

AGA KHAN UNIVERSITY EXAMINATION BOARD

SECONDARY SCHOOL CERTIFICATE

CLASS IX

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.

Correct Way		Incorrect Ways	
1	<input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D	1	<input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D
		2	<input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D
		3	<input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D
		4	<input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D

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 KEY objective of book keeping is to
 - A. ascertain the amount of profit and loss of the business.
 - B. prepare budget estimates for the management of the business.
 - C. maintain complete and accurate information of financial transactions.
 - D. check that the total of debit accounts is equal to the total of credit accounts.
2. Following are the details related to a business at the end of the calendar year 2022.

Account Title	Amount (Rs)
Bank overdraft	23,000
Merchandise inventory	77,000
Bank loan	300,000
Capital	?
Equipment	480,000
Furniture	240,000
Trade receivables (accounts receivable)	145,000
Trade payables (accounts payable)	38,000
Purchases	365,000
Sales	600,000
Cash	228,000

The amount of capital from the given information would be

- A. Rs 574,000
 - B. Rs 620,000
 - C. Rs 809,000
 - D. Rs 961,000
3. Which of the following CORRECTLY depicts the rules of debit and credit?

	Debit	Credit
A	increase in liability	increase in revenue
B	decrease in expense	decrease in asset
C	increase in asset	increase in liability
D	increase in revenue	decrease in expense

4. Machine bought by a business on cash will result in increase in
- A. an asset and decrease in another asset.
 - B. an asset and increase in liability.
 - C. an expense and decrease in liability.
 - D. two different assets.
5. Absa Traders sold goods of Rs 10,000 on credit. Of this amount, Rs 4,000 was received, whereas the remaining amount is outstanding.

At the time of preparing financial statements at the end year (i.e. 31st Dec), Absa Traders recorded sales revenue as Rs 10,000.

The accounting principle that requires the business to record the sales of Rs 10,000 is known as

- A. accrual principle.
 - B. consistency principle.
 - C. cost concept.
 - D. dual entry concept.
6. Ramsha Traders bought furniture for Rs 175,000 on credit from Taiba Interiors.

Which of the following CORRECTLY represents the effect of the given transaction in the books of Ramsha Traders?

	Assets	Liabilities
A	increase	increase
B	decrease	decrease
C	decrease	increase
D	increase	decrease

7. Areej Traders paid a commission to an agent amounting to Rs 19,800.

The account titles that will be debited and credited in the books of Areej Traders would be

	Account to be Debited	Account to be Credited
A	commission income	cash
B	cash	commission income
C	commission expense	cash
D	cash	commission expense

8. At the start of the year 2022, balance in equipment account was Rs 200,000. During the year, a new equipment was purchased for Rs 80,000, whereas some of the old equipment costing Rs 50,000 was sold.

The ending balance in the machine account on December 31, 2022, would be

- A. Rs 170,000 on debit side.
 B. Rs 170,000 on credit side.
 C. Rs 230,000 on debit side.
 D. Rs 230,000 on credit side.
9. Following cash account has been taken from the books of Muzammil Traders.

Cash Account					
Receipt		Amount (Rs)	Payment		Amount (Rs)
Mar 01	Balance b/d	48,000	Mar 10	Trade payable	13,000
Mar 05	Bank	18,000	Mar 15	Rent	7,000
Mar 20	Capital	80,000	Mar 25	Drawings	12,000

The closing balance of cash from the given account will be

- A. Rs 32,000
 B. Rs 114,000
 C. Rs 146,000
 D. Rs 178,000

10. Following is the trial balance of ABC Estate Agency.

S.No.	Account Title	Debit	Credit
1	Cash	25,000	
2	Trade receivables (Accounts receivable)	35,000	
3	Trade payable (Accounts payable)		15,000
4	Capital		150,000
5	Commission income	15,000	
6	Salaries expense		15,000
7	Office equipment	35,000	
8	Office furniture	30,000	
9	Insurance expense	40,000	
Total		180,000	180,000

Based on the given information, which of the given account are wrongly placed in trial balance of ABC Estate Agency?

- A. cash and capital.
 B. commission income and salary expense.
 C. office equipment and office furniture.
 D. trade payable (accounts payable) and trade receivable (accounts receivable).
11. The stock that is deducted in the calculation of cost of sales (cost of goods sold) is known as
- A. ending inventory (stock).
 B. opening inventory (stock).
 C. inventory (stock) purchased.
 D. inventory (stock) sold.
12. The following equation is used in an income statement.

$$\text{Net Sales Revenue} - \text{Cost of Sales} - \text{Net Profit} = \text{X}$$

In the given equation, X will be the

- A. gross profit.
 B. net purchases.
 C. operating expense.
 D. operating income.

13. Following is the extract of statement of financial position of a business:

Assets	Amount (Rs)
Non-current assets	400,000
Current assets	200,000
Total assets	600,000
Equity	Amount (Rs)
Long term liabilities	100,000
Current liabilities	250,000
Total Liabilities	350,000
Total Capital	250,000
Total Equity and Liability	600,000

If the business paid Rs 20,000 as advance salary, then the account heads of the statement of financial position for the business would be reflected as

	Total Assets	Total Capital	Total Liabilities
A	Rs 680,000	Rs 250,000	Rs 430,000
B	Rs 600,000	Rs 330,000	Rs 350,000
C	Rs 680,000	Rs 330,000	Rs 350,000
D	Rs 600,000	Rs 250,000	Rs 350,000

14. With reference to books of prime entry, the book that is PRIMARILY used to record a business transaction (i.e. either credit or cash of both type of transactions) is identified as
- cash book.
 - general journal.
 - purchases day book.
 - sales (revenue) day book.
15. Rafay paid the rent of his house from his business bank account.
- The given transaction will be recorded in the cashbook on
- payment side of the bank column.
 - payment side of the cash column.
 - receipt side of the bank column.
 - receipt side of the cash column.

16. Petty cash fund is shown in the statement of financial position (balance sheet) under

- A. current assets.
- B. current liabilities.
- C. long term liabilities.
- D. non-current assets.

17. Naseem, a petty cashier, provided the following summary at the end of the month to the accountant:

Total Expenses	Amount (Rs)
Postage and stamps	1,820
Stationary	1,190
Cartage	900
Travelling	1,700
Miscellaneous	370

The amount left in the petty cash at the end of February was Rs 520.

The amount that will be replenished to the petty cashier at the end of February would be

- A. Rs 5,460
- B. Rs 5,980
- C. Rs 6,500
- D. Rs 520

18. A trader returned goods to a supplier worth Rs 3,000.

With reference to seller's perspective, the document that will be issued by the trader to the supplier is known as a/ an

- A. credit note.
- B. debit note.
- C. invoice.
- D. statement.

19. Hafeez sold goods to Saeed at a list price of Rs 4,200 on March 15, 2022. The sold goods were subject to a trade discount of 10% and a cash discount of 3% for the payment within 28 days.

If Saeed pays the amount on April 15, then the net value of sales in the books of Hafeez would be

- A. Rs 3,654
- B. Rs 3,667
- C. Rs 3,780
- D. Rs 4,074

20. Review the given sales journal:

Sales Journal				
Date	Invoice	Name of Customer	P.R.	Amount (Rs)
01.03.22	0050015	Ayan Traders		Rs 12,500
03.03.22	0050075	Karim Associates		Rs 57,000
05.03.22	0050093	Amin Brothers		Rs 45,000
07.03.22	0050124	Ayan Traders		Rs 25,000
09.03.22	0050138	Amin Brothers		Rs 12,500

The general entry to transfer the amount of the given journal will be

- A. account payable Rs 152,000 debit and sales credit Rs 152,000.
- B. account receivable Rs 152,000 debit and sales credit Rs 152,000.
- C. sales Rs 152,000 debit and account payable credit Rs 152,000.
- D. sales Rs 152,000 debit and account receivable credit Rs 152,000.

21. The following details have been extracted from the books of a business:

Account Title	Amount (Rs)
Collections from trade receivables during the year	243,000
Trade receivables as on January 01, 2022	45,000
Trade receivables as on December 31, 2022	39,000
Bad debts written off during the year	4,500

From the given records, the amount of credit sales for the business would be

- A. Rs 232,500
 - B. Rs 241,500
 - C. Rs 258,500
 - D. Rs 267,500
22. Which of the following items is posted on the credit side of the purchases ledger control account?
- A. Discount allowed
 - B. Credit purchases
 - C. Discount received
 - D. Purchases return

23. Which of the following statements CORRECTLY refers to revenue expenditure?
- It is a long-term expenditure.
 - It is a repetitive expenditure.
 - It is added to the cost of an asset purchased.
 - It is incurred to increase the working capacity of the asset.
24. All of the following expenses increase the cost of a non-current assets (fixed assets) EXCEPT
- transportation paid on asset.
 - fire insurance premium paid for asset.
 - wages paid for loading and unloading.
 - training charges paid for asset utilisation.
25. Hashim purchased a machine on January 01, 2022 for Rs 130,000. It has an estimated life of 8 years with a salvage value of Rs 10,000. Depreciation is calculated using the straight line method.
- The net book value of the machine on December 31, 2022 would be
- Rs 113,750
 - Rs 115,000
 - Rs 117,000
 - Rs 120,000
26. Following expenditures were paid by Ayan at the time of purchase of a machine:
- Salaries of Rs 20,000 were paid to the factory security guard.
 - Wages of Rs 15,000 were paid to the loader for machine purchased.
 - Mason was paid Rs 10,000 for the foundation of the machine surface.
 - Professional fee worth Rs 30,000 was paid to the expert for training factory staff.

The general journal entry that will be made to record the capital expenditure of Ayan would be

	Particulars	P.R.	Debit	Credit
A	Machine		45,000	
	Cash			45,000
B	Machine		55,000	
	Cash			55,000
C	Machine		60,000	
	Cash			60,000
D	Machine		65,000	
	Cash			65,000

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27. Following extract of unadjusted trial balance has been extracted from the books of Bolani Associates as on December 31, 2022:

Particulars	Debit (Rs)	Credit (Rs)
Equipment	320,000	
Provision for depreciation - Equipment		120,000
Trade receivables	180,000	
Provision for doubtful debts		7,000

Other Information:

- Depreciation on equipment is to be charged at 10% diminishing balance method.
- Provision for doubtful debt is estimated at 5% of year end trade receivables balance.

The amount of depreciation that will be charged by Bolani Associates for the year 2022 would be

- A. Rs 8,000
 B. Rs 12,000
 C. Rs 20,000
 D. Rs 32,000
28. At the end of the year, Al Jannat Associates had written off an amount of Rs 12,000 to receive from a customer.

The general journal entry that will be made to write off the customer's account directly would be

	Particulars	P.R.	Debit	Credit
A	Allowance (provision) for bad debt		12,000	
	Trade receivable			12,000
B	Bad debt		12,000	
	Allowance (provision) for bad debt			12,000
C	Trade receivable		12,000	
	Bad debt			12,000
D	Allowance (provision) for bad debt		12,000	
	Bad debt			12,000

29. Following are the details related to trade receivables (accounts receivable) of Ashar Enterprises:

Account Title	Amount (Rs)
Trade receivables balance as on December 31, 2022	920,000
Allowance (provision) for doubtful (bad) debts as on January 01, 2022	9,000

If the allowance (provision) for doubtful (bad) debt is to be increased by Rs 1,200, then the net value of trade receivables (accounts receivable) in the statement of financial position (balance sheet) would be

- A. Rs 909,800
 B. Rs 911,000
 C. Rs 918,800
 D. Rs 921,200
30. Following are the balance of trade receivables of Hafsa Traders:

Account Title	Amount (Rs)
Trade receivables as on December 31, 2021	460,000
Trade receivables as on December 31, 2022	490,000

It is the policy of Hafsa Traders to maintain the provision for doubtful debts at 3% on ending balance of trade receivables.

What will be the amount of provision for doubtful debt that will be shown in the statement of financial position (balance sheet) for the year 2022?

- A. Rs 900
 B. Rs 1,800
 C. Rs 13,800
 D. Rs 14,700

Please use this page for rough work

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