

**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD
(Department of Commerce)**

PRINCIPLES OF ACCOUNTING (438)

CHECKLIST

SEMESTER: SPRING, 2014

This packet comprises the following material:

1. Text Book (one)
2. Assignment No. 1, 2
3. Assignment Forms (2 sets)

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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ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD
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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".**

ASSIGNMENT No. 1
(Units: 1-4)

Course: Principles of Accounting (438)
Level: BA/B.Com

Semester: Spring, 2014
Total Marks: 100
Pass Marks: 40

Note: All questions are compulsory.

- Q. 1 (a) "Accounting begins where Book-keeping ends". Discuss the Statement. **(10)**
(b) Distinguish between the single entry system of Book-keeping and the double entry system. **(10)**
- Q. 2 Mr. Irtiza started business with cash Rs.450,000 and furniture Rs.30,000. The transactions completed during June 2013, the first month of operations, are as under: **(20)**
2. Opened a bank account in the name of business with Rs.150,000.
 5. Acquired a shop on the monthly rent of Rs. 3000 after paying cash Rs. 36000 as advance rent.
 6. Purchased show cases and counters for Rs.18,000, payment made by cheque.
 9. Purchased goods costing Rs.50,000 and payment made by cheque.
 11. Bought goods from Mr. Aslam on account Rs.26,000, term being 2/10, n/30.
 13. Cash sale Rs.32000.
 17. Sold goods on credit Rs.6000 to Rahim.
 20. Returned the defective goods to Aslam and Co. costing Rs.7000.
 21. Paid Cash to Aslam in full settlement of his account.
 23. Mr. Rahim, complained about the quality of goods, has been granted an allowance of Rs.1000.

25. Received cheque from Rahim amounting Rs.5000 same day it was deposited into the Bank.

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

Q.3 Write a detailed note on the Perpetual Inventory System of accounting for merchandising companies. (20)

Q.4 On 1st January, 2012 Yasir & Co. purchased certain machinery for Rs. 45,000. On 1st October, 2012 additional machinery was purchased costing Rs. 15,000. On 1st July, 2013 the machinery purchased on 1st January, 2012 have been obsolete and sold off for Rs. 18,000.

Required: Give the machinery account for three years writing off depreciation at 10% p.a on the written down value. (20)

Q.5 From the following Trail Balance of Shazaib & Co. *you are required to prepare Trading and Profit and loss account for the year ending 31st December , 2012 and a Balance sheet as at that:* (20)

Particulars	Dr.	Dr.
	Rs	Rs
Land & Building	250,000	
Furniture & Fixtures	26,000	
Opening Stock	80,600	
Drawings and Capital	64,000	280,000
Purchases & Sales	220,000	408,000
Debtors & Creditors	60,800	48,000
Returns	12,000	10,000
Loan from Bank		80,000
Wages & Salaries	53,000	
Printing and Stationery	6,200	
Bad debts	8,400	
Provision for doubtful debts		6,760
Cash in hand	51,760	
Total	832,760	832,760

Adjustments:

- i. Closing stock was valued at Rs. 100,000
- ii. Depreciate, Land & Building at 10%
- iii. Write off Rs. 4,800 bad debts from debtors and maintain Reserve for doubtful debts at 8%.
- iv. The manager is entitled to a commission of 10% on the net profit after charging such commission.

ASSIGNMENT No. 2
(Units 5–9)

Total Marks: 100
Pass Marks: 40

Note: All questions are compulsory.

- Q. 1 On December, 31, 2012 the cash book of Nadeem Bros. showed a bank balance of Rs. 5000. This did not agree with the Pass Book balance due to the followings: **(20)**
- a. Cheques had been issued for Rs.2500 out of which cheques worth Rs.2000 only were presented for payment.
 - b. Cheques worth Rs.700 were paid into bank on December 28, but had not been credited by the bank. One cheque for Rs.250 was entered in the Cash Book on December 30, but was banked on January 3, 2013
 - c. A cheque from Mujahid for Rs.200 was paid in on December 26, but was dishonoured and the advice was received on January 2, 2013.
 - d. Pass book showed bank charges Rs.10 debited by the bank. It also showed Rs. 400 collected by the bank as interest.
 - e. One of the debtors deposited as sum of Rs.250 in the account of the firm on December 20, intimation in this respect was received from the bank on January 2, 2013.

Required: Prepare a Bank Reconciliation Statement as on 31st December, 2013.

Q. 2 Following is the summary of cash transactions of Young Club for the year ended on 31st December, 2012. (20)

Subscription received	Rs. 21,600	Wages	Rs. 2,800
Donations	11,000	Electricity	780
Loan from HBL	30,000	Repair to Premises	2,400
Sales of drama tickets	3,940	Purchase of new equipment	6,300
Proceeds of summer fete	3,240	Incidental expenses	740
Rent paid	6,300	Drama expense	1,200
Secretary's honorarium	5,200		

The following information is also available:

- i. Balance of Cash 1st January 2012 Rs.25,000
- ii. The rent paid is in respect of the five quarters to the following 31st March
- iii. The electricity charges of Rs.780 includes Rs.490 for the previous year, there is also an amount of Rs.490 due at 31st December but not yet paid.
- iv. A bill for Rs.2,350 repairs to premises was due but has not been paid.
- v. The incidental expenses include Rs. 320 relating to the previous year.
- vi. Subscription received include Rs. 1500 paid in advance for the following year
- vii. At 1st January the club owned equipment valued at Rs. 3,200 and premises Rs. 38,000.

Required:

- a. To set out the receipts and payments account for the club for the year to 31st December 2012
- b. To find the accumulated fund at 1st January, 2012
- c. To prepare the income and expenditure account for the year ended on 31st December, 2012 and a balance sheet as at that date.

Q. 3 The trial balance of Aslam Dealers prepared on 31 December 2012 did not tally. The difference was placed in the suspense account on the debit side Rs. 39,180. A detailed examination of his books revealed the following mistakes: (20)

- i. A payment of Rs.20,000 to John was posted to the credit of his account.

- ii. Goods returned by Aleena a regular customer for Rs.5,800 was posted to the credit of sales account
- iii. Charges on renovation to the showcase of the shop of Rs.23,640 was debited to the furniture and fixtures account as Rs.32,460.
- iv. A payment received from Saleem for Rs.49,240 was credited to Haleem's account.
- v. Glass purchased for showcase from Aftab suppliers on a credit for Rs.38,450 was recorded in the purchases day book. At the time of posting, their account was credited with Rs.34,850.

Required: You are required to correct the above mistakes by passing the necessary rectifying errors in the General journal and prepare the suspense account.

Q. 4 The balance sheet of Red, Blue, Green and Yellow (who shared profits and losses in the ratio of 4:3:2:1) was as follows as on 30th June, 2013: (20)

Assets	Rs.	Liabilities	Rs.
Cash	3,000	Sundry Creditors	22,000
Debtors	15,000	Capital:	
Stock	8,000	Red	60,000
Plant & Equipment	80,000	Blue	40,000
Goodwill	20,000	Green	<u>6,000</u>
Capital Yellow	2,000		106,000
	128,000		128,000

The Partners decide to wind up the business as Green and Yellow become insolvent. A sum of Rs.1,000 is realized from Green's separate resources while Yellow has no separate assets or liabilities.

Stock and debtors realize Rs.4,000 and Rs.9,000. Plant and equipment are sold for Rs.50,000 while goodwill is valueless. The costs of realization amount to Rs.6,000 while sundry creditors have to be paid their claims in full. One of the creditors for Rs.6,000 in the books of the firm actually claimed Rs.12,000 and his claim was finally settled at Rs.10,000 by arbitration.

Required: Close the books of the firm by showing the relevant important Ledger Accounts. Also pass the necessary journal entries.

Q. 5 Classify the following into capital and revenue and give reasons. (20)

- i. Legal expenses incurred for raising a loan Rs.100.
- ii. Rs.1000 spent on the repair of machinery newly purchased.
- iii. Legal expenses Rs.100 was paid on an income tax case.
- iv. Preliminary expenses in the formation of a company.
- v. Intensive advertising undertaken by a company to popularize a new product.
- vi. Acquired land for an agricultural farm at an annual rent of Rs.1500.
- vii. Outdated machinery sold for Rs.6000 and cash received.
- viii. Cost of overhauling and painting a second hand tractor newly bought.
- ix. Legal expenses incurred in an action for infringement of its trade mark.
- x. Amount realized from the sale of goods Rs.20000.

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