ZIAUDDIN UNIVERSITY
EXAMINATION BOARD

EXAMINATION MATERIAL ZUEB - 2022

PRINCIPLE OF ACCOUNTING XII (COMMERCE)

SECTION "B" CONSTRUCTED RESPONSE QUESTION (CRQ)

<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>CRQ'S</td><td>
<u>Question no. 01:</u>

Mr. Saleem maintains his accounting records on single entry basis. His capital balance as on January 01, 2018 is Rs.180, 000. The financial position as on December 31, 2018 is as under:

Cash — Rs.75, 000.
Accounts receivable — Rs.70, 000.
Merchandise inventory — Rs.50, 000.
Furniture — Rs.30, 000.
Office equipment — Rs.20, 000.
Accounts payable — Rs.25, 000.

<u>Data for the Adjustment on 31 December 2018 was as under:</u>

i. Mr. Saleem made additional investment of Rs.40, 000.
ii. He had withdrawn Rs.20, 000 and Rs.25, 000 for personal use and business use respectively.
iii. Depreciation on furniture and office equipment for the year of Rs.5, 000 and Rs.4, 000 respectively.
iv. Outstanding salaries at the year ended of Rs.10, 000.

<u>Required:</u>

Prepare Statement of Profit and Loss for the year ended December 31, 2018.

<u>Question no. 02:</u>

Mr. Suleman started business with cash investment of Rs.200, 000 and office equipment Rs.120, 000 on March 01, 2015. He maintains accounts on single entry basis. On December 31, 2015 the following information was extracted from his accounting records:

Cash on hand — Rs.90, 000.
Accounts receivable — Rs.70, 000.
Merchandise inventory — Rs.110, 000.
Office supplies — Rs. 25,000.
</td></tr>
</table>

		Office equipment Rs.120, 000.

Office equipment Rs.120, 000.
Accounts payable Rs.25, 000.
Notes payable Rs.10, 000.

<u>On December 31, 2015 the following further information was made available:</u>

i. Withdrew cash for personal use Rs.2, 000 per month from March 1st 2015.
ii. Made additional investment of Rs.18, 000 during the year.
iii. Office supplies used during the year Rs.10, 000.
iv. Depreciation on office equipment Rs.12, 000.
v. Prepaid salaries Rs.5, 000.

<u>Required:</u>

Prepare statement of profit and loss for the year ending December 31, 2015.

<u>Question no. 03:</u>

Mr. Khan maintains single entry records. The assets and liabilities of the business are as follows:

	01.01.2016	31.12.2016
	Rs.	Rs.
Cash	18,000.	15,000.
Accounts receivable	20,000.	30,000.
Machinery	Nil.	25,000.
Accounts payable	30,000.	40,000.
Bank overdraft	Nil.	15,000.

<u>Other Information on 31 - 12 - 2016:</u>

i. He made additional investment of Rs.5, 000 during the year.
ii. Estimated allowance for bad debts Rs.1, 250.
iii. Depreciation on fixed assets estimated at 10%.
iv. Accrued interest on bank overdraft Rs.300.

<u>Required:</u>

a) Compute the capital at start and at end.

b) Prepare statement of profit or loss for the year.

<u>Question no. 04:</u>

Mr. Amjad Started business on August 1, 2017 with a cash investment of Rs.600, 000 and keeps the records under single entry basis. On December 31, 2017, following balances were found:

Cash Rs.40, 000; Accounts receivable Rs.80, 000; Merchandise inventory Rs.100, 000; Accounts payable Rs. 30,000; Loan payable Rs.50, 000; Land Rs.200, 000; Building Rs.400, 000 and Equipment Rs.60, 000.

Additional Information Available as on December 31, 2017:

i. Mr. Amjad additionally introduced Rs.30, 000 during the period and withdrew Rs.10, 000 monthly.
ii. Allowance for bad debts was estimated at 5%.
iii. Depreciation was charged at 12% of the cost of fixed assets annually.
iv. Salaries were unpaid Rs.5, 000 and prepaid Rs.8, 000.
v. Commission was unearned Rs.2, 000 and earned but not received Rs.3, 000.

Required:

Prepare Statement of Profit and Loss for the year December 31, 2017.

Question no. 05:

Mr. Imran started his business on March 1, 2012 with a cash investment of Rs.50, 000. He kept his records on single entry basis. On December 31, 2012, the following information was available:

Cash Rs. 15,000, Account Receivable Rs.30, 000, Merchandise Inventory Rs.25, 000, Office Equipment's Rs.40, 000, Account payable Rs.20, 000.

Additional Information:

i. He withdrew Rs.1, 000 cash per month from the business for his personal use.
ii. He made an additional investment of Rs.10, 000 in his business.
iii. Accrued salaries amounted to Rs.2, 500.
iv. Office equipment is to be depreciated @ 12% per annum.
v. Prepaid rent is Rs.1, 500.

Required:

Prepare statement of profit and loss for the year ended Dec. 31, 2012.

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)
	CRQ'S	<u>**Question no.01:**</u> On January 05th, 2011, Zain Company. Purchased a machine having list price of Rs.200, 000, subject to a trade discount of 4%. The credit terms were 2/10, n/30. The company payment was made on January 12th, 2011 and the following expenditures was incurred: Sales Tax — Rs. 1,840. Transportation charges — Rs. 4,000. Insurance in transit — Rs. 10,000. Two year's fire insurance — Rs. 6,000. Installation cost — Rs. 15,000. During installation, machine was damaged and repair cost Rs. 3,000. <u>**Required:**</u> a) Compute the cost of machine. b) Prepared General journal entries. <u>**Question no.02:**</u> Saad & Co. purchased a machine on January 1, 2002 having list price of Rs.50, 000 with 10% trade discount. The credit terms are 2/10, n/45. The company paid the amount on time. The company also incurred the following expenditures: i. Transportation charges — Rs. 3,000. ii. 3 year's fire insurance — Rs. 10,000. iii. Test and running cost — Rs. 2,000. iv. Overhauling charges (after 4-month use) — Rs. 7,000. v. Insurance in transit — Rs. 900. <u>**Required:**</u> a) Compute the cost of machine. b) Record purchase of machine.

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

Question no.01:

The following is the Receipts and Payments account of Ajmera Welfare Trust for 2002:

Receipt	Rs.	Payments	Rs.
Opening Bank Balance	16,500.	Salaries Expense	26,000.
		Repair Expense	2,000.
Subscription Fees	64,000.	Utilities Expense	8,000.
Rent Revenue	6,000.	Other Expenses	21,000.
Other Revenue	11,000.	Furniture	20,000.
		Closing Bank Balance	20,500.

Adjustment data at December 31, are as follows:

i. Accrued subscription fees Rs.3, 000.
ii. Prepaid Salaries Rs.2, 000.
iii. Accrued utilities Rs.1, 000.
iv. Depreciation on furniture Rs.1, 000.

Required:

Prepare Income and Expenditure account.

Question no.02:

The following are the receipts and payments account of Waqas Welfare Society for the year ended December:

Receipts	Rs.	Payments	Rs.
Cash balance.	100,000.	Salaries Expenses.	20,000.
Subscriptions.	90,000.	Repair and Maintenance.	10,000.
Match Income.	50,000.	Utilities Expenses.	60,000.
Rent Revenue.	60,000.	Purchase of Equipment.	40,000.

Additional information on December 31.2012:

i. Subscription received in advance Rs.5, 000.
ii. Accrued subscriptions Rs.7.000.
iii. Rent unearned Rs 10,000.
iv. Prepaid utilities Rs.5.000.
v. Depreciation on equipment Rs.2, 000.

Required:

Prepare income and expenditure account.

		Question no.03: The following are the receipts and payments, account of Zaitoon Welfare Society for the year ended December 31, 2009.

Receipts	Rs.	Payments	Rs.
Cash balance.	45,000.	Salaries to ground men.	15,000.
Subscriptions.	82,000.	Repair Expense.	20,000.
Rent Revenue	30,000.	Purchase of computer.	18,000.
Match Income	40,000.	Utility Expense.	20,000.
Bank Loan	60,000.	Purchase of Furniture.	30,000.
		Printing of Match Tickets	3,000.

Additional information on December 31, 2009.

i. Accrued Subscription Rs.3, 000 and Unearned rent Rs.5, 000.
ii. Prepaid Utilities Rs.4, 000.
iii. Depreciation on equipment Rs.2, 000.
iv. Accrued interest on bank loan @ 12.5% per annum.

Required:

Prepare Income and Expenditure account.

CHAPTER 4 **ISSUANCE OF SHARES AND DEBENTURES**	**SUB TOPICS**	• General Journal: • Shares Subscribed to the public. • Shares issue against purchase an asset. • Issue a Debentures.
	CRQ'S	**Question no. 01:**

Imran Ltd. registered with an authorized capital of Rs. 10, 00,000. Divided in 100,000 ordinary shares of Rs. 10 each.

The Company performed the following transactions during the year:

i) Offered 8,000 shares to the public at par and the bank received 10,000 shares applications and refund the excess amount.
ii) Purchased an equipment costing Rs. 200,000 by issuing necessary number of shares at par.
iii) Issued 15000 shares at a premium of Rs. 5 each against cash.
iv) Issued 8.500 ordinary shares to the promoters for services at par.
v) Purchased machinery by issuing 7,000 ordinary shares, the market value of share is Rs. 8 each.

Required:

Record the above transactions in the books of Imran Ltd.

Question no.02:

Asif Company Ltd. completed the following transactions:

1. Offered to the public 40,000 shares of Rs.10 each. Applications were received for 30,000 shares. As per agreement the underwriters subscribed for the balance of their shares. The Co. finalized the allotment of shares.

2. Purchased Land for Rs.180,000 and in consideration issued shares at market value of Rs.12/- each.

3. In consideration of the services of the promoters, the company issued 8,000 shares of Rs.10/- each. Each share has a market value of Rs.12.50.

Required:

Record the above transactions in the General Journal.

Question no.03:

The following transactions were completed by Al-Mustafa company Limited. The share par value is Rs. 10 and the debenture is Rs. 100.

i) Issued 18,000 shares at Rs. 15 each for cash.

ii) Issued 10,000 shares at Rs. 9 each for cash.

iii) Issued 12,000 shares for the purchase of furniture Rs.130,000.

iv) Purchased machine and in consideration issued 5,000 shares at Rs. 13 each.

v) Paid preliminary expenses Rs. 20,000.

vi) Issued 800 5% debentures of Rs. 100 each and redeemable after 5 years at Rs. 105.

vii) Issued 2,000 10% debentures at Rs. 90 each, repayable after 10 years at Rs. 110 each.

Required:

Pass necessary journal entries for Al-Mustafa company Limited.

CHAPTER 5 APPROPRIATION OF RETAINED EARNING	SUB TOPICS	• General Journal Entries. • Prepare Retained Earning Account. • Statement of Retained Earning

CRQ'S

Question no.01:

On June 30, 2011 the Retained Earning account in the books of Indus Company Ltd. Showed a credit balance of Rs. 300,000. The expense and revenue summary of the company for the year ending on that date shows net income of Rs. 550,000 which is transferred to retained earnings account. The company's directors decided as follows:

i) Declared a cash dividend of Rs. 250,000.
ii) Established a reserve for building extension in the amount of Rs. 100,000.
iii) Appropriate of Rs. 50,000 for reserve for debentures redemption.
iv) Established a reserve for contingencies in the amount of Rs. 45,000.

Required:

Give entries in General Journal for the above.

Question no.02:

The following balances appeared in the ledger of Aqeel Company Ltd. on December 31, 2010.

500,000 ordinary shares of Rs.10 each.	Rs. 5,000,000.
Retained Earning up – appropriated	Rs. 1400,000.

On this date, the company decided as under:

i) To declare a cash dividend of Rs. 15%. on ordinary shares.
ii) To declare a stock dividend of Rs. 10% on ordinary shares.
iii) To appropriate of Rs. 70,000 contingencies.
iv) The company was informed by its banker that cash dividend was collected by Rs. 400,000. Ordinary shareholders.

Required:

Give entries in the General Journal entries in proper form on the books of Aqeel Company Ltd to give effect to the above decisions.

Question no.03:

M/S Zafar Ltd. has a paid-up capital of Rs. 500,000 divided into ordinary shares of Rs. 10 each, for the year ended Dec. 31, 2018. Company earned a net profit of Rs. 250,000.

The Board of directors approved the following:

i) To declare a cash dividend of Rs. 2 per share (Number of outstanding shares 50,000).

ii) To appropriate Rs. 30,000 for Building expansion.

iii) To appropriate Rs. 10,000 for General Reserve.

Required:

To record all possible entries in General Journal.

CHAPTER 6 PARTNERSHIP – FORMATION	SUB TOPICS	General Journal Entries. Calculate Initial Investment. Prepare Initial Balance Sheet

CRQ'S

Question no.01:

Mumtaz, Ishaq and Khurshid agreed to form a partnership business with capital contribution in the form of cash and in the ratio of 3:2:1 respectively. Ishaq invests Rs.75, 000 as his share of capital contribution.

Required:

Find the investment of each partner and record in General Journal.

Question no.02:

Naeem, Amjad and Khalid formed partnership contributing equal amoun of capitals shown below:

Naeem: Cash Rs. 150,000 and Building worth Rs. 750,000.

Amjad: Cash Rs.500, 000 and merchandise inventory for the balance.

Khalid: Office equipment worth Rs.800, 000 and the balance in cash.

Required:

Present entries in the General Journal of the firm.

Question no.03:

Jawad and Junaid, sold traders, were carrying on completing business. On March 1, 1997, they decided to form a partnership under the name of JJ Corporation by merging their business. On that date their Balance Sheet items were as follows:

Accounts	Jawad	Junaid
Cash	7,000.	10,500.
Accounts Receivable	35,000.	42,000.
Merchandise Inventory	28,000.	17,500.
Office Furniture	52,500.	42,000.
Allowance for depreciation - Office Furniture	28,000.	14,000.
Allowance for Bad Debts	4,000.	5,000.
Accounts Payable	24,000.	27,000.

		The following valuations were agreed upon: i) Jawad's Accounts Receivable were estimated to realise Rs.30, 000 and his office furniture was valued at Rs.40, 000. ii) Junaid's Accounts Receivable were estimated to realise Rs.38,000 and his office furniture were valued at Rs.9,000 **<u>Required:</u>** Give entries in the General Journal of the firm to record the investment by Jawad and Junaid.
CHAPTER 7 **PARTNERSHIP - DISTRIBUTION OF PROFIT OR LOSS**	**SUB TOPICS**	Prepare Income Distribution Summary. General Journal Entries: Fluctuating Capital Method. Fixed Capital Method. General Ledger
	CRQ'S	**<u>Question no.01.</u>** Mr. A. Mr. B and Mr. C are partners in a business. On January 1, 1999 their capital balances were Rs.60, 000, 50.000 and Rs. 40,000 respectively. The partnership deed has the following provision regarding distribution of net income: i) Each partner will be allowed a monthly salary of Rs.1, 000. ii) Mr. B and Mr. C are allowed commission of Rs.1,500 per month. iii) Each partner is to receive profit @ 10% on capital balance as it stands on the first day of each accounting year. iv) The remaining net profit or net loss if any will be divided equally. On December 31. 1999 the business operation showed net profit of Rs.99, 000. **<u>Required:</u>** a) Prepare an income distribution summary showing the distribution of net income. b) Make entries in the general journal for distribution of net income to each partner. **<u>Question no.02.</u>** Mr. A. Mr. B and Mr. C are partners in a business. On January 01, 1999 their capital balances were Rs.550, 000, 600,000 and Rs. 700,000 respectively. The partnership deed has the following provision regarding distribution of net income: i) Each partner will be allowed a monthly salary of Rs.8, 000. ii) Bonus to Mr. A, Mr. B and Mr. C Rs. 18,000, Rs. 25,000 and Rs. 32,000 respectively. iii) Each partner is to receive profit @ 10% on capital balance as it stands on the first day of each accounting year. iv) The remaining net profit or net loss if any will be divided in

<table>
<tr><td></td><td></td><td>

the ratio 1: 2: 3 respectively.

On December 31. 1999 the business operation showed net profit of Rs. 450, 000.

Required:

a) Prepare an income distribution summary showing the distribution of net income.
b) Make entries in the general journal for distribution of net income to each partner.

Question no.03.

Jamal and Swaleh are partners having capitals of Rs.900, 000 and Rs.600, 000 respectively. They had agreed to the following terms:

i) Jamal and Swaleh will be entitled to a monthly salary of Rs.6,000 and Rs.3, 000 respectively.
ii) Swaleh will be allowed the commission of Rs.30, 000 per year.
iii) The remaining profit or loss will be divided between the partners in the ratio of their capital balance.

Net loss of the firm during the year is Rs. 10,000.

Required:

a) Prepare Income distribution summary.
b) Give necessary entries in General Journal regarding distribution the net loss of the firm partners.

</td></tr>
<tr><td>CHAPTER 8

PARTNERSHIP – RETIREMENT</td><td>SUB TOPICS</td><td>General Journal Entries under each of the following methods.
a) Revaluation Method.
b) Bonus Method.
c) Goodwill Method</td></tr>
<tr><td></td><td>CRQ'S</td><td>

Question no.01:

Khan, Shera and Ijaz are partners with capital balances of Rs. 15.000. Rs. 20.000 and Rs. 25,000 sharing profits and losses in the ratio of 2:3:3 respectively. Khan decides to retire from the partnership.

Required:

Give entries in the General Journal of the firm to record Khan's retirement, assuming Rs. 12,500 for his interest.

Question no.02:

Faisal, Ayub and Habib were partners sharing profits and losses in the ratio of their capitals. The balance sheet their firm stood as under on December 31, 1996:

</td></tr>
</table>

Assets		Equities	
Cash	20,000.	Accounts Payable	40,000.
Accounts Receivable	30,000.	Faisal's Capital	50,000.
Merchandise Inventory	15,000.	Ayub's Capital	30,000.
Land and Building	75,000.	Habib's Capital	20,000.
Total Assets	140,000.	Total Equities	140,000.

Habib retires on the above date and is paid the amount equal to the books value after making the following adjustment (Available cash is paid to him and he is issued a note payable for balance).

i) Allowance for Bad Debts is to be maintained @10% of the Accounts Receivable.
ii) Land and building to be appreciated by 20%.
iii) Goodwill of the firm is valued at Rs.60,000.

Required:

Give the necessary entries in General Journal of the firm to give effect to the above.

Question no.03:

The Balance Sheet of a partnership firm was as under:

Adil, Abid & Asif
Balance Sheet
As on December 31, 1992.

Assets		Equities	
Cash	34,000.	Adil Capital	80,000.
Accounts Receivable	90,000.	Abid Capital	24,000.
		Asif Capital	20,000.
Total Assets	124,000.	Total Equities	124,000.

On January 1, 1993 Asif retires from the firm and is paid Rs. 24,000 under Goodwill method, the partners shared profits and losses in the ratio of 3: 1: 1.

Required:

a) Calculate the amount of goodwill of the firm and show its distribution among the partners through journal entry.

b) Make entries in the General Journal of the firm to record the retirement of Asif under each of the following cases separately:

i) He is paid cash Rs. 24,000.
ii) He is paid cash Rs. 4,000 and for the balance a note is issued for month.

CHAPTER 9 PARTNERSHIP – DISSOLUTION.	SUB TOPICS	General Journal Entries under each of the following methods. a) Realization. b) Solvent. c) Insolvent

CRQ'S

Question no.01.

The following data are taken from the accounting records of ABC partnership for the year ended December 31st, 2001.

ABC Partnership
Balance Sheet
As on December 31st, 2001.

Assets	Rs.	Equities	Rs.
Cash.	20,000.	Accounts Payable.	40,000.
Machinery.	122,000.	Capital – Asad.	80,000.
Income Summary (loss)	36,000.	Capital – Basit.	40,000.
		Capital – Chand.	18,000.
Total Assets	**178,000.**	**Total Equities**	**178,000.**

Asad, Basit and Chand share the profits and losses in the ratio of 1: 2: 3 respectively. They decided to liquidate the partnership on December 31st, 2001. The machinery was sold for Rs. 140,000 cash and creditors were paid off in full settlement cash Rs. 34,000.

Required:

Make entries in General Journal relating to liquidation and final settlement.

Question no.02.

Ahsan, Sameer and Noman were partners sharing profit and losses in the ratio of 1: 1: 3. They liquidate their business on December 31st, 2002. On that date their Balance Sheet showed as follows:

Assets	Rs.	Equities	Rs.
Cash	40,000.	Accounts Payable	10,000.
Other Assets	150,000.	Ahsan Capital	70,000.
		Sameer Capital	60,000.
		Noman Capital	50,000.
Total Assets	190,000.	Total Equities	190,000.

Other assets were sold for Rs. 50,000 cash. They paid off all liabilities. Partnership is solvent and can contribute any amount to meet the deficiency from their private resources.

Required:

Make necessary entries in general journal relating to the liquidation of the firm and final settlement.

Question no.03.

Following is the balance sheet of Siddiqui Brothers on December 31st, 2018.

Siddiqui Brothers
Balance Sheet
As on December 01st, 2018.

Assets	Rs.	Equities	Rs.
Cash.	10,000.	Accounts Payable.	60,000.
Other assets.	550,000.	Capital – Harris.	100,000.
		Capital – Mustafa.	200,000.
		Capital – Qasim.	200,000.
Total Assets	**560,000.**	**Total Equities**	**560,000.**

All the partners decided to liquidate their business by selling other assets at Rs. 100,000 and paid accounts payable. Partner Harris is personally insolvent and unable to meet his deficiency.

Required:

Record the above liquidation process in general Journal.

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.

CRQ'S

Question no.01:

Rafiq and Karim are partners with capitals of Rs.200, 000 and Rs.800, 000 respectively. They share profit and loss in the ratio of their capitals. They decide to admit Jalil as a partner.

Required:

Record the admission of Jalil under each of the following assumptions separately:

i) Jalil purchased 1/4 interest of Karim for cash Rs.80, 000 and Land Rs.300, 000.

ii) Jalil invests sufficient cash and gets 1/5 interest in the firm.

Question no.02:

Saad and Farhan are partners with capital balances of Rs.80,000 and Rs.160,000 respectively. They share profits and losses in the ratio of 2:3. They agreed to admit Mustafa as a new partner.

Required:

Give entries in general journal to record admission of Mustafa in each of the following cases separately
Case – a. Mustafa invests sufficient cash to acquire 1/4 interest in the capital and profit of the firm.

Case – b. Mustafa invests Rs.100,000 cash for 1/4 interest in the capital and profit of the firm (the total Capital of the firm to be increased by Mustafa investment).

Question no.03:

Asad and Ayub are partners with capital balances of Rs.60,000 and Rs.40,000 respectively. They share profits and losses in the ratio of 3:2. They agreed to admit Farooq as a new partner.

Required:

Give the necessary journal entries in proper form and prepare balance sheet in each of the following cases separately

Case – i. Farooq invests Rs. 40,000 cash, and receiving 1/4 interest, his capital is to be credited with the entire amount of his investment.

Case – ii. Farooq invests Rs. 20,000 cash, and receiving 1/5 interest. Old partners are not agree/ready to reduce their capitals.