

Objective Type

Roll No. _____ (To be filled in by the candidate) (Academic Sessions 2019–2021 to 2022–2024)

PRINCIPLES OF ACCOUNTING 223 – (INTER PART – I) Time Allowed : 30 Minutes

Q. PAPER: I (Objective Type)

PAPER CODE = 6704

Maximum 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.

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1	Prepaid expenses are _____ for business. (A) Assets (B) Liabilities (C) Revenues (D) Expenses
2	Bank reconciliation statement is prepared by: (A) Banker (B) Customer (C) Auditor (D) Manager
3	One sided error affects: (A) Two accounts (B) Three accounts (C) One account (D) None of these
4	Drawings are deducted from: (A) Sales (B) Income (C) Capital (D) Expenses
5	Error which does not affect the agreement of trial balance is called: (A) Error of omission (B) Error of commission (C) Error of principle (D) Compensatory error
6	To deposit money in bank is used: (A) Cash book (B) Cheque book (C) Pay in slip (D) Pass book
7	Payment of salaries is called: (A) Revenue payment (B) Capital payment (C) Revenue receipt (D) All of these
8	Adjusting entries are made: (A) During accountability period (B) At the end of accounting year (C) In the beginning of the year (D) At any time
9	Net profit is added in: (A) Capital (B) Asset (C) Liabilities (D) Expenses
10	Expenses paid for addition in building is: (A) Deferred revenue expense (B) Capital expenditure (C) Revenue expenditure (D) None of these
11	Entry of more than two accounts in journal is called: (A) Simple entry (B) Double entry (C) Compound entry (D) Single entry
12	A person from whom credit purchases are made is called: (A) Debtor (B) Creditor (C) Banker (D) Owner
13	Number of parties involved in a bill of exchange is: (A) One (B) Two (C) Three (D) Four
14	Cash invested by owner in business is called: (A) Cash (B) Capital (C) Liability (D) Asset
15	Trial balance is: (A) An account (B) A statement (C) A book (D) Journal
16	Capital is equal to: (A) Assets (B) Assets + liabilities (C) Assets – liabilities (D) Liabilities
17	Person who draws the bill of exchange is called: (A) Holder (B) Payee (C) Drawee (D) Drawer
18	Withdrawal of cash or goods for personal use from business are called: (A) Sales (B) Purchase (C) Drawings (D) Capital

19	Book of original entry is called: (A) Ledger book (B) Classified book (C) Trial balance (D) Journal			
20	Real accounts relate to: (A) Assets (B) Expenses (C) Income (D) Profit and loss			

Answers:

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

Subjective Type

Roll No. _____ (To be filled in by the candidate) (Academic Sessions 2019–2021 to 2022–2024)

PRINCIPLES OF ACCOUNTING 223 – (INTER PART – I) Time Allowed : 2.30 Minutes

PAPER: I (Essay Type)

Maximum Marks: 80

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

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(i) Differentiate between services and manufacturing business.

Ans. Services Business: A business in which service are purchased and sold is known service business.

Manufacturing Business: A business which uses raw material to make finished goods is known as manufacturing business.

(ii) Give two examples of nominal accounts.

Ans. Two examples of nominal account: 1. Rent account 2. Salary account

(iii) Describe purchase Journal.

Ans. A book in which record all purchases of goods only is called purchase journal.

(iv) Define deferred revenue expenditures.

Ans. Deferred revenue expenditure refers to those expenses which will be incurred in the current accounting period but the benefits of the expenses will be applicable over several accounting periods.

(v) Define suspense account.

Ans. A suspense account is an account in which those transactions are entered which cannot be placed to their proper accounts. The entry in this account is of temporary nature.

(vi) Goods gave as charity. Write journal entry.

Ans. Chariry account (Dr), Purchases account (Cr)

(vii) Give two examples of intangible assets.

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

(viii) Define posting error.

Ans. An error in which amount is posted to the wrong side of the same account is known as error of posting.

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

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(i) Why we prepare profit and loss account?

Ans. This statement helps companies make informed decisions about their financial performance. Profit and loss statement/account shows the profits/losses earned/incurred by a business for a month or a year.

(ii) Explain retiring of a bill of exchange.

Ans. When drawee is agreed to make payment of bill before the due date for certain amount of rebate is called Retiring of bill.

(iii) What is an inland bill of exchange?

Ans. Inland bills are drawn in a country upon persons living in the same country. Both drawer and acceptor reside in the same country are called inland bill of exchange.

(iv) Define notary public.

Ans. A notary public officer who attests or certifies writings (such as a deed) to make them authentic and takes affidavits, depositions, and protests of nogatiable paper.

(v) Give two examples of capital receipts.

Ans. 1. The cash from an insurance claim. 2. The cash from incoming loan or bond payments.

(vi) Differentiate between capital and revenue expenditures.

Ans. Capital expenditures: All those expenditures that are incurred to acquire the fixed assets are called capital expenditures.

Revenue expenditures: Expenses incurred for meeting day-to-day expenses of carrying on a business are called revenue expenditures.

(vii) **Describe indirect income with two examples.**

Ans. Indirect income is the revenue that a business generates through channels that are not directly related to its day-to-day operations.

Examples: 1. Old newspaper sales 2. Old bottle sales

(viii) **What are trial balance errors.**

Ans. Errors which are made in the preparation of trial balance are called trial balance errors. These are following:

1. Transfer of balance to the wrong column of the trial balance.
2. Wrong addition of trial balance columns.
3. The amount of the balance wrongly entered in the trial balance.
4. Omission of balance from the trial balance.

PART - II

Note: Attempt any THREE of the following questions.

Q4. Journalize the following transactions:

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(i) April-1. Mr. Ali commenced business with cash Rs. 50000/-.

(ii) April 2. Purchased goods for cash Rs. 7000/-.

(iii) April 5. Purchased furniture on credit from Bilal furniture house Rs. 2500/-.

(iv) April 7. Cash sales Rs. 10,000/-.

(v) April 10. Goods purchased from Nadeem Rs. 8000/-.

(vi) April 13. Sold goods to Zafar and Company Rs. 9000/-.

(vii) April 17. Paid to Bilal Furniture House Rs. 2000/-.

(viii) April 20. Goods returned by Zafar and Company Rs. 350/-.

(ix) April 23. Received from Zafar and Company Rs. 7000/-.

(x) April 25. Paid rent Rs. 500/-.

Sol.

Date	Particulars	L/F	Dr	Cr
i	Cash account Capital Account (Started business with cash)		50,000	50,000
ii	Purchases Account Cash Account (Goods are bought)		7000	7000
iii	Furniture Account Bilal furniture Account (Furniture bought on credit)		2500	2500
iv	Cash Account Sales Account (Goods sold cash)		10,000	10,000
v	Purchases Account Nadeem Account (Goods bought on credit)		8000	8000
vi	Zafar & Company Account Sales Account Goods sold on credit		9000	9000
vii	Bilal Furniture Account Cash Account (Cash paid to creditor)		2000	2000
viii	Sales returns Account Zafar & Company Account (Goods return by zafar & co.)		350	350
ix	Cash Account Zafar & Co. (Cash received from zafar ex.co)		7000	7000
x	Rent Account Cash Account (Rent is paid)		500	500

Q5. Prepare bank reconciliation statement:

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- (i) Balance as per cash book Rs. 27,000/-.
- (ii) Cheque issued but not yet presented for payment Rs. 2900/-.
- (iii) Cheques deposited into bank but not yet credited Rs. 2300/-.
- (iv) Bank service charges debited by bank Rs. 1500/-.
- (v) Dividend credit by bank Rs. 250/-.
- (vi) Customer directly deposited into bank Rs. 5000/-.

Sol. Bank reconciliation statement

Details		Rs.
Balance as per cash book	Dr.	27000
Add unrepresented cheques		2900
Less uncredited cheques		2300
Less Bank service charges not recorded		1500
Add Dividend collected by Bank		250
Add Customer directly deposit		5000
	Dr.	31350
Balance as per pass book	Cr.	31350

- Q6.** Ahmad draws a bill for Rs. 2000/- on Bilal, who accepted and returns it to Ahmad on the same date. Ahmad discounted the bill with his banker for Rs. 1950/-, the bill is finally honoured by Bilal.

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Required: Show the entries in the books of Ahmad and Bilal.**Sol.** (i) Ahmad's Journal

Date	Particulars	L/F	Dr.	Cr.
	Bill Receivable Account		2000	
	Bilal Account			2000
	Bill is accepted by drawee			
	Bank Account		1950	
	Discount Account		50	
	Bill Receivable Account			2000
	Bill is discounted			

(ii) Bilal's Journal

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

- Q7.** From the following trial balance of Fakhar Traders, prepare trading and profit and loss account and balance sheet for the year ended on 31.12.2016.

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Descriptions	Debit Rs.	Credit Rs.,
Cash	15000/-	
Debtors	21500/-	
Opening stock	4600/-	
Furniture	7000/-	
Building	50000/-	
Purchases	25000/-	
Freight	3400/-	
Advertising	5000/-	
Salaries expense	8000/-	
Utility expense	1400/-	

Drawings	5000/-	
Fakhar's capital		74400/-
Sales		135000/-
Creditors		9500/-
Wages	73000	
Total:	218900/-	218900/-

Adjustments:

- (i) Depreciation on building @ 10% p.a. (ii) Closing stock Rs. 11000/-
 (iii) Outstanding wages Rs. 2000/- (iv) Prepaid advertising Rs. 500/-

Sol. Fakhar Traders

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

	Rs.		Rs.
Opening Stock	4600	Sales	135000
Purchases	25000	Closing stock	11000
Freight wages 73000	3400		
O/s wages 2000	75000		
Gross profit c/d	38000		
	146000		146000
Advertising 5000		Gross profit b/d	38000
Less prepaid 500	4500		
Salaries expense	8000		
Utility expenses	1400		
Depreciation on Building	5000		
Net profit	19100		
	64600		38000

Fakhar Traders Balancesheet

Assets	Rs.	Liabilities	Rs.
Current Assets		Current Liabilities	
Cash	15000	Creditors	9500
Debtors	21,500	o/s Wages	2000
Closing Stock	11000		
Prepaid Advertising	500	Fixed Liabilities	
Fixed Assets		Capital 74400	
Furniture	7000	+ NP	
Building 50,000		19100	
Depreciation 5000	45000	- Drawings 5000	88500
	100,000		100,000

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

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- (i) Depreciation on plant.
 (ii) Expense incurred on change of engine oil of business truck.
 (iii) Carriage on furniture purchased. (iv) Interest on loan.
 (v) Cost to construct additional room in building.
 (vi) Freight on purchase of goods. (vii) Cost of acquiring goodwill.
 (viii) Purchase of furniture for re-sale. (ix) Wages paid for foundation of plant.
 (x) Amount spent on uniform of employees.

Sol.

Sr.No	Nature of Expenditure	Reasons
i	Revenue Expenditure	It is revenue expenditure because it is a day to day expense of the business.
ii	Revenue Expenditure	It is a revenue expenditure because expenses are incurred on maintains of asset.
iii	Capital Expenditure	It is a capital expenditure because expenses are incurred on purchased of fixed asset.

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 it will increase value of fixed asset.
vi	Revenue Expenditure	It is a revenue expenditure because it is a day to day expenses of business.
vii	Capital Expenditure	It is a capital expenditure because its benefits will be more than one year.
viii	Revenue Expenditure	It is a revenue expenditure because it's a day to day expense of a business.
ix	Capital Expenditure	It is capital expenditure because its benefit will be more than a year.
x	Revenue Expenditure	It is a revenue expenditure because its benefit will be less than one year.

Q9. Pass journal entries to rectify the following errors:

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- (i) Paid wages for the construction of office debited to wages account Rs. 3000/-.
- (ii) Sold old furniture for Rs. 6000/- credited to sales account.
- (iii) Paid Rs. 400/- for the purchase of a table posted to purchases account.
- (iv) Rs. 700/- withdrawn by the proprietor debited to salaries account.
- (v) The sales book was under casted by Rs. 500/-.
- (vi) Sales to Tahir Rs. 6000/- credited to his account.
- (vii) Rent paid Rs. 2000/- posted twice.
- (viii) Credit purchases Rs. 4000/- was not recorded in the books.

Sol. Journal

Date	Particulars	L/F	Dr	Cr
i	Office Building Account Wages Account (Wages wrongly recorded now rectified)		3000	3000
ii	Sales Account Furniture Account (Sales wrongly recorded now rectified)		6000	6000
iii	Table Account Purchases Account (Purchases wrongly recorded now rectified)		400	400
iv	Drawings Account Salaries Account (Salaries wrongly recorded now rectified)		700	700
v	Suspense Account Sales Account (Sales under cast, now rectified)		500	500
vi	Tahir Account Suspense Account (Tahir account wrongly recorded now rectified)		12000	12000
vii	Suspense Account Rent Account (Rent recorded twice, now rectified)		2000	2000
viii	Purchases Account Account payable Account (Purchases not recorded, now rectified)		4000	4000