

AGA KHAN UNIVERSITY EXAMINATION BOARD

HIGHER SECONDARY SCHOOL CERTIFICATE

CLASS XI

ANNUAL EXAMINATIONS (THEORY) 2024

Principles of Accounting Paper I

Time: 1 hour 10 minutes Marks: 40

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 40 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		1	
		2	
		3	
		4	

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. Areej runs an educational institution. For running the institution smoothly, she requires accurate and updated information of basic transactions regarding the collection of tuition fees and day to day expenditures of the institution.

With reference to the given scenario, the MOST suitable form of accounting would be

- A. bookkeeping.
 - B. cost accounting.
 - C. financial accounting.
 - D. managerial accounting.
2. An outsider's claim on a business is known as
 - A. assets.
 - B. capital.
 - C. liability.
 - D. expenses.
 3. With reference to accounting, which of the following transaction depicts cash transaction?
 - A. Ayzel bought office furniture on account.
 - B. Arifa received a voucher for examination fees.
 - C. Azam paid insurance premium of his factory building.
 - D. Arman got a promotional pass for a theatre play from his office organisation.
 4. Read the following attributes:
 - Have minor financial value
 - Typically consumed within a financial year
 - Used in the day-to-day operations of a business

With reference to accounting heads, the given features indicate

- A. current assets.
 - B. current liability.
 - C. non-current assets.
 - D. non-current liability.
5. The following transactions that describe the accounting term 'advance' is
 - A. Ameena paying service charges before utilising the internet.
 - B. Aslam purchasing groceries on account from the store.
 - C. Afshan availing a free pickup ride by a cab service.
 - D. Atif buying cosmetics via credit card.

6. Which of the following transactions describes the accounting term ‘unearned service income’?
- Basit received advance commission charges from clients.
 - Bisma got a cheque from a trade receivable against the goods sold.
 - Binish sold cosmetics through credit card via e-commerce platform.
 - Bilal collected bill for a postpaid connection of an internet service provider.
7. The transaction that CORRECTLY depicts effects of the ‘dual aspects’ of accounting is

	Transaction	Assets	Liabilities
A	Paid trade payables (accounts payable) via cheque	increase	increase
B	Purchased goods on account	decrease	increase
C	Received commission in advance	increase	decrease
D	Paid accrued salary expenses on cash	decrease	decrease

8. Rabail, an entrepreneur in a firm, brought her personal vehicle worth Rs 500,000 as an additional investment in the business.

The impact of the given transaction in terms of debit and credit would be

	Debit	Credit
A	Cash	Motor vehicle
B	Rabail’s capital account	Motor vehicle
C	Motor vehicle	Rabail’s capital account
D	Motor vehicle	Cash

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9. Given is an extract of cashbook from the books of Al-Issar Traders.

Al-Issar Traders									
Cashbook									
Receipts					Payments				
Date	Particulars	Discount (Rs)	Cash (Rs)	Bank (Rs)	Date	Particulars	Discount (Rs)	Cash (Rs)	Bank (Rs)
1.Mar	Balance		2,900	65,400	3. Mar	Trade payable	500		9,500
5.	Trade receivable	300		11,700	9.	Cash			10,000
9.	Bank		10,000		11.	Wages		9,200	
13.	Trade receivable	700		27,300	15.	Trade payable	300		5,700
17.	Trade receivable	200	3,800		19.	Trade payable	1,100		42,900
					23.	Cash short		3,000	

The amount of discount that will be posted in 'purchase discount ledger' would be

- A. Rs 700
- B. Rs 1,200
- C. Rs 1,900
- D. Rs 3,100

10. Aamir Traders withdrew Rs 15,000 from the bank for business use only.

With reference to the cashbook, the given transaction is termed as

- A. compound entry.
- B. accrued entry.
- C. contra entry.
- D. single entry.

11. The following transactions are performed by an accountant.

- I. Paid Rs 25,000 for installing electrical wiring
- II. Paid Rs 10,000 as goods transportation charges
- III. Paid Rs 150 as rickshaw fare to the delivery boy
- IV. Paid Rs 900 as weekly charges for the daily newspaper
- V. Paid Rs 2,500 as yearly license fees for security weapon

The transactions recorded as petty cash in the books would be

- A. I and III.
- B. I and IV.
- C. II and V.
- D. III and IV.

12. Anna sold goods to Hira on account. Anna issued a trade document mentioning the quantity sold and rates offered to Hira.

The document issued is classified as

- A. receipt.
- B. invoice.
- C. voucher.
- D. account note.

13. Alina purchased goods from Asad.

Which of the following is CORRECT with reference to Asad's books of accounts?

	Books of Prime Entry	Debit	Credit
A	Purchases journal	Trade payable - Alina	Purchases
B	Sales journal	Trade receivable - Alina	Sales
C	Purchases journal	Purchases	Trade payable - Alina
D	Sales journal	Sales	Trade receivable - Alina

14. Accountants usually write a note on the general journal entry to facilitate the reader in understanding the transaction.

This is generally known as a/ an

- A. narration.
- B. particular.
- C. description.
- D. elaboration.

15. Ayan withdrew goods worth Rs 10,000 for his personal use from the business.

The transaction will be recorded in the books of the business as

Date	Particulars	P/R	Debit	Credit
A	Drawing		10,000	
	Cash			10,000
B	Drawing		10,000	
	Purchases			10,000
C	Purchases		10,000	
	Cash			10,000
D	Purchases		10,000	
	Drawing			10,000

16. The process which is applied for closing a ledger account would be
- computing and recording.
 - posting and journalising.
 - recording and narrating.
 - footing and balancing.
17. Ahmed operates a store in a small village and typically extends short-term credit to specific customers. Occasionally, these customers demand to settle their outstanding balances on the spot.

To maintain a ledger and record the current balance of any customer's account, at any given moment, the type of ledger used by Ahmed will be the

- T-form ledger.
 - skeleton ledger.
 - standard form ledger.
 - self-balancing ledger.
18. Amin has taken the services of a commercial bank to control multiple cash flow transaction on daily basis for his departmental store.

Based on the given situation, the bank account BEST suited to fit Amin's requirements would be

- current account.
- savings account.
- investment account.
- fixed deposit account.

19. In Pakistan, businesses usually use cross cheques having general crossing for their vendors due to the following reasons, EXCEPT for
- A. saving them from taxability.
 - B. containing the acceptability as a financial instrument.
 - C. attaining the banking evidence of transactions performed.
 - D. securing the payment transfers to the concerned parties.
20. The objective of preparing a banks reconciliation statement for a business is to
- A. curtail the unnecessary payments from the business.
 - B. track the records of business withdrawals for personal use.
 - C. counter check the receipts and payments with the bank account.
 - D. keep record of financial progress of the business along a specific period.
21. All of the following factors leads towards the disagreement of cashbook and bank statement balances EXCEPT for
- A. cheques issued and cashed for personal use.
 - B. cheques issued but not presented for payment in the bank.
 - C. cheques deposited in the bank for collection but dishonoured by the bank.
 - D. cheque deposited in the bank for collection but not collected by the bank.
22. On reconciliation of cashbook and bank statement, it was revealed that the business's cashbook does not reflect the direct deposits of customers. Due to this, the customers' ledger and net balance of trade receivables (account receivables) has become incorrect.
- The error reflected in the given scenario is classified as the
- A. error of principle.
 - B. error of omission.
 - C. error of commission.
 - D. error of original entry.

23. Sales to SK Traders for Rs 7,500 have been posted to SRK Sons in the books of AK Enterprises.

The correcting journal entry to rectify the given error would be

Date	Particulars	P.R	Debit	Credit
A	Trade receivable (SK Traders)		7,500	
	Trade receivable (SRK Sons)			7,500
B	Trade receivable (SRK Sons)		7,500	
	Trade receivable (SK Traders)			7,500
C	Trade receivable (SRK Sons)		7,500	
	Trade receivable Sales			7,500
D	Trade receivable (SK Traders)		7,500	
	Trade receivable Sales			7,500

24. Rent paid of Rs 8,100 was recorded in the rent expense account as Rs 1,800.

The given accounting error is classified as error of

- A. casting.
- B. transposition.
- C. partial omission.
- D. incomplete reversal.

Use the given information to answer Q.25 and Q.26.

A collection of commission income of Rs 20,000 from Alpha Brothers was erroneously entered in the ledgers of Alpha Associates.

25. In the provided context, the account head that has been partially corrected would be

- A. cash.
- B. account receivable.
- C. commission income.
- D. unearned commission income.

26. The correcting entry for the given error can be rectified through

Date	Particulars	P/R	Debit	Credit
A	Account Receivable (Alpha Brothers)		20,000	
	Cash			20,000
B	Account Receivable (Alpha Associates)		20,000	
	Cash			20,000
C	Account Receivable (Alpha Brothers)		20,000	
	Account Receivable (Alpha Associates)			20,000
D	Account Receivable (Alpha Associates)		20,000	
	Account Receivable (Alpha Brothers)			20,000

27. Anaya Associates borrowed an amount for a short period from Lucky Traders. The accountant of the company recorded this as current asset.

In the statement of financial position (balance sheet) of Anaya Associates, the given error will result in

- A. understatement of current asset.
- B. overstatement of capital balance.
- C. overstatement of current liability.
- D. understatement of current liability.

28. The following record has been extracted from the books of a business.

Trade receivables (account receivable)	Rs 50,000
Provision for doubtful debts (bad debts)	Rs 4,500 (Cr.)
Rate of provision for doubtful debts (bad debts)	15%

The amount by which the doubtful debts (bad debts) expense will be adjusted would be

- A. Rs 3,000
- B. Rs 4,500
- C. Rs 7,500
- D. Rs 12,000

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29. The following data has been extracted from the books of Al-Ameen Traders.

Prepaid advertisement	Rs 25,000
Commission income	Rs 30,000
Salaries expense	Rs 20,000

If the prepaid advertisement at the end of the year is Rs 10,000, then the adjusting entry for the advertisement expense for the year would be

Date	Particular	P.R.	Debit	Credit
A	Prepaid advertisement		10,000	
	Advertisement expense			10,000
B	Advertisement expense		10,000	
	Prepaid advertisement			10,000
C	Advertisement expense		15,000	
	Prepaid advertisement			15,000
D	Advertisement payable		15,000	
	Advertisement expense			15,000

30. The following record is extracted from the books of a business:

Plant machinery	Rs 760,000
Provision for depreciation	Rs 47,500
Annual rate of provision for depreciation	15%
(fixed instalment method)	

The adjusting entry to record the depreciation expense will be posted by

- A. Rs 106,875
- B. Rs 114,000
- C. Rs 121,125
- D. Rs 161,500

31. With reference to the statement of financial position (balance sheet), which of the following account head will NOT be reversed?

- A. Contra asset accounts
- B. Accrued income accounts
- C. Accrued expense accounts
- D. Unearned revenue accounts

32. Following records were extracted from the books of Fattani Brothers.

Account receivable	Rs 125,000
Allowance for bad debts	Rs 12,500 (Cr.)

At the end of the year, the business management made the decision to set the allowance for bad debts at a rate of 15%.

After the adjustment, the amount of provision for bad debts for the year would be

- A. Rs 5,250
- B. Rs 6,750
- C. Rs 12,000
- D. Rs 18,750

33. With reference to closing of accounts at the time of preparing the financial statements, which of the following account head will be closed?

- A. Unearned commission account
- B. Prepaid insurance account
- C. Accrued salary account
- D. Drawing account

Use the given information to answer Q.34 and Q.35.

Al-Rehmat Industries purchased a mixing plant for Rs 650,000. The following expenditures incurred on the purchase:

- carriage inwards Rs 10,000
- foundation charges Rs 15,000
- general lighting and fitting Rs 5,000
- loading and unloading charges Rs 10,000
- two-year fire insurance premium Rs 50,000
- installation of voltage stabilizer for power fluctuations Rs 7,500

34. Based on the given information, the total cost of mixing plant recorded in the statement of financial position (balance sheet) would be

- A. Rs 685,000
- B. Rs 690,000
- C. Rs 692,500
- D. Rs 697,500

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35. The total revenue expenditure at the time of purchase of the plant would be
- A. Rs 50,000
 - B. Rs 55,000
 - C. Rs 57,500
 - D. Rs 62,500
36. Al-Mehran Drycleaners acquired a washing plant for Rs 1,000,000 on July 01, 2019. The machine is expected to have a useful life of 10 years and depreciation will be calculated using the sum of the year method. The company's fiscal year concludes on June 30th annually.

The accumulated depreciation on the machine for the year ended on June 30, 2023 would be

- A. 181,818.18
 - B. 345,454.54
 - C. 490,909.08
 - D. 618,181.80
37. As a result of a fire incident, Saima and Sons have experienced a loss of all their historical financial records. According to the existing records, as of December 31, 2021, the accounts indicate a book value of Rs 400,000 for office furniture that was acquired on January 01, 2020.

If the business has a policy to depreciate office furniture at 10% by straight-line method, then the cost of office furniture on January 01, 2020, was

- A. Rs 350,000
- B. Rs 300,000
- C. Rs 450,000
- D. Rs 500,000

Use the given information to answer Q.38 and Q.39.

The administration of Shining Stars Montessori has decided to refurnish their classrooms. They are expecting to dispose of old fixture and furniture at a scrap value of Rs 100,000. This asset had been in use for four years and were originally purchased for Rs 800,000 when the institution was established. The expected life of the asset was 10 years.

The books of accounts, are closed on December 31st each year and the depreciation is calculated through the straight-line method (fixed instalment method).

38. Based on the given information, the amount of accumulated depreciation for the disposed fixture and furniture will be
- A. Rs 210,000
 - B. Rs 280,000
 - C. Rs 320,000
 - D. Rs 360,000

39. Based on the given information, if the furniture and fixture was dispose on scrap value then the loss on the disposal of the fixture and furniture will be
- A. Rs 800,000
 - B. Rs 700,000
 - C. Rs 520,000
 - D. Rs 420,000
40. Aziz & Sons sold a vehicle for Rs 200,000 at a gain of Rs 20,000. This vehicle had been bought four years earlier for Rs 400,000.

In the given scenario, the book value of the vehicle at the time of disposal was

- A. Rs 180,000
- B. Rs 200,000
- C. Rs 220,000
- D. Rs 420,000

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