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PRINCIPLES OF ACCOUNTING HSSC-II

SECTION - A (Marks 20)

Time allowed: 25 Minutes

Version Number 4 1 5 1

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 people who form a company are called:

A. Owners	B. Promoters
C. Directors	D. Debenture holder
- 2) In non-trading concerns, subscription received in advance is considered as:

A. Expense	B. Asset
C. Liability	D. Income
- 3) Opening capital is ascertained by preparing:

A. Cash account	B. Opening statement of affairs
C. Creditors account	D. Capital account
- 4) Gradual decrease in value of a fixed asset due to its use in business is called:

A. Calculation	B. Depreciation
C. Fluctuation	D. Deterioration
- 5) Income of a non-trading concern is generated from:

A. Sales	B. Receipts
C. Payments	D. Investors
- 6) Which of the following is not prepared under single entry system?

A. Cash book	B. Statement of affairs
C. Trial balance	D. Personal accounts
- 7) The assets which have physical form are called:

A. Tangible assets	B. Intangible assets
C. Fixed assets	D. Current assets
- 8) Un-appropriated profits are shown as:

A. Profit and loss account debit balance	B. Profit and loss account credit balance
C. Accumulated losses	D. Gross profit
- 9) Non-trading concerns prepare:

A. Profit and loss account	B. Manufacturing account
C. Income and expenditure account	D. Cost of Goods Sold account
- 10) Patents, copyrights, goodwill are:

A. Tangible assets	B. Intangible assets
C. Current assets	D. Liquid assets
- 11) Debenture holders are _____ of company.

A. Creditors	B. Owners
C. Customers	D. Debtors

- 12) Depreciation is considered as a/an _____ for business.
- | | |
|------------|--------------|
| A. Expense | B. Income |
| C. Asset | D. Liability |
- 13) Nature of consignee account is:
- | | |
|---------------------|--------------------|
| A. Personal account | B. Nominal account |
| C. Real account | D. Cash account |
- 14) For a business, interest on capital is a/an:
- | | |
|------------|--------------|
| A. Income | B. Asset |
| C. Expense | D. Liability |
- 15) Amount which will be realized at the end of asset's useful life, is called:
- | | |
|-----------------------|-------------------|
| A. Written down value | B. Market value |
| C. Remaining value | D. Residual value |
- 16) Sinking fund investment is:
- | | |
|------------|--------------|
| A. Asset | B. Income |
| C. Expense | D. Liability |
- 17) The process of allocating the cost of an intangible asset over its useful life, is called:
- | | |
|-----------------|------------------|
| A. Depreciation | B. Amortization |
| C. Obsolescence | D. Deterioration |
- 18) Subscription outstanding is a/an:
- | | |
|------------|--------------|
| A. Income | B. Liability |
| C. Expense | D. Asset |
- 19) Book value of an asset is equal to:
- | | |
|--------------------------------|--|
| A. Cost – Depreciation | B. Cost – Salvage value |
| C. Market value – Depreciation | D. Net realizable value – Depreciation |
- 20) Which of the following is not a depreciable asset?
- | | |
|--------------|--------------|
| A. Equipment | B. Machinery |
| C. Land | D. Motor car |



PRINCIPLES OF ACCOUNTING HSSC-II

30

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. (10 x 3 = 30)

- Differentiate between trading and non-trading concerns.
- Give any three characteristics of single entry system.
- Write down any three reasons of depreciation.
- What do you understand by Accumulated Depreciation?
- Define the term Amortization.
- Define the term general reserve.
- What is a capital reserve?
- Define the term provision.
- What is the difference between consignment inward and consignment outward?
- Distinguish between consignor and consignee.
- What is a holding company?
- What is a private limited company?

SECTION - C (Marks 50)

(PART - I)

Note: Attempt any ONE question.

(1 x 20 = 20)

Q. 3 Following was the balance sheet of A, B and C sharing profits and losses in the proportions 1/2, 1/3 and 1/6 respectively:

Liabilities + capital	Rs.	Assets	Rs.
Creditors	5000	Land and Building	48000
Capital		Machinery	7000
A	57000	Stock	29000
B	32000	Debtors	25200
C	16000	Cash	800
	110,000		110,000

they agreed to take "D" into partnership and give him 1/16 share on the following terms:

- That D should bring in Rs. 3000 as goodwill and Rs. 8000 as his capital.
- The machinery be depreciated by 12%.
- The stock be depreciated by 10%.
- That a reserve be created for doubtful debts at 5%.
- That the value of land and building having appreciated be brought up to Rs. 62,000.
- That after making above adjustments, the capital accounts of the old partners be adjusted on the basis of the proportion of D's capital.

Required: Prepare revaluation account, partners' capital accounts and the opening balance sheet of the new firm.

Q. 4 Amjad, Anwar and Arif were partners sharing profits and losses in the ratio 3:2:1. Their balance sheet on 31.12.2017 was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	15000	Cash at bank	3500
Bills payable	5000	Bills receivable	2000
Capital:		Investment	6500
Amjad	10000	Debtors	6000
Anwar	10000	Stock	5000
Arif	10000	Furniture	2000
		Buildings	25000
	50,000		50,000

Arif retired on the above date and the partners agreed that:

- Goodwill should be calculated on the basis of two years profit of the average of the profits for the years 2014, 2015 and 2016 which were Rs. 16000, Rs.12000 and Rs. 14000 respectively.
- Rs. 510 to be provided for doubtful debts.
- Stock to be reduced by 10%.
- There was appreciation in the value of building by 5%.

Required: Show necessary ledger accounts and the balance sheet of the continuing partners.

PART – II)

(3 x 10 = 30)

Note: Attempt any THREE questions.

5. Convert the following receipts and payments account of the Pakistan Health Society for the year ended on 30th June 2017 into an income and expenditure account and prepare a balance sheet:

Receipts	Rs.	Payments	Rs.
Bank Balance on 01-07-2016	2010	Salaries	656
Subscriptions	1115	Laundry Expenses	380
Fees	270	Rent and Taxes	200
Municipal grant	1000	Cost of car	2000
Donation for building fund	1560	Car Expenses	840
Rent	38	Drugs expense	670
		Bank balance on 30-06-2017	1247
	5,993		5,993

The society owns freehold land costing Rs. 8000 on which it is proposed to build a doctors hostel. A donation of Rs. 100, received to building fund, was wrongly included in the subscription account. A bill for medicines purchased during the year amounting to Rs. 128 was outstanding.

6. The following balances appear in A's books which are kept on the single entry basis:

	31-12-2016 (Rs.)	31-12-2017 (Rs.)
Capital	50,000	48,000
Creditors	30,000	35,000
Furniture	5,000	4,500
Stock	50,000	46,500
Debtors	20,000	23,000
Bank account	5,000	9,000

'A' has been regularly transferring Rs. 600 a month from his business bank account to his personal bank account by way of drawings. He took stock worth Rs. 1500 for his personal use. Depreciation of furniture has been provided @ 10% p.a.

Required:

Calculate profit for the year 2017.

7. Ahsan Motors Ltd. consigned to their agent Wasim Motors in Lahore, two cars costing Rs. 20,000 for sale on the basis of 8 per cent commission plus 2 per cent del credere commission. Wasim Motors paid selling expenses amounting to Rs. 1300. Ahsan Motors Ltd. paid for carriage, freight and insurance Rs. 1700. Consignee sold one car for Rs. 13000 and the second car was sold for Rs. 13,500. Show the ledger in the books of both the parties assuming that Wasim Motors settled the account with Ahsan Motors Ltd.

8. Asif Ltd. with an authorized capital of 100,000 shares of Rs. 10 each, passed a resolution in a general meeting to issue 40,000 shares at a discount of 5%. 10,000 shares were issued to directors and 30,000 shares were offered to general public. Applications were received for 25,000 shares and subsequently shares were allotted. Record the transactions in the books of the company and show the reflection in balance sheet.