Name	Faisal Badori	Course	Principles of Accounting
Roll	16687	Teacher	Mir. Quaid Iqbal
Program	B.B.A	Section	B

Answer of question number four (4):

Distinguish between partnership and corporation

- **Partnership:**

Partnership is an unincorporated business it owned by two or more partners. A partnership often referred to as firm

Partnership are least common form of business organization probably because they often wind up with too, any bosses.

However, they are widely used for professional practice; such as a medicine; law and public accounting.

And partnership also is used for many small businesses, especially those that are family owned. most partnership are small business but certainly not all.

A partnership is an arrangement where parties, known as business partners, agree to cooperate to advance their mutual interests. The partners in a partnership may be individuals, businesses, interest-based organizations, schools, governments or combinations. Organizations may partner to increase the likelihood of each achieving their mission and to amplify their reach. A partnership may result in issuing and holding equity or may be only governed by a contract.

Corporation:

A corporation is legal entity having existence sprat and distinct from that of its owners. The of corporation are called stockholders (or shareholders). And their ownership is evidenced by transferable share of capital stock
And corporation is more difficult and costly to form then other types of organization.
The corporation must obtain charter from the state in which it is formed, and it must receive authorization from that state to issue share of capital stock. the formation of a corporation usually requires the services of attorney.
And as separate legal entity, a corporation may own property in its own name. the assets of corporation belong to the corporation itself, not to the stockholders. A corporation has a legal status in the court it may use as it were a person. As a legal entity, a corporation may enter into contract, is responsible for it own debts, and pay income taxes on its earnings

A corporation is a legal entity that is separate and distinct from its owners.1 Corporations enjoy most of the rights and responsibilities that individuals possess: they can enter contracts, loan and borrow money, sue and be sued, hire employees, own assets, and pay taxes. Some refer to it as a "legal person

A partnership is the default business structure for a company with multiple owners. In a partnership, co-owners report their share of the business's income and losses on their personal tax returns. **A corporation,** which is formed by filing articles of incorporation, is a legally separate business entity owned by shareholders. An elected board and board-appointed officers manage the corporation.

Answer of question number three (3):

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

- **General partnership:** In general partnership, each partner has right and responsibilities similar to those of a sole proprietor. For example. Each general partner can withdraw cash and many other assets from the business at will. Also, each partner has the full authority of an owner to negotiate contracts binding upon the business. The concept is called mutual agency every partner has unlimited personal liability for debts of firm.
  Combining the characteristics of unlimited personal liability and mutual agency makes a general partnership a potentially dangerous form of business organization.
  Assume, for example you enter into general partnership with tom jones. You agree to split profits and losses "50/50" while you are on vacation, jones commits the partnership to a contract that it simply does not have the resources to complete. Your firm's failure to complete the contract causes large financial losses to the customer. The customer sues your firm and is awarded a judgment of $5million by the court jones has few financial resources and declares personal bankruptcy. The holder of the judgment against your firm can hold you personally liable for the whole $5million. The fact that you and jones agreed to split everything "50/50" does not lessen your personal liability to your firm's creditors. You may have a legal claim against jones for his half of debt. But so, what? Jones is bankrupt.
  In summary general partnership involve the same unlimited personal liability as sole proprietorship. This risk is intensified, however because you may be held financially responsible for your partner's action as well as for your own.

  A general partnership is a business established by two or more owners. It is one of three ways of organizing a business in Canada. The other two are: Sole proprietorship and incorporation. Each of these has its own operational, accounting, tax and legal requirements.

Limited partnership:

A limited partnership has one or more general partners and one or more limited partners. The general partners are partners in the traditional sense, with unlimited personal liability for the debt of the business and the right to make managerial decision. The limited partners are basically passive investors. They share in the profits and losses of the business, but they don't participate actively in management and are not personally liable for debts of the business. Thus, if the firm "goes under" the losses incurred by the

limited partners are limited to the amounts they have invested in the business.
A limited partnership (LP) is a form of partnership similar to a general partnership except that while a general partnership must have at least two general partners (GPs), a limited partnership must have at least one GP and at least one limited partner.[1] Limited partnerships are distinct from limited liability partnerships, in which all partners have limited liability.

- ## Limited liability partnership:

A limited liability partnership is a relatively new form of business organization. State traditional have required professional, such as doctors, lawyers and accountants, to organize their practices either as sole proprietorship or as partnership, the purpose of this requirement was to ensure that these professional had unlimited liability for their professional activities.
Over the years, many professional partnerships have grown in size. Several pubic accounting firms, for example, now have thousand of partners and operate in the countries all over the world. Also, lawsuits against professional firm have increased greatly in number an in-dollar amount. To prevent these lawsuits from bankrupting innocent partners, the concept of the limited liability partnership has emerged. In this type of partnership, each partners his unlimited personal liability for his or her own professional activities, but not for the action of other partners. Unlike a limited partnership, all of the partners in a limited liability partnership may participate in management of the firm.

A relatively new concept introduced by SECP in May 2018, namely Limited Liability Partnership (LLP) is a form of business having status of a legal entity separate from its partners. LLP combines the flexibility of a general partnership and the advantages of limited liability of a company at a low compliance cost. In other words, it is an alternative corporate business vehicle that provides the benefits of limited liability of a company, but allows its members the flexibility of organizing their internal management on the basis of a mutually arrived agreement, as is the case in a general/ conventional partnership firm.

Answer of question number three (1):

Information:

Cost of equipment = $75000

Useful life = 5 years

Scrap value = $5000

1. Straight line method:

Solution:

$$\frac{\text{Cost - residual value}}{\text{Useful life}}$$

75000-5000 / 5years = 14000 depreciation charged every year

1. 14000/year
2. 14000/year
3. 14000/year
4. 14000/year
5. 14000/year

STRAIGHT LINE METHOD				
Year	Computation	Depreciation Expense	Accumulated Depreciation	Book value
				$75000
1st	7000x1/5x1/2	$7000	$7000	$68000
2nd.	70000x1/5	14000	$21000	$54000
3rd	70000x1/5	14000	$35000	$40000
4th	70000x1/5	14000	$49000	$26000
5th	70000x1/5	14000	$63000	$12000
6th	7000x1/5x1/2	$7000	$70000	$50000
		Total 70000		

DOUBLE DECLINING METHOD				
Year	Computation	Depreciation Expense	Accumulated Depreciation	Book value
				$75000
1st	75000x40%	30000	30000	45000
2nd.	45000x40%	$18000	48000	27000
3rd	27000x40%	10800	58800	16200
4th	16200x40%	6480	65280	9720
5th	9720x40%	4720	70000	5000
		Total 70000		

MACRS METHOD

Year	Computation Cos x Rate IRS Table	Depreciation Expense	Accumulated Depreciation	Book value
				$60000
1st	$75000x20%	$15000	$15 000	
2nd.	75000x32%	$24000	39000	36000
3rd	75000X19.20%	14400	53400	21600
4th	75000x11.52%	8640	62040	12960
5th	75000x11.52%	8640	70680	4320
6th	75000x5.76%	4320	75000	
		Total=$75000		

Answer of question number three (2):

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

THE NEED FOR ADJUSTING ENTREIS:

We need adjusting entries for measuring income and financial statements the life of a business consists of series of accounting periods this practice enable decision makers to compare the financial statement of successive period of and to identify significant trends.

But measuring the net income of a relatively short accounting period poises a problem some transaction effect the revenue or expense of a more than one period there for adjusting entire are needed ate the end of each period the purpose of these entries is assign to each period the appropriate amount revenue and expense.

For example:

Magazine publisher often sell two or three years of subscriptions to their publicans at the end of each accounting period these publisher make adjusting entries recognizing the portion of their advance receipt earn during the current period most companies own depreciable asset at the end of each period these companies make adjusting entire to allocate part of the cost of these assets to depreciation expense. In a summary adjusting entries are need whenever transaction effect the revenue or expense of more than one accounting period these entries assign revenue to the period in which they are earned and expense to the period in which the related goods or service are used.

In theory a business could make adjusting entries on a daily base but a practical matter these entries are made only at the end of each accounting period thus adjusting the accounts is an end of the period procedure associated with the preparation of financial statement.

Types of adjusting entries:

The exact number of adjustment needed at the end of each accounting period depends on the nature of the company's business activities however most adjusting entries fall into one of four general categories.

1. Entries to opportion costs:

A cash expenditure (or cost) that will benefit more than one accounting period usually is recorded by debating an asset account.

For example:

Supplies, unexpired insurance and so on and by crediting cash in each future period that benefits form the use of this asset and adjusting entry is made to allocate a portion of the asset's cost to expense this adjusting entry by debating the appropriate expense account.

For example: supplies expense, insurance expense and crediting the asset account

2. Entries to opportion unearned revenue:

A business may collect cash in advance for services to be given in future accounting periods this type of transactions are recorded by debating cash in by crediting liability account.
In the period the services are given, and adjusting entry is made to record the portion of revenue earned during the period.
The adjusting entry is recorded by debating unearned revenue and by crediting revenue earned for the value of the services given.

3. Entries to record unrecorded expenses:

In expense may be incurred in the current accounting period even though no bill has been received and no cash payment will accrue until a future period these accrued expenses are recorded by an adjusting entry made at the end of the accounting period the adjusting entry is recorded by debating the appropriate expense account (for example: interest expense, salary expense) and by crediting the related liability.

4. Entries to record unrecorded revenue:

Revenue may be earned during the current period but not yet be collected or recorded in the accounting records.
Revenue earned for which no cash has been collected is recorded by an adjusting entry made at the end of the accounting period.
The adjusting entry is recorded by debating accounts receivables and by crediting revenue earned.