

Principles of Accounting

Federal Board ICOM I 2017 Supplementary

Note: Section — A is compulsory. All parts of this section are to be answered on the separately provided OMR Answer Sheet which should be completed in the first 25 minutes and handed over to the Centre Superintendent. Deleting/overwriting is not allowed. Do not use lead pencil.

Q 1: Choose the correct answer A / B / C / D by filling the relevant bubble for each question on the OMR Answer Sheet according to the instructions given there. Each part carries one mark.

| | | |
|----|---|--|
| 1 | The Prime function of accounting is to: | |
| A) | Record economic data | B) Interpreting the data |
| C) | Provide the information basis for action | D) Classifying and Recording business transactions |
| 2 | Double entry system of book keeping involves: | |
| A) | One account | B) Two accounts |
| C) | Three accounts | D) Four accounts |
| 3 | All events which are related to business are measured in: | |
| A) | Quantity | B) Quality |
| C) | Kilogram | D) Money |
| 4 | The concept of conservatism takes into account: | |
| A) | All future profits and all future losses | B) All future profits but leaves all future losses |
| C) | All future losses but leaves all future profits | D) All future assets and liabilities |
| 5 | The right possessed by the owner against the assets, of the business is/are called: | |
| A) | Assets | B) Liabilities |
| C) | Owner's equity | D) Expenses |
| 6 | Sold goods costing Rs. 1500 for Rs. 1750 will increase the owner's equity by: | |
| A) | Rs. 250 | B) Rs. 1300 |
| C) | Rs. 1500 | D) Rs. 2000 |
| 7 | Debit increases the account of: | |
| A) | Assets and liabilities | B) Assets and Expenses |
| C) | Assets and Revenue | D) Assets and capital |
| 8 | Motor cycle purchased by the proprietor for his own use should be debited to: | |
| A) | Motor cycle account | B) Purchases account |
| C) | Proprietor's personal account | D) Drawings account |
| 9 | Dividend received Rs. 1000 from Tahir will be posted to credit side of: | |

| | | | |
|----|--|----|-----------------------------|
| A) | Tahir's account | B) | Cash account |
| C) | Dividend account | D) | Capital account |
| 10 | Noting charges are paid in the event of: | | |
| A) | Acceptance of a bill | B) | Dishonour of a bill |
| C) | Endorsement of a bill | D) | Renewal of a bill |
| 11 | Pass book is prepared by the: | | |
| A) | Customer | B) | Bank |
| C) | Drawer | D) | Guarantor |
| 12 | What is used to record Cash, Bank and Discount on debit and credit? | | |
| A) | Double column cash book | B) | Treble column cash book |
| C) | Single column cash book | D) | Petty cash book |
| 13 | Assets which have physical existence, are called: | | |
| A) | Current assets | B) | Wasting assets |
| C) | Tangible fixed assets | D) | Intangible fixed assets |
| 14 | Purchases journal records only: | | |
| A) | Cash sales | B) | Cash purchases |
| C) | Cash and credit purchases | D) | Credit purchases |
| 15 | Cash account is a: | | |
| A) | Personal account | B) | Real account |
| C) | Nominal account | D) | Personal and real account |
| 16 | Capitalized expenditures are shown in: | | |
| A) | Income statement | B) | Trading account |
| C) | Profit and loss account | D) | Balance sheet |
| 17 | The body of work sheet contains: | | |
| A) | Two pairs of money column | B) | Three pairs of money column |
| C) | Four pairs of money column | D) | Five pairs of money column |
| 18 | Interest on drawings is: | | |
| A) | An asset | B) | An expense |
| C) | A revenue | D) | A liability |
| 19 | The excess of credit column over debit column in income statement is called: | | |
| A) | Net loss | B) | Net profit |
| C) | Gross profit | D) | Gross loss |
| 20 | Errors in casting of subsidiary books are called as: | | |
| A) | Error of principle | B) | Error of commission |
| C) | Error of omission | D) | Error of book keeper |

Time allowed: 2:35 Hours

Total Marks Sections B and C: 80

NOTE: Sections 'B' and 'C' comprise pages 1-2. Answer any ten parts from Section 'B', any one question from Section 'C (Part-I)' and three questions from Section 'C (Part-II)' on the separately provided answer book. 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.

- (i) What is theory of double entry book-keeping?
- (ii) What is an accounting cycle? Give the different **phases** of accounting cycle.
- (iii) Define Accounting Period Concept.
- (iv) What is meant by accounting equation? State the two basic elements of accounting equation.
- (v) Describe the convention of consistency.
- (vi) Why bank reconciliation statement is prepared?
- (vii) What is meant by term ledger?
- (viii) Give any three examples of error of commission.
- (ix) Describe quick liabilities.
- (x) What is meant by tenor and maturity?
- (xi) Write down the names of six subsidiary books.
- (xii) What is meant by allowance for doubtful debts?

Section — C Part I Marks 50

Note: Attempt any one question.

Q 3: Enter the following transactions in a three column cash book of M/S Nawaz Traders for the month of June 2016.

- | | |
|---------|--|
| June 1 | Cash in hand Rs. 35,000 bank balance Rs. 30,000. |
| June 2 | Purchased furniture of Karim Rs. 20,000 and Paid in cash Rs. 5,000 and Rs. 15,000 by cheque. |
| June 4 | Goods purchased from Hamid for Rs. 1600 issued cheque for payment |
| June 5 | Received a cheque from Rashid Rs. 10,000 less 5% cash discount |
| June 6 | Sold goods on account to Salman Rs. 2000 |
| June 8 | Received a cheque form Salman Rs. 1900 in full settlement of his account Rs. 2000 |
| June 9 | Dividend collected by the bank Rs. 1000 |
| June 10 | Salaman's cheque deposited into bank Rs. 1900 |
| June 12 | Paid to Fraz by cheque Rs. 5000 |
| June 14 | Withdrew from bank for business use Rs. 1000 |
| June 15 | Our cheque to Mr. Fraz was dishonoured |

| | |
|---------|---|
| June 18 | Received from Shoaib cash Rs. 5000 and a cheque Rs. 3000 and deposited the cheque into the bank |
| June 20 | Bank debited bank charges Rs. 200 |
| June 22 | Received commission Rs. 500 |
| June 25 | Purchased goods from Shan Rs. 1500 and Paid cash Rs. 500 |
| June 28 | Cheque issued to Shan of Rs. 900 in full settlement of Rs. 1000 |
| June 30 | Salaries paid Rs. 2000 and Rent paid by cheque Rs. 1500 |

Q 4: The following balances were extracted from the books of a trader on 31st December 2016:

| Particulars | (Rs.) | Particulars | (Rs.) |
|---------------------|----------------|-------------------------|----------------|
| Purchases | 449,000 | Sales | 748,000 |
| Opening stock | 92,000 | Bills payable | 1700 |
| Coal and gas | 2000 | Provision for bad debts | 2400 |
| Plant and machinery | 100,000 | Capital | 148,400 |
| Furniture | 48,000 | Interest | 500 |
| Selling expenses | 20,000 | Sundry creditors | 30,000 |
| Insurance | 3000 | | |
| Salaries | 30,000 | | |
| Return inwards | 500 | | |
| Factory rent | 1800 | | |
| Office rent | 7000 | | |
| Sundry Debtors | 117,000 | | |
| Bad debts | 3000 | | |
| Drawings | 3000 | | |
| Cash in hand | 54000 | | |
| Discount | 700 | | |
| Total | 931,000 | Total | 931,000 |

Prepare the trading Profit and Loss account for the year ended 31st December 2016 and balance sheet as on that after taking the following information into consideration:

- 1) Stock on 31st December 2016 Rs. 70,000.
- 2) Create Provision on debtors at 5%
- 3) Depreciate plant and machinery at 5% and furniture at 10% p.a.

Part II Marks (10 x 3 = 30)

Note: Attempt any THREE questions.

Q 5: On 1st July 2016 Fraz commence business with cash Rs. 80,000 and machinery Rs. 20,000.

July 5 Bought office furniture for cash Rs. 5000

July 10 Purchased goods from Saleem on cash Rs. 2000 less 10% trade discount

July 15 Sold goods to Rashid and sons Rs. 1000

July 20 Gave away a charity cash Rs. 50 and goods worth Rs. 100

July 31 Drew cash for private expenses Rs. 500

Required: Record above these transactions in the journal post them into ledger and extract a trial balance.

Q 6: Shan sold goods to Asim of Rs. 5,000 on April 1st 2016. On the same date Shan drew a bill on Asim for the same amount at two months, who accept it and return. On 5th April the bill sent to the bank for collection. On the due date the bill was honoured and the bank deducted Rs. 50 as bank charges.

Required: Give journal entries in the books of Shan, Asim and the bank.

Q 7: From the following particulars ascertain the bank balance as would appear in the bank statement of Mr. A Karim as at 31st December.

- i. The overdraft as per cash book on 31st December was Rs. 6000
- ii. Interest on overdraft for six months ending 31st December Rs. 300.
- iii. Bank Charges for the above period debited in the bank statement to Rs. 50.
- iv. Cheques issued but not cashed prior to 31st December Rs. 1500
- v. Cheques paid into bank but not cleared and credited before 31st December were Rs. 2500.
- vi. Interest on investment collected by bank and credited in the bank statement amounted Rs. 1800.

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

- a) Repair of Furniture purchased second hand
- b) Preliminary expenses incurred on the flotation of a company.
- c) Replacement cost of a worn out part of plant.
- d) Compensation paid to workers in termination of their services.
- e) A machinery standing in the books at Rs. 3,00,000 were sold for Rs. 2,40,000.

The End

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