

**AGA KHAN UNIVERSITY EXAMINATION BOARD**

**SECONDARY SCHOOL CERTIFICATE**

**CLASS IX EXAMINATION**




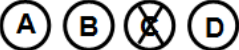

**APRIL/ MAY 2017**

**Principles of Accounting Paper I**

**Time: 35 minutes    Marks: 25**

**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 25 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		1	
		2	
		3	
		4	

**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. In double entry accounting system, the term 'debit' indicates that the business is
  - A. providing benefits.
  - B. exceeding its debts.
  - C. receiving its benefits.
  - D. exceeding its liability limits.
2. Mr Aslam, an interior designer, received a utility bill of Rs 3,000 for his property. He is using  $\frac{2}{3}$ <sup>rd</sup> of the property for his residence and the rest for interior designing outlet. Mr Aslam paid the bill from the business account.

According to the business entity concept, how much of the utility bill should be charged to the business?

- A.  $\frac{1}{3}$ <sup>rd</sup> of the utility bill.
  - B.  $\frac{2}{3}$ <sup>rd</sup> of the utility bill.
  - C. None of the utility bill.
  - D. Full amount of the utility.
3. Which of the following is CORRECT with reference to the accounting equation?

	Assets (Rs)	Liabilities (Rs)	Equity (Rs)
A	10,000	5,700	15,700
B	18,000	8,000	8,000
C	12,000	2,000	12,000
D	14,500	4,500	10,000

4. Mr Aleem purchased merchandise from the Alpha Traders for Rs 15,000 on account.

The above business transaction will be recorded as

	Debit	Credit
A	Cash	Purchases
B	Purchases	Cash
C	Purchases	Trade payables (accounts payable)
D	Trade payables (accounts payable)	Purchases

5. Following is the bank ledger of Shams Corporation.

Bank					
Date	Account	Folio	Debit	Credit	Balance
June 1, 2016	Opening balance (Dr.)				150,000
June 3, 2016	Rent			25,000	
June 5, 2016	Sales		45,000		
June 7, 2016	Repairs			10,000	
June 12, 2016	Sales		35,000		

The running balance of bank ledger on June 12, 2016 will be

- A. Rs 35,000  
 B. Rs 80,000  
 C. Rs 115,000  
 D. Rs 195,000
6. Following is the cash ledger taken from the books of Nafees Traders.

Cash			
	Amount (Rs)		Amount (Rs)
Balance	15,000	Rent Expense	45,000
Sales	135,000	Purchases	65,000
Commission Income	45,000	Salaries	15,000
		Supplies	10,000

The amount of cash carried forward to the next period will be

- A. Rs 15,000  
 B. Rs 60,000  
 C. Rs 135,000  
 D. Rs 195,000
7. Trial balance verifies arithmetic accuracy of the records maintained in the
- A. cash book.  
 B. general ledger.  
 C. petty cash book.  
 D. subsidiary ledger.

8. Which of the following CORRECTLY shows the computation for 'cost of goods available for sale'?
- A. Opening stock + purchases + purchases returns + transportation in
  - B. Opening stock – purchases + purchases returns – transportation in
  - C. Opening stock + purchases + purchases returns – transportation in
  - D. Opening stock + purchases – purchases returns + transportation in

The following information has been extracted from ABS Co. Use it to solve Q.9 and Q.10.

<u>Particulars</u>	<u>Amount (Rs)</u>
Opening stock	15,000
Purchases	95,000
Purchases return	5,000
Transportation in	8,000
Ending stock	10,000

9. The amount of 'cost of goods sold' will be
- A. Rs 103,000
  - B. Rs 113,000
  - C. Rs 123,000
  - D. Rs 133,000
10. The amount of 'net purchases' will be
- A. Rs 95,000
  - B. Rs 98,000
  - C. Rs 100,000
  - D. Rs 113,000
11. It is assumed that a business should follow similar form of record keeping for financial transactions so that they are comparable at the end of a period.
- The given statement reflects the accounting assumption of
- A. dual aspect.
  - B. consistency.
  - C. going concern.
  - D. business entity.
12. In a three column cash book, the three columns are titled (account head) as
- A. cash, bank and balance.
  - B. discount, cash and bank.
  - C. sales, particulars and cash.
  - D. purchases, bank and discount.

13. Mr Ali is a petty cash operator. A cheque for Rs 2,500 was issued to him for the establishment of petty cash fund. He has been instructed by chief accountant of the firm to submit the vouchers on weekly basis and instantly a cheque will be issued against the voucher presented to maintain the given balance.

The given petty cash system is identified as

- A. open system.
  - B. imprest petty cash system.
  - C. ordinary petty cash system.
  - D. fixed advance petty cash system.
14. Mr Javed withdrew cash for business purposes from the business bank account.

With reference to cash book, the above transaction will be considered as a/ an

- A. single entry.
  - B. contra entry.
  - C. closing entry.
  - D. adjusting entry.
15. A trade receivable (account receivable) was charged with the mark-up of Rs 500, but no entry was made in the customer account.

How will this be recorded in a subsidiary account?

- A. Rs 500 will be debited in the trade payable (account payable) account.
  - B. Rs 500 will be credited in the trade payable (account payable) account.
  - C. Rs 500 will be debited in the trade receivable (account receivable) account.
  - D. Rs 500 will be credited in the trade receivable (account receivable) account.
16. The following information has been extracted from the books of Mr Noman.

Trade receivables (accounts receivable) balance on January 01, 2014, was Rs 5,000.

During the month of January, the following transactions took place

<u>Particulars</u>	<u>Amount (Rs)</u>
Cash sales	10,000
Credit sales	60,000
Cash collection from credit customers	50,000
Bad debts	1,000
Discount allowed	2,000

What would be the balance of trade receivables (accounts receivable) on January 31, 2014?

- A. Rs 12,000
- B. Rs 14,000
- C. Rs 15,000
- D. Rs 22,000

17. The following details were extracted from the trade payables (accounts payable) control account of Badar Traders on June 30, 2016.

<u>Particulars</u>	<u>Amount (Rs)</u>
Payment to supplier	10,000
Purchases	20,000
Discount received	10,000
Ending balance	30,000

What will be the opening balance of trade payables (accounts payable) account?

- A. Rs 10,000  
 B. Rs 20,000  
 C. Rs 30,000  
 D. Rs 40,000
18. In accounting, all of the following are the purposes of preparing control accounts EXCEPT to
- A. locate the errors of record keeping.  
 B. check the accuracy of the accounts.  
 C. keep the external check on transactions.  
 D. access customers' and suppliers' account balances quickly.
19. The General Journal entry to record decrease in the allowance (provision) for doubtful debts is

	<b>Debit</b>	<b>Credit</b>
A	Income statement	Allowance (provision) for bad debts
B	Trade receivables (accounts receivable)	Allowance (provision) for bad debts
C	Allowance (provision) for bad debts	Trade receivables (accounts receivable)
D	Allowance (provision) for bad debts	Income statement

20. The details of trade receivables for Rehman Traders are as under:

Allowance (provision) for bad debts on July 01, 2015	Rs 5,000
Trade receivables (accounts receivable) on June 30, 2016	Rs 150,000
Rate of bad debts	15%

The amount of allowance (provision) for bad debts that will be charged to Income statement (Profit and Loss account) for the year ended on June 30, 2016 will be

- A. Rs 5,000  
 B. Rs 17,500  
 C. Rs 22,500  
 D. Rs 27,500

21. The accounting assumption which is used to include the 'allowance (provision) of doubtful debts' in the financial statement is
- accruals.
  - cost concept.
  - going concern.
  - business entity.
22. The depreciation is computed by subtracting the salvage value from the purchase or acquisition price of a non-current asset (fixed asset), and dividing by the total productive years for which the asset can reasonably be expected to benefit the business.

This is classified as the

- production method.
  - straight line method.
  - reducing balance method.
  - sum of the year digit method.
23. The following information has been extracted from the records of Alpha Corporation:

<u>Particulars</u>	<u>Amount (Rs)</u>
List price of machinery	125,000
Labour charges for loading and unloading	1,200
Installation charges	15,000
Insurance in transit	20,500
Fire insurance premium for 3 years	50,000

The estimated life of machine is 5 years with an estimated salvage value of Rs 11,000.

The depreciation charged using straight line method will be

- Rs 30,140
  - Rs 32,340
  - Rs 34,540
  - Rs 40,140
24. The following information has been extracted from the books of Imperial Brothers at the end of the year.

The total balance for trade receivables (accounts receivable)	Rs 20,000
Allowance (provision) for bad debts	Rs 4,500

The net amount of trade receivables (accounts receivable) shown in the Statement of financial statement (Balance sheet) will be

- Rs 4,500
- Rs 15,500
- Rs 20,000
- Rs 24,500

25. The following balances have been taken from the books of Royal Company as on December 31, 2016.

<u>Particulars</u>	<u>Amount (Rs)</u>
Trade receivables (accounts receivable)	125,000
Allowance (provision) for bad debts charged for the year (1% of trade receivables)	1,250

On review, it was found that the allowance (provision) was wrongly calculated and the new allowance (provision) should be charged at 5% instead of 1%.

The amount with which the bad debts would be increased to show the revised allowance (provision) for bad debts will be

- A. Rs 1,250
- B. Rs 5,000
- C. Rs 6,250
- D. Rs 7,500