

Objective Type

Roll No. _____

Principles of Accounting (Inter Part – I Class 11th) 323

PAPER: I

Time Allowed : 30 Minutes

CODE = 6707

Marks: 20

Note: You have four choices for each objective type question as A,B,C and D. The choice which you think is correct, fill that circle in front of that question number. Use marker or pen to fill the circles. Cutting or filling two more circles will result in zero mark in that question. Attempt as many questions as given in objective type question paper and leave others blank.

01.

20

1. Explanation below entry is called:

- (A) Entry (B) Narration (C) Double entry (D) None of these

2. Preliminary expenses incurred to establish new business are called:

- (A) Revenue payment (B) Revenue expenditure (C) Capital expenditure (D) Capital loss

3. Favourable balance of cash book bank column is:

- (A) Credit balance (B) Debit balance (C) Positive balance (D) Negative balance

4. In journal, there are:

- (A) Three columns (B) Four columns (C) Five columns (D) Six columns

5. Grace period of bill of exchange is:

- (A) Three days (B) Five days (C) Seven days (D) Eight days

6. An errors which cancels the effect of other error is called:

- (A) Compensating errors (B) Errors of principle (C) Errors of omission (D) One sided error

7. Advertising is a:

- (A) Capital expense (B) Capital payment (C) Revenue receipt (D) Revenue expense

8. Prepaid expense is:

- (A) An asset (B) A gain (C) An expense (D) A liability

9. The process of recording information from journal to ledger is called:

- (A) Recording (B) Journalizing (C) Posting (D) Totalling

10. Excess of assets over liabilities is called:

- (A) Capital (B) Profit (C) Equities (D) Drawings

11. All those things which are purchased for resale purpose are called:

- (A) Assets (B) Sale (C) Liabilities (D) Goods/merchandise

12. Discount allowed is:

- (A) An asset (B) A revenue (C) A liability (D) An expense

13. Pass book is prepared by:

- (A) Debtor (B) Creditor (C) Banker (D) Customer

14. Gross profit or gross loss is determined through:

- (A) Profit and loss account (B) Trading account
(C) Cash account (D) None of these

15. Accounting is a language of:

- (A) Business (B) School (C) Accountant (D) Owner of a business

16. Bill of exchange is a/an:

- (A) Un-conditional order (B) Promise (C) Request (D) Conditional order

17. Bad debts of business are called:

- (A) Expenses (B) Liabilities (C) Revenues (D) Assets

18. Carriage paid on purchase of plant debited to wages account error is called:

- (A) Errors of omission (B) Errors of principle (C) Compensating errors (D) One sided error

19. Which one of these has normally a credit balance?

- (A) Building account (B) Purchase account (C) Machinery account (D) Sales account

20. Price of goods sold, is called:

- (A) Sales (B) Profit (C) Expense (D) Revenue

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

Subjective Type

Principles of Accounting

(Inter Part – I Class 11th) 323

Time : 2:30 Hours

Section - I

PAPER: I

Marks: 80

Note: Section I is compulsory, Attempt any THREE (3) questions from Section II.

Q2. Write short answers to any FIVE (5) questions:

(5×2=10)

(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 voucher.

Ans. Any written evidence in support of a business transaction is called a voucher.

(iii) What is Cash System of accounting?

Ans. Cash accounting is the methodology under which transaction are recorded when they actually happen.

(iv) Explain Accounting Equation.

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

(v) Define Journal.

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

(vi) What is meant by Zero balance?

Ans. If the two sides of an account are equal, that account will show zero balance.

(vii) Explain renewal of a bill.

Ans. When the acceptor of the bill approaches the drawer with the request for an extension of time for payment, the old bill is cancelled and the fresh bill with new terms of payment is drawn and duly accepted and delivered. This is called the renewal of the bill.

(viii) Prepare the columns of three column cash book.

Ans.	Date	Particular	V/N	L/F	Dis.allowed	Cash Rs.	Bank Rs.
	Date	Particular	V/N	L/F	Dis.received	Cash Rs.	Bank Rs.

Q3. Write short answers to any FIVE (5) questions:

(5×2=10)

(i) What is meant by drawee?

Ans. A person on whom a bill of exchange is drawn is called drawee,

(ii) What is meant by discounting of bill of exchange?

Ans. If the holder of a bill 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.

(iii) Define fictitious assets.

Ans. Assets having no market value are called fictitious assets.

Example: Preliminary expense etc.

(iv) Give two examples of intangible assets.

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

(v) What is meant by gross profit?

Ans. If the credit side of trading account is more than the debit side, then the difference will be gross profit.

(vi) Write down four examples of capital expenditures.

- Ans. 1. Furniture purchased 2. Construction of one new room in the building.
3. Purchased machinery 4. Purchased building

(vii) What is meant by capital payment?

Ans. Capital payment is an amount actually paid on account of some capital expenditures.

(viii) Give two examples of errors of commission.

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

1. Credit sales to Mohsin Rs. 10,000 were posted to his account as Rs. 12,000.
2. Cash sales to Radhika Rs. 15,000 was shown as receipt of the commission in the cash book.

Q4. Journalize the following transactions.

- (i) Started business with cash Rs. 35,000/-.
- (ii) Goods purchased on credit Rs. 13,000/-.
- (iii) Purchased stationery for cash Rs. 1,000/-.
- (iv) Furniture purchased for cash Rs. 2,000/-.
- (v) The owner withdrew Rs. 800/- for his personal use.
- (vi) Goods sold for cash Rs. 2,500/-.
- (vii) Goods purchased from Asif Rs. 7,000/- for cash.
- (viii) Electricity bill paid amounting to Rs. 1,950/-.
- (ix) Salaries paid to workers Rs. 2,400/-.
- (x) Goods sold on account Rs. 4,000/-.

Sol.

Date	Particulars	L/F	Dr	Cr
i	Cash Account Capital Account (Started business with cash)		35000	35000
ii	Purchases Account Account payable Account (Goods bought on credit)		13000	13000
iii	Stationery Account Cash Account (Purchased stationery)		1000	1000
iv	Furniture Account Cash Account (Bought furniture)		2000	2000
v	Drawings Account Cash Account (Cash with drawn for personal use)		800	800
vi	Cash Account Sales Account (Goods sold on cash)		2500	2500
vii	Purchases Account Asif Account (Goods bought on credit)		7000	7000
viii	Electric bill Account Cash Account (Paid electric bill)		1950	1950
ix	Salaries Account Cash Account (Paid salaries)		2400	2400
x	Account receivable Account Sales Account (Goods sold on credit)		4000	4000

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Q5. Prepare bank reconciliation statement.

- (i) Balance as per cash book Rs. 10,000/-.
- (ii) Cheques deposited into bank but not yet cleared Rs. 3,000/-.
- (iii) Bank service charges debited by bank Rs. 500/-.
- (iv) Customer directly deposited into bank Rs. 2,500/-.
- (v) Cheques issued but not presented for payment Rs. 2,000/-.
- (vi) Interest on Investment credited by bank Rs. 1,500/-.

Sol. Bank reconciliation statement

Details		Rs.
Balance as per cash book	Dr	10,000
Less Uncleared cheques		3000
Less Bank service charges		500
Add Customer directly deposited		2500
Add Cheques unpresented		2000
Add Interest on investment		1500
	Dr	12500
Balance as per pass book	Cr	12500

- Q6.** Akber sold goods to Bashir for Rs 6,000 on 1st January and draws on Eashir a bill at three months for the amount. Bashir accepted it and returns it to Akber. Akber sent the bill to bank for collection. On due date bank informed that the bill has been collected and deducted Rs. 20 as bank charges.

Required: Show the Journal entries in the books of Akbar and Bashir.

Sol. Akber's Journal

Date	Particulars	L/F	Dr.	Cr.
	Bashir Account Sales Account Goods sold on credit		6000	6000
	Bill Receivable Account Bashir Account Bill is accepted by drawee		6000	6000
	Bank for collection Account Bill Receivable Account Bill is sent for collection		6000	6000
	Bank Account Collection charges Account Bank for collection Account Bill is collected		5980 20	6000

Bashir's Journal

Date	Particulars	L/F	Dr	Cr
	Purchases Account Akbar Account Goods are bought on credit		6000	6000
	Akbar Account Bill payable Account Bill is accepted		6000	6000
	Bill payable Account Cash Account Bill is honoured		6000	6000

- Q7.** Prepare a trading, profit and loss account and balance sheet from the given trial balance of Mr. Ali as on 31st December, 2020.

Trial Balance			
Debit Balances		Credit Balances	
Description		Description	
Opening Stock	4,500	Capital	1,34,000
Purchases	1,75,000	Sales	2,35,800
Wages	7,200	Purchase return	9,500
Freight	500	Creditors	11,000
Salaries	12,000		
Cash	9,000		
Trade debtors	18,500		
Trade expenses	15,600		

Advertising	12,000
Sales return	6,000
Building	1,30,000
Total	3,90,300

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Total	3,90,300

Adjustments:

- Depreciate building @ 15% p.a.
- Prepaid advertising expenses are Rs. 2,000/-.
- Outstanding salaries Rs. 3,000/-.
- Closing stock Rs. 12,500/-.

Sol. Mr. Ali.....

Trading & profit & loss account for the year ended 31st Dec.2020

	Rs.		Rs.
Opening Stock	4500	Sales	235,800
Purchases 175000		Less Returns	<u>6000</u>
Less purchases returns <u>9500</u>	165,500	Closing Stock	12500
Wages	7200		
Freight	500		
Gross profit c/d	64600		
	<u>242,300</u>		<u>242,300</u>
Salaries 12000		Gross profit b/d	64600
+ o/s Salaries 3000	15000		
Trade expenses	15600		
Advertising 12000			
Less prepaid 2000	10,000		
Dep. on Building	19500		
Net profit	4500		
	<u>64600</u>		<u>64600</u>

Mr. Ali..... Balance sheet as on 31st December 2020

Assets	Rs.	Liabilities	Rs.
Current Assets		Current Liabilities	
Cash	9000	Creditors	11000
Trade debtors	18500	o/s Salaries	3000
Closing Stock	12500		
Prepaid advertising	2000	Fixed Liabilities	
		Capital 134000	
Building 130000		+NP 4500	
Less depreciation <u>19500</u>	110500	- Drawings -	<u>138500</u>
	<u>152500</u>		<u>152500</u>

Q8. State with reasons whether the followings are capital or revenue.

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- Purchase of land.
- Carriage on furniture purchased.
- Legal expenses incurred for registration of land.
- Expense on replacement of worn-out parts of machinery.
- Depreciation on plant.
- Cost incurred to acquire copy rights.
- Expense incurred on change of engine oil of business truck.
- Cost to construct additional room in office building.
- Interest on loan.
- Payment of utility bills.

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	Capital Expenditure	It is a capital expenditure because expenses are incurred to purchase fixed asset, its benefit will be more than one 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 a business.
v	Revenue Expenditure	It is a revenue expenditure because it is a routine life expense of the business.
vi	Capital Expenditure	It is a capital expenditure because its benefit will be more than one year.
vii	Revenue Expenditure	It is a revenue expenditure because expenses are incurred to maintain fixed asset.
viii	Capital Expenditure	It is a capital expenditure because expenses are incurred for construction of building its benefit will be more than one year.
ix	Revenue Expenditure	It is a revenue expenditure because it is a ordinary life expense of business.
x	Revenue Expenditure	It is a revenue expenditure because it is a routine life expense of business.

Q9. Pass journal entries to rectify the following errors.

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- (i) Purchases book overcast Rs. 2,500/-.
- (ii) Sales return book has been under casted by Rs. 800/-.
- (iii) Rs. 1,500/- received from Fahad was not posted to his account.
- (iv) Rs. 400/- paid to Nasir, posted to Naseer.
- (v) Receipt of commission of Rs. 1,000/- was credited to interest account.
- (vi) Sales to Alam Rs. 3,000/- credited to his account.
- (vii) Credit sales Rs. 3,500/- was not recorded in the books.
- (viii) Rs. 750/- debited to Kamran account as Rs. 75.

Sol. Journal

Date	Particulars	L/F	Dr.	Cr.
i	Suspense Account Purchases Account Purchases over cast, now rectified		2500	2500
ii	Sales Return Account Suspense Account Sales under cast, now rectified		800	800
iii	Suspense Account Fahad Account Fahad account not recorded		1500	1500
iv	Nasir Account Naseer Account Personal account wrongly recorded		400	400
v	Interest Account Commission Account Interest wrongly recorded now rectified		1000	1000
vi	Aslam Account Suspense Account Personal account wrongly recorded now rectified		6000	6000
vii	Account receivable Account Sales Account Sales was not recorded, now rectified		3500	3500
viii	Kamran Account Suspense Account Personal account undercast, now rectified		675	675