

Principles of Accounting

Lahore Board ICOM I 2021 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	Unearned income is shown as:	
A)	Asset	B) Liability
C)	Loss	D) Profit
2	Bank reconciliation statement is a part of:	
A)	Journal	B) Ledger
C)	Cash book	D) Pass book
3	Carriage in as a:	
A)	Direct expense	B) Indirect expense
C)	Management expense	D) Selling expense
4	A bill of exchange is drawn by:	
A)	Creditor	B) Holder
C)	Debtor	D) Purchaser
5	Final Accounts include:	
A)	Trading Account	B) Profit and loss account
C)	Balance Sheet	D) All of these
6	Favourable balance of pass book is:	
A)	Credit balance	B) Debit balance
C)	Overdraft balance	D) Zero balance
7	Drawer of bill is a person, who:	
A)	Accepts the bill	B) Draws the bill
C)	Pays the bill	D) Dishonours the bill
8	Direct expenses are those which are directly related with:	
A)	Office	B) Sales
C)	Purchase	D) Management
9	Bill of exchange contains:	
A)	A promise	B) Unconditional order
C)	Conditional order	D) A request
10	Carriage paid on good purchase is:	
A)	Capital expenditure	B) Revenue Expenditure

C)	Revenue payment	D)	Capital Payment
11	The owner of business is called:		
A)	Agent	B)	Employee
C)	Proprietor	D)	Manager
12	The properties owned by a business enterprise are called:		
A)	Capital	B)	Assets
C)	Liabilities	D)	Owner's equity
13	Ledger is prepared after:		
A)	Journal	B)	Trial balance
C)	Balance sheet	D)	Cash book
14	In double entry, book keeping system involves at least:		
A)	One account	B)	Two accounts
C)	Three accounts	D)	Four accounts
15	Journal means:		
A)	Daily	B)	Weekly
C)	Monthly	D)	Yearly
16	Journal is also called:		
A)	Statement	B)	Report
C)	Day book	D)	Account
17	Assets normally show:		
A)	Debit balance	B)	Credit balance
C)	Nil balance	D)	Credit balance
18	Any dealing between two persons or things is a:		
A)	Account	B)	Transaction
C)	Business	D)	Loan
19	No separate entry is made for:		
A)	Cash purchase	B)	Credit purchase
C)	Cash discount	D)	Trade discount
20	Cash brought in by the owner to start business is called:		
A)	Investment	B)	Capital
C)	Expense	D)	Loan

Essay Type Time: 2:30 hrs Marks: 80

PART — I

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

- (i) Define Credit sales.
- (ii) Define purchase return.
- (iii) Define discount.
- (iv) Define drawing.
- (v) Define real accounts.
- (vi) Define narration.
- (vii) Define ledger.
- (viii) Define trial balance.

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

- (i) What is trade bill of exchange?
- (ii) Define “Days of grace” in bill of exchange.
- (iii) What is bank reconciliation statement?
- (iv) What are revenue expenditure?
- (v) What is capital payment?
- (vi) What is trading account?
- (vii) Define gross profit.
- (viii) What is interest on capital?

PART — II

Note: Attempt any THREE of the following questions.

Q 4: Mr. Amjad started business with cash for Rs. 50,000. He made following transactions during the month:

- (i) Bought goods on credit Rs. 3,000
- (ii) Bought furniture for cash Rs. 6,000
- (iii) Bought goods for cash Rs. 20,000
- (iv) Paid cartage on purchase Rs. 200
- (v) Sold goods for cash Rs. 13,000 costing Rs. 10,000.
- (vi) Paid cash Rs. 3,000 against accounts payable.
- (vii) Withdrew cash Rs. 500 for personal use.

Required: Show the effect of each transaction on accounting equation.

Q 5: Prepare general journal of Mr. Irtaza with the help of the following information:

- (i) Capital introduced Rs. 3,00,000
- (ii) Building purchased Rs. 150,000

- (iii) Goods purchased Rs. 8000
- (iv) Goods purchased subject to trade discount @10% Rs. 9000.
- (v) Goods sold Rs. 70,000 to Mr. Murtaza
- (vi) Goods sold Rs. 20,000.
- (vii) Commission received Rs. 6,000
- (viii) Depreciation charged on building @ 20%
- (ix) Rent paid Rs. 36,000
- (x) Cash received from Mr. Murtaza

Q 6: Prepare a bank reconciliation statement:

- (i) Balance as per cash book Rs. 15,000
- (ii) Profit on account credited by the bank Rs. 750
- (iii) Bank paid Rs. 2,500 as rent on the behalf of account holder.
- (iv) Bank collected dividend on shares Rs. 1,500
- (v) Uncredited cheques Rs. 2,000
- (vi) Unpresented cheques Rs. 1,500

Q 7: Azhar sold goods to Tahir for Rs. 6,000 on credit. Azhar drew a three months bill for the amount on Tahir which was accepted and returned by Tahir. On the due date, Tahir meets his acceptance.

Required: Pass Journal entries in the books of Azhar and Tahir

Q 8: State with reasons whether the following items are capital or revenue.

- (i) Paid rent of office building
- (ii) Loss on sale of goods
- (iii) Cost of goodwill
- (iv) Loss on sale of furniture
- (v) Extension of factory building
- (vi) Payment of advertising bill
- (vii) Cost of redecoration of hall
- (viii) Interest paid on loan
- (ix) Payment of salary to staff
- (x) Payment of legal charges

Q 9: From the following trial balance of Shahid Traders for its first year of business ended on 31-12-2018. Prepare Trading and profit or loss account and a balance sheet.

Debit Balances	Rs.	Credit Balances	Rs.
Insurance	3400	Shahid's Capital	88,400

Debtors	14,000	Sales	200,000
Cash	28,000	Creditors	13,000
Machinery	27,000	Understated	100,000
Building	70,000	(Not Given in Q)	
Purchases	1,15,000		
Wages	4000		
Rent	16,000		
Salaries	20,000		
Carriage outward	10,000		
Drawings	4000		
Total	3,11,400	Total	3,11,400

Adjustments

- (i) Rent payable Rs. 4000
- (ii) Prepaid Insurance Rs. 1400
- (iii) Closing stocks Rs. 20,000
- (iv) Depreciation machinery @ 10%.

The End

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