

- c. On December 1<sup>st</sup> advance rent received from Peshawar Corporation Rs. 60000 for the period of six months.
- d. A car had been rented on December 25<sup>th</sup> from Golden rent a car service at a daily rent of Rs. 1500 but the payment has not yet been made to them.
- e. A six-month loan in the amount of Rs. 40000 had been obtained on December 1<sup>st</sup>. Interest is to be computed at a rate of 15% per year and is payable when the loan is due. No interest has been paid and no interest expense has been recorded.
- f. Depreciation on the Hotel's building is based on an estimated useful life of 20 years. The original cost of the buildings was Rs. 2000000. (Use straight line depreciation method).

Q. No. 5: Micro Circuit Co. purchased new equipment on October 4, 1998, at a cost of \$ 80000. The useful life of this equipment was estimated at 5 years, with no salvage value.

**Instructions:**

Beginning with calendar year 1998, compute the annual depreciation expense for each year using each of the two methods listed below.

1. Straight-line, with depreciation in fractional years rounded to the nearest month.
2. Double-declining balance method.

Q. No. 6: Mr. Ahmad is starting a business. Before actually starting to sell anything, he bought fixtures for Rs. 20000, a motor vehicle for Rs. 500000 and a stock of goods for Rs. 35000. Although he has paid in full for the fixtures and the motor vehicle, he still owes Rs. 14000 for some of the goods. Mr. Bashir lent him Rs. 30000. Mr. Ahmad, after the above has Rs. 28000 in the business bank account and Rs. 1000 cash in hand. You are required to calculate his capital.

Q. No 7: Write down the different 'Financial Statements' in terms of its contents with the help of imaginary figures.

Q. No. 8: Write short notes on the following:

- a. Provision for Doubtful Debts
- b. The Accounting Equation