

AGA KHAN UNIVERSITY EXAMINATION BOARD

HIGHER SECONDARY SCHOOL CERTIFICATE

CLASS XI EXAMINATION

APRIL/ MAY 2018

Principles of Accounting Paper I

Time: 40 minutes Marks: 30

INSTRUCTIONS

1. Read each question carefully.
2. Answer the questions on the separate answer sheet provided. DO NOT write your answers on the question paper.
3. There are 100 answer numbers on the answer sheet. Use answer numbers 1 to 30 only.
4. In each question there are four choices A, B, C, D. Choose ONE. On the answer grid black out the circle for your choice with a pencil as shown below.

Correct Way		Incorrect Ways	
1	<input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D	1	<input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D
		2	<input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D
		3	<input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D
		4	<input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D

Candidate's Signature

5. If you want to change your answer, ERASE the first answer completely with a rubber, before blacking out a new circle.
6. DO NOT write anything in the answer grid. The computer only records what is in the circles.
7. You may use a scientific calculator if you wish.
8. Wherever new terminologies are mentioned their old terminologies are mentioned in the brackets for your assistance.

1. Bashir Traders bought furniture for office use on account for Rs 237,000.

The account heads that will be affected by the given transaction are

- A. cash and furniture.
 - B. cash and purchases.
 - C. trade payables (accounts payable) and furniture.
 - D. trade payables (accounts payable) and purchases.
2. Imperial Shoe Store paid an advance rent of Rs 60,000 for 3 months to the owner, Mr Shahid.

The amount of advance rent will be treated by Shahid as a/ an

- A. asset.
 - B. capital.
 - C. income.
 - D. liability.
3. KMK General Store bought grocery on bulk from KBC warehouse on March 01, 2018. After a week, the store returned few of the goods as they were not up to the order.

The document that will be issued by KBC warehouse at the time of return is

- A. invoice.
 - B. statement.
 - C. debit note.
 - D. credit note.
4. Urooj and Simran want to merge their individual businesses. The details of their individual businesses are as follows:

Details	Urooj's Business	Simran's Business
	Rs	Rs
Total non-current assets (fixed assets)	560,000	450,000
Total liabilities	230,000	150,000
Total current assets	120,000	70,000

The amount of total capital of Urooj in her business is

- A. Rs 370,000
- B. Rs 450,000
- C. Rs 680,000
- D. Rs 910,000

5. The following information relates to a business as on December 31, 2017.

Particulars	Amount (Rs)
Office equipment	15,000
Trade payables (accounts payable)	4,500
Trade receivables (accounts receivable)	5,500
Cash in hand	300
Balance at bank – overdraft	7,500
Motor vehicles	25,000

The total amount of assets of the business from the above data is

- A. Rs 40,300
 - B. Rs 45,800
 - C. Rs 53,300
 - D. Rs 57,900
6. Ahmed Traders paid transportation cost of Rs 12,000 on the purchase of machinery of Rs 980,000 for business use.

The business will treat transportation cost as

- A. capital expenditure.
 - B. selling expenditure.
 - C. revenue expenditure.
 - D. administrative expenditure.
7. Kiran Grocery Store is a huge retail outlet which has an average daily sale of Rs 80,000. The accountant of the business forgot to record an entertainment expense of Rs 500. Upon examination, the auditors identified and knowingly ignored this mistake.

The accounting principle on the basis of which the error was ignored by auditor is

- A. realisation.
 - B. materiality.
 - C. consistency.
 - D. business entity.
8. Varsha is a school teacher in Karachi. She is planning to go for a conference in Islamabad. She took an advance salary of Rs 35,000 from the school management.

The amount of advance taken by Varsha will be treated by school management as

- A. current asset.
- B. current liability.
- C. non-current liability.
- D. non-current asset (fixed asset).

9. Mr Ahmed owns an office and has an employee responsible for day to day purchasing, like stationery, office materials etc. He has allotted a lump sum fixed amount for the day to day expenditures. At the end of the month, the employee would submit the vouchers and the account will be replenished by Mr Ahmed.

Which of the following accounting books will be used in the given scenario?

- A. Two column cash book
 - B. Three column cash book
 - C. Imprest petty cash system
 - D. Ordinary petty cash system
10. The column that distinguishes between the two column cash book and three column cash book is
- A. date column.
 - B. bank column.
 - C. discount column.
 - D. particular column.
11. Alam Traders bought goods on credit from Azam Traders. Few of the goods were defected so they were returned to the supplier. In order to notify the return, Alam Traders also issued a note to Azam Traders.

The note issued is called a

- A. debit note.
 - B. credit note.
 - C. currency note.
 - D. promissory note.
12. Zarina buys goods worth Rs 50,000 on credit. She gets a trade discount of 5% and is also allowed a cash discount of Rs 1,500.

The amount of net purchases shown in the books of Zarina will be

- A. Rs 46,000
 - B. Rs 46,075
 - C. Rs 47,500
 - D. Rs 50,000
13. Maniya Traders bought fixtures of Rs 24,000 for office use on credit.

The given transaction will be first entered in

- A. cash book.
- B. sales journal.
- C. general journal.
- D. purchase journal.

14. Mr Ali purchased merchandise for Rs 10,000 on account from Mr Bashir. The general journal entry in the books of Ali will be

	Particulars	P.R.	Debit	Credit
A	Purchase		10,000	
	Cash			10,000
B	Purchase		10,000	
	Trade payable (account payable)			10,000
C	Trade payable (account payable)		10,000	
	Purchase			10,000
D	Cash		10,000	
	Purchase			10,000

15. Ms Aamna purchased a machine worth Rs 150,000 with credit term 2/10, n/30.

If the payment is made on 15th day, then the billed price will be

- A. Rs 135,000
 B. Rs 147,000
 C. Rs 150,000
 D. Rs 153,000
16. Ahmed deposited a cheque of Rs 12,300 in his bank account on October 15, 2017. After a few days, the bank informed Ahmed that the cheque has been dishonoured.

The dishonoured cheque will be recorded in cash book and bank statement as

	Cash Book	Bank Statement
A	Debit	Debit
B	Credit	Debit
C	Debit	Credit
D	Credit	Credit

17. The bank reconciliation statement prepared for the month of January 2018 by the accountant of Shamshad Traders is as under:

Bank Reconciliation Statement as on 31 January 2018		
Particulars	Cash book	Pass book
Balance	370	(446) O/D
Direct deposit by customer	209	
Rent paid	(60)	
Uncleared cheques		(2,520)
Unpresented cheques (outstanding)		(1,555)
Total	519	(4,521)

The given bank reconciliation statement is not agreeing because of the wrong posting.

The item that has been posted wrongly in the given bank reconciliation statement is

- A. rent paid.
 - B. uncleared cheques.
 - C. unpresented cheques.
 - D. direct deposit by a customer.
18. The bank column of the cash book showed the balance of Rs 25,000. The following items were shown on the bank statement, but had not been recorded in the cash book.

Particulars	Amount (Rs)
Bank charges	500
Direct deposit by a customer	10,000
Utility bills directly paid	5,000

The adjusted bank balance of the cash book would be

- A. Rs 9,500
 - B. Rs 20,500
 - C. Rs 29,500
 - D. Rs 31,500
19. Which of the following equation is CORRECT?
- A. Cost of goods sold + opening inventory = purchases – closing inventory
 - B. Cost of goods sold + closing inventory = purchases – opening inventory
 - C. Cost of goods sold + purchases = closing inventory + opening inventory
 - D. Cost of goods sold + closing inventory = purchases + opening inventory

20. The account head that will not be shown in the income statement is

- A. drawing.
- B. purchases.
- C. sales revenues.
- D. salary expenses.

Using the given information, answer Q.21 and Q.22.

An inexperienced accountant wrongly entered purchase of Rs 20,000 on account in the books as Rs 2,000.

21. The CORRECT general journal entry to rectify the given error will be

	Particulars	P.R.	Debit	Credit
A	Purchase		18,000	
	Trade payable (account payable)			18,000
B	Trade payable (account payable)		18,000	
	Purchase			18,000
C	Purchase		20,000	
	Trade payable (account payable)			20,000
D	Trade payable (account payable)		20,000	
	Purchase			20,000

22. Which of the following statements is CORRECT with reference to the given error?

- A. The inventory records will be over-casted.
- B. The balance of trial balance will be impacted.
- C. The purchase ledger account will be over-casted.
- D. The balance of trial balance will not be impacted.

23. If there is a debit balance on a suspense account, then the error could be because of an

- A. omitted sales.
- B. omitted liability.
- C. overstated revenue.
- D. overstated purchases.

24. The following details have been extracted from the trial balance of Baba Traders.

- Accrued rent expense Rs 25,000
- Accrued insurance expense Rs 15,000
- Prepaid advertisement Rs 10,000

If the adjusting data shows an accrued rent amount of Rs 35,000, then the adjustment entry will be

	Particulars	P.R.	Debit	Credit
A	Rent expense		10,000	
	Accrued rent			10,000
B	Rent expense		35,000	
	Accrued rent			35,000
C	Prepaid rent expense		10,000	
	Accrued rent			10,000
D	Prepaid rent expense		35,000	
	Accrued rent			35,000

25. Riffat, the owner of a grocery store, withdrew grocery items of Rs 1,500 for her personal use.

The closing entry of the withdrawal made by Riffat will be

S. No.	Particulars	P.R.	Debit	Credit
A	Drawing		1,500	
	Merchandise			1,500
B	Merchandise		1,500	
	Drawing			1,500
C	Drawing		1,500	
	Capital			1,500
D	Capital		1,500	
	Drawing			1,500

26. Ahmed prepares income statement and statement of financial position (balance sheet) at the end of each year.

The balance shown in the liability section of the statement of financial position (balance sheet) prepared by Ahmed will be

- A. debit balance in the cash account.
 - B. credit balance in drawing account.
 - C. credit balance in the bank account.
 - D. debit balance in the supplier account.
27. The given extract of worksheet has been taken from the books of Moosa Sons as on March 31, 2018.

Particulars	Unadjusted Trial Balance		Adjusted Trial Balance	
	Debit	Credit	Debit	Credit
Salaries Expense	5,400		7,300	

The adjusting entry recorded by Moosa Sons for adjusting salaries expense will be

S. No.	Particulars	P.R.	Debit	Credit
A	Salaries expense		1,900	
	Salaries payable			1,900
B	Salaries payable		1,900	
	Salaries expense			1,900
C	Salaries expense		7,300	
	Salaries payable			7,300
D	Salaries payable		7,300	
	Salaries expense			7,300

28. Which of the following items will MOST likely require first in first out (FIFO) method of inventory system?
- A. Auto part business
 - B. Jewellery business
 - C. Real estate business
 - D. Confectionary business

29. The following table shows the record of inventory of a store, which follows the FIFO perpetual method of inventory valuation.

Date	Unit Sold	Unit Rate (Rs)	Unit Purchased	Unit Rate (Rs)
01.12.2017	---	---	105	15.5
05.12.2017	75	20.5	---	---
10.12.2017	---	---	125	16.5
15.12.2017	135	22.5	50	17.5
24.12.2017	125	24.5	---	---

If the opening inventory was 75 units at Rs 15 each, then the ending inventory units would be

- A. nil units.
 B. 20 units.
 C. 50 units.
 D. 55 units.
30. An inventory method in which bookkeepers do not have to keep track of price and quantity of each batch bought separately, is known as
- A. NRV method.
 B. FIFO inventory method.
 C. LIFO inventory method.
 D. AVCO weighted average method.

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