NAME; SYED RAUF

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Module Leader: Quaid Iqbal **Module: Cost Accounting**

Spring Semester 2020 **Time:09:00pm to 03:00pm**

Online Assignment (50 Marks) **Best Of Luck**

Instructions: These questions should be solved and submitted in PDF or MS World format

(30 Marks)

Q1: 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) Double decline
3) MACRS

Part 1:-

⇒ straight line method:

→ Assets cost - 75,000
→ Residual value - 5000
→ Useful life - 5 years.

solution:-

$$\Rightarrow \frac{\text{Assets cost} - \text{Residual value}}{\text{Useful life}}$$

$$\Rightarrow \frac{75{,}000 - 5{,}000}{5}$$

$$\Rightarrow \boxed{14{,}000}$$

Part 2:-

⇒ Double declining method:

Year	Begining year Book value	Depreciation	Book value Ending year
1	75000	14000	61,000
2	61,000	14000	47,000
3	47,000	14000	33,000
4	33,000	14000	19000
5	19000	14000	5000

Part 3 :-

⇒ MACRS : Modified Accelerated Cost Recovery System.

1.	MACRS system	
2.	Property class	5 years
3.	Date placed in service	2nd June 2020.
4.	Recovery Period	5 years
5.	Depreciation rate	.14000
6.	Cost of Assets	75000
7.	Business Investment use	100 %
8.	multiply line 7 by line 6	75,000
9.	Total claimed for section 179 deduction and other items.	-0-
10 -	subtract line 9 from line 8	75,000
11 -	multiply line 10 by (.50) if the 50% special depriciation allowance applies.	-0-
12 -	Subtract line 11 from 10 This is your basis for deprication	75,000
13.	Depreciation rate	.14000
14.	multiply line 13 by 12. This is your MACRS depreciation.	$\boxed{10,500}$

Q2: Why we need adjusting entries? Define types of adjusting Entries.

Ans;

Adjusting entries are necessary because a single transaction may affect revenues or expenses in more than one accounting period and also because all transactions have not necessarily been documented during the period.

Types of adjusting entries;

1. Accrued revenues;

Revenues have been earned .but the sales invoices have not yet been processed.

2. Accrued expenses;

Expenses and the related payables have been include , but the vendors invoices have not been completely processed.

3. Deferred revenues;

Money was received in advance of having been earned.

4. Deferred expenses;

Money was paid for a future expense.

5. Depreciation expenses;

An assets was purchased in one period but its cost must be allocated to expense in each of the accounting periods of the assets useful life.

Q3. Distinguish between general partnership and limited partnership;

A limited partnership is a relationship where one or partners are not involved in the day-to –day management of the business.

A general partner may invest money into the company. However, a general partner may also be personally liable for the debts of the company, while the limited partner is not.

Limited liability partnership;

A limited liability partnership is a partnership in which some or all partners have limited liabilities. . it therefore can show elements of partnership and corporations. In an LLP, each partner is not responsible or liable for another partner wrongdoing or negligence.

Q4. Distinguish between partnership and corporation;

A partnership is a business in which two or more individuals share ownership.

A corporation is an independent legal entity owned by shareholders, in which the shareholder decides on how the company is run and who manages it.