# ACCOUNTING 2019

**Time 3Hrs** | **Regular/Private** | **Max. Marks 100**

## SECTION 'A' (MCQ'S)

Q1 Chose the correct answer for each of the following:

i) The summar of events or transactions, at the time of dissolution of partnership firm, is called:
- Income distribution summary
- Liquidation summary
- Expense and revenue summary
- Income summary

ii) Account, which is operated at the time of dissolution of partnership firm, is:
- Revaluation
- Reaffirmation
- Realization
- Income summary

iii) This account appears in the income and expenditure account:
- Accrued Subscription
- Subscription Income
- Subscription Received in Advance
- Subscription Payable

iv) This one of the following accounts is debited when capital expenditures are made:
- Fixed Asset
- Expense
- Current Asset
- Liability

v) Excess amount, paid to debenture holder at the time of its maturity, is:
- Ordinary premium
- Premium on redemption
- Premium on discount
- Extraordinary premium

vi) This item is to be added to unadjusted profit in profit and loss statement in single entry:
- Accrued income
- Accrued expense
- Unearned income
- Depreciation expense

vii) In non-profit organization, Accumulated fund means:
- General fund
- Petty cash fund
- Capital fund
- Investment fund

viii) Realization account is used to close this account:
- Asset
- Revenue
- Expense
- Drawings

ix) Declared cash dividend is company's:
- Asset

- Current liability
- Revenue
- Long term liability

x) Ordinary shares are the company's:
- Asset
- Liability
- Expense
- Capital

xi) Depreciation is such an expense:
- Cash
- Non cash
- Accrued
- Payable

xii) Purchase of fixed assets and expansion of fixed assets is:
- Revenue expenditure
- Capital expenditure
- Capital
- Expense

xiii) In Single Entry system, balance sheet is referred as:
- statement of financial position
- profit and loss statement
- statement of affairs
- Retained earnings

xiv) This is retained revenue expenditure:
- Fire insurance
- Insurance in Transit
- Import duty
- Installation

xv) The expected realizable value of a fixed asset, at the end of its life, is called:
- Book value
- Fixed value
- Salvage value
- Cost

xvi) This is subject to depreciation:
- Land
- Goodwill
- Coal mine
- Machinery

xvii) Salvage value is not deducted from cost while computing depreciaion under:
- Machine hours method
- Units of production method
- Diminishing balance method
- Sum of the year digit method

xviii) Old partners do not reduce their capital under:
- Goodwill method
- Revaluation method
- Bonus method
- Direct purchase method

xix) If nothing is stated in partnership agreement, the loss of insolvent partner is borne by the:

- Same partner
- Remaining partner
- Third party
- Insurance company

xx) If one of the partners, whose capital is Rs. 40,000/- with a 1/3 share, is paid Rs. 55,000 at the time of retirement, the goodwill of the firm will be:

- Rs. 45,000/-
- Rs. 65,000/-
- Rs. 75,000/-
- Rs. 85,000/-

## SECTION 'B' (SHORT ANSWER QUESTIONS)

**NOTE: Attempt any FIVE questions from this Section. All questions carry equal marks. The use of calculator is allowed**:

Q.2 Single Entry:

Mr. Saleem maintains his accounting records on single entry basis. His capital balance as on January 01, 2018 is Rs.180,000. The financial position as on December 31, 2018 is as under:

| | |
|---|---|
| Cash | Rs. 75,000 |
| Account Receivable | Rs. 70,000 |
| Merchandise Inventory | Rs. 50,000 |
| Furniture | Rs. 30,000 |
| Office Equipment | Rs. 20,000 |
| Account payable | Rs. 25,000 |

**Data for the adjustment on 31st December, 2018 was as under:**

(i) Mr. Saleem made additional investment of Rs. 40,000/-

(ii) He had withdrawn Rs 20,000/- and 25,000/- for personal and business use respectively.

(iii) Depreciation on furniture and office equipment for the year of Rs. 5,000/- and Rs. 4,000/- respectively.

(iv) Outstanding salaries at the year ended Of Rs. 10,000/-

**Required:** Prepare statement of profit and loss for the year ended on Dec. 31, 2018.

Q.3 Partnership Admission:

Mr. Ali and Mr. 'Hassan are partners, their profit and loss ratios are equal. The name of the organization is "A.H. Organization". On March 12, 2018 balance sheet of the firm is:

A.H. ORGANIZATON

BALANCE SHEET

| Assets | | | Equities | |
|---|---|---|---|---|
| Cash | | 10.000 | Account payable | 30,000 |
| Account Receivable | | 10.000 | Notes payable | 1o,ooo |
| Merchandise Inventory | | 15,000 | Total | 40,000 |
| Land | | 15,000 | Owner's equity: | |
| Machinery | 1oo,ooo | | Capital-Ali | 25,000 |
| Less: all for dep. | 60,000 | 40,000 | Capital-Hassan | 35,000 60,000 |
| Total Assets | | 100,000 | Total Equities | 100 000 |

Both partners agreed that Mr. Arif be admitted as the new partner in the business, under the following:

Case I: Mr. Arif invests sufficient cash for 1/3 interest of the firm

Case 11: Mr. Arif invests Rs.30,000- for a 1/4 interest in a total capital of Rs. 100,000/-

Required: Make entries in General journal to admission of new partner for the above case separately

Q.4 Partnership-Retirement:

Mr. Tahir Ali and Habib were partners, their profit and loss ratios are equal. The balance sheet of the firm on December 31, 2018 is as under:

Balance Sheet

| Assets | | | Equities | |
|---|---|---|---|---|
| Cash | | 75,000 | Liabilities | |
| Account receivable | | 25,000 | Account payable | 40,000 |
| Less allowance for Bed Debt<br>20,000 | 5,000 | | | |
| Merchandise inventory | | 25,000 | Owner's Equity | |
| Building | | 70,000 | Capital Ali | 50,000 |
| Less: all for Dep | 6,000 | 64,000 | Capital Habib | 50,000 |
| Total Assets | | 190,000 | Total Equities | 190,000 |

Mrs Ali decided from partnership on the above data. The firm paid Mrs Ali is

Case I: Cash paid Rs. 60,000/- (Record Goodwill method)

Case II: Cash paid Rs 40,000/- (Record Bonus method)

**Required**: Record the above events in General journal.

Q.5 Retained Earnings:

The following information is related to ABC Co. Limited on December 31, 2018:

Authorized capital is Rs. 200,000 shares@ Rs.10 each.

Issued and paid up capital 100,000 shares@ Rs.10 each. Following is the retained earnings account of ABC Co. Limited.

Retained Earnings

| | |
|---|---|
| Dec 31, 2018, Reserve for contingencies Rs. 20,000 | January 01, 2018 Balance Rs.200,000 |
| Reserve for plant extension Re. 80,000 | December 31, income Summary Rs.100,000 |
| Cash Dividend Rs. 60,000 | |
| Stock Dividend Rs.100,000 | |

**Required:** Record the above mentioned transactions in General Journal.

Q.6 Partnership-Liquidation:

Following is the balance sheet of Siddiqui Brothers on Dec.31, 2018.

SIDDIQUE BROTHERS
BALANCE SHEET
AS ON DBŒMBER 31, 2018

| **Assets** | | **Equities** | |
|---|---|---|---|
| Cash | 10,000 | Account payable | 60,000 |
| Other assets | 550,000 | Capital Arif | 100,000 |
| | | Capital Basit | 200,000 |
| | | Capital Qassim | 200,000 |
| Total | 560,000 | Total | 560,000 |

All partners decided to liquidate their business by selling others assets at Rs. 100,000 and paid accounts payable. Partner Arif is personally insolvent and unable to meet his deficiency.

**Required:** Record the above liquidation process in General Journal.

Q.7 Division of Net Income or loss:

A, B and C are partners with capital balance of Rs. 80,000/and Rs. 40,000/- respectively. Capitals are fixed and partners use the current account. The partnership deed provide:

i) 7% interest on partner capital balance.
ii) A & B receive a monthly salary of Rs 2500/- & Rs 3,300/- respectively
iii) Mr. C receive annual commission of 10,000/-
iv) Remaining profit & loss is to be distributed among the partner (capital at start ratio)

During the year, partners drawings as under

A: Rs 20,000/- B of: Rs 12,000/- & Mr. C Rs 15,000/-. Net income for the year ended was Rs. 125,000/-.

Required:

a) General journal entry to record the partner drawing and distribution of income.
b) Income distribution summary

Q.8 Issuance of Shares and Debentures: The following transactions completed during March 2018 by Imran Corporation:

2018

**March 02**: Purchased Building for Rs.450,000 and its consideration issued shares of Rs.10/- each. The market price of each share was Rs.15/-

**March 10**: Purchased Furniture and issued 10,000/- shares of Rs.10/- each. The selling price of share was Rs.14/each.

**March 14:** The corporation allotted 10,000/- shares of Rs.10/- each. The selling price of share was Rs.14 each.

**March 20**: Issued 1000/- debentures of Rs.100/- each redeemable after 5 years at Rs. 110/- each.

**March 25:** Issued 500/- debentures of Rs.100/- each at Rs.95/each.

**Required:** Record the above transactions in General Journal.

---------------------------END---------------------------

# ACCOUNTING 2018

**Time: 3 Hours** **(Regular/Private)** **Max. Marks: 100**

**SECTION 'A' (MULTIPLE CHOICE QUESTIONS - M.C.Qs.)**

Q. 1 Choose the correct answer for each from the given options:

i) Capital Expenditure is retarded as:
- Liability
- Revenue
- Asset
- Expense

ii) When receipts of a non-profit concern are higher than the payments, the difference will be:
- Loss
- Profit
- Surplus
- Deficit

iii) If Mr. A is admitted by purchasing 1/3 capital interest of Mr. B, this method is called:
- Purchase of interest
- Bonus
- Goodwill
- Revaluation

iv) Profit paid to shareholders is known as:
- Gain
- Profit
- Dividend
- Commission

v) Share premium is classified as:
- Revenue
- Asset
- Owner's equity
- Expense

vi) This account is deducted from retained earnings account:
- Proposed dividend
- Rent expense
- Sales
- Prepaid salaries

vii) Retained earnings account is classified as:
- Revenue
- Owner's equity
- Asset
- Liability

viii) This term can be used in place of residual value:
- Book value
- Salvage value
- Depreciable value
- Market value

ix) By its nature, a partner's current account is:
- Asset
- Liability
- Revenue
- Owner’s Equity

x) This is an intangible asset:
- Gold mines
- Office supplies
- Patents
- Fixtures

xi) All fixed assets are subject to depreciation except:
- Land
- Building
- Tools
- Equipment

xii) Realisation account may be opened in case of:
- Formation
- Admission
- Retirement
- Dissolution

xiii) In Non-profit concerns, Accumulated fund is the Substitute of:
- Asset
- Liability
- Capital
- Revenue

xiv) This is not recorded in the books of accounts:
- Sales discount
- Sales tax
- Purchase discount
- Trade discount

xv) In the name of a joint stock company, the word Limited must be written because it is limited by :
- Assets
- Revenues
- Liabilities
- Expenses

xvi) Invoice price is determined thus:
- List Price + Trade discount
- List Price - Trade discount
- List Price + Cash discount
- List Price - Cash discount

xvii) In cast of under subscription, the balance shares are purchased by the:
- Shareholders
- Promoters
- Underwriters
- Directors

xviii) Retained earnings increased by:
- Gross Profit
- Share premium
- Net Profit
- Net loss

xix) This account does not appear in the balance sheet:
- Bank
- Purchase Return and Allowances
- Bank Overdraft
- Reserve for Plant Expansion

xx) By its nature, preliminary expense is:
- Asset
- Liability
- Revenue
- Expense

## SECTION 'B' (SHORT ANSWER QUESTIONS)

**NOTE Attempt any FIVE questions from this Section. All questions carry equal marks. The use of calculator is allowed:**

Q.2 Mr. Amjad started business on Aug. 1, 2017, with a cash investment of Rs.600,000 and keeps the records under single entry basis. On Dec. 31, 2017, following balances were found:

Cash Rs.40,000; Accounts Receivable Rs.80,000;

Merchandise Inventory Rs.100,000; Account Payable Rs.30,000;

Loan Payable Rs.50,000;

Land Rs.200,000;

Building Rs.400,000 and Equipment Rs.60,000.

Additional Information as on December 31,2017:

i) Mr. Amjad additionally introduced Rs.30,000 during the period and withdrew Rs.10,000 monthly,
ii) Allowance for Bad Debts was estimated at 5%.
iii) Depreciation was charged at 12% of the cost of fixed assets annually
iv) Salaries were unpaid Rs.5,000 and prepaid Rs.8,000.
v) Commission was unearned Rs.2,000 and earned but not received Rs.3,000.

**Required:** Prepare Statement of Profit and Loss for the year ended December 31, 2017.

Q.3 Following are the Receipts and Payments of Asim Welfare Society:

**Receipts**;

Subqcription Rs.140,000; Rent Revenue Other. Revenue and Long term Payable Rs.100,000 (interest is to be paid quarterly).

**Payments:**

Salaries Rs.50,000; Stationery Rs.5,000; Equipment purchased Rs 30,000; Insurance Rs.3,000; Repairs Rs.14,000; Utilities Rs.10,000; Interest expense Rs 5,000 and Miscellaneous expenses Rs.10,000.

Additional Data as on December 31, 2017:

a. Accrued Subscription Rs.10,000;
b. Rent unearned Rs.5,000;
c. Stationery used Rs.4,000;
d. Unpaid Salaries Rs.6,000;
e. Unexpired Insurance Rs.1,000;
f. Last quarter's interest on Notes is accrued
g. Depreciation expense for the period is Rs.17,000

**Required:** Prepare Income and Expenditure Account at the end of .the year.

Q.4 Following balance were extracted from the Trial Balance of Mansoor Company as on Dec. 31, 2015:
Machinery cost Rs.500,000 and Allowance for Depreciation-Machinery Rs.140,000. Company uses Diminishing Balance method @ 20% for calculating depreciation expense.

**Required:**

- Compute depreciation expense for the years 2015 and 2016.
- Give adjusting and closing entries on Deeèmber 31, 2015.

Q.5 Partnership-Formation:

On 1st July, 2017, Munawer, Muneeb and Mohsin agreed to form a partnership business with a total capital of 24,00,000 to be contributed by them in the ratio of 3:2:1 respectively.

**Required:**

a) Find the investment of each partner and record in General Journal.

b) Prepare the initial balance sheet of the firm.

Q.6 Imran, Kamran and Rizwan were partners having capitals of Rs.200,000; Rs.300,000 and Rs.400,000 respectively, sharing profit and loss in the ratio of their capitals. Rizwan was retiring from business.

**Required**: Record the retirement of Rizwan under the following cases separately:

i) Rizwan was paid Rs.350,000 (use Bonus method)

ii) Rizwan was paid Rs.500,000 but Imran and Kamran did not agree to reduce their capitals.

Q.7 Hasan, Qaisar and Umar are partners sharing profit and loss equally. The balance-sheet data is as under:

Cash Rs. 10,000; Other assets Rs.90,000; Accounts Payable Rs.30,000; Hasan Capital Rs.40,000; Qaisar Capital Rs.20,000 and Umar Capital Rs.10,000. (Assume that all partners are solvent and can contribute towards capital deficiency, if any) Other assets were sold for Rs.54,000, liabilities were paid in full and partners were paid the balance.

**Required:** Give entries to record the Liquidation Process.

Q.8 The following data was extracted from the books of Naeem & Company Ltd. On Dec. 31, 2017:

Authorized Capital (Par value Rs.10) Rs.50,00,000 Paid-up Capital (Par value Rs.10) Rs 20,00,000 and Retained Earning Rs.300,000. On Dec. 31, 2017, the Net Income for the rear Rs.700,000 to be transferred to Retained Earnings account. Directors made following decisions:

Declared cash dividend Rs.1.50 per share.

Declared stock dividend at 12%.

Appropriate for plant extension Rs.100,000 and for contingencies Rs.50,000.

**Required:**

Record the above transaction in General journal.
Prepare the statement of Retained Earnings.

## SECTION 'C (DETAILED ANSWER QUESTIONS)

**NOTE: Answer any TWO part questions. All part questions carry equal**

Q.9 (a)Abbas and Naveed are partners having capitals of Rs.300,000 and Rs.200,000 respectively and sharing profit and loss in the ratio of 3:2. They admitted Zia with 1/5 share in the capital and profit

Required: Record Zia's admission in General Journal under the foll0wing cases separately:

i) Zia invested Rs.100,000 cash, the capital of the firm will increase only by the Zia's investment
ii) Zia invested equipment of 50,000 , furniture 60,000 and sufficient cash
iii) Zia invested Rs 150.000 and is credited with the entire amount

b) Adnan, Fathan and Salman are partners with capital balances of 450,000; Rs 150,000; Rs 300,000 and 150,000 respectively and the balnnces of their current accounts are Rs.40,000 Rs.20,000 & Rs.5,000 respectively. The Net Income for the year ended Dec 31,20 17 is 66,000 Partner's Drawing: Adnan Rs.30,000 Farhan Rs.30,000 & Salman Rs.50,000. The partnership Deed provide that:

a) Monthly salary Rs.10,000 to Salman and Rs.8,000 to Farhan Is allowed.
b) Adnan is getting a commission of Rs.75,000
c) Partners are entitled for 10% of capital bonus
d) Remaining balance is distributed in the ratio of 2:2:1

**Required:**

i) Prepare Income distribution sonunaty.
ii) Give entries to close partner's drawing and Income Summary Account.
iii) Set up Partner's Current accounts and determine the closing balances.

(c) Following selected transactions were completed by Zulqarnain Company Limited:

a) Issued 10,000 shares of Rs.10 each at Rs.13 per share to acquire a machine.
b) Purchased equipment of Rs.30,000 and issued 3,500 shares of Rs.IO each.
c) Purchased Land for Rs.750,000 by allotting sufficient number of shares of Rs.10 at a premium of Rs.5 per share.
d) Purchased four computers for Rs.50,000 cach and issued suitable number of shares of Rs.10.
e) Issued 30,000 shares of Rs.l0 each to settle Debenture, Payable of Rs.400,000.
f) Issued 10,000 shares of Rs.10 at par to the Promoters against their services.
g) Stock dividend of Rs.90,000 is settled by issuing suitable number of shares.
h) Issued 2,000 debentures of Rs.100 at Rs.95, redeemable after five years at Re. 105.

**Required**

Record the above transactions in General journal.

# ACCOUNTING 2017

**Time: 3 Hours (Regular/Private) Max. Marks: 100**

**SECTION 'A' (MULTIPLE CHOICE QUESTIONS - M.C.Qs.)**

Q.1 Choose the correct answer for each from the given options:

i. This does not appear in Income statement:
- Commission Income
- Rent Expense
- Copyright
- Sales

ii. When retiring partner receives higher amount against his actual capital then his retirement is at:
- Goodwill
- Bonus
- Revaluation

iii. Receipt and payments accounts are a summary of the:
- Cash Book
- Purchase journal
- Sales journal
- General journal

iv. Disposal of Net Income of a Joint Stock Company is the utilization of:
- Retained Earnings
- Net Income
- Net Loss
- Cash

v. Realization account is temporarily used in place of.
- Expenses account
- Revenue account
- Capital account
- Liabilities account

vi. The process of Allocation of cost of tangible assets is called:
- Amortization
- Depletion
- Depreciation
- Revaluation

vii. When the Net Income is transferred to Retained Earnings account, this account is debited to:
- Retained Earnings
- Expense & Revenue summary
- General Reserve
- Sinking Fand

viii. Bonus share is paid in/by:
- Stock
- Cash
- Property

- Interest

ix. At the time of admission, old partner's capital will remain the same in:
- Bonus to old partners
- Bonus to new partner
- Goodwill to new partner
- Goodwill to old partner

x. The Profit or loss resulting from the realization account is transferred to:
- Assets
- Partner's Capital account
- Realization account
- Bank account

xi. Net income of the company at end of the year must be transferred to:
- Shareholders account
- Retained earnings account
- Debenture account
- Capital Account

xii. If the partner is solvent, his deficiency is met by:
- Himself
- Remaining partner
- All partners
- the Firm

xiii. Depreciable cost value of an assets under straight line method:
- Cost + Scrap value
- Cost + Market value
- Cost - Scrap value
- Cost - Market value

xiv. Fixed assets are normally shown in Balance sheet at:
- Book Value
- Market value
- Historical cost
- Scrap value

xv. Subscription received in advance will be shown in:
- Cash Book
- Trial Balance
- Income expenditure account
- Balance Sheet

xvi. In liquidation, when a partner's share of loss is higher than his capital balance, this is known as:
- Solvency
- Deficiency
- Loss
- Gain

xvii. If the opening capital is Rs.4125, ending capital is Rs.2830 and drawing is Rs.825, then net income / loss will be:
- Rs.570k
- Rs.670
- Rs.7700

- Rs.470

xviii. In the Balance sheet of a limited company, the Retained .Earnings account is shown under the heading of:
- Current assets
- Current liability
- Non-current assets
- Stock holder Equity

xix. This is the only tangible fixed asset, which is not changed to expense:
- Building
- Machinery
- Land
- Furniture

xx. Gain or Loss on revaluation of assets before admitting a new partner is:
- Transferred to old partner's capital account
- Transferred to new partner's capital account
- Closed to expense & revenue summary
- Transferred to all partners accounts

## SECTION 'B' (SHORT ANSWER QUESTIONS)

**NOTE; Attempt any FIVE questions from this Section. All questions carry equal marks. The use of calculator is allowed**:

Q.2 <u>Single Entry</u>:

Mr. Khan maintains single entry record. The assets and liabilities of the business are as follows:

| | 01-01-2016 | 31-12-2016 |
|---|---|---|
| Cash | 18,000 | 15,000 |
| Account Receivable | 20,000 | 30,000 |
| Machinery | Nil | 25,000 |
| Account Payable | 30,000 | 40,000 |
| Bank Overdraft | Nill | 5,000 |

Other information on 31-12-2016

(i) He made additional investment of Rs. 5,000 during the year.

(ii) Estimated allowance for bad debts Rs. 1,250.

(iii) Depreciation on fix assets estimated at 10%

(iv) Accrued interest on bank Overdraft Rs.300.

(v) Prepaid salaries Rs. 5,000/

**Required:**

(a) Compute the capital at start and end

(b) Prepare statement of profit or loss for the year.

Q.3 Appropriation of Retained Earnings

M/S. Zafar Ltd has a paid up capital of Rs.500,000 divided into ordinary shares of Rs.10 each, for the year ended Dec. 31, 2016. Company earned a net profit of Rs.250,000. The Board of Directors approved the following:

i) To declare a cash dividend of Rs.2 per share (Hint: Number of outstanding shares 50,000).

ii) To appropriate Rs.30,000 for building expansion.

iii) To appropriate Rs.10,000 for General Reserve.

**REQUIRED:**

i) To record all possible entries in General Journal

ii) Setup 'Retained Earnings' Account

Q.4 Partnership-Formation:

Ghani, Asif and Imran formed a partnership on March 01, 2017, Ghani contributed cash Rs.700,000 Asif invested building which he purchased a few years ago for Rs.100,000. The current market value of the Building was Rs.700,000 but partners agreed to a value of Rs.600,000. Imran brought a Delivery Truck, value agreed by partners Rs.500,000. It was decided that each partner would have equal capital. So, Asif and Imran would bring additional cash to have capital equal to that of Ghani.

**REQUIRED:**

Give necessary entries in the General Journal to record the above in the newly formed Partnership Firm.

Q.5 Partnership - Retirement

Nasim, Karim and Rahim are partners, having capital balances of Rs.180,000 Rs.270,000 and Rs. 225,000 respectively. They share profit & loss in the ratio of 3:5:4. On March 31, 2017, Nasim retires from the firm. His settlement at Rs.213,750. He is given a note of Rs.150,000 and balance in Cash.

**REQUIRED:**

Record the Retirement of Nasim using Goodwill method.

Q.6 Company — Issuance of Shares & Debenture:

**REQUIRED:**

Give entries in General Journal for the following transactions:

i) Issued 500 shares of Rs.10 each at Rs.12 each.

ii) Purchased Equipment costing Rs.300,000 and issued sufficient numbers of ordinary shares having market value of Rs.15 per share.

iii) Issued 400, 20% Debenture of Rs.100 at Rs.98, Redeemable after 10 years at Rs.110.

iv) Offered to the public 5000 shares of Rs.10 each at Rs.13 each, Company's Bank received 6000 applications. The company allotted necessary number of shares and excess was refunded.

Q.7 Non-Profit Organization

On December 31, 2016 the Peshawar Zalmi provided the Commerce following receipts and payments during the year.

| **RECEIPTS** | **PAYMENTIS** |
|---|---|
| Subscription Rs.10,000 | Purchase of Refreshment Rs.900 |
| Sale of Refreshment Rs.1,600 | Extension to Building Rs.5,000 |
| Sale of Match tickets Rs.2,000 | Salaries Rs.4,000 |
| | Purchase of Sports EquipmentRs.7,000 |
| | Interest on Loan Rs.300 |

Further Information:

i) Building has a-value of Rs.50,000 and to be depreciated @ 10%per annum.
ii) There was no beginning inventory of sports equipment. At the end of the year, it was valued at Rs.5000 (Hint: Depreciate Sports Equipment by Rs.2000)
iii) No Stock of Refreshment (Snacks) at the end of the year

**REQUIRED:**

Prepare an Income & Expenditure account for the year ended December 31, 2016.

Q.8 PARTNERSHIP - DIVISION OF PROFIT AND LOSS

The Capital accounts of Aslam and Akram, Partners in a firm, . appear as under:

| ASI-AM, CAPITAL | | AKRAM, CAPITAL |
|---|---|---|
| 2016 | 2016 | 2016 |
| March 31, cash Rs.6000 | Jan. 2 b/d Rs. 24,000 | Jan. 2 b/d Rs.15,000 |
| | June 8 Cash Rs. 12,000 | Feb. 2 cash Rs. 3,000 |
| | | Oct.2CaShRs.18,000 |

Net income for the year ended December 31, 2016 Rs.17,875.

**REQUIRED:**

Give Journal Entries to record the distribution of Net Income Between the partners under following situations separately:

(a) Profit to be divided in beginning capital ratio.
(b) Profit to be divided in ending capital ratio.

## SECTION 'C (DETAILED ANSWERQUESTIONS)

**NOTE: Answer any TWO part questions. All part questions carry equal marks**.

Q.9 (a) The following information provided by M/S. Orient Associates on November 30, 2016:

| | | | |
|---|---|---|---|
| Cash | Rs.16,000 | A/C Payable | Rs.30,000 |
| Other Assets | Rs.190,000 | A. Capital | Rs. 99,000 |
| | B. Capital | | Rs.41,000 |
| | C. Capital | | Rs.36,000 |
| | **206,000** | | **206,000** |

On this date, they decided to liquidate their business. Their assets were sold for Rs.70,000 and liabilities were paid in full. A and B have enough personal resources while 'C' is personally insolvent.

**Required:**

Al possible Journal Entries to record Liquidation and Closing of the books. To be supported by necessary computation and setup T" accounts for cash and partners' capital accounts.

b) Arsalan and Arbab are partners, having capital balances of Rs.15,000 and Rs.10,000 respectively, sharing profit & loss in their capital ratio. They agreed to admit Anser in the Firm.

- CASE-1: Anser paid Rs.100,000 to Arsalan for purchasing his ${}^{1}/2$ interest.
- CASE - 2: Record the admission of Anser for above cases separately.

c) On January 1, 2015 M/S. Zaheer Ltd. purchased a machine which had a list price of Rs.70,000 subject to a trade discount of 10% and Credit term were 2/10, n/30. Payment was made within discount period. During transportation, a part was damaged which was at a cost of Rs.10,000/. A special part was added to improved the efficiency of the machine at a cost of Rs45,000. Other Expenses included the followings.

| | |
|---|---|
| Installation Cost | Rs.12,000 |
| Test Run | Rs.14,860 |
| Fire Insurance Premium | Rs.15,600 |

It was estimated that the Machine will have a useful life of 4 years after which it could be sold for Rs.10,000/

**REQUIRED:**

(i) Compute the cost of Machine.
(ii) Compute the depreciation for first two years under diminishing balance method. (Rate of depreciation is 50%)
(iii) Prepare allowance for depreciation account for 2015 and 2016.

# ACCOUNTING 2016

**Time: 3 Hours** **(Regular/Private)** **Max. Marks: 100**

**SECTION 'A' (MULTIPLE CHOICE QUESTIONS - M.C.Qs.)**

Choose the correct answer for each from the given options:

i) The amount of share capital with which a company is registered is called:
- Called up capital
- Authorized capital
- Paid up capital
- Issued capital

ii) Accumulated profits of a company are called:
- Net Income
- Liabilities
- Retained Earnings
- Dividends

iii) Owners of a Public Limited Company are called:
- Directors
- Promoters
- Liquidators
- Shareholders

iv) In single entry system, a statement composed of Assets, Liabilities and Capital is called;
- Profit/Loss statement
- Statement of Affairs
- Statement of Retained Earnings
- Bank Statement

v) In non-profit concerns, the amount collected from members on regular basis is known as:
- Subscription
- Donation
- Loan
- Fee

vi) The alternative term use for salvage value is:
- Scrap value
- Market value
- Book value
- Depreciable cost

vii) In the absence of any agreement profit/loss, it will be distributed among the partners:

- In average capital
- In beginning capital ratio
- In ending capital ratio
- Equally

viii) Current Accounts of the partners are operated when the capitals:

- Decrease
- Increase
- Fluctuate
- Fixed

ix) At the time of Admission of a new partner, when the old partners do not agree to reduce their capital, it means:

- Goodwill to new partner
- Goodwill to old partners
- Bonus to old partners
- Bonus to new partner

x) Partners' current accounts are a part of:

- Income statement
- Current assets
- Fixed assets
- Owners' equities

xi) Debentures payable account is:

- Current Liability
- Owner's equity
- Long term liability
- None of these

xii) Reserves are created out of:

- Retained earnings
- Current liabilities
- Current assets
- Long term liabilities

xiii) If a journal entry consists more than one debit or one credit account, the entry is called:

- Single entry
- Compound entry
- Simple entry
- None of these

xiv) A public limited company is managed by the:

- Board of Directors
- Board of Governors
- Creditors

- Debtors

xv) Accumulated Depreciation account is:
- Current asset
- Intangible asset
- Contra asset
- Liability

xvi) Profit distributed to shareholders known as :
- Interest
- Net income
- Dividend
- Commission

xvii) Cost-Accumulated Book value depreciation is equal to:
- Depreciable cost
- Market cost
- Book value
- Retail cost

xviii) The nominal Market value printed on the: 'Retail face of value share is called:
- Cost value
- Market value
- Retail value
- Par value

xix) While computing the cost of plant asset, this will not be included:
- Insurance in transit
- Fire insurance
- Transportation in
- Installation charge

xx) This does not appear in Balance sheet:
- Cash
- Building
- Goodwill
- Rent Expenses

## SECT'ON 'B' (SHORT ANSWER QUESTIONS)

**NOTE: Attempt any FIVE questions from this Section. All questions carry equal marks. The use of calculator is allowed:**

Q.2 Non-Profit Concern

Mr. Suleman started business with cash investment of Rs.200,000/- and office equipment Rs.120,000/- on Jan 1st 2015. He maintains accounts of Single Entry basis, on 31st 2015 the following information was extracted from his accounting records:

| | |
|---|---|
| Cost on hand | Rs.90,000/- |
| Merchandise Inventory | Rs.110,000/- |
| Office Equipment | Rs.120,000/- |
| Notes Payable | Rs.10,000/- |
| Account Receivable | Rs.70,000/- |
| Office supplies | Rs.25,000/- |
| Accounts Payable | Rs.25,000/- |

On Dec. 31, 2015 the following further information was made available

i) Withdrew cash for personal use Rs.2,000/- per month from March 1st, 2015.
ii) Made additional investment of Rs.18,000/- during the year.
iii) Office supplies used during the year Rs.10,000/
iv) Depreciation of Office equipment of Rs.12,000
v) Prepaid salaries Rs.5,000/

**REQUIRED:**

Prepare Statement of Profit and Loss for the year ending Dec. 31st 2015.

Q.3 NON-PROFIT CONCERNS

Following is the receipt and payment account of Gold-star Hocke club for the year ended December 31, 2015

| Receipts | Rs. | Payments | Rs. |
|---|---|---|---|
| Balance Jan. 1st 2015 | 67500 | Staff salaries | 42000 |
| Subscription | 105000 | Ground rent Expense | 6600 |
| Donations | 28200 | Utility Expense | 24000 |
| Sale of tickets | 60000 | City taxes | 2100 |
| | | Transportation | 12000 |
| | | Sports goods | 117000 |
| | | Office supplies | 9000 |

Other information:

Outstanding salaries were Rs.6,000
Ground rent was paid on October 1st for 4 months
Subscription received in advance Rs.6000/- and Subscription receivable Rs.9000

**REQUIRED:**

Prepare income and expenditure account for the year ended Dec. 31st, 2015

Q.4 PARTNERSHIP - LIQUIDATION

On January 1st, 2016, the balance sheet of ABH partners. Their share profit and losses in the ratio of 4:3:2 respectively, showed as under:

| ASSETS | | Liabilities | |
|---|---|---|---|
| Cash | 38,000 | Account payable | 30,000 |
| Other Assets | 200,000 | Notes payable | 10,000 |
| | | Ahmed capital | 88,000 |
| | | Bilal capital | 66,000 |
| | | Hamza capital | 44,000 |
| Total | 238,000 | Total | 238,000 |

They liquidated their business. The other assets were sold at R s. 110,000/-. The accounts payable were settled in R s. 21,000/- payable in full. The partners' accounts Available cash. Give necessary entries in the General Journal.

Q.5 PARTNERSHIP - RETIREMENT

Dawar, Sajid and Abbas were partners sharing in the ratio of their investment.

On Januarv 1st, 2016 their capitals were:

Dawar Rs. 500,000/- Sajid Rs.300,000/- Abbas Rs.200,000/-

On the same date, Abbas decided to retire from the partnership.

**REQUIRED:**

Record the retirement of Abbas if Abbas was given cash Rs.50,000/-, merchandise costing Rs.60,000/- and a 6 months note payable for KS. 100,000/- in full settlement of his account (use goodwill method)

Q.6 PARTNERSHIP - DIVISION OF PROFIT (LOSS):

Salman, Saim and Manahil started business on May 1st, 2015 investing cash Rs.150,000/-, Rs.100,000/- and Rs.50,000/- .respectively.

The following was the agreement between them regarding Profit/ (Loss) sharing:

i. Each partner will receive salaries at the rate of Rs.1000/- p.m.
ii. Interest on initial investment @6% p.a.
iii. Remaining if any will be divided among them in the ratio of their beginning capitals.

**REQUIRED:**

- Prepare a Profit (Loss) Distribution summary assuming that there was no profit/no loss for the period ended December 31, 2015.
- Record General Journal entries.

Q.7 COMPANY ISSUANCE OF SHARES:

The shares-issue transaction of Hidayat Co. Ltd. for the year ended on 30th September, 2015.

i) The company issued 200,000 shares of Rs.10/- each at Rs.12/each

ii) The promoters were allotted 10,000 shares of Rs.10/- each for services

iii) The Company bought Printer for office costing Rs.50,000/- Rs. 10 shares were issued in exchange. The market value per share was Rs.12.50/

iv) Issued sufficient number of shares of Rs.10/- at Rs.13/- in full settlement of Debentures payable of Rs.130,000/-

v) The company purchased a machine costing Rs.360,000/- and issued sufficient number of shares. The shares had a market value' of Rs.12/- each.

**REQUIRED:**

Record the above issuance shares in General Journal.

Q.8 PARTNERSHIP - FORMATION

On August 01st, 2015 Tariq and Wahid agreed to form a partnership firm with the name of 'TW Construction Company Tariq invested Rs.200,000/- and building costing Rs.400,000/- with accumulated depreciation of Rs.120,000/- at an agreed value of Rs.300,000/-Wahid invested furniture of Rs.120,000/-, building costing Rs.80,000/- and sufficient cash to make his capital equal to that of Tariq.

**REQUIRED:**

(a) Prepare General entries of the above investment.

(b) Prepare initial Balance Sheet of the firm on August 1st 2015.

## SECTION (DETAILED ANSWER QUESTIONS)

**NOTE: Answer any TWO part questions. All part questions carry equal marks.**

Q.9 CORPORATION- APPROPRIATION OF RETAINED EARNING:

The following information was extracted from the Accounting records of BLUMOON LTD. as on December 31st, 2015:

Authorized Capital:

10,00,000 shares of Rs.10/- each Rs.100,000,000 Paid up capital 600,000 shares of Rs.10/- each Rs.6,000,000/- Retained Earnings (un-appropriated) Rs.450,000/- The Expense & Revenue summary showed a credit balance of Rs.810,000/- for the year ended December 31st; 2015:

I. To transfer income summary's balance to Retained Earnings.

II. To declare cash dividend @10%

III. To appropriate Rs.30,000/- for sinking funds and Rs. 40,000/for Redemption of Debentures.

**REQUIRED:**

Record the admission of Noori under each of the following cases separately.

- **CASE** –A Noori invested cash Rs.25,000/- and office furniture costing Rs.50,000/- for 1/3 interest.
- **CASE** –B Noori invested cash for a /3 interest in the business. Total capital of the firm increased only by her investment.

**(c) ACCOUNTING FOR DEPRECIATION:**

P & G Co. purchased a machine on April 1st, 2012 at a list price of Rs.900,000/-with a trade discount @5%. The term of payment were also 2/10, n/30. The payment was made immediately. The company also incurred the following expenses:

- Transportation charges Rs.3000/-
- Installation Testing charges RS.13,750/-
- Fire insurance for two years 3,000/-
- Insurance in transit Rs.12,250

It is estimated that the machinery has a salvage value of Rs.16,900/- at the end of its estimated service life of 10 years. The company uses 'Straight Line Method' for computing depreciation. The company accounting year ends of December 31st, each year.

**REQUIRED:**

(i) Compute the cost of machine as on April 1st, 2012.

(ii) Calculate and Record the depreciation for the first three years.

# ACCOUNTING 2015

**Time: 3 Hours** **(Regular/Private)** **Max. Marks: 100**

**SECTION 'A' (MULTIPLE CHOICE QUESTIONS - M.C.Qs.)**

Q.1 Choose the correct answer for each from the given options:

i) In the absence of partnership agreement, profit/loss is distributed:
- In beginning capital ratio
- In average capital ratio
- Equality
- In ending capital ratio

ii) Share of a public limited company is:
- Transferable
- Non-transferable
- Refundable
- Non-refundable

iii) A joint stock company is registered with:
- Paid up capital
- Issued capital
- Called up capital
- Authorized capital

iv) Accumulated Depreciation account is:
- Asset
- Current asset
- Contra account
- Tangible account

v) Income & Expenditure account in a nonprofit concern is substitute of:
- Profit & loss account
- Cash book
- Retained earnings
- Statement of affairs

vi) Reserves are created out of:
- Cash
- Liabilities
- Capital
- Retained Earnings

vii) This is shown in the shareholder's equity section of balance sheet:
- Debenture payable
- Dividend payable
- Unclaimed' dividend

- Share premium

viii) A public is manage by its:
- Share holders
- Bond holders
- Board of directors
- Auditors

ix) This is a liability:
- Loan to employee
- Advance from customer
- Advance to supplier
- Accrued rent income

x) Under the diminishing balance method every year depreciation charge:
- Fluctuate
- Decrease
- Increase
- Remain constant

xi) Another name of Straight line method is:
- Reducing balance method
- Revaluation method
- Fixed installment
- Units of output method

xii) Realization account may be opened in case Retirement of:
- Admission
- Formation
- Dissolution
- Retirement

xiii) By its nature, a partner's current account Current is: Fixed asset
- Owner's equity
- Current asset
- Fixed assets
- Long term liability

xiv) A joint stock company is owned by:
- Board of directors
- Employee
- Share holders
- Debenture holder

xv) By its nature, preliminary expense is:
- Asset
- Liability
- Owner's equity
- Expense

xvi) In a non-profit concern, accumulated fund is a substitute of:

- Assets
- Liability
- Capital
- Revenue

xvii) If gross profit is Rs.80,000 (20% of cost of gold sold) the amount of sales is:

- Rs. 400,000
- Rs. 480,000
- Rs. 520,000
- Rs. 100,000

xviii) The amount of capital is computed by subtracting liabilities from:

- Assets
- Revenue
- Liabilities
- Drawings

xix) On allotment of shares the account credited is:

- Share Application
- Share Capital
- Share Allotment
- Share discount

xx) This is an intangible asset:

- Automobile
- Tools
- Goodwill
- Fixture

## SECTION B (SHORT ANSWER QUESTIONS)

**NOTE: Attempt any FIVE questions from this Section. All questions carry equal marks. The use of calculator is allowed:**

Q.2 Non-Profit Concern

A summary receipts and payments of Aziz Sports Club for the first year ended Dec. 31, 2014 is as follows:

| **Receipts** | | **Payments** | |
|---|---|---|---|
| Subscription | 280,000 | Salaries | 30,000 |
| Interest on investment in Bond | 1,000 | Ground rent | 50,000 |
| Match tickets | 70,000 | Purchase of sports goods | 120,000 |
| Profit on sale of refreshments | 10,000 | Sports expense | 28,000 |
| Refreshments | 10,000 | Match expense | 22,000 |
| | | Miscellaneous expense | 21,000 |

Additional information on December 31, 2013:

1. Subscriptions include Rs.6,000 for year 2015.
2. Subscriptions Receivable Rs.8,000 at the end of 2014.
3. Outstanding salaries were Rs.2,000.
4. Interest on Investment in accrued Rs.1,000.
5. Depreciation is charged @10% Fixed Assets.

**Required:**

Prepare Income and Expenditure Account for the period ended Dec. 31, 2014.

Q.3 SINGLE ENTRY

1. Find Profit or Loss, where Capital at start Rs.43,000, Capital at end Rs.45,000, Drawing Rs.14,000, Capital introduced during the year Rs.20,000.
2. Find Capital at start, where: Capital at end is Rs.87,000. Drawing Rs.13,000, Capital introduced during the year Rs.21,000, Profit for the year 23,000.
3. Find Drawing, where: Capital at start Rs.20,000, Additional investment Rs.8,000, Profit for the year Rs.12,000, capital at end Rs.25,000.
4. Find Capital at end, where: Capital at start Rs.50,000. Drawing Rs.18,000, Additional investment Rs.10,000, Loss during the year Rs.10,000.

Q.4 Partnership - Liquidation:

On December 31, 2014, the Balance Sheet of the partnership of Kamran, Munawar & Haider sharing profit and loss in the ratio of 3:2:1 showed following position.

| **ASSETS** | | **EQUITIES** | |
|---|---|---|---|
| Cash | 150,000 | Accounts Payable | 50,000 |
| Machin&y | 600,000 | Capital Kamran | 150,000 |
| Furniture | 200,000 | Capital Munawar | 300,000 |
| | | Capital Haider | 450,000 |
| Total | 950,000 | Total | 950,000 |

On this data partners decided to liquidate their business. Machinery was sold for cash Rs.240,000. Furniture was taken over by Haider at an agreed value of Rs.152,000. Liabilities were settled by payment of Rs.41,000. All partners are insolvent.

Required: Give entries in the General Journal

Q.5 Partnership Admission:

A and B are partners with capital of RS.60,000 and RS.40,000 respectively, sharing profit and losses in the ratio of 3 : 1. They agree to admit C as a partner.

**Required:**

Give General Journal entries to record the admission of 'C' in each of the following cases separately.

Case 1: 'C' invests sufficient cash to acquire 1/5 interest in the total capital of the firm.

Case 2 : 'C' invests Rs.70,000 cash for 1/3 interest in the total capital of Rs.180,000.

Q.6 Appropriation of Retained Earning:

Given:

The following information is related to Zeel Company Limited on Dec. 31, 2014

| | |
|---|---|
| Authorized Capital (500,000 shares of Rs. 10 each) | Rs. 5,000,000 |
| Paid up Capital (200,000 shares of Rs. 10 each) | Rs. 2,000,000 |
| Retained Earnings | Rs.300,000 |
| Income Summary (Credit) | Rs.285,000 |

The Board of Directors decided to:

I. Appropriate Rs.60,000 for plant expansion and Rs.50,000 for contingencies.
II. Declare cash dividend @ Rs.0.80 per share and stock dividend @ 7%.
III. The Stock dividend was settled by issuing suitable number of share at par.

**Required:**

(a) Give entries in General Journal for the above.
(b) Prepare Statement of Retained Earning.

Q.7 PARTNERSHIP – RETIRMENT:

Asif, Mazhar and Hassan were partners in a business sharing profit and loss in the ratio of 25%, 45% and 30% respectively. The balance sheet of their firm on December 31, 2014 stood as under:

| Assets | | Equity | |
|---|---|---|---|
| Cash | 57,000 | Account payable | 135,000 |
| Account receivable | 270,000 | Asif capital | 684,000 |
| Merchandise inventory | 198,000 | Mazhar capital | 756,000 |
| Land & Building | 1,500,000 | Hassan capital | 450,000 |
| Total | 2,025,000 | Total | 2,025,000 |

Hasan decided to retire from the film on above data. Before his retirement, following adjustments were made in the accounts of the firm:

- 10% of accounts receivable estimated to be doubtful.
- Land and Building to be appreciated by 20%
- Merchandise Inventory to be reduced by Rs. 8,000.

After making all adjustment, Hasan sold his entire interest to Mazhar

Required:

Give entries in General Journal for the above.

Q.8 DISTRIBUTION OF PROFIT/LOSS:

Given: The capital account of BABA & KAKA as follow:

BABA

| | | | | | |
|---|---|---|---|---|---|
| June 01 | Drawing | 30,000 | Jan 01 | Investment | 100,000 |
| December 01 | Drawing | 30,000 | July 01 | Investment | 80,000 |

KAKA

| | | | | | |
|---|---|---|---|---|---|
| June 01 | Drawing | 60,000 | Jan 01 | Investment | 200,000 |
| Nov 01 | Drawing | 30,000 | Apr 01 | Investment | 20,000 |

**Required:**

Give entries in General Journal to close Income Summary account having a debit balance of Rs.20,000. Partners share profit/loss in average capital ratio

## SECTION 'C' (DETAILED ANSWER QUESTIONS)

**NOTE: Answer any TWO part questions. All part questions carry equal marks.**

Q.9 (a) Depreciation

Given: The following are the selected transactions completed by Jannat Corporation during August 2014:

**Aug.5:** Purchased six computers at a list price of Rs.120,000 subject to trade discount of 10% on credit terms 2/10, n/30. Paid fine of Rs.500 on negligent driving while transporting the computers.

**Aug.7:** Purchased a printer for the system for cash Rs.8,000.

**Aug. 10:** Paid Rs.5,000 for installation of computers and Rs.2,000 for repairing the damage during installation.

**Aug. 14:** Paid the liability dated August 5.

**Required:**

- Compute cost of the Office Equipment.
- Give dated entries in general journal to record the above transactions.

(b) Formation of Partnership:

Maheen running a Boutique, form a partnership with Raheen under the name of M.R. Boutique on January 1, 2015. The balance sheet data of Maheen's Boutique is as under.

Cash Rs.50,000: Accounts Receivable Rs.2,50,000; Allowance for Bad Debts Rs.20,000; Merchandise Inventory Rs.340,000; Prepaid Rent Rs.30,000; Store Equipment Rs.50,000; Accumulated Depreciation Rs.100,000; Accounts Payable Rs.970,000 and Notes Payable Rs.80,000.

Maheen transfers to the partnership her assets (except prepaid rent) and liabilities on the following values:

Accounts Receivable Rs.250,000; Merchandise at Rs.300,000; Equipment and Liabilities at book values. Goodwill of Maheen is to bé recognized at. Rs.100,000.

Raheen invests land Rs.200,000 and buildings Rs.60,000. She also contributes sufficient cash to make her capital equal to that of Maheen.

Required: Prepare

i) General Journal Entries

ii) Initial Balance Sheet.

(c) Issuance of Shares and Debentures:

Azad & Co. Ltd completed the following transactions:

(i) Received applications for 25,000 shares of Rs.10 each @ Rs.11 per share. The Co. issued 20,000 shares and refunded the excess amount.

(ii) Purchased land for Rs.337,500 issuing shares of Rs.10 @ Rs.13.50 per share.

(iii) Purchase Equipment and issued 4000 shares of Rs.10 @ Rs.15 per share.

(iv) Issued 3,000 debentures of Rs.100 at par, redeemable after five years at Rs.103 each.

(v) Issued 2,000 debentures of Rs.100 @ Rs.95 redeemable after four years at Rs.105 each.

**Required:** Give entries in general journal to record the above transactions

**ACCOUNTING 2014**

**Time: 3 Hours (Regular/Private) Max. Marks: 100**

**SECTION 'A' (MULTIPLE CHOICE QUESTIONS - M.C.Qs.)**

Q.1 Choose the correct answer for each from the given options:

1) This is not a part of profit/loss sharing scheme:
   - Interest on partner's capital
   - Salary to partner
   - Commission to salesman
   - Commission to partner
2) Rent, paid to a partner for his building in which business is being operated, will be debited to:
   - Rent expense account
   - Drawing account
   - Income summary account
   - Bank account
3) Under fixed capital method, profit/loss is transferred to:
   - Capital account
   - Current account
   - Income summary account
   - Bank account
4) This is not shareholders' equity:
   - Debentures
   - Ordinary shares
   - Preferences shares
   - Share premium
5) This is classified in a balance sheet as a current liability:
   - Debentures
   - Prepaid expense
   - Preference shares
   - Dividend payable
6) Profit, appropriated for some specific purpose is called:
   - Revenue
   - Discount
   - Asset
   - Reserve
7) In nonprofit concerns, the term accumulated fund is used in place of:
   - Drawing
   - Income
   - Capital
   - Retained earning

8) Income and expenditure account, in nonprofit concerns, is similar to:
   - Balance sheet
   - Expense and revenue summary
   - Cash book
   - Statement of retained earnings
9) The amount of share capital, with which a company is registered is called:
   - Issued capital
   - Paid up capital
   - Authorized capital
   - None of these
10) In trial balance, the balance of the Accumulated Depreciation account is:
   - Shown as a credit item
   - Shown as a debit item
   - Sometimes shown as a credit, sometimes as a debit
   - Not shown, as it is deducted from related non-current
11) Capital expenditures are recorded as
   - Expenses
   - Asset
   - Revenue
   - Capital
12) A and B are partners with equity ratio 1 : 2. After admission Of C for 1/4 interest in the total capital, the equity ratio of A, B and C will be:
   - 1:2:2
   - 2:3:3
   - 1:2:3
   - 1:2:1
13) In case Of admission under bonus method, total capital of the firm increases by the amount:
   - Equal to new investment
   - More than new investment
   - Less than new investment
   - Equal to old investment
14) The account "retained earning" represents:
   - Reserves
   - Liabilities
   - Un-appropriated profit
   - Net profit for the current period
15) The following account will be debited for recording declaration of dividend by a company:
   - Dividend payable
   - Share capital

- Retained earnings
- Preliminary expenses

16) Initial expenses like legal fees, cost of printing and remuneration to promoters are recorded under:
    - Legal expenses
    - Statutory expenses
    - Contingencies expenses
    - Preliminary expense
17) The following is the summary of cash records prepared in non-profit earning concerns:
    - Receipts and payments
    - Account Cash book
    - Expenses and revenue summary
    - Bank statement
18) The credit balance of income and expenditure account represents:
    - Cash in bond
    - Bank overdraft
    - Surplus of income over expenditure
    - Surplus of expenditure over income
19) The alternative term used for authorized capital is:
    - Subscribed capital
    - Paid-up capital
    - Issued capital
    - Nominal capital
20) As a result of declaration of stock dividend, shareholder's equity:
    - Increases
    - Decreases
    - Remains
    - Fluctuates

**SECTION 'B' (SHORT ANSWER QUESTIONS)**

**NOTE: Attempt any FIVE questions from this Section. All questions carry equal marks. The use of calculator is allowed:**

Q.2 Single Entry

Mr. X invested cash Rs.150,000/- on August 5, 2013, On December 31, 2013 the position of his assets and liabilities is as under:

Cash Rs.180,000/-, Office supplies Rs.30,000/-, Merchandise Rs.50,000/- and Furniture Rs.85,000/- payable to suppliers Rs.120,000/- and Receivable from customers Rs.70,000/

Data for Adjustment:

(i) Additional investment Rs.5,000/- per month for four months.

(ii) Mr.X withdrew some merchandise which cost Rs.15,000/for his home use.

(iii) Depreciation on Furniture Re.15,000/

**REQUIRED:**

Prepare Statement of Affairs as on December 31, 2013. (Net Income for the period was Rs.125,000/-)

Q.3 Partnership - Formation:

On March 1, 2014 following balances relate to the businesses of Mr. Ashar & Mr. Nasr sole traders:

| | Ashar | Nasr |
|---|---|---|
| Cash | Rs.150,000/- | Rs. 280,000/- |
| Accounts Receivable | Rs.70,000/- | ------ |
| Allowance for bad debts | Rs.6,000/- | ------ |
| Office Supplies | Rs.25,000/- | Rs.40,000/- |
| Building | Rs.116,000/- | Rs.175,000/- |
| Furniture | Rs.77,000/- | Rs.35,000/- |
| Allowance for depreciation on furniture | Rs.3,000/- | Rs.5,000/- |
| Accounts Payable | Rs.60,000/- | Rs.90,000/- |

On this date they decided to mere their business and form a partnership under the name and style of Ashar and Nasr partnership and decided as under:

(i) Mr. Ashar contributed 1/5 of his cash, Account receivable at realizable value of Rs.68,000, office supplies at Rs.30,000, Building at agreed value of Rs.160,000/- and furniture at its book value. Mr. Ashar paid 1/4 of his liability from his private fund.

(ii) Mr. Nasr sold all of his business assets except Furniture and paid all of his liabilities. He invested Furniture in the partnership at its book value and sufficient cash to give him equal interest with Mr. Ashr.

**Required:** Prepare entries in the General Journal of A & N Partnership to record the contribution of Ashar and Nasr.

Q.4 Partnership - Distribution of Profit/Loss:

Mr. A and Mr. B formed a partnership on September 01, 2013 with capitals of Rs.80,000 and Rs.90,000 respectively. They agreed to share profit and loss in the ratio of 1:2. The partnership agreement states that salary is to be paid to Mr. A Rs.3,000 per month and to Mr. B Rs.2,500 per month, Interest is paid on their capitals @ 6% per annum. Bonus is given to Mr. B Rs.5,600. Total profit of the firm for the period ended December 31, 2013 was 1,000. Mr. A and Mr. B withdrew cash for their personal use Rs.1,000 and 2,000 respectively. Fixed capital method is followed.

Required

i) Prepare Income distribution summary.

ii) Setup T-accounts for partner's current accounts; make posting therein and balance the accounts.

Q.5 Partnership Admission

Waheed and Majeed are partners sharing profit and loss in the ratio of their capitals. Their firm's balance sheet on January 1, 2014 is as under.

| Assets | | Equities | |
|---|---|---|---|
| Cash | 10,000 | Liabilities | 20,000 |
| Other Assets | 100,000 | Waheed Capital | 60,000 |
| | | Majeed Capital | 30,000 |
| Total | 110,000 | Total | 110,000 |

On this date, they admit Azmat as a new partner and give him 1/4 interest in the capital and profit.

Required:

Prepare balance sheet of the firm after his admission. If Mr. Azmat invests cash Rs.50,000 and the capital of the firm is Rs.152,000 after his admission (Journal entries are not required)

Q.6 Partnership - Retirement:

Aslam, Mobin and Jawaid are partners having capital balance Rs.400,000, Rs.360,000 and Rs.480,000 respectively. They share profit and loss in the ratio of 5:3:4 respectively. Jawaid retired and was paid Rs.420,000/- after revaluation of assets.

**Required:**

Record entries in general journal for the distribution of gain/loss on revaluation and retirement of Jawaid.

Q.7 Corporation - Issuance of Shares & Debentures

AB Co. Ltd. Registered with a capital of Rs.10,00,000 which is divided into 100,000 ordinary shares of Rs.10 each. During the year 2013, following transactions were completed:

i) Company offered 8,000 shares at par. Company's banker informed that total amount received Rs.87,000. Company finalized the allotment and refunded the excess amount.

ii) Issued 1200 ordinary shares to the promoters for the services rendered by them.

iii) Issued 4000 5% debentures of Rs.100 at Rs.98 redeemable after 5 years at Rs.104.
iv) Purchased Building for Rs.150,000 and issued ordinary shares which have market value Rs.12.50 per share.
v) Issued 9,000 ordinary shares in full settlement of Bonds payable of Rs.85,000/-.

**Required:**

Record Journal entries (show computation)

Q.8 Corporation - Appropriation of Retained Earning

The following balances appear in the books of AB Company Ltd. on December 31, 2013.

| | |
|---|---|
| Authorized capital | Rs.600,000 |
| 60,000 ordinary shares @ Rs.10 | |
| Issued and Paid-up Capital | Rs.550,000 |
| 55,000 ordinary shares @ Rs.10 | Rs.350,000 |
| Retain Earnings | |

On December 31, 2013 the Income Summary of the company showed a credit balance of Rs.750,000. At this date, the company decided as under:

i) To declare cash dividend Rs.8 per ordinary share and stock dividend 30%.
ii) To appropriate Rs.20,000 for Contingencies.
iii) To appropriate Rs.50,000/- for Plant extension.

**Required:**

a) Give entries in the General Journal of the Company to close Income Summary account and give effect to the above decisions.
b) Compute shareholders' equity after giving effect to the above decisions.

## SECTION 'C (DETAILED ANSWER QUESTIONS)

**NOTE: Answer any TWO part questions. All part questions carry equal marks.**

Q.9 (a) Accounting for Depreciation Working hours/Unit Method following information relates to the books of Zee Company Ltd.

| Machine | Date of Purchase | Purchase Price | Salvage value | Estimated life |
|---|---|---|---|---|
| A | Aug. 1, 2010 | 98,000 | 8,000 | 12,000 hours |
| B | July 1, 2011 | 150,000 | 50,000 | 80,000 units |

Machine A worked 800 hrs. in 2010 and 2,000 hrs. in 2011, whereas Machine B produced 4,000; 16,000 and 20,000 units in 2011, 2012 and 2013 respectively.

**Required:**

(i) Calculate the amount of depreciation per hour and per unit.

(ii) Prepare adjusting journal entries. On December 31, 2010 and 2011 for Machine A.

(iii) Prepare allowance for depreciation account for the first three years for Machine B.

(b) Accounting for Depreciation - Diminishing Balance:

After adjustments the balance sheet of Babar Iqbal as on Dec. 31, 2012 shows Equipment Rs 600,000 and Accumulated depreciation - Equipment Rs.114,000.

**Required:**

i) Calculate depreciation for the year 2012 and 2013 under diminishing balance method @ 10%.

ii) Prepare partial balance cheet as on Dec. 31, 2Q13.

iii) Set up Accumulated Depreciation account

(c) Accounting for Non Profit Concern:

Given: The following is the Receipts and Payments account of AB Sports June 30, 2013:

| **Receipts** | | **Payments** | |
|---|---|---|---|
| Cash Balance | 90,000 | Salaries to ground men | 25,000 |
| Subscription Fee | 120,000 | Repair expense | 10,000 |
| Rent Revenue | 80,000 | Purchase of computer for charity | 60,000 |
| Match Income | 70,000 | Utilities expense | 30,000 |
| | | Printing of Match tickets | 8,000 |
| | | Purchase of furniture | 150,000 |

Additional Data:

i) Accrued Subscription Rs. 15,000

ii) Prepaid Utilities Rs. 8,000

iii) Depreciation charges @ 10% per annum on all fixed assets.

Note: On July 1, 2012 AB Sports Club has the following account balances:

Furniture Rs.180,000/-, Sports equipment Rs.30,000, Loan Rs.130,000 Subscription in arrear Rs.50,000

**Required:**

- Compute the amount of accumulated fund on July 1, 2012.
- Prepare Income and Expenditure account.

**ACCOUNTING 2014**

**Time: 3 Hours** **(Private)** **Max Marks 100**

**SECTION 'A' (MULTIPLE CHOICE QUESTIONS (20 Marks)**

Q.01 Choose the correct answer for each from the given options:

1. Depreciable cost + salvage value is equal to:
   - Book value
   - Market value
   - Cost
   - Scrap value
2. Profit paid to the shareholders is called:
   - Interest
   - Dividend
   - Gross Profit
   - Net Profit
3. Debenture-holders of a company are its:
   - Creditors
   - Suppliers
   - Customers
   - Owner
4. Company declares dividend out of:
   - Capital
   - Expenses
   - Retained Earnings
   - Cash
5. Under declining balance method, depreciation is calculated on:
   - Market value
   - Depreciable cost
   - Book value
   - Salvage value
6. Gain on liquidation will be credited to
   - Income Summary account
   - Cash account
   - Partner's capital account
   - None of these
7. This not recorded in the books of accounts:
   - Sales Discount

- Purchase Discount
- Trade Discount
- Sales Tax

8. A public Ltd. Company is formed by its:
    - Board of Directors
    - Promoters
    - Auditors
    - Underwriters
9. The alternate term used for book value is:
    - Salvage value
    - Residual value
    - Depreciable value
    - Written down value
10. The balance sheet of a joint stock company does not contain the balance of account of:
    - Retained Earning
    - Cash
    - Ordinary Share Capital
    - Income Summary
11. If the remaining partners purchase capital of retiring partner, the total capital for the firm after his retirement
    - Increasing
    - Decreases
    - Remains Balance
    - Fluctuates
12. Salvage value is not taken into account while computing depreciation under this method:
    - Straight Line
    - Diminishing Balance
    - Units of Output
    - Working Hours
13. The value of non-current assets declines gradually because of:
    - Depreciation
    - Realization
    - Inflation
    - None of these
14. In non-profit organization, excess of income over its expenses is called:
    - Surplus
    - Deficit
    - Donation
    - None of these
15. Persons entered into partnership business are called:
    - Friends

- Shareholders
- Partners
- Promoters

16. A machine costing Rs.30,000/- depreciated for 2 years under diminishing balance method, will have accumulated depreciation of:
    - Rs.2925/-
    - Rs.2935/-
    - Rs.2915/-
    - Rs.2820/
17. Capital at end + drawings — profit = :
    - Average capital
    - Ending Capital
    - Beginning capital
    - None of these
18. By nature a debenture is a/an:
    - Asset
    - Liability
    - Capital
    - Expense
19. If assets valuing Rs.58999/- are sold for Rs.58,900/- then
    - Loss of Rs.100/-
    - Loss of Rs.99/-
    - Gain of Rs.100/-
    - Gain of Rs.99/
20. Stock dividend to be distributed is:
    - Asset
    - Liability
    - Shareholder's equity
    - None of these

## SECTION 'B' (SHORT ANSWER QUESTIONS)

**NOTE: Attempt any FIVE questions from this Section. All questions carry equal marks. The use of calculator is allowed:**

Q.2 ACCOUNTING FOR NON-PROFIT CONCERNS

Following are the Receipts and Payments account of Karachi Cricket Club for the. year ended 31, 2013:

| **Receipts** | | **Payments** | |
|---|---|---|---|
| Cash balance Jan. 01 | Rs.250,000 | Purchase of Equipment | Rs.80,000 |
| Membership Fees | Rs.90,000 | Salaries Expenses | Rs.50,000 |
| Donations | Rs.50,000 | Utility Expenses | Rs.20,000 |
| Subscriptions | Rs.120,000 | Purchase of sports goods | Rs.80,000 |
| Rent Revenue | Rs.50,000 | Other Expenses | Rs.100,000 |

Additional Information of December 31, 2013:

- Prepaid salaries Rs.20,000.
- Accrued utilities Rs.5,000.
- Depreciation of equipment @ 10%.
- Accrued membership fees Rs.10,000.
- Unearned rent Rs.12,000.

**Required:**

Prepare Income and Expenditure account for the year ended December 31, 2013.

Q.3 PARTNERSHIP-DIVISION OF PROFIT AND LOSS: Given

Adnan, Usman and Kashan are partners with capital balances of Rs.200,000; Rs.300,000 and Rs.350,000 respectively. Capital are fixed and separate current accounts are maintained. The partnership agreement provided as under Annual salary of Rs.72,000 and Rs.48,000 to Usman and Kashan respectively, Commission to Adnan Rs.50,000. Remaining balance to be distributed in the ratio of their capitals. Net loss for the year ended on December 31, 2013 was Rs.120,000.

REQUIRED

- Prepare Income Distribution Summary.
- Record entries in the General Journal for the distribution of Net Loss.

Q.4 PARTNERSHIP-RETIREMENT:

Given

Umar, Mahmood and Afaq were equal partners with capital balances of Rs.60,000, Rs.80,000 and Rs.30,000 respectively. Umar retires from the partnership and remaining partners continue the business. Before retirement of Umar, assets were revalued and gain of Rs.30,000 was transferred to partners' capital accounts.

REQUIRED

- Prepare Journal entries to record revaluation of assets.
- Record retirement of Umar if he is paid Rs. 90,000 cash from firm's resources (use bonus method). Show computations.

Q.5 PARTNERSHIP-ADMISSION:

Salma and Saima are partners sharing profits and losses equally. Their capital balances are Rs.600,000 and Rs.400,000 respectively. They agreed to admit Fatima as a new partner.

**REQUIRED:**

Given General Journal entries to record admission of Fatima for each of the following cases and prepare balance sheet for case only.

**Case 1:** Fatima purchases 1/3 interest of Salma for Rs.300,000 and 1/2 interest of Saima for Rs.350,000.
**Case 2**: Fatima invests Rs.200,000 for 1/5 interest. Old partners do not change their capital.

Q.6 PARTNERSHIP LIQUIDATION

The balance sheet of Faraz and Fawad on September 1, 2013 was as follows:

BALANCE SHEET

| | | | |
|---|---|---|---|
| Cash | Rs.36,000 | Account Pavable | Rs.20,000 |
| Other Assets | Rs.144,000 | Faraz-Capital | Rs.70,000 |
| | | Fawad-Capita1 | Rs.90,000 |
| Total | Rs.180,000 | Total | Rs.180,000 |

On the same date, they decided to liquidate their business. Other Assets were sold of Rs.200,000. Liabilities were paid off and available cash was distributed between the partners. They share profits and losses in the ratio of 3:2.

**REQUIRED:**

Prepare liquidation summary.
Prepare necessary journal entries to record the liquidation of partnership.

Q.7 CORPORATION-ISSUANCE OF SHARE:

USA Ltd. was incorporated with authorized capital of Rs.5,000,000 divided into 500,000 ordinary shares of 10 each. During January, the following events took place.

Jan. 01: Company offered 100,000 ordinary shares for subscription @ Rs.14.

Jan. 14 The bank informed that applications for 165,000 shares are been received.

Jan. 26: Company finalized the allotment and advised bank to refund the excess money.

Jan. 31: Company issued 1,000 shares at par to purchase machine.

**REQUIRED:**

- Prepare General Journal entries.

Q.8 APPROPRIATION OF RETAINED EARNINGS:

On June 30, 2013 the Retained Earning account in the books of Shining Star Ltd. showed a credit balance of Rs. 300,000. The Expense and Revenue Summary account of the Company showed a credit balance of Rs. 650,000 which was transferred to Retained Earning account. At the end financial year, the Board of Directors decided to:

- Declare a cash dividend of Rs.150,000.
- Declare stock dividend Rs. 200,000.
- Establish reserves for building extension R s. 100,000 and sinking- fund Rs.50,000.

**REQUIRED:**

- Prepare Journal entries to record the above information.
- Prepare a statement of Retained earnings for Shining Star Ltd. for the year ended June 30, 2013.



## SECTION 'C' (DETAILED ANSWER QUESTIONS) NOTE:

**Answer any TWO part questions. All part questions carry equal marks.**

Q.9 (a) SINGLE ENTRY:

Mr. Sulernan, a general merchant, maintains his accounting record on single entry basis. He supplied the following information for the year 2013:

| | Jan. 01, 2013 | Dec. 31, 2013 |
|---|---|---|
| Cash | Rs.30,000 | Rs.39,000 |
| Accounts Receivable | Rs.6,000 | Rs.24,000 |
| Merchandise | Rs.18,000 | Rs. 27,000 |
| Office Equipment | Rs. 15,000 | Rs. 36,000 |
| Accounts Payable | Rs. 9,000 | Rs. 12,000 |
| Capital | ? | ? |

Additional Information:

Unpaid commission Rs.5,600 Additional investment during the year Rs.45,000, Depreciation on office equipment @10%, Prepaid Rent Rs.2,000.

**REQUIRED:**

- Compute capital at end and capital at start.
- Prepare statement of Profit for the year ended Dec. 31, 2013.
- Prepare statement of affairs as on Dec. 31, 2013.

(b) DEPRECIATION:

Given:

Marhaba Co. purchased a machine on March 1, 2011 at a list price of Rs. 300,000 subject to trade discount of 2% under the terms of payment 2/10, n/45 The Co. paid within discount period. Following additional costs were incurred on the Machine:

Transportation charges Rs.5,000 insurance in transit Rs.7,000 installation and testing charges Rs.10,000 , 3 years fire insurance policy Rs.8,000. During installation, an adjacent machine was damaged and repair cost paid was Rs.7,000.

Salvage value of machine was estimated Rs.10,120 and useful life was estimated 10 years. The Co. follows calendar year as accounting period.

**REQUIRED:**

- Compute cost of machine.
- Compute Depreciation expense for the first 3 years under straight line method.
- Prepare general journal entries for 2011 including adjusting and closing entries.

(c) DEPRECIATION

On Sept. 30, 2011 Co. purchased on equipment costing Rs.700,000. The life equipment estimated for 10 years with no salvage value. Company's accounting period ends on Dec. 31 each year. Company uses diminishing balance method @10%.

- Compute depreciation from 2011 to 2013.
- Prepare adjusting entries on Dec. 31, 2011, 2012 and 2013.
- Prepare Allowance for Depreciation account from 2011 to 2013.
- Prepare partial balance sheet on Dec. 31, 2013

# ACCOUNTING 2013

**Time : 3 hours** **(Regular)** **Max.Marks:100**

**SECTION 'A'MULTIPLE CHOICE QUESTIONS (20 Marks)**

Q.01 Choose the correct answer for each from the given options:

1. In non-trading concerns, statement of affairs is used to mean the same as:
   - P/L account
   - Bank account
   - Balance sheet
   - Trail balance
2. Capital at end-Capital at start=:
   - Net-Income
   - Unadjusted income/loss
   - Sales
   - Commission
3. Revaluation loss of assets will be debited to:
   - Liability account
   - Asset account
   - Partners' capital account
   - Cash account
4. The written agreement between partners is termed as:
   - Registration of firm
   - Article of association
   - Partnership deed
   - Partnership Dissolution
5. When net income is transferred to retained earnings account this account i3 debited:
   - Retained earnings account
   - Reserve for plant extension
   - Expense and revenue summary account
   - Share premium
6. The excess amount on issue of share price over the par value is called:
   - Discount
   - Retained earnings
   - Liability
   - Share premium
7. If assets are sold at more than book value realization account will be:
   - Credited
   - Debited
   - Not recorded
   - None of these

8. The term Debentures means:
   - Short term loan
   - Capital
   - Long loan
   - None of these
9. Under diminishing balance method the amount of annual depreciation expense:
   - Gradually decrease
   - Gradually increase
   - Remains constant
   - Does not change
10. If closing capital is Rs.10,000/- -Additional investment Rs.6,000/- Drawings Rs.3,600/- and profit during the year is Rs.2,600/- then the amount of capital at start was:
    - Rs.1,700/-
    - Rs.3,000/-
    - Rs.3,700/-
    - Rs.5,000/-
11. Cost of machine includes:
    - 3 years fire insurance
    - Insurance in transit
    - Trade discount
    - Repair cost of damages during installation
12. Owners of a limited company are known as
    - Auditors
    - Directors
    - Shareholders
    - Bond holders
13. Accumulated depreciation is called:
    - Reserve
    - Surplus
    - Contra Asset
    - Expenses
14. Land is annually depreciated at the rate of:
    - 10%
    - 20%
    - 30%
    - None of these
15. When partnership is dissolved, the final task is:
    - Payment of liabilities
    - Payment to partners
    - Payment of expenses
    - Payment to employees

16. All fixed assets are depreciated except:
    - Land
    - Vehicles
    - Building
    - Equipment
17. General reserves is/are classified as:
    - Assets
    - Expenses
    - Liabilities
    - Shareholder's equity
18. This is intangible asset
    - Land
    - Goodwill
    - Building
    - Equipment
19. Reserve accounts are part of:
    - Shareholder equity account
    - Assets account
    - Liability account
    - Expense account
20. Debenture holders are:
    - Debtors of the company
    - Owners of the company
    - Creditors of the company
    - Promoters of the company

## SECTION 'B' (SHORT ANSWER QUESTIONS)

**NOTE: any FIVE questions from this Section. All questions carry equal marks. The use of is allowed:**

Q.2 ACCOUNTING FOR NON-PROFIT CONCERNS:

The following are the receipts and payments account of Waqas Welfare Society for the year ended Dec.31,2012:

Additional information on Dec.31.2012:

(i) Subscription received in advance Rs.5,000/
(ii) Accrued subscriptions Rs.7,000/
(iii) Rent unearned Rs.10,000/-
(iv) Prepaid utilities Rs.5,000/-
(v) Depreciation on equipment Rs.2,000/-

**Required:** Prepare income an expenditure account.

Q.3 SINGLE ENTRY

Mr. Asif maintains his record under single entry system. On April 01, 2012 he started his business with cash investment of Rs.700,000/- His position on Dec. 31, 2012 was as follows:

Cash Rs.200,000/- Account receivable Rs.120,OOO/- Furniture Rs.300,000/- and Merchandise inventory Rs.480,000/- shop Rs.500,000/- Account Payable Rs.150,000/-

ADDITIONAL WFORMATION ON DEC. 31 2012:

(i) Mr.Asif sold a plot costing Rs.200,000/- for Rs.500,000/_ cash and invested into business.
(ii) ii) He paid utility bills Rs.5,000/-P.M for his residence.
(iii) Salary prepaid Rs.10,000/- and accrued Rs.20,000/-.
(iv) DeprecíatiOn on furniture @10%per annum.
(v) Bad debt, expense was estimated at 3% of Account Receivable.
(vi) Required:

Prepare profit and loss statement for the period ended Dec.31, 2012.

Q.4 PARTNERSHIP — Division of profit and loss:

Hamza, Qasim and Raza are partners with fixed capitals of Rs.150,000/- Rs.160,000/- and Rs.170,000/-Respective1y. According ot agreement they are entitled as follows.

(i) Commission to Hamza Rs.50,000/-per annum.
(ii) Salary allowe to Qasim R's.7,000/-per month.
(iii) Interest on capital to be charged at 10% per annum to each partner.
(iv) Balance of profit or loss to be distributed equally.

(v) Net income for the year ended on Dec.31, 2012 is Rs.135,000/-

**Required:**

(i) Prepare Income Distribution Summary.
(ii) Record the necessary Journal entries of the final distribution of profit or loss.

Q.5 PARTNERSHIP - Admission:

Mr. Museb, Ukasha and Khuzaima are partners having capital Of Rs.275,000/- respectively. They share profit and loss in the ratio of 3:2:1.On Jan .01, 2012 the decided to admit Mr. Khubaib as a partner.

**Required:** Record the admission of Khubaib under the following conditions separately.

**Case A:** Mr.Khubaib invested cash Rs.250,000/-for 1/6th interest in the business use goodwill method.
**Case B:** Mr.Khubaib Purchased. 1/3rd Capital of Museb by paying him cash. Rs.250,000/-

Q.6 'PARTNERSHIP - DISSOLUTION:

Saad,Maaz and Bilal are partners Sharing profit and losses in the ratio of their capital. On July 01, 2012 the position is as: Cash Rs.30,000/- Other assets Rs.720,000/- Account- payable Rs.150,000/- Saad capital R s.300,000/ -Maaz capital Rs.150,000/- and Bilal capital Rs.15000/- on this date they decided to dissolve the partnership Other assets were sold for Rs.800,000/- and accounts payable were paid in full.

**Required:**

Record General Journal entries related to dissolution and final settlement among the partners.

Q.7 COMPANY-ISSUE OF SHARES AND DEBENTURES:

Consider the following cases of Iqbal Corporation separately:

(i) Issued 1500 shares of Rs.10/-each at Rs.15/- each for- the purchase of land.
(ii) Issued 1000 shares of Rs.10/-at par for cash.
(iii) Purchased a machine of Rs.72,000/- and issued sufficient number of shares market price of share Rs.12/-
(iv) Issued debenture of Rs.100/- at par redeemable at Rs.105/-
(v) Issued 2000 9% debentures of Rs.100/-at Rs.90/-for cash.

**Required:** Record the above transaction in General Journal.

Q.8 COMPANY-RETAINED EARNINGS:

Ubaid Co. Ltd has the following shareholder’s equity as shown in Balance sheet as on Dec.31, 2012.

Authorize3d capital 100,000 shares of Rs.10/-each

Issued and paid up capital 50,000 shared of Rs.10/Rs.500,000/-
Share Premium Rs.100,000/-
Reserve for building extensions Rs.60,000/
Reserve for contingencies Rs.50,000/
Retained Earnings Rs.600,000/-
During year 2012 the Company's net income Rs.450,000/-
Following decisions were made and executed

(i) Declaration of cash dividend @-10%
(ii) Building extension reserve increased by Rs.100,000/
(iii) Reserve for contingencies increased up to Rs.100,000/
(iv) Bank paid cash dividend warrants.

**Required:** Record the above transactions in General journal of the company.

**SECTION 'C' (DETAILED ANSWER QUESW0NS)**

**NOTE: Answer any TWO part questions. All part questions carry equal marks.**

**Q.9 DEPRECIATION:**

(a) On Sep. 30, 2008 Muneb Co. Ltd purchased a machine for Rs250,000/-with 5% Trade discount. The following expenditure were also incurred on machine:

| | | |
|---|---|---|
| (i) | Installation charges | Rs.20,000/- |
| (ii) | Freight in | Rs.7,500/- |
| (iii) | Insurance in Transit | Rs.10,000/- |
| (iv) | 2 year fire insurance | Rs.50,000/- |

Its useful life is 10 year and residual value estimated at Rs.75,000/-the company accounting year end on Dec.31 each year

Required:

(i) Calculate the cost of machine.
(ii) Record purchase of machine.
(iii) Calculate the amount of depreciation on Dec. 31, 2008 and 2009 using straight line method.

(b) Zaid Asim purchased a machine on July 01, 2007 at a price of Rs.400,000/- its scrap value is estimated at 15% of cost price The life is estimated to be 5 year in units 17,000 and in hours 34,000 the company's year ends on Dec. 31 each year:

Required:

(i) Compute depreciation per year per unit and per hour.
(ii) Prepare adjusting entries on Dec.31, 2007 and 2008 under working hours method. Assuming that the machine has operated 1,00 hours in 2007 and 2200 hours in 2008.

(c) Shakeeb Co. purchased a machine on jan.01, 2006 having a cost of price of Rs.240,000/- its residual value is estimated to be Rs.15,000/- Company uses diminishing balance method at the rate of 20% per anum. The accounting year ends on Dec 31, each year.

**Required:**

(i) Compute depreciation expense on Dec. 31, 2006, 2007, 2008.
(ii) Give adjusting entries on Dec.31, 2007 and 2008.
(iii) Set up allowance for depreciation account for the year 2008.



## ACCOUNTING 2013

**Time: 3 hours** **(Private)** **Max.Marks:100**

**SECTION 'A'MULTIPLE CHOICE QUESTIONS (20 Marks)**

Q.01 Choose the correct answer for each from the given options:

1) Person, who have entered into a partnership, are collectively called:
    - Agent

- Shareholders
- Partner
- Promoters

2) This is shown as a liability:
    - Advance from customers
    - Loan to employees
    - Rent income
    - Unexpired insurance
3) Fixed assets are usually used for:
    - A number of years
    - Five years
    - One year
    - Six months
4) Depreciation is a process of:
    - Valuation
    - Cost allocation
    - Cash accumulation
    - Appraisal
5) The amount collect from the members by a non-profit organization on annual bascs is called:
    - Donation
    - Subscription
    - Legacy
    - Commission
6) Salvage value is not deducted from the cost of the fixed asset while calculating depreciation under:
    - Straight line method
    - Units of production method
    - Hours of work
    - Diminishing balance method
7) The Share capital through which a company is registered, is called:
    - Issued capital
    - Paid-up capital
    - Authorized capital
    - Called-up capital
8) Profit/Loss of a company is transferred to is:
    - Retained Earnings
    - Shares capital account
    - Profit and Loss account
    - Bank account
9) Non-profit organizations are established for:

- Earning profits
- Trading purpose  goods
- Manufacturing goods
- Welfare purpose

10) The profit paid by a company to its shareholders is known as:
    - Profit
    - Dividend
    - Commission
    - Interest
11) A public limited company is managed by its:
    - Shareholders
    - Bond holders
    - Board of Directors
    - Auditors
12) A written partnership agreement is called:
    - Partnership Act
    - Partnership Registration
    - Partnership Certificate
    - Partnership Deed
13) Under the straight line method, the annual depreciation charge:
    - Fluctuates
    - Remains Constant
    - Increases
    - Decreases
14) The new partner is credited by his entire amount of investment under:
    - Goodwill method
    - Bonus method
    - Revaluation method
    - Purchase of interest
15) Cash dividend is paid by the issuance of:
    - Pay order
    - Bank draft
    - Bonus Shares
    - Dividend warrant
16) Example of non-profit making organizations is:
    - Fan factory
    - Sugar mill
    - Private college
    - None of these
17) In single entry system, statement of assets,   capital is called:
    - Income statement

- Retained Earnings statement
- Statement of profit/loss
- Statement of affairs

18) Receipts and payments account is a summary of:
    - Cash book
    - Purchase book
    - Sales book
    - None of these

19) The shares of a public limited company are:
    - None refundable
    - Non transferable
    - None of these
    - Transferable

20) In appearance, the statement of affairs is similar to a:
    - Balance sheet
    - Profit and loss account
    - Trading account
    - Statement of retained earning



## SECTION 'B' (SHORT ANSWER QUESTIONS)

**NOTE: Attempt any FIVE questions from this Section. All questions carry equal marks. The use of calculator is allowed:**

Q.2 PARTNERSHIP-DIVISION OF PROFIT AND LOSS:

Asad and Ahsan are partners in a firm. At the end of the year 2012, the net profit of the firm is Rs.88,000/- Their Capital accounts are as follows:

**Asad-Capital**

| | |
|---|---|
| May 1, 2012.Withdrawal 18,000/- | Jan 1, 2012 Balance 40,000/- |
| | Aug 1, Additional |
| | Investment 32,000/- |

**Ahsan-Capital**

| | |
|---|---|
| | Jan 1,2012 Balance 24,000/- |
| | May l, Additional |
| | Investment 16,000/- |
| | Aug 1, Additional |
| | Investment 12,800/- |

**Required:**

(i) Calculate the average capital of the partners.

(ii) Prepare General Journal entry to record distribution of net income in the ratio of their average capitals.

Q.3 PARTNERSHIP-ADMISSION:

Given:

Bilal and Haris are partners having capital of Rs.120,000/-respectively. Their profit and loss sharing ratio is 2:1. They agree to admit Saad.as a partner for 1/3 interest in the firm.

Required:

Give entries is the General journal to record the admission of Saad under each of the following separate cases. (Show necessary computations.)

**Case (i):** Saad invests sufficient cash to take 1/3 interest in the firm.

**Case (ii):** Saad invests Rs.136,000/-- cash for 1/3 interest, (The total capital of the firm is to be increased by the amount of Saads investment only)

Q.4 - LIQUDATION:

X, Y and Z were partner Sharing profit and loss in the ratio of 3:2:1 respectively. They decided to dissolve the firm on December 31, 2012 just before liquidation, the balance sheet

| Assets | | Equities | |
|---|---|---|---|
| Cash | Rs.140,000/- | Account Payable | Rs.120,000/- |
| Other Assets | ? | X-capital | Rs.360,000/- |
| | | Y-capital | Rs.240,000/- |

| | | | |
|---|---|---|---|
| | | Z-capital | Rs.120,000/ |
| Total Assets | ? | Total equities | ? |

Other assets were sold for Rs.460,000/-cash liabilities were paid in full. The remaining cash was distributed among the partners.

**Required:**

Prepare necessary entries for liquidation of firm in General Journal.

Q.5 COMPANY-ISSUANCE OF SHARES AND DEBENTURES Given:

Sam & Co. was registered with an authorized capital of Rs.5,000,000/- divided into 500,000 ordinary shares of Rs.10/each. The company offered 20,000 shares to the public payable in full on application. The bank of the company informed that applications for 25,000 shares were received. The company allotted the offered shares and refunded the amount received in excess. During the year, the company completed the following transactions:

(i) Issued 6,000 ordinary shares at Rs.15/- each for cash.
(ii) Issued 3,000 shares to the promoters at par in consideration of their services of the company.
(iii) Issued 5,000 12% debentures of Rs.100/- each at Rs.95/cash.

**Required:**

Give entries in the General Journal of Sana & Co.

Q.6 COMPANY-RETAINED EARNINGS:

The following data is extracted from the balance sheet of Taha & Co. Ltd as on December 31, 2012.

Authorized Capital: 500,000 ordinary shares of Rs.10/- each 5,000,000.

Issued and paid-up Capital: 200,000 ordinary share of Rs.10/- each 2,000,000

Retained Earnings (Credit balance): 250,000/-

On December 31, 2012, the income summary of the company showed a net income of Rs.750,000/-. The company decided as under:

(i) To declared cash dividend @ 15%
(ii) To appropriate Rs.200,000/- for plant expansion.
(iii) To appropriate Rs.120,000/- for contingencies.
(iv) To appropriate Rs180,000/- for sinking fund.

**Required:**

Prepare necessary entries in The General journal of Taha & Co. Ltd.

Q.7 SINGLE ENTRY:

Mr. Imran started his business- on March with a cash investment of Rs.50,000/- He kept his records on single entry basis. On December 31, 2012, the following information was available:

Cash Rs.15,000/- Account Receivable Rs.30.000/Merchandise Inventory Rs.25,000/-, office Equipment Rs.40,000/-, Account payable Rs.20,000/Additional Information:

i) He withdrew Rs.1,000/-cash per month from the business for his personal use.
ii) He made an additional investment of Rs.10,000/- in his business.
iii) Accrued salaries amounted to Rs.2,500/-
iv) Office equipment are to be depreciated @ 12% per annum.
v) Prepaid rent is Rs.1,500/

**Required:**

Prepare statement of profit and loss for the year ended December 31, 2012

Q.8 NON-PROFIT CONCERN:

Following are the receipts and payments account of pioneer Sport Club for the year 2012.

| | Receipts | Payments | |
|---|---|---|---|
| Cash Balance | Rs.35,000/- | Staff Salaries | Rs.12,000/- |
| Subscription | Rs.72,000/- | Repair Expense | Rs.8,000/- |
| Rent Revenue | Rs.20,000/- | Utilities Expense | Rs.10,000/- |
| Match income | Rs.50,000/- | Purchase of computer | Rs.25,000/- |
| Bank Loan | Rs.40,000/- | Purchase of Furniture | Rs.30,000/- |
| | | Printing of Match Tickets | Rs.4,000/ |

Additional Information on December 31, 2012:

(i) Depreciation on fixed assets @ 10%
(ii) Accrued interest on 'Bank loan @ 12% per annum.
(iii) Accrued Subscription Rs.6,000/-
(iv) Unearned Rent Rs.4,000/
(v) Prepaid utilities Rs.3,000/

Required:

Prepare income and expenditure account for the year ended on December 31, 2012.

## SECTION 'C' (DETAILED ANSWER QUESTIONS)

**NOTE: Answer any TWO part questions. All part questions carry equal marks.**

Q.9 DEPRECIATION ACCOUNTING:

(a) Identify the following as Capital Expenditure or Revenue Expenditure:

(i) Purchased new battery for an older motor vehicle:
(ii) Replaced hard disc of office computer which doubled is storage capacity.
(iii) Transfer charges of a newly owned building
(iv) Paid annual motor vehicle tax.
(v) Annual maintenance of plant and equipment.

(b) Khalid & Co. purchased a machine Of January 1, 2010, having a list price of Rs.900,000/- it was subject to trade discount of 10% The credit terms are 2/10 n/30. The payment was made within the credit period The company also paid sales Tax Rs.80,000, Transportation charges Rs.12,000/, labor charges Rs.5,000/- foundation cost Rs.6,000/- installation charges Rs.3,500/-, test run charges Rs.2,500/- paid Rs.4,000/- as premium for a 3 years fire insurance policy and Rs.1,200/- as driving license fee:

Required:

(i) Calculate the cost of Machine.
(ii) Give entries in the General Journal to record the above transactions

(c) Usman & Co. purchased a machine costing Rs.252,000/- on march 31,2012 it •was estimated to have a salvage value of Rs.125,000/- and useful life of 10 years:

Required:

(i) Calculate depreciation charge for the year ended on December 31, 2012 under straight line method.
(ii) Prepare adjusting entry to record depreciation as on December 31, 2012 under 12% diminishing balance method.

# ACCOUNTING 2012

**Time : 3 hours** **(Regular)** **Max.Marks:100**

## SECTION 'A'MULTIPLE CHOICE QUESTIONS (20 Marks)

Q1: choose the correct answer for each from the given options:

I. The alternative term used for scrap value is:
- Book value
- Salvage value
- Written down value
- Depreciation value

II. Cash dividend is paid by issue of :
- Pay order
- Bank draft
- dividend warrant
- Bonus shares

III. This is shown in the shareholder's equity section of balance sheet:
- Unclaimed dividend
- Cash dividend payable
- Share premium
- Preliminary expenses

IV. Cost minus accumulated depreciation is equal to:
- Depreciable cost
- Annual depreciation
- Book value
- Market value

V. Owners of a limited company are known as:
- Share holders
- Bondholders
- Directors
- Auditors

VI. The amount of capital, mentioned in memorandum of association , is called:
- Authorized capital
- Subscribed capital
- Issued capital
- None of these

VII. The total amount of capital of a company, dividend into small units, is/are:
- Debentures

- Shares
- Dividends
- Net income

VIII. Under the diminishing balance method, depreciation calculated:
- Fixed cost
- Depreciable cost
- Book value
- Scrap value

IX. A statement of assets and liabilities, prepared under the single entry system, is called :
- Statement of retained earning
- Financial statement
- Cash statement
- Statement of affairs

X. Income over expenses, in nonprofit concerns, is known as:
- Surplus
- Deficit
- Income
- Loss

XI. This is shown as a liability:
- Advance from customer
- Loan to employee
- Accrued rent income
- Unexpired insurance

XII. These accounts are involved in profit/loss distribution among the partners applying fixed capital method:
- Cash &income summary
- Cash & partner's current accounts
- Income summary & partner's current accounts
- Income summary & partner's capital accounts

XIII. The account debited, on the disposal of assets by less than their book value, is:
- Realization- gain
- Realization-loss
- Revaluation-gain
- Revaluation-loss

XIV. Gain on revaluation or realization is distributed among the partners according to:
- Partner's beginning capital ratio
- Partner's ending capital ratio
- Partner's agreed ratio

- equally

XV. Drawing of the partners are:
- Debited to profit & loss account
- Credited to profit & loss account
- Debited to capital account
- Credited to capital account

XVI. This is irrelevant item in income summary account of a partnership firm:
- Partner’s current account
- Partner’s capital account
- Interest on partner’s capital
- Revaluation-gain

XVII. The term “retained earning” represents:
- Reserve
- Liabilities
- Accumulated profit
- Net profit for the current year

XVIII. The account ‘debentures ‘is classified as:
- Current assets
- Liabilities
- Revenues
- Shareholder’s equities

XIX. Accumulated depreciation is shown in:
- Balance sheet on equities side
- Balance sheet under fixed assets
- Balance sheet under current assets

XX. Capital is also known as:
- Debtors
- External equities
- Internal equities
- Bank

## SECTION 'B' (SHORT ANSWER QUESTIONS)

**NOTE: attempt any five questions from this section . all questions carry equal marks.the use of calculator is allowed.**

Q2 ACCOUNTING FOR NON-PROFIT CONCERNS:

The following data relate to commerce welfare trust on march31, 2012: Cash Rs.20,000/-, bank Rs.40,000/-, land Rs.200,000/-, building Rs.300,000/-,allowance for depreciation-building RS.10,000/-, equipment Rs.50,000/-, notes payable Rs.100,000/-

The period – end adjustment data were as follows:

1. Subscription fees receivable Rs.45,000/- and received in advance Rs.5,000/-
2. Prepaid salaries Rs.6,000/- and accrued taxes Rs.2,000/-
3. Estimated depreciation on building Rs.10,000/- and on equipment Rs.5,000/-

**Required:**

a) Determine the amount of accumulated fund before adjustments.
b) Prepare balance sheet (income and expenditure account showed surplus of Rs. 29,000/- for the period.)

Q3 SINGLE ENTRY

Mr. Ali maintains his records under single entry system. On February 2011, he started his business with cash Rs.500,000/-, his position on dec, 31, 2011 was under:

Cash Rs.72,000/-, bank Rs.50,000/-, accounts receivable Rs.38,000/-, furniture Rs.130,000/- Merchandise inventory Rs.210, 000/-, bank loan Rs. 100,000/-, (july 1, 2011)

ADDITIONAL INFORMATION ON DEC, 31, 2011:

1. Mr. Ali withdrew from bank Rs.10,000/- for office use and Rs.8,000/- per month per personal use.
2. Additional investment Rs.45,000/- in business during the year.
3. Bank charged 14% interest per annum + kibor rate 3% on loan. Interest paid on quarterly basis.

**Required:**

- Prepare profit and loss statement for the year ended Dec. 31, 2011

Q4 PARTNERSHIP-ADMISSION:

Irfan and akram are partners with capital of Rs.250,000/- and Rs.150,000/- respectively. Naeem is admitted for 2/5 interest in the partnership. Old partners share profit/loss equally.

**Required:**

Make entries in general journal in each of the following cases:

a) Naeem purchase interest from Irfan paying sum Rs.150,000/-
b) Naeem invests cash Rs.300,000/- in a total capital of Rs.700,000/-

Q.5 PARTNERSHIP-DISTRIBUTION OF NET INCOME:

On april 1, 2010, Amjad and Mansoor started their business as a partnership firm. They agreed to share profits and losses in the ratio of their beginning capital balances. As per agreement, Amjad entitled to salary of Rs.4,000/- per month and commission given to Mansoor Rs.28,000/-during the year. They also agreed to receive interest on initial capital @6%pwer annum. The net income for the year ended Dec, 31, 2011 was Rs.114,750/- before distribution

The balances on the capital and current accounts at the last balance sheet were:

| | Amjad | Mansoor |
|---|---|---|
| Capital | Rs. 200,000/- | Rs.150,000/- |
| Current account | Rs. 12,000/- | Rs. 17,000/- |

Required:

a) Prepare income distribution summary for the period.
b) Prepare and complete partner's current account.

Q.6 PARTNERSHIP-LIQUIDATION:

The partnership of Saad, Usman & Daniyal is in the process of liquidation. After selling assets, paying liabilities and distributing loss on liquidation, partner's capital accounts showed balances as follows:

Saad's capital credit Rs.127,000/-, Usman's credit balance Rs.26,000/-, Daniyal's credit balance Rs 41,000/-.

**Required:**

a) Determine the amount of cash available for distribution.
b) Give general journal entries to record payment to Saad and Daniyal, assuming that
    1. Usman is solvent
    2. Usman is insolvent

Q.7 CORPORATION:

A company offered to the public 100,000 ordinary shares at par at Rs.10/- each. The bank informed that applications of Rs.800,000/- were received and the remaining shares were issued to underwriters. The company also declared cash dividends of Rs.30,000/- to the shareholders.

The cost of the publication of prospectus and share certificates Rs.24,000/- was paid by the company.

**Required:**

- Record the above general journal .

Q.8 RETAINED EARNINGS:

Asghar Flour Mills Ltd. has retained earning balance of Rs.1,240,000/- on June 30, 2010 before transfer of net income. The net income for the year was Rs.360,000/-. The following resolutions were passed in Annual General Meeting:

(i) To declare cash dividend Rs.36,000/-

(ii) To establish reserve for contingencies Rs.126,000/-

(iii) To appropriate Rs.40,000/- for sinking fund.

(iv) To reserve Rs.200,000/- for plant extension and replacement.

(v) To declare stock dividend Rs.18,000/-

**Required:** Set up Retained Earnings Account.



## SECTION 'C' (DETAILED ANSWER QUESTIONS)

**NOTE: Answer any TWO part questions. All part questions carry equal marks.**

Q9 DEPRECIATION:

(a) Asma Industries acquired a machine by making the following payments:

Net cash price Rs.116,000/- including 16% sales tax, transportation Rs.5,000/-, insurance in transit Rs.6,000/-, fire insurance for the next two years Rs.6,000/-, installation charges Rs.15,000/-, charges to repair the damage caused during installation Rs.3,000/-

Required:

i. Classify the above payments into capital expenditures and revenue expenditures.
ii. Give an entry to record acquisition of machine, and another entry to record revenue expenditures by Debiting General Expenses Account.

(b) A machine was acquired on March 31, 2009 at a cost of Rs.800,000/-, Its salvage value was estimated at Rs.160,000/- and useful life to be 32000 working hours. From 2009 to 2011 machine's working was as follows:

| Year | Hours worked |
|---|---|
| 2009 | 3200 |
| 2010 | 400 |
| 2011 | 4000 |

**Required:**

- Compute amount of depreciation.
- Set up Allowance for depreciation - Machine account for the year 2009 to 2011.

(c) The balance sheet of Mr. Asim as on Dec. 31, 2008 shows machinery Rs.400,000/- and accumulated depreciation -machinery Rs.45,000/-

**Required:**

- Calculate depreciation for the year 2009 and 2010 under balance method @ 15%.
- Make adjusting entry as on Dec 31, 2010
- Make closing entry as on Dec. 31, 2009.
- Prepare partial balance sheet as on Dec. 31, 2010.

## ACCOUNTING 2012

**Time : 3 hours** **(PRIVATE)** **Max.Marks:100**

### SECTION 'A'MULTIPLE CHOICE QUESTIONS (20 Marks)

Q.1 Choose the correct answer for each from the given options:

(i) This is not included in the cost of machine:

* Installation charges * Insurance in transit * Freight * Income tax

(ii) Goodwill is shown in:

* Quick assets * Fixed assets * Total assets * Nope of these

(iii) Cost of machine Rs.150,000/- scrap, value: Rs.20,00b/-; rate of depreciation: 20%. The depreciation of machine under. Diminishing balance method is:

* Rs.20,000/- . * Rs.30,000/- * Rs.40,000/- * Rs.50,000/-

(iv) In case of liquidation of a firm, assets are:

* Donated * Distributed * Sold * Revaluated

(v) In the absence of any agreement regarding the distribution of profit/loss, it will be distributed among the partners:

* According to average capital * According to beginning capital * According to capital at the end * Equally

(vi) All fixed assets are depreciated except:

* Building * Office equipment * Vehicles ' * Land

(vii) Excess of expenses over income in a nonprofit concern is:

* Income * Surplus * Bank balance * Deficit

(viii) Trade Mark is annually depreciated at the rate of:

* 18% * 40% * 10% * None of these

(ix) When partnership is dissolved, this is the final task:

* Payment to partners * Payment of liabilities * Payment of expenses * None of these

(x) The term Debentures means:

* Long term loan * Short term loan * Asset * Capital

(xi) This item is an income in non-profit concerns:

* Asset * Liability * Capital * Subscription

(xii) This is intangible asset:

* Patent * Furniture * Cash * Land

(xiii) For the formation of partnership, the minimum number of individuals required is:

* Two * Five * Ten • * Forty

(xiv) The distribution of profit of a company in the form of cash, is called:

*Cash individual * Stock dividend Property dividend * None of these

(xv) The excess, on issue of shares price over the par value, is called:

*Discount * Premium * Retained earnings * None of these

(xvi) Unclaimed dividend is/are: Income

* Liabilities * Assets * Capital

(xvii) The term retained earning means:

* Capital * Reserves * Accumulated Revenue * Net profit

(xviii) The amount of share capital, with which a company is registered, is called:

* Issued capital *Paid up capital * Authorized capital * Called up capital.

(xix) Under the diminishing balance method, amount, of annual depreciation:

* Gradually increases * Remains constant * Gradually decreases * Does not change

(xx) This 'is shown in the shareholder equity section of balance sheet:

*Unclaimed dividend * Cash dividend payable * Share Premium * Preliminary expenses



## SECTION 'B' (SHORT 'ANSWER QUESTIONS)

**NOTE: Attempt any FIVE questions from this Section. All questions carry equal marks. The use of calculator is allowed:**

Q.2 SINGLE ENTRY:

Mr. Ala-am maintains his books on single entry. The following information was available from his books:

| | March 1, 2011 | December 31, 2011 |
|---|---|---|
| Cash in hand | ? | Rs.37,500/- |
| Cash at bank | Rs.30,000/- | Rs.120,000/- |
| Account Receivable | Rs.135,000/- | Rs.172,500/- |
| Merchandise Inventory | Rs.150,000/- | Rs.245,000/- |
| Office equipment | Rs.300,000/- | Rs.300,000/- |
| Accounts payable | Rs.54,000/- | Rs.75,000/- |
| Bank Loan | Rs.70,000/- | --- |
| Mr. Akram's capital | Rs.500,000/- | ? |

Additional Information at December 31st 2011:

(i) During the year, Mr. Akram withdrew. Rs.3,000/- p.m. for personal use and Rs.30,000/- for business use.

(ii) Depreciation expense on office equipment was estimated at Rs 30,000/-

Required:

(i) Compute cash on March 1, 2011 and. capital of Dr. 31 2011.

(ii) Prepare statement of affairs as on December 31, 2011. (If net income is Rs.300,000/-).

Q.3 ACCOUNTING FOR NON-PROFIT CONCERNS:

The following are the receipts and payments of accounts of Rahim Welfare Trust for 2011.

| Receipts (Rs.) | Payments (Rs.) |
|---|---|
| Opening Balance<br>46,200 | Salaries Payments<br>72,000 |
| Subscription fees<br>178,000 | Repair Expenses<br>6,400 |
| Rent Revenue<br>18,000 | Utilities Expenses<br>22,400 |
| Other Revenue<br>20,800 | Other Expenses<br>58,800 |
| | Furniture<br>56,000 |
| | Closing balance<br>57,400 |
| Balance<br>273,000 | Balance<br>273,000 |

Additional data at December 31st 2010

(i) Accrued subscription fees Rs.8,400/-

(ii) Prepaid salaries Rs.5,600/-
(iii) Accrued Utilities Expenses Rs.2,800/-
(iv) Depreciation on furniture Rs.2,800/-

**Required:** Prepare income and expenditure account for the year ended December 31, 2011.

Q.4 PARTNERSHIP ADMISSION:

Rafiq and Karin are partners with capitals of Rs.200,000/- and Rs.800,000/- respectively. They share profit and loss in the ratio of their capitals. They decide to admit Jalil as a partner.
Required: Record the admission of Jalil under each of the following assumptions separately:

(i) Jail purchased 1/4 interest of Karim for cash Rs.80,000/-and Land Rs.300,000/-
(ii) (ii) Jail invests sufficient cash and gets 1/5 interest in the firm.

Q.5 PARTNERSHIP - FORMATION:

Naeem, Amjad and Khalid formed partnership contributing equal amounts of capitals shown below: Naeern: Cash Rs.150,000/- and Building worth Rs.750,000/-Amjad: Cash Rs.500,000/- and merchandise inventory for the balance Khalid: Office equipment worth Rs. 800,000/- and the balance in cash.

Required:

(i) Present entries in the General Journal of the firm.
(ii) Prepare Balance sheet in classified form on the formation of the partnership firm.

Q.6 PARTNERSHIP - LIQUIDATION:

Ashraf, Arif and Inam were partners sharing profits and losses in the ratio of 3:2:5 respectively. They liquidate their business on December 31, 2011. On that date, their Balance Sheet showed as follows:

Other Assets Rs.280,000/-Ashraf capital Rs.60,000/- Cash Rs.20,000/-Account payable Arif capital Rs.90,000/-Rs.70,000/- Inam capital Rs.80,000/- Total Assets Rs.300,000/-Total Equities Rs.300,000/ Other assets were sold for Rs.80,000/- Accounts payable are paid in full. Partners are solvent except Inam who does not contribute any amount to meet the deficiency. All available cash is distributed among the partners.

**Required:** Make the necessary General Journal entries to give effect to the above transactions.

Q.7 CORPORATION - PURCHASE OF RUNNING BUSINESS

Naveed Company Ltd. was incorporated with an authorized capital of Rs.50,00,000/-, divided into 500,000 ordinary shares of Rs.10/- each. The company took over the running business of M.M. Brothers, with the following assets and liabilities: Cash Rs.40,000/-Account Receivable Rs.200,000/-Merchandise Inventory Rs.360,000/- Machinery Rs.800,000/-Account payable

Rs.400,000/-The company issued to the vendor, 104000 ordinary shares of Rs.10/- each fully paid, as purchase consideration.

**Required:**

(i) Give entries in the General Journal of Naveed Company Ltd. to record the above transactions.
(ii) Prepare initial Balance sheet of the company.

Q.8 CORPORATIONS - DISPOSAL OF NET INCOME:

On June 30, 2011, the Retained Earnings account in the books of Indus Company Ltd. showed a credit balance of Rs.300,000/-. The expense and revenue summary of the company for the year ending on that date shows net income of Rs.550,000/- which is transferred to retained earnings account. The Company's directors decided as follows:

(i) Declared a cash dividend of Rs.250,000/-
(ii) Established a reserve for building extension in the amount of Rs.100,000/
(iii) Appropriated Rs.50,000/- for reserve for debenture redemption.
(iv) Established a reserve for contingencies in the amount of Rs.45,000/-

**Required:** Prepare Retained Earning Account.



## SECTION 'C' (DETAILED ANSWER QUESTIONS)

**NOTE: Answer any TWO part questions. All part questions carry equal marks.**

Q.9 DEPRECIATION ACCOUNTING:

(a) On January 1, 2012 Asirn Manufactures purchased a machine having a list price of Rs.500,000/-, subject to a trade discount of 10%. The credit terms were 5/20 and n/60. The payment was made on January 20, 2012. The following expenditure was incurred on the machine on January 1, 2012:

Sales Tax e 16%

Transportation-In

Insurance in-transit Rs.10,000/-

Two Years fire Insurance Rs.5,000/-

Installation Cost Rs.15,000/-

Fire insurance for the year Rs.5,000/-

The machine was estimated to have a useful lift of 10 yards and residual value of Rs.27,500/-

**Required:**

- Compute the depreciable cost of the machine on January, 1, 2012.

b)

(i) Distinguish between capital expenditure and revenue expenditure.

(ii) Define Depreciation from the view point of accounting, and state whether it is a loss or an expense.

(c) The following account balances were extracted from the books of Farhan & Co. as on Dec. 31, 2011, before making any adjustments for the year:

Machine - Cost (Purchased on April 2009) Rs.300,000/-

Machine - Allowance for Depreciation Rs.50,250/-

The company uses the Diminishing Balance Method for computing depreciation charge at the rate of 10%. The accounting year closes on Dec. 31

Required:

(i) What will be the amount of depreciation expense for 2011? Show computation.

(ii) Give adjusting entry for Dec. 31, 2009.

(iii) Prepare Allowance for depreciation - machine for the year ended Dec. 31, 2011.

# ACCOUNTING 2011

**Time: 3 hours** **(Regular)** **Max. Marks: 100**

## SECTION 'A'MULTIPLE CHOICE QUESTIONS (20 Marks)

Q.01: Choose the correct answer for each from the given options:

1. This account is not closed at the end of accounting period:
   - Retained Earning
   - Purchases
   - Sales
   - None of these
2. Debentures are the certificate of:
   - Ownership
   - None of these
   - Medical for company's employees
   - Receipts of loan acknowledgement
3. This is not shown in the shareholder's equity section of balance sheet:
   - Ordinary Share Premium
   - Ordinary Share Capital
   - Retained Earning
   - Dividend Payable
4. Realization Account, operated by partnership business, is called:
   - Asset
   - Temporary Account
   - Contra asset
   - None of these
5. This is/These are Intangible Asset(s):
   - Automobile
   - Tools
   - Goodwill
   - Fixtures
6. The entire amount of new partner's investment is to be credited
   - Bonus Method
   - Goodwill Method
   - Purchase Method
   - Revaluation Method
7. This is prepared under the fixed capital method:
   - Capital Account
   - Current Account
   - Capital Account & Current Account
   - None of these

8. The deficit balance in terms of Income and Expenditure account is best indicated by:
    - Excess of Income over- Expenditure
    - Excess of Receipt over Payment
    - Excess of Payment over Receipt
    - Excess of Expenditure over Income
9. Capital at end — Gross Profit + Drawings = :
    - Capital at start
    - Interest on Loan
    - Net Profit
    - Interest on Capital
10. Negative Retained Earning means:
    - Net loss
    - Gross Profit
    - Net Profit
    - None of these
11. The periodic distribution of profit, by a company in the form of cash, is called:
    - Stock Dividend
    - Liquidating Dividend
    - Cash Dividend
    - Property Dividend
12. In admission of new partner:
    - The partnership agreement is amended
    - The partnership agreement remains the same
    - Nature of business is changes
    - None of these
13. General reserves is/are classified as:
    - Assets
    - Liabilities
    - Shareholder's equity
    - None of these
14. The amount mentioned in Memorandum of Association is called:
    - Authorized Capital
    - Issued Capital
    - Subscribed Capital
    - Reserve Capital
15. This is/These are Natural Resource (s):
    - Fisheries
    - Trade mark
    - Machinery
    - Patents
16. This account is not include in newly formed business

- Account receivable
- Cash
- Allowance for bad debts
- Allowance for depreciation

17. Accumulated depreciation in accounting is called:
    - Reserve
    - Contra asset
    - Surplus
    - Expense
18. This item is not an income in non-profit concerns:
    - Government grant
    - Donation
    - Interest on loan
    - Subscription
19. Revaluation means:
    - Assets are revalued
    - Liabilities are revalued
    - Equities are revalued
    - Assets and Liabilities are revalued
20. The statement of affairs shows:
    - Capital
    - Purchases Sales
    - Sales
    - All of these

## SECTION 'B (SHORT ANSWER QUESTIONS)

**NOTE: Attempt any FIVE questions from this Section. All questions carry equal marks. The use of calculator is allowed:**

Q.2 SWGLE ENTRY:

Given:

Mr. Asim started a business with cash investment of Rs.900,000/-. He keeps his accounting records in single entry basis. On December 31, 2010 the following information was obtained from his accounting records:

Cash at Bank Rs.100,000/- Accounts Receivable Rs.450,000/Merchandise Inventory Rs.320,000/ Building Rs.1,500,00, Account Payable Rs.370,000/

Additional information on December 31, 2010:

(i) He paid utility bills Rs.15,000/- per month for his residence
(ii) He sold a personal flat costing Rs.450,000/- for Rs1,200,000 cash and invests into business.
(iii) Bad debts were estimated at 5% of Accounts Receivable.
(iv) Depreciation was estimated at 10% on building.

**Required:**

Prepare Statement of Affairs as on December 31, 2010 (Adjusting loss of Asim Traders for the year ended December 31, 2010 was Rs. 92,500/-).

Q.3 ACCOUNTING FOR NON-PROFIT CONCERNS:

Given: Following is the information provided by Khalid Sports Club:

Cash in hand Rs.5,000/-, Cash at bank Rs.50,000/-, Ground Rent Rs,40,000/-, Entrance fee Rs.10,000/-, Miscellaneous expenses Rs.30,000/-, General expenses Rs.21,000/-, Postage and Printing Rs.7,000/-, Closing Cash Balance Rs.2,000/-, Subscription Rs.35,000/-, Donation Rs.100,000/-, Taxes Rs.8,000/-, Secretary's Salary Rs.65,000/-, Utility expense Rs.9,000/-, sale of tickets Rs.72,000/-

**Required:**

Prepare Income and Expenditure Account.

Q.4 PARTNERSHIP — FORMATION: Given:

Shahrukh & Shazaib formed the partnership on January 1, 2007. The partners invest the following assets:

| | Shahrukh | Shahzaib |
|---|---|---|
| Cash | Rs.140,000/- | Rs.170,000/ |
| Land | Rs. 20,000/- | Rs.? |
| Building | Rs.? | Rs. 180,000/ |
| Equipment | Rs.80,000/- | Rs.? |

**Required:**

Record the above transactions in General Journal.

Q.5 PARTNERSHIP - ADMIss10Ñ AND DIVIs10N OF NET PROFIT:

Given:

On Jan. 1, 2010 the capital balances of Amjad were Rs.26,000/and Shehzad Rs.24,000/-. The net income was Rs.30,000/- for 2010. The salary was Rs.12,000/- for Amjad and Rs.10,000/for Shehzad. The remaining balance was distributed equally. On January 5, 2011, Rahim is admitted with 35% capital interest by cash investment of Rs.40,000/-.

Required:

(i) Prepare Income Distribution Summary.
(ii) Record admission of Rahim (use Bonus method).

Q.6 COMPANY - ISSUANCE OF SHARES & DEBENTURES:

Given:

Umer Company Ltd. issued the following Shares and Debentures having par value of Rs.10/- and Rs.100/- each.

(i) The company received applications for 200,000 ordinary shares of Rs.10/- each. Allotment letters were issued for150,000 shares and the excess subscription amount was refunded.
(ii) The promoters paid Rs.20,000/- for printing of Memorandum of Association of the company
(iii) A computer was acquired by issuing 4,000 ordinary shares of Rs.10 each fully paid up. The market price per share was Rs.18/-
(iv) Issued 30000 14% 5 years debentures of Rs.100/- each at par redeemable after 5 years at Rs.105/-.

**Required:**

Give entries in the General Journal of the Company.

Q.7 PARTNERSH - LIQUIDATION:

Erum & Company's balance sheet on September 30, 2010 as under:

| Assets | | Equities | |
|---|---|---|---|
| Cash | Rs.50,000/- | Erum's capital | Rs.350,000/- |
| Other Assets | Rs.400,000/- | Kiran's capital | Rs.100,000/- |
| Total | Rs.450,000 | Total | Rs.450,000 |

Erum and Kiran share profit/losses in the •ratio of respectively. On September 30, 2010 they liquidated their partnership business. Other assets are sold for Rs.150,000/cash.

**Required:**

Prepare the necessary entries to record the liquidation of the partnership.

Q.8 COMPANY — RETAINED EARNINGS:

Given: Few transactions were posted in Retained Earnings Accounts of Irfan & Co.

Retained Earnings

| | | | |
|---|---|---|---|
| | | Jan. 01. 2010 | Rs.1,500,000/- |
| Dec. 31, 2010 | | Dec. 31, 2010 | |
| • Cash Dividend | Rs.400,000 | Expense & dividend Revenue Summary | Rs.400,000 |
| • Reserve for Building expansion | Rs.160,000 | | |
| • Reserve for | | | |
| • sinking fund | Rs.60,000 | | |
| • Reserve for | | | |
| • contingencies | Rs.1,200,000 | | |
| • Balance (Cr) | Rs.1,900,000 | | Rs.1,900,000 |

**Required:**

Prepare journal entries from above ledger.

**SECTION 'C' (DETAILED ANSWER QUESTIONS)**

**NOTE: Answer any TWO part questions. All part questions carry equal marks.**

Q.9 DEPRECIATION:

(a)

Given: Shamim Ltd. purchased a machine on February 28, 2007 at a price of Rs.400,000/-. Its residual value was estimated @ 20%. The life is to be estimated in 5 years, in unit 32000 and in hours 64000. The company's year ended Dec. 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 your data separately for each method in the following

| Year | Cost of machine | Depreciation | Accumulated Depreciation | Book value |
|---|---|---|---|---|
| 2007 | | | | |
| 2008 | | | | |
| 2009 | | | | |

(b)

Given: On April 5, 2011 the Hamadan & Co. purchase a machine. It has estimated useful life of 6 years with salvage value Rs.70.000/-. The company uses Straight Line Method for the year ended June 30. The following expenditures were incurred on it.

i) Invoice price Rs.550,000/-
ii) Clearing and Forwarding Charges Rs.10,500/
iii) Transit Insurance Rs.7,500/-
iv) Sales Tax @217%
v) Federal Excise duty @2.5%
vi) Income tax @5%
vii) Custom duty @ 25%

**Required:**

(i) Compute the total cost of machine.
(ii) Set up machine cost account.

(c)

Given: On Oct. 1, 2007 Naeem & Company purchased a machine at a cost of Rs.200,000/- which was expected to be sold for Rs.40,000/- after its estimated useful life of 4 years. The company follows calendar year as its accounting period.

**Required:**

i) Compute annual depreciation expenses from 2007 to 2010 by 30% diminishing balance method
ii) Prepare adjusting journal entries on Dec. 31, 2007 and 2009.
iii) Prepare closing journal entries for the depreciation on Dec. 31, 2008, 2010.
iv) Prepare partial Balance sheet as on Dec. 31, 2010.

# ACCOUNTING 2011

**Time: 3 hours** **(Private)** **Max. Marks: 100**

## SECTION 'A'MULTIPLE CHOICE QUESTIONS (20 Marks)

Q. 1 Choose the correct answer for each from the given options:

1. At the time of Admission of New Partner, when the old partners do not agree to reduce their capital, it mean:
   - Goodwill to old partners
   - Goodwill to new partners
   - Bonus to new partner
   - Bonus to old partners
2. If the partnership makes loss during the financial year, this is:
   - Credit to the partners' drawings account
   - Debit to the partners' salaries account
   - Debit to the partners' current account
   - Credit to the partners' current account
3. Goodwill is:
   - Quick Assets
   - Current Assets
   - Tangible Assets
   - None of these
4. In the case of retirement of a partner, full goodwill is credited to the accounts of:
   - All partners
   - Only retiring partner
   - Only remaining partners
   - None of these
5. The shares of public company are:
   - Non-transferable
   - Non-refundable
   - Transferable
   - Allot able
6. If the total amount of capital of a company is divided into small units, these are called:
   - Bonds
   - Shares
   - Cheques
   - Revenue
7. Under the diminishing balance method, depreciation is calculated on:

- Fixed cost
- Depreciable cost
- Book value
- Scrap value

8. Under the straight line method of charging depreciation, it:
    - Increases every year
    - constant every year
    - Decreases every year
    - Fluctuates every year
9. Income and Expenditure account is equivalent to the:
    - Receipt and payment account
    - Cash Book
    - Balance Sheet
    - Profit and loss account
10. The Credit balance at the end, in income and expenditure, shows:
    - Surplus
    - Deficit
    - Both Surplus and Deficit
    - Expenditure
11. Excess of Expenditure over income is called:
    - Deficit
    - Surplus
    - Both Surplus and Deficit
    - Capital
12. At the time of Admission of New Partner, when the Old partners agree to reduce their capital, it means:
    - Goodwill to old partners
    - Goodwill to new partner
    - Bonus to old partners
    - Bonus to new partner
13. In appearance, the statement of affairs
    - Balance Sheet
    - Profit and Loss Account
    - Trading Account
    - Statement of Retained Earnings
14. In Single Entry system, statement Of assets, liabilities and capital is called:
    - Income Statement
    - Retained Earnings Statement
    - Statement of Profit and Loss
    - Statement of Affairs
15. Nonprofit making organizations are established for:

- Charitable & Religious purposes
- Profit
- Manufacturing goods
- Trading concerns

16. Receipts and payments accounting is a summary of:
    - Cash Book
    - Purchase Book
    - Sales Book
    - Purchase Return Book
17. Example of Nonprofit making organization is:
    - Fan Factory
    - Sugar Industry
    - Government
    - Private college
18. The partnership agreement is writing is called:
    - Partnership Registration
    - Partnership Act
    - Partnership Deed
    - Partnership Certification
19. Persons, who have entered into a partnership, are collectively called:
    - Agents
    - A Firm
    - Promoters
    - Partners
20. Current account of the partners should be opened when the capitals are:
    - Fluctuating
    - Fixed
    - Increasing
    - Decreasing



## SECTION 'B' (SHORT ANSWER QUESTIONS)

**NOTE: Attempt any FIVE questions from this Section. All questions carry equal marks. The use of calculator is allowed:**

Q.2 PARTNERSHIP - ADMISSION

Mushir and Naseer are partners in profit and losses in the ratio of 3:2. Their ledger balance on May 1st, 2011 just before the admission of Qasim is as follows:

**ASSETS** **EQUITIES**

| | | | |
|---|---|---|---|
| Cash | Rs.50,000/- | Accounts payable | Rs.40,000 |
| Other Assets | Rs.250,000/- | Mushir's capital | Rs.160,000 |
| | | Naseer's capital | Rs. 100,000 |

Required:

Prepare necessary entries in the General Journal and prepare Balance sheet, if Qasim invests sufficient cash to acquire 1/3 interest in the partnership. After revaluation of other assets, assume that the other assets are to be-realized at a value of Rs.220,000/-

Q.3 ACCOUNTING FOR NON-PROFIT CONCERNS:

The following information is provided by Hamid Sports Club:

Furniture Rs.25,000/— Utilities Expenses Rs.36,000/— Cash at Bank Rs.5,000/— Rent Revenue Rs.15,000/— Admission Fee Rs.40,000/— Other Revenue Rs.12,000/— Donation Rs.24,000/— Salaries Rs.22,000/—

Additional Information at December 31st, 2010

i) Prepaid Salaries Rs.3,000/-
ii) Accrued Rent Revenue Rs.5,000/-
iii) Accrued Utilities Expenses Rs.4,000/-

**Required:**

- Prepare Income and Expenditure Account for the year ended December 31st, 2010.

Q.4 SINGLE ENTRY

Mr. Shareef started his business on January 1st, 2010 with an investment of Rs.250,000/- and kept his business accounting records on single entry basis. On December 31st, 2010 the following information is available from the accounting Rs.140,000 records: Cash Rs.60,000 Equipment Rs.140,000, Merchandise Inventory Rs.80,000, Accounts Payable Rs.30,000, Accounts Receivable Rs.70,000, Notes Payable Rs.20,000

Supplementary Data for -the Adjustment on December 31st, 2010:

i) Withdrew Rs.1,000/- per month cash from the business for his personal use.
ii) Depreciation on equipment is Rs.15,000/-
iii) Allowance for Bad Debts at 5% of Accounts Receivable.
iv) Prepaid Salary is Rs.3,000/-
v) Accrued Rent is Rs.4,500/

**Required:**

Prepare statement of profit and loss for the period ended on December 31st, 2010.

Q.5 CORPORATION - ISSUANCE OF SHARES AND DEBENTURES

The following transactions were completed by Amjad Co. Ltd. (the par value of share is Rs.10/ each).

i) Company offered to public 50,000 ordinary shares at par The Company received applications for 70,000 shares at Rs.15 per share. Company allotted the share offered and refunded the amount received in excess.
ii) The company purchased machinery for Rs.130,000/- and in consideration issued to the vendor, its own 11,000 ordinary share of Rs.10/- each
iii) The company issued 8,000 Debentures of Rs.100/- each, redeemable after five years at Rs.110/- each. All debentures were subscribe
iv) Paid for preliminary expenses of Rs.25,000/

**Required:**

Give entries in General Journal of the company to record the

Q.6 CORPORATION - RETAINED EARNINGS

The following balance appeared in the ledger of Aqeel Company 500,000 ordinary shares of Rs.10/— each Rs.5,000,000/- Retained Earning un-appropriated Rs.1,400,000/- On this date, the Company decided as under:

i) To declare cash dividend at 15% on ordinary shares.
ii) To declare stock dividend at 10% on ordinary shares.
iii) To appropriate Rs.70,000/- for contingencies.
iv) The Company was informed by its banker that cash dividend was collected by 400,000 ordinary shareholders on December

Required:

Give entries in General Journal in proper form on the books of Aqeel Company Ltd. to give effect to the above decisions.

Q.7 PARTNERSHIP - OF NET INCOME OR LOSS:

Tariq, Shams and Shahab are partners with fixed capitals of Rs.160,000/-, Rs.180,000/- and Rs.260,000/- respectively. The partnership agreement provides as under.

i) Commission paid to Tariq Rs.50,000/- per annum.
ii) Salary is allowed to Shams Rs.70,000/- per annum.
iii) Interest on beginning capital of partner is to be charged at 12% per annum
iv) Remaining profit or loss to be distributed equally.

The income statement for the year ended December 31st, 2010 showed a Net Loss of Rs.138,000/

**Required**

Prepare Income distribution Summary and also Record the necessary journal entries.

Q.8 COMPANY — LIOUIDATION

Akhtar and Hafeez are partners sharing profit and losses in the ratio of 2:1 respectively. On January 5th, 2011 they decided to dissolve their firm. On this date, their balance sheet showed as follows:

| ASSETS | | EQUITIES | |
|---|---|---|---|
| Cash | Rs.60,000 | Accounts Payable | Rs.50,000 |
| Merchandise Inventory | Rs.40,000 | Notes Payable | Rs.l0,000 |
| Supplies | Rs.50,000 | Akther Capital | Rs.140,000 |
| Fixed Assets | Rs.150,000 | Hafeez Capital | Rs.100,000 |

The partners realized Rs.90,000/- from the sales of assets (Except Cash) and paid the liabilities in full.

Required:

Make necessary entries in general journal relating to the liquidation of the firm till final settlement of accounts of the liabilities of the liabilities and payment of partners.

## SECTION 'C' (DETAILED ANSWER QUESTIONS)

**NOTE: Answer any TWO part questions. All part questions carry equal marks.**

Q.9 DEPRECIATION:

(a)

On January 5th, 2011 Zain Company purchased a machine having list price of Rs.200,000/- subject to a trade discount of 4%. The credit terms were 2/10, n/30. The payment was made on January 12th, 2011 and the following expenditure was incurred:

| | |
|---|---|
| Sales Tax | Rs.1,840/— |
| Transportation-In | Rs.4,000/— |
| Insurance in-transit | Rs.10,000/— |
| Two Years fire. Insurance | Rs.6,000/2 |
| Installation Cost | Rs.15,000/— |

During the Installation work, the machine damaged and repair cost Rs.9,000/—

**Required:**

Compute the cost of machine and prepare General Journal

(b)

On April 5th, 2009 Aziz Company Ltd. purchased equipment Rs.220,000/- with useful life ten years. The company applied 20% rate of charging depreciation under straight line.

Required:

i) Calculate the amount of depreciation on December 31st, 2009 & 2010.

ii) Make entries in General Journal for depreciation on December 31st, 2009 and 2010.

(c)

Wazeer Company purchased Machinery on July 1st, 2008 at a cost of Rs.400,000/-. It is estimated that the machinery will have scrap value Rs.40,000/-. It is also estimated that the machinery will produce approximately 450,000 units.

During the year 2008, 30,000 units produced.
During the year 2009, 60,000 units produced.
During the year 2010, 80,000 units produced.

**Required:**

i) Compute the depreciation expenses for the year ended on December 31st, 2008, 2009 and 2010.

ii) Set up T-accounts Depreciation Expenses and Allowances for Depreciation for the year 2008, 2009 and 2010. Close and balance the account.

# ACCOUNTING 2010

**Time: 3 Hours (Regular/Private) Max. Marks: 100**

**SECTION 'A' (MULTIPLE CHOICE QUESTIONS - M.C.Qs.)**

**Q.1Choose the correct answer for each from the given options:**

I. Land is annually depreciated at the rate of:
- 15%
- 20%
- 25%
- None of these

II. Unearned income show in Balance sheet:
- Current assets
- Current liabilities
- Non-current assets
- Owner's equity

III. Cost of machine include:
- 3 years fire insurance
- Repair cost of damage during installation
- Trade discount
- Insurance in transit

IV. If in the partnership deed regarding sharing of PIL is silent the profit and loss shall be distributed through:
- Profit and loss distributed on beginning capital
- Profit and loss distributed on ending capital
- Profit and loss distributed equally
- Profit and loss distributed on average capital

V. Opening statement of affairs is usually prepared to find out the figures of:
- Profit during the year
- Expenses during the year
- during the year
- Cash in the beginning
- Capital at the beginning

VI. If some additional capital (fresh capital) Rs. 5000 is injected during the year , closing capital will:
- increase by Rs. 5,000
- Remain unchanged

- Decrease by Rs. 5,000
- Multiply by Rs. 5,000

VII. Amount received from any source by way of gift in non-profit organization is described as
- Legacy
- Subscription
- donation
- Life time membership

VIII. The amount of share capital with which a company is registered is called:
- issued capital
- Paid up capital
- Called up capital
- Authorized capital

IX. Discount on issue of share is a/an
- Revenue loss
- Revenue profit
- Capital profit
- Capital loss

X. All accumulated losses are transferred to the capital accounts of all partners in case of retirement in:
- New profit sharing ratio
- Old profit sharing ratio
- Capital ratio
- Sacrifice ratio

XI. The balance left in the capital accounts in case of dissolution is Settled by
- Revaluation account
- Realization account
- Profit and loss appropriation account
- Bank account

XII. Under diminishing balance method amount of annual depreciation gradually:
- Increases
- Decreases
- Remains constant
- Does not change

XIII. The amount of depreciation charged on machinery will be debited to:
- Machinery account
- Cash account
- Depreciation account

- Depreciable cost account

XIV. When net income is transferred to retained earning account which account is debited?
- Expense and revenue summary account
- Retained earning account
- Reserve for plant extension account
- Reserve for contingencies account

XV. If closing capital was Rs. 5,000 additional investment Rs. 3000 , Drawing Rs. 300 per month for 6 months and profit during the year was Rs. 1,300 then the amount start will be:
- Rs. 3,800
- Rs. 2500
- Rs. 1,700
- Rs. 1,600

XVI. Excess of the income of a non-profit concern over its expense
- Deficit
- Surplus
- Cash balance
- Income

XVII. In this account profit/ loss of partner is transferred under the fluctuating capital method:
- Partner's capital account
- Partners current account
- Partners income account
- Partner's retained earning account

XVIII. This is not shown in the shareholder's equity section of balance Sheet:
- Ordinary share premium
- Dividend payable
- Ordinary Share Capital
- Retained earning

XIX. Capital at end - Capital at start
- Net income
- Sales
- Unadjusted income loss
- Commission income

## SECTION 'B (SHORT ANSWER QUESTIONS)

**NOTE: Attempt any FVE questions. All questions carry equal marks. Indent Journal entries and give explanation below each. The use of calculator is allowed:**

Q.2 **ACCOUNTING FOR NON-PROFIT CONCERN**

Given:

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

Receipts:

| | |
|---|---|
| Cash Balance | 45000 |
| Subscription | 82000 |
| Rent Revenue | 30000 |
| Match Income | 40000 |
| Bank loan | 60000 |

Payments:

| | |
|---|---|
| Salaries to ground men | 15,000 |
| Repair Expense | 20,000 |
| Purchase of computer | 18,000 |
| Utilities Expense | 20,000 |
| Purchases ot Furniture | 30,000 |
| Printing of Match Tickets | 3000 |

Additional information on December 31, 2009.

(i) Accrued Subscription Rs. 3,000 and 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 and Expenditure account.

Q.3 **SINGLE ENTRY SYSTEM**:

Given:

Following balances have been extracted from the books of Mr. Umer, who started his business on September , 2009 with the name ot Umer Traders:

| | September 1, 2009 | December 1, 2009 |
|---|---|---|
| Cash | 120000 | 250000 |
| Office supplies | 15000 | 20000 |
| Furniture | 40000 | 85000 |
| Prepaid rent | | 15000 |
| Account receivable | | 27000 |
| Account payable | | 25000 |
| Unearned commission | | 18000 |

Additional information on December 31, 2009:

I. Accrued Salaries Rs. 5,000
II. Unearned commission Rs. 3,000
III. Prepaid Rent Rs. 2,500
IV. Unearned commission Rs 3000

Omer withdrew cash of Rs. 700 per month at the last date of each month for his personal use.

Required:

Prepare Statement of Affairs as on December 31, 2009.
(Adjusted profit of Umer Traders for the year ended December 31, 2009 was Rs. 179,300)

**Q.4 PARTNERSHIP- FORMATION:**

On February 02, 2010 Rafiq, Rahim and Rashid formed a partnership under the name of WWPF Brothers and agreed to share profit and loss in the ratio 1 : 2: 3 respectively. This ratio is determined on the basis of capital contributed by each partner. As per agreement the total capital of the firm shall beRs. 10,80,000. Rafiq: Contributed cash Rs. 60,000 and Machinery Rs. 120,000 Rahim: Contributed Furniture worth Rs. 200,000 and sufficient cash for the balance. Rashid: Contributed sufficient cash

Required:

Journal Entries in the books of WWPF Brothers

**Q5.PARTNERSHIP - DISTRIBUTION OF PROFIT:**

Mr. Mifta, Mr. Alam, Mr. Bilal and Mr. Zeehan are partners with capitals of Rs. 40,000, RS. 50,000, Rs. 60,000 and Rs. 80,000 respectively. They started their business on April 1, 2009 and share Profit and losses equally. The partnership stated that Mr. Mitta 1s entitled to Bet a salary Or Rs. 5,000 per month, interest is paid on their capitals @ 6*% per annum. Bonus 1s given to r. zeeshan Rs. 40,000. Partnership. closes its books On December 31, each year. Total income of the firm was Rs. 135,350 for the year ended December 31, 2009.

Required:

Prepare Income Distribution Summary on December 31, 2009.

**Q.6 .COMPANY- ISSUANGE OF SHARES & DEBENTURES:**

Zulfiqar Ltd. Registered with a capital of Rs. 10,00,000 which is divided into 100,000 ordinary Snares @ Rs. 10 each. During the year 2009 following transactions were complete:

I. Issued 6,000 ordinary shares in full settlement of Bonds
II. Payable of Rs. 65,000
III. Issue 1500 ordinary shares to the promoters tor service
IV. Rendered by them.
V. Issued 4000, S% 5 years debentures of Rs. 100 at Rs. 98 each.
VI. Purchased Building for Rs. 150,000 and issued Ordinary shares which have a market value Rs. 12.50 each

Required:

Prepare entries general journal (show computation)

**Q7 PARTNERSHIP- ADMISSION:**

Prepare entries in General Journal (show computation)
Mr. Naeem, Mansoor and Absar are partners having capitals of RS. 300,000, Rs. 250, 000 and Rs. 275,000 respectively e share profit and loss in the ratio of 3 : 1:2 on March , z01 they decided to admit Mr. Azfar as a new partner.

Required:

Record the admission of Mr. Azfar under the following conditions separately

Case I: Mr. Azfar invested cash Rs. 2,40,000 with business. (Use Goodwill Method)

Case 2: Mr. Azfar invested cash Rs. 180,000 and Furniture worth Rs.195,000 with 1/5 interest in business. The total capital of the firm was Rs. 12,00,000 after his admission.

**Q8 CORPORATION- APPROPRIATION OFRETAINED EARNING:**

The following balances appearing in the Books of Anum Company Ltd. On December 31, 2009.

| | |
|---|---|
| Authorized Capital: | |
| 500,000 ordinary share Rs. 10 each | 5000000 |
| Issued and Paid-up Capital: | |
| 4,50,000 ordinary shares Rs. 10 each | 4500000 |
| Retained Earnings | 255000 |

On December 31, 2009 the Income Summary of the company showed a credit balance or Ks. b,50,000, At this date the company decided as under:
(1) To declare cash dividend Rs. 0.50 per ordinary share and 10% stock dividend.
(2) To appropriate Rs. 40,000 for contingencies.

Required
(a)Give the entry in the General journal of the company to transfer the Net Income to retained earning account.
(b) Give entries in the General Journal to give the effect to the above decisions of the Company.

**SECTION 'C (DETAILED ANSWER QUESTIONS)**

**NOTE: Answer any Two part questions. All part questions carry equal marks**

**Q.9 DEPRECIATION**

(a) Mania Consulting Clinic purchased a machine on March 1 2003 at a list price of Rs.150,000 subject to a trade discount 6%. The credit term was 2/10, n/30. The payment was made within the discounted period. The company also incurred the following expenses:

I. Insurance in transit Rs. 4000.

II. Custom duty Rs. 12,000
III. Carriage-in Rs. 3,000
IV. Installation and foundation Rs. 7,000.
V. Test run cost Rs. 5,000

It is estimated that the machine has salvage value of Rs. 79,180 at the end of its estimated life of 10 years. The company uses Straight-line method for computing depreciation and allowance method to record depreciation. Company's accounting year ends on December 31, each year.

Required

I. Compute the cost of machine.
II. Compute and record depreciation for the first 2 years.

(b) Bilquis Manufactures purchased a machine on August 30, 2003 at a price of Rs. 200,000. It's residual value estimated 15%. The life is to be estimated in years 10, in units 25000 and in hours 40000. The company's year ended December 31, each year.

Required:

I. Compute depreciation, per unit and per hour
II. Prepare adjusting journal entries on December 31, 2003 and 2004 under working Hours method. Suppose machine has operated 1000 hours during 2003 and 3000 hours in 2004.
I. Prepare closing journal entries for the depreciation on December 31, 2005 and 2006 under out put method, suppose machine has produced 1500 units during 2005 and 2500 units in 2006.

(c) Adeel and Brothers Pharmaceutical Company has the following balances on January 1, 2006:

Cost of Machine Rs. 100,000
Accumulated Depreciation Rs. 30,000

The company uses diminishing balance method @ 10% per annum to compute depreciation and allowance method to record depreciation. Company's year ended on December 31 each year.

Required:

I. Compute the depreciation for the year 2006, 2007 and 2008.
II. Prepare allowance for depreciation account for the year 2006,2007 and 2008.
III. Prepare Partial Balance sheet as on December 31, 2007