

ALLAMA IQBAL OPEN UNIVERSITY

Level: Bachelor
Paper: Principles of Accounting (438)
Time Allowed: 03 Hours

Semester: Autumn 2009
Maximum Marks: 100
Pass Marks: 40

**Note: ATTEMPT ANY FIVE QUESTIONS. ALL CARRY EQUAL MARKS.
 QUESTION NO. 1 IS COMPULSORY.**

Q. No.1. From the following balances of Nazir Brothers, prepare trading profit and loss account and balance sheet:

Capital	15500	Trade Debtors	7300
Trade Creditors	20000	Cash in Hand	1000
Sales	148200	Cash in Bank	2555
Good-will	2000	Purchases	85500
Plant & Machinery	10500	Carriage Inward	750
Rent Received	300	Manufacturing Wages	12000
Purchase Return	2000	Power	4000
Bad Debts reserve	300	Rent & Insurance	7950
Advertisement	5400	Salaries	172000
Legal charges	2000	Discount Received	900
Stock	16000	General Charges	4300
Discount allowed	2500	Sales Return	300
		Tools	5945

Adjustments:

- i) Stock on 31st December 2000 Rs.11500/-.
- ii) Stock took fire in November and there was loss of Rs.10000/- out of which Rs.5000/- were received from Insurance Company.
- iii) Unpaid advertisement amounts to Rs.1000/-.
- iv) Goods costing Rs.2000/- were used by the proprietor for his private use.
- v) Rs.500/- out of debtors is not collectible and 5% is to be provided for doubtful debts.
- vi) Salaries unpaid Rs.500/-.
- vii) Power amounting to Rs.1000/- is used in office.

- Q. No.2. What is Sub-division of Journal? Name the various kinds of Subsidiary books. Explain them in detail giving specimen.
- Q. No.3. Distinguish between:
- i) Journal and Ledger
 - ii) Journalising and Posting
 - iii) Periodical Balance Ledger and Running Balance Ledger
- Q. No.4. Explain the causes of disagreement between Bank Pass Book and Cashbook. Under what circumstances, such a statement is prepared?
- Q. No.5. Give five such expenses, which are usually of revenue nature, but under certain circumstances become capital expenditure. Explain the reasons.
- Q. No.6. What do you understand by Non-trading Concern? Compare the Accounts of non-trading concerns with those of trading concerns.
- Q. No.7. Name and explain the different methods of providing depreciation. What are the basic factors, which determine the depreciation?
- Q. No.8. A bookkeeper extracts a Trial Balance which fails to agree. He places the differences in a suspense account and then finds the following errors:
- i) The sales book had been overcast Rs.150/-.
 - ii) Rs.1300/- had been credited to M/S Ahmed Brothers instead of Rs.1200/-.
 - iii) Rs.50/- discount allowed to M/S Rahim Sons had been debited to their account.
 - iv) A Motor Van had been sold for Rs.3500/-. Cash account had been debited and sales account credited.
 - v) Merchandise taken by the proprietor for the personal use Rs.740/- had been omitted from the books.
 - vi) A cheque for Rs.1400/- received from M/S Rahim Sons, had not been credited to their account.
 - vii) The cost of new machinery Rs.6200/- had been debited to purchases account.
 - viii) A discount of Rs.12/- allowed to a customer was correctly recorded in the cashbook but omitted to Post Customer's Account.

- Required:**
1. Show the suspense account after the above errors had been bringing out the original difference in the book.
 2. Pass the necessary Journal entries.
 3. Prepare an adjusted profit and loss account. The net income arrived at was Rs.3750/-.