



THE ANSWERS MUST BE ATTEMPTED ON THE ANSWER SHEET PROVIDED

- Q.1. Answer the following short questions. (10x3=30)
- i. Define scrap value of an asset?
 - ii. What is window dressing?
 - iii. Describe the term realization principle.
 - iv. What is accrual basis of accounting?
 - v. Describe the term inventory shrinkage?
 - vi. What is meant by cost principle in accounting?
 - vii. Define Accounting?
 - viii. What are different classes of assets?
 - ix. Enlist financial statements.
 - x. What is going concern assumption?

Answer the following questions. (3x10=10)

- Q.2 Daisy Inc. is a leading mail order retailer of personal computers. A recent financial report issued by the company revealed the following information:

Details	Amount
Merchandise inventory (beginning of the year)	Rs. 6 million
Merchandise inventory (end of the year)	Rs. 5 million
Net sales for the year	Rs. 15 million
Gross profit margin	11%

Required:

- a) Compute the company's cost of goods sold for the year.
- b) Approximately how much inventory did PC connection purchased during the year?
- c) What factors might contribute to the company's low gross profit margin?
- d) Discuss reasons why PC connection uses a perpetual inventory system.

(10)

- Q.3 Listed below are the transactions related to Naeem Super Store.

- a) Mr. Naeem started business with cash Rs. 3,00,000
- b) He purchased furniture for Rs. 15,000
- c) He purchased merchandise worth Rs. 75,000
- d) He purchased merchandise worth Rs. 40,000 on account.
- e) He bought office furniture for Rs. 22,500.
- f) He sold merchandise for Rs. 45,000 costing Rs. 37,500.
- g) Withdrew cash for personal use by the owner Rs. 4,500.
- h) He made additional investment Rs. 22,500 during the year.
- i) Cash paid to the accounts payable Rs. 37,500.
- j) Rent of building paid Rs. 3000.

Required: Show the above transaction in an accounting equation.

Q.4 Askari Property Management was started on November 1 by Adeel Ahmad to provide management services for the owners of apartment buildings. The organizational period extended throughout November and included the transactions listed below.

Nov. 1	Adeel Ahmad opened a bank account in the name of the business with a deposit of Rs. 25,000 cash.
Nov. 4	Purchased land and an office building for a price of Rs.140,000, of which Rs. 75,000 was considered applicable to the land and Rs. 65,000 attributable to the building. A cash down payment of Rs. 20,000 was made and a note payable for Rs.120,000 was issued for the balance of the purchase price.
Nov. 7	Purchased office equipment on credit from Harvard Office Equipment, Rs. 5,850.
Nov. 9	A typewriter (cost Rs. 490), which was part of the November 7 purchase of office equipment, proved defective and was returned for credit to Harvard Office Equipment.
Nov. 17	Sold one-third of the land acquired on November 4 to Lahore Parking Company at a price of Rs. 25,000. This price is equal to Beach Property's cost for this portion of the land, so there is no gain or loss on this transaction. Beach received a Rs. 5,000 cash down payment from Ace Parking Lots and a note receivable in the amount of Rs. 20,000, due in four monthly installments of Rs. 5,000 each, beginning on November 30.
Nov. 28	Paid Rs.1,600 in partial settlement of the liability to Harvard Office Equipment.
Nov. 30	Received cash of Rs. 5,000 as partial collection of the note receivable from Ace Parking Lots.

The account titles and account numbers to be used are;

Cash	Office equipment	Notes payable	Notes receivable
Land	Accounts payable	Adeel Ahmad, Capital	Building

Required:

- a) Prepare journal entries for the month of November.
- b) Post to ledger accounts of the three-column running balance form.
- c) Prepare a trial balance at November 30.