IQRA NATIONAL UNIVERSITY

NAME UZAIR ILYAS

ID 14934

SUBMITTED TO SIR QUAID IQBAL

Q 1

Ans Giuon Data

 Cost of Machine $75,000

 Residual Value 5,000

 Useful Life 5 Years

1) Straigh-line :

 Dept. Cost - S.V = 7,5000 - 5,000

 Useful life 5

 70,000 = 14,000

 5 years

 Depreciation under straight-line is Rs: 14,000

2) Double Declining Balance

 Depreciation rate = 20% (1 / 5 years)

 Doubling the straight-line rate = 20% X 2 = 40%

 Years Computation

Depreciation

BV

 0 75,000

 1 75,000 x 40% 30,000 45,000

 2 45,000 x 40% 18,000 27,000

 3 27,000 x 40% 10,800 16,200

 4 16,200 x 40% 6,400 9,720

 5 9,7200 x 40% 3,888 5,832

3) Macrs

5 years depr. rate

= 20%, 32%, 19.20%, 11.52%, 11.52%, 5.76%

 Years Computation

Depreciation

Book Value

 0 75,000 75,000

 1 75,000 x 20% 15,000 60,000

 2 75,000 x 22% 24,000 36,000

 3 75,000 x 19.20% 14,400 21,600

 4 75,000 x 11.52%% 8,640 12,960

 5 75,000 x 11.52%% 8,640 4,320

Q2

Ans Why make adjusting entries?

When you make an adjusting entry, you’re making sure the activities of your business are recorded accurately in time. If you don’t make adjusting entries, your books will show you paying for expenses before they’re actually incurred, or collecting unearned revenue before you can actually use the money.

So, your income and expenses won’t match up, and you won’t be able to accurately track revenue. Your financial statements will be inaccurate—which is bad news, since you need financial statements to make informed business decisions and accurately file taxes.

Types of Adjusting Entries:

Generally, there are 4 types of adjusting entries. Adjusting entries are prepared for the following:

Accrued Income – income earned but not yet received

Accrued Expense – expenses incurred but not yet paid

Deferred Income – income received but not yet earned

Prepaid Expense – expenses paid but not yet incurred

Adjusting entries are also made for:

Depreciation

Doubtful Accounts or Bad Debts, and other allowances.

Q3

Ans General Partnership :

A general partnership involves two or more owners carrying out a business purpose. General partners share equal rights and responsibilities in connection with management of the business, and any individual partner can bind the entire group to a legal obligation. Each individual partner assumes full responsibility for all of the business's debts and obligations. Although such personal liability is daunting, it comes with a tax advantage: partnership profits are not taxed to the business, but pass through to the partners, who include the gains on their individual tax returns at a lower rate.

Limited Partnership :

A limited partnership allows each partner to restrict his or her personal liability to the amount of his or her business investment. Not every partner can benefit from this limitation -- at least one participant must accept general partnership status, exposing himself or herself to full personal liability for the business's debts and obligations. The general partner retains the right to control the business, while the limited partner(s) do(es) not participate in management decisions. Both general and limited partners benefit from business profits.

Limited Liability Partnership :

Limited liability partnerships (LLP) retain the tax advantages of the general partnership form, but offer some personal liability protection to the participants. Individual partners in a limited liability partnership are not personally responsible for the wrongful acts of other partners, or for the debts or obligations of the business. Because the LLP form changes some of the fundamental aspects of the traditional partnership, some state tax authorities may subject a limited liability partnership to non-partnership tax rules. The Internal Revenue Service views these businesses as partnerships, however, and allows partners to use the pass through technique

Q4

Ans: A partnership is formed with at least two individuals who want to do business together and share the ownership, profits, and liabilities of the business.

While a corporation is owned by shareholders and can be formed for profit or for non-profit. If the business is for profit, the profits are reinvested in the business and then divided among shareholders as dividends