

## Objective Type

1124 Inter Part : I

(To be filled in by the candidate)

Roll No. \_\_\_\_\_

Principles of Accounting

Session (2020-22 to 2023-25)

Time : 30 Minutes

Paper : I Objective

Paper Code	2	7	0	1
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Marks : 20

**Note:** You have four choices for each objective types question as A, B, C and D. The choice which you think is correct; fill that circle in front of that question number in your answer book. Use marker or pen to fill the circles. Cutting or filling two or more circle will result in zero mark in that question. Write PAPER CODE, which is printed on this question paper, on the both sides of the Answer Sheet and fill bubbles accordingly, otherwise the student will be responsible for the situation. Use of ink remover or white correcting fluid is not allowed.

01.

20

S.#	Questions	A	B	C	D
1	Amount invested by the Trader in the Business is called:	Business	Capital	Expense	Commission
2	Who is the responsible for Recording the business Transaction?	Record Keeper	Accountant	Book Keeper	Auditor
3	Balance sheet is statement of:	Assets	Liabilities	Assets & Liabilities	Debtor & Creditors
4	Assets - Liabilities = ?	Assets	Profit	Liabilities	Capital
5	Categories of Accounting under British Approach are:	Two	Three	Four	Five
6	Return of goods to supplier should be debited to:	Supplier Account	Customer	Cash Account	Discount Account
7	The Journal folio is recorded in:	Journal	Ledger	Income Statement	Balance sheet
8	How many lines are draw across the face of the cheque when it is crossed?	Two	One	Three	Four lines
9	Contra entry appear on the Both side of the:	Journal	Ledger	Trial balance	Cash Book
10	Sales of goods to Mr. Riaz will be recorded in:	Purchase Book	Journal Proper	Sales Book	Cash Book
11	Book Reconciliation statement is usually prepared _____.	At any time	Weekly	Monthly	Yearly
12	The person who Draws the Bill is called:	Drawee	Drawer	Endorse	Payee
13	For payment of Bill grace days are:	Two Days	Three Days	Four Days	Five Days
14	Noting charges are the expenses of:	Drawer	Drawee	Endorse	Bank
15	Net Profit is transferred to:	Capital Account	Drawing Account	Creditor Account	Cash Account
16	All Assets held in business for permanent use are called:	Current Assets	Fictitious Assets	Fixed Assets	Wasting Assets
17	A Received is a capital Receipt is:	It Received from the sales of Fixed Assets	It Received Sales of Revenue Assets	If Received Sales of goods	If Received Sales of washing Assets

18	Book value of the Assets destroyed by Fire:	Revenue loss	Capital expenditure	Capital loss	Revenue Expenditure
19	Error of principle effects:	One Account	Two Account	Have no effect	More than two Account
20	The error which cancel them self out are called:	Error of omission	Error of commission	Error of Principle	Compensating error

Answers:

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

### Subjective Type

1124 Inter Part : I (To be filled in by the candidate) Roll No. \_\_\_\_\_  
Principles of Accounting Session (2020-22 to 2023-25) Time : 2:30 Minutes  
Paper : I Marks : 80

#### PART ----- I

**Q2. Answer briefly any Five parts from the followings:-**

5 × 2 = 10

(i) Define Purchases.

Ans. In accounting language the word "purchases" has special-meaning. When saleable goods are bought in a business it is said that purchases have been made.

(ii) What are Real Accounts.

Ans. Accounts which are related with properties, or thing owned by a business are known as real or property accounts e.g land, building, office equipment etc.

(iii) Sales the Formula of Accounting Equation.

Ans. Assets = Liabilities + owner's equity

(iv) How Capital is calculated with the help of Accounting Equation.

Ans. Capital is calculated with the help of Accounting Equation:

Capital = Assets – Liabilities

(v) What is meant by Cash book?

Ans. A book in which all the transactions in which cash is involved (whether the business has paid cash or received cash) are recorded is called cash book or cash journal.

(vi) Name types of Cash book.

Ans. There are three kinds of cashbook:

1. Treble column cashbook.
2. Double column cashbook.
3. Single column cashbook or simple cashbook.

(vii) Explain the term Bank.

Ans. An institution, which purchases and sells money and transacts other financial business of like nature, is known as bank.

(viii) Define Pass-Book.

Ans. Bank statement is a copy of depositor's account in the bank's ledger, which is provided to the depositor on demand. This book is prepared by the bank but kept with the depositor.

**Q3. Answer briefly any Five parts from the followings:-**

5 × 2 = 10

(i) Pass Journal entry for endorsement of bill of exchange.

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

Endorsee Account (Dr)

Bill receivable Account (Cr)

(Being bill is endorsed)

(ii) Differentiate between trade bill of exchange and accommodation bill.

Ans. A bill of exchange is used in international trade to help imports and exports to fulfill transactions.

Accommodation bills are drawn and accepted without any sale and purchase of goods, the main purpose of such bills is to help one party or both the parties financially.



(iii) Why Bank Reconciliation statement is prepared?

Ans. Bank reconciliation statement is prepared because the purpose is to detect any errors in recording transactions and ensures the accuracy and validity of financial information.

(iv) Write two examples of Capital prepared.

Ans. 1. Furniture purchased      2. Construction of one new room in the building.

(v) Which accounts and statement are prepared in Final Accountings?

Ans. The following accounts and statements are prepared in Final Account:

1. Trading Account
2. Profit & Loss Account
3. Statement of Trading & Profit or loss Account
4. Balance Sheet

(vi) Define balance Sheet.

Ans. It is a statement of assets, liabilities and owner's equity (capital) on a particular date. Assets are on the left side and liabilities or capital are right side.

(vii) What is meant by double sided errors?

Ans. When an error affects both the debit side and credit side by an equal amount it is called dual sided error or two sided error.

(viii) Write two examples of error of Principle.

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.

## PART ----- II

**Note:** Attempt any Three questions.

20 × 3 = 60

**Q4.** Journalize the following Transaction of Faisal Enterprises.

- (i) Faisal started Business with cash Rs. 50000/-
- (ii) Purchased Building for Cash Rs 10,000.
- (iii) Bought merchandize on Account from Mr. Fazeel 15000/-
- (iv) Purchased furniture for cash Rs. 50000/-
- (v) Paid cash to Mr. Fazeel 14500 for goods purchased and settled his Account.
- (vi) Sold goods to Mobeen on Account Rs. 6000/-
- (vii) Withdrew cash Rs. 2000/- for personal use.
- (viii) Sold goods for cash Rs. 10,000.
- (ix) Received cash from Mobeen Rs. 5000/- on full settlement of Account.
- (x) Paid salary to employee Rs. 4000/-

Sol. "Journal"

Sr. No	Details	L/F	Dr	Cr
i	Cash Account Capital Account (Started Business)		50,000	50,000
ii	Building Account Cash Account (Purchase Building)		10,000	10,000
iii	Merchandises Account Mr. Fazeel Account (Bought Merchandise on account)		15000	15000
iv	Furniture Account Cash Account (Purchase Furniture)		5000	5000

v	Cash Account Discount Account Mr. Fazeel Account (Paid cash and settled account)	14,500 500	15000
vi	Receivable Account Sales Account (Sold goods on account)	6000	6000
vii	Drawing Account Cash Account (Withdrew Cash)	2000	2000
viii	Cash Account Sales Account (Sold Goods)	10,000	10,000
ix	Mobeen Account Cash Account (Received Cash)	5000	5000
x	Salaries Account Cash Account (Paid Salary)	4000	4000

**Q5. Prepare Bank Reconciliation Statement in the books of Hassan.**

- (i) Balance as per Cash Book Rs. 7000/-
- (ii) Cheques Issued but not presented Rs. 7500/-
- (iii) Cheques Deposited but not credited Rs. 3000/-
- (iv) Bank charges Rs. 500.- not recorded in cash book.
- (v) Interest credited by bank Rs. 200/-
- (vi) Dividend Directly collected by Bank. 100/-

**Sol.** Mr. Hassan Bank Reconciliation Statement as on.....

Sr.No	Details	Dr./Cr.	Amount
i	Balance as per cashbook	Dr.	7000
ii	Unpresented Cheques	Dr.	7500
iii	Uncredited Cheques	Cr.	3000
iv	Bank Charges	Cr.	500
v	Bank Interest	Dr.	200
vi	Bank Dividend	Dr.	1000
	Debit Balance		15,700
	Credit Balance		(3500)
	Balance as per passbook	Cr.	12200

**Q6. State with reasons whether the following are Capital or revenue.**

- (i) Purchase of Building.
- (ii) Wages paid for manufacturing of goods.
- (iii) Payment of annual taxes.
- (iv) Purchase & development expenditure for Interest if new product.
- (v) Interest paid on loan borrowed for business.
- (vi) Purchase of vehicle.
- (vii) Octrol duty paid.
- (viii) Depreciation on plant.
- (ix) Cost incurred for addition to building.
- (x) Telepohne bill paid.

Sr.No	Nature of Expenditure	Reasons
i	Capital Expenditure	Purchase of Building is capital in nature because these expenses incurred only once or twice in the five or ten years.



ii	Revenue Expenditure	Wages paid for goods manufacturing is revenue in nature because goods manufactured repeatedly during the year and are recurring & repeatedly.
iii	Revenue Expenditure	Payment of annual taxes is revenue in nature because these expenses incurred every year repeatedly.
iv	Deferred Revenue Expenditure	Invention of new product is deferred revenue in nature because these expenditure incurred when new product is launched.
v	Capital Expenditure	Interest paid on loan borrowed for business is capital in nature because these expenses incurred for long term for business purpose.
vi	Capital Expenditure	Purchase of vehicle is capital in nature because vehicle purchased only when needed in two or more now two years and are non-repeatedly.
vii	Revenue Expenditure	Octopi duty paid on goods is revenue in nature because these expenses incurred day to day conduct and repeatedly incurred.
viii	Revenue Expenditure	Depreciation on plant is revenue in nature because plant value is gradually decrease every year.
ix	Capital Expenditure	Cost incurred for addition to building is capital in nature and incurred expense only when there is construction for building.
x	Revenue Expenditure	Telephone bill expenses incurred every worth repeatedly and are revenue in nature.

**Q7. Give Journal entries to Rectify the following errors.**

- Machinery sold for Rs. 1000 has been posted to sales Account.
- Purchase Book was ever cost by Rs. 500/-
- Wages paid Rs. 1000 for the erection of Machinery charged to wages Account.
- The Purchases of a Type Writer Rs. 2000. was returned purchase Journal.
- Rs. 500 draw by the progeny was recorded as trade expense.
- A sum Rs. 500 Received from Azhar But Credit to Zafar Account.
- Discount Rs. 100 Allowed to Shabbir was not recorded in the Cash Book.
- Goods purchased from Kalim Rs. 4000 were not posted to his Account.
- Sales A/C balance Rs. 8000 was wrongly received in the Trial balance trace.
- Good sold to Mukhtar Rs. 5000 were wrongly debited to his Account as Rs. 500.

Sol. "Rectifying Journal"

Date	Details	L/F	Dr	Cr
i	Sales Account Machinery Account (Posted to sales Account now rectified)		1000	1000
ii	Suspense Account Purchase Account (Purchase book ever cost rectified)		500	500
iii	Charges Expense Account Machinery Account (Charges to wages Account now rectified)		1000	1000
iv	Type Writer Account Purchases Account (Recorded in purchase journal now rectified)		2000	2000

v	Drawings Account Trade expenses Account (Trade expense is cated, now rectified)		500	500
vi	Cash Zafar Account Azhar Account (Credit to Zafar Account, now rectified)		500	500
vii	Discount allowed Account Suspense Account (Discount not returned in cashbook now rectified)		100	100
viii	Suspense Account Kalim Account (Not posted to his account, now rectified)		4000	4000
ix	Suspense Account Salaries Account (Wrongly recorded twice, now rectified)		8000	8000
x	Mukhtar Account Suspense Account (Wrongly debited now rectified)		4500	4500

**Q8.** Arshad Sold Goods to Shahzad Rs. 20000/- Arshad drew a bill on Shahzad for Four Months Pass entries in the books of Arshad only it Bill.

- (a) Retained by Arshad bill due date.  
(b) Discounted with bank @ 10% P A.  
(c) Sent to bank for collection.  
(d) Endorsed to Furqan.

**Sol.** Bill of Exchange Arshad's Journal

Date	Particulars	L/F	Dr	Cr
	Shahzad Account Sales Account goods sold on credit		20,000	20,000
a	Bill receivable Account Shahzad Account Bill is accepted		20,000	20,000
b	Bank Account Discount Account $\left(20000 \times \frac{10}{100} \times \frac{4}{12}\right)$ Bill receivable Account Bill is discounted		19333 667	20,000
c	Bank for collection Account Bill receivable Account Bill is sent for collection		20,000	20,000
d	Furqan Account Bill receivable Account Bill is endorsed		20,000	20,000

**Q9.** Prepare trading. Profit & loss account and Balance Sheet.

Title of Accounts	Debit Rs	Credit Rs
Opening stock	4500	
Purchases	175000	
Carriage	7200	
Octroi duty	500	
Cash	9000	
Debtors	18500	
Trade expenses	15600	



Adverting expenses	12000	
Sales Return	6000	
Furniture	40000	
Building	102000	
Capital		
Sales		134000
Sales		235800
Purchases return		9500
Creditors		11000
Total	<u>390300</u>	<u>390300</u>

#### Adjustments:

- (i) Closing Stock Rs. 12500.
- (ii) Depreciation on building @ 15% and furniture @ 10% per annum.
- (iii) Outstanding Carriage Rs. 3000.
- (iv) Prepaid Advertising expenses Rs. 2000.

Sol. Mr. A Trading & Profit or loss Account for the year ended.....

Dr.

Cr.

Details	Rs.	Details	Rs.
Opening Stock	4500	Sales	235800
Purchases 175000		Less: sales return (6000)	229800
Less: purchase return (9500)	165,500	Closing Stock	12500
Carriage 7200			
Add: Outstanding 3000	10,200		
Gross profit c/d	61,600		
	<u>242300</u>		<u>242300</u>
Dep: on Building	15300	Gross profit b/d	61,600
$\left(102000 \times \frac{15}{100}\right)$			
Dep: on Furniture	4000		
$\left(40,000 \times \frac{10}{100}\right)$			
Advertising 12000			
Less: pre paid (2000)	10,000		
Trade Expenses	15,600		
Net profit	16,700		
	<u>61,600</u>		<u>61,600</u>

Mr. A Balance Sheet as on .....

Assets	Rs.	Liabilities	Rs.
Building 10,2000		Outstanding Carriage	3000
Less: Dep. (15300)	86700	Creditors	11000
Furniture 40,000			
Less: Dep. (4000)	36000	Capital	134000
Debtors	18500	Add: net profit	16700
Pre paid advertising	2000		
Cash	9000		
Closing Stock	12500		
	<u>164700</u>		<u>164700</u>