

Assignment

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Section: (A)

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**Subject:** Principle ofAccounting

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Q:1)

Distinguish between Partnership and Corporation.

Difference between:

**1)Partnership**

**2)Corporation**

Partnership:

Partnership is a form of business. Where two or more people share the ownership of the business. They have equal responsibility to managing the business. They all share the income and losses that business generate equally among them. They pay the taxes of the business equally from the income which they get from the business.

**Corporation:**

Corporation is a form of business in which two or more companies work together to achieve their goals. The tax of the corporations paid separately by the stakeholders. The transferability of corporate ownership, together with professional management gives corporations a greater continuity of existence than other form of organizations. Incorporation the top management is the board of directors. These directors are elected by the stockholders and are responsible for hiring other professional managers and to make new policies for the corporation. They also manage the finance of the corporation and distribute the profit of the corporation between its stockholders.

Q:2)

Distinguish among a general partnership, limited partnership and a limited liability partnership?

Difference between:

**1)General partnership**

**2)limited partnership**

**3)limited liability partnership**

1)General Partnership:

General partnership is a business. In which is two or more people are agree to share in all assets of the business. Like profit, loss and legal liability of the business among them. They can also manage the business equally. They have unlimited liabilities.

2) limited Partnership:

Limited partnership is a type of business. Which consist of two or more partners but in them one or two are limited partners. They have limited liability. They are liable only liable up to amount of their business.

3)Limited liability partnership:

Limited liability partners is a type of business. Which consist of two or more partners but some all partners have limited liability of partnership or corporation. In limited liability partnership each partner is not responsible for the misconduct and negligence of other partners.

Q:3)

Why we need adjusting entries? Define type of adjusting entries.

Why we need adjusting entries:

Adjusting entries are used for the measuring and making financial statement of the business by the life of the business into accounting period. By measuring the income /expenses of the business in a short time period it consists a problem. Some transection affect the income or expenses of a short accounting period. That’s why adjusting entries are needed at the end of the accounting period to solve the problems consist in accounts.

Types of adjusting entries:

**1)Accrued income**

**2)Accrued Expenses**

**3)Deferred income**

**4)Prepaid Expenses**

**5)Depreciation**

**Accrued income:**

It’s a type of income which have been earned by the business/organization but it is not received yet. Its in pending with other companies/parties.

**Accrued expense:**

It’s a type pf expense of business which have been Accrued but not yet paid. Expense must a be recorded in accounting period but it not paid its accrued.

**Deferred income:**

It’s a type of income. Which we have received by the customer. But actually we have not earned this income. Because we haven’t delivered the goods to the customer.

**Prepaid Expenses:**

Prepaid expenses is a expense which you have paid in the advance for the delivery of goods to be received in future.

Depreciation:

It’s a type of expense which is faced by the company or organization when the product get older or wear or tear occurs or some time the decline of the currency occur this type of loss or expenses is known as depreciation.

**Q:4)**

On 2nd July 2010, Delta Company acquired a new machine with an estimated useful life of 5 years. Cost of equipment was $75,000 with $5,000 residual value. Calculate the amount of depreciation under each of the three depreciation methods listed below.

**1)Straight-Line**

**2)decline balance**

**3)MACRS**

**ANSWER**

**July 2nd 2010 life = 5years**

**Cost = 75000 Rv = 5000**

1. **Straight line**

|  |  |
| --- | --- |
| **NO OF YEARS** | **DEP** |
| **July – Dec (2010)** | **14000 x ½ =7000** |
| **Jan – Dec (2011)** | **14000** |
| **Jan – Dec (2012)** | **14000** |
| **Jan – Dec (2013 )** | **14000** |
| **Jan – Dec (2014)** | **14000** |
| **Jan –July (2015)** | **7000** |

**DEP = Cost - Residual value**

**Useful life**

**= 75000-5000**

**5**

**= 70000 = 14000**

**5**

1. **Double declining method**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **BOOK VALUE** | **DECILINING BALANCE** | **ACC. DEP** |
| **July – Dec 2010** | **75000 (40%) ½** | **15000** | **15000** |
| **Jan-Dec 2011** | **60000 (40%)** | **24000** | **39000** |
| **Jan – Dec 2012** | **36000 (40%)** | **14400** | **53400** |
| **Jan-Dec 2013** | **21600 (40%)** | **8640** | **62040** |
| **Jan-Dec 2014** | **12960 (40%)** | **5184** | **67224** |
| **Jan-Dec 2015** | **7776 (40%) ½** | **1555** | **70000** |

**Residual value =5000**

**Dep rate = 1 x 100 = 1 x 100**

**Useful life 5**

**Rate = 20 % x 2 = 40 %**

1. **MACRS**

**YEAR DEP RATE**

1. **20 %**

**2 32%**

**3 19.20%**

**4 11.52 %**

**5 11.52 %**

**6 5.76 %**

|  |  |  |
| --- | --- | --- |
|  | **YEAR** | **DEP BALANCE** |
| **1** | **July-Dec 2010** | **75000 x 20 % = 15000** |
| **2** | **Jan-Dec 2011** | **75000 x 32 % = 24000** |
| **3** | **Jan-Dec 2012** | **75000 x 19.20 % = 14400** |
| **4** | **Jan-Dec 2013** | **75000 x 11.52 % = 8640** |
| **5** | **Jan-Dec 2014** | **75000 x 11.52 % = 8640** |
| **6** | **Jan – July 2015** | **75000 x 5.76 % = 4320** |