

AGA KHAN UNIVERSITY EXAMINATION BOARD

HIGHER SECONDARY SCHOOL CERTIFICATE

CLASS XII

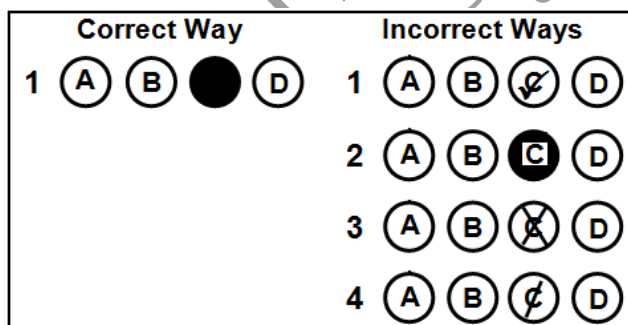
ANNUAL EXAMINATIONS (THEORY) 2023

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.



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.
8. You may use a scientific calculator if you wish.
9. Wherever new terminologies are mentioned their old terminologies are mentioned in the brackets for your assistance.

1. Following are the details related to a business that does not keep complete accounting records.

Description	Amount (Rs)
Capital at start	540,000
Net profit for the year 2020	260,000
Capital at end	950,000

If there were no drawings during the year, then the amount of additional investment for the year would be

- A. Rs 150,000
 B. Rs 280,000
 C. Rs 410,000
 D. Rs 670,000
2. Which of the given formula is CORRECT for calculating net purchases?
- A. net purchases = gross purchases + discount allowed + purchase return
 B. net purchases = gross purchases – discount allowed – purchase return
 C. net purchases = gross purchases + discount received + purchase return
 D. net purchases = gross purchases – discount received – purchase return
3. An inexperienced accountant of Kiran Traders made the following capital account.

Capital					
01.01.2016	Balance b/d	130,000	30.06.2016	Investment	50,000
30.09.2016	Drawings	30,000	31.12.2016	Balance c/d	230,000
		<u>160,000</u>			<u>280,000</u>

The CORRECT amount of net profit that will be calculated by the experienced accountant would be

- A. Rs 20,000
 B. Rs 80,000
 C. Rs 120,000
 D. Rs 150,000

4. Amar is a small retailer and follows a single entry system. Information about the trade receivables (accounts receivable) is as under:

Account Title	Amount (Rs)
Credit sales	420,000
Sales returns	12,000
Discount allowed	3,500
Bad Debts written off	1,500
Trade receivables (accounts receivable) on January 01, 2022	260,000
Trade receivables (accounts receivable) on December 31, 2022	280,000

The total amount of cash received by Amar during the year ending December 31, 2022 would be

- A. Rs 383,000
 B. Rs 388,000
 C. Rs 417,000
 D. Rs 423,000
5. Following details have been taken from the books of a business that follows the single entry system.

Account Title	Amount (Rs)
Capital at end	1,460,000
Capital at start	1,450,000
Net Profit	110,000
Drawings	300,000

The amount of additional investment would be

- A. Rs 160,000
 B. Rs 180,000
 C. Rs 200,000
 D. Rs 220,000

6. Star Confectionary is a small store. The business does not maintain complete books of accounts. The following information has been taken from the records of the business for the year ended on December 31, 2022.

Account Title	Amount (Rs)
Trade receivables (accounts receivable) on January 01, 2022	480,000
Trade receivables (accounts receivable) on December 31, 2022	522,000
Cash collected from credit customers	375,000
Discount allowed	8,000
Bad debts written off	4,000

As per the given information, the amount of credit sales would be

- A. Rs 429,000
- B. Rs 405,000
- C. Rs 345,000
- D. Rs 321,000

Use the following information to answer Q.7 and Q.8.

The following account appeared in the financial records of Moon Hockey Club for the month ended July 30, 2020:

Receipt and Payment Account					
01.07.20	Balance B/d	5,000	05.07.20	Machine purchased	40,000
15.07.20	Subscription – 2019 (receivable)	3,000	10.07.20	Salaries to manager	6,000
20.07.20	Subscription – 2020	44,000	25.07.20	Printing and stationary	2,000
30.07.20	Subscription – 2021 (advance)	6,000	30.07.20		

7. Another name for the given account is
- A. cash book.
 - B. statement of affairs.
 - C. statement of accumulated funds.
 - D. income and expenditure account.
8. The carried forward balance of the given account would be
- A. Rs 10,000
 - B. Rs 48,000
 - C. Rs 58,000
 - D. Rs 106,000

9. In a non-profit organisation, the deficit results when the
- income is less than the expenditure.
 - income is greater than the expenditure.
 - receipts are less than the payments.
 - receipts are greater than the payments.
10. Following details related to annual subscription of members have been taken from the books of Atta Sports Club for the year ended on December 31, 2022.

Account Title	Amount (Rs)
Subscription received in arrears for the year 2021	20,000
Subscription received for the year 2022	220,000
Subscription received in advance for the year 2023	25,000
Total subscription received during the year	265,000

The amount of subscription that will be shown in income and expenditure account and statement of affairs of Atta Sports Club on December 31, 2022 would be

	Income and Expenditure	Statement of Affairs
A	Rs 220,000	Rs 25,000
B	Rs 265,000	Rs 45,000
C	Rs 215,000	Rs 5,000
D	Rs 175,000	Rs 20,000

11. An accrued expense is shown in the income and expenditure account and statement of affairs as

	Income and Expenditure Account	Statement of Affairs
A	added to the expenditure side	added to the current assets
B	deducted from the expenditure side	deducted from the current assets
C	added to the expenditure side	added to the current liabilities
D	deducted from the expenditure side	deducted from the current liabilities

12. The following is the payment side of the receipts and payment account maintained by a library (non-profit organisation) for the year ended on June 30, 2022.

Payments	
Bookshelves purchased	63,000
Computer for library	40,000
Rent expense	27,000
Salaries expense	12,000
Prepaid advertisement	10,000

The total amount that will be shown in the expenditure column of the library is

- A. Rs 39,000
 B. Rs 49,000
 C. Rs 79,000
 D. Rs 89,000
13. The details related to two businesses are as under:

Account Title	Kaleem Traders	Khalid Associates
Current assets	Rs 40,000	Rs 55,000
Non-current assets	Rs 320,000	Rs 280,000
Current liabilities	Rs 22,000	Rs 15,000
Long-term liabilities	Rs 130,000	Rs 105,000

Kaleem Traders and Khalid Associates are planning to merge their businesses.

If both the businesses agree to take all the assets and liabilities of individual businesses, then the net worth of the firm after the merger would be

- A. Rs 272,000
 B. Rs 423,000
 C. Rs 695,000
 D. Rs 967,000

14. If a partner withdraws cash of Rs 12,000 from a business, then under the fluctuating capital method it will be
- credited to the partner's capital account.
 - credited to the partner's current account.
 - debited to the partner's capital account.
 - debited to the partner's current account.

15. Anees and Hashim are partners in a firm. Following are the details of the capital balance of the partners

Partner	As on January 01	As on December 31
Capital – Anees	Rs 200,000	Rs 300,000
Capital – Hashim	Rs 300,000	Rs 400,000

The net profit earned by the business amounted to Rs 100,000.

(**Note:** The ending capital is unadjusted capital.)

If profit and loss distribution has not been agreed between Anees and Hashim, then the profit/loss will be shared by the partners on the basis of

- equal proportion.
 - ending capital proportion.
 - average capital proportion.
 - opening capital proportion.
16. Kaleem and Samad are partners in a firm with an agreed ratio of 2:1. They decided to admit Mubeen as their new partner.

If Mubeen is admitted for $\frac{1}{4}$ th interest, then the new profit-sharing ratio between Kaleem, Samad and Mubeen would be

- 1:1:1
 - 2:1:1
 - 2:1:4
 - 1:2:1
17. A and B are partners in a firm. They agreed to admit C as a new partner in the firm.
- If A and B are not willing to reduce their capital and new partner share of capital is greater than his amount of investment, then the method of admission is termed as the
- bonus method.
 - goodwill method.
 - revaluation method.
 - sufficient cash method.

18. Aleen and Tabeen are partners in a firm with capital investments of Rs 200,000 and Rs 300,000, respectively.

Both the partners agreed to the following entitlements:

	Aleen	Tabeen
Annual salary	Rs 60,000	Rs 90,000
Interest on capital	6%	4%
Profit/ loss sharing ratio	60%	40%

The undistributed profit for the year amounted to Rs 300,000.

In the situation, the share of profit received by Aleen would be

- A. Rs 75,600
 B. Rs 87,600
 C. Rs 147,600
 D. Rs 347,600
19. Under fixed capital method of partnership accounts, the additional investment by a partner will be credited to his/ her
- A. cash account.
 B. current capital account.
 C. capital account.
 D. profit and loss account.
20. All of the following accounts are maintained under accounting for partnership EXCEPT
- A. realisation account.
 B. revaluation account.
 C. share capital account.
 D. partner's current account.
21. Ham and Tan are partners in a firm having capital of Rs 200,000 and 250,000, respectively. They agreed to admit Zin into the firm.

If Ham and Tan are not willing to reduce their capital, then the CORRECT option that identifies the condition for admission and beneficiary is

	Condition	Beneficiary
A	bonus	Zin
B	bonus	Ham and Tan
C	goodwill	Zin
D	Goodwill	Ham and Tan

22. Shams and Qamar are partners in a firm having capital of Rs 300,000 and Rs 450,000 respectively. Tariq bought $\frac{2}{5}$ th share of Shams by paying Rs 150,000 to him directly. Tariq also bought $\frac{1}{9}$ th share from Qamar by directly paying him Rs 70,000.

After the admission of Tariq, the amount of capital of each partner that will be reflected in the statement of financial position of the firm would be

	Capital - Shams	Capital - Qamar	Capital - Tariq
A	Rs 300,000	Rs 450,000	Rs 220,000
B	Rs 150,000	Rs 380,000	Rs 220,000
C	Rs 180,000	Rs 400,000	Rs 170,000
D	Rs 420,000	Rs 500,000	Rs 170,000

23. At the time of admission of a partner, the amount of goodwill brought in by the new (incoming) partner is treated as a/an
- current asset.
 - intangible asset.
 - current liability.
 - long term liability.
24. Which of the following will be considered as a MOST suitable source of finance for a partnership firm?
- Loan obtained from bank
 - Disposal of fixed assets
 - Receipts from issue of shares
 - Admission of new partner.
25. Ziana and Co. returned the excess amount of money received against the initial public offer. The account title that will be debited by Ziana and Co. as a result of the given transaction is
- bank.
 - sales return.
 - share capital.
 - share application.

26. Imran Limited issued 50,000 shares of Rs 10 at Rs 9 each.

The general entry that will be made to record the given issue of shares is

	Particulars	P.R.	Debit	Credit
A	Bank		500,000	
	Share capital			500,000
B	Bank		500,000	
	Share discount			50,000
	Share capital			450,000
C	Bank		450,000	
	Share discount		50,000	
	Share capital			500,000
D	Bank		500,000	
	Share application			500,000

27. Which of the following CORRECTLY differentiates between public limited and private limited company with reference to the number of shareholders?

	Public Limited Company	Private Limited Company
A	minimum 2, maximum 20	minimum 7, maximum 50
B	minimum 7, maximum unlimited	minimum 2, maximum 50
C	minimum 7, maximum 20	minimum 7, maximum unlimited
D	minimum 7, maximum 50	minimum 2, maximum 50

28. The accounts department of Aliyan Limited has observed that there is a decrease in the advertising expense of the company.

If sales revenue remains the same, then this decrease in expense will increase all of the following EXCEPT

- A. gross profit.
 - B. profit after tax.
 - C. operating profit.
 - D. profit before tax.
29. The expression that can be used to calculate the operating profit (i.e., earnings before interest and tax) of a company is
- A. sales revenue – cost of sales.
 - B. sales revenue + cost of sales.
 - C. sales revenue + cost of sales – operating expense.
 - D. sales revenue – cost of sales – operating expense.
30. Taha Limited issued 100,000 ordinary shares of Rs 10 @ Rs 11. The bank informed the company that applications for 107,000 shares have been received.

With reference to the issue and subscription, the shares of Taha Limited have been issued at

- A. par and are oversubscribed.
 - B. par and are undersubscribed.
 - C. premium and are oversubscribed.
 - D. premium and are undersubscribed.
31. The retained earning account of a company had an opening balance of Rs 160,000.
- If there are no changes in retained earnings except for the net loss of Rs 16,000, then the ending balance of the retained earnings would be
- A. Rs 16,000
 - B. Rs 144,000
 - C. Rs 160,000
 - D. Rs 176,000

32. Share premium is described as the

- A. face value of a share received by the company.
- B. money received by a company below the face value of the share.
- C. excess money received by a company over the face value of the share.
- D. excess money that is returned by a company after the finalisation of allotment.

33. All of the following are the objectives of cash flow statements EXCEPT that it

- A. helps in predicting future cash flows.
- B. increases sales revenue of the business.
- C. assists in assessing liquidity of the business.
- D. provides necessary information to users of the financial statements.

PLEASE TURN OVER THE PAGE

34. Ashir Limited disposed off a machine at Rs 180,000. At the time of the disposal the book value of machine was Rs 170,000.

The sale proceed of machine will be shown in the cash flow statement under

- A. financing activity.
- B. investing activity.
- C. operating activity.
- D. CSR (corporate social responsibility) activity.

35. A business sold a machine (non-current asset) for Rs 200,000 on cash.

In the cash flow statement, the given transaction will be shown as an

- A. inflow under investing activities.
- B. outflow under investing activities.
- C. inflow under financing activities.
- D. outflow under financing activities.

36. Ilhaam Limited earned dividend income of Rs 20,000. This income has not been received by the company till year end on December 31, 2021.

Based on the given information, non-received dividend will be shown in the cashflow statement under

- A. operating activity.
- B. investing activity.
- C. financing activity.
- D. cash and cash equivalent.

37. The demerit that is TRUE for FIFO (first in first out) inventory system is that it tends to

- A. overstate gross margin especially during deflation.
- B. overstate gross margin especially during high inflation.
- C. understate gross margin especially during economic growth.
- D. understate gross margin especially during economic development.

38. Salman opened a gift shop on April 01, 2022. During the year ended March 31, 2023, he purchased 12,000 gift items for a total Rs 60,000. He then sold 9,000 gift items for Rs 8 each.

The amount of cost of sales (cost of goods sold) for Salman at the end of the year would be

- A. Rs 15,000
- B. Rs 45,000
- C. Rs 72,000
- D. Rs 96,000

Use the following information to answer Q.39 and Q.40.

The inventory record of a retail store is as under:

Product	Cost (Rs)	Net Realisable Value (Rs)
I	6,000	5,800
II	3,000	3,200
III	7,000	7,300
IV	8,300	8,200
	24,300	24,500

39. If the business uses the lower of the cost or net realisable value concept, then the accounting concepts that are followed by the business are
- A. matching and prudence concepts.
 - B. matching and consistency concepts.
 - C. prudence and going concern concepts.
 - D. consistency and going concern concepts.
40. With reference to the concept of the lower of the cost or net realisable value concept, the amount of inventory that will be shown in the statement of financial position of the business would be
- A. Rs 24,000
 - B. Rs 24,300
 - C. Rs 24,500
 - D. Rs 24,800

END OF PAPER

Please use this page for rough work

AKU-EB
Annual Examination 2023 for
Teaching and Learning only

Please use this page for rough work

AKU-EB
Annual Examination 2023 for
Teaching and Learning only

Please use this page for rough work

AKU-EB
Annual Examination 2023 for
Teaching and Learning only