



EXAMINATION MATERIAL ZUEB - 2022

ACCOUNTING XI (COMMERCE)

SECTION "C" Extended Response Questions (ERQ).

**CHAPTER 1
ADJUSTING
ENTRIES
AND
CLOSING
ENTRIES**

Question no.01

The following balances are shown by Sky View CORPORATION on December 31, 2021.

Debit Balance:

Cash Rs. 50,000; Accounts Receivable Rs. 65,000; Merchandise Inventory Rs. 10,000; Equipment Rs. 100,000; Office supplies Rs. 18,000; Drawing Rs. 5,000; Sales Return & Allowance Rs. 2,000; Purchase Rs. 110,000; Transportation-in Rs. 5,000; Office salaries expense Rs.15,000; Salaries expense Rs. 20,000.

Total=Rs. 400,000.

Credit Balance:

Accounts payable Rs. 16,000; Sales Rs. 170,000; Purchase Discount Rs. 2,000; Purchase Return & Allowance Rs. 4,000; Allowance for Bad Debts Rs. 3,000; Allowance for Depreciation Rs. 5,000; Capital Rs. 200,000.

Total=Rs. 400,000.

Data for Adjustment on December 31, 2021.

- i) Merchandise Inventory on Dec. 31, 2021 Rs. 20,000.
- ii) Outstanding office salary Rs. 5,000.
- iii) Prepaid sales salaries Rs. 4,000.
- iv) Allowance for Depreciation on Equipment Rs. 3,000.
- v) Office supplies used Rs. 4,000.
- vi) Allowance for Bad debts increase by 2,000.

Required:

- a) Prepare necessary adjusting entries in the general journal form.
- b) Prepare closing entries in general journal form.

Question no.02.

The following balances taken from the pre-closing trial balance of Raza Traders as on December 31, 2020:

Cash Rs.42,000, Accounts Receivable Rs.48,000, Merchandise Inventory (01-01-20) Rs. 18,000, Furniture Rs.130,000, Allowance for depreciation-furniture Rs. 13,000, Accounts Payable Rs. 17,000, Capital-Raza Rs.160,000, Sales Rs.210,000, Purchases Rs. 106,000, Prepaid Insurance Rs. 16,000, Salaries Expense 20,000, Sales returns Rs. 10,000, Drawing - Raza Rs. 10,000.

Supplementary data for adjustments:

1. Salaries outstanding Rs.4,000.
2. Insurance unexpired Rs. 10,000.
3. 10% Depreciation was estimated on furniture.
4. Provide bad debts @ 2% of net sales.
5. Merchandise Inventory on Dec. 31 Rs.14,000.

Required:

Prepare any two of the following:

- a) Income Statement. (b) Balance Sheet. (c) Closing Entries.

Question no.03.

On December 31, 2021, following balances were extracted from Rehan & Co:

Debit Balance:

Cash Rs. 7,000; Accounts receivable Rs. 30,000; Investment Rs. 25,000;
Merchandise inventory Rs. 15,000; Office supplies Rs.4,000; Machine Rs. 40,000;
Insurance expense Rs. 5,000; Drawings Rs.4,000; Purchases Rs. 32,000; Sales return
Rs. 5,000; Transportation in Rs. 10,000; Rent expense Rs. 20,000.

Total Rs. 197,000.

Credit Balance:

Allowance for depreciation - Machine Rs. 2,000; Unearned commission Rs. 20,000;
Sales Rs. 75,000; Accounts payable Rs. 15,000; Capital Rs. 50,000; Purchase returns
Rs. 2,000; Notes payable Rs. 33,000.

Total Rs. 197,000.

Additional Information:

- a. Merchandise Inventory was valued on December 31,2021 at Rs.6,000.
- b. Depreciation on machine Rs. 3,000.
- c. Office supplies used Rs. 2,000.
- d. Insurance Expense Rs. 3,000.
- e. Unearned commission Rs. 1,000.
- f. Salaries expense for the year Rs. 10,000.

Required:

Prepare any TWO of the following:

- i) Income Statement. (ii) Balance Sheet. (iii) Closing Entries.

**CHAPTER 2
FINANCIAL
STATEMENT**

Question no.01.

The following balances were extracted from the Ledger of Mr. Shakir on December 31, 2001, before the closing of books:

Head of Accounts	Rs.
Cash	8,500.
Supplies	1,000.
Account Receivable	9,000.
Allowance for Bad Debts	1,500.
Merchandise Inventory (1.1.2001)	7,000.
Prepaid Insurance	600.
Furniture	5,000.
Notes Payable	4,500.
Shakir's Capital	16,600.
Shakir-Drawings	2,000.
Sales	50,000.
Sales-Discourt	500.
Purchases	30,000.
Salaries Expenses	8,000.
Rent Expenses	6,000.
Commission Earned	5,000.

Supplementary Data for Adjustments on December 31, 2001:

1. Unpaid Salaries Rs. 3,000.
2. Prepaid Rent Rs.1,000.
3. Unused Sales Supplies Rs. 400.
4. Insurance was prepaid to the extent for Rs. 200.
5. Commission Earned Rs. 4,000.
6. Merchandise Inventory was valued on December 31,2001 at Rs.6,000.

Required:

- a. Prepare Income Statement for the year ended December 31, 2001 and
- b. Prepare Balance Sheet as of December 31, 2001.

Question no.02.

The following balances were taken from the Pre-Closing Trial Balance of Fatima & Co. Prepared on December 31,2004.

S.no.	Head of Accounts	Debit	Credit
	Cash	6,400.	
	Account Receivable	40,000.	
	Merchandise inventory (Jan.01)	32,000.	
	Sales Equipment	30,000.	
	Prepaid insurance	800.	
	Sales Supplies	1,200.	
	Purchases	100,000.	
	Sales Salary Expenses	9,600.	
	Office Salary Expenses	4,000.	
	Advertising Expense	4,000.	
	Sales		156,000.
	Account Payable		24,000.
	Fatima Capital		48,000.
	Total	228,000.	228,000.

Data for Adjustment on December 31:

1. Merchandise Inventory was valued at Rs.30,000.
2. Sales Supplies were Rs.200
3. Insurance expired Rs.400.
4. Unpaid Sales Salaries were Rs.500
5. Depreciation on Fixed Assets was estimated Rs.5,000.
6. Bad Debts on Account Receivable Rs.3,000.

Required:

- a. Prepare Income Statement for the year ended December 31, 2004.
- b. Prepare Report Form Balance Sheet as of December 31,2004.

Question no.03.

Balance taken from the ledger of Babar & Co, a sole trader, on June 30, 1992 before adjustments were as follows:

Debit Balance	Rs.
Cash	1,800.
Accounts Receivable	2,850.
Merchandise Inventory (01.07.91)	1,200.
Office Equipment	900.
Purchase	3,000.
Prepaid Shop Rent	1,200.
Carriage Inn	225.
Salaries Expense	2,100.
Insurance Expense	450.
Sales Discount	75.
Credit Balance	
Accounts Payable	2,250.
Babar Capital	4,725.
Sales Revenue	6,000.
Purchase Discount	105.
Commission Income	600.
Allowance for Bad Debts	120.

Supplementary Data for Adjustment on June 30, 1992:

1. Salaries Payable Rs. 285.
2. Taxes Payable Rs. 39.
3. Shop Rent Prepaid Rs. 375.
4. Insurance Unexpired Rs. 90.
5. Commission Receivable Rs. 66.
6. Merchandise Inventory was valued at Rs. 1,950 on June 30 1992.
7. Allowance for Bad Debts was estimated at Rs. 270.
8. Allowance for Depreciation on Office Equipment was estimated at Rs. 90.

Required:

- a) Prepare Income Statement for the year ended June 30, 1992. (Group the Expense and Revenue data properly, and give complete title to the statement).
- b) Prepare Balance Sheet as of June 30, 1992 in classified form, giving complete title.

Question no.04.

Following is pre-closing Trial balance of Ishaque & Co. for the year ended December 31,2011:

S.no.	Accounts Titles	Debit	Credit
	Cash	40,000.	
	Accounts Receivable	50,500.	
	Prepaid Insurance	6,000.	
	Merchandise Inventory (1.1.2011)	42,000. 50,000.	
	Office Equipment		40,000.
	Accounts Payable		20,000.
	Notes Payable		3,500.
	Unearned Commission		150,000.
	Ishaque Capital	12,000.	
	Ishaque Drawing		262,000
	Sales Revenue	3,000.	
	Sales Discount	120,000.	
	Purchases	8,000.	
	Carriage – inn.	25,000.	
	Utilities Expense	34,000.	
	Advertising Expense	40,000.	
	Salaries Expense	45,000.	
	Rent Expense	475,500.	475,500.
	Total.		

Data for Adjustment on December 31,2011:

1. Merchandise Inventory was (31.12.2011) Rs.60,000.
2. Bad debts Expense @ 5% of Net Sales.
3. Insurance is prepaid up to Extent of Rs.1,500.
4. Unearned Commission Rs.1,000.
5. Goods costing Rs. 1,000 were taken by Mr. Ishaque private use were overlooked.

Required:

- a. Prepare Income Statement for the year ended December 31, 2011.
- b. Prepare Classified Balance Sheet as of December 31, 2011.
- c. Prepare closing entries in general journal form.

Question no.05.

The following balances have been taken from the Ledger of Ayub & Co, on December 31st,2013.

S.no.	Accounts Titles	Debit	Credit
	Cash	60,000.	
	Accounts Receivable	40,000.	
	Merchandise Inventory	80,000.	
	Prepaid Insurance	26,000.	
	Office Equipment	50,000.	
	Purchases	190,000.	
	Salaries Expense	30,000.	
	Sales Return	25,000.	
	Accounts Payable		38,000.
	Notes Payable		32,000.
	Unearned Rent		32,000.
	Sales		220,000.
	Accumulated Depreciation		22,000.
	Ayub's Capital		157,000.
	Total.	501,000.	501,000.

Data for Adjustment on December 31, 2013:

1. Merchandise Inventory Rs. 80,000.
2. Insurance Expired Rs. 4,000.
3. Bad Debts Estimated Rs. 600.
4. Outstanding Salaries Rs. 4,000.
5. Depreciation on Office Equipment for the year Rs. 3,000.
6. Rent Earned Rs. 8,000.

Required:

Prepare any TWO of the following:

- a. Income Statement for the Year Ended December 31, 2013.
- b. Balance Sheet as on December 31, 2013.
- c. Closing Entries on December 31 2013.