



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

PRINCIPLES OF ACCOUNTING (438)

CHECK LIST

SEMESTER: AUTUMN, 2012

This packet comprises following material:-

1. Text book (one)
2. Assignment No. 1 & 2
3. Assignment forms (Two sets)
4. Schedule for submitting the assignments and tutorial meetings.

If you find anything missing in this packet, please contact at the address given below:

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(Department of Commerce)

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".**

Note: 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)
Level: BA/B.Com

Semester: Autumn, 2012
Total Marks: 100

ASSIGNMENT No. 1
(Units 1–4)

Note: All questions are compulsory.

- Q.1 Explain the recording, classifying, summarizing and presenting phases of accounting with comprehensive example. (20)
- Q.2 On August 1 of the current year, Mr. Sohail Amjed established clothing store called Sports Wear. Transactions completed during the month were as follows: (20)
- A. Deposited Rs.8000 cash in a bank account for Sport Wear.
 - B. Purchased equipment for cash Rs.2500
 - C. Purchased merchandise on account, Rs.2800.
 - D. Paid salaries and other expenses Rs.400.
 - E. Sold merchandise on account Rs.1400
 - F. Purchased merchandise for cash Rs.900
 - G. Paid cash to the creditors Rs.1900
 - H. Purchased equipment on account Rs.500
 - I. Sold merchandise for cash Rs.1800
 - J. Received cash from customers on account Rs.800

- K. Paid salaries and other expenses Rs.300
- L. Withdrew cash for personal use Rs.200
- M. Returned defective equipment purchased on account RS.100

- Required:**
- i. Journalize the above transactions
 - ii. Prepare Trial Balance for the month
 - iii. Prepare Trial Balance

Q.3 Mr Tariq a sole trader extracted the following trial balance from his books of accounts for the year ending on 31st March 2010: (20)

Particulars	Dr. (Rs.)	Cr. (Rs.)
Purchases and Sales	28,000	54,970
Capital		95,685
Bank Overdraft		7,500
Cash	3,000	
Discount	1,440	1,250
Returns Inwards	2,540	
Returns Outwards		755
Carriage outwards	2,160	
Rent and Insurance	1,740	
Fixtures and Fittings	1,200	
Delivery Van	105,000	
Debtors and Creditors	11,910	9,650
Drawings	2,880	
Wages and Salaries	8,940	
General Office Expenses	1,000	
	169,810	169,810

The following adjustments are also to be made.

- (i) Stock on 31st March 2010 was Rs. 4,290.
- (ii) Wages and Salaries accrued at 31st March 2010 Rs. 1,580.
- (iii) Office Expenses owing Rs. 580.
- (iv) Rent prepaid 31st March 2010 Rs. 500.
- (v) Increase the provision for bad and doubtful debts by Rs.810.
- (vi) Depreciation is charged on Fixture & Fittings and Delivery Van at 10%

You are required to prepare a trading and profit & loss account for the year ended on 31st March, 2010 and balance sheet as on 31st march 2010.

Q.4 What do you understand by merchandise inventory? Write a comparative note on perpetual inventory method and periodic inventory method. (20)

Q.5 A firm of manufactures, whose books are closed on 31st December, purchased machinery for Rs.50,000 on 15 January, 2010. Additional Machinery was acquired for Rs.10,000 on 1st July, 2010 and for Rs.16,466 on 14th April, 2012. (20)

Give the Machinery Account for five years writing off depreciation by:

- (i) Diminishing balance method @ 10% p.a.
- (ii) Straight line method

ASSIGNMENT No. 2

(Units 5–9)

Total Marks: 100

Note: All questions are compulsory.

- Q.1 Expenditures may be divided into two general categories i.e. capital expenditures and revenue expenditures. (20)
- i. Distinguish between two categories of expenditures and their accounting treatment
 - ii. What criteria do firms generally use in establishing a policy for classifying expenditures under these two general categories?
- Q.2 The treasurer of a charitable institution has prepared the following Receipts and Payment Account for the period ended on 30th June, 2004. (20)

Receipts	Amount	Payments	Amount
Balance	6,274	Grants to members	1,320
Entrance fee (25 @ Rs.100)	2,500	Salaries	675
Annual subscription:		Rent and rates	1,266
2003 200		Postage & telegram	136
2004 2900		Repair to premises	425
2005 <u>150</u>	3,250	Investment	13,000
Legacies	12,600	Furniture purchased	1,700
Miscellaneous receipts	3,400	Cash in office	3,528
Sale of old furniture	120	Cash at bank	6,500
Donations	406		
	28,550		28,550

The following further information is supplied to you.

- (i) Annual subscription for each member is Rs. 120, Rs. 240 being in arrear for 2003.
- (ii) The rent and rates prepaid to the 31st December 2004.
- (iii) Postage and telegram Rs. 56 related to 2003, still owing Rs. 76. One-half of the legacies is to be treated as income.
- (iv) At 1st July, 2003 the building and premises stood in the books at Rs. 35,000, investment Rs. 12,000 and furniture Rs. 3,000.
- (v) Depreciation is to be provided at the rate of 10% p.a. on furniture and writing down investments by 5% (opening balance only).

You are required to prepare Income & Expenditure Account for the year ended on 30th June, 2004 and Balance Sheet as on 30th June, 2004

- Q.3 On 31st December 2010 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 following: (20)
- 1) Cheques had been issued for Rs.2500/- out of which cheques worth Rs.2000/- only were presented for payment.
 - 2) Cheques worth Rs.700/- were paid into bank on December 29, 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 3rd January 2011.
 - 3) A cheque from Mujahid for Rs.200/- was paid in on December 26, but was dishonoured and memo was received on 3-1-2011.
 - 4) Pass book showed bank charges Rs.10/- debited by the bank. It also showed Rs.400/- collected by the bank as interest.
 - 5) The debtor deposited a sum of Rs.250/- in the account of the firm on December 20, intimation in the respect was received from the bank on 2nd January 2011.
 - 6) The payment side of the cash book was undercast by Rs.150/-.
 - 7) Dividend amounting to Rs.200/- was received directly by the bank.

Required: Prepare a Bank Reconciliation Statement as on 31-12-2010

- Q.4 The following is the balance sheet of X, Y and Z as on 31st December, 2010. The profit and loss sharing ratio is 3:2:1 respectively. (20)

Assets	Rs.	Capital & Liabilities	Rs.
Cash in hand	50	Creditors	6,700
Cash in bank	900	Other business liabilities	1,300
Debtors	6,200	Capital:	
Stock	4,100	X:	6,400
Furniture and fixtures	400	Y:	4,000
Machinery	3,000	Z:	<u>2,250</u>
Building	6,000		12,650
	20,650		20,650

On 31st December, 2010 Y served a notice of retirement on the terms that he will be paid half of the amount in cash at the time of his retirement and the balance as a bill of exchange for three months. Any cash required is to be taken from the bank. Assets are valued as follows:

- (i) Goodwill is valued at Rs. 18,000.
- (ii) Furniture and fixture is to be taken by Y at Rs. 300.
- (iii) Machinery is to be depreciated at 10% and building is to be appreciated by Rs.2,000.
- (iv) Stock is adjusted at Rs. 3,700.
- (v) Capital of the firm should be Rs. 25,000 and the ratio between the remaining partners will be 3:2. Excess or deficit cash is to be paid by the partners.

Required: Pass the necessary journal entries and prepare the balance sheet of the new firm.

Q.5 A, B and C are in partnership profit and losses sharing ratio of 3:2:1 respectively. The state of affairs at the date of dissolution is: (20)

Cash	986	Accounts Payable	3875
Accounts Receivable	3056	A's Loan A/c	250
Stock	1844	Capital A	1520
Fixture	720	Capital B	1120
C's Capital A/c	159		
	6,765		6,765

The assets other than cash realized Rs. 4844 and the expenses of winding up are Rs.52 A and B are solvent but C is unable to bring in anything.

Required: Make the necessary adjustments to close the books of the firm by applying the Garner Vs Murray Rule.