

AGA KHAN UNIVERSITY EXAMINATION BOARD

SECONDARY SCHOOL CERTIFICATE

CLASS X

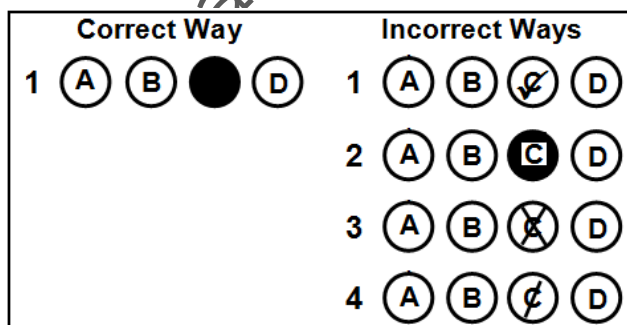
ANNUAL EXAMINATIONS 2022

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.



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. 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 following details are related to the assets of Rida Enterprises as on January 01, 2020:

Account Title	Amount (Rs)
Trade receivables	210,000
Provision for doubtful debts (bad debts)	14,700

The trade receivables as on December 31, 2020 amounted to Rs 190,000 and the business charges provision for doubtful debt at 7% of trade receivable balance.

The amount of net trade receivables on December 31, 2020 would be

- A. Rs 166,200
 B. Rs 176,700
 C. Rs 187,200
 D. Rs 195,300
2. The BASIC reason for maintaining provision for doubtful debt (bad debt) is to
- A. ascertain actual amount of profit.
 B. decrease tax liability.
 C. increase trade receivables.
 D. promote sales.
3. All of the following conditions will decrease the value of assets EXCEPT
- A. bad debt expense.
 B. bad debt recovered.
 C. bad debt written off.
 D. depreciation expense.
4. The given table represents the schedule of trade receivables maintained by Absaar Traders:

Period	Age of Trade Receivables	Amount Due
I	1-30 days	Rs 90,000
II	31-60 days	Rs 90,000
III	61-90 days	Rs 90,000
IV	90 + days	Rs 90,000

As per the aging method of charging provision for doubtful debts (bad debts), the period with the highest amount of doubtful debts (bad debts) is

- A. I
 B. II
 C. III
 D. IV

5. Aging of trade receivables means arranging customers based on
 - A. the age of an outstanding invoice.
 - B. the number of credit transactions with the business.
 - C. the number of years of affiliation with the business.
 - D. their ages or seniority.

6. Lubna Traders collected Rs 9,000 from a customer. The account of the customer was previously written off as a bad debt.

The general entry that will be made to show the net effect of the given transaction would be

	Account to be Debited	Account to be Credited
A	Cash	Bad debt recovered/ provision for doubtful (bad) debt
B	Bad debt recovered/ provision for doubtful (bad) debt	Cash
C	Cash	Sales revenue
D	Sales revenue	Cash

7. Which of the following assets is NOT depreciated normally?
 - A. Building
 - B. Equipment
 - C. Furniture
 - D. Land

8. At the time of recording of depreciation, depreciation expense is recorded as debit because of increase in expenses whereas the provision for depreciation is recorded as credit because it increases the value of
 - A. revenue.
 - B. capital.
 - C. contra asset.
 - D. liability.

9. The method of charging depreciation that is NORMALLY applied, on the basis of usage of an asset during a particular year is known as
 - A. diminishing balance method.
 - B. production method.
 - C. straight line method.
 - D. sum of the year digit method.

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10. Due to liquidity issues, a business decided to decrease the percentage of credit sales. As a result, the amount of provision for doubtful debts (bad debts) in the current year decreased.

Assuming that there are no changes in trade receivables, during the year, the general entry for recording the decrease in provision for doubtful debts (bad debts) would then be

	Account to be Debited	Account to be Credited
A	Bad debts expense	Bad debt recovered
B	Bad debts recovered	Provision for doubtful debts (bad debts)
C	Bad debt recovered	Bad debts expense
D	Provision for doubtful debts (bad debts)	Bad debts recovered

11. A business bought a machine costing Rs 275,000. The date of purchase of the machine is July 01, 2018 and the useful life of the machine is 10 years. The business uses sum of the year digit method for charging depreciation and the accounting year ends on December 31 each year.

Based on the given situation, the amount of depreciation on the machine for the year 2019 would be

- A. Rs 22,500
 - B. Rs 25,000
 - C. Rs 45,000
 - D. Rs 47,500
12. Hansa Associates disposed off a machine that resulted in a loss of Rs 9,000.

This loss will result in decrease in

- A. gross profit.
 - B. net profit.
 - C. operating expense.
 - D. sales revenue.
13. A business sold a non-current asset costing Rs 900,000 at a gain of Rs 35,000.

Based on the given situation, the amount of gain will be

- A. debited against cash account.
- B. debited against accumulated depreciation account.
- C. credited against machine account.
- D. credited against disposal account.

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

Johar Manufacturers bought a machine costing Rs 880,000. The machine can be used to produce 220,000 units in a life span of 10 years.

The production of the machine for the first three years are as under:

Year	Units produced
2019	20,000
2020	35,000
2021	28,000

14. Based on the given situation, the amount of accumulated depreciation on the machine as on December 31, 2021 would be
- A. Rs 112,000
 B. Rs 220,000
 C. Rs 332,000
 D. Rs 548,000
15. At the end of the year 2021, Johar Manufacturers exchanged the existing machine with a new machine. The cost of the new machine was Rs 1,020,000 and the old machine was exchanged at a loss of Rs 40,000.

Based on the given situation, the agreed trade in allowance and the amount of cash to be paid would be

	Trade in Allowance	Cash to be Paid
A	Rs 508,000	Rs 512,000
B	Rs 508,000	Rs 472,000
C	Rs 588,000	Rs 512,000
D	Rs 588,000	Rs 472,000

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16. Anzul Associates sold an old machine costing Rs 980,000 at Rs 640,000, respectively.

If the machine is sold at a gain of Rs 20,000, then the general entry to record the disposal of machine would be

	Particulars	P.R.	Debit	Credit
A	Cash		640,000	
	Accumulated depreciation		360,000	
	Gain on disposal			20,000
	Machine			980,000
B	Machine		980,000	
	Gain on disposal		20,000	
	Cash			640,000
	Accumulated depreciation			360,000
C	Cash		620,000	
	Accumulated depreciation		380,000	
	Gain on disposal			20,000
	Machine			980,000
D	Machine		980,000	
	Gain on disposal		20,000	
	Cash			620,000
	Accumulated depreciation			380,000

17. A computer costing Rs 60,000 and having an accumulated depreciation of Rs 20,000 was sold in the market.

If it was sold at a loss of Rs 5,000, then the cash collected at the time of disposal would be

- A. Rs 15,000
- B. Rs 25,000
- C. Rs 35,000
- D. Rs 45,000

18. Handband Manufacturers produces handbands in bulk. The machine that produces the handbands is depreciated by using units produced method. Details about the usage of the machine is as under:

Account Title	
Acquisition cost of machine	Rs 1,200,000
Date of purchase	January 01, 2018
Life of machine	2,300,000 units
Scrap value	Rs 50,000
Handbands produced in 2018	80,000 units
Handbands produced in 2019	110,000 units
Handbands produced in 2020	100,000 units

On December 31, 2020, Handband Manufacturer disposed this machine at a gain of Rs 25,000.

What would be the amount of cash received by Handband Manufacturer against the disposal?

- A. Rs 1,005,000
 B. Rs 1,030,000
 C. Rs 1,055,000
 D. Rs 1,080,000
19. The gain on sale of a fixed asset is shown in an income statement under
- A. cost of sales.
 B. gross profit.
 C. other incomes.
 D. sales revenue.
20. The following amount of trade receivables appeared in the books of Sheena Traders:

Account Title	Amount (Rs)
Trade receivable as on January 01, 2021	190,000
Trade receivable as on December 31, 2021	210,000

Business maintains the provision for doubtful debts (bad debts) at 2% of trade receivable balance.

If the provision for doubtful debts (bad debts) on January 01, 2021 amounted to Rs 3,800, then the amount of provision that would be shown in the statement of financial position on December 31, 2021 is

- A. Rs 3,400
 B. Rs 3,800
 C. Rs 4,200
 D. Rs 400

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21. At the time of preparing closing entries, the item of statement of financial position that will be closed is
- A. provision for doubtful debts (bad debts).
 - B. provision for depreciation.
 - C. drawing account.
 - D. unearned commission.

Use the given information to answer Q.22, Q.23 and Q.24.

Following is the extract of a trial balance:

Account Title	Amount (Rs)
Salaries expense	42,000
Interest income	19,000
Trade receivables	150,000

Data for adjustment as on December 31, 2021:

- Salaries for the year amounted to Rs 48,000
 - Interest income for the year was Rs 24,000
 - Bad debt is to be charged at 2% on year-end balance
22. If the unadjusted profit for the year amounted to Rs 93,000, then based on the given situation the amount of adjusted profit would be
- A. Rs 79,000
 - B. Rs 89,000
 - C. Rs 91,000
 - D. Rs 97,000
23. If the net current liabilities before adjustment amount to Rs 147,000, then based on the given situation the amount of adjusted net current liabilities would be
- A. Rs 139,000
 - B. Rs 141,000
 - C. Rs 147,000
 - D. Rs 153,000
24. If the net current assets before adjustment amount to Rs 183,000, then based on the given situation the amount of adjusted net current assets would be
- A. Rs 169,000
 - B. Rs 174,000
 - C. Rs 179,000
 - D. Rs 185,000

25. The trial balance of Nimsay Traders showed the amount of rent expense as Rs 54,000, whereas the data for adjustment showed rent expense for the year as Rs 63,000.

Based on the given situation, the adjusting entry that will be made at the end of the year will be

	Particulars	P.R.	Debit	Credit
A	Rent expense		9,000	
	Rent payable			9,000
B	Rent expense		9,000	
	Cash			9,000
C	Rent expense		9,000	
	Prepaid rent			9,000
D	Prepaid rent		9,000	
	Rent payable			9,000

Use the given information to answer Q.26 and Q.27.

On October 01, 2021, Misha Associates paid an advance rent of Rs 96,000. This rent is paid for a period of eight months.

26. The amount of rent that will be shown in the income statement of Misha Associates on December 31, 2021, would be

- A. Rs 12,000
 B. Rs 36,000
 C. Rs 60,000
 D. Rs 96,000

27. If on October 01, 2021 rent was recorded as prepaid, then on December 31, 2021, the account heads that would be debited and credited in the books of Misha Associates are

	Account to be Debited	Account to be Credited
A	Prepaid rent	Cash
B	Rent expense	Prepaid rent
C	Prepaid rent	Rent expense
D	Rent payable	Cash

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28. In the statement of financial position, the net value at which a non-current asset is recorded after using it for three years would be referred to as a
- cost price.
 - book value.
 - trade in value.
 - disposable value.
29. With reference to accounting for non-current assets, all of the following account heads are shown in the statement of financial position EXCEPT for
- cost of the asset.
 - book value of the asset.
 - depreciation for the year.
 - accumulated depreciation.
30. Following information is related to a business at the end of the year:

Account Title	Amount (Rs)
Gross profit	150,000
Trade receivables	45,000
Total unadjusted expense	65,000
Provision for doubtful debts opening balance	4,000

The provision for doubtful debts (bad debts) is adjusted at 10% of the trade receivable balance.

From the given information, the amount of adjusted net profit is

- Rs 80,500
- Rs 81,000
- Rs 84,500
- Rs 85,000

31. The following balances are extracted from the books of Al-Hamra Traders:

- Prepaid Insurance Rs 45,000

If the data for adjustment shows prepaid insurance of Rs 25,000, then the adjusting entry for the insurance will be

	Particulars	P.R.	Debit	Credit
A	Insurance expense		20,000	
	Insurance payable			20,000
B	Prepaid insurance		20,000	
	Insurance expense			20,000
C	Insurance payable		20,000	
	Insurance expense			20,000
D	Insurance expense		20,000	
	Prepaid Insurance			20,000

Use the given information to answer Q.32 and Q.33.

The details related to trade receivables as on January 01, 2021, are as under:

Account Title	Amount (Rs)
Trade receivables	135,000
Provision for doubtful debts (bad debts)	1,350

It is the policy of a business to charge provision for doubtful debts (bad debts) at 1% at year-end trade receivable balance. The trade receivables at the end of the year amounted to Rs 198,000.

32. The value of trade receivable that will be shown in the statement of financial position as on December 31, 2021 would be
- Rs 194,670
 - Rs 196,020
 - Rs 196,650
 - Rs 197,370
33. The amount of bad debt expense that will be shown in the income statement of business for the year ending December 31, 2021, would be
- Rs 1,350
 - Rs 1,980
 - Rs 3,330
 - Rs 630

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34. Abhnar Traders received a commission income of Rs 24,000 on June 01, 2021, recorded as income. This amount is received for the month of June, July and August.

Based on the given situation, the adjusting entry that will be made on June 30, 2021, for the commission would be

	Particulars	P.R.	Debit	Credit
A	Cash		24,000	
	Commission income			24,000
B	Commission income		24,000	
	Unearned commission			24,000
C	Cash		16,000	
	Commission income			16,000
D	Commission income		16,000	
	Unearned commission			16,000

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

The unadjusted net profit of a business amounted to Rs 98,000. Following errors were identified in the records of the business.

- I. Rent paid of Rs 9,000 was posted in the cash account as Rs 900.
- II. Carriage inward was recorded in the books as Rs 8,700 instead of Rs 7,800.
- III. Sales commission of Rs 3,800 was recorded in the books as commission income.
- IV. Furniture costing Rs 100,000 was purchased during the year and recorded in the books, but depreciation of Rs 3,000 on the furniture was not charged in the records.

35. All of the given errors exemplifies book keeping errors EXCEPT

- A. I.
- B. II.
- C. III.
- D. IV.

36. After rectification of the given errors, the adjusted net profit of the business would be

- A. Rs 80,200
- B. Rs 82,200
- C. Rs 88,300
- D. Rs 92,100

37. A customer returned goods worth Rs 10,000 to a business. The accountant wrongly recorded this entry as purchase return debit and customer account credit.

The entry that will rectify the given error would be

	Particulars	P.R.	Debit	Credit
A	Sales return		10,000	
	Purchases return			10,000
B	Purchases return		10,000	
	Sales return		10,000	
	Trade receivable			20,000
C	Purchases return		10,000	
	Sales return			10,000
D	Trade receivable		20,000	
	Purchases return			10,000
	Sales return			10,000

38. A business paid Rs 2,000 for the repair and maintenance of a machine. The accountant of the business recorded the expense as capital expenditure instead of revenue expenditure.

The error made by the accountant is known as the error of

- A. commission.
- B. compensation.
- C. complete reversal.
- D. principle.

39. Neerfa Associates did not record the credit purchase of Rs 23,000 in their books.

The general entry that will be made in the given situation would be

	Particulars	P.R.	Debit	Credit
A	Purchases		23,000	
	Trade payables			23,000
B	Purchases		23,000	
	Suspense account			23,000
C	Trade payables		23,000	
	Purchases			23,000
D	Suspense account		23,000	
	Purchases			23,000

40. A furniture (a non-current asset) sold for Rs 90,000 was erroneously recorded as sales revenue.

The general entry that will be made to correct the given error would be

	Particulars	P.R.	Debit	Credit
A	Sales revenue		90,000	
	Suspense account			90,000
B	Furniture		90,000	
	Sales revenue			90,000
C	Sales revenue		90,000	
	Furniture			90,000
D	Suspense account		90,000	
	Sales revenue			90,000

41. Read the following entries:

- I. wrong entry
- II. correct entry
- III. closing entry
- IV. corrected entry

The last entry that is made to CORRECT an accounting error is

- A. I.
- B. II.
- C. III.
- D. IV.

42. Taleem Associates bought a new machine on credit for business purpose. This entry was recorded in the books as purchases debit and cash credit

The general entry that will be made to correct the given error would be

	Particulars	P.R.	Debit	Credit
A	Machine		****	
	Cash		****	
	Purchases			****
	Vendor payable			****
B	Purchases		****	
	Vendor payable		****	
	Machine			****
	Cash			****
C	Machine		****	
	Purchases			****
D	Purchases		****	
	Machine			****

43. Which of the following errors result in the creation of a suspense account?

- A. Error of casting
- B. Error of commission
- C. Error of complete reversal
- D. Error of original entry

44. Which of the following errors is an example of 'incomplete reversal'?
- A. Furniture purchased on account is recorded as purchases debit and cash credit.
 - B. Goods purchased on cash is recorded as purchases debit and cash debit.
 - C. Interest received is recorded as interest income debit and bank credit.
 - D. Salaries paid is recorded as bank debit and salaries credit.
45. The ending balance of a trial balance is as under.

Debit balance	Rs 98,300
Credit balance	Rs 83,900

If salaries paid of Rs 6,700 has been posted in salaries expense account as Rs 7,600, then the ending balance of the suspense account would be

- A. Rs 13,500 credit.
 - B. Rs 13,500 debit.
 - C. Rs 15,300 credit.
 - D. Rs 15,300 debit.
46. The extract of a trial balance and a cash book is as under:

Trial Balance		
As on December 31, 2021		
	Debit Column (Rs)	Credit Column (Rs)
Total	178,000	179,500

The difference in the trial balance is due to non-transfer of the following discounts in the general ledger.

Cash Book		
	Discount Allowed (Rs)	Discount Received (Rs)
Total	2,300	800

What would be the adjusted balance of suspense account 'after posting' the given discounts?

- A. Nil
- B. Rs 800
- C. Rs 1,500
- D. Rs 2,300

47. Following errors were identified in the books of Anees Traders at the end of 2021:

Error I: Salaries paid in advance amounting to Rs 7,600 was not recorded in the books.

Error II: Goods sold to Absar Traders amounting to Rs 19,000 was charged to Abner Traders account.

Error III: Purchase of furniture costing Rs 18,000 was recorded in the books at Rs 180,000.

Error IV: Goods purchased from Muniba Associates for Rs 8,000 was recorded as purchases debit of Rs 8,000 and Muniba Associates credit of Rs 800.

Which of the given errors will affect the agreement of trial balance of Anees Traders?

- A. Error I
- B. Error II
- C. Error III
- D. Error IV

48. If the cost of sales (cost of goods sold) is overstated, then this will

- A. overstate gross profit.
- B. overstate total equity.
- C. understate net profit.
- D. understate total asset.

49. The accountant of a business posted the purchase returns of Rs 2,500 in the books as sales returns.

If the unadjusted gross profit of the business amounted to Rs 97,500, then based on the given situation, the adjusted gross profit for the business would be

- A. Rs 100,000
- B. Rs 102,500
- C. Rs 92,500
- D. Rs 95,000

50. Aarfeen Associates mistakenly recorded goods sold on credit of Rs 19,100 to Sajideen Traders as Rs 11,900.

The accounting error made by Aarfeen Associates is known as

- A. error of commission.
- B. error of omission.
- C. error of original entry.
- D. error of principle.

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