

# ACCOUNTING 2019

Time: 2:40 Hours (Regular & Private) Marks: 80

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

**NOTE:** Attempt any Four questions. (50)

### 2. SINGLE ENTRY:

Mr. Khan maintains single entry records on single entry basis. His capital balance as on Jan. 1, 2018 is Rs.1,80,000. The financial position as on Dec.31, 2018 is as under:

Cash	75,000
Account Receivable	70,000
Merchandise Inventory	50,000
Furniture	30,000
Office Equipment	20,000
Account Payable	25,000

**Data for Adjustment on Dec. 31, 2018 was as under:**

- Mr. Saleem made additional investment of Rs.40,000.
- He had withdrawn Rs.20,000, and Rs.25,000 for personal and business use respectively.
- 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.

### 3. PARTNERSHIP ADMISSION:

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

#### A.H. Organization,

#### Balance Sheet.

ASSETS		EQUITIES	
Cash	10,000	A/c. Payable	30,000
A/c. Receivable	10,000	Notes Payable	10,000
Merchandise Inv.	15,000	Owner's equity	
Land	25,000	All Capital	25,000
Machinery	100,000	Hassan Capital	35,000
Less: Allow. For dep.	(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 II: Mr. Arif invest Rs.30,000 for a 1/4 interest in a total capital of Rs.1,00,000.

**REQUIRED:** Make entries in General Journal to admission of new partner for the above case separately.

### 4. PARTNERSHIP RETIREMENT:

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

#### Balance Sheet.

ASSETS		EQUITIES	
Cash	75,000	A/c. Payable	40,000
A/c. Receivable	25,000		
Less: Allowance For bad debts	(5,000)	Owner's equity	
Merchandise Inv.	25,000	Tahir Capital	50,000
Prepaid Rent	6,000	Ali Capital	50,000
Building	70,000	Habib Capital	50,000
Less: Allow. For dep.	(6,000)		
Total Assets	190,000	Total Equities	190,000

Mr. Ali decided retired from the partnership on the above date. The firm paid to Mr. Ali is:

Cash I: Cash paid Rs.60,000. (Record Goodwill Method)

Cash II: Cash paid Rs.40,000. (Record Bonus Method)

**REQUIRED:** Record the above events in General Journal.

### 5. RETAINED EARNING:

The following information is related to ABC Company Limited on Dec. 31, 2018.

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

Issued & paid up Capital 100,000 shares @ Rs.10 each.

Following is the retained earnings a/c. of ABC Co. Ltd.

31.12.2018 Reserve for contingences	20,000	1.1.2018 Balance	200,000
Res. For plant extention	80,000	31.12.2018 Income	
Cash dividend	60,000	Summary	100,000
Stock dividend	100,000		

**REQUIRED:**

Record the above mentioned transactions in G. Journal.

### 6. PARTNERSHIP LIQUIDATION:

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

#### SIDDIQUI BROTHERS,

#### BALANCE SHEET,

As on Dec. 31, 2018.

ASSETS		EQUITIES	
Cash	10,000	A/c. Payable	60,000
Other Assets	550,000	Arif Capital	100,000
		Basit Capital	200,000
		Qasim Capital	200,000
Total Assets	560,000	Total Equities	560,000

All the partners decided to liquidate their business by selling others assets at Rs.1,00,000 & paid A/c payable Partner

Arif is personally insolvent & unable to meet his deficiency.

**REQUIRED:**

Record the above liquidation process in General Journal

### 7. DIVISION OF NET INCOME:

A, B and C are partners with capital balance of Rs.80,000; Rs.60,000 and Rs.40,000 respectively. Capitals are fixed and partners use the current account. The partnership deed provides:

- 7% interest on partner capital balance.
- A and B will receive a monthly salary of Rs.2,500 and Rs.3,300 respectively.
- Mr. C will receive annual commission Rs.10,000.
- Remaining profit and loss is to be distributed among the partners (Capital at start ratio)

During the year, partners drawings were as under:

A: Rs.20,000. B: Rs.12,000. C: Rs.15,000.

Net income for the year ended was Rs.125,000.

**REQUIRED:** (a) Income distribution summary.

(b) General Journal entry to record the partner drawing and distribution of income.

### 8. ISSUING OF SHARES & DEBENTURES:

The following transactions completed during March 2018 by Imran Corporation.

March 2018

02: Purchased Building for Rs.4,50,000 and its consideration issued shares of Rs.10 each. The market price of each share was Rs.15.

10: Purchased Furniture and issued 10000 shares of Rs.10 each. The selling price of share was Rs.14 each.

14: The Corporation allotted 10000 shares of Rs.10 each to the promoters of the company for their consideration of services rendered.

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

25: Issued 500 debentures of Rs.100 each at Rs.95 each.

**REQUIRED:** Record the above transaction in G. Journal.

## SECTION 'C' (DETAILED-ANSWER QUESTIONS)(30)

**Note:** Attempt any Two parts questions..

### 1. DEPRECIATION:

Ebad Company purchased machine with a list price Rs.2,00,000 and a subject of trade discount 5% and cash discount 3% on April 1, 2016. The company trade the payment on April 10, 2016 with discount period. Besides that following payments were made in this regard:

- Insurance in transit Rs.10,700.
- Fire Insurance was paid Rs.4,000.
- Freight in was paid Rs.5,000.
- Installation charges Rs.7,000.

Company estimated the salvage value Rs.10,000 and life of the machine will be 5 years.

**REQUIRED:** (a) Compute cost of machine on April 1, 2016.

(b) Compute depreciation expenses on Dec. 31, by Striaght Line Method and Diminishing balance method (use 25%) for the years 2016, 2017 and 2018.

(c) Pass adjusting entry for 2017 and closing entry by using both methods.

(d) Machine allowance for depreciation a/c by diminishing balance method for the year ended Dec. 31, 2016.