

PRACTICE QUESTIONS-ACCOUNTING CYCLE

1. Mr Yasir has started new business on 1st January 2015 and has incurred following transactions during the month of January:

Date	Transaction
1 -Jan-2015:	Brought cash in business as his startup capital Rs. 150,000.
1 -Jan-2015:	Borrowed Rs.40, 000 from th/e bank on an interest-free note.
4 -Jan-2015:	Purchased land for office for Rs. 25,000 cash.
6 -Jan-2015:	Purchased goods on account from Mr Tauheed for Rs. 160,000.
7 -Jan-2015:	Sold goods to Mr Ahmed on account for Rs. 300,000
9 -Jan-2015:	Paid this month's rent on a building, Rs. 2,800.
11-Jan-2015:	Collections of Rs. 2000 were made from Mr Ahmed.
15-Jan-2015:	Salaries amounting to Rs.3, 000 were paid to workers.
17-Jan-2015:	A bill for Rs. 400 was received for utilities for this month.
25-Jan-2015:	Sold goods for Rs. 300,000 cash to general public.
31-Jan-2015:	Paid cash Rs. 2,000 to Mr Tauheed.

Required: Prepare journal entries for these transactions, post the journal entries to ledger accounts and also prepare trial balance.

Practice Questions (Accounting Cycle)

Q1) a) Cash 150,000
Capital 150,000
(brought Cash to business)

b) Bank 40,000
loan 40,000
(borrowed Cash from bank)

c) Land 25,000
Cash 25,000
(Bought land on Cash)

d) Inventory 160,000
Accounts payable 160,000
(Bought goods on account)

e) Accounts Receivable 300,000
Sales 300,000
(Sold goods on Credit)

Rent expense 2800
Cash 2800

g) Cash 2000
Account receivable 2000
(Collection from Ahmed)

h) Salary Expense 3000
Cash 3000
(Salary Paid to workers)

i) Utilities Expense 400
Utilities Payable 400
(Received Bill of utilities)

j) Cash 300,000
Sales 300,000
(Sales on Cash)

k) Account Payable (Tahmed) 2000
Cash 2000
(Cash Paid to Tahmed)



Capital Account

Bal c/d 150,000	1-4-15 Cash 150,000
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Land A/c

4-1-15 Cash 25000	31-1-15 bal c/d 25000
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Purchases A/c

6-1-15 Tauheed (Acc Payable) 160,000	31-1-15 Bal c/d 160,000
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Loan A/c

1-15 Cash 40,000	31-1-15 Bal c/d 40,000
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Sales A/c

1-15 Credit Sales 300,000	31-1-15 Accounts Receivable 300,000
1-15 Cash Sales 300,000	31-1-15 Cash 300,000
<u>600,000</u>	<u>600,000</u>

Rent Expense A/c

1-1-15	Cash	2800	1-1-15	Rent Bal c/d	2800
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Accounts Receivable A/c (Ahmed)

1-1-15	Sales	300,000	11-1-15	Cash	2000
			31-1-15	Bal c/d	298000
		<u>300,000</u>			<u>300,000</u>

Salaries Expense A/c

15-1-15	Cash	3000	31-1-15	Bal c/d	3000
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Utilities A/c

1-1-15	Utilities Payable	400	31-1-15	Bal c/d	400
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Accounts Payable (Tawheed)

5-1-15	Cash	2000	6-1-15	Purchases	160,000
31-1-15	Bal c/d	158,000			
		<u>160,000</u>			<u>160,000</u>

Cash A/c

Capital A/c	150,000
Loan A/c	40,000
Sales	300,000
Acc Receivable	2,000
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	492,000

Land A/c	25,000
Rent Exp	2,800
Salaries Exp	3,000
Acc Payable	2,000
Balance	459,200
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	492,000

Trial Balance

Particulars	Dr.	Particulars	Cr.
Cash A/c	459,200	Capital A/c	150,000
A/c receivable	2,000	Loan A/c	40,000
Land A/c	25,000	Acc Payable	2,000
Rent exp	2,800	Utilities Payable	400
Salaries exp	3,000	Sales (cash)	300,000
Purchases	160,000	Credit Sales	300,000
Utilities Exp	400		
Total	948,400	Total	948,400

9. The following is the Trial Balance on 30th June 2014 of MT Manufacturing Company (Limited).

Particulars	Rs. 000	Particular	Rs. 000
Plant and equipment	705,000	Provision for doubtful debts	4,000
Furniture	200,000	Dividend payable	12,000
Free-hold land	500,000	Interest income	2,000
Opening stock	930,000	Capital	682,000
Purchases	1,408,000	Accounts payable	12,000
Building	250,000	Revaluation reserves	50,000
Discount allowed	80,000	Long-term loan	50,000
Salaries	117,000	Accumulated depreciation	5,000
Customs duty	13,000	Credit Sales	2,300,000
Clearing charges	12,000	Cash sales	1,100,000
Motive power	11,000	Discount received	40,000
Sundry debtors	22,000	Dividend income	50,000
Bad debts	90,000	Purchases return	31,000
Total	4,338,000	Total	4,338,000

- (1) Provide depreciation on fixed assets except land at 10% using reducing balance method of depreciation.
- (2) Provision for doubtful debts is to be maintained at 5%.
- (3) Salary for Rs. 500 has been wrongly debited to the account of customs duty.
- (4) Wages and salaries outstanding Rs.22, 000 and 15,000 respectively.

(59) Adjustments

1) Depreciation Expense 70,500
 Accumulated dep account 70,500
 (To record depreciation on Plant and Equipment)

2) Depreciation Expense 20,000
 Accumulated dep A/c 20,000
 (To record depreciation on Furniture)

3) Bad debt Expense A/c 1100
 Provision for bad debt A/c 1100

4) Customs duty 500
 Salary 500
 (To correct Salary wrongly debited to Customs duty)

5) Wages Expense A/c 22000
 Wages Payable A/c 22000

Salaries Exp A/c 15000
 Salaries Payable 15000

Adjusted Trial Balance

Particulars	Dr	Particulars	Cr
Plant and Equipment	705,000	Provision for doubtful debt	51,000
Furniture	200,000	Dividend Payable	12,000
Free-hold Land	500,000	Interest Income	2,000
Opening Stock	930,000	Capital	682,000
Purchases	1,408,000	Account Payable	12,000
Building	250,000	Revaluation Reserves	50,000
Discount allowed	80,000	Long-term loan	50,000
Salaries	1,32,500	Acc. depreciation	120,500
Customs duty	12,500	Credit Sales	2,300,000
Clearing charges	12,000	Cash Sales	1,100,000
Motive Power	11,000	Discount received	70,000
Sundry debtors	22,000	Dividend Income	50,000
Bad debts	91,100	Purchases Return	31,000
Depreciation Exp	45,000	Salaries Payable A/c	15,000
Wages	1,15,500	Wages Payable A/c	22,000
	22,000		
Total	4,991,600	Total	4,991,600