

# MODEL PAPER "PRINCIPLES OF ACCOUNTING"

Intermediate Part-I Examination, 2007

(Academic Session 2006-08)

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

In Figures \_\_\_\_\_

In Words \_\_\_\_\_

## OBJECTIVE

Time: 30 Minutes

Marks: 20

Note: Write your Roll No. in space provided. Over-writing, Cutting, Erasing, Using lead pencil will result in loss of marks.

Q.No.1. Each question has four possible answers. Choose the correct answer and in circle it. 20

- (i) The valuation of closing stock is at:  
 (a) cost (b) market price (c) both (d) none of these
- (ii) purchase book is maintained to record:  
 (a) cash purchase (b) purchase to furniture  
 (c) credit purchase (d) none of these
- (iii) Sales book is maintained to record:  
 (a) credit sales (b) cash sales  
 (c) all cash and credit sales (d) none of these
- (iv) Unfavourable bank balance means:  
 (a) credit balance in cash book (b) credit balance of pass book  
 (c) debit balance of cash book (d) none of these
- (v) Bank reconciliation statement is prepaid by:  
 (a) accountant (b) banker (c) auditor (d) none of these
- (vi) A bill of exchange is drawn by a:  
 (a) debtor (b) creditor (c) holder (d) none of these
- (vii) Real accounts are related to:  
 (a) customers (b) assets (c) expenses (d) none of these
- (viii) Cash sales are recorded in:  
 (a) cash book (b) sales book (c) customer's book (d) none of these
- (ix) The amount of rent paid to Anis should be debited to:  
 (a) Anis A/c (b) Rent A/c (c) Cash A/c (d) Sales A/c
- (x) Prepaid expense is:  
 (a) liability (b) asset (c) expense (d) none of these
- (xi) The amount of cash or goods invested by the proprietor in a business is called:  
 (a) expense (b) asset (c) capital (d) revenue
- (xii) The language of business:  
 (a) economics (b) accounting (c) both (d) none
- (xiii) The person to whom goods are sold on credit is called:  
 (a) seller (b) buyer (c) debtor (d) creditor
- (xiv) Discount received is a:  
 (a) asset (b) revenue (c) liability (d) expense

- (xv) A person to whom the bill is drawn:  
(a) drawer (b) drawee (c) both (d) none
- (xvi) Wrong addition is:  
(a) error of omission (b) error of commission  
(c) error of principle (d) none of these
- (xvii) When saleable goods are bought in a business it is said to be:  
(a) sale (b) purchase (c) goods (d) none
- (xviii) Cash discount is provided on:  
(a) sale (b) purchase (c) prompt payment (d) all of these
- (xix) Noting charges are paid when bill is:  
(a) met (b) discounted (c) dishonoured (d) none of these
- (xx) Balance sheet is a statement of:  
(a) assets (b) liabilities  
(c) both assets and liabilities (d) none of these

# MODEL PAPER "PRINCIPLES OF ACCOUNTING"

Intermediate Part-I Examination, 2007

**(Academic Session 2006-08)**

## SUBJECTIVE

**Time: 2:30Hours**

**Marks: 80**

**Note: - Attempt any TWENTY FIVE (25) questions from Section -I and any THREE questions from Section-II**

## **SECTION -I**

**Q.No.2. Attempt any TWENTY FIVE (25) questions. (25x2)=50**

- (i) Define book keeping.
- (ii) Define equity.
- (iii) Define journal.
- (iv) Define ledger.
- (v) Define trial balance.
- (vi) Define voucher.
- (vii) Define debtor.
- (viii) Define bill of exchange.
- (ix) Define renewal of a bill.
- (x) Define retirement of a bill.
- (xi) Define "Bank reconciliation statement"
- (xii) Define intangible assets.
- (xiii) What is working capital?
- (xiv) What are fixed assets?
- (xv) What are current liabilities?
- (xvi) Define nominal accounts.
- (xvii) What is narration?
- (xviii) What is posting?
- (xix) Define balance sheet.
- (xx) What is bad debts?
- (xxi) Define capital expenditures.
- (xxii) Define capital receipts.
- (xxiii) Define errors of commission.
- (xxiv) Define errors of principles.
- (xxv) What is the main purpose of preparing balance sheet.
- (xxvi) What is suspense account.
- (xxvii) Define accommodation bills of exchange.
- (xxviii) Define depreciation.
- (xxix) Define accrued expenses.
- (xxx) Define accrued income.
- (xxxi) Define accounting cycle.
- (xxxii) Define cash book.
- (xxxiii) What is invoice?
- (xxxiv) What is a cheque?
- (xxxv) What is a debit note?
- (xxxvi) What are direct expenses?
- (xxxvii) Define creditors.

## **SECTION -II**

**Note: - Attempt any THREE questions.**

**(10x3)=30**

**Q.No.3.** Arif sold goods to Aslam for Rs 6000/- on 1<sup>st</sup> January 2006. Arif drew and Aslam accepted a bill for the amount for three months on the same date. Arif discounted the bill from his bank at 12% p.a. On the due date the bill was dishonoured and bank paid Rs 50/- for noting charges.

Pass journal entries in both parties books.

**Q.No.4.** From the following particulars, ascertained from the books of M/S Usama & Co. on 31<sup>st</sup> March, 2006 you are required to prepare bank reconciliation statement.

- (i) Balance as per pass book (overdraft) Rs. 5450/-
- (ii) Interest on investment Rs. 1800/- collected by bank but not recorded in cash book.
- (iii) Uncredited cheques Rs. 2500/-
- (iv) Unpresented cheques Rs. 1500/-
- (v) Bank charges charged by bank Rs. 50/- not recorded in cash book.
- (vi) Interest on overdraft Rs. 200/- debited in Pass book not recorded in cash book.

**Q.No.5.** Give the necessary journal entries to correct the following errors:

- (i) Bought goods for Rs. 500 has been wrongly debited to furniture account.
- (ii) Rs. 400 received from Hamza wrongly entered as from Hassan.
- (iii) A bill for Rs. 2000 for plant sold to Asim was credited to sales account.
- (iv) Goods to the value of Rs. 1500/- were returned by Ammar but return was not recorded in the books.
- (v) Salary Rs. 2000 paid to Clerk debited to his personal account.

**Q.No.6.** State with reasons which of the following items are capital or revenue:

- (i) Cost of replacement of an old and worn out part of plant.
- (ii) Cost of good-will.
- (iii) Repair charges of machinery.
- (iv) Interest on loan borrowed for business.
- (v) Legal expenses incurred on income tax appeal.

**Q.No.7.** Prepare a trading and profit and loss account for the year ended 31 December, 2005 and a Balance sheet as at that date of Mohsin.

	Rs.	Rs.
Capital		50000
Machinery	7600	
Purchases	104000	
Freight	300	
Carriage in	700	
Returns	2400	3200
Wages	7000	
Drawing	3000	
Sales		132000
Salaries	6500	
Rent	2000	
Debtors and creditors	64000	68000
Stock (1 1 2005)	10000	
Bill receivable and payable	2700	4600
Cash in hand	27400	
Cash at bank	20200	
	257800	257800

Adjustment:

- (i) Stock at the end of the year Rs. 8000.
- (ii) Salaries outstanding Rs. 200.
- (iii) Depreciation on machinery 10% P.A.
- (iv) Prepaid rent Rs. 400.