

Objective Type

Paper Code
Number: 2703

2024 (1st-A)

Roll No: _____

(COMMERCE GROUP) PAPER - I Time Allowed: 30 Minutes

Maximum Marks: 20

Principles of Accounting

Note: You have four choices for each objective type question as A, B, C and D. The choice which you think is correct, fill that bubble in front of that question number, on bubble sheet. Use marker or pen to fill the bubbles. Cutting or filling two or more bubbles will result in zero mark in that question.

Q1						20
Sr.No	Questions	A	B	C	D	
1	Credit balance of pass book is called:	Unfavourable balance	Favourable balance	Negative balance	Positive balance	
2	Nothing charges are the expense of:	Bank	Endorsee	Drawer	Drawee	
3	A person who receives the amount of bill on maturity is called:	Endorsee	Payee	Drawer	Drawee	
4	Preliminary expenses incurred to establish new business are called:	Revenue Payment	Revenue expenditure	Capital expenditure	Capital loss	
5	Payment of salaries payable is called:	Revenue Payment	Capital expenditure	Revenue receipt	Capital receipt	
6	If cost of an assets is Rs.200000. Rate of depreciation is 15% per annum. What will be depreciation?	Rs.20000	Rs.25000	Rs. 30000	Rs. 28000	
7	If sale price is Rs. 600000. Rate of gross profit is 9% per annum. What will be gross profit?	Rs.60000	Rs.54000	Rs.56000	Rs.58000	
8	Amount received from Shoaib credited to Dawood account is error of:	Omission error	Principle error	Posting error	Commission error	
9	Rent account posted to the debit of Rs.60 instead of Rs.600. To rectify the error the rent account will be debited with:	Rs.600	Rs.660	Rs.540	Rs.690	
10	Any legal activity for earning profit is called:	Assets	Capital	Business	Transaction	
11	To any business bad debt is:	Asset	Liability	Income	Loss	
12	Assets minus capital is equal to:	Profit	Liabilities	Loss	Loan	
13	Sale of goods costing Rs.10000 for Rs.12500. If will increase the owner's equity by:	Rs.10000	Rs.3000	Rs.2500	Rs.22500	
14	Journal means:	Daily	Weekly	Monthly	Yearly	
15	The equality of debit and credit is proved through _____.	Journal	Ledger	Trial balance	Balance sheet	
16	A cheque bearing future date is called:	Bearer	Order	Cross	Post-dated	
17	Crossing of cheque makes the cheque:	Safe	Unsafe	Acceptable	Unacceptable	
18	Goods returned to supplier is recorded in:	General journal	Purchases book	Purchases return book	Sales return book	
19	Cash withdrawn from bank for personal use of the owner's is recorded in cash book on:	Debit side	Credit side	Any side	Both debit and credit sides	

20	The statement which contains a complete explanation of differences of cash book and pass book balances if called:	Cash book	Pass book	Bank statement	Bank reconciliation statement
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Answers:

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

Subjective Type

2024 (1st-A)

Roll No: _____

Intermediate Part-I (11th Class)

Time Allowed: 2:30 Hours

Principles of Accounting (COMMERCE GROUP) PAPER - I Maximum Marks: 80

Note: Write same question number and its part number on answer book, as given in the question paper

SECTION - I

Q2. Attempt any five parts.

2 × 5 = 10

(i) Write down two objectives of Accounting.

Ans. The two objectives of accounting are:

1. To record and report a company's financial transaction and cash flows.
2. Provide information that is useful in making business and economic decision.

(ii) 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".

(iii) Describe three components of Accounting equation.

Ans. Three components of Accounting equation are:

1. Assets
2. Liabilities
3. Capital

(iv) How capital is calculated by using Accounting equation?

Ans. Capital is calculated by using accounting equation through this formula or equation:

$$\text{Assets} = \text{Liabilities} + \text{Capital}, \quad \text{Capital} = \text{Assets} - \text{Liabilities}$$

(v) Cash book has always debit balance, discuss.

Ans. Cash book always have debit balance because cash payments never exceed cash receipts and cash in hand at the start of the period. Actual cash payment cannot be more than the actual cash in hand.

(vi) Define Contra entry.

Ans. An entry in which cash account and bank account both are involved and is recorded on the both sides of cashbook is called contra entry.

(vii) Explain the term Bank Overdraft.

Ans. A customer is allowed to borrow an agreed amount in excess of the bank balance is called bank overdraft. An overdraft occur when you don't have enough money in your account to cover transaction but bank pays anyway.

(viii) What is meant by 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. Attempt any five parts.

2 × 5 = 10

(i) State parties to a bill of exchange.

Ans. There are three parties involved in bill of exchange:

1. Drawer
2. Drawee
3. Payee

(ii) Pass journal entry for endorsement of bill of exchange.

Ans. Journal entry for endorsement of bill of exchange is:

Endorsee Account (Dr)

(iii) Write any two causes of disagreement of balance between cash book and pass book.

Ans. 1. Cheques issued but not yet presented for payment in the bank.

2. Cheque paid into bank for collection but not yet credited / collected by bank.

(iv) What is meant by unrepresented cheques?

Ans. All those cheques which are issued by the customer for payment, but not present for payment in the bank are called unrepresented cheques.

(v) Write two examples of Revenue expenditures.

Ans. 1. Selling and distribution expenses. 2. Office and administrative expenses.

(vi) What is meant by Adjustments?

Ans. An adjustment is a journal entry that impacts the income statement. An adjusting entries are made at the end of the accounting period.

(vii) Pass adjusting entry for depreciation on furniture.

Ans. Adjusting entry for depreciation on furniture is:

Depreciation Expense Account (Dr)

Accumulated Depreciation Account (Cr)

(viii) Define Suspense Account.

Ans. A suspense account is an account in which those transactions are entered which cannot be placed to their proper accounts. The entry in this account is of temporary nature.

SECTION - II

NOTE Attempt any three questions.

20 × 3 = 60

Q4 Journalized the transaction of Fazal & Co.

(i) Fazal & Co. started business with Rs. 50000/-

(ii) Bought merchandize on account from Fraid Rs.10000

(iii) Purchase building for cash Rs.20000/-

(iv) Purchase machinery for cash Rs.15000/-

(v) Paid cash to Mr. Fraid Rs.9500 for goods purchased and stated his account.

(vi) Sold goods to Mr. Zafar for Rs.7000.

(vii) Cash given as charity.

(viii) Mr. Zafar returned goods of Rs.500

(ix) Received cash from Zafar Rs.6400/- on full settlement of account.

(x) Paid salary Rs.2000 and rent Rs.1000

Sol. "Journal"

Date	Details	L/F	Dr.	Cr.
i	Cash Account Fazal & Co Account (Started Business with cash)		50,000	50,000
ii	Purchases Account Farid Account (Bought on account)		10,000	10,000
iii	Building Account Cash Account (Purchase Building)		20,000	20,000
iv	Machinery Account Cash Account (Purchased Machinery)		15000	15000
v	Cash Account Discount allowed Account Mr. Farid Account (Paid Cash)		9500 500	10,000

vi	Cash Account Sales Account (Sold Goods)		7000	7000
vii	Charity Account Cash Account (Given Cash)		—	—
viii	Sales Return Account Mr. Zafar Account (Return Goods)		500	500
ix	Mr. Zafar Account Cash Account Discount Account (Received Cash)		6500	6400 100
x	Salaries Account Rent Account Cash Account (Paid Salary Rent)		2000 1000	3000

Q5. From the following particulars prepare bank reconciliation statement of Mr. Shayan Ali on 31st March 2022.

- Balance as per pass book debit Rs.70000.
- Dividend collected by bank and credited in the pass book Rs.6000.
- Cheques amounting to Rs.35000 deposited into bank 25 March 2022 out of which cheques Rs.10000 credited in the pass out of which cheques Rs.10000 credited by bank on 5th March 2022.
- Cheques issued Rs.16000 on 27th March 2022 but cheques Rs.6000 presented for payment on 8th April 2022 in the bank.
- Interest on overdraft charged by bank Rs.4000
- Cheques issued but returned by bank on technical ground Rs.2000.

Sol. Mr. Shayan Bank Reconciliation Statement as on 31st March, 2022

Sr.No	Details	Dr/Cr	Amount
i	Balance as per passbook	Dr.	70,000
ii	Collected Dividend	Dr.	6000
iii	Deposited Cheques not credited	Cr.	25000
iv	Cheques Issued but not presented	Dr.	10,000
v	Overdraft bank interest	Cr.	4000
vi	Return cheques issued dishonoured	Cr.	2000
	Credit Balance	Dr.	86000
	Debit Balance		(31000)
	Balance as per cash book	Cr.	55000

Q6. State with reason which item of expenditure could be charged to capital and which to revenue?

- Purchases of lease hold land.
- Commission paid on issue of shares.
- Compensation paid to workers for termination of their services.
- Expenses on research and development.
- Damages paid account of breach of contract to supply goods.
- Cost of replacement of an old worn out part of machinery.
- Two cars are purchased by a car dealer for resale purpose.
- Interest on loan borrowed for the business.
- Repair to motor car met with accident.

Sol.	Sr.No	Nature of Expenditure	Reasons
	i	Capital Expenditure	Purchase of lease hold land is capital in nature because these expenses incurred for more than one year.
	ii	Capital Expenditure	Commission paid on issue of shares is capital in nature because these expenses are non-recurring in nature.
	iii	Capital Expenditure	Compensation paid to works termination is capital in nature because these expenses will run business more economically.
	iv	Revenue Expenditure	Expenses on research and development is revenue in nature because these expenses incurred repeatedly in this matter of research & development.
	v	Revenue Expenditure	Breach of contract to supply goods is revenue in nature because these expenses are repeatedly and recurring.
	vi	Revenue Expenditure	Cost of replacement of work out part is revenue in nature because these expenses incurred repeatedly and recurring.
	vii	Capital Expenditure	Cars purchased by dealer for resale purchase is capital in nature because these expenses are incurred for business purpose and non-recurring.
	viii	Revenue Expenditure	Interest on loan borrowed for business is revenue in nature because these expenses incurred repeatedly and recurring.
	ix	Revenue Expenditure	Repair to motor car met with accident is revenue in nature because these expenses incurred repeatedly during the year.
	x	Deferred Revenue Expenditure	Expenditure on advertising is deferred revenue because these expenditure incurred when advertised a new product.

Q7 Pass journal entries to rectify the following errors in the books of Ansari Bros. -

- (i) Cash sales Rs.5500 were totally omitted from book.
- (ii) Goods purchased from Khalid Rs.4400 were posted to Hamid's account.
- (iii) Purchases book was overcasted by Rs.1100.
- (iv) Wages paid for erection of new machinery were charged to wages account Rs.1400.
- (v) Repair of old motor car Rs.1500 were charged to motor car account.
- (vi) Goods returned to Majid Rs.6300 were not recorded in the books.
- (vii) Goods sold to Munir Rs.3400 were posted to Saghir's account.
- (viii) Purchases book was under casted by Rs.9600.
- (ix) Credit sales to Mr. B Rs. 6900 were recorded as credit purchases.
- (x) Depreciation of furniture Rs.8000 was charged to building account.

Sol. "Rectifying Journal"

Date	Details	L/F	Dr	Cr
i	Cash Account Sales Account (Omitted cash sales now rectified)		5500	5500
ii	Hamid Account Khalid Account (Goods purchased on wrongly posted in Hamid's Account now rectified)		4400	4400
iii	Suspense Account Purchase Account (Overcasted purchase book rectified)		1100	1100

iv	Machinery Account Wages Account (Wrongly charged to wage Account now rectified)		1400	1400
v	Repair Account Motor Car Account (Wrongly charged to motor car account now rectified)		1500	1500
vi	Majid Account Purchases Return Account (Not recorded goods return now rectified)		6300	6300
vii	Munir Account Saghir Account (Wrongly posted to saghir account is now rectified)		3400	3400
viii	Purchases Account Suspense Account (Under casted purchase book now rectified)		9600	9600
ix	Mr. B Account Sales Account Purchases Account		13800	6900 6900
x	Furniture Account Building Account (Charged to building account now rectified)		8000	8000

Q8. On May 01, 2022. Ahmad sold goods to Kamran for Rs.50,000. Ahmad drew a two-month bill on Kamran. Kamran accepts the bill and returned it to Ahmad. However, on the due date the bill is dishonoured. Pass the journal entries in the book of Ahmad in the following cases:

- Ahmad retains the bill until the due date.
- Ahmad discounts the bill with the bank for Rs.48,000.
- Ahmad endorses the bill to Bilal.
- Ahmad sends the bill to the bank for collection.

Sol. Bill of Exchange Ahmad's Journal

Date	Details	L/F	Dr	Cr
May 01, 22	Kamran Account Sales Account Goods are sold		50,000	50,000
May 01, 22	Bill Receivable Account Kamran Account Bill is accepted		50,000	50,000
i	Kamran Account Bill Receivable Account bill is dishonoured		50,000	50,000
ii	Bank Account Discount Account Bill Receivable Account Being bill is discounted		48000 2000	50,000
iii	Bilal Account Bill Receivable Account (Ahmad bill endorsed)		50,000	50,000
iv	Bank for collection Account Bill Receivable Account Bill sent for collection		50,000	50,000

Q9.

Prepare trading, profit and loss account and balance sheet from the given trial balance of Mr. Aslam as on 31st December 2020.

Particulars	Debit Rs.	Credit Rs.
Opening stock	60,000	
Purchases	150,000	
Wages	12,000	
Cash	80,000	
Rent	16,000	
Machinery	24,000	
Insurance	6,000	
Accounts receivable	90,000	
Drawings	22,000	
Sales		250,000
Accounts Payable		90,000
Capital		120,000
Total	460,000	460,000

Adjustments:

- Closing stock Rs.30,00/-
- Advance rent Rs.6000/-
- Wages outstanding Rs.3000/-
- Depreciation on machinery @ 10% per annum.

Sol. Mr. Aslam Trading & Profit or loss Account for year ended 31.12.22

Dr.

Cr.

Details	Rs.	Details	Rs.
Opening Stock	60,000	Sales	250,000
Purchases	150,000	Closing Stock	30,000
Wages 12000			
Add: Outstanding 3000	15000		
Gross Profit c/d	55000		
	<u>280,000</u>		<u>280,000</u>
Insurance	6000	Gross Profit b/d	55000
Rent 16000			
Loss: Advance (6000)	10,000		
Dep: on Machinery	2400		
$\left(24000 \times \frac{10}{100}\right)$			
Net Profit	36,600		
	<u>55000</u>		<u>55000</u>

Mr. Aslam Balance Sheet as on 31.12.20

Assets	Rs.	Liabilities	Rs.
Machinery 24000		Outstanding wages	3000
Loss: Dep. (2400)	21,600	Account Payable	90,000
Advance Rent	6000		
Account Receivable	90,000	Capital 120,000	
Closing Stock	30,000	Loss: Drawing (22000)	
Cash	80,000	Add: Net Profit (36,600)	134,600
	<u>227600</u>		<u>227600</u>