

Objective Type

Roll No: _____

Objective

Intermediate Part First

Time: 30 Minutes

Paper Code: 6701

PRINCIPLES OF ACCOUNTING

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.

01					20
S.#	Questions	A	B	C	D
1	Cash and goods invested by the proprietor while starting business is called:	Investment	Capital	Drawing	Expenses
2	Who invests the money in the business is called?	Proprietor	Salesman	Agent	Employee
3	Machinery and delivery van are called:	Intangible assets	Current assets	Fixed assets	Wasting assets
4	Every business transaction normal should be debited affect:	One item	Two item	Three item	Four item
5	Return of goods to Saleem should be debited to:	Purchase return	Sales return	Cash account	Saleem account
6	The type of account with a normal credit balance is:	Asset	Drawing	Revenue	Expense
7	Which of the document should be filled up when money is deposited in the bank?	Pay in slip	Cheque	Pay order	Draft
8	Balance of petty cashbook is:	An expense	An income	A liability	An asset
9	When an entry is made on the both side of cashbook, it is called:	Compound entry	Contra entry	Double entry	Single entry
10	Debit not prepared to record:	Sales return	Sales book	Purchase return	Purchase book
11	Bank reconciliation is a part of the:	Cashbook	Passbook	Journal	Ledger
12	Bank reconciliation shows debit balance it means:	Overdraft as per cashbook	Favourable balance as per cashbook	Favourable balance as per passbook	Overdraft as per bank statement
13	A bill of exchange is accepted by:	Creditor	Debtor	Payee	Holder
14	Bill of exchange is a / an:	Conditional order	Promise	Request	Unconditional order
15	Balance sheet is prepared to know:	Net profit	Net loss	Financial position	Total assets
16	Gross profit is transferred to:	Capital account	Profit & loss account	Balance sheet	Cashbook
17	Carriage paid on the purchase of machinery:	Capital expenditure	Revenue expenditure	Capital loss	Revenue loss
18	Building destroyed by fire is:	Revenue loss	Capital expenditure	Revenue expenditure	Capital loss
19	Error of posting affects:	One account	Two account	Three account	Four account

20. Under casting of purchase will be:	Debited to Purchase	Credit to Purchase	Credit to Purchase account	Both "A" & "B"
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Answers:

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

Subjective Type

Intermediate Part First

Roll No: _____

PRINCIPLES OF ACCOUNTING

Time : 2:30 Hours

Marks: 80

Part - I

Q2. Write short answers to any FIVE parts.

10

(i) If the amount of asset is Rs 71000 and rate of depreciation is 3%. What will the amount of depreciation?

Ans. Amount of Asset = Rs. 71,000

Rate of depreciation = Rs. $3\frac{1}{2}\%$

Amount of depreciation = ?

Amount (Rs) = Amount of asset \times rate

= 71,000 \times 3.5%

= 71,000 $\times \frac{3.5}{100}$

= Rs. 2485

(ii) What is book keeping?

Ans. Book-keeping is the art of recording monetary transactions in the books of accounts in a proper manner.

(iii) What is the difference between trade discount and cash discount?

Ans. It is a rebate or allowance from the list price granted by the seller to the buyer. Whenever such a trade discount is allowed then purchases and sales are recorded at the net price paid and received.

It is a deduction or allowance given by a creditor to a debtor if the amount is paid by the debtor before the due date.

(iv) Define single entry system.

Ans. A system in which sometimes both aspects of a transaction are recorded, sometime one aspect of a transaction is recorded and sometimes no aspect of a transaction is recorded is called single entry system.

(v) Explain the difference between cashbook and petty cashbook.

Ans. Cash book is a book in which posting of only cash transactions are made from journal. 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) Describe two causes of differences of cashbook and passbook.

Ans. 1. The two causes of differences of cashbook and passbook are the timing of when transactions are recorded.

2. A cash book is maintained by the account holder to record all cash transaction whereas a passbook is a record of all transactions maintained by book.

(vii) Define special journal.

Ans. By special Journal we mean, a journal in which transactions relating to a certain special group are recorded. Special journal is again subdivided into eight journals.

Example: Cash journal, Sales journal, purchases journal etc.

(viii) Describe inactive account.

Ans. Inactive account:

An inactive account refers to a bank account that had no customer transactions for a time period of 12 months. When an accounts become inactive, it means that account holder has not made any deposits, with drawl or transaction.

Q3. Write short answers to any FIVE parts.

10

(i) Define grace days.

Ans. It is customary to allow three days of grace to the drawee to pay the amount in the case of a term bill. These three days are known as "days of grace".

(ii) **What is renewal of a bill?**

Ans. The cancellation of the old bill before its maturity in return for a new bill (which includes interest) for an extended period is called "renewal of bill". Interest is revenue for the drawer and expense for the drawee.

(iii) **When cheque issued is dishonoured?**

Ans. Sometimes there may be a mistake in writing a cheque or the amount of deposit in bank account may be less than the amount of cheque drawn. In such a case the bank will refuse to honour the cheque and the cheque is called dishonoured cheque.

(iv) **Explain deferred revenue expenditure.**

Ans. A revenue expenditure which benefit is to be spread over a certain number of years is called deferred revenue expenditure. **Example:** advertisement to introduced a new product.

(v) **Define capital receipts.**

Ans. All such receipts which have a long term benefit and which are not recurring are called capital receipts. **Example:** Money received by the sale of fixed asset is called capital receipt.

(vi) **What do you mean by balance sheet?**

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

(vii) **Why owner charge interest on capital?**

Ans. Owner charge interest on capital because it is a means of rewarding partners for investing funds in the partnership. It also reduces the amount of profit available for profit or loss sharing rate.

(viii) **Write casting errors.**

Ans. A casting error is where a list of items has been incorrectly totaled up or a ledger balance has been balanced incorrectly.

PART - II

Attempt any THREE questions. Each question carries 20 marks.

Q4. Journalize the following transactions in the books of XYZ Traders:

- (i) 01-July-2023 Started business with cash Rs. 6000
- (ii) 02-July Goods purchased from Mr. Adil Rs. 40000
- (iii) 04-July Goods sold for cash Rs. 3000
- (iv) 08-July Cash was deposited into bank account Rs. 2000
- (v) 10-July Cash was paid to Mr. Adil Rs. 39000 and discount received Rs. 1000
- (vi) 14-July Cash Rs. 15000 was withdrawn by proprietor for private use.
- (vii) 16-July Goods worth Rs. 5000 were distributed as free samples.
- (viii) 20-July Machinery was purchased for cash Rs. 30000
- (ix) 22-July Commission was received Rs. 10000
- (x) 30-July Staff salaries were paid Rs. 25000

Sol. "Journal"

Date	Details	L/F	Dr	Cr
1-July-23	Cash Account Capital Account (Started business with cash)		6000	6000
2-July-23	Purchases Account Mr. Adil Account (Goods Purchased)		40,000	40,000
4-July-23	Cash Account Sales Account (Goods Sold)		3000	3000
8-July-23	Bank Account Cash Account (Cash deposit into bank)		2000	2000
10-July-23	Mr. Adil Account Cash Account Discount received Account (Cash Paid & Received discount)		40,000	39000 1000
14-July-23	Drawing Account Cash Account (Withdraw cash)		15000	15000

16-July-23	Advertisement Account Purchases Account (Goods were distributed)		5000	5000
20-July-23	Machinery Account Cash Account (Purchased Machinery)		30,000	30,000
22-July-23	Cash Account Commission Account (Received Commission)		10,000	10,000
30-July-23	Salaries Account Cash Account (Paid Salaries)		25000	25000

Q5. Prepare bank reconciliation statement of Zeemal Traders as on 30th April 2021: 10

- (i) Balance as per cashbook Rs. 15000
(ii) Unpresented cheques Rs. 8000
(iii) Interest credited by bank Rs. 1000
(iv) Dividend Rs. 2000 credited by bank.
(v) Bank charges Rs. 600
(vi) Deposit cheque Rs. 5000 but not credited.

Sol. Zeemal Traders Bank Reconciliation Statement as on 30th April, 2021

Sr.No	Details	Dr/Cr	Amount
i	Balance as per cashbook	Dr	15000
ii	Unpresented Cheques	Dr	8000
iii	Bank Interest	Dr	1000
iv	Bank Dividend	Dr	2000
v	Bank Charges	Cr	600
vi	Deposit Cheque not credited	Cr.	5000
	Debit Balance		26000
	Credit Balance		5600
	Balances as per Passbook	Cr	20400

Q6. State with reasons whether the following items are capital or revenue:

- (i) Wages paid for installation of plant and machinery.
(ii) Attorney fee for registration of patent right. (iii) White wash of office building.
(iv) Interest on loan. (v) Rent of building.
(vi) Advertisement for sales promotion.
(vii) Legal expenses incurred on an income tax appeal.
(viii) Cost of re-decorating a cinema hall. (ix) Freight paid on goods.
(x) Paid to creditors for goods purchased on account.

Sol.

Sr.No	Nature of Expenditure	Reasons
i	Capital Expenditure	Wages paid for installation of plant & machinery is capital in nature because these are non-recurring.
ii	Capital Expenditure	Attorney fee for patent right is capital in nature because these are non-repeated and can expense once in a years.
iii	Deferred revenue expenditure	White wash of building is deferred revenue expenditure because these are for more than one or two years.
iv	Revenue Expenditure	Interest on loan is revenue in nature because these interest pay every month in a current year.
v	Revenue Expenditure	Rent of building is revenue in nature because these expenses incurred every month due to building rent.
vi	Revenue Expenditure	Advertisement for sales promotion is revenue in-nature because these expenses are incurred repeatedly during the year.
vii	Capital Expenditure	Legal expenses on income tax appeal may incurred once or two over the years so these are capital in nature.
viii	Capital Expenditure	Cost of re-decorating is always capital in nature because these expenses are incurred for construction purpose and can be incurred once.
ix	Revenue Expenditure	Freight paid on goods is revenue in nature because it incurred repeatedly day to day expenses.

x	Revenue Expenditure	Paid to creditors for goods purchase on account is revenue in nature because these are incurred recurringly and repeatedly.
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07. Rectify the following errors:

- (i) A sales of Rs. 1140, debited to Noor Elahi instead of Noor & Bros.
- (ii) Rs. 400 paid for repairs posted as Rs. 40
- (iii) Purchase book has been under casted Rs. 1800
- (iv) Sales return book has been overcasted by Rs. 1200
- (v) A cheque for Rs. 1490 received from Zubair was credited to the account of Asif.
- (vi) Purchase of plant for Rs. 18000 cash were wrongly recorded as purchases.
- (vii) Purchases return of Rs.600 to Kabeer has been omitted to record.
- (viii) An item of sale for Rs.43 was posted Rs.143 in the sales account.
- (ix) Commission earned, credited to interest Rs.250
- (x) Rs.570 paid for salaries but wrongly debited to drawing account.

Sol. Rectified Journals

Date	Details	L/F	Dr	Cr
i	Noor & Bros Account Noor Elahi Account (Wrongly sales debited now rectified)		1140	1140
ii	Repairs Account Cash Account (Wrongly posted Rs.40 now rectified)		360	360
iii	Purchases Account Suspense Account (Under casted purchase book now rectified)		1800	1800
iv	Suspense Account Sales return Account (Overcasted sales return Account, now rectified)		1200	1200
v	Asif Account Zubair Account (Wrongly credited to Asif Account now rectified)		1490	14090
vi	Plant Account Purchases Account (Wrongly records as purchase now rectified)		18000	18000
vii	Kabeer Account Purchases return Account (Purchase return omitted to record now rectified)		600	600
viii	Sales Account Suspense Account (Rs.143 wrongly posted now rectified)		100	100
ix	Interest Account Commission Account (Wrong credit to interest now rectified)		250	250
x	Salaries Account Drawing Account (Wrong debited to drawing Account, now rectified)		570	570

08. Hamza sells goods to Khalid for Rs. 1000 and draws a bill for three months. Khalid accepts the bill and returns is Hamza. The bill dishonoured on the due date. Give journal entries in the books of Hamza under the following circumstance:

- (i) If the bill is kept by Hamza with himself till due date.
- (ii) If the bill is endorsed to Ali his creditor.
- (iii) If the bill is sent to the bank for collection.
- (iv) If the bill is discounted with the bank 6% per annum..

Sol. Bill of Exchange Hamza's Journal for the.....

Date	Details	L/F	Dr	Cr
	Khalid Account Sales Account (Goods sold on credit)		1000	1000

	Bill Receivable Account Khalid Account (Bill is accepted)		1000	1000
i	Khalid Account Bill Receivable Account (Bill is dishonoured)		1000	1000
ii	Ali Account Bill Receivable Account (Bill is endorsed)		1000	1000
iii	Bank for collection Account Bill Receivable Account (Bill is sent for collection)		1000	1000
iv	Bank Account Discount Account $\left(1000 \times \frac{6}{100} \times \frac{3}{12}\right)$ Bill Receivable Account (Bill is discounted)		985 15	1000

Q9. Prepare trading, profit and loss account and balance sheet:

Debit	Details
Rs. 10000	Cash
Rs. 5000	Debtors
Rs. 20000	Furniture
Rs. 30000	Purchases
Rs. 20000	Opening Stock
Rs. 10000	Wages
Rs. 4000	Rent
Rs. 99000	Total

Credit	Details
Rs. 15000	Creditors
Rs. 28000	Capital
Rs. 50000	Sales
Rs. 6000	Interest
Rs. 9900	Total

Adjustments:

- (i) Closing stock Rs. 20000 (ii) Wages prepaid Rs. 1000
 (iii) Depreciation of Furniture @ 10% p.a. (iv) Outstanding rent Rs. 2000
 Sol. Mr. A Trading & Profit or loss Account for the year ended.....

Dr.			Cr.
Details	Rs	Details	Rs
Opening Stock	20,000	Sales	50,000
Purchases	30,000	Closing Stock	20,000
Wages 10,000	9000		
Less: Prepaid (1000)	11000		
Gross Profit c/d	70,000		70,000
Dep. on furniture $\left(20,000 \times \frac{10}{100}\right)$	2000	Gross Profit b/d	11000
Rent 4000	6000	Interest	6000
Add: Outstanding 2000	9000		
Net Profit	17000		17000

Mr. A Balance Sheet as on

Assets	Rs.	Liabilities	Rs.
Cash	10,000	Creditors	15000
Debtors	5000	Outstanding rent	2000
Furniture 20,000	18000	Capital 28000	
Less: Dep, (2000) $\left(20,000 \times \frac{10}{100}\right)$		Add: Net profit 9000	37000
Prepaid Wages	1000		
Closing Stock	20,000		
	54000		54000