ALLAMA IQBAL OPEN UNIVERSITY

Level: Bachelor
Paper: Principles of Accounting (438)
Time Allowed: 3 hrs

OVERSEAS

Semester: Spring 2009
Maximum Marks: 100
Pass Marks: 40

Note:- ATTEMPT FIVE QUESTIONS. ALL QUESTIONS CARRY EQUAL MARKS. QUESTION No. (1) IS COMPULSORY.

Q. No.1. Below are the Balance Sheet of M/S Nadim, Nazir and Niaz as on 31st March 2000.

Capital & Liabilities		Amount	Assets	Amount
Sundry Creditor		50000	Bank account	2000
Capital – Nazir	10000		Sundry Debtors	20000
Capital – Niaz	6000	16000	Stock	24000
			Furniture	10000
			Capital – Nadim	10000
		66000		66000

Owing to inability to pay the creditors, the firm is dissolved. Nazir and Niaz cannot contribute anything, Nadim can pay only Rs.500/- from his private estate. Stock realises Rs.12000/-; sundry debtors Rs.15000/- and furniture Rs.6000/-. Costs of dissolution amount to Rs.6000/-.

Required:
i) Give necessary journal entries.
ii) Prepare accounts to close the books of the firm.

Q. No.2. Saleem and Company purchased on 1st January 2000 certain machinery for Rs.45000/-. On 1st October in the same year additional machinery purchased costing Rs.15000/-. On 1st July 2001 the machinery purchased on 1st January 2000 having been obsolete is sold off for Rs.18000/-.

Required: Give the machinery account for three years writing off depreciation at 10% per annum on the written down value.

Q. No.3. Discuss the essential elements of Partnership Agreement and how May ratios are applicable for dividing Profit & Loss? Explain two of them.

Q. No.4.
(a) Distinguish between buying an interest in Partnership and Making an investment in a partnership.
(b) What is a Work Sheet and how it is prepared?

Q. No.5. A firm of manufactures, whose books are closed on 31st December purchased Machinery for Rs.50,000 on 15 January, 1980. Additional Machinery was acquired for Rs.10,000 on 1st July, 1981 and for Rs.16,466 on 14th April, 1984. Certain machinery, which originally cost Rs.10,000 in 1980, was sold for Rs.5,000 on 30th June, 1983.

Give the Machinery Account for five years writing off depreciation at 10% on the written down value.

Q. No.6. Bilal for mutual accommodation draws a bill for Rs.30000 on Hassan at three months. Bilal gets the bill discounted by his banker for Rs.29250, and remits Rs.9750 to Hassan. On maturity Bilal is not able to send the amount due to Hassan to enable him to meet the bill. He however, accepts the bill for Rs.37500 which is discounted by Hassan for Rs.32250. Hassan meets his acceptance and remits Rs.18000 to Bilal before the due date of the bill. Bilal becomes insolvent and a dividend of 50 paisa in a rupee is received from his estate.

Required: Pass journal entries in the books of both the parties.

Q. No.7.
(a) What is the purpose of making adjusting entries?
(b) Do adjusting entries affect income standard accounts: balance sheet accounts or both? Explain.

Q. No.8. Rectify the following errors by passing necessary journal entries.
i) A sale of Rs.496 to Adnan was entered in the Sales Book as Rs.694. Ashraf A/c was, however, debited with Rs.964.
ii) A bill received from Salman & Co. for repairs done to furniture Rs.200 and furniture purchased for Rs.2000 was wrongly entered in the Purchases Book.
iii) An item of Rs.4000 relating to prepaid rent was omitted to be brought forward.
iv) Received a final dividend of Rs.400 from Imran whose account had previous been written off as bad debts, was credited to his newly opened Account.
v) An item of purchase of Rs.1510 was entered in the Purchase Book at Rs.150 and posted to the supplier's A/c as Rs.510.
vi) A sales return Rs.1000 were not passed through the sale returns book, though goods were duly taken into the stock.