National University of Science and Technology

SEECS

BS(CS) 6 A&B

**Problem Set 2**

**Date: 12th February 2019 Due Date: 21st February 2019**

1. **Wendy Winger.**

In June 2011, Wendy Winger organized a corporation to provide aerial photography services. The company, called Aerial Views, began operations immediately. Transactions during the month of June were as follows:

June 1 The corporation begins its operations by an additional investment of $60000.

June 2 Purchased a plane from Utility Aircraft for $220,000. Made a $40,000 cash down payment and issued a note payable for the remaining balance.

June 4 Paid Woodrow Airport $2,500 to rent office and hangar space for the month.

June 15 Billed customers $8,320 for aerial photographs taken during the first half of June.

June 15 Paid $5,880 in salaries earned by employees during the first half of June.

June 18 Paid Hannigan’s Hangar $1,890 for maintenance and repair services on the company plane.

June 25 Collected $4,910 of the amounts billed to customers on June 15.

June 30 Billed customers $16,450 for aerial photographs taken during the second half of the month.

June 30 Paid $6,000 in salaries earned by employees during the second half of the month.

June 30 Received a $2,510 bill from Peatree Petroleum for aircraft fuel purchased in June. The entire amount is due July 10.

Required:

1. Analyze the effects that each of these transactions will have on the following six components of the company’s financial statements for the month of October. Organize your answer in tabular form, using the column headings shown below. Use **I** for increase, **D** for decrease, and **NE** for no effect. The October 1 transaction is provided for you:

Income Statement Balance Sheet

Transaction Revenue - Expenses = Net Income Assets = Liabilities + Owners’ Equity

Oct. 1 NE NE NE I NE I

1. Prepare a journal entry (including explanation) for each of the above transactions.
2. **AR Traders**

Following are the business transactions for the month of January 2017 of Mr. Arshad Rehman, who started his business with the name of AR Traders

Jan. 1. Started business with Rs. 200,000 in bank, cash Rs. 50,000, Merchandise costing 100,000 and furniture worth Rs. 55,000.

Jan. 1. Bought a van through cheque 150,000

Jan. 2. Paid rent by cheque 5,000

Jan. 3. Purchased merchandise from Zakir & Sons 100,000

Jan. 5. Cash Sales 15,000

Jan. 8 Paid insurance for three years 25,000

Jan. 10 Cash Sales 30,000

Jan.12. Purchased merchandise 55,000

Jan.15 Paid three months advance salary to one of his employee 15,000

Jan. 15. Returned defective goods to Zakir and Sons 6,000

Jan. 18. Paid for advertisement to the agency and give cheque 12,000

Jan. 19. Paid salaries 5,000

Jan. 20 Sold goods to Abid & Co. 35,000

Jan. 22. Purchase stationary 3,000

Jan. 25. Received commission for services render to Mr. Ali 15,000

Jan. 26. Received advanced rent from a business property for 6 months 100,000

Jan. 27. Received from Abid & Co. a cheque in full settlement of his account 34,500

Jan. 29. Paid to Zakir and Sons in full settlement of his account 93,000

Jan. 31. Deposited the cheque in the bank received on 27 Jan and paid utility bills from his account 7,000

**Required**

1. Record the transaction in General Journal
2. Prepare relevant Ledger Accounts
3. Prepare Trial balance