



Section "A" (COMPULSORY)

MULTIPLE CHOICE QUESTIONS (MCQ'S) 50 Marks

2 X 25 = 50

- Q1. Choose the correct answer for each from the given option:**
- i) Which of the following is not required in order to calculate the straight line method of depreciation:
*The annual cost of repairs * The cost of the asset
*The expected residual value * The useful life of the asset
- ii) In single entry system, the statement of assets, liabilities, and capital is called:
*Income Statement *Retained Earnings Statement
*Statement of Profit & Loss *Statement of affairs
- iii) Capital is also known as:
*Debtor *External Equities *Internal Equities *Bank
- iv) Accumulated Depreciation in Accounting is called:
*Reserves *Contra assets *Surplus *Expense
- v) If someone owns a grocery store, which of the following is not capital expenditure:
* Rent * Motor Van *Fixtures * Equipment
- vi) Single entry records are kept by:
* All the traders *Partnership * Companies
*Traders who do not keeps or know how to keep double entry records
- vii) Fixed assets are usually used for:
*More than one year *Five years *One year *Six months
- viii) Which of the following is a feature of the receipts and payments account?
* It contains both capital and revenue items received or paid
* It is virtually trading and profit and loss statement
* It shows the balance as a surplus or a deficiency
* It shows a summary of all credit transactions
- ix) Accumulated fund is another name for:
* Receipt and payment account * Income and expenditure account
* Capital * Cash account
- x) Where capital accounts of partners remain fixed their share of profit is:
* Debited to their capital account * Credited to their capital account
* Debited to their current account * Credited to their current account
- xi) A written partnership agreement is called:
*Partnership act *Partnership registration *Partnership certificate *Partnership deed
- xii) If partners do not have any agreement, how profits and losses should be shared:
* Equally *.Equally after interest has been allowed on capital
*In proportion to the partners individual capitals * In the ratio of the partners individual capitals
- xiii) Companies issued capital is:
* Always the same as authorized capital * The same as preference shares capital
* Equal to the number of ordinary and preference shares issued * None of these
- xiv) One of the features of a private Ltd company is that it cannot:
* Issue bonus share * Issue debentures * Make a right issue * Offer its shares to the public
- xv) A person who buys shares of a company is known as:
* A shareholder *A director *A partner * None of these

- xvi) Liability in a Limited company is:
 * The liability of the shareholders is limited
 * The liability of the company of the company is limited
 * The liability of the shareholders is extend to their capital
 * None of the above
- xvii) Debentures are the certificates of:
 *Receipt of loan acknowledgement *Medical for company's employees
 *Ownership *None of these
- xviii) Dividend can be described as:
 * A share of a company's profit * Interest paid on a company's borrowings
 * Always paid to banks and other creditors * None of the above
- xix) Examples of non-profit making organizations are:
 *Fan factory *Sugar industry *Government College *Private college
- xx) Excess of the income of a non-profit concern over its expense is:
 *Deficit *Surplus *Cash *Income
- xxi) Amount received from any source by way of gift in non-profit organization is described as:
 *Legacy *Subscription *Donation *Life time membership
- xxii) Company declares dividends from:
 *Capital *Expense *Retained Earnings *Cash
- xxiii) If assets valuing Rs.58,999 are sold for Rs.58,900 there will be:
 *Loss of Rs.100 *Gain of Rs.100 *LossofRs.99 *Gain of Rs.99
- xxiv) Account which is opened at the time of dissolution of the partnership firm is:
 *Revaluation *reaffirmation *Realization *Income Summary
- xxv) In the case of admission on more than book value , the goodwill or bonus is to given to
 * New partner * Old partner * Minor partner * None of these .

SECTION B
(SHORT ANSWER QUESTION) (30 Marks)

Note:- Attempt any three question from this section. All question carry equal marks.

Q2. PARTNERSHIP Retirement:

The following is the balance sheet of a partnership firm of Ahmed, Ibrahim and Faiz who share profit and loss in share equal as on December 31, 2016:

Mr. Ahmed Mr. Ibrahim and Mr. Faiz Partnership
Balance Sheet
As on December 31, 2016

Assets		Equities	
Current Assets:		Current Liabilities:	
Cash	200,000	Accrued Expenses	250,000
Merchandise Inventory	100,000		
Fixed Assets:		Owner's Equities:	
Building	400,000	Mr. Ahmed Capital	225,000
		Mr. Ibrahim Capital	150,000
		Mr. Faiz Capital	75,000
Total Assets	Rs. 700,000	Total Equities	Rs. 700,000

On the above date, Faiz withdrew himself from the partnership firm.

REQUIRED:

Record the retirement of Faiz under the following two cases separately. Also prepare and revise balance sheet as mentioned in case 4.

- Case#1 Faiz, with the permission of the other partners gives his equity to his brother, Faiq who is accepted as a partner in the firm.
- Case#2 Paid to Faiz Rs 105000 from firm resources (Record Goodwill)
- Case#3 Paid to Faiz Rs 90000 from firm resources. (Record Bonus)

OR

PARTNERSHIP Admission:

Farhan and Rehan are partners having capital balances of 120,000 and 80,000 respectively sharing profit and losses on their capital balances. On July 17, 1986 they admitted Mr. Rehman as a new partner

REQUIRED:

Record the admission of Mr. Rehman under each of following methods

- (1) Mr. Rehman invest sufficient Cash for $\frac{1}{5}$ interest
- (2) Mr. Rehman invest Rs 65000 Cash for $\frac{1}{4}$ interest
- (3) Mr. Rehman invest RS 80,000 Cash for $\frac{1}{4}$ interest .his capital is to credit with the entire amount of his investment.

Q3. FORMATION:

MR A and B is sole traders carrying on competing business on March 1, 2000 they decided to form a partnership under the name style of AB Traders by merging their business. on that date their balance sheet is as follow

	<u>Mr.A</u>	<u>Mr.B</u>
Cash	50,000	55000
Account receivable	100,000	90,000
Merchandise inventory	75000	80000
Furniture	150000	150000

Allowance for depreciation	60000	15000
Allowance for bad debt	6000	4000
Accounts Payable	18000	25000

Greed Values:

MR. A : Accounts receivable is valued 80,000, Furniture be valued 30,000, Inventory valued 60,000 Accounts payable 1/3 is to accepted.

MR.B : Accounts receivable is valued 72000.Furniture be valued 45000.inventory 50,000 Accounts payable 1/5 is not be accepted

REQUIRED:

1 Prepare entries in general journal and balance sheet as on Feb. 1,2017

Q4. DISSOLUTION:

Rehman, Saqib, Umair are partners sharing profit and losses equally on dec 31st ,2012 they liquidate their partnership before liquidation their financial position are as under

ASSETS		EQUITIES	
CASH	50000	ACCOUNT PAYABLES	90,000
OTHER ASSETS	150,000	Rehman Capital	50,000
Saqib CAPITAL	-	Saqib Capital	35,000
Umair CAPITAL	-	Umair Capital	25,000

All assets are sold 30,000. Umair is personally solvent and covers remaining partners

Required :

1 Record the above process of liquidation and prepare T accounts

Q5. PROFIT AND LOSS:

A,B,AND C are partners having capital balances of 40,000 60,000 and 80,000 and sharing profit and losses on their capital balances. At the last of June 30 the firms show net profit 100,000. The following are the agreement between the partners.

1. Salary allowed to all the partners 10,000
2. Interest allowed to all the partners @ 10% on their capitals .
3. Bonus allowed tom MR. A 7000 .
4. Commission allowed MR.C 15000 W
5. Remaining Profit share their capital ratio.

REQUIRED :

Income Distribution summary and gives general closing entry.

Q6 Accounting For Non Profit Concern

The following are the receipts and payments account of Zaitoon Welfare Society for the year ended December 31, 2009.

<i>Receipts</i>		<i>Payments</i>	
Cash balance	45,000	Salaries to ground men	15,000
Subscription	82,000	Repair expense	20,000
Rent revenue	30,000	Purchase of computer	18,000
Match income	40,000	Utilities expense	20,000
Bank loan	60,000	Purchase of furniture	30,000
		Printing of match tickets	3,000

Additional Information on December 31, 2009.

- (i) Accrued subscription Rs. 3,000 & unearned rent Rs. 5,000.
- (ii) Prepaid utilities Rs. 4,000.
- (iii) Depreciation on equipment Rs. 2,000.
- (iv) Accrued interest on bank loan @ 12.5% per annum.

REQUIRED

Prepare Income & Expenditure Account.

Q7. ISSUANCE OF SHARES AND DEBENTURES:

Reads Company Ltd. Was registered with the capital of Rs.9,000,000 divided into shares of Rs.10 each.

During the year the company completed the following transactions:

- 1) Issued further 9,000 shares at Rs.18 each for cash
- 2) Issued 12,600 shares to the promoters at par.
- 3) Purchased computers for Rs.72,000 and issued 5,400 shares at par.
- 4) Purchased a piece of Land and issued 90,000 shares at Rs.15 each.
- 5) 500 Debentures issued at Rs.95 and repayable at Rs.103 each after 5 years

REQUIRED: Pass journal entries of the above transaction.

Required

Record the above transaction in general journal (show computation)

Q8. The following information taken from books of Scholars company

On December 31st 2009 company income statement show net income 750,000

Equities	Amount
Authorized capital	2500,000
Ordinary shares capital	1300,000
Shares premium	300,000
Retain earning opening	680,000
Accounts payable	50,000
Debenture payable	100,000

- 1) To declare cash dividend 10% and stock dividend 20%
- 2) To appropriate reserve for plant expansion 140,000
- 3) To appropriate reserve for contingencies 70,000
- 4) To appropriate reserve for income tax 60,000
- 5) To appropriate reserve for replacement of assets 50,000

Required

- 1) Gives entries in general journal to record all decisions and net income transfer in to retain earning account Rs 500000
- 2) prepare retained earnings statement as at December 31st 2009

SECTION C
(DETAILED ANSWER QUESTION) (20 Marks)

Note:- Attempt any one part.

Q9a) Dhaka and company purchase a machine on June 16, 2006 having list price of machine Rs 500,000 subject to a 10% trade discount with credit terms 3/15, n/60. The company made the payment with in a concession period. The company incurred the following expenditure.

- (1) Transportation in 5000
- (2) Test run cost 7000
- (3) Fire insurance 6000
- (4) Assembly cost 1500

The company also estimated the life of machine 10 years and scrap value 50000. The company uses straight line method for calculating depreciation. Company years close Dec 31st each year

REQUIRED:

- (1) Net cost of machine
- (2) Give entries in general journal
- (3) Calculate depreciation expense for the year 2006 and 2007
- (4) Calculate depreciation expense under 40% diminishing balance method for first three year
- (5) prepare ALLOWANCES FOR DEPRECIATION ACCOUNT showing only first three years

OR

Pakistan Ltd. purchased a machine on February 28, 2007 at a price of Rs. 400,000. Its residual value was estimated @ 20%. The life is estimated in 5 years, in units 32000 and in hours 64000. The company's year ended December 31, each year:

REQUIRED:

Determine the depreciation on machine for 2007, 2008 and 2009 under the following:

- i. Working hours operated; (Year 2007, 1500 hours, year 2008, 2500 hours and year 2009, 2000 hours).
- ii. Production units; (Year 2007, 7500 units, year 2008, 8500 units and year 2009, 6700 units).

Note: Present year data separately for each method in the following form.

Year	Cost of Machine	Depreciation	Accumulated Depreciation	Book Value of the Machine
2007				
2008				
2009				

Q9b) The following information taken from the books of Mr. Rehman which follows single entry accounting system

	01.01.2016	31.12.2016
Cash	72000	162000
Cash at Bank	110000	170000
Merchandise	75000	120000
Automobile	400000	400000
Finance to employees	70000	50000
Accounts payable	110000	117000
Accounts receivable	100000	145000

Additional information for adjustment

1. The bank statement show credit balance that the customer deposits 5000 and debit for Zakat expense 750
2. Unpaid salary 6000 and prepaid salary 4000
3. Rent still unearned 3000
4. Depreciation on fixed assets 10%
5. Owner sold his personal car 250000 and this amount invested in business
6. Paid son tuition fees 2500 per month during July to December

Required: 1) Prepare statement of profit and loss 2) Prepare statement of affairs