



# PRINCIPLES OF ACCOUNTING HSSC-II

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## SECTION – A (Marks 20)

Time allowed: 25 Minutes

Version Number	1	8	9	5
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**Note:** Section – A is compulsory. All parts of this section are to be answered on the separately provided OMR Answer Sheet which should be completed in the first 25 minutes and handed over to the Centre Superintendent. Deleting/overwriting is not allowed. Do not use lead pencil.

**Q. 1** Choose the correct answer A / B / C / D by filling the relevant bubble for each question on the OMR Answer Sheet according to the instructions given there. Each part carries one mark.

- 1) The portion of issued capital which has been actually paid by shareholder is called:  
A. Issued capital  
B. Called up capital  
C. Subscribed capital  
D. Paid up capital
- 2) In Pakistan, the companies are registered under the company ordinance:  
A. 1975  
B. 1980  
C. 1982  
D. 1984
- 3) A public limited company is formed by:  
A. Government  
B. Directors  
C. Promoters  
D. Underwriters
- 4) The capital in the beginning of the accounting year is ascertained by:  
A. Cash book  
B. Statement of affairs  
C. Total Debtors account  
D. Total Creditors account
- 5) Arithmetical accuracy of the books of accounts can be checked under:  
A. Single Entry System  
B. Double Entry System  
C. Cash System  
D. Accrual System
- 6) Total Debtors account is prepared for ascertaining the:  
A. Credit purchases  
B. Credit sales  
C. Cash sales  
D. Cash purchases
- 7) In non-trading concerns, the subscription received in advance is considered as:  
A. Income  
B. Asset  
C. Expense  
D. Liability
- 8) Capital fund of a non-trading concerns is equal to:  
A. Assets + liabilities  
B. Assets + income  
C. Expenditure + liabilities  
D. Assets – liabilities
- 9) Any profit on the sale of sports material of a club will be taken to:  
A. Receipts and payments account  
B. Profit and loss account  
C. Income and expenditure account  
D. Balance sheet
- 10) The value of Assets may rise or fall on account of:  
A. Depreciation  
B. Depletion  
C. Fluctuation  
D. Amortization
- 11) In case of del credere commission, the liability for bad debts will be on:  
A. Consignee  
B. Consignor  
C. Broker  
D. Clearing agent

- 12) In sale, the risk and damaged attached to goods sold are transferred to:
- |              |              |
|--------------|--------------|
| A. Seller    | B. Consignee |
| C. Consignor | D. Buyer     |
- 13) In straight line method, depreciation is calculated on:
- |                |                  |
|----------------|------------------|
| A. Book value  | B. Market value  |
| C. Scrap value | D. Original cost |
- 14) Original cost of machinery Rs. 5,500, scrap value Rs. 500, the useful life of machinery 10 years, then the annual value of depreciation will be:
- |             |             |
|-------------|-------------|
| A. Rs. 500  | B. Rs. 550  |
| C. Rs. 1000 | D. Rs. 1500 |
- 15) Current accounts of the partner should be opened when the capitals are:
- |                                |             |
|--------------------------------|-------------|
| A. Fluctuating                 | B. Fixed    |
| C. Either fixed or fluctuating | D. Variable |
- 16) In the absence of an agreement, the profit and loss are divided by partners in the ratio of:
- |            |                                 |
|------------|---------------------------------|
| A. Capital | B. Time devoted by each partner |
| C. Equally | D. Sacrifice                    |
- 17) On the admission of a new partner, the decrease in the value of assets is debited to:
- |                                       |                                  |
|---------------------------------------|----------------------------------|
| A. Profit and loss adjustment account | B. Old partner's capital account |
| C. Cash account                       | D. New partner's capital account |
- 18) Goodwill is a/an:
- |                   |                     |
|-------------------|---------------------|
| A. Tangible asset | B. Intangible asset |
| C. Wasting asset  | D. Fictitious asset |
- 19) The amount payable to retiring partner is shown in the balance sheet as a:
- |            |           |
|------------|-----------|
| A. Capital | B. Loan   |
| C. Asset   | D. Profit |
- 20) In case of dissolution, the loss due to insolvency of partner, when capital are fixed is to be shared by the solvent partner in:
- |                                |                         |
|--------------------------------|-------------------------|
| A. Fixed Capital Sharing Ratio | B. Profit Sharing Ratio |
| C. Gaining Ratio               | D. Remaining Ratio      |



# PRINCIPLES OF ACCOUNTING HSSC-II

47

Time allowed: 2:35 Hours

Total Marks Sections B and C: 80

**NOTE:** Sections 'B' and 'C' comprise pages 1-2. Answer any ten parts from Section 'B', any one question from Section 'C (Part-I)' and three questions from Section 'C (Part-II)' on the separately provided answer book. Use supplementary answer sheet i.e. Sheet-B if required. Write your answers neatly and legibly.

### SECTION – B (Marks 30)

Q. 2 Attempt any TEN parts. The answer to each part should not exceed 3 to 4 lines. (10 x 3 = 30)

- (i) What is memorandum of association?
- (ii) Write three dis-advantages of single entry system.
- (iii) What is profit and loss appropriation account?
- (iv) Define non Trading concerns.
- (v) How can a partnership come into existence?
- (vi) Prepare an Account sale with imaginary data.
- (vii) What is scrap value? Write down the formula of depreciation if scrap value is given.
- (viii) On 1st January 2010, a firm purchased machinery worth Rs. 20,000 and spent Rs. 2,000 on its installation, the rate of depreciation is 10% p.a. then what will be the book value of asset under written down value method after three years?
- (ix) What do you mean by wear and tear in depreciation?
- (x) Define general reserve.
- (xi) What is average profit method for the valuation of goodwill?
- (xii) Write the six names of the various kinds of debentures issued by a company.

### SECTION – C (Marks 50)

( PART – I )

Note: Attempt any ONE question.

(1 x 20 = 20)

Q. 3 A and B are partner in a firm sharing profits and losses as A,  $\frac{3}{4}$  and B,  $\frac{1}{4}$ . On 1st January 2015, their position was as given below:

Assets	Rs.	Liabilities	Rs.
Bank balance	18,000	Sundry Creditors	20,000
Stock	10,000	Capitals:	
Sundry Debtors	30,000	A	48,000
Machinery	40,000	B	30,000
			78,000
	98,000		98,000

C is now to join the partnership. He agrees to pay the partners Rs. 20,000 by way of goodwill and introduced  $\frac{3}{5}$  of the combined capital of the two existing partners after depreciating stock at 10% plant at 20% and raising a reserve of 10% against sundry debtors. The partner is to be allowed  $\frac{1}{4}$  th share of the profit of the firm.

**Required:** Pass the journal entries and prepare the Revaluation account and balance sheet of the new firm.

Q. 4 P, Q and R were sharing profits and losses in the ratio of 5:3:2. On 1st January 2016 their balance sheet was as under:

Assets	Rs.	Liabilities	Rs.
Furniture	3,000	Creditors	11,500
Stock	13,000	General Reserve	5,000
Debtors	20,000	Capitals:	
Less provision	1,000	P	10,000
Cash	1,000	Q	8,000
		R	1,500
	36,000		19,500
			36,000

The firm was dissolved on that date. The assets were realised as under: Furniture Rs. 1000, stock Rs. 10,000, Debtors Rs. 12,000; remaining creditors were paid at a discount of 5%. It was found however that there was a liability for Rs. 3050 for damages which had to be paid. The expenses came to Rs. 1000. R could contribute only Rs. 100.

**Required:** Show the Realization account, cash account and partner's capital accounts to close the books of the firm with the decision in Garner Vs. Murray.

**PART – II)**

**Note:** Attempt any THREE questions.

( 3 x 10 = 30 )

- Q. 5 Convert the following receipts and payments account of the Pakistan nursing society for the year ended 30th June 2015 into an income and expenditure account and prepare a balance sheet:

Receipts	Rs.	Payments	Rs.
Balance b/d (1-7-2014)	2010	Salaries of Nurses	1036
Subscriptions:	1115	Rent, Rates and taxes	200
Fee from non-members	270	Cost of car	2000
Municipal grant	1000	Car expenses	840
Donation for building fund	1560	Drugs and incidental expenses	670
Interest	38	Balance c/d (30-6-2015)	1247
	5,993		5,993

The society owns freehold land costing Rs. 8000 on which it was proposed to build the Nurses hostel. A donation of Rs. 100, received to building fund, was wrongly included in the subscription account. A bill for medicines purchased during the year amounting to Rs. 128 was outstanding.

- Q. 6 Ali keeps his books by single entry. He gives you the following information from which you are required to ascertain his profit or loss during 2016:

	January 1st 2016 (Rs.)	December 31st 2016 (Rs.)
Bank Balance	740(Cr)	400 (Dr)
Cash in hand		10
Sundry debtors	5,300	8,800
Sundry creditors	1,500	1,950
Stock	1,700	1,900
Plant	2,000	2,000
Furniture	140	140

Ali had with drawn Rs. 3000 during the year but had introduced fresh capital of Rs. 600 on 1st July 2016. A provision of 5 per cent on sundry debtors is necessary. Write off depreciation on plant at 5% interest on capital is to be allowed at 5% p.a.

- Q. 7 On 1st January M/S A & Co. forwarded to M/S X & Co. a consignment of 25 chest of tea at Rs. 500 per chest. Paying Rs. 150 for freight on 18th March M/S A & Co received an account dated 20th February showing that 20 cases were realised Rs. 15,000 gross and the following expenses have been incurred:

Octroi duty Rs. 100, storage and insurance Rs. 20, Delivery charges Rs. 150, commission 3% and del credere commission 2%.

M/S X & Co. enclosed a bill at three months for the amount due.

**Required:** You are required to record the above transactions in the books of M/S A & Co. and prepare a consignment account.

- Q. 8 What journal entries will be made in the following cases?

- (a) A company issued Rs. 40,000, 6% debentures at par redeemable at par.
- (b) A company issued Rs. 40,000, 6% debentures at discount of 10% redeemable at par.
- (c) A company issued Rs. 40,000, 6% debentures at premium of 5% redeemable at par.
- (d) A company issued Rs. 40,000, 6% debentures at par redeemable at 10% Premium.
- (e) A company issued Rs. 40,000, 6% debentures at a discount of 5% and redeemable at 5% Premium.