

ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD
(Department of Commerce)

PRINCIPLES OF ACCOUNTING (438)

CHECK LIST

SEMESTER: AUTUMN, 2013

This packet comprises of the following material:-

1. Text Book (ONE)
2. Assignment No. 1 & 2
3. Assignment Forms (2 sets)
4. Schedule for Assignment Submission and Tutorial Meetings

In this packet, if you find anything missing out of the above-mentioned material, please contact at the address given below:

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WARNING

1. **PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
2. **SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

Instructions:

You are required to solve all questions if you are unable to understand any question of assignment, do seek help from your concerned tutor. But keep in mind that tutors are not supposed to solve the assignment questions for you.

Course: Principles of Accounting (438)

Semester: Autumn, 2013

Level: B.Com/B.A

Total Marks: 100

ASSIGNMENT No. 1

(Units 1–4)

Note: ALL QUESTIONS ARE COMPULSORY

Q.1 On July 01, 2012, Mr. Soban started business with Cash Rs. 1,500,000, Furniture Rs. 600,000 and Office Equipment Rs. 800,000. Transactions completed during the month are as follows: **(20)**

- July 2 Mr. Soban deposited Rs.500,000 cash into a bank account of business.
- July 5 Purchased office supplies for cash Rs.50,000
- July 7 Purchased merchandise from Mr. Aslam amounting Rs.480,000, term being 2/10, n/30.
- July 9 Sold merchandise to Mr. Mubeen Rs.140,000 @ 5% trade discount.
- July 12 Goods returned to Mr. Aslam amounting Rs. 80,000
- July 15 Purchased merchandise of Rs.190,000, payment made by cheque.
- July 16 Paid cash to Mr. Aslam in full settlement of his account.
- July 18 Received Cash from Mr. Mubeen in full settlement of his account.
- July 19 Sold merchandise for Cash Rs.250,000 and the same is deposited into bank
- July 22 Bought a delivery Van for business, payment made by cheque amounting Rs. 300,000
- July 24 Paid salaries Rs. 85,000 and Utilities expenses Rs.30,000
- July 26 Withdrew Cash Rs. 15,000 and goods worth Rs. 10,000 for personal use.

July 31 Delivery van damages in an accident, the estimated repair expenses of Van are 15,000

Required: i. Journalize the above transactions ii. Prepare ledger accounts
iii. Prepare Trial Balance.

Q.2 a) Write a detailed note on the need and importance of accounting. (20)

b) Define double entry Book-keeping system. Explain its advantages.

Q.3 A manufacturing firm purchased on 1st January, 2008 certain machinery for Rs. 450,000 and spent Rs. 50,000 on its erection. On 1st July in the same year additional machinery costing Rs. 250,000 was acquired. On 1st January, 2010 the Machinery purchased on 1st January, 2008 having been obsolete was auctioned for Rs. 200,000 and on the same date fresh Machinery was purchased at a Cost of Rs. 125,000. (20)

Depreciation was provided at the rate of 10 percent per annum on the Straight Line Method.

Required: Pass the necessary journal entries and prepare the Machinery account from 2008 to 2012.

Q.4 The following Trial Balance was extracted from the books of Mr. Raza on 31st Dec, 2012. (20)

Debit Balances		Machinery	1,600,000
Opening Stock	460,800	Salaries	1,200,000
Cash in hand	43,200	Income Tax	240,000
Loose tools	210,400	Drawings	48,000
Purchases	3,254,000	Insurance	419,600
Patent Rights	54,400	Sundry Debtors	1,160,000
Wages	678,400	Credit Balances	
Fuel & power	378,400	Sales	7,901,200
Carriage on sales	256,000	Returns outwards	40,000
Carriage on purchases	162,000	Capital	4,360,000
Building	2,560,000	Sundry Creditors	504,000
Land	800,000	Commission	720,000

Following additional information is supplied to you:

- Closing stock is valued at Rs.450,000
- Accrued Salaries and wages amounting to Rs. 300,000 and Rs. 150,000 respectively
- Insurance Prepaid amounting Rs. 125,000
- Create 5% Provision for Doubtful debts.

- Unearned commission is Rs. 300,000
- The manager is allowed a commission of 12 per cent on profits remaining after charging such commission

Required: (a) Prepare Trading and Profit and Loss A/c, and
(b) Balance Sheet as at Dec 31, 2012

Q.5 How does perpetual inventory system differ from the periodic inventory system?
Explain your answer with some suitable examples. **(20)**

ASSIGNMENT No. 2

(Units 5–9)

Total Marks: 100

Note: ALL QUESTIONS ARE COMPULSORY

- Q.1 Shahid's Cash Book showed a bank overdraft of Rs. 15,000 of 31st March, 2010. On comparison of the two books, the following differences were noted down: (20)
- a. An outstation cheque for Rs. 1400, lodged on 30th March, 2010 did not appear in the Pass Book.
 - b. Cheques issued totaling Rs. 21,000 had not been presented at the bank.
 - c. Interest on overdraft debited in the Pass Book was Rs. 200 but not recorded in the Cash Book.
 - d. Insurance premium paid and debited by the bank in the Pass Book Rs. 1000 but not entered in the Cash Book
 - e. Interest on investment collected by the bank appeared in the Pass Book only Rs. 300
 - f. Dividend on shares collected by the bank Rs. 300 credited in the Pass Book
 - g. In March, the trader had got a bill discounted by his bank for Rs. 990 and entered the amount in the Cash Book as Rs. 1000 but the proceeds credited in the Pass Book were Rs. 990.

Required:

- i. What will be the revised balance of Cash Book (after making necessary adjustments)
 - ii. Prepare a Bank Reconciliation Statement as on 31st March, 2010
- Q.2 Given below is the Receipts and Payments Account of the Eagle Club for the year ending 31st December 2010: (20)

RECEIPTS AND PAYMENT ACCOUNT			
For the year ended 31st December, 2010			
Receipts	Rs.	Payments	Rs.
Balance b/d	10,250	Salaries	6,000
Subscription:		General expenses	750
2009	400	Drama expense	4,500
2010	20,500	News-Papers etc	1,500
2011	600	Municipal taxes	400
Donations	5,400	Charity	3,500
Proceeds of Drama tickets	9,500	Investments	20,000
Sale of waste paper	450	Electricity Charges	1,450
		Balance c/d	9,000
Total	47,100	Total	47,100

Prepare the Club's Income and Expenditure Account for the year ended 31st December, 2010 and its Balance Sheet as on that date, after taking the following information into account:

- a. There are 500 members, each paying an annual subscription of Rs. 50, Rs. 500 being in arrears for 2009.
- b. Municipal taxes amounting to Rs. 400 per annum have been paid up to 31st March 2011, and Rs. 500 for salaries is outstanding
- c. Building stood in the books at Rs. 50,000 and it is required to write off depreciation at 5 per cent.
- d. Three per cent interest has accrued on investments for five months.

Q.3 The Moon Textile Limited Company has just removed their factory to a more suitable place: State with reason, which items are chargeable to Capital and which to Revenue. **(10)**

- a. They spent Rs. 50,000 on dismantling, removing and reinstalling plant, machinery and fixtures and fittings.
- b. A sum of Rs. 10,000 was spent on removing stock from old place to new one.
- c. They spent Rs. 150,000 on purchasing land and Rs. 5,000 for its registration fee.
- d. They paid Rs. 12,000 to consultants for making layout plans of the factory.
- e. Plan and Machinery having book value of Rs. 100,000 were sold for Rs. 40,000 being obsolete and new machinery was acquired for Rs. 150,000.
- f. An amount of Rs. 5000 was spent on painting the new factory.

Q.4 The following is the balance sheet of A, B and C as on 31st December, 2012. The profit and loss sharing ratio among them is one half, one third, and one sixth respectively. **(20)**

Assets	Rs.	Capital & Liabilities	Rs.
Cash in hand	7,550	Creditors	7,300
Cash in bank	9,000	Other business liabilities	13,900
Debtors	6,200	Capital:	
Stock	4,100	A:	8,400
Furniture and fixtures	4,000	B:	6,000
Machinery	3,000	C:	<u>4,250</u>
Building	6,000		18,650
	39,850		39,850

They agreed to take D in Partnership and give him 1/16 share of profit on the following terms:

- i. That D should bring in Rs. 3,000 as goodwill and Rs. 8,000 as his capital
- ii. That machinery be depreciated by 12 percent
- iii. That stock be depreciated by 10 percent
- iv. That a reserve of 5 percent be created for doubtful debts
- v. That the value of land having appreciated by brought up Rs. 7,000.

- vi. That after making the above adjustments, the capital accounts of the old partners (who continue the share in the same proportion as before) be adjusted on the basis of the proportion of D's capital to his share in the business i.e. actual cash to be paid off to, or brought in by, the partnership, as the case may be;

Required: Prepare the revaluation account, partner's capital accounts and the opening balance sheet of the new firms.

- Q.5 X, Y and Z set up a partnership firm on January 01, 2012. They contributed Rs. 150,000, Rs. 120,000 and Rs. 90,000 respectively as their capitals and decided to share profit and loss in the ratio of 3: 2: 1. The partnership deed provided that Y is to be paid a salary of Rs. 4,000 per month and X a commission of Rs. 15,000. It also provided that interest on capital be allowed at 12% per annum. The drawings for the year were X Rs. 18,000, Y Rs. 12,000 and Z Rs. 6,000. Interest on drawings was charged Rs. 810 on X's drawings Rs. 540 on Y's drawings and Rs. 270 on Z's drawings. The net amount of profit as per P&L a/c for the year 2012 was Rs. 250,000. **(20)**

Required: You are required to prepare the Profit & Loss Appropriation Account and Partner's Capital Accounts.

- Q.6 Given the necessary Journal entries to correct the following errors: **(10)**
- i. Rs. 5,600 cash received from Nadim (Partner) posted to the credit of Nadim & co (customer)
 - ii. A credit item of Rs. 930 has been debited to a personal account as Rs. 390
 - iii. An item of sale for Rs. 430 was posted as Rs. 1430 in the sales account.
 - iv. Furniture purchased for Rs. 670 was debited to purchase account.
 - v. The discount column of the cash book representing discounts allowed to customers was over added by Rs. 80
 - vi. A balance of Rs. 390 owing by Kalim & Co had been omitted from the schedule of sundry debtors.