

Objective Type

Roll No: _____

Intermediate Part First

Time: 30 Minutes

Paper Code: 6701

PRINCIPLES OF ACCOUNTING

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 circle in front of that question with Marker or Pen ink in the answers-book. Cutting or filling two or more circles will result in zero mark in that question.

Q1. 20					
S.#	Questions	A	B	C	D
1	How many branches of accounting are?	2	3	4	5
2	All those things, which are purchased for resale purpose are called:	Assets	Liabilities	Sales	Goods for trade
3	The claims of the supplier in the business is called:	Revenue	Liabilities	Expenses	Assets
4	Debit, the increase in:	Assets, expenses	Assets, revenue	Assets, liabilities	Assets, capital
5	The excess of assets over liabilities is called:	Profit	Income	Capital	Expenses
6	The entry in which more than one account is debited or credited is called:	Single entry	Compound entry	Simple entry	Prime entry
7	A short explanation of each transaction is written under each entry is called:	Posting	Recording	Entry	Narration
8	If the two sides of an account are equal, then account will show:	Debit balance	Credit balance	Zero balance	Positive balance
9	A bill of exchange is a / an:	Unconditional order	Promise	Request	Conditional order
10	Interest on renewal of a bill is an income to the:	Drawee	Debtor	Acceptor	Drawer
11	Bank reconciliation statement is prepared by:	Banker	Customer's accountant	Auditor	Manager
12	Cheque issued to a creditor but not presented for payment is called:	Uncredited cheque	Uncollected cheque	Unpresented cheque	Dishonoured cheque
13	It is prepared to determine the gross profit or gross loss:	Trading account	Profit and loss account	Balance sheet	Trial balance
14	Expenses related to sale of goods are shown in:	Trading account	Sales account	Purchase account	Profit and loss account
15	In the balance sheet, pre-received income is shown in:	Assets side	Liabilities side	Both side	Not shown
16	From business point of view, interest on capital is considered as:	Profit	Assets	Expenses	Liability
17	An expenditure, which is non-recurring and irregular is called:	Capital expenditure	Revenue expenditure	Short-term expenditure	Current expenditure

18	Wages paid for installation a machine should be debited to:	Cash account	Wages account	Installation account	Machine account
19	Errors of omission affect:	One account	Two account	No account	Three account
20	The process of totaling the data at the end of the period is called:	Posting	Trial balance	Casting	Recording

Answers:

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

Subjective Type

Intermediate Part First

Roll No: _____

PRINCIPLES OF ACCOUNTING

Time : 2:30 Hours

Marks: 80

Part - I

Q2. Write short answers to any FIVE parts. 10

(i) Define assets with two examples.

Ans. Assets are the things having certain value possessed by a business and receivable by a business or assets are economic resources that are owned by a business and are expected to benefit the future operations.

Example: 1. Land 2. Building

(ii) Analyze nominal account.

Ans. Account, which is related with expense, loss and gain is known as nominal account.

(iii) What is accounting equation?

Ans. The accounting equation tells us that the assets of business are derived from owner's capital and external liabilities.

(iv) State rules of debit and credit for liabilities.

Debit	Credit
Increase in liabilities: When you in our a new liability or increase an existing one, you debit the liability account.	Decrease in liabilities: When you make a payment to reduce a liability or have a liability for given, you credit the liability account.

(v) Why is the ledger called "king of all books of accounts"?

Ans. The ledger is often referred to as the "king of all books of accounts" because it serves as the central and most important accounting record in any organization.

(vi) Draw the sketch of three column cash book.

Ans. The common format used in a three column cash book is shown below:

Date	Particular	V/N	L/F	Discount allowed	Cash Rs.	Bank Rs.
Date	Particular	V/N	L/F	Disreceived	Cash Rs.	Bank Rs.

(vii) Write names of any three bank accounts.

Ans. 1. Saving bank account 2. Fixed deposit account 3. Current account

(viii) Define uncollected cheque.

Ans. All those cheques, which have been deposited in the bank by the customer but has not credited the amount of these cheques to customer's bank account, are called uncollected cheques.

Q3. Write short answers to any FIVE parts. 10

(i) What is meant by negotiable instruments?

Ans. A negotiable instrument is a signed document that promises a payment to a specified person or assignee.

(ii) What is difference between trade bill of exchange and accommodation bill.

Ans. Trade bill of exchange: Where the bill is drawn and accepted to settle a trade transaction is called a trade bill.

Accommodation bill: Where a bill is drawn for and accepted for mutual help, is called an accommodation bill.

(iii) Define profit and loss account.

Ans. The account prepared to find out the net profit or net loss for a particular accounting period is called profit and loss account.

(iv) Pass adjusting entry for outstanding salaries.

Ans.

Date	Particular	Debit	Credit
	Salaries account Outstanding salaries (Salaries payable)

(v) Define bad debt or uncollectable.

Ans. Those debts, which the debtors fail to pay are called bad debts.

(vi) What is meant by revenue receipt?

Ans. All receivables used to pay for day-to-day expenses are called revenue receipts.

(vii) Describe four examples of revenue expenditures.

Ans. 1. Selling and distribution expenses. 2. Office and administrative expenses.
3. Wages paid to factory workers. 4. Cost of goods purchased for resale.

(viii) What is meant by compensating errors?

Ans. When one mistake eliminates the effect of another mistake, such mistakes are called compensations errors.

PART - II

Attempt any THREE questions. Each question carries 20 marks.

Q4. Journalize the following transactions:

- (i) Muneeb started business with cash Rs. 8400/-.
(ii) Purchased goods from Adil Rs. 3500/-. (iii) Goods sold to Shahid Rs. 2800/-.
(iv) Cash purchases Rs. 1700/-. (v) Shahid returned goods Rs. 300/-.
(vi) Goods returned to Adil Rs. 500/-. (vii) Deposited cash into bank Rs. 2000/-.
(viii) Paid salaries Rs. 1500/-. (ix) Purchased machine for cash Rs. 800/-.
(x) Goods given as charity worth Rs. 200/-.
Sol. Journal

Date	Particulars	L/F	Dr	Cr
i	Cash Account Capital Account (Started business with cash)		8400	8400
ii	Purchases Account Adil Account (Goods bought on credit)		3500	3500
iii	Shahid Account Sales Account (Goods sold on credit)		2800	2800
iv	Purchases Account Cash Account (Goods bought on cash)		1700	1700
v	Sales returns Account Shahid Account (Goods returned by shahid)		300	300
vi	Adil Account Purchases return Account (Goods returned by Adil)		500	500
vii	Bank Account Cash Account (Cash deposited into bank)		2000	2000
viii	Salaries Account Cash Account (Salaries paid)		1500	1500
ix	Machinery Account Cash Account (Machinery bought)		800	800
x	Charity Account Purchases Account (Goods given as a charity)		200	200

Q5. From the following particulars prepare a bank reconciliation statement of Sarmad and Company as on 31 December, 2005.

- (i) Balance as per cash book Rs. 12500/-.
- (ii) Cheques issued amounting to Rs. 4500/- not presented for payment.
- (iii) Cheques deposited but not cleared Rs. 3110/-.
- (iv) Bankers had wrongly debited the firm's account with Rs. 712/-.
- (v) Bank charges debited in pass book Rs. 35/-.

Sol. Bank reconciliation statement

Details	Rs.
Balance as per cash book Dr	12500
Add Cheques unpresented	4500
Less Uncredited cheques	3110
Less Wrongly debited by bank	712
Less Bank charges not recorded	35
Dr	13143
Balance as per pass book Cr	13143

Q6. On 1st February, 2022, Niaz draws a six months bill on Naeem for Rs. 6000. Which was accepted and returned to Niaz. On 1st April, 2022, Naeem paid his bill and Niaz allowed him rebate @5% p.a. Pass journal entries in the books of Niaz and Naeem.

Sol. Niaz's Journal

Date	Particulars	L/F	Dr	Cr
1st Feb 2022	Bill Receivable Account Naeem Account Acceptance Receivable		6000	6000
1st April	Cash Account Rebate Account $\left(6000 \times \frac{5}{100} \times \frac{4}{12}\right)$ Bills Receivable Account Bill is honoured		5900 100	6000

Naeem's Journal

Date	Particulars	L/F	Dr	Cr
	Niaz Account Bill payable Account Acceptance is given		6000	6000
	Bill payable Account Cash Account Rebate Account Bill is paid		6000	5900 100

Q7. From the trial balance of Shayan Traders for the period ended on 31st December 2022, prepare trading, profit & loss account and balance sheet.

Debit	Title of Accounts
Rs. 9000	Opening stock
Rs. 28000	Purchases
Rs. 5000	Wages
Rs. 10000	Cash
Rs. 6000	Drawings
Rs. 12000	Debtors
Rs. 23000	Machinery
Rs. 8600	Salaries
Rs. 4800	Insurance
Rs. 6000	Rent

Credit	Title of Accounts
Rs. 30000	Capital
Rs. 74700	Sales
Rs. 12000	Creditors
Rs. 4200	Purchases Return
Rs. 5000	Commission

Rs. 3500	Bad debts
Rs. 5500	Trade taxes
Rs. 4500	Sales return
Rs. 125900	Total:

Rs. 125900	Total:

Adjustments:

- (i) Outstanding rent Rs. 2000/-.
- (ii) Depreciation on machinery @ 10%.
- (iii) Prepaid insurance Rs. 800/-.
- (iv) Closing stock Rs. 20000/-.

Sol. Shayan Traders

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

	Rs.		Rs.
Opening Stock	9000	Sales 74700	
Purchases 28000		Less Return 4500	70200
Less Returns 4200	23800	Closing Stock	20,000
Wages 5000			
Gross Profit c/d	52400		
	<u>90200</u>		<u>90200</u>
Salaries 8600		Gross Profit b/d	52400
Insurance 4800		Commission 5000	
Less Prepaid 800	4000		
Rent 6000			
+ o/s Rent 2000	8000		
Bad debts 3500			
Trade taxes 5500			
Dep. on machinery 2300			
Net Profit 25,500			
	<u>57400</u>		<u>57400</u>

Shayon Traders Balance Sheet As on 31st December 2022

Assets	Rs.	Liabilities	Rs.
Current Assets		Current Liabilities	
Debtors 12000		Creditors 12000	
Closing Stock 20000		o/s Rent 2000	
Prepaid insurance 800			
Cash 10000		Fixed Liabilities	
Fixed Assets		Capital 30000	
Machinery 23000		+ NP 25,500	
Less Depreciation 2300	20700	- Drawings 6000	
	<u>63500</u>		49500
			<u>63500</u>

Q8. State with reasons whether the following expenses are capital or revenue:

- (i) Wages paid for installation of plant and machinery.
- (ii) White wash of office building.
- (iii) Interest on loan.
- (iv) Rent of building.
- (v) Discount on issue of shares.
- (vi) Depreciation on building.
- (vii) Wages paid for foundation of plant and machinery.
- (viii) Advertising expenses paid.
- (ix) Merchandise purchased for resale.
- (x) Custom duty paid on purchase of machinery.

Sol.	Sr.No	Nature of Expenditure	Reasons
	i	Capital Expenditure	It is a capital expenditure because its benefit will be more than one year.
	ii	Revenue Expenditure	It is a revenue expenditure because expenses are incurred to maintenance of asset.
	iii	Revenue Expenditure	It is a revenue expenditure because it is a routine life expense of the business.
	iv	Revenue Expenditure	It is a revenue expenditure because its benefit will be less than one year.
	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 expense of the business.
	vii	Capital Expenditure	It is a capital expenditure because expenses are incurred on installation of machinery.
	viii	Revenue Expenditure	It is a revenue expenditure because it's a routine life expense of business.
	ix	Revenue Expenditure	It is a revenue expenditure because it is an ordinary expense of the business.
	x	Capital Expenditure	It is a capital expenditure because expenses are incurred on purchase of fixed asset.

Q9. Rectify the following errors.

- (i) The sale of plant Rs. 70000 was recorded in the sale book.
- (ii) The sale book was under casted by Rs. 4000.
- (iii) Sales return of Rs. 2200 by Yasir has been omitted to be recorded.
- (iv) Repair to building Rs. 7800 charged to building account.
- (v) Payment of utility expense Rs. 4500 has been debited to utility expense twice.
- (vi) Payment of salary expense Rs. 1980 was wrongly posted debit to salary expense as Rs. 1890.
- (vii) Goods Rs. 6000 taken away by the proprietor for personal use was credited to sales account.
- (viii) Purchases return Rs. 1000 was wrongly credited to sales account.

Sol. Journal

Date	Particulars	L/F	Dr	Cr
i	Sales Account Plant Account Sales wrongly recorded now rectified		70,000	70,000
ii	Suspense Account Sales Account Sales under cast, now rectified		4000	4000
iii	Sales Return Account Yasir Account Sales return was not recorded		2200	2200
iv	Repair Account Building Account Building wrongly recorded now rectified		7800	7800
v	Suspense Account Utility expenses Account Utility expense wrongly recorded now rectified		4500	4500
vi	Salaries Account Suspense Account Slaries under cast now rectified		90	90
vii	Sales Account Purchases Account Sales account wrongly recorded now rectified		6000	6000
viii	Sales Account Purchases Return Account Sales wrongly recorded, now rectified		1000	1000