**Name: Fahad Aziz Subject: Principle of accounting**

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**BBA/sec-B**

**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 balance**

**3) MACRS**

**ANS 1)**

***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

**2) 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 %

3) 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 |

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

**ANS 2**) Editing entries is a change to the journal entries you are about to record. Specifically, they make sure that the numbers you have recorded correspond to the relevant accounting times.

Magazines track how money goes - how it goes into your business, leaving it, and moving between different accounts.

EXAMPLE OF KEEPING SIGNS

In August, you pay the customer $ 5,000 for the services you provide. They will pay you in September.

In August, you record that amount in accounts receivable - such as the amount you expect to receive. Then in September, record the money as a deposit into your bank account.

Fixed entries are required because a single transaction may affect cash or expenses in more than one accounting period and because all transactions are recorded at a time.

The main purpose of modifying entries is to update accounts to fit the accumulation concept. At the end of the accounting period, receivables and expenses may not be written down, deducted or renewed; that is why there is a need to update accounts.

If entries are not adjusted, their receivables, expenses, accounts and credit accounts may not reflect their true values ​​when reported in the financial statements. For this purpose, adjusting entries is required.

**DETERMINATION DATE**

There are usually four types of switches included the configuration entries are configured for the following

**1) GETTING THE WAY**

* Revenue received but not received

**2) TEST SCOPE**

* Explanation entered but not paid

**3) VERY DEFERRED**

* Revenue received but not received

**4) PREPAID EXPANSE**

* The descriptors have been paid for but not yet done
* Installation adjustments are also performed
* 0Descending
* Doubtful accounts and other benefits

**Q3: Distinguish among a general partnership, limited partnership and a limited liability partnership?**

**ANS 3)** If you're going into business with someone, you might consider structuring your company as a general partnership. This is a type of business agreement made between two or more individuals who agree to share all assets, profits and liabilities of the business.

Because of its simplicity and tax benefits, a general partnership is one of the most common legal business entities. However, it's important to note that each partner is personally responsible for the business, including debts and lawsuits, and is held liable for the actions of their partner(s).

Below, we examine the main benefits and disadvantages of a general partnership and outline whether this type of business structure is right for you.

**Benefits of a general partnership**

**Going into business with another person (or more) is already very advantageous**. After all, two heads are better than one, and having a business partner can double your resources, availability and reach. Here are three key benefits of a general partnership:

**Easy to establish**. Similar to establishing a sole proprietorship, you don’t need to file any forms with the state to start a general partnership; all you need is a verbal agreement with your partners. Because you don’t have to file paperwork, setting up a general partnership is relatively inexpensive.

**Simplified taxes.** General partnerships benefit from pass-through taxation, where taxes on the business’ profits or losses pass through the business entity directly to the business owners’ personal taxes. Other business structures, like corporations, must pay taxes twice first on a business level, and second on a personal level.

Easy to dissolve. In the event business owners need to close their business for any reason, such as one partner files for bankruptcy or one wants to retire, dissolving a general partnership is easy.

**Disadvantages of a general partnership**

Although general partnerships have strong advantages, there are disadvantages to consider before forming this type of legal entity. These are the two main disadvantages of a general partnership

**Personal assets aren’t protected**. Unlike corporations, general partnerships are not considered separate business entities. This means the partners are not protected from lawsuits brought against the business. Additionally, personal assets may be seized to cover unpaid debts.

**Partners are liable for each other**. Each partner is liable for the others’ actions and debts, which makes it the riskiest part to starting a general partnership — and also means it’s very important to know the people you plan to go into business with.

**Limited partnerships**

Limited partnerships have average partners and limited partners. Limited partners in a relationship tend to be investors with no daily obligations such as ordinary partners in a partnership company.

Benefits of a Limited Partnership

**Tax benefits** as a general partnership, the gain and loss of a limited partnership goes through the business to the partners, all of whom are taxed on their income. The difference is that the limited partners in the relationship get to share profits and losses, but they do not have to participate in the business itself.

**Credit limits** the limited liability of a partnership debtor is limited to the amount of money or assets that each participant contributes to the partnership. This is not the case with a general partnership, where the money or assets donated become the property of all the partners

**Normal partners manage** through limited partnerships, general partners face day-to-day operations and obligations and do not have to consult limited partners for many business decisions.

**No cash flow issues** Limited partners may be replaced or left without ending the limited partnership.

**Investment opportunities** Limited partnerships are a great way to give investors the opportunity to profit and lose your business without getting them involved in the business.

**The disadvantages of making limited partnerships are:**

**Risks to ordinary partners** with limited partnerships, general partners should take responsibility for all liabilities and business obligations. When a company issues or enters bankruptcy, all liabilities and liabilities are the responsibility of the general partners.

**Compatibility challenges** Standard partnerships do not require less paperwork than a company, but because in reality, you have investors (limited partners), you still have to hold annual meetings and create a detailed partnership agreement.

**LIMITED LIABILITY PARTNERSHIP**

Similar to the LLC, LLP provides each of its partners with limited credit protection, as well as the ability to manage the business directly. However, unlike the LLC, organizations that partner with LLP are solely responsible for their actions and cannot be blamed for the negligence of some of our partners.

**Q4: Distinguish between partnership and corporation?**

**ANS 4)** when starting a business, one of the first decisions you will face is what type of business to sign up for. The type of business you decide on will affect your tax, credit and company performance. If you do not choose which business structure to choose, examining the five major differences between an organization and a partnership can help you make the right decision for your business.

**BEHAVIOR**

* A partnership is made up of at least two individuals who want to do business together and share ownership, profits, and business debt.
* Collectively, owners are at risk if something goes wrong. Through an organization, owners are often protected.
* Partnerships are easier to establish and have less paperwork, legal requirements, and tax obligations than business ones.

**TEST**

An organization is a shareholder and may be for profit or non-profit. When a business makes a profit, the profit is returned to the business and then divided by the shareholders as dividends

* Apple is an organization

A company is an independent legal entity owned by shareholders, where shareholders decide how the company is run and owned.