

ACCOUNTING

2007

Time: 3 Hours (REGULAR & PRIVATE) Max. Marks:100

NOTE: (i) Attempt any Five questions. (ii) All questions carry equal marks. (iii) Question No.6 is compulsory.

- 1.(a) (i) Give the rules of Debit and Credit in terms of increase and decrease. (04)
(ii) List in sequence the steps included in a complete accounting cycle. (04)
- (b) Write short notes on any Four of the following: (12)
(i) Owner's Equity (ii) Ledger (iii) Trial Balance
(iv) Debit (v) Expense (vi) Petty Cash

2. THE LEDGER AND THE TRIAL BALANCE: (20)

A trader started business on January 1st, 2007 by investing cash Rs. 60,000 and Equipment worth Rs. 40,000. During the month the following transactions were completed:

- (i) Purchased merchandise on credit Rs.40,000 and paid cartage on it Rs.2,000 cash.
(ii) Sold merchandise on credit Rs.18,000 & for cash Rs.10,000.
(iii) The customers returned merchandise of Rs.2,000 sold on credit and merchandise returned to suppliers worth Rs.3,000
(iv) Paid cash to suppliers Rs.10,000 and cash collected from customers Rs.15,000.
(v) Cash paid to employees Rs.6,000 and cash used by the proprietor Rs.3,000.

REQUIRED:

Record the above transactions in the General Journal.

3. ACCOUNTING FOR CASH: (20)

Record the following transactions in Cash Book:

حضرت جاہلیان فرماتے ہیں کہ ایک دن رسول اکرمؐ منبر پر تشریف فرما تھے، آپ نے تین مرتبہ امین کہا، صحابہؓ نے عرض کیا یا رسول اللہ! آج آپ نے خلاف معمول تین بار امین کہا ہے اس کی کیا وجہ ہے؟ نبی کریمؐ نے فرمایا ہاں حضرت جبرائیل علیہ السلام تشریف لائے اور انہوں نے کہ جس شخص کے والدین زعمہ ہیں ان میں سے ایک بھی زعمہ ہے اور وہ شخص ان کی خدمت سے محروم رہا، اسے اللہ اپنی رحمتوں سے محروم کر دے۔ میں نے کہا، آمین۔ پھر انہوں نے کہا جو شخص رمضان میں موجود ہو اور روزے نہ رکھے اللہ اسے اپنی رحمت سے محروم کر دے۔ میں نے کہا، آمین۔ پھر انہوں نے کہا تیرا وہ شخص جس نے آپ کا نام مبارک سنا اور رو دہ پڑھا اسے بھی اللہ اپنی رحمت و بخشش سے محروم کر دے۔ میں نے کہا، آمین۔

April 2007:

01. Akbar brings Rs.16,000 cash and deposits Rs.20,000 into bank to start his business.
03. Sold merchandise for cash Rs.3,000.
08. Purchased Equipment for cash Rs.8,000.
10. Received a cheque from a customer for Rs.2,940 after allowing 2% cash discount.
12. Deposited the cheque received on April 10.
20. Purchased a mobile phone by the owner for his personal use for cash Rs.2,000.
25. Purchased merchandise by cheque Rs.5,000.
28. Paid through cheque to a supplier Rs.3,920 in settlement of Rs.4,000.
29. Sold merchandise for cash Rs.2,500 and deposited Rs.2,000 into bank.
30. Paid rent, by cheque Rs.3,000 and salaries to employees cash Rs.6,000.

REQUIRED: Record the above transactions in Cash Book and balance the Cash Book.

4. SPECIAL JOURNAL: (20)

The following transactions are to be recorded in Special Journals:

- 01.4.07 Sold merchandise on credit to Sohail Sons Rs.2,000.
05.4.07 Sold merchandise on credit to Bashir Bros. Rs.4,000.
08.4.07 Sohail Sons returned merchandise worth Rs.250.
15.4.07 Sold merchandise on credit to Usman & Co Rs.5,000
20.4.07 10% allowance given to Bashir Bros, on defective goods of Rs.2,000 sold to him on April 5.
28.4.07 Sold merchandise on credit to Sohail Sons Rs.3,000.

REQUIRED:

- (i) Record the above transactions in appropriate journals.
(ii) Post the total of Special Journals to General Ledger giving posting references.

5. ACCOUNTING FOR CASH: (20)

A comparison of the bank column of the Cash Book and Bank Statement of a trader revealed the following for the month of March 2007:

(i) Balances (Cash Book)	Rs.10,200
(Bank Statement)	Rs. 4,115
(ii) Deposit in transit	Rs.12,000
(iii) Outstanding cheques	Rs, 5,500
(iv) Bank credited Rs.500 mark-up and debited Rs.85, bank charges not shown in the cash book	

- REQUIRED: (i) What is the correct Cash Book balance?
(ii) Prepare a Bank Reconciliation Statement.

6. FINANCIAL STATEMENTS: (20)

The following unadjusted balances are obtained from the ledger of a trader "EZ" for 3 months ended on March 31, 2007.

Cash Rs.5,000; Accounts Receivable Rs.27,000; Merchandise Inventory Rs.30,000; Unexpired Insurance Rs.3,000; Sales Rs.1,05,000; Purchases Rs.60,000; Sales Return & Allowances Rs.4,000; Purchase discount Rs.2,000; Accounts Payable Rs.12,000; "EZ" Drawing Rs.15,000; Unearned Rent Rs.12,000; General expenses Rs.2,000; Salaries expenses Rs.15,000; "EZ" Capital ?

ADJUSTMENT:

- (i) Merchandise inventory valued at Rs.25,000.
(ii) Insurance expired 1/3.
(iii) Unearned Rent 2/3.
(iv) Accrued salaries Rs.3,000.

REQUIRED: Prepare Income Statement and a Balance Sheet for the first quarter ended March 31,2007.

7. PERIODIC ADJUSTMENTS, CLOSING PROCESS: (20)

Pick up data from question No. 6.

REQUIRED: Prepare adjusting and closing entries in proper form

8.(a) CORRECTION OF ERRORS: (10)

- (i) Purchase Return of Rs.500 was credited to Purchase A/c.
(ii) Drawing of Rs.1,000 for personal use of the proprietor was debited to office expense account.
(iii) Sale of Office Equipment for Rs.2,000 was credited to sales account.
(iv) Rs.500 spent on the repair of computer was debited to computer accounts.
(v) Purchase of furniture for Rs.5,000 was wrongly debited to purchase account.

REQUIRED: Record entries in the General Journal to correct each of the above errors.

8.(b) COST OF GOODS SOLD: (10)

The following balances are taken from the books of Shah & Sons for the year ending Dec 31,2006.

Purchase	Rs.10,000
Purchase Return	Rs. 1,000
Purchase Discount	Rs. 500
Transport Expense	Rs. 1,200
Merchandise Inventory opening	Rs. 3,000
Merchandise Inventory ending	Rs. 2,000

REQUIRED: Prepare the statement of cost of goods sold.