

Objective Type

Principles of Accounting	Inter (Part – I)	L.K. No. 1558	Paper Code No. 6701
Paper: I (1st - A - Exam - 2024)	Time: 30 Minutes	Marks: 20	Session (2022–24) to (2023–25)

Note: Four choices A, B, C, D to each question are given. Which choice is correct, fill that question number on the Objective Bubble Sheet. Use marker on pen to fill the circles. Cutting or filling two or more circles will result in zero mark in that question.

01	20
1	Kisan Traders Prepare their accounts on basis that it will continue to trade in the foreseeable future. Which accounting Principle is being applied? (A) Dual Aspect Concept (B) Accounting Period Concept (C) Matching Concept (D) Going Concern Concept
2	Assets that can be converted into Cash within one year of the operating cycle are called: (A) Current Assets (B) Liquid Assets (C) Tangible Assets (D) Intangible Assets
3	Sale of goods costing Rs. 1000/- for Rs. 1250/-. It will increase the Owner's equity by: (A) Rs. 1000/- (B) Rs. 1250/- (C) Rs. 250/- (D) Rs. 2250/-
4	Purchase of machinery for Cash: (A) Increases Total Assets (B) Keep Total Assets Unchanged (C) Decreases Total Assets (D) Increase Assets and Liability
5	Kashif is a Customer or Atif. The balance on Kashif's books is Rs. 400/- debit. Kashif sends Atif a cheque for Rs. 100/-. What is the balance on Kashif's account after this transaction? (A) Rs. 300/- Debit (B) Rs. 300/- Credit (C) Rs. 500/- Debit (D) Rs. 500/- Credit
6	Written explanation below each Journal entry is called: (A) Entry (B) Narration (C) Double Entry (D) Compound Entry
7	A Cheque which is returned by the Bank is called: (A) Bearer (B) Order (C) Dishonoured (D) Crossed
8	The act writing the name of other person and signing on the back of a Cheque is called: (A) Crossing (B) Dishonouring (C) Issuing (D) Endorsement
9	Purchase of machinery on Credit is recorded in: (A) Purchase Journal (B) General Journal (C) Special Journal (D) Sundry Journal
10	The term Imprest System is associated with: (A) Cash Book (B) Journal (C) Petty Cash Book (D) Ledger
11	The other name of pass book is: (A) Deposit Statement (B) Cash Statement (C) Credit Statement (D) Book Statement
12	If Bank Statement has over draft balance Rs. 12000/- and Omitted cheques are Rs. 3000/-, then what will be the Balance of Cash Book: (A) Rs. 9,000/- Credit (B) Rs. 9,000/- Debit (C) Rs. 15,000/- Credit (D) Rs. 15,000/- Debit
13	Rebate is associated with: (A) Dishonour of Bill (B) Retiring of Bill (C) Renewal of Bill (D) Discounting of Bill
14	If Drawee fails to pay bill at maturity is called: (A) Honour of Bill (B) Renewal of Bill (C) Dishonour of Bill (D) Retiring of Bill
15	Recurring nature expenses are called: (A) Revenue Expenditure (B) Capital Expenditure (C) Capital Payment (D) Capital Loss
16	Which one is revenue receipt? (A) Loan from Bank (B) Sales of goods (C) Investment by Owner (D) Sale of Fixed Assets

Answers:

Subjective Type

Note: It is compulsory to attempt any (5 - 5) parts each from Q.No.2 and Q.No.3 while attempt any (03) Questions from Part – II. Write same Question No. and its Part No. as given in the Question Paper.

Q2.

Part - I

$$20 = 10 \times 2$$

Ans. When a person provides his services to society on the basis of his specialized knowledge and experience in a particular field, it is known as profession.

Example: Doctor, lawyer, teacher etc.

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

Ans. Assets = Rs. 60,000

Capital = Rs. 40,000

Liabilities (Rs) = ?

By using accounting equation

$$\text{Assets} = \text{Liabilities} + \text{Capital}$$
$$\text{Assets} - \text{Capital} = \text{Liabilities}$$
$$60,000 - 40,000 = \text{Liabilities}$$

Liabilities = Rs. 20,000

(iv) Why Drawings are deducted from Capital in Accounting Equation?

Ans. Drawings are deducted from Capital in accounting equation because drawings are deducted from the capital to reduce the liability of the company and not shown on the assets side.

(v) Describe Imprest System of Petty Cash.

Ans. The book in which petty items of expenses are recorded is termed as petty cashbook. For this purpose the owner advances a sum of money to the cashier to meet the petty expenses.

(vi) Sketch format of three Column Cash Book.

Ans. Sketch of terble Column Cash Book is:

Dr. Treble Column Cashbook

Cr

 CamScanner

(vii) Explain Bank Overdraft.

Ans. A customer is allowed to borrow an agreed amount in excess of the bank balance is called bank overdraft.

(viii) Name Kinds of a Cheque.

Ans. Kind of a cheque are following:

1. Crossed Cheque
2. Bearer Cheque
3. Traveler Cheque
4. Order Cheque
5. Open Cheque

Q3

(i) Who is Drawee?

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

Example: "x" draws a bill on "y" for Rs. 2,000 for "3" months. In this "y" is a drawee.

(ii) What is meant by Dishonour of Bill?

Ans. A bill of exchange is said to dishonoured, when the acceptor refuses to pay the amount of the bill, to the holder of the bill on its maturity.

(iii) Define Bank Reconciliation Statement.

Ans. If there is any discrepancy arises between the balance of the cash book and that of pass book, the depositor prepares a statement to explain the causes of discrepancies and reconcile the two balance. This statement of explanation is called bank reconciliation statement.

(iv) What is meant by Capital Expenditure?

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

Example: Furniture purchased for Rs. 5,000.

(v) Give an example of Capital Loss.

Ans. Example of Capital loss are:

For example if a investor bought house for Rs.250,000 and sold the house for Rs.200,000 after few years, then the investor have an loss of Rs.50,000.

(vi) Define the term Net Profit.

Ans. If the credit side of profit and loss account is more than the debit side, then the difference will be net profit. Net profit is added in capital in balance sheet.

(vii) Elaborate the word Balance Sheet.

Ans. Balance sheet is the financial statement of a company which includes assets and liabilities. Assets are on the left side and liabilities are on right side.

(viii) What is an Error of Commission?

Ans. An error in which a transaction instead of being recorded in the right account has been recorded in the wrong account of the same class is known as error of commission.

Example: Sale of goods to Amir wrongly debited to Anwar account.

Part - II

$$60 = 20 \times 3$$

(20)

Q4 Enter the following Transaction in General Journal.

- (i) Commenced Business with Cash Rs. 150,000/- and Building Rs. 3,50,000/-.
- (ii) Purchased Goods for Cash Rs. 10,000/-.
- (iii) Deposited Cash into Bank Rs. 5,000/-.
- (iv) Buy Good from Ali on account Rs. 3000/-.
- (v) Sold Goods for Cash worth Rs. 4,000/-.
- (vi) Bought Type writer from Universal Typer writer Rs. 5,000/-.
- (vii) Sold Goods on account Rs. 2,500/-.
- (viii) Returned Goods to Ali For Rs. 300/-.
- (ix) Paid Cash to Ali Rs. 2,600/- in Full Settlement of his account.
- (x) Paid Rent to building Rs. 6,000/-.

Sol. "Journal"

Date	Details	L/F	Dr.	Cr.
i	Cash Account Building Account Capital Account (Started Business)		150,000 350,000	500,000
ii	Purchases Account Cash Account (Goods Purchased)		10,000	10,000

iii	Bank Account Cash Account (Cash Deposited)		5000	5000
iv	Purchases Account Payable Account (Goods bought on account)		3000	3000
v	Cash Account Sales Account (Sales Goods)		4000	4000
vi	Type writer Account Cash Account (Bought Type writer)		5000	5000
vii	Receivable Account Sales Account (Sold goods on account)		2500	2500
viii	Ali Account Goods return Account (Return Goods)		300	300
ix	Cash Account Discount Account Ali Account (Paid cash in full settlement)		2600 400	3000
x	Rent Account Cash Account (Paid Rent to building)		6000	6000

Q5 Prepare Bank Reconciliation statement from the following information. (20)

- Balance as per Cash Book Rs. 9,000/-.
- Unpresented Cheque Rs. 4000/-.
- Uncredited Cheque Rs. 3000/-.
- Bank Charges Rs. 200/-.
- Dividend on investment Rs. 500/-.
- Interest on Government Securities collected by Bank Rs. 400/-.

Sol. Mr. A Bank Reconciliation Statement as on.....

Sr.No	Details	Dr/Cr	Amount
i	Balance as per cash book	Dr.	9000
ii	Unpresented Cheque	Dr.	4000
iii	Uncredited Cheques	Cr.	3000
iv	Bank Charges	Cr.	200
v	Dividend on Investment	Dr.	500
vi	Collected Interest by bank	Dr.	400
	Debit Balance		13,900
	Credit Balance		3200
	Balance as per pass book	Cr.	10,700

Q6 State with reasons whether the following are Capital or Revenue Expenditures.

- Legal Expenses incurred to protect misuse of Trade Mark.
- Legal Expenses incurred to obtain Bank Loan.
- Repair charges of a Vehicle due to an accident.
- Cost of Stationary purchased for office use.
- Traffic Challan Paid due to Violation of Traffic Signal.
- Profit earned on Sale of old Vehicle.

- (vii) Goods destroyed due to rains and floods.
 (viii) Office building fell down due to the Earthquake.
 (ix) Wages paid to workers to dig the tube well.

Sol.

Sr.No	Nature of Expenditure	Reasons
i	Capital Expenditure	Legal expenses for misuse of trade mark is capital in nature because these expenses for tangible assets incurred only once twice in three to five years.
ii	Capital Expenditure	Legal expenses to obtain bank loan is capital in nature because these expenses incurred after one year and tend to reduce in liabilities.
iii	Revenue Expenditure	Repair charges are always be revenue in nature because these expenses incurred repeatedly in the a year and are recurring.
iv	Revenue Expenditure	These expenses for the cost of stationery purchase is revenue in nature because these expenses incurred repeatedly during the year.
v	Revenue Expenditure	Traffic challan due to violation is revenue in nature because these expenses a incurred repeatedly during the year and are recurring.
vi	Capital Profit	Profit is earned on sale of vehicle is capital profit because they get profit on the sale of the face value of the assets.
vii	Revenue Expenditure	Goods destroyed due to rain is revenue in nature because these expenses incurred repeatedly during the year and are recurring rain can affect goods many times during the year.
viii	Capital Expenditure	Office building fell down due to earthquake is capital in nature because these expenditure of building destruction incurred only when earthquake arrived.
ix	Capital Expenditure	Tube well digging hold only once or twice during the years and wages paid only when these digging work is hold.

072

Give Journal entries to Correct the following Errors.

- (i) Goods sold to Adil for Rs. 1570/- was wrongly entered as Rs. 1075/-.
 (ii) A total in Sale Book Rs. 765/- was carried forward as Rs. 756/-.
 (iii) Rs. 12000/- received from Jameel Credited to Miscellaneous revenue account.
 (iv) Good of Rs. 1500/- returned by Dawood taken into stock but the return was not entered in books.
 (v) Rs. 2000/- spent on extension of building was wrongly debited to repair account.
 (vi) A Sale to Mustafa form for Rs. 250/- was recorded in Purchase Books.
 (vii) A sum of Rs.250/- Credited to Shabir Account.
 (viii) Interest received Rs.250/- Credited to Sales account.
 (ix) Rs. 5500/- Paid to Bashir was Credited to Shabir Account.
 (x) Withdrew Cash from Business for the Purchase of personal Car Rs. 3,00,00/- was debited to Car Account.

Sol. "Rectifying Journal"

Date	Details	L/F	Dr	Cr
i	Adil Account Sales Account (Wrongly entered as Rs.1075, now rectified)		495	495
ii	Total sales book Account Sales Account (Carried forward as Rs.756, now rectified)		9	9

iii	Miscellaneous revenue Account Jameel Account (Credited to misc revenue account, now rectified)	1200	1200
iv	Sales return Account Dawood Account (Not entered return now, rectified)	1500	1500
v	Building Expense Account Repair Account (Wrongly debited to repair account, now rectified)	2000	2000
vi	Mustafa Account Sales Account purchase Account (Recorded in purchase book, now rectified)	500	250 250
vii	Cash Account Bad debit Account (Credit to Ali Account now rectified)	500	500
viii	Sales Account Interest Account (Credit to sales Account now rectified)	250	250
ix	Bashir Account Cash Account (Credited to shabir account now rectified)	5500	5500
x	Drawing Account Car Account (Debited to Car account, now rectified)	300,000	300,000

Q8 Mr. Y bought goods from Mr. X in Rs. 6,000/- Mr. Y accepted a bill draw on him by Mr. X for the same amount. The Bill was returned to Mr. X. This bill was dishonoured on the due date. Journalize these transactions in the book to Mr. X Provided.

- (a) Mr. X retained the bill till due date.
 (b) Mr. X discounted the bill at his bank in Rs. 5,850/-.
 (c) Mr. X endorsed the bill at his Creditor Mr. Z.
 (d) Mr. X sent the bill at his bank for collection.

Sol. Bill of Exchange Mr. X Journal for.....

Date	Particulars	L/F	Dr	Cr
	Y Account Sales Account Goods sold and credit		6000	6000
	Bill Receivable Account Y Account Bill is accepted		6000	6000
a	Y Account Bill Receivable Account Bill is dishonoured		6000	6000
b	Bank Account Discount Account Bill receivable Account Bill is discounted		5850 150	6000
c	Mr. Z Account Bill receivable Account Bill is endorsed		6000	6000

d	Bank for collection Account Bill receivable Account Bill sent for collection	6000	6000
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09. Prepare Trading, Profit and Loss account and Balance Sheet of Mr. Usman for the year ended 31st December 2021. (20)

Particulars	Debit Rs.	Credit Rs.
Opening stock	50,000	
Purchases	2,00,000	
Stationary	6,000	
Wages	10,000	
Cash	20,000	
Furniture	80,000	
Debitors	29,000	
Insurance	5,000	
Sales		3,00,000
Creditors		25,000
Capital		60,000
Bills Payable		15,000
Total	4,00,000	4,00,000

Adjustments:

- Closing Stock Rs. 15000/-.
 - Outstanding wages Rs. 2,500/-.
 - Prepaid Insurance Rs. 1000/-.
 - Depreciation of furniture @ 10% Per annum.
- Sol. Mr. Usman trading & profit or loss account for the year ended 31.12.21

Dr.		Cr.	
Details	Rs.	Details	Rs.
Opening Stock	50,000	Sales	300,000
Purchases	200,000		
Wages 10,000			
Add: Outstanding 2500	12500		
Gross Profit c/d			
	300,000		300,000
Insurance 5000		Gross Profit b/d	37,500
Less: Prepaid (1000)	4000		
Stationary	6000		
Dep. on furniture	8000		
$\left(80,000 \times \frac{10}{100}\right)$			
Net Profit	19,500		
	37,500		37,500

Mr. Usman Balance Sheet as on 31.12.21

Assets	Rs.	Liabilities	Rs.
Furniture 80,000		Outstanding wages	2500
Less: Dep. (8000)	72,000	Creditors	25000
Cash	20,000	Bill Payable	15000
Debtors	29,000	Capital 60,000	
Prepaid Insurance	1000	Add: Net Profit 19500	19,500
	122000		122000