

Principles of Accounting

Lahore Board ICOM I 2017 Annual Group 1

Four Possible answers A, B, C and D to each question are given. The choice which you think is correct, fill that circle in front of that question with Marker or Pen ink in the answer book. Cutting or filling two or more circles will result in zero mark in that question.

Q 1:

1	Total columns of journal are:		
A)	Two	B)	Four
C)	Five	D)	Seven
2	Commission received in advance is:		
A)	Overdraft	B)	Prepaid expense
C)	Accrued income	D)	Unearned income
3	Expenses have generally balance:		
A)	Debit	B)	Credit
C)	No balance	D)	Dr. and Cr. balance both
4	The term "Accounting" and "Book Keeping" are:		
A)	Opposite	B)	Different
C)	Same	D)	None of these
5	Day book is another name of:		
A)	Ledger	B)	Cash Book
C)	Journal	D)	Balance Sheet
6	Discount is:		
A)	An Asset	B)	A Liability
C)	Capital	D)	An Expense
7	Accounting is language of:		
A)	Government	B)	Commerce
C)	Trade	D)	Business
8	Direct expenses are written in:		
A)	Balance sheet	B)	Profit and loss A/C
C)	Trading A/C	D)	Pass book
9	If there is any error in cash account, it will effect:		
A)	Trading A/C	B)	Profit and loss A/C
C)	Balance sheet	D)	Both trading A/C and profit and loss A/C
10	Expenditure which occurs again and again is:		
A)	Fixed expenditure	B)	Deferred expenditure

C)	Revenue expenditure	D)	Capital expenditure
11	Credit balance of bank statement is:		
A)	Overdraft	B)	Favorable
C)	Unfavorable	D)	Deficit
12	Process of entry in ledger is called:		
A)	Journalizing	B)	Book Keeping
C)	Posting	D)	Accounting
13	A bill of exchange is accepted by:		
A)	Creditor	B)	Holder
C)	Debtor	D)	Bank
14	Cash invested by owner is called:		
A)	Asset	B)	Loan
C)	Capital	D)	Liability
15	Bank reconciliation statement is prepared by:		
A)	Bank	B)	Accountant
C)	Auditor	D)	Customer
16	Interest on renewal of bill is income of:		
A)	Drawer	B)	Drawee
C)	Endorsee	D)	Bank
17	Individual record of business transaction is called:		
A)	Journal	B)	Ledger
C)	Pass Book	D)	Purchase Journal
18	Outstanding expenses are:		
A)	Expenses only	B)	Liability only
C)	Asset	D)	Expense and liability
19	Cash paid to creditors will decrease to:		
A)	Capital	B)	Debtors
C)	Cash	D)	Expenses
20	Grace days for payment of bill are:		
A)	Four	B)	Three
C)	Two	D)	Five

Essay Type Time: 2:30 hrs Marks: 80

PART — I

Q 2: Write short answers to any FIVE (5) questions: 10

i) Define book keeping.

- ii) Define accounting cycle.
- iii) Define cost accounting.
- iv) Define matching principle.
- v) Define ledger.
- vi) Define narration.
- vii) Define trial balance.
- viii) Write any three names of bank accounts.

Q 3: Write short answers to any FIVE (5) questions: 10

- i) Write two benefits of bill of exchange.
- ii) What is meant by days of grace in a bill of exchange?
- iii) Define credit note.
- iv) What are direct expenses?
- v) Define Final Accounts.
- vi) Define Marshalling.
- vii) Define Capital Loss.
- viii) Write four examples of capital expenditure.

PART — II

Note: Attempt any THREE of the following questions.

Q 4: a) Prepare accounting equation and enter the following transaction:

- I. Hammad started business with cash Rs. 200,000/-.
- II. Purchased furniture for cash Rs. 15000/-.
- III. Purchased goods on credit Rs. 50000/-.
- IV. Sold goods for cash Rs. 20000/- costing Rs. 15000/-.
- V. Sold goods on account Rs. 25000/- costing Rs. 21,500/-.

(b) From the following transaction pass journal entries.

- I. Purchased office supplies for cash Rs.500/-.
- II. Issued cheque to pay the advertising expenses Rs.1000/-.
- III. Withdrew cash Rs. 250/- for personal use.
- IV. Received commission Rs. 200/-
- V. Sold goods to Karim Rs. 4000/-

Q 5: From the following data, prepare a Bank Reconciliation Statement for Seven Brothers for January 2008.

- I. Cash Book Balance Rs. 15,200.
- II. Cheques issued Rs. 10,000. Out of these cheques of Rs. 5000 are still not presented.
- III. Cheques deposited into bank but uncollected yet for Rs. 2000.
- IV. Debit memo issued for bank charges Rs.322.

- V. Interest directly collected by bank Rs.100.
- VI. Interest on deposit credited by bank in account Rs.300.

Q 6: March 1, 2016 Yasir sold goods to Faisal on account for Rs. 15000/-. He drew six month bill on him which was accepted by Faisal on 1st April, 2016. Yasir endorsed bill to his creditor Fawad. On due date. Faisal honoured his acceptance.

Q 7: Prepare trading and profit & loss account and balance sheet for the year ended 31st December, 2016:

(Rs.)	Cr.	(Rs.)	Dr.
25,000	Sales	650	Drawing
600	Commission	6900	Furniture
20,000	Capital	2750	Wages
4175	Creditors	475	Trade Exp
1000	Loan	26250	Sundry Debtors
		250	Selling expenses
		2000	Opening Stock
		5000	Purchases
		6000	Closing Stock
		500	Office expenses
50775		50775	

Adjustments:

- I. Pre-paid wages Rs. 750
- II. Unearned commission Rs.100
- III. Depreciation on furniture 10%
- IV. Trade expenses unpaid Rs. 250

Q 8: Show by giving reasons of the following items are capital or revenue nature.

- i. Legal expenses paid for goods purchased.
- ii. Legal expenses incurred on an income tax appeal.
- iii. Cost of redecorating a cinema hall.
- iv. Painting expenses of a newly constructed business building.
- v. Annual depreciation of factory machinery.
- vi. Wages paid for the repair of furniture.
- vii. Amount realized from the sale of old machinery.
- viii. Cost of renewal and installation of machinery.
- ix. Goods destroyed by fire.
- x. Cost of goodwill.

Q 9: Rectify the following errors:

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- i. Purchase of supplies Rs. 1000/- was wrongly debited to trade expenses.
- ii. Credit purchase of Rs.7000/- from Iqbal was wrongly credited to Bilal account.
- iii. Wages of Rs. 2500/- paid for installation of plant wrongly debited to wages account.
- iv. Freight on goods purchased Rs. 5000/- has not yet been recorded.
- v. Rs. 3500/- received from Kamran was wrongly credited to Kareem account.
- vi. Goods of Rs. 2000/- were taken by the proprietor for personal use was wrongly credited to cash.

The End

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