

Objective Type

Principles of Accounting

Paper Code = 6701

TIME : 30 Minutes

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 Bubble in front of that question with marker or pen ink, Cutting or filling two or more bubbles will result in zero marks in that question.

01.

20

1. **Dry cleaning Business is an example of:**
 (A) Trading business (B) Services Business
 (C) Manufacturing Business (D) Famous Business
2. **Head assets having on physical existence:**
 (A) Tangible Assets (B) Intangible Assets (C) Fictitious Assets (D) Useless Assets
3. **If capital Rs. 1,20,000 and liabilities are 15% of capital. Total assets will be?**
 (A) 1,20,000 (B) 78,000 (C) 1,62,000 (D) 704000
4. **Assets = Liabilities + Capital represent:**
 (A) Accounting statement (B) Trial Balance
 (C) Trading and profit and Loss A/c (D) Accounting equation
5. **The process of equalizing the both sides of an account is called:**
 (A) Posting (B) Journlizing (C) Balancing (D) Equation
6. **List of balances in the ledger is termed:**
 (A) Balance sheet (B) Cash book (C) Trial Balance (D) Final account
7. **Two parallel lines draw on the face of a cheque is:**
 (A) Crossing (B) Issuing (C) Endorsement (D) Dishonoring
8. **Bank pays high rate of interest on:**
 (A) Saving Account (B) Fixed Account
 (C) Current Account (D) Foreign Currency Account
9. **Furniture purchased on credit will be recorded in:**
 (A) Purchase Journal (B) Cash Payment Journal (C) Cash Book (D) General Journal
10. **Which column of cash book is not balanced?**
 (A) Discount (B) Cash (C) Bank (D) Details
11. **Zakat deducted by bank will be entered in cash book:**
 (A) Debit cash column (B) Credit cash column
 (C) Debit bank column (D) Credit bank column
12. **Cheques deposited into bank but not cleared are named:**
 (A) Un presented cheque (B) Un credit cheque
 (C) Omitted cheque (D) Dishonoured cheque
13. **Payment a bill of exchange is income of:**
 (A) Discounting of bill (B) Dishonour of bill (C) Retiring of bill (D) Renewal of bill
14. **Interest on renewal of bill of exchanges is income of:**
 (A) Drawer (B) Drawee (C) Payee (D) Endorsee
15. **Purchased goods for Rs. 5600 subjecte to 4% discount and paid carriage expenses on it Rs. 140 purchase account will be debited with:**
 (A) 5516 (B) 5740 (C) 5600 (D) 5376
16. **Which one is a capital receipt?**
 (A) Investment by owner (B) Interest on deposit
 (C) Sale of goods (D) Collection form Debtors
17. **Closing stock in business is:**
 (A) Fictitious asset (B) Intangible asset (C) Current asset (D) Fixed asset

18. The term "Marshaling" is associated with:

- (A) Trial Balance
(C) Trading account

- (B) Balance Sheet
(D) Profit and loss account

19. If that balance does not agree, the difference is put into:

- (A) Capital account (B) Drawing account (C) Trading account (D) Suspense account

20. Carriage paid on machinery purchased is

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

Answers:

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

Subjective Type

Principles of Accounting

(Inter Part – I Class 11th) 1st Annual 2024

Time : 2:30 Hours

Part - I

Marks: 80

(2×5=10)

Q2. Write short answers to any Five parts.

(i) Define business transaction.

Ans. A business event which can be measured in terms of money and which must be recorded in books of account is called a "transaction or Business transaction".

(ii) Explain in brief the cost concept.

Ans. It means "an asset is generally entered in the accounting record at the price paid to acquire it".

(iii) Reproduce the list of elements present in an accounting equation.

Ans. Assets = Liabilities + owner's equity

(iv) If Assets Rs. 120,000 and liabilities = Rs. 10,000 identify the amount of capital.

Ans. Assets = Rs. 120,000

Liabilities = Rs. 40,000

Capital (Rs) = ?

By using accounting equation

Assets = Liabilities + Capital

Assets - Liabilities = Capital

120,000 - 40,000 = Capital

Capital = Rs. 80,000

(v) Differentiate between current account and saving 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.

A saving account can be define as deposit account held at bank or financial institution allowing customer to save money while earning interest.

(vi) Discuss honour of cheque.

Ans. If your honour a cheque that you have give someone. It pays the money to that person this cheque are called honour cheque.

(vii) Which book is called three column cash book?

Ans. Treble column cash book is a three column cash book because the extra third column is used to record cash discount, discount allowed column at the debit side and discount received at the credit side.

(viii) Why is it necessary to compare cash book and pass book?

Ans. It is necessary to compare cash book and pass book because cash book is used to record cash transactions while a pass book is used to record transaction in a saving account.

Q3. Write short answers to any Five parts.

(2×5=10)

(i) Differentiate between drawer and 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.

A person who draws a bill of exchange is known as drawer,

Example: 'x' draws a bill on 'y' for Rs.2,000. In this transaction 'x' is a drawer.

(ii) **Elaborate In-land bill of exchange.**

(ii) **Ans.** Inland bills are drawn in a country upon persons living in the same country. Both drawer and acceptor reside in the same country.

(iii) **Why profit and loss account is prepare?**

Ans. Profit and loss account is prepare because it helps companies make informed decision about their operation and track their financial performance.

(iv) Give two examples of current liabilities.

Ans. Two examples of current liabilities are:

- 1. Account payable**

(v) **Describe 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.

(vi) **Narrate the meaning of capital profit.**

Ans. A profit made on the sale of fixed asset is called capital profit.

Example: Machinery having book value of Rs. 50,000 is sold for Rs. 60,000, the profit of Rs. 10,000 will be capital profit.

(vii) Define the term 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.

(viii) Explain the purpose of suspense account in rectification.

(viii) Explain the purpose of suspense account in rectification.
Ans. The purpose of suspense account in rectification is to rectify the one sided errors and identify the account with the errors. Suspense account is opened to tally trial balance when accounting error cause disagreement of trial balance.

Part - II

NOTE: Attempt any Three questions from this part.

$$3 \times 20 = 60$$

Q4. Journalize the following transaction of Usman Trades.

- Q4.** Journalize the following transaction of Usman Trades.
- (i) Usman started business with Cash Rs. 80,000, furniture Rs. 20,000 and goods Rs. 15,000.
 - (ii) Purchased goods for Rs. 25,000 from Irfan.
 - (iii) Goods amounting to Rs. 2500 returned to Irfan.
 - (iv) Sold goods to Ali for Rs. 15,000.
 - (v) Paid cash to Irfan Rs. 10,000 as part payment.
 - (vi) Goods of Rs. 200 returned from Ali.
 - (vii) Received cash Rs. 8000 from Ali as part payment.
 - (viii) Goods of Rs. 1000 distributed as charity.
 - (ix) Withdrew cash Rs. 5000 for personal use.
 - (x) Paid Rs. 5000 salary and Rs. 7000 for rent.

Sol. "Journal"

"Journal"				
Date	Details	L/F	Dr	Cr
i	Cash Account Furniture Account Goods Account Capital Account (Started Business)		80,000 20,000 15,000	115,000
ii	Purchases Account Irfan Account (Purchased Goods)		25000	25000
iii	Irfan Account Return Goods Account (Goods Return)		2500	2500

iv	Cash Account Sales Account (Sold Goods)	15000	15000
v	Irfan Account Cash Account (Paid Cash)	10,000	10,000
vi	Return Goods Account Ali Account (Goods Return)	200	200
vii	Cash Account Ali Account (Received Cash)	8000	8000
viii	Charity Account Purchases Account (Goods Distributed)	1000	1000
ix	Drawings Account Cash Account (Withdrew Cash)	5000	5000
x	Salaries Account Rent Account Cash Account (Paid salary & rent)	5000 7000	12000

05. State with reason whether the following items are capital or revenue.

- Legal expenses paid for registration of newly purchased for business.
- Commission paid to real estate dealer on factory building.
- White wash expenses for office building.
- Wages of workers for construction of factory building.
- Painting expenses for newly constructed factory building.
- Payment of salaries to office staff.
- Advertising expenses for sales promotion.
- Repair expense for equipment damage during unpacking.
- Repair and renewal of plant.
- Freight paid for purchase of goods.

Sol.

Sr.No	Nature of Expenditure	Reasons
i	Capital Expenditure	Legal expenses for newly purchase land is capital in nature because these expenses incurred only when a land is purchased after were than one year.
ii	Capital Expenditure	Commission paid to real estate is always capital in nature because these expenses incurred only when a land is purchased and are non-recurring.
iii	Capital Expenditure	White wash for office building is capital in nature because these expenses are incurred for building renovation and are used for construction.
iv	Capital Expenditure	Wages only paid to workers is when construction of factory building is hold is always capital in nature because these expenses are incurred for long term time, non-recurring and non-repeatedly.
v	Capital Expenditure	Painting expenses for newly constructed building is capital in nature because these expenses are incurred only when a new building is constructed, these are non-recurring.
vi	Revenue Expenditure	Payment of salaries is revenue in nature because these expenses are incurred repeatedly and recurring in nature.

vii	Revenue Expenditure	Advertising for sales promotion is revenue in nature because these expenses incurred many times during the year and are recurring.
viii	Revenue Expenditure	Repair expense must be required needly for smooth business operation and these expenditures are incurred repeatedly and recurring many times.
ix	Revenue Expenditure	It is a revenue expenditure because. It is a day to day expenditure of business.
x	Revenue Expenditure	It is a revenue expenditure because expenses are incurred on purchase of goods.

Q6. Prepare trading, profit and loss account and balance sheet from the given trial balance of Mr. Azam as on 31st December 2020. (20)

	Dr.	Cr.
Patents	25000	
Drawings	7250	
Bad debts	1000	
Insurance	25,600	
Purchases	10,9,440	
Cash	28,600	
Salaries	24,440	
Account receivable	1,31,180	
Motor vehicle	53,600	
Taxes	13,800	
Wages	3610	
Account Payable		69,880
Capital		1,00,000
Sales		2,53,640
Total	4,23,520	4,23,520

Adjustments:

- (i) Closing stock Rs. 53,500/-.
- (ii) Interest on Capital 7% per annum.
- (iii) Prepaid insurance Rs. 1000/-.
- (iv) Outstanding Taxes Rs. 9800/-.

Sol. Mr. Azam

Trading & Profit & loss Account

For the year ended. 31st Dec. 2020

	Rs.		Rs.
Opening stock	-	Sales	253640
Purchases	109440	Closing stock	53500
Wages	3610		
Gross profit c/d	194090		
	<u>307140</u>		<u>307140</u>
Bad debts	1000	Gross profit b/d	194090
Insurance 25600			
Less prepaid 1000	24600		
Salaries	24440		
Taxes 13800			
Add o/s taxes 9800	23600		
Interest on Capital	7000		
Net profit	113450		
	<u>194090</u>		<u>194090</u>

Mr. Azam
Balance sheet
As on 31st Dec. 2020

Assets	Rs.	Liabilities	Rs.
Current Assets		Current Liabilities	
Cash	28600	o/s taxes	9800
Account Receivable	131180	Account payable	69880
Closing stock	53500		
Prepaid insurance	1000		
Fixed Assets		Fixed Liabilities	
Motor vehicle	53600	Capital	100000
Patents	25000	+ NP	113450
		- Drawings	7250
			206200
	285880		285880

- Q7.** On 1st April 2021 Abu Bakar sold goods to Faheem for Rs. 30000/- and drew upon him a bill for three months for the amount. Faheem accepted and returned to Abu Bakar. On 4th April Abu Bakar endorsed the bill in favour of Atif. On maturity Faheem honoured his acceptance pass journal entries in the books of Abu Bakar and Faheem.

Sol. Abu Bakar's Journal

Date	Particular	L/F	Dr	Cr
	Faheem Account Sales Account Goods sold on credit		30,000	30,000
	Bill receivable Account Faheem Account Bill is accepted		30,000	30,000
4 th April	Atif Account Bill receivable Account Bill is endorsed		30,000	30,000

Faheem's Journal

	Cash Account Bill receivable Account Bill is honoured		30,000	30,000
	Purchases Account Abu-Bakar Account Goods bought on credit		30,000	30,000
	Abu-Bakar Account Bill payable Account Bill is accepted		30,000	30,000
	Bill payable Account Cash Account Bill is honoured		30,000	30,000

- Q8.** Prepare bank reconciliation statement of Zeemal Traders as on 30th April, 2021.
- (i) Balance as per cash book Rs. 142000/- (ii) Unpresented cheques Rs. 8800/-
(iii) Uncredited cheque Rs. 4500/- (iv) Interest credited by bank Rs. 1200/-
(v) Bank charges Rs. 600/- (vi) Dividend of Rs. 2000/- credited by bank.

Sol. Bank reconciliation statement

S/N	Particulars	Rs
i	Balance as per cash book Dr.	142000
ii	Add Unpresented cheques	8800

iii	Less Uncredited cheques	4500
iv	Add Interest credited by Bank	1200
v	Less Bank charges not recorded	600
vi	Add Dividend not collection	2000
	Dr.	148900
	Balance as per pass book	Cr. 148900

Q9 Journalize the following transactions:

- (i) Mr. Ali invested Rs. 15000/- in his business.
- (ii) Tools amounting to Rs. 7000/- were purchases on cash.
- (iii) Purchased miscellaneous goods for Rs. 1600/- on credit.
- (iv) Advertising bill of Rs. 250/- received from the daily "Jang" news paper.
- (v) Received amount of Rs. 1200/- on repair services from a client's car on cash.
- (vi) Repair services amounting to Rs. 3500/- paid.
- (vii) Rs. 600/- received from a customer on repair services.
- (viii) Cash Rs. 250/- was paid to daily "Jang".
- (ix) Paid wages of employees Rs. 900/-.
- (x) Paid rent Rs. 600/-.

Sol. Journal entries

Date	Particular	L/F	Dr	Cr
i	Cash Account Capital Account Started business		Rs 15000	Rs 15000
ii	Purchases Account Cash Account Goods bought on cash		7000	7000
iii	Purchases Account Bill payable Account (Goods bought on credit)		1600	1600
iv	Cash Account Advertisement Account Bill is collected		250	250
v	Cash Account Repair services Account Amount received		1200	1200
vi	Repair Account Cash Account Repair paid		3500	3500
vii	Cash Account Repair services Account Amount is received		600	600
viii	Daily Jang Account Cash Account Payment is made		250	250
ix	Wages Account Cash Account Wages are paid		900	900
x	Rent Account Cash Account Rent is paid		600	600