

Objective Type

Roll No.

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(To be filled in by the candidate)

Principles of Accounting

 H.S.S.C (11th) 1st Annual-2023

Time : 30 Minutes

Paper : I

Paper Code

6	7	0	1
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Marks : 20

Note: You have four choices for each objective types question as A, B, C and D. The choice which you think is correct; fill that circle in front of that question number in your answer book. Use marker or pen to fill the circles. Cutting or filling two or more circle will result no mark.

SECTION - A

01

20

S.#	Questions	A	B	C	D
1	Any written evidence in support of a credit transaction is called:	Invoice	Cash memo	Cash book	None of these
2	A person who owes money to a business is called:	Debtor	Creditor	Investor	Partner
3	Liabilities plus owner's equity is always equal to:	Investment	Capital	Drawings	Assets
4	Furniture purchased for cash will decrease:	Cash	Capital	Debtor	Creditor
5	An increase in liability is recorded on:	Debit side	Credit side	Any side	None of these
6	Salary paid to Muneeb should be credited to:	Cash account	Muneeb account	Salary account	Expense account
7	Book of original entry is called:	Journal	Ledger	Modern book	Pass book
8	No separate entry is made for:	Cash purchases	Credit purchases	Cash discount	Trade discount
9	The king of all the books of accounts is:	Ledger	Journal	Cash book	Pass book
10	For payment of a bill of exchange, grace days are allowed:	Three days	Four days	Five days	Seven days
11	Bill of exchange contains:	A promise	Conditional order	Unconditional order	A request
12	The other name of pass-book is:	Deposit statement	Bank statement	Cash statement	Income statement
13	Favourable balance of cash book is:	Debit balance	Credit balance	Zero balance	Overdraft balance
14	Trading account is prepared to determine:	Gross profit or loss	Net profit or loss	Financial position	None of these
15	If the closing stock appears in trial balance, it is taken to the:	Trading account	Balance sheet	Profit and loss account	Capital account
16	Prepaid expenses are:	Current assets	Fixed assets	Current liabilities	Fixed liabilities
17	Carriage paid on goods purchased is:	Capital expenditure	Revenue expenditure	Capital payment	Capital loss
18	Building destroyed by fire is:	Revenue loss	Capital loss	Revenue expenditure	Capital expenditure

19	Purchase of furniture recorded in purchase day book is, an error of:	Principle	Omission	Trial balance	Casting
20	The errors which cancel themselves out are:	Errors of omission	Errors of principle	Error of commission	Error of compensation

Answers:

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

Subjective Type

Roll No. (To be filled in by the candidate)

Principles of Accounting

H.S.S.C (11th) 1st Annual-2023

Time : 2:30 Hours

Paper : I

Marks : 80 Minutes

Note: Section B is compulsory. Attempt any three (3) questions from section C.

SECTION - B

Q2. Write short answers to any Five parts. (5 × 2 = 10)

(i) Define the term "Return inward".

Ans. If a customer to whom goods have been sold finds that the goods are defective, unsatisfactory, below standard or not according to the specification, he may return these goods to the seller. To the seller such return of goods is known as return inward.

(ii) Define the term, "Transaction".

Ans. Any dealing between two persons for money or money's worth in business is called transaction.

(iii) Explain the term, "Drawings".

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

(iv) Define the term, "Compound entry".

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

(v) Define "Ledger account".

Ans. Ledger is a book, which contains a classified record of all business transactions, posted from the books of original entry. It is also called book of final entry and king of all accounts.

(vi) How would you explain the term, "Credit-Note".

Ans. A credit note, also known as a credit memo, is a commercial document issued by the seller and sent to the buyer when there is a reduction in the amount payable to the seller.

(vii) What is meant by a "Voucher"?

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

Example: When stationary is purchased from a shop, shopkeeper gives a cash memo. This cash memo is a voucher for payment.

(viii) What is meant by a current account?

Ans. In current account a customer is allowed to deposit or withdraw the money from the bank according to his own will. Generally, bank allows no interest on current account.

Q3. Write short answers to any Five parts. (5 × 2 = 10)

(i) Define a 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.

(ii) Define rebate.

Ans. Concession given by drawer to drawee at the time of retirement of bill is called rebate.

(iii) Define direct expenses.

Ans. All those expenses, which are concerned with the purchases of goods or incurred to convert raw materials into finished goods.

(iv) Define sales returns.

Ans. If a customer to whom goods have been sold finds that the goods are defective, unsatisfactory, below standard or not according to the specification, he may return these goods to the seller. To the seller such return of goods is known as sale return.

- (v) **What is meant by depreciation?**
Ans. Gradual decrease in the monetary value of an asset due to usage in the business is known as depreciation. Actually depreciation is a loss of the business.
- (vi) **Define capital expenditure.**
Ans: All those expenditures that are incurred to acquire the fixed assets are called capital expenditures.
- (vii) **Give two example of capital profit.**
Ans. 1. An increase in the values of assets through revaluation.
 2. The profit from the sale of debentures sales on premium.
- (viii) **Define error of omission.**
Ans. An error of omission occurs where the transaction has been absolutely omitted from records are called error of omission.

SECTION - C

Note: Attempt any Three questions. Each question carries 20 marks.

Q4. Journalize the following transactions in general journal.

- (i) Mr. Shahid started business with cash of Rs. 350000/- and machinery of Rs. 50000/-.
- (ii) Bought building for cash of Rs. 150000/-.
- (iii) Bought goods on account Rs. 70000/-.
- (iv) Purchased furniture for cash of Rs. 20000/-.
- (v) Sold merchandize for Rs. 50000/- on cash.
- (vi) Paid cash of Rs. 20000/- to creditors.
- (vii) The owner took away goods for person use valued at Rs. 5000/-.
- (viii) Paid Rs. 3000/- as commission to the salesman.
- (ix) Goods worth Rs. 4000/- were destroyed by fire.
- (x) Rs. 20000/- deposited as cash into bank.

Sol.	Date	Particulars	L/F	Dr	Cr
	i	Cash Account Machinery Account Capital Account (Started business with cash and machinery)		350000 50000	400000
	ii	Building Account Cash Account (Purchased building)		150,000	150,000
	iii	Purchases Account Account payable Account (Purchased goods on account)		70000	70000
	iv	Furniture Account Cash Account (Bought furniture on cash)		50000	50000
	v	Cash Account Sales Account (Goods sold on cash)		50000	50000
	vi	Account payable Account Cash Account (Cash paid to creditor)		20000	20000
	vii	Drawings Account Purchases Account (Goods taken for personal use by owner)		5000	5000
	viii	Commission Account Cash Account (Paid commission)		3000	3000
	ix	Goods lost by fire Account Purchases Account (Goods lost by fire)		4000	4000
	x	Bank Account Cash Account (Cash deposited into bank)		20000	20000

05. Prepare bank reconciliation statement of Asif Traders as on 31st March, 2018.

- (i) Balance as per cash book, Rs. 150,000/-.
- (ii) Unpresented cheques, Rs. 10,000/-.
- (iii) Uncredited cheque, Rs. 6000/-.
- (iv) Dividend credited by bank, Rs. 1000/-.
- (v) Bank charges, Rs. 800/-.
- (vi) Directly deposited by customers, Rs. 2,000/-.

Sol. Bank reconciliation statement

Details		Rs.
Balance as per cash book	Dr.	150000
Add Unpresented cheques		10000
Less Uncredited cheques		6000
Add Divident collected by Bank		1000
Less Bank charges		800
Add Directly deposit by customer		2000
	Dr.	156200
Balance as per pass book	Cr.	156200

06. Ali sold goods to Haroon for Rs. 8,000 and drew a bill upon him for three months for the amount. Haroon accepted the bill and returned it to Ali. Ali discounted the bill with his banker at 5% per annum. On the due date the bill was honoured. Pass the necessary Journal Entries in the books of Ali and Haroon.

Sol. Ali's Journal

Date	Particulars	L/F	Dr.	Cr.
	Haroon Account Sales Account (Goods sold on credit)		8000	8000
	Bill Receivable Account Haroon Account (Acceptance is received)		8000	8000
	Bank Account Discount Account $\left(8000 \times \frac{5}{100} \times \frac{3}{12}\right)$ Bill Receivable Account (Bill is discounted)		7900 100	8000

Haroon's Journal

Date	Particulars	L/F	Dr	Cr
	Purchases Account Haroon Account (Goods bought on credit)		8000	8000
	Haroon Account Bill payable Account (Acceptance is given)		8000	8000
	Bill payable Account Cash Account (Bill is honoured)		8000	8000

07. Prepare trading. Profit and loss account and balance sheet from the given trial balance of Mr. Akram as on 31st December 2022.

Particulars	Debit	Credit
Opening stock	30,000	
Purchases	75,000	
Wages	6,000	
Cash	40,000	
Rent	8,000	

Machinery	12,000	
Insurance	3,000	
Account Receivable	45,000	
Drawing	11,000	
Sales		125,000
Account payable		45,000
Capital		60,000
Total	230,000	230,000

Adjustments:

- (i) Closing stock Rs. 15,000/-.
- (ii) Prepaid rent, Rs. 3,000/-.
- (iii) Wages outstanding Rs. 1,500/-.
- (iv) Depreciation on machinery @ 10% per annum.

Sol. Mr. Akram

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

	Rs.		Rs.
Opening Stock	30,000	Sales	125,000
Purchases	75,000	Closing Stock	15,000
Wages 6000			
+ o/s wages 1500	7,500		
Gross profit c/d	27,500		
	140,000		140,000
			27,500
Rent 8000	5,000	Gross Profit b/d	
Less prepaid rent 3000	3,000		
Insurance	1,200		
Dep. on Machinery	18,300		
Net profit	27,500		27,500

Mr. Akram Balance Sheet as on 31st Dec.2022

Assets	Rs.	Liabilities	Rs.
Current Assets		Current Liabilities	
Cash	40,000	Account payable	45,000
Account receivable	4,500	o/s Wages	1,500
Closing stock	15,000		
Prepaid rent	3,000	Fixed liabilities	
Fixed Assets		Capital 60,000	
Machinery 12,000		+ NP 18,300	
Less depreciation 1,200	10,800	- Drawings 11,000	67,300
	113,800		113,800

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

- (i) Cost of new machinery.
- (ii) Legal expenses incurred on an income tax appeal.
- (iii) Cost of air conditioning the office of the general manager.
- (iv) Cost of acquiring the goodwill of an old firm.
- (v) Cost of re-decorating a cinema hall.
- (vi) Repair to motor car met with an accident.
- (vii) Painting expenditures of a newly constructed factory.
- (viii) Compensation paid to a person injured by company's car.
- (ix) Carriage paid on goods purchased.
- (x) Repair to furniture purchased second hand.

Sol.

Sr.No	Nature of Expenditure	Reasons
i	Capital Expenditure	It is a capital expenditure because expenses are incurred on purchase of fixed asset.

ii	Revenue Expenditure	It is a revenue expenditure because it is a day to day expense of business.
iii	Capital Expenditure	It is a capital expenditure because expenses are incurred on purchase of fixed asset.
iv	Capital Expenditure	It is a capital expenditure because its benefit will be more than one year.
v	Revenue Expenditure	It is a revenue expenditure because expenses are incurred on maintenance of asset.
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 newly constructed building.
viii	Revenue Expenditure	It is a revenue expenditure because it is a day to day expenditure of business.
ix	Revenue Expenditure	It is a revenue expenditure because it is a day to day expense of business.
x	Capital Expenditure	It is a capital expenditure because expenses are incurred to put asset in working condition.

Q9. Rectify the following errors.

- (i) Sales return book has been under costed by Rs. 500/-.
- (ii) Sales to tanveer valuing at Rs. 3000/- credited to his account.
- (iii) Trade expenses of Rs. 190/- posted in the ledger as Rs. 910/-.
- (iv) Machinery bought for Rs. 1000/- posted as purchases.
- (v) Wages paid Rs. 1000/- posted twice.
- (vi) Credit purchase of Rs. 2000/- was not recorded in the books.
- (vii) Purchases book overcast Rs. 5000/-.
- (viii) Bad debts of Rs. 1000/- was not recorded in the books.

Sol. Journal

Date	Particulars	L/F	Dr.	Cr.
i	Sales Return Account Suspense Account Sales return under cast, now rectified		500	500
ii	Tanveer Account Suspense Account Personal account wrongly recorded, now rectified		6000	6000
iii	Suspense Account Trade expense Account Trade expenses overstate, now rectified		720	720
iv	Machinery Account Purchases Account Purchases account wrongly recorded now rectified		1000	1000
v	Suspense Account Wages Account Wages wrongly recorded, now rectified		1000	1000
vi	Purchases Account Account payable Account Credit purchases not recorded, now rectified		2000	2000
vii	Suspense Account Purchases Account Purchases overstate, now rectified		5000	5000
viii	Bad debts Account Account receivable Account Bad debts entry was not recorded		1000	1000