

Objective Type

Principles of Accounting	Inter (Part - I)	L.K. No. 1038	Paper Code No. 6701
Paper: I (1st - A - 2023)	Time: 30 Minutes	Marks: 20	Session (2020-22) to (2022-24)

Note: Four possible choices A, B, C, D to each question are given. Which choice is correct fill that circle in front of that Question No. Use Marker or Pen to fill the circles. Cutting or filling two or more circles will result in Zero Mark in that Question.

01	20
1	All economic resources owned by an organization are called its: (A) Capital (B) Assets (C) Liabilities (D) Incomes
2	Saleable goods brought in a business are called: (A) Sales (B) Purchases (C) Income (D) Liabilities
3	Goods taken away by the proprietor should be credited to: (A) Capital Account (B) Drawings Account (C) Purchases Account (D) Salary Account
4	Documentary evidence in support of a transaction is called: (A) Transaction (B) Book keeping (C) Account (D) Voucher
5	The normal balance of assets accounts is called: (A) Debit balance (B) Credit balance (C) Positive balance (D) All these
6	The term journal is referred to: (A) Daily or routine (B) Accounting book (C) Accounting (D) None of these
7	For the business concern, capital is a: (A) Liability (B) Expense (C) Income (D) Asset
8	Journal folio is recorded in ____: (A) General journal (B) Ledger (C) Trial balance (D) Final account
9	A bill of exchange is a: (A) Discounting of bill (B) Promise to pay (C) Unconditional order (D) None of these
10	Noting charges are paid when: (A) Discounting of bill (B) Dishonour of bill (C) Retiring of bill (D) All of these
11	Payee of bill is a person who: (A) Pay amount of bill (B) Receives amount (C) Endorses bill (D) All these
12	The normal balance of cash book is: (A) Debit balance (B) Zero balance (C) Credit balance (D) Negative balance
13	A bank reconciliation statement is prepared by: (A) Bank (B) Accountant (C) Government (D) Auditor
14	Gross profit/loss is determined through ____: (A) Profit and loss A/C (B) Trading A/C (C) Cash A/C (D) Purchase A/C
15	Direct expenses are part of ____: (A) Sales (B) Purchases (C) Business (D) All these
16	One of these is an intangible asset: (A) Plant (B) Furniture (C) Cash (D) Franchise and licence
17	Which one is a revenue receipt: (A) Loan from bank (B) Investment by owner (C) Sale of goods (D) Sale of furniture
18	Carriage paid on goods purchased is a: (A) Capital expense (B) Revenue expense (C) Capital loss (D) Revenue loss
19	An error which cancel the effect of other error is: (A) Compensating error (B) Principles error (C) Error of omission (D) Error of posting
20	One sided error affects: (A) Two accounts (B) Three accounts (C) One account (D) Four accounts

Answers:

1- B	2- B	3- C	4- D	5- A	6- A	7- D	8- B	9- C	10- B
11- B	12- A	13- B	14- B	15- B	16- D	17- C	18- B	19- A	20- C

Subjective Type

Roll No.	1038 - 4000	Session (2020-22) to (2022-24)	Inter (Part - I)
Principles of Accounting	Time: 2:30 Hours	1st - A - 2023	Marks: 80

Note: It is compulsory to attempt any five (5) parts each from Q. No 2 and Q. No 3 while attempt any (3) Questions from Part - II. Write same Question No. and its Part No. as given in the Question Paper.

Q2**Part - I****10 × 2 = 20**(i) **Define accounting.**

Ans. Accounting is the art of recording, classifying and summarizing in terms of money, transactions, events and interpreting the results there of.

(ii) **Define business transaction.**

Ans. A business event which can be measured in terms of money and which must be recorded in books of account is called a "transaction or Business transaction".

(iii) **Write the formula of accounting equation.**

Ans. Assets = Liabilities + owner's equity

(iv) **Define journal.**

Ans. It is a book of original entry to record the transactions chronologically (in order of date).

(v) **Define trial balance.**

Ans. A trial balance is a statement or list of balances of all accounts in the ledger, which is prepared by taking out the debit and credit balances of all accounts appearing in the ledger.

(vi) **What is meant by contra entry?**

Ans. An entry in which cash account and bank account both are involved and is recorded on the both sides of cashbook is called contra entry.

(vii) **Describe three methods of preparing bank reconciliation statement.**

Ans. 1. Comparing the statements. 2. Adjusting the balance. 3. Recording the reconciliation.

(viii) **Define current account.**

Ans. In current account a customer is allowed to deposit or withdraw the money from the bank according to his own will. Generally, bank allows no interest on current account.

Q3(i) **Define grace days.**

Ans. It is customary to allow three days of grace to the drawee to pay the amount in the case of a term bill. These three days are known as "days of grace".

(ii) **What is meant by endorsement of bill of exchange?**

Ans. When a bill is transferred from one person to another person for the settlement of debts is known as "endorsement of bill".

(iii) **Give two examples of intangible assets.**

Ans. Two examples of intangible assets are: 1. Trade mark 2. Goodwill

(iv) **Cost of an asset is Rs. 10,000/-. Rate of depreciation is 10% p.a. Calculate depreciation.**

Ans. Cost of assets = 10,000

Rate of Depreciation = 10% p.a.

Calculate depreciation = ?

$$= 10,000 \times \frac{10}{100} = \frac{100,000}{100} = 1000$$

(v) **Why we prepare trading profit and loss account?**

Ans. Trading and profit and loss account are useful in identifying the gross profit and net profit that a business earns. The motive of preparing trading and profit and loss account is to determine the revenue earned or the losses incurred during the accounting period.

(vi) **Explain revenue expenditures with two examples.**

Ans. Revenue expenditure refer to the on going costs incurred by a business or organization in its day-to-day operations to generate income and maintain its operations.

Examples: 1. Selling and distribution expenses. 2. Office and administrative expenses.

(vii) What is meant by capital payments?

Ans. Capital: This is an amount which is paid on account of a capital payments.

(viii) Give two examples of errors of commission.

Ans. Here are the two examples of errors of commission:

1. Credit sales to Mohan Rs. 10,000 were posted to his account as 12,000.

2. Cash sales to Radhika Rs. 15,000 was shown as receipt of the commission the cash book.

Part - II

$3 \times 20 = 60$
(20)

04 Record the following transactions in journal.

- (i) Invested into business Rs. 20,000/-.
- (ii) Purchased machinery from irfan Rs. 7,000/-.
- (iii) Purchased supplies for cash Rs. 1000/-.
- (iv) Purchased goods for Rs. 2000/-.
- (v) Sold goods to usman for cash Rs. 4500/-.
- (vi) Cash deposited into bank Rs. 5000/-.
- (vii) Paid rent to owner (Mr. Jamil) Rs. 1000/-.
- (viii) Received interest from the bank Rs. 350/-.
- (ix) Paid salaries to employees Rs. 1400/-.
- (x) Cash received from usman Rs. 2000/-.

Sol. Journal

Date	Particulars	L/F	Dr	Cr
i	Cash Account Capital Account (Started business with cash)		20000	20000
ii	Machinery Account Irfan Account (Bought machinery)		7000	7000
iii	Purchases Account Cash Account (Goods bought on cash)		1000	1000
iv	Purchases Account Cash Account (Goods bought on cash)		2000	2000
v	Cash Account Sales Account (Goods sold on cash)		4500	4500
vi	Bank Account Cash Account (Cash deposited into bank)		5000	5000
vii	Rent Account Cash Account (Rent is paid)		1000	1000
viii	Bank Account Interest Account (Interest is received)		350	350
ix	Salaries Account Cash Account (Salaries paid to employees)		1400	1400
x	Cash Account Usman Account Cash received		2000	2000

05 Prepare bank reconciliation statement.

- (i) Balance as per cash book is Rs. 50,000/-.
- (ii) Cheques issued for Rs. 15000/- but not presented to bank.
- (iii) Cheques deposited but not credited by bank Rs. 20,000/-.

(20)

- (iv) Bank charges deducted by bank Rs. 2200/-.
- (v) Debit side of cash book is undercasted by Rs. 1000/-.
- (vi) Dividend credited by bank is Rs. 1500/-.
- Sol. Bank reconciliation statement

Details		Rs.
Balance as per cash book	Dr.	50,000
Add Unpresented cheques		15000
Less Uncredited cheques		20,000
Less Bank charges not recorded		2200
Add Debit side understate		1000
Add Dividened collected by bank		1500
	Dr.	45300
Balance as per pass book	Cr.	45300

06. On 1st March 2019, asad sold goods on account to asif for Rs. 90,000/- asad drew six months bill on asif which he accepted. On the same date, asad discounted the bill with his bank @ 12% per annum. Asif honoured his acceptance on due date. Required: Prepare journal entries in the books of drawer and drawee.

Sol. (i) Asad's Journal

Date	Particulars	L/F	Dr	Cr
	Asif Account		90000	
	Sales Account			90000
	Goods sold on credit			
	Bill Receivable Account		90000	
	Asif Account			90000
	Bill is accepted			
	Bank Account		84600	
	Discount Account $\left(90000 \times \frac{12}{100} \times \frac{6}{12}\right)$		5400	
	Bill Receivable Account			90000
	Bill is discounted			

(ii) Asif's Journal

Date	Particulars	L/F	Dr	Cr
	Purchases Account		90000	
	Asad Account			90000
	Goods bought on credit			
	Asad Account		90000	
	Bill payable Account			90000
	Bill is accepted			
	Bill payable Account		90000	
	Cash Account			90000
	Bill is honoured			

07. Prepare trading, profit and loss account and balance sheet from the given trial balance of Mr. Yousaf as on 31st December 2022. (20)

Particulars	Debit Rs.	Credit Rs.
Opening stock	65200	.....
Cash	3000	.....
Debtors	30,000	.....
Truck	20,000	.....
Machine	32000	.....

Purchases	80,000	.....
Carriage inward	7600	.....
Salaries	19000	.....
Rent	9000	.....
General Expense	3400	.....
Capital	.....	80,000
Creditors	.....	34,800
Sales	.....	1,54,400
Total	2,69,200	2,69,200

Adjustments:

- Closing stock Rs. 42000/-.
- Salaries outstanding Rs. 2800/-.
- Prepaid rent, Rs. 2000/-.
- Depreciate machine by 10% per annum.

Sol. Mr. Yousaf

Trading & profit & loss account for the year ended 31st Dec-2022

	Rs.		Rs.
Opening Stock	65200	Sales	154,400
Purchases	80000	Closing Stock	42000
Carriage Inward	7600		
Gross Profit c/d	43600		
	196400		196400
Salaries 19000		Gross Profit b/d	43600
+ o/s Salaries 2800	21800		
Rent 9000			
- Prepaid 2000	7000		
General Expenses	3400		
Dep. on Machine	3200		
Net Profit	8200		
	43600		43600

Mr. Yousaf Balance Sheet as on 31st Dec-2022

Assets	Rs.	Liabilities	Rs.
Current Assets		Current Liabilities	
Cash	3000	Creditor	34800
Debtors	30,000	o/s Salaries	2800
Closing Stock	42000		
Prepaid Rent	2000		
Fixed Assets		Fixed Liabilities	
Truck	20,000	Capital	80,000
Machine 32000	28,800	+ NP	8200
- Depreciation 3200			
	125800		88200
			125800

Q8. State with reasons whether the following items are capital expenditures or revenue expenditures? (20)

- Wages paid on the purchase of goods.
- Transportation paid on machinery purchased.
- Second hand car was purchased for Rs. 50,000/- and Rs. 12,000/- was spent for its repair and over hauling.
- New machinery was purchased for Rs. 10,000/- and sum of Rs. 2000/- was spent on its instalation.
- Land was purchased for Rs. 30,000/- and Rs. 2000/- was paid for legal expenses.

- (vi) Octroi duty paid on goods.
 (vii) Damages paid on account of the breach of contract to supply certain goods.
 (viii) Preliminary expenses paid in the formation of a company.
 (ix) Painting expenditures of a newly constructed building.

Sol.

Sr.No	Nature of Expenditure	Reasons
i	Revenue Expenditure	It is a revenue expenditure because it is a day to day expense of business.
ii	Capital Expenditure	It is a capital expenditure because expenses are incurred on purchase of fixed asset.
iii	Capital Expenditure	It is a capital expenditure because expenses are incurred to purchase asset and to put asset in working condition.
iv	Capital Expenditure	It is a capital expenditure because expenses are incurred on installation of plant. Its benefit will be more than a year.
v	Capital Expenditure	It is a capital expenditure because expenses are incurred on purchase of land, its benefit will be more than one year.
vi	Revenue Expenditure	It is a revenue expenditure because it is a routine life expense of business.
vii	Revenue Expenditure	It is a revenue expenditure because it is a day to day expense of business.
viii	Capital Expenditure	It is a capital expenditure because its benefit will be more than one year.
ix	Capital Expenditure	It is a capital expenditure because expenses are incurred on construction of building and its benefit will be more than one year.

Q9 Rectify the following errors.

- (i) Sales return of Rs. 2000/- by Mr. yasin has been omitted to record.
 (ii) Sales book has been under casted Rs. 1000/-.
 (iii) Purchased supplies of Rs. 1000/- was wrongly debited to trade expenses.
 (vi) Wages paid Rs. 1000/- posted twice.
 (v) Purchased equipment Rs. 10,000/- was wrongly debited to plant.
 (vi) Bad debt Rs. 1000/- was not recorded in the books.

Sol. Journal

Date	Particulars	L/F	Dr	Cr
i	Sales Return Account Yasin Account Sales return recorded		2000	2000
ii	Suspense Account Sales Account Sales undercast, now rectified		1000	100
iii	Purchases Account Trade Expense Account Trade expenses wrongly recorded		1000	1000
iv	Suspense Account Wages Account Wages wrongly recorded, now rectified		1000	1000
v	Equipment Account Plant Account Plant account wrongly recorded, now rectified		10,000	10,000
vi	Bad debts Account Account Receivable Account Bad debts was not recorded, now rectified		1000	1000