

## Objective Type

Principles of Accounting

Paper Code = 6701

TIME : 30 Minutes

MARKS : 20

**Note:** Four possible answers A, B, C and D to each question are given. The choice which you think is correct, fill that Bubble in front of that question with marker or pen ink, Cutting or filling two or more bubbles will result in zero marks in that question.

**01**

**20**

1. Account is the language of \_\_\_\_\_.  
(A) Business (B) Accountant (C) Commerce (D) Owner
2. A deals between two persons is called:  
(A) Transaction (B) Introduction (C) Meeting (D) Seminar
3. All things purchase for resale purpose:  
(A) Fixed asset (B) Merchandise (C) Sales (D) Purchase return
4. When any entry is made on both sides of cash book, is called as:  
(A) General entry (B) Double entry (C) Compound entry (D) Contra entry
5. Liabilities + Owner's equity is equal to:  
(A) Assets (B) Capital (C) Loan (D) Investment
6. The journal usually contains \_\_\_\_\_ columns.  
(A) Four (B) Five (C) Six (D) Seven
7. Concession given on purchase of goods:  
(A) Rebate (B) Trade discount (C) Concession (D) Commission
8. Which of the following account with normal balance is shown at the debit side of trial balance?  
(A) Creditors account (B) Unearned income account  
(C) Rent income account (D) Cash account
9. Who draws bill of exchange?  
(A) Drawee (B) Drawer (C) Buyer (D) Bank
10. A bill of exchange is a/an:  
(A) Unconditional order (B) Conditional order (C) Request (D) Promise
11. The book in which cash transactions are primary recorded is called?  
(A) Pass book (B) Cheque book (C) Finance book (D) Cash book
12. Which of the following is filled up when money is deposited in bank?  
(A) Cheque (B) Pay in slip (C) Draft (D) Postal order
13. Wages paid to worker is:  
(A) Direct expenses (B) Selling expenses (C) Operating expenses (D) Other expenses
14. Balance sheet is prepared to know:  
(A) Profit (B) Loss (C) Total assets (D) Financial position
15. Any cash or goods taken away by the proprietor for his personal use is known as?  
(A) Capital (B) Drawing (C) Income (D) Expenses
16. Interest on drawing is a business is:  
(A) Income (B) Asset (C) Expenses (D) Liability
17. The loss of goods is called:  
(A) Capital expenditure (B) Revenue expenditure (C) Capital loss (D) Revenue loss
18. Building destroyed by fire is a:  
(A) Revenue loss (B) Capital loss (C) Capital expenditure (D) Revenue expenditure
19. Any difference in trial balance is transferred to:  
(A) Sales account (B) Purchase account (C) Nominal account (D) Suspense account
20. If a transaction is forgotten recorded is called?  
(A) Error of principle (B) Casting error (C) Errors of omission (D) Error of commission

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

### Subjective Type

Principles of Accounting

(Inter Part – I Class 11<sup>th</sup>) 1st Annual 2023

Time : 2:30 Hours

#### Part - I

Marks: 80  
(5×2=10)

**Q2. Write short answers to any FIVE parts.**

(i) Write two objectives of Accounting.

Ans. Objectives of accounting:

1. Maintaining a systematic record of all financial transaction.
2. Preparing financial reports to assess the financial position of the business organization.

(ii) What is meant by double entry system?

Ans. The system under which both the changes in a transaction are recorded one change is debited, while the other change is credited with an equal amount.

(iii) What is meant by "Merchandise inventory".

Ans. It refers to something which has been purchased by a trader for resale purpose or anything which has been manufactured for selling purposes.

(iv) What is meant by internal transaction?

Ans. An internal transaction is any financial activity that occurs within an organization rather than with a third party. It is typically an exchange of finances between departments or the company and its employees.

(v) Explain 2/10, n/30.

Ans. Two percent discount will be given if the payment is made within ten days. No discount will be given after ten days and maximum credit limit is thirty days.

(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) Explain two causes of disagreement of pass book and cash book.

Ans. Some causes of difference between a cash book and a passbook balance are:

1. Cheque deposited but not credited by the bank.
2. Bank charges and interest are not accounted for in the cash book.

(viii) Define cheque.

Ans. A cheque is an unconditional order in writing, drawn by a customer on his bank requesting to pay on demand a certain sum of money, to a person named in the cheque, or to the bearer.

**Q3. Write short answers to any FIVE parts.**

(5×2=10)

(i) Define discounting of bill of exchange.

Ans. If the holder of a bill is in need of money before the due date of the bill he may sell it to bank in consideration of small charge (discount). This is called discounting of bill of exchange.

(ii) How many parties are involved in bill of exchange? Write down the list.

Ans. There are three parties involved in bill of exchange: 1. Drawer 2. Drawee 3. Payee

(iii) Why we prepare balance sheet?

Ans. A balance sheet is prepared to provide of a company's financial position at a specific point in time by showing its assets, liabilities and shareholders' equity.

(iv) What is meant by prepaid expenses?

Ans. Those expenses which have not become due but paid in advance are called prepaid expenses.

(v) Describe indirect / operating expenses with two examples.

Ans. Indirect costs include costs which are frequently referred to as overhead expenses are called indirect expenses.

Examples: 1. rent

2. general expenses

(vi) Define capital profit.

Ans. A profit made on the sale of fixed asset is called capital profit.



(vii) Give two examples of capital expenditures.

Ans: 1. Furniture purchased for Rs. 5,000.

2. The purchase of land for Rs. 100,000.

(viii) Explain error of principle.

Ans. An error of principle is one where a transaction is entered without due regard to the fundamental principles of double entry.

### Part - II

**Note:** Attempt any Three questions from this part.

20 × 3 = 60

**Q4.** Record the following transaction in general journal.

(i) Commenced business with cash Rs. 150,000/- and building Rs. 200,000/-.

(ii) Bought goods for cash Rs. 30,000/-.

(iii) Bought goods from hassan for Rs. 50,000/-.

(iv) Sold goods for cash Rs. 10,000/-.

(v) Sold goods to hammad for Rs. 5,000/-.

(vi) Returned goods to hassan for Rs. 300/-.

(vii) Returned goods by hammad worth Rs. 700/-.

(viii) Paid rent of building Rs. 10,000/-.

(ix) Paid cash to hassan Rs. 15,000/-.

(x) Received cash from hammad Rs. 4,000/-.

Sol.	Date	Particulars	L/F	Dr.	Cr.
	i	Cash Account Building Account Capital Account (Started business with cash and building)		150000 200000	350000
	ii	Purchases Account Cash Account (Goods bought on cash)		30000	30000
	iii	Purchases Account Ahsan Account (Purchases goods on credit)		50000	50000
	iv	Cash Account Sales Account (Goods sold on cash)		10000	10000
	v	Cash Account Sales Account (Goods sold on credit)		5000	5000
	vi	Ahsan Account Purchases returned Account (Goods return to creditor)		300	300
	vii	Sales returns Account Hammad Account (Goods returned by debtors)		700	700
	viii	Rent account Cash Account (Rent is paid)		10000	10000
	ix	Ahsan Account Cash Account (Legal expenses are paid)		15000	15000
	x	Cash Account Hammad Account (Cash Received)		4000	4000

**05** Explain with reasons whether the following are capital or revenue expenditures.

- (i) Wages paid on the purchase of goods.
- (ii) Legal expenses paid for the registration of newly purchased land for business.
- (iii) Wages paid for foundation of plant and machinery.
- (iv) White wash expenses for old office building.
- (v) wages of workers for construction of sales promotion.
- (vi) Payment of salaries to office staff.
- (vii) Advertising expenses of sales promotion.
- (viii) Repair expenses of machinery damaged during unpacking.
- (ix) Legal expenses incurred to obtain bank loan.
- (x) Replacement of worn out parts machinery.

Sol.

Sr.No	Nature of Expenditure	Reasons
i	Revenue Expenditure	It is a revenue expenditure because. It is a day to day expenses of business.
ii	Capital Expenditure	It is a capital expenditure because its benefit will be more than a year.
iii	Capital Expenditure	It is a capital expenditure because its benefit will be more than one year.
iv	Revenue Expenditure	It is a revenue expenditure because. It is a day to day expense of the business.
v	Capital Expenditure	It is a capital expenditure because its benefit will be more than one year.
vi	Revenue Expenditure	It is a revenue expenditure because. It is a routine life expenditure of business.
vii	Revenue Expenditure	It is a revenue expenditure because it is a day to day expense of the business.
viii	Revenue Expenditure	It is a revenue expenditure because expenses are incurred on maintenance of asset.
ix	Capital Expenditure	It is a capital expenditure because its benefit will be more than one year.
x	Revenue Expenditure	It is a revenue expenditure because expenditure is incurred on maintenance of expenditure.

**06** Prepare bank reconciliation statement.

- (i) Balance as per cash book Rs. 80,000/-.
- (ii) Cheques issued for Rs. 40,000/- but not presented to bank.
- (iii) Cheques deposited but not credited by bank Rs. 48,000/-.
- (iv) Directly deposited by a customer Rs. 28,000/-.
- (v) Service charges deducted by bank Rs. 4,800/-.
- (vi) Dividend credited by bank Rs. 6,000/-.

Sol. Mr.....

Bank Reconciliation Statement as on.....

Detail	Rs.
Balance as per cash book Dr.	80000
Add Unpresented cheques	40000
Add Directly deposit by customer	28000
Add Dividened credited by bank	6000
Less Cheques not credited by bank	48000
Less Service charges not recorded	4800
Dr.	101200
Balance as per pass book Cr.	101200

**07** Areeb draws a bill for Rs. 2000 on abrar who accepts and returns it to Areeb on the same date. Areeb sent the bill to his banker for collection. On the due date the bill is dishonoured by abrar.

**Requirement: Pass the journal entries in the book of both the parties.**

**Sol. (i) Areeb's Journal**

Date	Particulars	L/F	Dr.	Cr.
	Bill Receivable Account Abrar Account Bill is accepted		2000	2000
	Bank for collection Account Bill Receivable Account Bill is sent for collection		2000	2000
	Bank Account Bank for collection Account Bill is collected		2000	2000

**(ii) Abrar's Journal**

Date	Particulars	L/F	Dr.	Cr.
	Areeb Account Bill payable Account Bill is accepted		2000	2000
	Bill payable Account Cash Account Bill is honoured		2000	2000

**Q8. From the following trial balance of zia and company, prepare trading, profit and loss account and balance sheet as on 31st December 2022.**

Particulars	Debit Rs.	Credit Rs.
Cash	37000	
Debtors	13000	
Creditors		20000
Purchases	18000	
Sales		36000
Return outwards		200
Opening stock	2000	
Capital		19800
Rent	3000	
Salaries	2000	
Wages	1000	
	76000	76000

**Adjustments:**

(i) Closing stock Rs. 300/-.

(ii) Outstanding Salaries Rs. 100/-.

(iii) Prepaid rent Rs. 300/-.

**Sol. Zia Company**

**Trading & profit & loss account for the year ended 31<sup>st</sup> December 2022**

	Rs.		Rs.
Opening Stock	2000	Sales	36000
Purchases 18000		Closing Stock	300
- Return outward 200	17800		
Wages	1000		
Gross Profit c/d	15500		
	<b>36300</b>		<b>36300</b>
Salaries 2000		Gross Profit b/d	15,500
+ o/s Salaries 100	2100		
Rent 3000			
- Prepaid Rent 300	2700		
Net Profit	10700		
	<b>15,500</b>		<b>15,500</b>



Assets	Rs.	Liabilities	Rs.
<b><u>Current Assets</u></b>		<b><u>Current Liabilities</u></b>	
Cash	37000	Creditors	20000
Debtors	13000	o/s Salaries	100
Closing Stock	300		
Prepaid Rent	300		
<b><u>Fixed Assets</u></b>		<b><u>Fixed Liabilities</u></b>	
		Capital	19800
		+ NP	<u>10700</u>
			30500
	<u>50600</u>		<u>50600</u>

**Q9** Pass journal entries to rectify the following errors.

- Total in sales book of Rs. 765/- carried forward as Rs. 756/-.
- Rs. 500/- paid to Nasir posted to Naseer.
- Sales book was over cast Rs. 1000/-.
- Interest earned, credited to reserve Rs. 200/-.
- Machinery purchased Rs. 9000/- posted as purchases.
- Wages Rs. 15000/- on installation of plant was debited to wages account.
- Purchase return Rs. 1000/- was wrongly credited to sale account.
- Rs. 7000/- paid salary to Mr. Ali was wrongly debited to his personal account.

**Sol. Journal**

Date	Particulars	L/F	Dr	Cr
i	Suspense Account Sales Account Sales undercast, now rectified		9	9
ii	Nasir Account Naseer Account Personal account error, now rectified		500	500
iii	Sales Account Suspense Account Sales overcast, now rectified		1000	1000
iv	Reserve Account Interest Account Reserve account wrongly recorded, now rectified		200	200
v	Machinery Account Purchase Account Machinery wrongly recorded, now rectified		9000	9000
vi	Plant Account Wages Account Wrong nature of expenses recorded, now rectified		15000	15000
vii	Sales Account Purchase Return Account Purchase return wrongly recorded now rectified		1000	1000
viii	Salaries Account Mr. Ali Account Personal account wrongly recorded, now rectified		7000	7000