

AGA KHAN UNIVERSITY EXAMINATION BOARD

HIGHER SECONDARY SCHOOL CERTIFICATE

CLASS XI

ANNUAL EXAMINATIONS (THEORY) 2023

Principles of Accounting Paper I

Time: 1 hour 10 minutes Marks: 40

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 40 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 (A) (B) ● (D)	1 (A) (B) (C) (D)
	2 (A) (B) (C) (D)
	3 (A) (B) (C) (D)
	4 (A) (B) (C) (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 scientific calculator if you wish
8. Wherever new terminologies are mentioned their old terminologies are mentioned in the brackets for your assistance.

1. On June 01, 2022, Star Associate's balance sheet (statement of financial position) showed total assets of Rs 75,000 and liabilities of Rs 25,000.

In the given scenario, the total equity of the firm would be

- A. Rs 25,000
 - B. Rs 50,000
 - C. Rs 75,000
 - D. Rs 100,000
2. Ayub and Salwa established A&S Foods. Ayub invested a shop premises worth Rs 1,500,000 and groceries(inventory) worth Rs 350,000 and Salwa invested fixtures and fittings worth Rs 700,000, food supplies worth Rs 250,000 and a delivery van of Rs 900,000.

Based on the given statement, the amount of current assets for A&S Foods would be

- A. Rs 250,000
 - B. Rs 350,000
 - C. Rs 600,000
 - D. Rs 950,000
3. In the beginning of the financial year, Ali pays Rs 250,000 annual rent for a shop premises via cross cheque.

The given payment in the books of Ali would be classified as

- A. accrued income.
 - B. prepaid expense.
 - C. unearned income.
 - D. outstanding expense.
4. A business recorded the purchase of asset at a price on which it was acquired.

This action of the business is based on the accounting principle of

- A. consistency.
- B. dual aspects.
- C. historical cost.
- D. business entity.

5. Which of the following sequences is followed during an accounting process/ cycle?

	I	II	III	IV	V
A	Preparation of financial statement	Preparation of trial balance	Posting transaction to the ledger	Recording the transaction	Origination of transaction
B	Recording the transaction	Posting transaction to the ledger	Origination of transaction	Preparation of financial statement	Preparation of trial balance
C	Origination of transaction	Recording the transaction	Posting transaction to the ledger	Preparation of trial balance	Preparation of financial statement
D	Preparation of trial balance	Posting transaction to the ledger	Recording the transaction	Preparation of financial statement	Origination of transaction

6. Which of the following statements depicts the purchase of an asset?

- A. Ayan bought computers for office use.
- B. Aleem paid rent for the factory building.
- C. Areej received a consultation fee in advance.
- D. Armish gets a promotional pass for a movie show.

7. The prime objective of bookkeeping is to record business

- A. correspondence with customers and vendors.
- B. transactions in systemic and logical manner.
- C. decisions and tactics of all business plans.
- D. marketing and advertisement strategies.

8. Aslam is a manufacturer of plastic containers. His clients are producers of medicines. To maintain his production records properly, he needs information for giving quotations and estimation of the cost of production to different vendors.

With reference to the given scenario, the MOST suitable form of accounting would be

- A. book keeping.
- B. cost accounting.
- C. financial accounting.
- D. managerial accounting.

9. General journal records the business transactions in

- A. chronological order.
- B. alphabetical order.
- C. decreasing order.
- D. increasing order.

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10. The following trail balance is extracted from the books of a business:

S. No.	Particulars	Debit (Rs)	Credit (Rs)
1	Cash	15,000	
2	Capital		150,000
3	Account receivable		25,000
4	Account payable	15,000	
5	Wages expense	25,000	
6	Supplies	15,000	
7	Equipment	70,000	
8	Purchases	35,000	
9	Sales		45,000

The account titles that have been wrongly posted in the given trial balance are

- A. sales and purchases.
- B. cash and capital.
- C. equipment and wages.
- D. account payable and account receivable.

Use the given information to answer Q.11 and Q.12.

Given is an extract of cash book of Al-Issar Traders.

Al-Issar Traders									
Cash Book									
Receipts					Payments				
Date	Particulars	Discount (Rs)	Cash (Rs)	Bank (Rs)	Date	Particulars	Discount (Rs)	Cash (Rs)	Bank (Rs)
1	Balance		2,900	65,400	3	Trade payable	500		9,500
5	Trade receivable	300		11,700	9	Cash			10,000
9	Bank		10,000		11	Wages		9,200	
13	Trade receivable	700		27,300	15	Trade payable	300		5,700
17	Trade receivable	200	3,800		19	Trade payable	1,100		42,900
					23	Cash short		3,000	

11. For the given cash book, the balance of cash and bank that will be carried down to the next period is

	Cash (Rs)	Bank (Rs)
A	16,700	104,400
B	4,500	36,300
C	9,550	68,100
D	1,200	1,900

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12. The total footing amount of cash and bank would be

	Cash (Rs)	Bank (Rs)
A	16,700	104,400
B	4,500	36,300
C	9,550	68,100
D	1,200	1,900

13. If the bank statement of a business shows a bank overdraft amount, then the bank column in cash book of the business will depict
- A. zero balance.
 - B. positive balance.
 - C. negative balance.
 - D. double entry balance.
14. The primary objective of preparing a cash book in a business is to
- A. manage the cash efficiency and accuracy of cash balance.
 - B. record the details and descriptions of vendors involved.
 - C. reconcile the bank balances and banking transactions.
 - D. track record of all the credit transaction.

Use the given information to answer Q.15 and Q.16.

United Traders sold goods to Allied Brothers for Rs 25,000 on account. Allied Brothers returned the goods as they were not appropriate to the given order.

15. On receiving of the returned articles, United Traders would be issuing a /an
- A. invoice.
 - B. voucher.
 - C. debit note.
 - D. credit note.

16. The general journal entry for the given transaction in the books of United Traders would be

	Particulars	P.R.	Debit	Credit
A	Sales returns		25,000	
	Account payable (Allied Traders)			25,000
B	Account receivable (Allied Traders)		25,000	
	Sales return			25,000
C	Sales return		25,000	
	Account receivable (Allied Traders)			25,000
D	Account payable (Allied Traders)		25,000	
	Allied traders			25,000

17. Review the given accounting record:

Cash					
01.01	Balance	20,000	02.01	Purchases	10,200
03.01	Sales	7,500	04.01	Advertisement	11,500
05.01	Commission	500			

The balancing amount of the given T-account would be

- A. Rs 6,300
 B. Rs 21,700
 C. Rs 28,000
 D. Rs 34,300

18. Hareem would like to open a bank account where she can keep her money at a high yield for a longer period of time.

The account that will BEST suit her is

- A. current account.
 - B. saving account.
 - C. fixed deposit account.
 - D. profit and loss account.
19. Akber Traders issued cheques to all their vendors at the start of every month. At the end of the month, the bank statement showed that some of the vendors have not submitted their cheques at the bank.
- The cheques that were not submitted would be categorised as
- A. postdated.
 - B. uncleared.
 - C. unrepresented.
 - D. non-sufficient fund (NSF).
20. While reconciling a cash book with a bank statement, the NSF (non-sufficient fund) cheque would be
- A. added to the passbook.
 - B. added to the cash book.
 - C. deducted from the passbook.
 - D. deducted from the cash book.
21. A cheque was deposited into the bank, but did not appear in the monthly bank statement till the date of reconciliation.
- Based on the given statement, the given cheque is classified as a/ an
- A. NSF cheque.
 - B. uncleared cheque.
 - C. post-dated cheque.
 - D. outstanding cheque.
22. On reconciliation of accounts with the bank statement, an internal auditor found that a withdrawal for personal use was not mentioned in the business books.
- The error that was identified during the internal audit is classified as an error of
- A. omission.
 - B. principle.
 - C. original entry.
 - D. complete reversal.

23. A businessman withdrew merchandise from the business for his personal use.

The account that will be credited against the drawing account will be

- A. cash.
- B. sales.
- C. merchandise.
- D. trade payable.

24. Which of the following is CORRECT for computing the cost of sales?

- A. opening stock + purchases – purchase returns – purchased discount – ending stock
- B. opening stock – purchases + purchase returns – purchased discount + ending stock
- C. opening stock + purchases + purchase returns + purchased discount – ending stock
- D. opening stock – purchases – purchase returns – purchased discount + ending stock

Use the given information to answer Q.25 and Q.26.

Following records were extracted from the books of Gamma Brothers:

Salary expense	Rs 75,000
Prepaid advertisement	Rs 72,000 (Paid for annual subscription on March, 01)

The business accounting year ends on December, 31.

25. The amount for advertisement expense recorded as adjustment for the year would be

- A. Rs 12,000
- B. Rs 18,000
- C. Rs 54,000
- D. Rs 60,000

26. An employee was paid an advance salary amounting to Rs 10,000.

Based on the given adjustment, the salary expense amount for the year shown in the final account would be

- A. Rs 65,000
- B. Rs 75,000
- C. Rs 85,000
- D. Rs 95,000

27. In accounting, reversing entries are prepared to

- A. adjust the year-end balance of accounts.
- B. counter or cancel out the adjusting entries of last year.
- C. close the expense and revenue accounts of the previous year.
- D. rectify the accounting errors occurred during the recording transactions.

28. In accounting, reversing entries are prepared for all
- prepaid, accrued and unearned accounts of the previous year.
 - prepaid assets and liabilities of the current year.
 - withdrawals from the business either for personal or business use.
 - provisions for asset and expense accounts.
29. The opening entries are prepared for
- carrying forward the balances of assets, liabilities and capital accounts.
 - bringing forward the balances of expenses and revenues.
 - ascertaining the net profit of the previous year.
 - balancing the provision accounts.

Use the given information to answer Q.30, Q.31 and Q.32.

Following records were extracted from the books of a business

S.No.	Particulars	Amount (Rs)
1.	Purchases	125,000
2.	Purchase returns	10,000
3.	Purchase discount	5,000
4.	Sales	185,000
5.	Sales returns	12,000
6.	Inventory opening	12,000
7.	Inventory ending	28,000
8.	Carriage inwards	15,000
9.	Carriage outwards	10,000

30. Based on the given information, the amount for net purchases for the business would be
- Rs 110,000
 - Rs 115,000
 - Rs 120,000
 - Rs 125,000
31. Based on the given information, the amount for cost of goods available for sales of the business would be
- Rs 110,000
 - Rs 122,000
 - Rs 127,000
 - Rs 137,000

32. Based on the given information, the amount of gross profit for the business would be

- A. Rs 18,000
- B. Rs 28,000
- C. Rs 64,000
- D. Rs 76,000

33. The nature of suspense account is

- A. real.
- B. nominal.
- C. personal.
- D. temporary.

Use the given information to answer Q.34, Q.35 and Q.36.

The following records have been extracted from the books of Al-Falah Traders:

Cost of machine	Rs 500,000
Salvage value	Rs 50,000
Life in years	10 years
Date of Purchase (D.O.P)	April 1, 2017
Fiscal year	July – June

34. If the company uses the straight-line method, then the book value of the machine on June 30, 2022 would be

- A. Rs 230,000
- B. Rs 237,500
- C. Rs 263,750
- D. Rs 308,750

35. If the company uses the straight-line method, then the depreciation on the machine for the year of purchase would be

(**Note:** the business follows the policy of charging depreciation on monthly basis)

- A. Rs 11,250
- B. Rs 12,500
- C. Rs 45,000
- D. Rs 50,000

36. If the company computes annual depreciation through the diminishing balance method (reducing balance method) at 20%, for the whole year regardless of D.O.P, then the depreciation expense for the machine for the fiscal year 2021-22 would be

- A. Rs 26,214
- B. Rs 29,491
- C. Rs 32,768
- D. Rs 40,960

37. XYZ Traders acquired a manufacturing plant for Rs 204,000 and sold it three years later for Rs 108,000. At the time of disposal, the provision for depreciation was Rs 84,000.

The amount of gain/ loss at the time of the disposal of the plant would be

- A. gain of Rs 12,000
 - B. loss of Rs 24,000
 - C. loss of Rs 12,000
 - D. gain of Rs 24,000
38. Alina Traders had a machine costing Rs 500,000. After using it for three years, it was disposed for Rs 330,000 at a loss of Rs 20,000.

In the given scenario, the amount of accumulated depreciation (allowance for provision of depreciation) would be

- A. Rs 150,000
 - B. Rs 170,000
 - C. Rs 310,000
 - D. Rs 350,000
39. Ayan and Areej Traders charge depreciation on its non-current assets (fixed assets) costing Rs 400,000 at 25% reducing balance method.

The amount of book value after three years would be

- A. Rs 160,000
 - B. Rs 168,750
 - C. Rs 231,250
 - D. Rs 240,000
40. The following data is extracted from the books of F&D Associates at the time of the exchange of a machine.
- On January 01, the machine account had a balance brought down of Rs 2,350,000.
 - During the year, one of the machine costing Rs 800,000 and a book value of Rs 350,000 was exchanged with a new machine costing Rs 950,000. Trade in allowance was agreed to be Rs 250,000.

Based on the given information, the cost of the machine that would be reflected in the statement of financial position (balance sheet) is

(Note: business accounting year ends on 31st December)

- A. Rs 2,500,000
- B. Rs 2,350,000
- C. Rs 2,250,000
- D. Rs 2,200,000

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