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Subject: accounting 2nd semester

Q1: On 2nd July 2010 Date company acquired a new machine with an estimated useful life of 5 years .Cost of equipment was $75000 residual value. Calculate the amount of depreciation under each of the three depreciation methods listed below.

1. Straight line
2. Double decline balance
3. MACRS

ANS

1. Straight line

Annual depreciation expanse = (COST OF ASSESTS VALUE) / (USEFUL LIFE OF THE ASSESTS)

= (75000-5000)/5

=14000depreciation on 2nd July 2010

Now calculate NBV (net book value)…(cost depreciation of value)=NBV

(75000-14000)=61000 NBV on 2nd July 2010

1. Double decline balance

First divide 100% by 5 years=100%/5=20%

Multiply 40% by total cost =40% 75000=30000

1. MACRS

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

ANS: Before financial statements are prepared additional journal entries called adjusting entries are made to ensure that the company financial records adhere to the revenue recognition and matching principal. Adjusting entries are necessary because a single transaction may affect revenues or expenses in more than one accounting period and also because all transaction have not necessarily been documented during the period

Types of adjusting entries:

We will sort the adjusting entries into five categories.

1. Accrued revenues: Revenues (and the related receivables) have been earned but the sales

Invoices have not yet been processed.

1. Accrued expenses: Expenses (and the related payables) have been incurred but the vendors

Invoices have not been completely processed.

1. Deferred revenues: Money was received in advance of having been earned.
2. Deferred expenses: Money was paid a future expense.
3. Depreciation expense: An assed 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 among a general partnership limited partnership and a limited liability partnership?

ANS: General Partnerships:

A general partnership is the most common type of partnership. It refers to a relationship in which all partners contribute to the day to day management of the business. Each partner will have the authority bind the company contracts.

Limited partnership:

A limited partnership is a relation where one or more partners are not involved in the day to day management of the business. Often a limited partner sometime known as a silent partner will serve solely as an investor in the business with the funds that they contribute being the extent of their liability

Limited liability partnership:

A fourth the limited liability limited partnership (LLLP) is not recognized in all states there are often

Distinct reasons why business owners choose each of these partnership types which are explained below.

Q4: Distinguish between partnership and corporation?

ANS: Corporation and partnerships differ in their structures with corporation being more complex and including more people in the decision making process a corporation is an independent legal entity owned by shareholders in which the shareholders decide on how the company is run and who manages it a partnership is a business in which two or more individuals share ownership.

In general partnership all management duties expenses liability and profits are shared between two or more owners in limited partnerships general partners share ownership responsibilities and limited partner serve only as investors.