

Principles of Accounting

Federal Board ICOM I 2021 Annual

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 amount of cash or goods invested by the proprietor in a business is called:		
A)	Revenue	B)	Asset
C)	Capital	D)	Expenses
2	Bank loan increases the liabilities as well as:		
A)	Capital	B)	Asset
C)	Revenue	D)	Expenses
3	The concept of offsetting expenses against revenue is called:		
A)	Matching concept	B)	Realisation concept
C)	Cost concept	D)	Going concern concept
4	Accounts which are related with expenses, losses and gains are known as:		
A)	Personal accounts	B)	Real or property accounts
C)	Impersonal accounts	D)	Nominal accounts
5	The process of recording transactions in ledger is called:		
A)	Recording	B)	Posting
C)	Journalizing	D)	Transferring
6	A gradual decrease in the value of fixed asset is called:		
A)	Reduction	B)	Depreciation
C)	Revaluation	D)	Appreciation
7	Drawings are deducted from:		
A)	Sales	B)	Expenses
C)	Income	D)	Capital
8	Closing stock is recorded in:		
A)	Trading account and balance sheet	B)	Profit and loss account only
C)	Balance sheet only	D)	Trading account only
9	Bank reconciliation statement is prepared by:		
A)	Banker	B)	Customers accountant
C)	Auditors	D)	Contractors
10	The favourable balance of cash book bank column is:		

A)	Credit balance	B)	Debit balance
C)	Both Debit and Credit balance	D)	Nil balance
11	The book in which all cash transactions are primarily recorded is called:		
A)	Pass Book	B)	Cheque Book
C)	Sales Book	D)	Cash Book
12	Wages paid for the erection of a machine debited to wages account is an example of:		
A)	Error of omission	B)	Error of commission
C)	Error of principle	D)	Compensating error
13	If the amount is paid by the debtor before the due date, a deduction or allowance given by a creditor to a debtor is called:		
A)	Cash discount	B)	Trade discount
C)	Sales returns and allowances	D)	Purchase returns and allowances
14	If any expense omitted to be recorded it will:		
A)	Have no effect on profit	B)	Overstate the profit
C)	Understate the profit	D)	Overstate the expense
15	The excess of credit column over debit column in profit and loss account is called:		
A)	Net loss	B)	Net profit
C)	Gross loss	D)	Gross profit
16	It is a statement of assets, liabilities and owner's equity on a particular date:		
A)	Financial statement	B)	Balance sheet
C)	Bank reconciliation statement	D)	Income statement
17	All those expenses which have become due but not paid:		
A)	Accrued revenue	B)	Prepaid revenue
C)	Prepaid expenses	D)	Outstanding expenses
18	The account holder deposited money into the bank with the help of:		
A)	Pay-in-slip book	B)	Cheque book
C)	Pass book	D)	Cash book
19	An expenditure which is related to sale of goods is shown in:		
A)	Trading account	B)	Sales account
C)	Profit or loss account	D)	Balance sheet
20	All those goods which are lying unsold in a business are termed as:		
A)	Revenue	B)	Expenses
C)	Stock	D)	Sale

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 meant by 'Bad Debt recovered'?
- ii) State the convention of materiality.
- iii) Define adjustment.
- iv) Pass adjusting entry for prepaid expenses.
- v) Define Accounting and name the three main branches of accounting.
- vi) What is compound entry?
- vii) Distinguish between, "selling expenses" and "administrative expenses"
- viii) What is meant by "Trial balance"?
- ix) Explain Treble column cash book.
- x) Write down three types of bank accounts.
- xi) Explain 'Endorsement-of-the cheque'.
- xii) What is meant by suspense account?
- xiii) State the rules of debit and credit for assets, expenses, revenues, liabilities and capital.

Section — C Part I Marks 50

Note: Attempt any one question.

Q 3: From the following particulars write up a Treble or three column cash book of Mr Talha:

- 01 May 2020 Mr. Talha started business with cash Rs. 96,000
- 02 May 2020 Deposited with bank Rs. 26,000.
- 04 May 2020 Purchase goods from Ramzan for Rs. 1,600 issued cheque for payment
- 05 May 2020 Purchased iron safe for Rs. 1,200, paying cash Rs. 600, issued cheque for the balance.
- 06 May 2020 Purchased goods on credit from Ali for Rs. 2,200.
- 07 May 2020 Sold goods on account to Salman for Rs. 2,200
- 08 May 2020 Transportation paid Rs. 1000
- 10 May 2020 Defective goods returned by Salman Rs. 100
- 11 May 2020 Received a cheque from Salman for Rs. 2,100
- 12 May 2020 Paid Salman's cheque into bank.
- 28 May 2020 Goods sold to Kashif for cash Rs. 3,300
- 28 May 2020 Stationery purchased for cash Rs. 1,500
- 29 May 2020 Cheque issued to Ali for Rs. 2,150 and Discount received Rs. 50
- 30 May 2020 Rent received Rs 2,500.

30 May 2010 Salaries paid Rs. 3,300 by cheque

Q 4: From the following trial balance of Tahir and Sons, prepare a trading and profit and loss account and balance sheet for the year ended on 31st December 2020.

Particulars	Debit Rs.	Credit Rs.
Cash in hand	15,000	
Debtors	42,500	
Furniture & Fixtures	90,000	
Opening Stock	60,000	
Goodwill	60,000	
Accumulated depreciation on furniture & fixture		9,000
Bank overdraft		27,500
Capital		95,000
Mortgage loan		60,000
Sales less returns		232,500
Commission earned		15,000
Purchases less returns	145,000	
Rent Expense	24,000	
Misc. expense	2,500	
	439,000	439,000

Adjustments:

- (i) Closing stock on December 31, 2020 was Rs. 105,000
- (ii) Depreciation on furniture @ 10% p.a
- (iii) Rent unexpired Rs. 6,000
- (iv) Commission earned but not received Rs. 3,000.

Part II Marks (10 x 3 = 30)

Note: Attempt any **THREE** questions.

Q 5: Show the effect of following transactions on the accounting equation.

Mr. Kaman commenced business with cash Rs. 200,000.

He purchased furniture for Rs. 10,000.

He purchased goods worth Rs. 50,000 for cash and goods worth Rs. 30,000 on credit.

He sold goods to Saleem for Rs. 20,000 costing Rs. 17,000 on credit basis.

He withdrew cash Rs. 3,000 for his personal use.

He paid rent of building Rs. 2,000.

Q 6:

- 01 January 2020 Mr. Ajmal started business with cash Rs. 1,00,000.
02 January 2020 Opened bank account with Rs. 50,000.
05 January 2020 Purchased goods from Karachi stores worth Rs 20,000 on credit basis.
08 January 2020 Sold goods to Rafiq and sons for Rs 11,000.
19 January 2020 Payment made to Karachi stores Rs. 15,000 by cheque.
22 January 2020 Goods lost by fire Rs. 2,000.
24 January 2020 Goods taken away by the proprietor for his personal use Rs 1,500.
31 January 2020 Paid salaries Rs. 3,000 and rent Rs. 2,000 by cheques.

Required:(i) Journalize the transaction. (ii) Post them in the ledger. (iii) Prepare a trial balance.

Q 7: In-taking out a trial balance the accountant finds that the total of the credit side exceeds that of debit side by Rs. 3290. He places the difference to a suspense account and subsequently detects the following mistakes:

- (i) Stationery purchased for Rs. 890 but debited to stationery Account as Rs. 980.
- (ii) A sum of Rs. 650 received from Aslam was credited twice in his account.
- (iii) Wages Rs. 250 paid for installing a machine were debited to wages account as Rs. 520.
- (iv) A sale of Rs. 1000 to Farid was credited to his account twice.
- (v) Old furniture sold for Rs. 6,000 was wrongly recorded as 600.

Required: Pass the rectifying journal entries and close the suspense account.

Q 8: Prepare a 'Bank Reconciliation statement' from the following particulars.

- (i) Overdraft balance as per the pass book (Dr.) on 31.12.2020 Rs. 5000.
- (ii) Interest on overdraft charged by the bank for half year Rs. 275 debited in the pass book only.
- (iii) Two cheques for Rs. 7500 and Rs. 5000 paid in on 30th December 2020 were not credited by the bank.
- (iv) Two cheques for Rs. 4050 and Rs. 4,000 issued in December 2020 had not been presented at the bank during the month.
- (v) A cheque for Rs. 2,000 entered in the cash book (debit side) was not sent to the bank for collection.

The End

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