

AGA KHAN UNIVERSITY EXAMINATION BOARD

SECONDARY SCHOOL CERTIFICATE

CLASS X

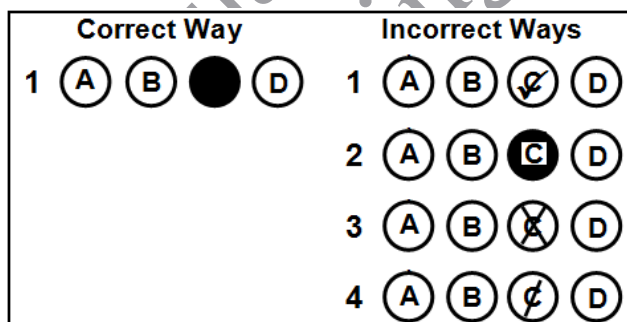
ANNUAL EXAMINATIONS (THEORY) 2023

Principles of Accounting Paper I

Time: 55 minutes Marks: 30

INSTRUCTIONS

1. Read each question carefully.
2. Answer the questions on the separate answer sheet provided. DO NOT write your answers on the question paper.
3. There are 100 answer numbers on the answer sheet. Use answer numbers 1 to 30 only.
4. In each question, there are four choices A, B, C, D. Choose ONE. On the answer grid, black out the circle for your choice with a pencil as shown below.



Candidate's Signature

5. If you want to change your answer, ERASE the first answer completely with a rubber, before blacking out a new circle.
6. DO NOT write anything in the answer grid. The computer only records what is in the circles.
7. You may use a simple calculator if you wish.
8. Wherever new terminologies are mentioned their old terminologies are mentioned in the brackets for your assistance.

1. The details related to the production plant of Hiba Automobiles as on January 01, 2022 were as under:

| Particulars | |
|--|-----------------|
| Production plant cost | Rs 2,500,000 |
| Allowance (provision) for depreciation | Rs 700,000 |
| Production life in hours | 1,000,000 hours |
| Hours worked during 2022 | 70,000 hours |

Hiba Automobiles uses working hours method for charging depreciation.

The amount of depreciation to be charged on the production plant during 2022 would be

- A. Rs 28,000
 B. Rs 175,000
 C. Rs 728,000
 D. Rs 875,000
2. Following details are related to assets of Paras Associates as on June 30, 2022:

| Particulars | Amount (Rs) |
|----------------------------|-------------|
| Cost of computer (old) | 160,000 |
| Provision for depreciation | 85,000 |
| Trade in allowance | 80,000 |
| Cost of computer (new) | 190,000 |

From the given situation, the CORRECT amount of cash to be paid and the gain or loss on disposal would be

| | Cash to be Paid | Gain or Loss on Disposal |
|---|-----------------|--------------------------|
| A | Rs 110,000 | Rs 5,000 gain |
| B | Rs 110,000 | Rs 5,000 loss |
| C | Rs 75,000 | Rs 5,000 gain |
| D | Rs 75,000 | Rs 5,000 loss |

3. With reference to non-current (fixed) assets, the account that would have credit balance is
- A. allowance (provision) for depreciation account.
 B. asset account.
 C. depreciation expense account.
 D. cash account.

4. Increase in bad debt recovered will result in an
- increase in profit and increase in asset.
 - increase in liability and decrease in profit.
 - increase in expense and decrease in asset.
 - increase in expense and decrease in liability.
5. Following is the extract of trial balance of Noor Associates for the year 2022:

| Particulars | Amount (Rs) |
|---|-------------|
| Total credit sales for the year 2022 | 220,000 Cr. |
| Provision (allowance) for doubtful debts as on January 01, 2022 | 3,000 Cr. |

If the business charges the provision (allowance) at 2% on credit sales every year, then the doubtful debt expense for the current year would be

- Rs 1,400
 - Rs 1,600
 - Rs 3,000
 - Rs 4,400
6. Following is the detail of customers and their outstanding balances as on June 30, 2022 for Siba Traders:

| Customer Name | Age of Debt | Amount (Rs) |
|---------------|-------------|-------------|
| Almas | 31-60 days | 12,000 |
| Basera | 61-90 days | 12,000 |
| Chandar | 31-60 days | 9,000 |
| Dawood | 1-30 days | 10,000 |

If Siba Traders follows aging method for doubtful debts, then the customer that is charged with the highest rate of provision (allowance) would be

- Almas.
- Basera.
- Chandar.
- Dawood.

Use the given information to answer Q.7, Q.8 and Q.9.

Following is the pre-adjusted extract of trial balance of a business for the year 2022:

| Account Title | Amount (Rs) |
|-------------------|-------------|
| Salaries expense | 24,000 |
| Prepaid rent | 36,000 |
| Commission income | 12,000 |

Data for adjustment:

- Salaries outstanding as on December 31, 2022 amounted to Rs 5,000.
- Rent was paid on July 02, 2022 for twelve months.
- Accrued commission income for the year amounted to Rs 18,000.

7. The account heads that will be debited and credited for adjusting commission on December 31, 2022 would be

| | Account to be Debited | Account to be Credited |
|---|--|--------------------------------|
| A | Accrued commission income by Rs 6,000 | Commission income by Rs 6,000 |
| B | Accrued commission income by Rs 18,000 | Commission income by Rs 18,000 |
| C | Accrued commission income by Rs 24,000 | Commission income by Rs 24,000 |
| D | Accrued commission income by Rs 30,000 | Commission income by Rs 30,000 |

8. The amount of salaries expense for the year 2022 would be
- Rs 19,000
 - Rs 24,000
 - Rs 29,000
 - Rs 34,000
9. In the statement of financial position (balance sheet), the prepaid rent will be reflected as
- current asset of Rs 18,000
 - current asset of Rs 36,000
 - current liability of Rs 18,000
 - current liability of Rs 36,000

10. Salaries expense paid in advance is known as
- A. accrued salaries.
 - B. outstanding salaries.
 - C. prepaid salaries.
 - D. salaries payable.
11. The account title(s) that will be closed at the end of the year would be
- A. fixtures and fittings.
 - B. drawings and insurance expense.
 - C. cash at bank.
 - D. prepaid salaries.
12. Increase in depreciation expense during a year will lead to decrease in all of the following EXCEPT
- A. net profit.
 - B. total assets.
 - C. total expenses.
 - D. net non-current assets.

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Use the given information to answer Q.13, Q.14 and Q.15.

Salwa Associates does not maintain complete books of accounts. The business started on January 01, 2022. The receipts and payments account made by the business as on December 31, 2022 is as under:

| Receipts | Amount | Payments | Amount |
|-----------------------|---------|-------------------------------------|---------|
| Capital | 30,000 | Purchases | 450,000 |
| Sales | 750,000 | Equipment purchased on May 01, 2022 | 210,000 |
| Additional investment | 80,000 | Rent expense | 60,000 |
| | | Prepaid marketing | 9,000 |

Additional information as on December 31, 2022 is as under:

- Merchandise inventory at December 31, 2022 was valued at Rs 70,000
 - Prepaid marketing expense amounted to Rs 4,000
 - Depreciation on equipment is to be charged by the sum of the year digit method. The life of the equipment is estimated to be 5 years and the salvage value is Rs 20,000
 - Rent to be paid is Rs 6,000.
13. The amount of gross profit for Salwa Associates for the year ended December 31, 2022 would be
- A. Rs 1,130,000
 B. Rs 1,270,000
 C. Rs 230,000
 D. Rs 370,000
14. The amount of current assets that will be shown in the statement of financial position of Salwa Associates would be
- A. Rs 74,000
 B. Rs 135,000
 C. Rs 201,000
 D. Rs 205,000
15. The amount of expenses that will be deducted from the gross profit of Salwa Associates on December 31, 2022 would be
- A. Rs 66,000
 B. Rs 71,000
 C. Rs 117,667
 D. Rs 113,222

16. For incomplete accounting records, the statement of financial position is known as
- A. cash flow statement.
 - B. income statement.
 - C. statement of affairs.
 - D. statement of financial position.

17. The following are account balances of Amna Traders

| Account Title | Amount (Rs) |
|---------------------------------------|-------------|
| Capital opening balance | 55,000 |
| Capital closing balance | 80,000 |
| Drawing during the year | 5,000 |
| Additional investment during the year | 42,000 |

The net profit or loss from the above information will be

- A. Rs (12,000)
 - B. Rs (72,000)
 - C. Rs 62,000
 - D. Rs 97,000
18. Saleem is a local trader of rice. He sets the selling price 20% above the cost.
- If he purchases 50 kg of rice at Rs 110 per kg, then his total profit will be
- A. Rs 1,100
 - B. Rs 5,500
 - C. Rs 6,600
 - D. Rs 132
19. The nature of the suspense account is the
- A. nominal account.
 - B. personal account.
 - C. real account.
 - D. temporary account.
20. Which of the following is an example of error of commission?
- A. An asset treated as an expense
 - B. Purchase of goods of Rs 18,000 recorded in the books as 81,000
 - C. Purchase of a machine not recorded in the books of accounts
 - D. Sales to Mr X has been recorded to Mr Y's account

21. If the sales revenue is overstated, then this will
- A. overstate total asset.
 - B. overstate total equity.
 - C. understate gross profit
 - D. understate net profit.
22. The debit side of the trial balance of a business is Rs 10,000 more than the credit side and also the balance of the credit side is the correct or the actual balance.

If the items (account titles) in the statement of financial position are correctly reflected, then the given error will be because of the

- A. overstatement of a revenue.
- B. understatement of a revenue.
- C. overstatement of an expense.
- D. understatement of an expense.

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Use the given information to answer Q.23 and Q.24.

Shemab, the owner of a business, withdrew goods worth Rs 12,000 for her personal use. The unadjusted gross profit of the business amounted to Rs 200,000.

23. If the given transaction was mistakenly recorded as drawings debit and cash credit, then the correcting entry that will be made to rectify the given error would be

| | Particulars | P.R. | Debit | Credit |
|---|-------------|------|--------|--------|
| A | Cash | | 12,000 | |
| | Drawings | | | 12,000 |
| B | Purchases | | 12,000 | |
| | Drawings | | | 12,000 |
| C | Cash | | 12,000 | |
| | Purchases | | | 12,000 |
| D | Purchases | | 12,000 | |
| | Cash | | | 12,000 |

24. If the given transaction was mistakenly recorded as drawings debit and cash credit, then the amount of adjusted gross profit would be
- Rs 176,000
 - Rs 188,000
 - Rs 212,000
 - Rs 224,000
25. All of the following are the sources of revenue for a non-profit organisation (NPO) EXCEPT
- donations.
 - registration fee.
 - staff salaries.
 - subscription.
26. Orient Health Club, a non-profit organisation (NPO), charged consultation fees for providing services to Al-Hamra Health Club.
- The above mentioned activity which is not associated with the core activities of the NPO is termed as
- ancillary activity.
 - chartered activity.
 - non-commercial activity.
 - professional activity.

PLEASE TURN OVER THE PAGE

27. Accumulated fund of a non-profit organisation (NPO) is the amount of
- capital.
 - liability.
 - net loss (deficit).
 - net profit (surplus).

Use the given information to answer Q.28 and Q.29.

The following details related to subscription account of a non-profit organisation (NPO) are as under:

| Account Title | Amount (Rs) |
|----------------------------------|-------------|
| Subscription received | 38,500 |
| Subscription received in advance | 3,000 |
| Accrued subscription | 4,800 |

28. The amount of subscription income that will be shown in the income statement of the NPO would be
- Rs 30,700
 - Rs 36,700
 - Rs 40,300
 - Rs 46,300
29. The amount of subscription that will be shown under the asset and liability sections of the statement of affairs (balance sheet) would be:

| | Assets | Liabilities |
|---|--|--|
| A | Subscription received in advance of Rs 3,000 | Accrued subscription of Rs 4,800 |
| B | Subscription received in advance of Rs 3,000 Accrued subscription of Rs 4,800 | not to be shown |
| C | not to be shown | Subscription received in advance of Rs 3,000 Accrued subscription of Rs 4,800 |
| D | Accrued subscription of Rs 4,800 | Subscription received in advance of Rs 3,000 |

30. The following subscription account has been taken from the books of a Hockey Club.

| Subscription Account | | | |
|---------------------------------------|-----|--------------------------------|-----|
| Receivable opening | xxx | Unearned opening | xxx |
| Cash | xxx | income and expenditure summary | xxx |
| Unearned ending (Balancing figure) | xxx | Receivable ending | xxx |

The account titles that have been posted **WRONGLY** in to the given ledger are

- A. cash.
- B. receivable opening.
- C. receivable ending.
- D. unearned opening.

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