ZIAUDDIN UNIVERSITY
EXAMINATION BOARD

EXAMINATION MATERIAL ZUEB - 2022

PRINCIPLE OF ACCOUNTING XII (COMMERCE)

SECTION "C" EXTENDED RESPONSE QUESTION (ERQ)

<table>
<tr><td>CHAPTER 1

SINGLE ENTRY</td><td>SUB TOPICS</td><td>• Calculate Capital at start and Capital at end.
• Prepare Statement of Profit and Loss.
• Prepare statement of Affairs.</td></tr>
<tr><td></td><td>ERQ'S</td><td>

Question no.01:

Mr.X invested cash Rs.150, 000 on August 5, 2013. On December 31, 2013 the position of his assets and liabilities is as under.

Cash Rs.180, 000; Office supplies Rs.30, 000; Merchandise Rs.50, 000; and Furniture Rs.85, 000; Payable to suppliers Rs.120, 000 & Receivable from customers Rs.70, 000.

Data for Adjustment:

i. Additional investment Rs.5, 000 per month for 4 months.
ii. Mr.X withdrew some merchandise which cost Rs.15, 000 for his home use.
iii. Depreciation on Furniture Rs.15, 000.

Required:

Prepare statement of Affairs as on December 31, 2013. (Net Income for the period was Rs.125, 000)

Question no.02:

Mr. Asim started a business on with cash investment of Rs.9, 00,000 he keeps his accounting records in single entry basis. On Dec.31, 2010 the following information was obtained from his accounting records:

Cash at Bank — Rs. 100,000.
Accounts Receivable — Rs. 450,000.
Merchandise Inventory — Rs. 320,000.
Building — Rs. 1500,000.
Account Payable — Rs. 370,000.

Additional Information on December 31, 2010.

1) He paid utility bills Rs. 15,000 per month for his residence.
2) He sold a personal flat costing Rs. 450,000 for Rs 1,200,000 cash and invest into business.
3) Bad debts were estimated at 5% of Accounts Receivable.
4) Depreciation was estimated at 10% on building.

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Required:

Prepare statement of affairs as on December 31, 2010 (Adjusted loss of Asim Traders for the year ended December 31, 2010 was Rs. 92,500).

Question no.03:

Mr. Suleman, a general merchant, maintains his accounting record on single entry basis. He supplied the following information for the year 2013.

	Jan.1st.2013	Dec.31st.2013.
Cash	30,000.	39,000.
Accounts Receivable	6,000.	24,000.
Merchandise	18,000.	27,000.
Office Equipment	15,000.	36,000.
Accounts Payable	9,000.	12,000.
Capital	?	?

Additional Information:

i. Unpaid commission Rs.5, 600.
ii. Additional investment during the year Rs.45, 000.
iii. Depreciation on office equipment 10%.
iv. Prepaid Rent Rs.2, 000.

Required:

a) Compute capital at end & capital at start.
b) Prepare statement of profit for the year ended 31.12.13.
Prepare statement of affair as on December 31, 2013.

CHAPTER 2 **DEPRECIATION**	**SUB TOPICS**	i) Compute: The Cost of Fixed Assets, Depreciable cost of Fixed Assets. ii) Calculate Depreciation with the help of: a. Straight line method. b. Working hours method. c. Production unit method. d. Diminishing balance method. iii) Prepare general entries for: a. Purchase of fixed b. Depreciation of the fixed assets. iv) Prepare general ledger. v) Prepare a Balance Sheet (partial)
	ERQ'S	**<u>Question no.01:</u>** Adil & Aqib Ltd. purchased a machine on April 30, 2016 at a cost of Rs. 650,000 with estimated life of 10 years and scrap value of Rs. 50,000. The machine had a working life of 150,000 hours and 120,000 units. The company accounting year on December 31. During the year 2016, the machine worked for 4,000 hours and produced 9,000 units and during the year 2017, it worked for 6,000 hours and produced 14,000 units. **<u>Required:</u>** a) Compute depreciation expense on Dec. 31, 2016 and 2017 under the following methods: i) Straight line method. ii) Working Hours method. iii) Units of Production method. and b) Give Adjusting & Closing entries for 2016 and 2017 under the straight-line method. **<u>Question no.02:</u>** Tariq Ltd. Purchased a machine on July 1, 1994 having list price of Rs. 100,000 with credit terms of 2/10, n/30 the company paid the amount within discount period. The company also incurred the following expenditure: a) Transportation charges — Rs. 5,000 b) Insurance in transit — Rs. 8,000 c) Installation charges — Rs. 6,000 d) Fire insurance premium — Rs. 7,500 e) During installation the machine was damaged and repairing cost amounted to Rs. 3,000. Estimated life of the machine is 9 years with a scrape value of Rs. 27,000. The company uses **<u>Straight Line Method</u>** for computing

		depreciation and allowance method for recording depreciation. The accounting year ends on December 31. **Required:** a) Compute the cost of machine. b) Compute the depreciation for the years 1994, 1995 and 1996. c) Give entries in General Journal to record the purchase of machine and expenditure incurred thereon and also the necessary adjusting and closing entry to record depreciation on December 31, 1995. **Question no.03:** On September 30, 2011 Co. purchased on equipment costing Rs. 70,000 the life equipment estimated for 10 years with no salvage value. Company's accounting period ends on December 31 each year. Company uses diminishing balance method @10% **Required**: a) Compute depreciation from 2011 to 2013. b) Prepare allowance for depreciation account for the year 2011 and 2013. b) Prepare partial balance sheet on December 31, 2013. **Question no.04:** Mansoor Company has the following balance as on December 31, 2015. – Cost of Machine Rs. 500,000. – Accumulated Depreciation Rs. 140,000. The company uses diminishing balance method @ 20% per annum to compute depreciation and allowance method to record depreciation. Company's year ended on December 31 each year. **Required:** a) Compute depreciation from 2015 to 2016. b) Prepare Machine cost account for the year 2015 and 2016. c) Prepare partial balance sheet on December 31, 2016.

CHAPTER 3 NON-PROFIT ORGANIZATION	SUB TOPICS	• Prepare income and expenditure account. • Calculate Accumulated Fund • Prepare a Balance Sheet.
	ERQ'S	see below

Question no.01:

A summary of Receipts, Expenditure account of Khairpur Sports Club for one year is given below.

Receipts	Rs.	Payments	Rs.
Opening balance.	6,000.	Salary	4,000.
Subscriptions.	40,000.	Electric Charges	1,000.
Donations.	15,000.	Sports Expenditure	1,000.
Interest.	1,000.	Sports goods purchased	10,000.
Charity shows		Books purchased	8,000.
receipts	5,000.	Other Expenses	2,000.
		Charity shows expenses	4,000.
		Investment	10,000.
		Closing Balance	27,000.

Additional Data:

i. Subscriptions included Rs.1,000 for 2002 and Rs.500 for 2004.
ii. Accrued subscription Rs. 2,500 for the year 2003.
iii. Outstanding salary Rs.2, 000.
iv. Accrued interest income Rs.500.
v. On Jan.01, 2003 the Club had the following assets:
Sports goods Rs.4, 000, Books Rs.5, 000, Investment Rs.6, 000.

Required:

1) Prepare Income and Expenditure Account for Dec. 31, 2003.
2) Calculate Accumulated Fund at January 01^{st},2003.

Question no.02.

A summary of cash receipts and payments of Abdul Hadi Sports Club for the year ended December 31, 2008 is given below:

Receipts	Rs.	Payments	Rs.
Balance Jan.01.	135,000.	Purchase of equipment.	93,750.
Collection from		Stadium Rent.	225,000.
Matches.	1237,500.	Printing and stationery	48,750.
Profit on sale of		Secretary's expenses.	108,000.
refreshment.	236,250.	Equipment repairs.	34,500.
		Ground man's wages.	390,000.
		Miscellaneous expenses.	
			49,500.

Additional Information on December 31, 2008:

a) On January 1, 2008, Equipment Inventory is valued at Rs.375,000.

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b) Depreciation on Equipment is charged @ 20% per annum.
c) Prepaid Rent is Rs.45, 000.
d) Outstanding printing charges were Rs.24, 750.

<u>Required:</u>

i. Prepare Income and Expenditure Account for the year ended December 31, 2008.
Prepare Balance Sheet as on December 31, 2008.
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<tr><td>CHAPTER 4

ISSUANCE OF SHARES AND DEBENTURES</td><td>SUB TOPICS</td><td>
• General Journal:
• Shares Subscribed to the public.
• Shares issue against purchase an asset.
• Issue a Debentures.
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<tr><td></td><td>ERQ'S</td><td>
<u>Question no.01:</u>

Habib Ltd. was incorporated with a capital of Rs.1,500,000 divided into 150,000 ordinary shares of Rs.10 each and the debenture is Rs. 100 each. It completed the following transaction:

The Company offered to the public 70,000 shares at par. Applications for 60,000 shares were received. As per agreement the underwriters - subscribed for the balance of their shares. The directors finalized the allotment of 60,000 shares to the public and 10,000 shares to underwriters.

i) Issued 11,000 shares for the purchase of equipment Rs. 100,000.
ii) Purchased machine and in consideration issued 5,000 shares at Rs. 13 each.
iii) Acquired land costing Rs. 100,000 by issuing 7,000 shares at Rs. 10 each.
iv) The company issued 10,000 shares for purchase of building which had a market value of Rs. 150,000.
v) A computer was acquired by issuing 4,000 ordinary shares of Rs. 10 each fully paid up. The market price per share is Rs. 18 each.
vi) The company issued 20,000 mortgage debentures of Rs. 100 each, redeemable @ Rs. 105 each after five years. All the debentures were duly subscribed.
vii) The company issued 5,000, 7% ordinary debentures of Rs. 100 each at Rs. 96 per debenture. The debentures are redeemable @ Rs. 103 each after 8 years. All debentures were duly subscribed.

<u>Required:</u>

Give entries in the General Journal of the company to record the above transaction.
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CHAPTER 5 APPROPRIATION OF RETAINED EARNING	SUB TOPICS	• General Journal Entries. • Prepare Retained Earning Account. • Statement of Retained Earning

ERQ'S

Question no.01:

The following data is extracted from the balance sheet of Taha & Co. Ltd
As on December 31, 2012

Authorized capital:

(600,000 shares of Rs.10 each)	Rs. 6,000,000.

Issued & Paid up capital:

(300,000 shares of Rs.10 each)	Rs. 3,000,000.
Retained Earnings (Credit balance)	Rs. 250,000.

On December 31, 2012, the income summary of the company showed a net income of Rs. 750,000/-The company decided as under:

i) To declared cash dividend @ 15%
ii) To appropriate Rs. 200,000/- for plant expansion.
iii) To appropriate Rs. 120,000/- for contingencies.
iv) To appropriate Rs. 180,000/- for sinking fund.

Required:

a. Prepare necessary entries in the General Journal of Taha & Co Ltd.
b. Prepare Retained Earnings Account.

Question no.02:

The following information is related to Zeel Company Limited on December 31, 2014:

Authorized capital:

(500,000 shares of Rs.10 each)	Rs. 5,000,000.

Issued & Paid up capital:

(200,000 shares of Rs.10 each)	Rs. 2,000,000.
Retained earnings	Rs. 300,000.
Income summary (Credit)	Rs. 285,000.

The board of directors decided to:

i) Appropriate Rs.60,000 for plant expansion and Rs.50,000 for contingencies.
ii) Declare cash dividend @ Rs.0.80 per share and stock dividend @ 7%.
iii) The stock dividend was settled by issuing suitable no of share at par.

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Required:

a) Give entries in General Journal for the above.

b) Prepare statement of retained earnings.

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<tr><td>CHAPTER 6

PARTNERSHIP – FORMATION</td><td>SUB TOPICS</td><td>General Journal Entries.
Calculate Initial Investment.
Prepare Initial Balance Sheet</td></tr>
<tr><td></td><td>ERQ'S</td><td>

Question no.01:

On March 31, 2001, Naseem and Rasheed decided to form a partnership under the name "Mehran Traders" by merging their individual businesses. On that day the agreed values of each item of Balance Sheet were as under.

<table>
<tr><th>Item</th><th>Naseem</th><th>Rasheed</th></tr>
<tr><td>Cash</td><td>20,000</td><td>50,000</td></tr>
<tr><td>Account Receivable</td><td>40,000</td><td>25,000</td></tr>
<tr><td>Merchandise</td><td>35,000</td><td>60,000</td></tr>
<tr><td>Building</td><td>85,000</td><td>-</td></tr>
<tr><td>Office Equipment</td><td>-</td><td>30,000</td></tr>
<tr><td>Allowance for Bad Debts</td><td>15,000</td><td>12,000</td></tr>
<tr><td>Accounts Payable</td><td>45,000</td><td>33,000</td></tr>
<tr><td>Capital</td><td>120,000</td><td>120,000</td></tr>
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Required:

i) Prepare entries in the General Journal of the firm to record the formation of the new Partnership.

ii) Prepare the initial balance sheet of the firm as on March 31, 2001.

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CHAPTER 10 PARTNERSHIP – DISSOLUTION	SUB TOPICS	General Journal Entries under each of the following methods. a) No Bonus No Goodwill Method. b) Bonus Method. c) Goodwill Method.
	ERQ'S	**<u>Question no.01:</u>** Tariq and Riaz are partner with capital balances of Rs. 100,000 and Rs.75,000 respectively. They share profits and losses in the ratio of 70% and 30% respectively. They agreed to admit Yasir as a new partner. **<u>Required:</u>** Give the necessary journal entries in proper form and prepare balance sheet in each of the following cases separately. 1. Yasir contributes Rs.75,000 cash, the total capital of new partnership is to be Rs.300,000 and Yasir is to have a ¼ interest therein. 2. Yasir invests Rs.53,000 cash and receiving a 1/5 interest in a total capital of Rs. 228000.