

# Principles of Accounting

## Lahore Board ICOM I 2019 Annual

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	Discount allowed is a/an:		
A)	Income	B)	Liability
C)	Asset	D)	Expense
2	Capital + Liabilities – Assets equals to:		
A)	Two	B)	Three
C)	One	D)	Zero
3	Noting charges are paid when bill is:		
A)	Dishonoured	B)	Discounted
C)	None of these	D)	Retired
4	The balance sheet is prepared to know:		
A)	Net Profit	B)	Financial Position
C)	Total Assets	D)	Net Loss
5	Interest on drawing in a business is a/an:		
A)	Liability	B)	Assets
C)	Expense	D)	Income
6	The normal balance of assets is:		
A)	All of these	B)	Positive
C)	Credit	D)	Debit
7	The language of business is:		
A)	Auditing	B)	Economics
C)	English	D)	Accounting
8	Total columns of journal are:		
A)	Seven	B)	Five
C)	Four	D)	Two
9	Outstanding expenses are:		
A)	Expense only	B)	Expenses and liability
C)	Assets only	D)	Liability only
10	Modern system of book-keeping is:		
A)	Single entry system	B)	Double entry system

C)	None of these	D)	Cash basis system
11	Expenses have generally balance:		
A)	None of these	B)	Cash
C)	Credit	D)	Debit
12	Balance sheet is a statement of:		
A)	Liabilities	B)	Assets
C)	None of these	D)	Assets + Liabilities
13	Carriage pain on machinery purchased is:		
A)	Revenue expenditure	B)	Capital expenditure
C)	Revenue Loss	D)	Capital Loss
14	Discount received is a/an:		
A)	Expense	B)	Liability
C)	Income	D)	Asset
15	Grace days for payment of bill are:		
A)	Six	B)	Five
C)	Four	D)	Three
16	Compound entry comprises at-least:		
A)	Three accounts	B)	Two accounts
C)	One accounts	D)	Four accounts
17	Goods purchased is a/an:		
A)	Capital expenditure	B)	Revenue expenditure
C)	Capital Loss	D)	Both A & B
18	Over-cast of purchase book will:		
A)	Decrease net profit	B)	Increase net profit
C)	All of these	D)	No effect on profit
19	Net loss is transferred in balance sheet to:		
A)	Losses	B)	Liability
C)	Assets	D)	Capital
20	Error of omission affects:		
A)	Two accounts	B)	One accounts
C)	Three accounts	D)	None of these

Essay Type Time: 2:30 hrs Marks: 80

### PART — I

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

- (i) What is meant posting?
- (ii) Define transaction.
- (iii) Define narration.
- (iv) What is book keeping?
- (v) Define sale return book.
- (vi) What is credit balance?
- (vii) Define cash book.
- (viii) What is discount?.

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

- (i) Define book account,
- (ii) Define voucher.
- (iii) What is meant by unpaid cheques?
- (iv) Define Marshelling.
- (v) Define days of grace.
- (vi) Define revenue expenditure.
- (vii) What is meant by errors of omission?
- (viii) Define depreddation.

## **PART — II**

**Note: Attempt any THREE of the following questions.**

**Q 4:** Following are the transactions of Wasif & Co. Prepare accounting equation for the month of November 2016:

- (i) Started business with cash Rs. 200,000
- (ii) Bought furniture Rs. 4000
- (iii) Bought machinery Rs. 30,000 paying cash Rs. 10,000 and balance is to be paid later on.
- (iv) Purchased merchandise Rs. 15,000
- (v) Sold merchandise Rs. 8000 costing Rs. 6000 to Najam.
- (vi) Paid electricity bill Rs. 4000
- (vii) Goods Rs. 2000 used personally by Wasif.
- (viii) Paid to creditors Rs. 8000
- (ix) Received from Najam Rs. 8000
- (x) Received bank interest Rs. 2000

**Q 5: Journalize the following transactions:**

- (i) Started business with cash Rs 50000.
- (ii) Purchased goods on account for Rs. 12000.

- (iii) Sold goods on account Rs. 9000.
- (iv) Returned defective goods of Rs. 2000 to the creditors.
- (v) Customer returned goods Rs. 3000.
- (vi) Received cash Rs. 5000 from credit customer.
- (vii) Paid cash Rs. 3000 to creditor.
- (viii) Paid salary to worker Rs. 4000.
- (ix) Paid personal expenses of owner Rs. 8000
- (x) Received commission Rs. 5000

**Q 6: Prepare a bank reconciliation statement of Mr. Mujtaba.**

- (i) Bank balance as per pass book Rs. 9000.
- (ii) Un-presented cheques Rs. 8000.
- (iii) Uncollected cheques Rs. 11000.
- (iv) Bank charges debited by bank only Rs. 1200.
- (v) Dividend credited by bank only Rs. 2000.
- (vi) Interest credited by bank only Rs. 3000.
- (vii) Insurance premium debited by bank only Rs. 500

**Q 7:** Ahmad drew a three months bill on Ibrahim for Rs. 6000 on January 1<sup>st</sup> 2017. Ibrahim accepted the bill and returned it to Ahmad. On the due date Ibrahim expressed his inability to meet the bill and offered to pay Ahmad Rs. 2000 in cash and accepted a fresh bill to cover the balance plus interest at 5% p.a. Pass journal entries in books of Ahmad and Ibrahim.

**Q 8: Classify the following into capital or revenue:**

- (i) Brokerage and stamp duty on purchase of investment.
- (ii) Wages paid on the erection of a machinery.
- (iii) Amount spent on the uniform of the staff.
- (iv) Cost of repair of motor car to to bring it in working condition.
- (v) Repair cost of furniture.
- (vi) Cost of Goodwill purchased.
- (vii) Carriage paid on purchase of goods.
- (viii) Profit earned on sale of goods.
- (ix) Expenditure on advertising campaign.
- (x) Cost of re-decorating of cinema hall.

**Q 9:** From the following trial balance of Mr. Ali & Sons , prepare Trading and profit or loss account and a balance sheet for the period ended 31<sup>st</sup> December, 2015:

Debit Balances	Rs.	Credit Balances	Rs.
Stock	4500	Capital	134,000

Purchases	175,000	Sales	235,800
Wages	7200	Purchase Return	9500
Octri	500	Creditors	11,000
Salaries	12,000		
Cash	9000		
Debtors	18,500		
Rent	15,600		
Advertisement	12,000		
Sales Return	6000		
Building	100,000		
Furniture	30,000		
<b>Total</b>	<b>390,300</b>	<b>Total</b>	<b>390,300</b>

### Adjustments

- (i) Closing stock is valued Rs. 12500
- (ii) Depreciation of building @ 15% and furniture @ 10% p.a
- (iii) Outstanding salaries are Rs. 5000
- (iv) Prepaid rent Rs. 2000

The End

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