

Objective Type

Roll No. _____ (To be filled in by the candidate) (Academic Sessions 2020–2022 to 2023–2025)

PRINCIPLES OF ACCOUNTING 224 – (INTER PART – I) Time Allowed : 30 Minutes

Q. PAPER: I

PAPER CODE = 6704

Maximum 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

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1	Goods destroyed by fire are recorded as: (A) Capital loss (B) Revenue loss (C) Capital expenditure (D) Revenue expenditure
2	A deposit of Rs. 12000 in bank and then withdraw of Rs. 15000 from bank, will show: (A) Cash bank Rs. 12000 (B) Cash bank Rs. 3000 (C) Bank overdraft Rs. 3000 (D) Bank overdraft Rs. 15000
3	Error made in the preparation of trial balance is named: (A) Posting error (B) Casting error (C) Totaling error (D) Trial balance error
4	To whom drawer endorse the bill: (A) Bank (B) Drawer (C) Debtors (D) Creditors (A) Bank (B) Drawer (C) Debtors (D) Creditors
5	Balance of suspense account is shown in: (A) Trading account (B) Profit and loss account (C) Balance sheet (D) Capital account
6	Cheques issued but not presented are called: (A) Outstanding cheques (B) Dishonoured cheques (C) Credited cheques (D) Cancelled cheques
7	After charging depreciation @ 6% the book value of furniture Rs. 235000 Depreciation expenses will be: (A) Rs. 14100 (B) Rs. 2910 (C) Rs. 1140 (D) Rs. 1500
8	A plant of Rs. 40,000 purchased for Rs. 39000 and paid carriage on it Rs. 4000. Plant will be debited with: (A) Rs. 39,000 (B) Rs. 40,000 (C) Rs. 43,000 (D) Rs. 44,000
9	A bill payable of Rs. 5000 retired by drawee receiving 5% rebate. The amount paid will be: (A) Rs. 5250 (B) Rs. 5000 (C) Rs. 250 (D) Rs. 250
10	Net loss is deducted from: (A) Capital (B) Assets (C) Drawing (D) Liabilities
11	Assets, expenses and losses normally shows: (A) Real account (B) Nominal account (C) Credit balance (D) Debit balance
12	The art of recording business transactions in books is called: (A) Recording (B) Journalizing (C) Accounting (D) Book-keeping
13	In three column cash book, cash and bank columns are: (A) Balanced (B) Totaled (C) Subtracted (D) Added
14	The liabilities of a business are 1/3 of total assets. The owner equity is Rs. 90,000. What is the amount of liabilities: (A) Rs. 135000 (B) Rs. 180,000 (C) Rs. 30,000 (D) 45000
15	An account is marked as dormant by bank if no transaction is made in the account during: (A) Three months (B) Six months (C) Nine months (D) Twelve months
16	A brief explanation of each entry written below the Journal entry is called: (A) Narration (B) Detail (C) Summary (D) Particular
17	Return inward by cash customer will be recorded in: (A) Sale return journal (B) Cash payment journal (C) Purchase return journal (D) Cash receipt journal

18	Complete process of accounting is called: (A) Accounting cycle (B) Final accounts (C) Summarizing (D) Classifying
19	Bank issues pay in slip to account holder in order to: (A) Withdraw cash (B) Repay loan (C) Deposit cash (D) To take loan
20	Purchase of furniture of cash represent: (A) Increase in total assets (B) No change in total assets (C) Decrease in total assets (D) Increase in assets and liability

Answers:

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

Subjective Type

Roll No. _____ (To be filled in by the candidate) (Academic Sessions 2019–2021 to 2022–2024)

PRINCIPLES OF ACCOUNTING 224 – (INTER PART – I) Time Allowed : 2.30 Minutes

PAPER: I (Essay Type)

Maximum Marks: 80

02 Write short answers to any FIVE (5) questions:

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(i) Define book keeping.

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

(ii) Explain in brief the matching concept.

Ans. The aim of every business is to earn profit. In order to ascertain the profit, the expenses are matched to revenues. This is called matching concept.

(iii) Name the elements present on equity side of an accounting equation.

Ans. The elements present on equity side of an accounting equation is:

1. Liabilities 2. Owner Equity 3. Capital

(iv) If assets Rs. 80,000 and liabilities Rs. 50,000, identify the amount of capital.

Ans. Assets = Rs. 80,000

Liabilities = Rs. 50,000

Amount of capital = ?

From Accounting Equation:

Assets = Liabilities + Capital

Assets – Liabilities = Capital

80,000 – 50,000 = Capital

Capital = Rs. 30,000

(v) Differentiate between bearer cheque and order cheque.

Ans. A cheque which can be encashed at the counter of bank by any person is known as bearer cheque. The word order is written after the name of payee on this cheque. For the payment of this cheque, the bank demands identification from the payee to certify the name written on the cheque.

(vi) Discuss pay-in-slip.

Ans. It means a slip to deposit the amount in the bank. A paper slip that person gives with a bank deposit to show how much money putting in an account.

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

Ans. Two column cash book is also called double column cash book because it has two columns on both debit and credit sides - one to record cash transactions and other are to record bank transactions.

(viii) Why is it necessary to get bank statement from bank?

Ans. You will find records of all transactions both incoming and outgoing so you know exactly what was going on with your funds during that period so bank statements are essential to track their funds and payment errors.

03 Write short answers to any FIVE (5) questions:

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(i) Differentiate between trade bill of exchange and cheque.

Ans. Trade Bill of exchange are those Bills which are drawn and accepted against the sales and purchases of goods on Credit. Cheque is a bill of exchange in which one party order the bank to transfer that money to bank account of other party.

(ii) Explain the maturity in bill of exchange.

Ans. Maturity is the due date of the bill at which the amount of bill is received or paid. The word maturity means date when payment is due. The day that comes after adding 3 days of grace to the due date of bill.

(iii) Give two examples of fixed assets.

Ans. Examples of fixed assets are: 1. Machinery 2. Building

(iv) Define direct expenses.

Ans. All those expenses, which are concerned with the purchases of goods or incurred to convert raw materials into finished goods. Example: Wages, Motive power etc.

(v) Describe deferred 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.

(vi) Provide two examples of revenue expenditure.

Ans. 1. Salaries 2. Taxes

(vii) Narrate the term errors of principles.

Ans. An error of principle is one where a transaction is entered without due regard to the fundamental principles of double entry.

Example: Wages paid for the installation of machinery wrongly debited to wages account.

(viii) Why suspense account is prepared?

Ans. Suspense account is prepared to help you keep your accounting books organized and help you avoid recording transactions in the wrong account.

PART - II

Note: Attempt any THREE of the following questions.

Q4. Journalize the following transaction general journal of Ali traders:

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(i) Started business by investing cash Rs. 85000 and equipment Rs. 20,000.

(ii) Purchased goods from Faisal of Rs. 20,000.

(iii) Sold goods for cash Rs. 15000.

(iv) Paid cash Rs. 19500 to Faisal in full settlement of their debt.

(v) Purchased goods for cash Rs. 10,000 at 10% trade discount.

(vi) Sold goods on account to Yasir for Rs. 12000.

(vii) Received cash Rs. 11880 from Yasir in full settlement of debt.

(viii) All withdrew cash Rs. 1500 and goods Rs. 1000 for personal use.

(ix) Paid salary Rs. 5000.

(x) Rent of shop Rs. 10,000 is still payable.

Sol. Journal

Date	Details	L/F	Dr	Cr
i	Cash Account Equipment Account Capital Account (Started Business with cash and Equipment)		85,000 20,000	10,5000
ii	Purchases Account Faisal Account (Purchased Goods)		20,000	20,000
iii	Cash Account Sales Account (Sold Goods for cash)		15,000	15,000
iv	Faisal Account Cash Account Discount Account (Paid Cash in full settlement)		20,000	19,500 500
v	Purchases Account Cash Account (Purchased Goods at 10% discount)		9000	9000
vi	Yasir Account Sales Account (Sold Goods discount)		12000	12000
vii	Cash Account Discount Account Yasir Account (Received Cash in full settlement)		11880 120	1200

viii	Drawings Account Cash Account Purchases Account (Withdrew Cash & Goods)	2500	1500 100
ix	Salaries Account Cash Account (Paid Salaries)	5000	500
x	Rent Account Rent Payable Account (Rent Payable)	10,000	10,000

Q5. From the following particulars, prepare bank reconciliation statement of Mr. Muneeb as on 31st March, 2023: 20

- Balance as per cash book Rs. 11200.
- Cheques worth Rs. 6000 sent to bank for collection before March 31, 2023 but out of these cheques worth Rs. 4000 were credited by the bank upto March 31, 2023.
- Un-presented cheques upto March 31, 2023 were Rs. 3000.
- Dividend credited by bank Rs. 400.
- Debit side of cash book was under-cost by Rs. 800.
- Interest charged by bank 300.

Sol.

Sr.No	Details	Dr/Cr	Amount
i	Balance as per cash book	Dr.	11,200
ii	Uncredited Cheques	Cr.	2000
iii	Unpresented Cheques	Dr.	3000
iv	Bank dividend	Dr.	400
v	Under cost cash book	Dr.	800
vi	Bank Charges	Cr.	300
	Debit Balance		15,400
	Credit Balance		(2300)
	Balance as per pass book	Cr.	13,100

Q6. State with reasons whether the following items are capital or revenue: 20

- Payment of annual taxes.
- Cost of patent rights.
- Freight paid on purchase of goods.
- Payment of repair & maintenance of plant & machinery.
- Depreciation on equipment.
- Expenditure replacement of worn out part of vehicle.
- Cost of redecorating a cinema hall.
- Purchase of furniture for resale.
- Paid heavy expenditure of advertisement campaign to promote newly developed products.
- Paid to Sony electronics for previously purchase of printer for office use on account.

Sol.

Sr.No	Nature of Expenditure	Reasons
i	Revenue Expenditure	Payment of annual taxes is revenue in nature because these expenditures incurred for only 12 months and are repeatedly every year.
ii	Capital Expenditure	Gst of patent right is capital in nature because these are non-recurring and non-repeatedly in where.
iii	Revenue Expenditure	Freight paid on purchase of goods are revenue in nature due to its repeatedly nature and day to day incurred.
iv	Revenue Expenditure	Payment of repair & maintenance of plant & machinery is revenue in nature due to business normal expenditure which incurred repeatedly in business day to day or month to month.

v	Revenue Expenditure	Depreciation on equipment is revenue in nature because equipment value decrease continuously in every year.
vi	Capital Expenditure	Replacement of worn out part of plant is capital in nature because these worn out part is replaced once or twice in two or more year.
vii	Capital Expenditure	Cost of redecorating is capital in nature because redecorating expediting incurred non-recurring.
viii	Revenue Capital Expenditure	Purchase of furniture for resale is revenue in nature because these fixed assets in business is used for resale and can be purchased repeatedly in a year.
ix	Deferred Revenue Expenditure	These expenditure are deferred in nature because these expenditures incurred only when needed an advertisement campaign to promote newly developed product.
x	Capital Expenditure	Paid to Sony electronics for purchase of printer is capital in nature because these expenditures incurred only when need to purchase a printer.

07. Rectify the following errors:

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- (i) Sales book has been under-cast Rs. 500.
- (ii) Sales to Tanveer Rs. 3000. Credited to his account.
- (iii) Trade expenses Rs. 190 Posted in the ledger as Rs. 910.
- (iv) Machinery bought Rs. 1000 recorded as purchases.
- (v) Wages paid Rs. 1000 posted twice.
- (vi) Credit purchases was not recorded in the books Rs. 2000.
- (vii) Rs. 500 received from Majid was not posted to this account.
- (viii) Good purchased from Bilal Rs. 10,000 omitted to enter in books.
- (ix) Purchase book over-cast Rs. 5000.
- (x) Bad debts of Rs. 1000 was not recorded in the books.

Sol. Journal

Date	Details	L/F	Dr	Cr
i	Suspense Account Sales Account (Sales book under cash, now rectified)		500	500
ii	Tanveer's Account Suspense Account (Goods sold credited to account, rectified)		6000	6000
iii	Suspenses Account Trade Expenses Account (Rs. 910 wrongly posted now rectified)		720	720
iv	Machinery Account Purchases Account (Machinery bought now rectified)		1000	1000
v	Suspense Account Wages Account (Wages paid, now rectified)		1000	1000
vi	Purchases Account Account payable Account (Not recorded credit purchases, now rectified)		2000	2000
vii	Suspense Account Majid Account (Not posted in his account, now rectified)		500	500
viii	Purchases Account Bilal Account (Omitted Goods purchase now rectified)		10,000	10,000
ix	Suspense Account Purchase Account (Purchase book now overcost rectified)		5000	5000
x	Bad debts Account Suspense Account (Recorded bad debts now rectified)		1000	1000

08. Abid sold goods to Haris for Rs. 30,000 Abid drew a bill of exchange on Haris for this amount for four months. On due date the bill was dishonoured. Pass journal entries on books of Abid under the following circumstances: 20

Sol. Bill of Exchange Abid's Journal for the month

Date	Details	L/F	Dr	Cr
	Haris Account Sales Account (Being Goods sold)		30,000	30,000
	Bill Receivable Account Haris Account (Bill Drawn)		30,000	30,000
	Haris Account Bill Receivable Account (Being bill is dishonoured)		30,000	30,000

09. Prepare trading, Profit and Loss account and balance sheets: 20

Details / تفصیلات	Debit Rs.	Details / تفصیلات	Credit Rs.
Cash	2000	Sales	185600
Opening stock	7000	Creditor	7800
Debtors	38400	Capital	66000
Drawings	10260		
Purchases	162400		
Wages	14400		
Rent expenses	10940		
Furniture	8000		
Bank	6000		
Total	259400	Total	259400

Adjustments:

- (i) Closing stock Rs. 9000. (ii) Depreciation on furniture Rs. 800.
(iii) Un-paid wages Rs. 200. (iv) Prepaid rent Rs. 940.

Sol. Mr. A Trading and Profit and loss Account

Dr.		For the year ended		Cr.	
Details	Rs	Details	Rs		
Opening stock	7000	Sales	185600		
purchases	16,2400	Closing Stock	9000		
Wages 14,400					
Add: Unpaid (200)	14,600				
Gross Profit c/d	10,600				
	194600				194600
Rent 10,940		Gross Profit b/d	10,600		
Less: Prepaid (940)	10,000				
Dep. an furniture	800	Net Loss	200		
	10,800		10,800		

Mr. A Balance Sheet as on

Assets	Rs.	Liabilities	Rs.
Furniture 8000		Unpaid wages	200
Less: Dep. (800)	7200	Creditor	7800
Prepaid rent	940		
Closing Stock	9000	Capital 66000	
Debtors	38,400	Less: Net loss (200)	
Bank	6000	Less: Drawing (10260)	55,540
Cash	2000		
	63540		63,540