800	By consignees	200000	210000
Insurance	6000	6000	Price Enhancement	12000	12000
Freight			Closing inventory	16000	16800
Commission	8	8	Unloading Charges	2000	2000
P & L a / c	20	20	C / d		40000
To balance b/ d	7028	6828		230000	280800

Goods Sent

Particulars	Jawad	Hammad	Particulars	Jawad	Hammad
To Good	200000	210000	Account	200000	210000
	200000	210000		200000	210000

Q.3

What is meant by Departmental Accounts? Describe the objectives and advantages of preparing departmental accounts?

Where a big business with diverse trading activities is conducted under the same roof the same is usually divided into several departments and each department deals with a particular kind of goods or service. For

Course: Advanced Accounting (5419)

Semester: Spring, 2021

example, a textile merchant may trade in cotton, woolen and jute fabrics. The overall performance for this type of business depends, however, on departmental efficiency. As a result, it is desirable to maintain accounts in such a manner that the result of each individual department can be known—together with the result as a whole.

The system of accounting which is followed for this; purpose is known as Departmental Accounting.

This system of accounting actually helps the proprietors to:

- (i) Compare the results among the different departments together with the previous results thereof,
- (ii) Formulate policy in order to extend or to develop the enterprise in the proper line; and
- (iii) Reward the departmental managers on the basis of departmental results.

The most significant advantages of departmental accounts are:

- (a) Individual result of each department can be known which helps to compare the performances among all the departments, i.e., the trading results can be compared.
- (b) Departmental accounts help to understand or locate the success, failure, rates of profit, etc.
- (c) It helps the management to make proper plan of action, policies in order to increase profit after analyzing the results of operation of various departments.
- (d) Departmental accounting helps us to understand which department should be expanded further or which one should be closed down as per the results of the operation.
- (e) It also helps to encourage a healthy competitive spirit among the various departments which, ultimately, helps to increase profits of the firm as a whole.
- (f) For additions or alterations of various departments, departmental accounts help a lot as it supplies the necessary information.
- (g) As detailed information about the firm is available from departmental accounting the users of accounting information, particularly, the auditors and investors are widely benefited.
- (h) Since departmental accounting presents separate departmental results, the Performance, of a successful department encourages the management, employees and increases the motivation of the staff as a whole.
- (i) Percentage of gross profit on sales and stock turnover ratio of each individual department helps to make a comparative study among all departments.

Departmental accounts are prepared in such a manner that all desired information is available and departmental profit can correctly be made.

However, two methods are advocated viz:

- (a) Where individual set of books are maintained;
- (b) Where all departmental accounts are maintained columnar- wise collectively.

Course: Advanced Accounting (5419)

Semester: Spring, 2021

(c) Where Individual Set of Books are maintained:

Under this method, accounts of each individual department are independently maintained. The departmental results of the entire department are collected and taken into consideration to find out the net result of the organization.

A Departmental Trading and Profit and Loss Account is opened for each individual department in a columnar form together with a separate column for 'Total' in order to ascertain the individual result of the different departments and also as a whole. But the Balance Sheet is prepared in a combined form. And in order to incorporate the purchase and sale of goods, the subsidiary books and also the nominal accounts into the ledger must be ruled out with extra columns for each department in arriving at the desired departmental figures to prepare departmental final accounts. If there is a larger volume of cash purchase and cash sales, the Cash Book also must maintain separate columns for cash purchases and cash sales of various departments.

Q.4

From the following particulars, Prepare Branch Account showing the profit or loss of the Branch.

Opening stock at branch	Rs.300,000
Goods sent to branch	900,000
Sales (Cash)	1,200,000
Salaries	100,000
Other expenses	40,000

Closing stock could not be ascertained, but it is known that the branch usually sells at cost plus 20 percent. The branch manager is entitled a commission of 5 per cent on profit of the branch before charging such commission.

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
To Branch stock A/c	900000	By cash/ bank account (for cash sales)	300000
To branch petty cash account (opening balance)	40000	By goods sent to branch account (returned to head office)	45000
To goods sent to branch account (at cost price)	240000	By branch stock account	960000
To general profit and loss account (net profit)	1180000	By branch petty cash account (closing balance)	1305000

Course: Advanced Accounting (5419)**Semester: Spring, 2021**

		By prepaid expenses account	40000
--	--	--------------------------------	-------

Q.5

Red and Green entered into a Joint Venture for purchase and sale of some household items. They agreed to share profits and losses in the ratio of their respective contributors. Red contributed Rs. 250,000 in cash and Green Rs. 325,000. The whole amount was placed in a Joint Bank account. Goods were purchased by Red for Rs. 250,000 and expenses paid by Green amounted to Rs. 50,000. They also purchased goods for Rs. 375,000 through the Joint Bank Account. The expenses on purchase and sale of the articles amounted to Rs. 150,000 (including those met by Green). Goods costing Rs. 500,000 were sold for Rs. 1125,000 and the balance was lost by fire.

Required: Enter the above transactions in the books of both Red and Green and also in the separate books of joint venture.

Joint Venture A/c

Particulars	Rs.	Particulars	Rs.
To Purchase	375000	By G (sale proceeds)	50,000
To Bank (expenses)	150000	By G (goods for his use)	20,000
To G (expenses)	50000	By Purchases (goods)	500,000
		By Profit and Loss A/c (Ratio being 1:1)	5,000
	<u>575,000</u>		<u>575,000</u>

G's Account

Particulars	Rs.	Particulars	Rs.
To Joint Venture (Sale)	1125,000	By Joint Venture (Expenses)	50000
To Joint Venture (goods)	250000	By Bank	375000
To Joint Venture (goods)	375000	(Final Settlement)	
	<u>1750,000</u>		<u>425000</u>