

ASSIGNMENT No.1 Advanced Accounting (444) Spring 2021

- 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.

Journal

Date	Details	Amount	Amount
	Bank (4000×105) 6% Debentures Premium on issued on debenture (Being the issue of 4000 debenture of Rs 100 each at Rs 105)	420000	400000 20000
	Interest on debenture A/C Outstanding interest on debenture A/C (400000×6%=24000)(Interest on debenture outstanding)	24000	24000
	Profit and Loss A/C Interest on debenture (Interest on debenture A/C transferred to Profit & Loss A/C)	24000	24000
	6% Debenture A/C Share capital A/C Share premium A/C (Being the conversion of 200 debenture into shares at premium)	20000	16000 4000

Working Note:

Equity shares to be issued in conversion of 5% debentures:

Total face value of debenture (200×Rs 100) 20000

Issued price of one equity share (100+25) 125

No of shares to be issued (20000÷125) 160

Share Capital Account (160×100) = 16000

Share Premium Account (160×25) = 4000

Balance Sheet

Liabilities	Amount	Assets	Amount
<u>Issued, subscribed & Paid up Capital</u>		<u>Deferred cost</u> Profit & Loss A/C	24000
160 equity share at Rs 100 each	16000	<u>Current Assets</u>	
<u>Reserve & Supplies</u>		Cash at Bank	420000
Share premium	24000		
<u>Debenture & PTC:</u>			
6% debenture (400000-20000)	380000		
<u>Current Liabilities</u>			
Outstanding interest on deb	24000		
	<u>444000</u>		<u>444000</u>

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.....

Date	Detail	Amount	Amount
15 Mar 2021	Consignment Good sent on consignment (Good sent on consignment basis)	200000	200000
	Good sent on consignment Consignment (200000×25÷125=40000)	40000	40000
	Consignment Cash (Insurance paid)	12000	12000
June 2021	Consignment Jawad & Co (Expenses paid by consignee)	24000	24000
	Cash Jawad & Co (Advance receive from consignee)	80000	80000
1 Aug 2021	Jawad & Co Consignment (Good sold by consignee)	210000	210000
	Consignment (w-1) Jawad & Co (Consignee commission)	22800	22800
	Stock on consignment Consignment (Stock with the consignee)	47200	47200
	Consignment Stock Reserve (Load in closing stock adjusted)	8000	8000
	Good sent on consignment Trading Account (Goods transfer to trading A/C)	160000	160000
	Consignment P & L A/C	30400	30400

Consignment

Reference	Amount	Reference	Amount
Goods sent on consignment	200000	Goods sent on consignment	40000
Cash (Expense)	12000	Jawad & Co (Sale)	210000
Jawad & Co (Expense)	24000	Stock on consignment	47200
Jawad & Co (commission)	22800		
Stock Reserve	8000		
Profit transfer to (P & L)	30400		
	<u>297200</u>		<u>297200</u>

Hamad & Co			
Reference	Amount	Reference	Amount
Cash (Advance)	12000	Cash (Sale)	210000
Cash (Expense)	80000		
Commission	22800		
Balance c/d	<u>155200</u>		
	<u>210000</u>		<u>210000</u>

Jawad & Co			
Reference	Amount	Reference	Amount
Consignment (Sale)	210000	Consignment (Expense)	24000
		Cash	8000
		Consignment (Commission)	22800
		Balance c/d	<u>155200</u>
	<u>210000</u>		<u>210000</u>

Working Notes:

- i. **Unsold stock:**
 $200 \times 200 = 40000$
 $\frac{24000 + 12000 \times 200}{1000} = \frac{7200}{1000} = 7.2$
 $40000 - 7.2 = 39992.8$
- ii. **Stock Reserve:**
 $40000 \times \frac{200}{1000} = 8000$
- iii. **Commission:**
 $800 \times 200 = 160000 \times 8\% = 12800$
 $210000 - 160000 = 50000 \times 20\% = 10000$
22800

Q.3 What is meant by Departmental accounts? Describe the objectives and advantages of preparing departmental accounts.

Q.12: What is meant by Department Accounts.....

Ans: Departmental Accounts:

When a business sells more than one type of costly goods or provides different services, it wants to find that which of the good & service is more profitable or needs distinct expenses and distinct services. It splits up business into departments to assess their individual output, growth, decline etc. for this purpose Departmental accounts are meant to be maintained

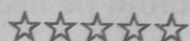
Objectives of Preparing Departmental Accounts:

1. To take each department a distinct centre.
2. To have the seprate record of each departments.
3. To treat each deapartment a seprate profit centre.
4. To assess the inter department worth/
5. To provide information to management accounting.

Advantages of Preparing Departmental Accounts:

1. Gives individual trading results.
2. Provides data for evaluation of the performance of each department.
3. Helps decide business strategies.
4. Helps decide add or drop any department.
5. Helps inter-departmental competition.
6. Creates departmental awarness.
7. Helps make certain ratio for decision; for exmple:..

- (i) Stock turnover ratio
 - (ii) Gross Profit ratio
 - (iii) Assets turnover ratio
 - (iv) Working capital ratio
8. Helps find managerial efficiency.
 9. Helps maintain distinct record.
 10. Helps determine the just & fair capital out of departments.
 11. Helps Find the vigilance of top management that why it remained ignored or careless about certain departments.



Q.4 From the following particulars, Prepare Branch Account showing the profit or loss of the Branch.

Ans:

Date	Reference	Rs.	Date	Reference	Rs.
	Balance b/d.			Bank Account	
	Stock	3,00,000			
	Good Sent to branch	9,00,000		Cash Sales	1,200,000
	Bank Account			Balance c/d.	
	Salaries	1,00,000		Stock (w-1)	2,00,000
	Other Expenses	4,00,000			
	Balance c/d.				
	M a n a g e r	3,000			
	Commission(w-2)				
	General P&L Account	57,000			
		14,00,000			14,00,000

(1) Calculation of Closing Stock.

Opening Stock	3,00,000
Good sent to branch (at cost)	<u>9,00,000</u>
Cost of goods available for sale	12,00,000
Less: Cost of goods sold:	<u>10,00,000</u>
Value of closing Stock	2,00,000

(2) Manager Commission:

$$\begin{aligned}
 & (12,00,000 + 2,00,000) - (3,00,000 + 9,00,000 + 1,00,000 + 40,000) \\
 & = 60,000 \\
 & 60,000 \times \frac{5}{100} = 3000
 \end{aligned}$$

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

Joint Venture Account

Particular	Amount	Particular	Amount
Red (Goods)	250000	Joint bank A/C (sales)	1125000
Green (Expenses)	50000		
Joint bank A/C (Goods)	375000		
Joint Bank A/C (Expenses)	100000		
To Profit on Joint Venture transferred to:			
Red 200000			
Green 150000	350000		
	<u>1125000</u>		<u>1125000</u>

Profit to Joint venture is to bne divided in proportion to contribution of Red and Green. Their contributions are:

Particular	Red contribution	Green contribution
Amount contribution in cash	250000	325000
Expenses paid by Green	-	50000
Goods purchased by Red	250000	-
Total:	500000	375000

Thus profit sharing ratio between Red and Green is 500000:375000 i.e. 4:3 or 4/7 or 3/7

Profit to Joint venture is to bne divided in proportion to contribution of Red and Green. Their contributions are:

Particular	Red contribution	Green contribution
Amount contribution in cash	250000	325000
Expenses paid by Green	-	50000
Goods purchased by Red	250000	-
Total:	500000	375000

Thus profit sharing ratio between Red and Green is 500000:375000 i.e. 4:3 or 4/7 or 3/7

Joint Bank Account

Particular	Amount	Particular	Amount
Red	250000	Joint venture A/C (Expense)	100000
Green	325000	Joint venture A/C (Goods)	375000
Joint venture A/C (sale)	1125000	Red	700000
		Green	525000
	<u>1700000</u>		<u>1700000</u>

Red A/C			
Particular	Amount	Particular	Amount
Joint Bank A/C	700000	Joint Bank A/C	250000
		Joint venture A/C (Goods)	250000
		Joint venture A/C (profit)	200000
	<u>700000</u>		<u>700000</u>

Green A/C			
Particular	Amount	Particular	Amount
Joint Bank A/C	525000	Joint Bank A/C	325000
		Joint venture A/C (exp)	50000
		Joint venture A/C (profit)	150000
	<u>525000</u>		<u>525000</u>
