

AGA KHAN UNIVERSITY EXAMINATION BOARD

SECONDARY SCHOOL CERTIFICATE

CLASS IX

ANNUAL EXAMINATIONS 2022

Principles of Accounting

Time: 1 hour 40 minutes Marks: 50

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 50 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"/>	<input type="radio"/> A	<input type="radio"/> B	<input checked="" type="radio"/>	<input type="radio"/> D
				2	<input type="radio"/> A	<input type="radio"/> B	<input checked="" type="radio"/> C
				3	<input type="radio"/> A	<input type="radio"/> B	<input checked="" type="radio"/>
				4	<input type="radio"/> A	<input type="radio"/> B	<input checked="" type="radio"/>

<u>Candidate's Signature</u>

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. The marks obtained on the 50 MCQs will be equated to the total marks of 75 for the theory examination results.
8. You may use a simple calculator if you wish.
9. Wherever new terminologies are mentioned their old terminologies are mentioned in the brackets for your assistance.

1. The purchase department of Star Furnitures bought furniture worth Rs 20,000 on account.

The account heads that will be affected by the given transaction are

- A. cash and furniture.
- B. cash and purchases.
- C. trade payables (accounts payable) and furniture.
- D. trade payables (accounts payable) and purchases.

2. In the month of August, an institution received registration fee of Rs 20,000 for an online course. The course will start from October.

The advance fee received will be treated by the institution as a

- A. current asset.
- B. current liability.
- C. non-current asset (fixed asset).
- D. long term liability (non-current liability).

3. The accountant of a departmental store forgot to include postage and stationary expense of Rs 1,200 in the books. The total sales and net profit of the store for the same year amounted to Rs 20,000,000 and Rs 800,000 respectively.

Upon examination, the auditors knowingly ignored this mistake on the basis of the accounting assumption of

- A. business entity.
- B. consistency.
- C. dual entry.
- D. materiality.

4. The amount of money paid to a supplier in advance will be treated by a business as its

- A. asset.
- B. capital.
- C. income.
- D. liability.

5. Assets and liabilities both will increase because of

- A. drawings by owner.
- B. payments to suppliers.
- C. purchase of equipment on credit.
- D. purchase of furniture on cash.

6. The resources that are owned and controlled by a business and are available for less than 1 year is known as

- A. current assets.
- B. intangible assets.
- C. investments.
- D. non-current assets.

7. Ahmed purchased goods of Rs 20,000 on credit from his friend, Absar.

The account heads that will be debited and credited in the books of Ahmed because of the given transaction are

	Account to be Debited	Account to be Credited
A	Purchases	Trade payable (account payable) - Absar
B	Trade payable (account payable) - Absar	Purchases
C	Purchases	Loan payable - Absar
D	Loan payable - Absar	Purchases

8. Which of the following will be recorded as a credit entry in an account?

- A. Decrease in capital
- B. Decrease in liabilities
- C. Increase in assets
- D. Increase in capital

9. Javed had the following assets and liabilities:

Account Title	Amount (Rs)
Equipment	10,000
Motor vehicle	8,000
Bank (credit balance)	2,000
Trade payables (accounts payable)	7,000
Trade receivable (accounts receivable)	5,000
Inventory	6,000

The amount of Javed's capital from the above information will be

- A. Rs 20,000
 - B. Rs 24,000
 - C. Rs 26,000
 - D. Rs 30,000
10. Ahmer prepared a document by listing the balances of all the account heads as on March 31, 2020.

This document is termed as

- A. general ledger.
- B. income statement.
- C. statement of financial position (balance sheet).
- D. trial balance.

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11. Muzzamil started a business by investing a bike worth Rs 30,000 and furniture for Rs 200,000.

If the total capital required to start the business operations is Rs 320,000, then the amount of cash Muzzamil should invest is

- A. Rs 120,000
- B. Rs 230,000
- C. Rs 550,000
- D. Rs 90,000

Use the given information to answer Q.12 and Q.13.

Following are the details related to a business at the end of the calendar year 2020:

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

12. The total amount of current-term liabilities of the business from the given information would be
- A. Rs 38,000
 - B. Rs 61,000
 - C. Rs 323,000
 - D. Rs 361,000
13. If the ending inventory is Rs 90,000, then the amount of gross profit of the business for the year would be
- A. Rs 222,000
 - B. Rs 248,000
 - C. Rs 352,000
 - D. Rs 442,000

14. The balancing amount of a trade payable account can be calculated as

- A. sum of all the values on the credit side of the account.
- B. sum of all the values on the debit side of the account.
- C. sum of credit side minus sum of debit side.
- D. sum of debit side minus sum of credit side.

15. The following extract of cash ledger appeared in the books of a business:

Cash Account				
Receipt			Payments	
16.01.2020	Additional investment	Rs 50,000		

The general entry that would have been made to record the given transaction would be

	Particulars	P.R.	Debit	Credit
A	Cash		50,000	
	Loan			50,000
B	Cash		50,000	
	Capital			50,000
C	Loan		50,000	
	Cash			50,000
D	Capital		50,000	
	Cash			50,000

16. Following details have been taken from the book of a business:

Account Title	January 01, 2020	December 31, 2020
Current assets	Rs 75,000	Rs 80,000
Non-current assets (fixed assets)	Rs 230,000	Rs 280,000
Total liabilities	Rs 70,000	Rs 70,000

The amount of net increase in capital of the business would be

- A. Rs 25,000
- B. Rs 35,000
- C. Rs 45,000
- D. Rs 55,000

17. Following ledger of trade payables (accounts payable) has been taken from the books of a business:

Trade Payables (Accounts Payable) Account					
03.12.2020	Cash and bank	Rs 120,000	01.01.2020	Balance b/d	Rs 200,000
			30.06.2020	Credit purchases	Rs 45,000
		Rs 245,000			Rs 245,000

From the given ledger, the amount of balance c/d would be

- A. Rs 120,000
 B. Rs 125,000
 C. Rs 245,000
 D. Rs 365,000
18. A retail store sold 10 kg of sugar for Rs 95 per kg on credit. The accounts that will be affected from this transaction in the books of retail store are
- A. cash and purchases.
 B. cash and sales revenue.
 C. trade receivables and purchases.
 D. trade receivables and sales revenue.
19. The section of the statement of financial position that will show the amount of trade receivables is
- A. current asset.
 B. current liability.
 C. non-current asset.
 D. owner's equity.
20. Noman sold goods to Arsalan for Rs 30,000 on credit.

The account heads that will be debited and credited in the books of Arsalan are

	Account to be Debited	Account to be Credited
A	Purchases	Cash
B	Purchases	Trade payable-Noman
C	Cash	Sales revenue
D	Trade receivable-Noman	Sales revenue

21. Which of the following will be written on the credit side of the trial balance?

- A. Advance to supplier
- B. Bank overdraft
- C. Cash in hand
- D. Discount allowed

22. The KEY objective of maintaining general journal is to

- A. check the accuracy of the financial information.
- B. find errors in recording financial transactions.
- C. have a systematic record of all financial transactions.
- D. maintain and control general ledger.

23. The following is the T-account of cash taken from the books of Nafees Traders:

Cash Ledger			
Balance	Rs 15,000	Rent expense	Rs 45,000
Sales	Rs 135,000	Purchases	Rs 65,000
Commission income	Rs 45,000	Salaries	Rs 15,000
		Supplies	Rs 10,000

The amount of cash carried forward will be

- A. Rs 15,000
- B. Rs 60,000
- C. Rs 135,000
- D. Rs 195,000

24. The extract of income statement of Atta Traders is as under:

Account Title	Amount (Rs)
Net sales revenue	187,500
Cost of sales (cost of goods sold)	150,000
Total operating expenses	17,500

As per the given information, the amount of net profit for Atta Traders would be

- A. Rs 20,000
- B. Rs 35,000
- C. Rs 37,500
- D. Rs 55,000

25. The following is the bank ledger of Shams Corporation:

Bank					
Date	Account	Folio	Debit (Rs)	Credit (Rs)	Balance (Rs)
June 01, 2016	Opening balance				150,000
June 03, 2016	Rent			25,000	125,000
June 05, 2016	Sales		45,000		170,000
June 07, 2016	Repairs			10,000	160,000
June 09, 2016	Apollo Traders		15,000		175,000
June 11, 2016	Furniture			35,000	140,000
June 30, 2016	Sales		25,000		

The running balance of bank ledger on June 30, 2016 will be

- A. Rs 15,000
- B. Rs 115,000
- C. Rs 150,000
- D. Rs 165,000

26. The following information has been extracted from ABS Traders:

- Opening stock Rs 15,000
- Purchases Rs 95,000
- Purchases return Rs 5,000
- Transportation in Rs 8,000
- Ending stock Rs 10,000

The amount of cost of goods sold is

- A. Rs 103,000
- B. Rs 113,000
- C. Rs 123,000
- D. Rs 133,000

27. The junior accountant of a retail outlet has prepared the following trial balance as on June 30, 2020. Few of the account heads have been posted wrongly by the accountant.

Account Title	Debit (Rs)	Credit (Rs)
Sales revenue	435,000	
Machinery	550,000	
Purchases		223,000
Cash	23,000	
Trade payables (accounts payable)		102,000
Trade receivables (accounts receivable)		119,000
Capital		423,000
Inventory July 01, 2019	45,000	

The account heads that have been wrongly posted by the accountant are

- A. capital, inventory and trade payables (accounts payable).
 B. cash, inventory and trade receivables (accounts receivable).
 C. cash, sales revenue and trade payables (accounts payable).
 D. sales revenue, purchases and trade receivables (accounts receivable).
28. Which of the following is considered as the source for preparing the trial balance?
- A. Bank statement
 B. Credit invoices
 C. Debit vouchers
 D. General ledgers
29. In order to extend the factory building, Alpha Sons purchased a piece of land on credit.
- The accounts that will show the effect of the given transaction are
- A. building and cash accounts.
 B. building and vendor payable accounts.
 C. purchase and cash accounts.
 D. purchase and vendor payable accounts.
30. The opening capital of the business was Rs 200,000 and the ending capital was Rs 280,000.

If other factors remain constant, then a raise in which of the following will cause an increase in capital?

- A. additional investment.
 B. drawings and liabilities.
 C. gross profit and net loss.
 D. liabilities.

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31. Anusha owns a general store. She sells her goods at a mark-up of 20%. She took 2 kg of sugar costing Rs 70 per kg for her own use.

The entry that will be made to record the given transaction would be

	Particulars	P.R.	Debit	Credit
A	Trade receivable (account receivable)		140	
	Sales			140
B	Trade receivable (account receivable)		168	
	Sales			168
C	Drawings		140	
	Purchases			140
D	Drawings		168	
	Purchases			168

32. A trader paid Rs 20,000 as documentation charges for the purchase of a vehicle. The vehicle will be used for business purpose.

The trader will treat the documentation charges as

- A. administrative expenditure.
 - B. capital expenditure.
 - C. revenue expenditure.
 - D. selling expenditure.
33. Hashim purchased a machine on January 01, 2014 for Rs 130,000.

It has an estimated life of 8 years after which it will be sold for Rs 10,000. Depreciation is calculated using the straight line method.

The net book value of machine at December 31, 2014 will be

- A. Rs 113,750
- B. Rs 115,000
- C. Rs 117,000
- D. Rs 120,000

34. A non-current asset has a cost of Rs 200,000 with an estimated useful life of 10 years and an estimated residual value of Rs 10,000.

At the end of the third year, the accumulated depreciation by straight line method would be

- A. Rs 19,000
 - B. Rs 20,000
 - C. Rs 57,000
 - D. Rs 60,000
35. The depreciable value of an asset is calculated by
- A. $(\text{cost} - \text{accumulated depreciation}) \div \text{life}$.
 - B. $(\text{cost} - \text{salvage value}) \div \text{life}$.
 - C. $\text{cost} - \text{accumulated depreciation}$.
 - D. $\text{cost} - \text{salvage value}$.
36. Following are the expenses incurred by a business:

- I. Wages paid for loading and unloading of machinery
- II. Salaries given to the factory security guard
- III. Annual license fee of the motor vehicle

The revenue expenditure(s) from the given expenses is/ are

- A. I and III.
 - B. I only.
 - C. II and III.
 - D. II only.
37. If an equipment is bought on credit for business use, then the equipment will be treated as
- A. current asset.
 - B. current liability.
 - C. non-current (fixed) asset.
 - D. non-current liability.

38. Zamir and Sons bought furniture costing Rs 500,000 on January 01, 2018. The business depreciates the furniture by straight line method. The life and scrap value of the furniture was estimated to be 10 years and Rs 20,000.

The amount of accumulated depreciation as on December 31, 2020 is

- A. Rs 96,000
- B. Rs 144,000
- C. Rs 356,000
- D. Rs 404,000

39. Following payments were made by Aneeqa Traders at the time of purchase of a machine on January 01, 2020:

Expense Incurred	Amount (Rs)
Purchase price of machine	840,000
Repair and maintenance cost	9,000
Transportation on machine	12,000
Fire insurance of machine	3,000
Foundation charges	8,000

The amount with which the machine will be recorded in the statement of financial position is

- A. Rs 840,000
 B. Rs 855,000
 C. Rs 857,000
 D. Rs 860,000
40. The depreciation charged on a computer amounted to Rs 20,000.
- This amount will be credited to the
- A. allowance for depreciation account.
 B. cash account.
 C. disposal account.
 D. depreciation account.
41. A business sold a machine at a cost of Rs 900,000. The business gave a discount of 5% on the tagged price and allowed a further discount of 2% if the payment is made within 20 days.

With reference to the given situation, the discounts given will be classified as

	5% Discount	2% Discount
A	cash discount	cash discount
B	trade discount	cash discount
C	cash discount	trade discount
D	trade discount	trade discount

42. In accounting, capital expenditures are treated as an
- A. asset and added to the cost of asset purchased.
 B. asset and are not added to the cost of asset purchased.
 C. expense and added to the cost of asset purchased.
 D. expense and are not added to the cost of asset purchased.

43. A business purchased a machinery at a cost of Rs 1,200,000. The business also paid capital expenditures of Rs 80,000 and incurred revenue expenditures of Rs 70,000.

The amount with which the machinery will be recorded in the statement of financial position (balance sheet) is

- A. Rs 1,200,000
 - B. Rs 1,270,000
 - C. Rs 1,280,000
 - D. Rs 1,350,000
44. Ashraf has been declared bankrupt by the court. Daniyal had to collect Rs 45,000 from Ashraf.

If court orders that Ashraf will pay only 40% of the amount due, then the entry that will be made in the books of Daniyal would be

	Particulars	P.R.	Debit	Credit
A	Cash		18,000	
	Bad debt expense		27,000	
	Trade receivable – Ashraf			45,000
B	Cash		27,000	
	Bad debt expense		18,000	
	Trade receivable – Ashraf			45,000
C	Trade receivable – Ashraf		45,000	
	Cash			18,000
	Bad debt expense			27,000
D	Trade receivable – Ashraf		45,000	
	Cash			27,000
	Bad debt expense			18,000

45. If the provision for doubtful debt decreases, then all of the following would increase EXCEPT
- A. current asset.
 - B. gross profit.
 - C. net profit.
 - D. net value of trade receivables.

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46. The book value of an asset can be calculated through
- accumulated depreciation – cost.
 - cost – accumulated depreciation.
 - cost – residual value.
 - residual value – cost.
47. The following balances have been extracted from the summary of trade receivables (account receivables) of Saleem Associates:

Account Title	Amount (Rs)
Provision (allowance) for bad debts as on January 01, 2020	8,500
Trade receivables (accounts receivable) as on January 01, 2020	170,000
Trade receivables (accounts receivable) as on December 31, 2020	210,000

It is the policy of the business to charge provision (allowance) for bad debts (doubtful debts) at 5% of the trade receivables balance.

The entry of provision (allowance) for bad debt as on December 31, 2020 would be made by the amount of

- Rs 1,750
 - Rs 2,000
 - Rs 8,500
 - Rs 8,750
48. The item that is present in the statement of financial position (balance sheet) is
- capital expenditures.
 - gross profit.
 - revenue expenditures.
 - sales revenue.
49. Following are the details related to the trade receivables (accounts receivable) of Ashar Enterprises:

Account Title	Amount (Rs)
Trade receivables balance as on December 31, 2020	920,000
Allowance (provision) for doubtful (bad) debts as on January 01, 2020	9,000

If the allowance (provision) for doubtful (bad) debt is to be increased by Rs 1,200, then the value of allowance for doubtful (bad) debts in the statement of financial position would be

- Rs 1,200
- Rs 7,800
- Rs 9,000
- Rs 10,200

50. Following expenditures were paid by Tasleem at the time of purchase of a machine:

- Salary of Rs 30,000 paid to the factory's security guard.
- Wage of Rs 20,000 paid to the loader for placing the machine.
- The mason was paid Rs 20,000 for the foundation of machine surface.
- Professional fee of Rs 10,000 paid to the expert for training factory staff.

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

	Particulars	P.R.	Debit	Credit
A	Machine		30,000	
	Cash			30,000
B	Cash		30,000	
	Machine			30,000
C	Machine		50,000	
	Cash			50,000
D	Cash		50,000	
	Machine			50,000

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