

QUESTION - 5**Expense payable and prepaid expense**

Following is the trial balance of Saqib & Co. on December 31, 2003:

	Debit	Credit
Cash	40,000	
Accounts receivable	60,000	
Allowance for doubtful debts		1,000
Merchandise inventory	40,000	
Pre-paid salaries	12,000	
Equipment	80,000	
Allowance for Dep. – equipment		5,000
Accounts payable		20,000
Saqib's Capital		100,000
Commission income		20,000
Sales		428,000
Cost of goods sold	246,000	
Salaries expense	66,000	
Office supplies expense	10,000	
Rent expense	12,800	
Insurance expense	7,200	
	574,000	574,000

Required:

Give adjusting entries of the following information, considering each case separately: also mention what amount of salaries expenses, salaries payable and prepaid salaries should be reported in the income statement and balance sheet.

- If salaries expense for the year was Rs.3,600
- If prepaid salaries on December 31, 2003 were Rs.8,000
- If salaries payable on December 31, 2003 were Rs.4,500

QUESTION - 6**Expense payable and prepaid expense**

Following is the trial balance of SR & Co. on December 31, 20C3:

	Debit	Credit
Cash	72,000	
Accounts receivable	108,000	
Allowance for doubtful debts		1,800
Merchandise inventory	72,000	
Pre-paid salaries	21,600	
Equipment	144,000	
Allowance for Dep. – equipment		9,000
Accounts payable		36,000
Capital		180,000
Commission income		36,000
Sales		770,400
Cost of goods sold	442,800	
Salaries expense	118,800	
Office supplies expense	18,000	
Rent expense	23,040	
Insurance expense	12,960	
	1,033,200	1,033,200

Required:

Give adjusting entries of the following information, considering each case separately: also mention what amount of salaries expenses, salaries payable and prepaid salaries should be reported in the income statement and balance sheet.

- (i) If salaries expense for the year was Rs.6,480
- (ii) If prepaid salaries on December 31, 20C3 were Rs.14,400
- (iii) If salaries payable on December 31, 20C3 were Rs.8,100

QUESTION - 7**Expense payable and prepaid expense**

Following is the trial balance of PMG & Co. on December 31, 2005:

	Debit	Credit
Cash	36,000	
Accounts receivable	54,000	
Allowance for doubtful debts		900
Merchandise inventory	36,000	
Pre-paid salaries	4,000	
Equipment	72,000	
Allowance for Dep. – equipment		4,500
Accounts payable		18,000
Capital		90,000
Salaries payable		10,000
Sales		362,000
Cost of goods sold	221,400	
Salaries expense	35,000	
Office supplies expense	9,000	
Rent expense	11,520	
Insurance expense	6,480	
	485,400	485,400

Required:

Give adjusting entries of the following information, considering each case separately: also mention what amount of salaries expenses, salaries payable and prepaid salaries should be reported in the income statement and balance sheet.

- (i) If salaries payable on December 31, 2005 Rs.12,000
- (ii) If salaries payable on December 31, 2005 Rs.6,000
- (iii) If salaries expense for the year Rs.36,000
- (iv) If salaries expense for the year Rs.30,000
- (v) If salaries expense for the year Rs.5,000

QUESTION - 8**Expense payable and prepaid expense**

Following is the trial balance of YMC & Co. on December 31, 1999:

	Debit	Credit
Cash	64,800	
Accounts receivable	97,200	
Allowance for doubtful debts		1,620
Merchandise inventory	64,800	
Pre-paid salaries	7,200	
Equipment	129,600	
Allowance for Dep. – equipment		8,100
Accounts payable		32,400
Capital		162,000
Salaries payable		18,000
Sales		651,600
Cost of goods sold	398,520	
Salaries expense	63,000	
Office supplies expense	16,200	
Rent expense	20,736	
Insurance expense	11,664	
	873,720	873,720

Required: Give adjusting entries of the following information, considering each case separately: also mention what amount of salaries expenses, salaries payable and prepaid salaries should be reported in the income statement and balance sheet.

- (i) If salaries payable on December 31, 1999 Rs.21,600
- (ii) If salaries payable on December 31, 1999 Rs.10,800
- (iii) If salaries expense for the year Rs.64,800
- (iv) If salaries expense for the year Rs.54,000
- (v) If salaries expense for the year Rs.9,000

Solution:

QUESTION - 9**Income receivable and unearned income**

The balances taken from the ledger of MK Company on December 31, 2001 before adjustment as under:

	Debit	Credit
Cash	10,000	
Accounts receivable	20,000	
Allowance for doubtful account		4,000
Inventory Jan 1, 2001	40,000	
Prepaid rent	12,000	
Furniture	82,000	
Accumulated depreciation – furniture		6,000
Unearned commission income		8,000
Capital		114,000
Sales		100,000
Commission income		50,000
Purchases	80,000	
Transportation-in	8,000	
Salaries expense	16,000	
Advertising expense	14,000	
	282,000	282,000

Required:

Give adjusting entries of the following information, considering each case separately: also mention what amount of commission income, commission receivable and unearned commission income should be reported in the income statement and balance sheet.

- If commission income for the year Rs.6,000
- If unearned commission on December 31, 2001, Rs.5,000
- If commission receivable on December 31, 2001, Rs.4,500

QUESTION - 10**Income receivable and unearned income**

The balances taken from the ledger of KPC Company on December 31, 2001 before adjustment as under:

	Debit	Credit
Cash	18,000	
Accounts receivable	36,000	
Allowance for doubtful account		7,200
Inventory Jan 1, 2001	72,000	
Prepaid rent	21,600	
Furniture	147,600	
Accumulated depreciation – furniture		10,800
Unearned commission income		14,400
Capital		205,200
Sales		180,000
Commission income		90,000
Purchases	144,000	
Transportation-in	14,400	
Salaries expense	28,800	
Advertising expense	25,200	
	507,600	507,600

Required:

Give adjusting entries of the following information, considering each case separately: also mention commission income, commission receivable and unearned commission income should be reported in the income statement and balance sheet.

- (i) If commission income for the year Rs.10,800
- (ii) If unearned commission on December 31, 2001, Rs.9,000
- (iii) If commission receivable on December 31, 2001, Rs.8,100

Commission receivable	6,000	
Furniture	64,600	
Accumulated depreciation – furniture		5,400
Unearned commission income		4,000
Capital		102,600
Sales		90,000
Commission income		45,000
Purchases	72,000	
Transportation-in	7,200	
Salaries expense	14,400	
Advertising expense	12,600	
	250,600	250,600

Required:

Give adjusting entries of the following information, considering each case separately; also mention what amount commission income, commission receivable and unearned commission income should be reported in the income statement and balance sheet.

- If commission receivable on December 31, 20A4, Rs.8,000
- If commission receivable on December 31, 20A4, Rs.1,500
- If commission income for the year, Rs.48,000
- If commission income for the year, Rs.40,000
- If commission income for the year, Rs.2,000

QUESTION -11**Income receivable and unearned income**

The balances taken from the ledger of Karachi Company on December 31, 20A4 before adjustment as under:

	Debit	Credit
Cash	9,000	
Accounts receivable	18,000	
Allowance for doubtful account		3,600
Inventory Jan 1, 20A4	36,000	
Prepaid rent	10,800	

QUESTION - 12**Income receivable and unearned income**

The balances taken from the ledger of Lahore Company on December 31, 20A5 before adjustment as under:

	Debit	Credit
Cash	16,200	
Accounts receivable	32,400	
Allowance for doubtful account		6,480
Inventory Jan 1, 20A5	64,800	
Prepaid rent	19,440	
Commission receivable	10,800	
Furniture	116,280	
Accumulated depreciation – furniture		9,720
Unearned commission income		7,200
Capital		184,680
Sales		162,000
Commission income		81,000
Purchases	129,600	
Transportation-in	12,960	
Salaries expense	25,920	
Advertising expense	22,680	
	451,080	451,080

Required:

Give adjusting entries of the following information, considering each case separately: also mention which account for commission income, commission receivable and unearned commission income should be reported in the income statement and balance sheet.

- (i) If commission receivable on December 31, 20A5, Rs.14,400
- (ii) If commission receivable on December 31, 20A5,-Rs.2,700
- (iii) If commission income for the year, Rs.86,400
- (iv) If commission income for the year, Rs.72,000
- (v) If commission income for the year, Rs.3,600

SELF PRACTICE QUESTIONS

QUESTION - 13

Following is the pre-closing trial balance of Adnan & Co. on December 31, 1998.

	Debit	Credit
Cash	20,000	
Accounts receivable	30,000	
Allowance for doubtful debts		500
Merchandise inventory	20,000	
Pre-paid advertising	10,000	
Equipment	40,000	
Allowance for Dep. – equipment		2,500
Accounts payable		10,000
Adnan Capital		50,000
Commission income		10,000
Sales		200,000
Cost of goods sold	123,000	
Salaries expense	15,000	
Office supplies expense	5,000	
Rent expense	6,400	
Insurance expense	3,600	
	<u>273,000</u>	<u>273,000</u>

Data for Adjustment on December 31, 1998

- (i) Office supplies used Rs.2,000
- (ii) Salaries expense for the year amounted to Rs.12,000
- (iii) Commission earned during the year Rs.8,000
- (iv) Pre-paid advertising Rs.4,000
- (v) Rent expense for the year amount to Rs.8,000
- (vi) Insurance expense represents a 3 years insurance policy paid on August 1, 1998
- (vii) Depreciation on equipment was estimated Rs.1,000
- (viii) Doubtful debts on accounts receivable was estimated at Rs.1,000

Required:

- (a) Give the necessary adjusting and closing journal entries as on December 31, 1998 in proper form.
- (b) Give the necessary reversing journal entries as on January 1, 1999 in proper form.
- (c) Give the necessary opening journal entry as on January 1, 1999 in proper form.

QUESTION - 15

The following are un-adjusted balance taken from the books of Mr. Shuakat on March 31, 1998

	Debit	Credit
Cash	5,000	
Accounts receivable	12,000	
Merchandise inventory (1-4-1997)	10,000	
Pre-paid insurance	4,000	
Office equipment	50,000	
Allowance for depreciation (O/E)		10,000
Accounts payable		8,000
Capital – Shuakat		52,300
Drawing – Shuakat	6,000	
Sales		80,000
Sales discount	4,000	
Purchases	40,000	
Purchases return & allowance		5,000
Transportation in	5,800	
Advertising expense	8,500	
Salaries expense	10,000	
	155,300	155,300

Data for adjustment on March 31, 1998

- (i) Make allowance for doubtful accounts at 10% of accounts receivable at year end
- (ii) Insurance expired Rs.2,500
- (iii) Record for depreciation on office equipment Rs.2,000
- (iv) Advertising pre-paid was Rs.1,200
- (v) Un-paid salaries were Rs.2,000
- (vi) Merchandise inventory on March 31, 1998 Rs.15,000

Required: Give all necessary adjusting, closing and reversing entries on March 31, 1998 in the general journal, give explanation below each entry.

QUESTION - 17

Presented below is the un-adjusted trial balance of Hassan & Co. as at the end of year December 31, 1996:

	Debit	Credit
Cash	1,000	
Accounts receivable	3,000	
Merchandise inventory (1-1-1996)	30,000	
Office supplies	2,500	
Automobile	200,000	
Accumulated depreciation – Automobile		7,500
Accounts payable		2,500
Hassan's Capital		200,000
Hassan's drawing	1,600	
Sales		190,400
Purchases	144,000	
Freight in	500	
Salaries expenses ✓	5,800	
Rent expense	6,000	
Automobile expenses	4,200	
Utility expenses	1,800	
	400,400	400,400

Data for year – end adjustment

- (i) The inventory was counted at end, values Rs.26,000
- (ii) Out of Automobile expenses, Rs.400 represents those of owner's private use
- (iii) Office supplies has a physical balance at end valued Rs.200
- (iv) Salaries included Rs.1,500 not earned by the employees
- (v) The automobile has run ten thousand kilometers during the period, the rate of depreciation is one rupee per kilometer

Required:

- 1) Record the appropriate entries in general journal to close the accounts
- 2) And the opening entries in general journal for the next accounting year

QUESTION 18

QUESTION - 18

The following balances have been taken from the books of Junaid Shibli & Company on December 31, 1995:

Salaries expense	10,000
Rent income	—18,000 ✓
Advertisement expense	5,000
Commission income	2,000
Accounts receivable	20,000
Sales	50,000
Allowance for bad debts (Cr.)	500
Prepaid insurance	3,000
Purchases	35,000
10% Debentures payable	20,000
Interest expense – debenture payable	1,000

Supplementary data for adjustment

- ✓ (i) Salaries amounting Rs.3,000 were payable on December 31, 1995. Salaries were also paid in advance Rs.1,500 which have already been charged to salaries expense
- ✓ (ii) Unearned rent Rs.2,000
- ✓ (iii) Advertisement expense for the year Rs.1,000 ✓
- ✓ (iv) Commission income for the year Rs.1,500

- (v) Estimated bad debts 1/2 of 4% on sales ✓
- (vi) Premium paid for insurance covering the period from July 1, 1995 to June 30, 1998
- (vii) Interest is paid on June 30, and December 31 on debentures payable. The debentures were issued on April 1, 1995
- (viii) Rebate in original selling price was granted to a customer on defective goods, amounting to Rs.500 this amount had already been charged to sales

Required: Adjusting and closing entries in general journal