

Objective Type

Inter-(Part-I)-A-2023

(For all Sessions)

Roll No. _____ to be filled in by the candidate.

Paper Code	6	7	0	2
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Principles of Accounting

Time : 30 Minutes

Marks : 20

Note: Write answers to the questions on objective sheet provided. Four possible answers A,B,C and D to each question are given. Which answer you consider correct, the fill the corresponding circle A,B,C or D given in front of each question with marker or pen ink on the answer sheet provided

01.

20

- Assets are always equal to:
(A) Liabilities (B) Capital (C) Liabilities + capital (D) Drawing + capital
- The normal balance of assets account is:
(A) Debit balance (B) Positive balance (C) Negative balance (D) Credit balance
- When cash is used by the owner for personal use, the debit will be:
(A) Cash (B) Asset (C) Drawings (D) Capital
- The term "Jour" means:
(A) Daily (B) Weekly (C) Monthly (D) Yearly
- Real accounts relate to:
(A) Asset (B) Liabilities (C) Expenses (D) Revenues
- Purchase of furniture from Ali will be recorded in:
(A) Sale journal (B) Purchase journal (C) Cash book (D) General journal
- No entry is made for:
(A) Cash purchase (B) Credit purchase (C) Cash discount (D) Trade discount
- Outstanding expenses should appear in _____.
(A) Assets (B) Revenues (C) Suspense account (D) Liabilities
- The equality of debit and credit is proved through:
(A) Journal (B) Ledger (C) Trial balance (D) Balance sheet
- If amount in debit and credit sides of an account is equal, then account will show _____.
(A) Debit balance (B) Credit balance (C) Positive balance (D) Zero balance
- Gross profit is determined through _____.
(A) Profit & loss account (B) Balance sheet (C) Trading account (D) Cash account
- One of the direct expenses is:
(A) Carriage (B) Salary (C) Rent (D) Carriage out
- The normal balance of purchase discount is:
(A) Debit (B) Positive (C) Negative (D) Credit
- Closing stock is valued at:
(A) Cost price (B) Market price
(C) Cost or market price whichever is less (D) Cost of market price whichever is higher
- Interest on drawing is ____ of business.
(A) Income (B) Expense (C) Asset (D) Liability
- Depreciation is a business:
(A) Asset (B) Revenue (C) Liability (D) Expense
- The grace period for bills of exchange is:
(A) 7 Days (B) 10 Days (C) 5 Days (D) 3 Days
- Noting charges are paid on:
(A) Discontinuing of bill (B) Dishonour of bill (C) Renewal of bill (D) Honor of bill
- Loss of sale on fixed asset is called:
(A) Capital loss (B) Revenue loss
(C) Revenue expenses (D) Deferred revenue expense
- Wrong allocation of capital to revenue is:
(A) Error of commission (B) Error of omission (C) Error of principle (D) Compensating error

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

Subjective Type

Roll No. _____ to be filled in by the candidate. Inter - (Part - I) - A - 2023
(For all Sessions)

Principles of Accounting

Time : 2:30 Hours

Section - I

Marks : 80

2 × 5 = 10

02. Write short answers of any five parts from the followings:

(i) Explain "Accounting Cycle".

Ans. The accounting cycle is a standard, 8-step process that tracks, records and analyzes all financial activity and transactions within a business. It starts when a transaction is made and ends when a financial statement is issued and the books are closed.

(ii) Describe compound journal entry.

Ans. An entry in which more than one account is debited or more than one account is credited is called compound entry.

(iii) Ledger is considered the most important book-keeping record. Tell why?

Ans. A ledger contains summarized information from the to and is recorded as debit and credits. The ledger is used to prepare financial statements and contains a list of all the accounts, referred to as the chart of accounts, that are active.

(iv) Wages paid to worker. Pass journal entry.

Ans.	Wages account
	Cash account

(v) What is meant by drawings?

Ans. The cash or goods taken away by the proprietor from the business for his personal use are called drawings.

(vi) Define cash receipts journal.

Ans. A cash receipts journal is a specialized accounting journal and it is referred to as the main entry book used in an accounting system to keep track of the sales of items when cash is received by crediting sales and debiting cash and transactions related to receipts.

(vii) What is meant by petty cash book?

Ans. A separate book is set up to record the payments of small business expenses called petty cash book.

(viii) Describe the term bank reconciliation statement.

Ans. A bank reconciliation statement is prepared to find out the reasons for disagreement between the bank statement balance and bank balance of cash book.

03. Write short answers of any five parts from the followings:

5 × 2 = 10

(i) What is discounting of a 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) Define bill of exchange.

Ans. An unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at fixed or determinable future time, a certain sum of money to or to the order of a specified person or to bearer.

(iii) Define final account.

Ans. The term final accounts means statements which are finally prepared to show the profit earned or loss suffered by the business and the financial position of a business at the end of the accounting period.

(iv) Define long term liabilities.

Ans. Long-term liabilities, also called long-term debts, are debts a company owes third-party creditors that are payable beyond 12 months.

(v) What are adjustments?

Ans. An adjustment means to make a correct record of a transaction, which has not been entered or which has been entered but in an incomplete or wrong way.

(vi) Define capital expenditures.

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

(vii) Define revenue payment.

Ans. Where as revenue payment is that amount which is paid on account of some revenue expenditure and the balance amount is paid at any future date.

(viii) Define error of omission.

Ans. An error of omission occurs where the business transaction has been absolutely omitted from records are called error of omission.

Section - II

Note: Attempt any three questions from the following.

20 × 3 = 60

Q4 Journalize the following transactions:

(i) Faisal started business with cash Rs. 50,000/-.

(ii) Purchase goods for cash Rs. 10,000/-.

(iii) Purchase goods on account Rs. 5,000/-.

(iv) Sold goods for cash Rs. 8,000/-.

(v) Sold goods on account Rs. 6,000/-.

(vi) Bought machinery for cash Rs. 15,000/-.

(vii) Paid cash to creditor Rs. 3,000/-.

(viii) Received cash from customer Rs. 5,000/-.

(ix) Paid rent Rs. 1000/-.

(x) Owner withdraw cash for personal use Rs. 2,000/-.

Sol. Journal

Date	Particulars	L/F	Dr.	Cr.
i	Cash Account Capital Account (Started business with cash)		50000	50000
ii	Purchases Account Cash Account (Purchased goods for cash)		10000	10000
iii	Purchases Account Account receivable Account (Goods bought on credit)		5000	5000
iv	Cash Account Sales Account (Goods sold on cash)		8000	8000
v	Account receivable Account Sales Account (Goods sold on credit)		6000	6000
vi	Machinery Account Cash Account (Bought machinery)		15000	15000
vii	Account payable Account Cash Account (Cash is paid)		3000	3000
viii	Cash Account account receivable Account (Cash is received)		5000	5000
ix	Rent Account Cash Account (Paid rent)		1000	1000
x	Drawings Account Cash Account (Withdraw cash for personal use)		2000	2000

Q5. Prepare a bank reconciliation statement from the following information:

- (i) Bank overdraft as per cash book Rs. 2,000/-.
- (ii) Interest credited by bank Rs. 150/-.
- (iii) Uncollected cheques Rs. 155/-.
- (iv) Collection charges entered in pass book Rs. 100/-.
- (v) Unpresented cheques Rs. 295/-.
- (vi) Interest on investment directly collected by bank Rs. 35/-.

Sol. Bank reconciliation statement

Details	Rs.
Balance as per cash book Cr.	2000
Less Interest credited by bank	150
Add Uncollected cheques	155
Add Collection charges	100
Less Unpresented cheques	295
Less Interest on investment collected by bank	35
Cr.	1775
Balance as per pass book Dr.	1775

Q6. On March 2014, Yasir sold goods on account to Faisal for Rs 15,000/-. He drew six months bill on him which was accepted by Faisal. On 1st April 2014, Yasir sent bill to his bank for collection. On due date bank collected the bill and deducted collection fee Rs. 200/- prepare journal entries in the books of both parties.

Sol. (i) Yasir's Journal

Date	Particulars	L/F	Dr.	Cr.
March 2014	Faisal Account Sales Account (Goods sold on credit)		15000	15000
	Bill Receivable Account Faisal Account (Acceptance is received)		15000	15000
1st April	Bank for collection Account Bill Receivable Account (Bill is sent for collection)		15000	15000
	Bank Account Collection Charges Account (Bill is collection)		14800 200	15000

(ii) Faisal's Journal

Date	Particulars	L/F	Dr.	Cr.
	Purchases Account yasir's Account (Goods bought on credit)		15000	15000
	Bill payable Account Cash Account (Bill is honoured)		15000	15000

Q7. From the following trial balance, prepare trading and profit loss and balance sheet as on 31st December 2021.

Trial Balance		
Particulars	Dr Rs.	Cr Rs.
Opening stock	10,000/-	
Purchases	48,000/-	
Wages	1,600/-	
Sales		71,000/-
Sales return	2,100/-	
Capital		16,600/-

Plant	12,000/-	
Rent	4,000/-	
Salaries	7,500/-	
Debtors	14,000/-	
Creditors		14,000/-
Advertisement	2,400/-	
Total	101,600/-	101,600/-

Adjustments:

- (i) Closing stock Rs. 10,000/-.
- (ii) Wages outstanding Rs. 400/-.
- (iii) Depreciation on plant 5% per annum.

Sol. Mr.....

Trading & profit & loss account for the year ended.....

	Rs.		Rs.
Opening Stock	10,000	Sales	71000
Purchases	48000	– Return	<u>2100</u>
Wages	1600	Closing Stock	10,000
+ o/s Wages	<u>400</u>		
Gross Profit c/d	18900		
	<u>78900</u>		<u>78900</u>
Rent	4000	Gross Profit b/d	18900
Salaries	7500		
Advertisement	2400		
Dep. on plant	600		
Net Profit	4400		
	<u>18900</u>		<u>18900</u>

Mr..... Balance Sheet as on 31st Dec.2021

Assets	Rs.	Liabilities	Rs.
Current Assets		Current Liabilities	
Debtors	14000	Creditors	14000
Closing Stock	10,000	o/s Wages	400
Fixed Assets		Fixed Liabilities	
Plant	12000	Capital	16600
– Depreciation	<u>600</u>	+ NP	<u>4400</u>
	<u>35400</u>		<u>21000</u>
			<u>35400</u>

Q3. State with reasons which of the followings are capital or revenue:

- (i) Paid wages.
- (ii) Repair of machinery.
- (iii) Purchase of furniture for resale.
- (iv) Depreciation of machinery.
- (v) Purchase of plant.
- (vi) Paid carriage for goods purchased.
- (vii) Advertisement expenses paid.
- (viii) Interest on loan.
- (ix) Rent of building.
- (x) Purchase of franchise.

Sol.

Sr.No	Nature of Expenditure	Reasons
i	Revenue Expenditure	It is a 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 maintenance of asset.

iii	Revenue Expenditure	It is a revenue expenditure because it is a routine life expense of business.
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 expenses are incurred on purchase of fixed asset.
vi	Revenue Expenditure	It is a revenue expenditure because it is a routine life expense of the business.
vii	Revenue Expenditure	It is a revenue expenditure because its benefit will be less than one year.
viii	Revenue Expenditure	It is a revenue expenditure because it neither reduces liability of the payer nor adds to his asset.
ix	Revenue Expenditure	It is a revenue expenditure because its benefit will be less than one year.
x	Capital Expenditure	It is a capital expenditure because its benefit will be more than one year.

Q9. Rectifying the following errors:

- (i) Goods sold to sameer for Rs. 9000/- were debited to his account as Rs. 900/-.
- (ii) Sales book was under-cast by Rs. 2500/-.
- (iii) Furniture purchased from liaqat and company for Rs. 8000/- was wrongly passed through purchase book.
- (iv) Salaries paid to rashid Rs. 6000/- were wrongly debited to his account.
- (v) Goods bought from asim for Rs. 16000/- were omitted to be recorded in the book.
- (vi) Old furniture sold for Rs. 6000/- was passed through sales book.
- (vii) Stationery purchased for Rs. 890/- but debited to stationery account as Rs. 980.
- (viii) A sum of Rs. 650/- received from abid were credited twice in his book.

Sol. Journal

Date	Particulars	L/F	Dr.	Cr.
i	Sameer Account Suspense Account Sameer account understated, now rectified		8100	8100
ii	Suspense Account Sales Account Sales under cast, now rectified		2500	2500
iii	Furniture Account Purchases Account Purchases wrongly recorded now rectified		8000	8000
iv	Salaries Account Rashid Account Personal account wrongly recorded now rectified		6000	6000
v	Purchases Account Asim Account Omitted to record, now rectified		16000	16000
vi	Sales Account Furniture Account Sales wrongly recorded, now rectified		6000	6000
vii	Suspense Account Stationery Account Stationery overstate, now rectified		90	90
viii	Abid Account Suspense Account Abid account overstate, now rectified		650	650