Q. 1 Circle the correct option i.e. A / B / C / D. Each part carries one mark.

(i) All those goods which are lying unsold in a business are termed as__________
   A. Revenue   B. Expense   C. Stock   D. Sale

(ii) The discount allowed by wholesaler to the retailer at the list price of goods is called__________
   A. Trade discount   B. Discount allowed   C. Cash discount   D. Discount received

(iii) The business in which a merchant purchases goods and sells it in the same position is called__________
   A. Manufacturing concern   B. Trading concern   C. Service concern   D. Going concern

(iv) According to accounting equation, capital is equal to__________
   A. Assets + Liabilities   B. Assets + Expenses   C. Assets – Liabilities   D. None of these

(v) Rent paid to landlord for a portion of building will be debited to__________
   A. Landlord account   B. Building account   C. Rent account   D. Cash account

(vi) Goods, returned to Akbar, should be debited to__________
   A. Sales return account   B. Akbar Account   C. Purchases return account   D. Purchases account

(vii) Account of assets normally have__________
   A. Debit balance   B. Credit balance   C. Zero balance   D. Both B and C

(viii) Persons or institutions are recorded in__________
   A. Personal Account   B. Nominal Account   C. Real Account   D. Capital Account

(ix) In case of endorsement of bill the endorser debits__________
    A. Bills payable Account   B. Cash Account   C. Creditor Account   D. Bills receivable Account

(x) Which book is used to record all credit purchases?
(xi) The cash book is a book of
A. Single entry  B. Original entry  C. Double entry  D. Compound entry

(xii) The money can be deposited into bank by means of

(xiii) The price of goods sold or services rendered to the customers is called
A. Sale  B. Profit  C. Expense  D. Revenue

(xiv) The valuation of closing stock is at
A. Cost Price  B. Cost or Market price whichever is lower  C. Market Price  D. Cost or Market price whichever is higher

(xv) Net profit is transferred to
A. Drawing Account  B. Creditor’s account  C. Debtor’s account  D. Capital account

(xvi) A prepaid expense is
A. An asset  B. A liability  C. An expense  D. An income

(xvii) The loss on the sale of old machinery is debited to
A. Machinery Account  B. Depreciation Account  C. Profit and loss Account  D. Accumulated depreciation Account

(xviii) Sales are equal to
A. Cost of goods sold + Profit  B. Gross Profit – Cost of goods sold  C. Cost of goods sold – Gross Profit  D. Purchases – Gross Profit

(xix) From the business point of view, interest on drawings is a/an
A. Asset  B. Expense  C. Liability  D. Revenue

(xx) Any difference in Trial balance is transferred to
A. Real account  B. Nominal account  C. Personal account  D. Suspense account

For Examiner’s use only:

Total Marks: 20
Marks Obtained: 

1HA-1115
PRINCIPLES OF ACCOUNTING HSSC–I

Time allowed: 2:35 Hours

Total Marks Sections B and C: 80

NOTE:- Sections B and C comprise pages 1-2 and questions therein are to be answered on the separately provided answer book. Answer any ten parts from Section 'B', any one question from Section 'C (Part-I)' and three questions from Section 'C (Part-II)'. Use supplementary answer sheet i.e. Sheet-B if required. Write your answers neatly and legibly.

SECTION – B (Marks 30)

Q. 2 Attempt any TEN parts. The answer to each part should not exceed 3 to 4 lines. (10 x 3 = 30)

(i) Define Assets.
(ii) What are “Nominal Accounts”?
(iii) What are Days of Grace?
(iv) What is meant by “Debit note”?
(v) Write three types of Bank Account.
(vi) What is Bank Reconciliation Statement?
(vii) Define Balance Sheet?
(viii) What is meant by compensating error?
(ix) Give three examples of capital expenditure.
(x) What adjusting entry will be passed for Accrued Income?
(xi) What is meant by Revenue receipt?
(xii) What are the three basic elements of Accounting Equation?

SECTION – C (Marks 50)

(PART – I)

Q. 3 Required: From the following Trial Balance of ABC Brothers Prepare Trading, Profit and Loss Account and Balance Sheet as on 31st December 2008:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery</td>
<td>12,000</td>
<td>Accounts Payable</td>
<td>12,408</td>
</tr>
<tr>
<td>Debtors</td>
<td>10,590</td>
<td>Discount</td>
<td>827</td>
</tr>
<tr>
<td>Opening Stock</td>
<td>2520</td>
<td>Sales</td>
<td>11439</td>
</tr>
<tr>
<td>Bank</td>
<td>3151</td>
<td>Capital</td>
<td>18390</td>
</tr>
<tr>
<td>Purchases</td>
<td>9692</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drawings</td>
<td>250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carriage</td>
<td>600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>1300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages</td>
<td>1910</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>119</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postal Charges</td>
<td>132</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bad Debts</td>
<td>700</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>42,864</td>
<td></td>
<td>42,864</td>
</tr>
</tbody>
</table>

Adjustments:
(i) Closing Stock Rs 7928
(ii) Outstanding Wages Rs. 300
(iii) Prepaid Insurance Rs 50
(iv) Create Bad Debts Reserve at 10% on Debtors
(v) Depreciate Machinery by 5%

Q. 4 Required: Prepare three columns Cash Book from the following transactions for the month of July 2008:

1st July 2008  Received from Hasan a cheque for Rs. 2550/- on his account.
2nd July 2008  Received from Rameez Rs. 9900/- and discount allowed Rs. 100/-
3rd July 2008  Deposited into bank Rs. 5000/-
4th July 2008  Purchased goods for Rs. 25,000/- and paid by cheque
5th July 2008  Amir paid by cheque Rs. 6900/- for settlement of his account.
6th July 2008  Sold goods for cash Rs. 7000/-
7th July 2008  Paid to Saleem Rs. 9800/- by cheque and discount received Rs. 200/-
8th July 2008  Hasan’s cheque deposited into bank.
11th July 2008  Paid Telephone Bill Rs. 600/-
16th July 2008  Cheque of Amir deposited into bank.
20th July 2008  Purchased goods for cash Rs. 1000/-
24th July 2008  Withdraw from bank for office use Rs. 10,000/-
26th July 2008  Rent paid by cheque Rs. 3000/-
27th July 2008  Purchased stationery Rs. 150/-
Q. 5 Required: Prepare an Accounting Equation of Rab Nawaz for the month of July 2009. His monthly transactions are:

Balance at the beginning:

<table>
<thead>
<tr>
<th></th>
<th>Rs.</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>25,000/-</td>
<td>Capital</td>
</tr>
<tr>
<td>Debtors</td>
<td>17,000/-</td>
<td>Creditors</td>
</tr>
<tr>
<td>Stock</td>
<td>22,000/-</td>
<td></td>
</tr>
<tr>
<td>Machinery</td>
<td>70,000/-</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>134,000/-</strong></td>
<td></td>
</tr>
</tbody>
</table>

4 July 2009
- Purchased goods for Rs. 5000/- subject to a trade discount of 10%.
- Goods sold on credit Rs. 6,000/-, costing Rs. 4500/-.
- Purchased computer for office use Rs. 7000/-.
- Received Rs. 5900/- from debtor for full settlement of Rs. 6000/-.  
- Provide depreciation on machinery 10%.
- Returned goods to supplier Rs. 1000/- and received cash.
- Commission received in advance Rs. 1500/-.  
- Salary outstanding Rs. 7000/-.  

Q. 6 Required: Prepare the Bank Reconciliation Statement of Ghulam Ali for the month of December 2008 from the information given below:

(i) On 20th December cheques were issued in favour of creditors for Rs. 19,000/- but out of them two cheques for Rs. 14,000/- were encashed next month.

(ii) One customer had deposited directly into the bank Rs. 2500/- but it was not mentioned in the Cash Book.

(iii) The trader had withdrawn from the bank Rs. 7000/- but the same had not been entered in the Cash Book.

(iv) On 25th December a cheque for Rs. 6000/- was received and entered in the Cash Book but had been omitted to be sent to the bank.

(v) On 27th December Rs. 350/- were credited in the Pass Book as interest on investment, but not entered in Cash Book.

(vi) Bank charges Rs. 200/- were also shown in Pass Book which were entered in Cash Book in January 2009.

(vii) Balance as per Cash Book Dr. Rs. 40,000/-

Q. 7 Prepare Journal, ledger and Trial Balance of Shadab & Sons for the month of October 2009. His business transactions are as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Transaction Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st October</td>
<td>Business started with Cash Rs. 300,000/- and goods Rs. 50,000/-</td>
<td></td>
</tr>
<tr>
<td>3rd October</td>
<td>Sold Goods to Kashif at list price less trade discount @ 10% Rs. 20,000/-</td>
<td></td>
</tr>
<tr>
<td>7th October</td>
<td>Paid rent in advance Rs. 5,000/-</td>
<td></td>
</tr>
<tr>
<td>11th October</td>
<td>Received from Kashif Rs. 8,000/-</td>
<td></td>
</tr>
<tr>
<td>15th October</td>
<td>Purchased machinery from Aslam Sons for Rs. 25,000/- on credit.</td>
<td></td>
</tr>
<tr>
<td>19th October</td>
<td>Gave Rs. 10,000/- as loan to Atif</td>
<td></td>
</tr>
<tr>
<td>21st October</td>
<td>Charged Depreciation on machinery @ 10%.</td>
<td></td>
</tr>
<tr>
<td>26th October</td>
<td>Cash deposited into bank Rs. 50,000/-</td>
<td></td>
</tr>
</tbody>
</table>

Q. 8 On 1st July 2009 X received from Z three bills for Rs. 700, Rs. 600 and Rs. 500 for three months, two months and one month, respectively.

On 3rd July 2009, the first bill was endorsed in favour of a creditor M. The second bill was discounted at the bank on 15th July 2009 for Rs. 580.

The third bill was dishonoured and noting charges paid Rs. 12.

X charged Z Rs. 15 interest and drew on him fourth bill for Rs. 527 for three months in settlement.

The payment of this bill was received in cash.

Required: Show the entries in the Journal of X. Dates must be considered.