Paper N0:15

Solved by Chanda Rehman, Nomi chakwal ABr

FINALTERM EXAMINATION

Fall 2009

MGT101- Financial Accounting (Session - 4)

Time: 120 min

Marks: 87

Question No: 1 (Marks: 1) - Please choose one

Shares for which amount is paid by public are called _____ shares.

► **Paid up**

► Authorized

► Bonus shares

► All are correct options

Question No: 2 (Marks: 1) - Please choose one

Which of the following is non- profit organization?

► Sole proprietorship

► Partnership

► Limited company

► **Trust**

Question No: 3 (Marks: 1) - Please choose one

Commercial Accounting is based on:

► Single entry book keeping

► **Double entry book keeping**

► Both single and double entry book keeping

► Cash basis of book keeping

Question No: 4 (Marks: 1) - Please choose one

An Asset that is **NOT** physical in nature is called _____.

► **Intangible Asset**

► Liquid Asset

► Current Asset

► Fixed Asset

Question No: 5 (Marks: 1) - Please choose one

Which of the following is **CORRECT** about the flow of recording a transaction?

► **Occurrence of event – voucher—Journal—Ledger—Trial Balance—profit and loss account—Balance Sheet**

► Occurrence of event—Journal – voucher —Ledger—Trial Balance—profit and loss account—Balance Sheet

► Occurrence of event—Ledger – voucher—Journal—Trial Balance—profit and loss account—Balance Sheet

► Occurrence of event—Trial Balance – voucher—Journal—Ledger—profit and loss account—Balance Sheet

Question No: 6 (Marks: 1) - Please choose one

Accounts Receivable & Inventory are the examples of:

► Liquid assets

► **Current assets**

► Fixed assets

► Capital assets

Question No: 7 (Marks: 1) - Please choose one

Which of the following account will be credited in the books of XYZ Co. Ltd, if the business purchased a vehicle though cheque?

► Vehicle account

► Cash account

► Business account

► **Bank account**

Question No: 8 (Marks: 1) - Please choose one

Which of the following account will be credited, if business bought goods on credit from Mr. Ali?

► **Purchases account**

► Mr. Ali account

► Cash account

► Sales account

Question No: 9 (Marks: 1) - Please choose one

In which of the following condition a company will have positive working capital?

► **If current assets > current liabilities**

► If current Assets < current Liabilities

► If current assets = current liabilities

► If current assets ≤ current liabilities

Question No: 10 (Marks: 1) - Please choose one

Which of the following is an example of direct materials cost?

► Polish and finishing material for chair

► **A piece of wood for the production of chair**

► Production worker's wages

► Depreciation expenses

Question No: 11 (Marks: 1) - Please choose one

In cost of goods sold statement, the 'cost of material consumed' is equal to:

► **Opening raw material inventory + Purchases – Ending raw material inventory**

► Opening raw material inventory - Purchases + Ending raw material inventory

► Ending raw material inventory + Opening raw material inventory - Purchases

► Ending raw material inventory + Opening raw material inventory + Purchases

Question No: 12 (Marks: 1) - Please choose one

What would be the value of total factory cost, if the cost of material consumed during the month is Rs. 6,000, labor cost incurred is Rs. 2,000 and the factory over head cost is Rs. 2,500?

► Rs. 6,000

► Rs. 8,000

► Rs. 4,500

► **Rs. 10,500**

Question No: 13 (Marks: 1) - Please choose one

In cost of goods sold statement the 'cost of goods manufactured' is equal to:

► Total factory cost + Opening work in process + Ending work in process

► **Total factory cost + Opening work in process – Ending work in process**

► Total factory cost - Opening work in process + Ending work in process

► Ending work in process +Total factory cost – Opening work in process

Question No: 14 (Marks: 1) - Please choose one

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	?

► **Rs.25, 000**

► Rs. 75,000

► Rs. 15,000

► Rs. 1, 00,000

Question No: 15 (Marks: 1) - Please choose one

Particulars	Rs.
Opening stock of raw material	100,000
Closing stock of raw material	85,000
Purchases of raw material during the period	200, 000
Cost of Material Consumed	?

► Rs. 205,000

► **Rs. 215,000**

► Rs. 220,000

► Rs. 225,000

Question No: 16 (Marks: 1) - Please choose one

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

► Rs.260

► Rs.232

► Rs.284

► **Rs.320**

[100+385+480+260=1225-905= (10*10=100, 35*11=385, 35*12=420)]

Question No: 17 (Marks: 1) - Please choose one

Find out the missing value of an Accounting Equation with the help of given data:

Cash	Rs.1, 00, 000
Debtors	Rs.10, 000
Other Assets	Rs. 1,000
Owner's equity	Rs. 1, 000

► Rs. 12,000 liabilities

► Rs. 11,000 liabilities

► **Rs. 1, 10,000 liabilities**

► Rs. 1, 11,000 liabilities

Question No: 18 (Marks: 1) - Please choose one

Bank Statement is a record of transactions between the bank and the holder of:

► A foreign currency account

► A current account

► A saving account

► **All of the given options**

Question No: 19 (Marks: 1) - Please choose one

Which of the following option is **TRUE** about the characteristic(s) of Bad Debt?

► **It is a definite loss to the business**

► It is not shown in Balance Sheet

► No provision is necessary for it

► All of the given options

Question No: 20 (Marks: 1) - Please choose one

Consider the following data and identify the amount which will be deducted from Sundry Debtors in Balance Sheet.

Particulars	Rs.
Bad debts (from trial balance)	1,600
Provision for doubtful debts (old)	2,000
Current year's provision (new)	800

► Rs. 400

► **Rs. 800**

► Rs. 2,000

► Rs. 2,400

Question No: 21 (Marks: 1) - Please choose one

Which of the following entry is passed to record discount allowed in control account?

► Discount Allowed (Dr) and Debtors Control A/c (Cr)

► Discount Allowed (Dr) and Debtors A/c (Cr)

► **Debtors Control A/c (Dr) and Discount Allowed (Cr)**

► Debtors A/c (Dr) and Discount Allowed (Cr)

Question No: 22 (Marks: 1) - Please choose one

Which of the following entry will be recorded, if a cheque deposited is dishonored by bank?

► Bank Account (Dr.) and Debtor's Account (Cr.)

► **Debtor's Account (Dr.) and Bank Account (Cr.)**

► Dishonored Cheque Account (Dr.) and Bank Account (Cr.)

► Creditor's Account (Dr.) and Bank Account (Cr.)

Question No: 23 (Marks: 1) - Please choose one

It is supposed that on 31st December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 10% of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be deducted from Sundry debtors?

► Rs. 3,600

► Rs. 4,000

► Rs. 1,600

► **Rs. 2, 400**

Question No: 24 (Marks: 1) - Please choose one

Which of the following is **CORRECT** if depreciation is given in trial balance?

► All of the given options are correct

► **It means depreciation has already been deducted from concerned asset account**

► It will be shown as an expense in income statement only

► It will not be deducted from concerned asset in Balance Sheet

Question No: 25 (Marks: 1) - Please choose one

The persons who sign articles and memorandum of the company and contribute in the initial share capital of the company are called:

► Subscribers

► **Shareholders**

► Managers

► Directors

Question No: 26 (Marks: 1) - Please choose one

Merchandise on hand at either the beginning or end of the reporting period is called_____.

► Raw material

► Cost of good sold

► Work in process

► **Inventory**

Question No: 27 (Marks: 1) - Please choose one

In which of the following auditor's remuneration payable is shown?

► **In balance sheet under the head of current liabilities only**

► In balance sheet under the head of current assets only

► In income statement under the administrative expense only

► In both balance sheet under the head of current liabilities and income statement under the administrative expense

Question No: 28 (Marks: 1) - Please choose one

In which of the following interim dividend is treated?

► In profit and Loss account

► **In profit and Loss appropriation account**

► On the asset side of the Balance Sheet

► In trading account

Question No: 29 (Marks: 1) - Please choose one

Which of the following documents contains rules and regulations for internal management of the company?

► Memorandum of Association

► **Articles of Association**

► Prospectus

► Statutory Declaration

Question No: 30 (Marks: 1) - Please choose one

Which of the following is **NOT** a cash inflow?

► Sale of fixed asset

► Issue of debentures

► Cash from business operation

► **Purchase of fixed asset**

Question No: 31 (Marks: 1) - Please choose one

In cash flow statements, which of the following would appear as a cash outflow?

► **The payments for purchases made during the year**

► A decrease in trade debtors over the course of an accounting period

► Money received as a result of issuing new shares

► Money received as result of selling fixed assets

Question No: 32 (Marks: 1) - Please choose one

Which of the following statement in **NOT TRUE** about the limited company form of business?

► The limited company form of business allows ownership of the business to be spread amongst many people

► Shareholders can appoint professionals

► **Shareholders are personally liable for all the liabilities incurred by the business**

► Regular filing of information about the affairs of the company is a legal requirement

Question No: 33 (Marks: 1) - Please choose one

What does a credit balance in a partner's current account represent to a business?

► **Current Assets**

► Current Liability

► Long-term liability

► Share of profit

Question No: 34 (Marks: 1) - Please choose one

A company declares a cash dividend to be paid to its stockholders next month. The effect of the transaction is to:

► Decrease assets and liabilities.

► Increase assets and stockholders' equity.

► **Decrease assets and stockholders' equity.**

► Increase liabilities and decrease stockholders' equity.

Question No: 35 (Marks: 1) - Please choose one

An uncollectible account receivable is also termed as:

► Asset

► Uncollectible asset

► **Uncollectible accounts expense**

► None of the given options

Question No: 36 (Marks: 1) - Please choose one

Suppose a firm has 100 debtors, and each of them owes exactly Rs.150 at the start of June. During June each debtor has paid-off exactly Rs.100 on their account, either by cash or by cheque. What should be the revised total debtors figure?

► **Rs. 5,000**

► Rs. 9,850

► Rs. 25,000

► Rs. 14,900

Question No: 37 (Marks: 1) - Please choose one

Credit sales appear on the __ _____ side of the Debtors control account.

► Left side or credit

► **Left side or debit**

► Right side or debit

► Right side or credit

Question No: 38 (Marks: 1) - Please choose one

The financial year of Atif Brothers & Co. is closed on June 30, 2009. Total cash sales are Rs. 150,000, credit sales are Rs. 180,000 and total receipts are Rs. 250,000. Credit receipts will be:

► Rs. 150,000

► **Rs. 100,000**

► Rs. 220,000

► Rs. 280,000

Question No: 39 (Marks: 1) - Please choose one

Which of the following is usually not an accrued expense?

► Interest payable

► Wages payable

► Taxes payable

► **Notes payable (its liability not an expense)**

Question No: 40 (Marks: 1) - Please choose one

Which of the following is **NOT** a financial statement?

► Balance sheet

► **Audit report**

► Income statement

► Cash flow statement

Question No: 41 (Marks: 1) - Please choose one

Sunset tours has Rs.3,500 account receivable from the Del Mar Rotary. On January 20, the Rotary makes a partial payment of Rs.2,100 to Sunset Tours. The journal entry made on January 20 by Sunset Tours to record this transaction includes:

► A debit to the Cash Received account of Rs. 3,500

► **A credit to the Accounts Receivable account of Rs.2,100**

► A debit to the Cash account of Rs.1,400

► A debit to the Accounts Receivables account of Rs.1,400

Question No: 42 (Marks: 1) - Please choose one

A and B entered in partnership in capital ratio of 2:3. They earned a profit of Rs.6,600 during the year. What will be the share of profit of Mr. A? ► **Rs.2,640**

► Rs.1,320

► **Rs.2,640**

► Rs.3,960

► Rs.6,600

Question No: 43 (Marks: 1) - Please choose one

Income tax expense of Eden Corporation shows a debit balance of Rs.7,000 in its unadjusted trial balance and Rs.7,600 in adjusted trial balance. Which of the following account will be debited in adjusting entry? ► **Income tax expense**

► Income tax payable

► Prepaid income tax

► **Income tax expense**

► Income tax paid

Question No: 44 (Marks: 1) - Please choose one

Sanders Construction sold a plant asset that originally cost Rs.80,000 for Rs.52,000 cash. If Sanders correctly reports a Rs.5,000 gain on this sale, the accumulated depreciation on the asset at the date of sale must have been:

► Rs.23,000

► Rs.28,000

► **Rs.33,000**

► Some other amount

Question No: 45 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership invested Rs.65,000 and Rs.50,000 with an equal share in profit or loss. Markup on drawings of Mr. A is Rs.1,000 and of Mr. B is Rs.1,500. The net income for the year is Rs.55,000. What will be the amount of distributable profit? ► **Rs.57,500**

► Rs.52,500

► Rs.56,000

► Rs.56,500

► **Rs.57,500**

Question No: 46 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal investment and equal share in profit or loss. Markup on capital of Mr. A is Rs.2,000 and markup on drawings of Mr. B is Rs.3,000. The net income for the year is Rs.50,000. What will be the profit share of Mr. A? ► **Rs.22,500**

► **Rs.22,500**

► Rs.25,500

► Rs.27,500

► Rs.55,000

Question No: 47 (Marks: 1) - Please choose one

Which of the following is quoted company?

► Private Limited Company

► Public Limited Company

► **Listed company**

► Non Listed Company

Question No: 48 (Marks: 1) - Please choose one

Which of the following can be utilized to issue bonus shares?

► Reserves

► Debentures

► **Share premium**

► Term finance certificate

Question No: 49 (Marks: 1) - Please choose one

Which of the following can be utilized to set off any loss on revaluation?

► Capital reserve

► General reserve

► **Revaluation reserve**

► None of the given options

Question No: 50 (Marks: 1) - Please choose one

Which of the following capital is required for the registration of the company?

► Issued capital

► Subscribed capital

► **Authorized capital**

► Reserve capital

Question No: 51 (Marks: 1) - Please choose one

Which of the following capital is taken up by the general public?

► **Issued capital**

► Subscribed capital

► Authorized capital

► Reserve capital

Question No: 52 (Marks: 1) - Please choose one

According to the statement of cash flows following are the examples of investing activities except:

- ► Sales of machinery
- ► **Capital invested by the owners**
- ► Purchase of building for the business use
- ► Cash received from the disposal of equipment

Question No: 53 (Marks: 1) - Please choose one

The financial statement that captures both the current operating result and the associated changes in the balance sheet is:

- ► Statement of retained earnings
- ► **Statement of financial position**
- ► Statement of cash flows
- ► Statement of changes in equity

Question No: 54 (Marks: 1) - Please choose one

In statement of cash flows, all of the following items are considered as financing activity, except:

- ► Cash received from issuance of shares
- ► Cash received from issuance of bonds
- ► **Payment made for short term debts**
- ► Collections on loans

Question No: 55 (Marks: 3)

Mr. Hassan is a partner in a partnership firm. His capital on July 1, 2001 was Rs. 400,000. He invested further capital of Rs. 150,000 on March 01, 2002. Markup rate is @6%p.a. The financial year of such a business is from 1st July to 30th June.

Required: You are required to calculate his markup on Capital at the end of 30th June 2002.

400000x6/100=2400

400000

Question No: 56 (Marks: 5)

What do you mean by "Bad Debts" and "Doubtful Debts"? Distinguish between these.

Ans: **Bad Debts**

when we are going to sell the products on credit so our business take risk that there are some customer in market that they will never pay for stock sold to them.So,such situation in which the amount which is due to the debetor are call bad debts

This is a loss sustained loss for business due to risk. It is recorded in Profit and Loss Account in the period in which it is happen.

Doubtful Debts

A doubtful debt is a debt, which the business considers may not be paid

Question No: 57 (Marks: 5)

a. In trial balance at June 30, 2007 10% debentures are shown at Rs.75,000 and mark up on debentures are shown at Rs.3,750. Six months debenture mark up is to be accrued. What will be the amount of total mark up on debentures show in profit and loss account?

b. From the following information calculate cost of goods sold.

Stock opening balance	Rs.56,950
Purchases	175,750
Stock closing balance	65,020
Carriage inward	5,200
Sales	245,500

Opening stock :	Rs.56,950
Add bpurchase:	175,750
Add Carriage inward :	5,200
Less Stock closing balance:	(65020)

Cost of goods sold = Rs 172,880

Question No: 58 (Marks: 10)

Prepare Bank Reconciliation Statement as on 31st March 2009 with the help of given data.

	Particulars	Rs.
1	Balance as per Cash Book (Dr.)	180,000
2	Cheques paid into Bank in March 2009 but credited by the bank in April 2009	7,900 4,500 1,300
3	Cheques issued in March 2009 but cashed in April 2009	11,000 5,800
4	Cheques entered in the Cash Book in March 2009 but paid into bank in April 2009	1,000
5	Interest allowed by the bank	2,500
6	Interest charged by the bank	500

S.No	Narration / Particulars	Withdrawals Amountnt	Deposits Amount			Balance Dr/(Cr)
	Balance as per Cash Book (Dr.)					180,000
						7900
						4500

						1300

Question No: 59 (Marks: 10)

Listed below are selected items from the financial statements of ABC Mfg. Co. for the year ended December 31, 2007.

Note payable to Bank Al-Falah	Rs.500,000
Income taxes payable	40,000
Mortgage note payable	750,000
Accrued interest on mortgage note payable	5,000
Trade accounts payable	250,000
Unearned revenue	15,000
Accrued expenses and payroll taxes	60,000
Debenture	500,000

Other information:

1. The note payable owed to Bank Al-Falah is due in 60 days. ABC Mfg. Co. has arranged with this bank to renew the note for an additional 24 months.

2. The mortgage requires payment of Rs.6,000 per month. An amortization table shows that its balance will be paid down to Rs.739,000 by December 31, 2008.

3. Debenture of Rs.150,000 is due in 180 days.

Instructions:

Using the information, prepare the current liabilities and long-term liabilities sections of a classified balance sheet at December 31, 2007.

Solved by Chanda Rehman, Nomi chakwal and ABr

Paper N0:16

FINALTERM EXAMINATION

Fall 2009

MGT101- Financial Accounting (Session - 2)

Time: 120 min

Marks: 87

Question No: 1 (Marks: 1) - Please choose one

Double entry accounting system includes:

- ► Accrual accounting only
- ► Cash accounting only
- ► **Both cash and accrual accounting**
- ► None of the given options

Question No: 2 (Marks: 1) - Please choose one

If a business purchases machinery for Rs. 30,000 on 31st January 2008 having life of 10 years, this expense will be realized _____ under the concept of accrual accounting.

- ► For the year 2008 only
- ► For the last day of 10th year only
- ► **Over 10 years**
- ► Nothing can be said about it

Question No: 3 (Marks: 1) - Please choose one

According to the double entry system of accounting, an account that obtains benefit is:

- ► **Debit** (Handouts Page 11, 12)
- ► Credit
- ► Income
- ► No need to show as accounting record

Question No: 4 (Marks: 1) - Please choose one

What will be the effect on accounting equation, when payment is made to the creditor of the business?

- ► Increase in an asset, increase in owner's equity
- ► Increase in an asset, increase in a liability
- ► Decrease in an asset, decrease in owner's equity
- ► **Decrease in an asset, decrease in a liability**

Question No: 5 (Marks: 1) - Please choose one

Which of the following is **CORRECT** for Trading account?

- ► **It inculdes cost of goods sold and all the direct expenses related to sales**
- ► It inculdes cost of goods sold and all the indirect expenses related to sales
- ► It inculdes cost of goods sold and all the direct and indirect expenses
- ► It inculdes cost of goods sold and all the direct and selling, administrative expenses

Question No: 6 (Marks: 1) - Please choose one

Which of the following organizations do **NOT** prepare Income & Expenditure account?

- ► Public limited companies

- Private limited companies
- Partnership firms
- **All of the given options**

Question No: 7 (Marks: 1) - Please choose one

An asset on the balance sheet which is expected to be sold or used within one year is known as:

- Tangible asset
- **Current asset**
- Fixed asset
- Long term asset

Question No: 8 (Marks: 1) - Please choose one

In which of the following condition a company will have positive working capital?

- **If current assets > current liabilities**
- If current Assets < current Liabilities
- If current assets = current liabilities
- If current assets ≤ current liabilities

Question No: 9 (Marks: 1) - Please choose one

If the Company ABC has current assets Rs. 100,000, current liabilities Rs. 75,000 and fixed assets Rs. 200,000, what would be the value of working capital?

► **Rs. 25,000**

► Rs. 1, 00,000

► Rs. 1, 75,000

► Rs. 3, 00,000

Question No: 10 (Marks: 1) - Please choose one

The total of all costs incurred to convert raw material into finished goods is known as:

► **Prime cost** (Handouts Page 121)

► Conversion cost

► Sunk cost

► Opportunity cost

Question No: 11 (Marks: 1) - Please choose one

Particulars	Rs.
Opening stock of raw material	100,000
Closing stock of raw material	80,000
Purchases of raw material during the period	200, 000
Cost of Material Consumed	?

► Rs. 205,000

► Rs. 215,000

► **Rs. 220,000**

► Rs. 225,000

Question No: 12 (Marks: 1) - Please choose one

Accounting is the language of:

- ► **Business**
- ► School
- ► Proprietor
- ► Management

Question No: 13 (Marks: 1) - Please choose one

Bank Statement is a record of transactions between the bank and the holder of:

- ► A foreign currency account
- ► A current account
- ► A saving account
- ► **All of the given options**

Question No: 14 (Marks: 1) - Please choose one

Consider the following data and identify the amount which will be shown in profit & loss account.

Particulars	Rs.
Bad debts	1,600
Provision for doubtful debts (old)	2,000
Current year's provision (new)	800

- ► **Rs. 400**
- ► Rs. 800

► Rs. 2,000

► Rs. 2,400

Question No: 15 (Marks: 1) - Please choose one

Following information are extracted from books of Mr. XYZ

Particulars	Rs.
Closing value of stock	40,000
Bad Debts (Given in trial balance)	500
Old provisions (Given in trial balance)	800
Sundry Debtors (Given in trial balance)	44,500
Provision for doubtful debts @ 5%	
Which amount of new provision will be deducted from Sundry Debtors	?

► Rs. 2,225

► Rs. 2,525

► Rs. 1,925

► Rs. 3,025

Question No: 16 (Marks: 1) - Please choose one

It is supposed that on 31-12-2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 5 % of the sundry debtors are doubtful. What entry will pass to transfer the bad debts to provision for doubtful debts?

► Profit & Loss a/c Rs. 1,600 (Dr) & Provision for doubtful debts a/c Rs. 1,600 (Cr)

► Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs. 2,000 (Cr)

► Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs. 2,000 (Cr)

► Provision for doubtful debts a/c Rs. 1,600 (Dr) & Bad Debts a/c Rs. 1,600 (Cr)

Question No: 17 (Marks: 1) - Please choose one

Which of the following is/are the item/s of a Control Account?

► Credit sale only

► Cash sale only

► Credit purchase only

► **Both Credit sales and Credit purchase**

Question No: 18 (Marks: 1) - Please choose one

Which of the following is a detailed record of an individual account in case of large business?

► Control Account

► **Subsidiary Ledger**

► Balance Sheet

► Trial Balance

Question No: 19 (Marks: 1) - Please choose one

If the provision for doubtful debts is not created, which of the following entry is passed to record the bad debts in control account?

► Debtors Control A/c (Dr) and Allowance for doubtful debts (Cr)

► **Bade debts (Dr) and Debtors Control A/c (Cr)**

► Allowance for doubtful debts (Dr) and Debtors Control A/c (Cr)

► Allowance for doubtful debts (Dr) and Debtors A/c (Cr)

Question No: 20 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of carriage charges, paid for a new plant purchased mistakenly debited to carriage account?

► Plant account

► Carriage account

► **Both plant account and carriage account**

► Trading account

Question No: 21 (Marks: 1) - Please choose one

Which of the following item must be recorded in the adjusted Cash Book in order to bring it in line with the entries in the Bank Statement?

► **Bank charges**

► An error on the Bank Statement

► An uncredited deposit

► An unpresented cheque

Question No: 22 (Marks: 1) - Please choose one

Which of the following is normally treated as the last expense listed in the income statement of a company?

► Interest expense

► General and administrative expenses

► Salaries and wages expense

► **Income tax expense**

Question No: 23 (Marks: 1) - Please choose one

The Balance Sheet item that represents the resources invested by the owner is known as:

► Accounts Receivable

► Cash

► Note Payable

► **Owner's Equity** (Handouts Lesson 12, Page 83)

Question No: 24 (Marks: 1) - Please choose one

Which financial statement show what a business owes at a particular point in time?

► A cash flow statement

► The bank statement for the business

► **A balance sheet**

► A statement of retained earnings

Question No: 25 (Marks: 1) - Please choose one

Which of the following account is affected from the Drawings of cash in sole-proprietorship business?

► **Capital account**

► Shareholder account

► Liability account

► Expense account

Question No: 26 (Marks: 1) - Please choose one

In which type of a business, the owner and his business are considered same in the eyes of law?

► **Sole proprietorship**

► Public companies

► Limited companies

► Listed companies

Question No: 27 (Marks: 1) - Please choose one

Fixed Assets (WDV) + Working Capital =?

- ► **Total assets employed**
- ► Total liabilities
- ► Total assets
- ► Current assets

Question No: 28 (Marks: 1) - Please choose one

When the capitals are fixed, which of the following account will be debited for drawings made by a partner?

- ► **Individual Partner's Current Account**
- ► Partner's Cash Account
- ► Partner's Bank Account
- ► Partners Capital Account

Question No: 29 (Marks: 1) - Please choose one

Which of the following documents contains rules and regulations for internal management of the company?

- ► Memorandum of Association
- ► **Articles of Association**
- ► Prospectus
- ► Statutory Declaration

Question No: 30 (Marks: 1) - Please choose one

When preparing a cash flow statement, which of the following would be classified as a financing activity?

- ► **A new long-term loan taken out to finance the purchase of fixed assets**
- ► Salaries paid
- ► Interest paid on a long-term bank loan
- ► The cost of purchasing a patent

CASH FLOW FROM FINANCING ACTIVITIES (Handouts Page 266)

Cash flow from financing activities includes cash receipts and payments that arise from Owners of the business and other long term liabilities of the organization.

• Cash receipts and payments for **other long term** loans and borrowings.

Question No: 31 (Marks: 1) - Please choose one

Current ratio may be increased by:

- ► **Overstating current Assets** (Handouts Page 311)
- ► Overstating current Liabilities
- ► Understating current Assets
- ► Understating current assets and overstating current liabilities

Question No: 32 (Marks: 1) - Please choose one

Mark up cover ratio = operating profit before financial charges ÷ **?**

- ► Selling expenses
- ► Administrative expenses
- ► **Financial charges** (Handouts Page 311)

► Direct expenses

Question No: 33 (Marks: 1) - Please choose one

In which situation(s) Partnership is dissolved?

► In case of death of partner

► At the admission of new partner

► If any partner resigned from partnership

► **All of the given options**

Question No: 34 (Marks: 1) - Please choose one

If company has distributable profit of Rs. 490,000, Profit sharing share ratio of Mr. A, Mr. B and Mr. C is 2:3:5 respectively. What will be the share of profit for Mr. A in distributable profit?

► **Rs. 98,000**

► Rs. 147,000

► Rs. 245,000

► Rs. 343,000

Question No: 35 (Marks: 1) - Please choose one

The beginning balance of retained earnings was Rs. 7,500. The dividends paid to stockholders' were Rs.1, 500. The ending balance of retained earnings is Rs. 5,000. What was the net income or net loss for the accounting period?

► Net loss of Rs.1, 000

► **Net income of Rs. 1,000**

► Net loss of Rs. 2,000

► Net income of Rs. 2,500

Question No: 36 (Marks: 1) - Please choose one

A company declares a cash dividend to be paid to its stockholders next month. The effect of the transaction is to:

► Decrease assets and liabilities.

► Increase assets and stockholders' equity.

► **Decrease assets and stockholders' equity.**

► Increase liabilities and decrease stockholders' equity.

Question No: 37 (Marks: 1) - Please choose one

Which of the following statement is the detail of transaction in one's account provided by the bank?

► **Bank statement**

► Bank reconciliation statement

► Income statement

► Financial statement

Question No: 38 (Marks: 1) - Please choose one

An asset cost Rs. 50,000, has an estimated residual value of Rs.1, 500, and an estimated useful life of 8 years. What is the depreciation rate under reducing balance method?

► 11.5%

► 20.0%

► 25.0%

► **35.5%**

(Handouts Page 135)

In **reducing balance method**, a formula is used for calculation of depreciation rate. i e.

Rate = $1 - \sqrt[n]{RV/C}$ = $1 - \sqrt[8]{1500/50000}$ = $1 - \sqrt[8]{0.03}$ = 1 – 0.645 = 0.355 × 100 = 35.5%

Or = $1 - (RV/C)^{1/n}$ = $1 - (1500/50000)^{1/8}$ = $1 - (0.03)^{1/8}$ = 1- 0.645=0.355 × 100= 35.5%

Question No: 39 (Marks: 1) - Please choose one

According to the double entry system of book keeping, the investment of Rs.10, 000 in the business made by the owner will effect:

► **Cash Account & Capital Account**

► Cash Account & Expense Account

► Capital Account & Revenue Account

► Capital Account & Expense Account

Question No: 40 (Marks: 1) - Please choose one

Which of the following transaction have **NO** affect on stockholders' equity?

► **Purchase of building on credit**

► Dividends to stockholders

► Net loss

► Investment in cash by stockholders

Question No: 41 (Marks: 1) - Please choose one

Receipts from debtors appear on the _____ side of the individual debtors account.

- ► Left side or credit
- ► Left side or debit
- ► Right side or debit
- ► **Right side or credit**

Question No: 42 (Marks: 1) - Please choose one

We usually allow the customer to deduct a certain amount from the invoice value for prompt payment. In doing so we are granting a:

- ► Commission
- ► Allowance
- ► **Discount**
- ► Rebate

Question No: 43 (Marks: 1) - Please choose one

The financial year of Atif Brothers & Co. is closed on June 30, 2009. Total cash sales are Rs. 150,000, credit sales are Rs. 180,000 and total receipts are Rs. 250,000. Credit receipts will be:

- ► Rs. 150,000
- ► **Rs. 100,000**
- ► Rs. 220,000
- ► Rs. 280,000

Question No: 44 (Marks: 1) - Please choose one

Capital and drawings are reported in which of the following section of balance sheet?

- ► Assets

- ► Other assets
- ► Non current liabilities
- ► **Owner's equity**

Question No: 45 (Marks: 1) - Please choose one

Insurance premiums paid in advance but not yet expired are reported in which of the following account?

- ► Insurance payable
- ► **Prepaid insurance**
- ► Advance payment account
- ► Insurance expense

Question No: 46 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal investment and equal share in profit or loss. Markup on capital of Mr. A is Rs.2,500 and markup on drawings of Mr. B is Rs.2,800. The net income for the year is Rs.95,000. What will be the amount of distributable profit?

- ► Rs.89, 700
- ► Rs.94, 700
- ► Rs.95, 300
- ► **Rs.100, 300** (Not 100 % sure)

Question No: 47 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal investment and equal share in profit or loss. Markup on capital of Mr. A is Rs.2,000 and markup on drawings of Mr. B is Rs.3,000. The net income for the year is Rs.50,000. What will be the profit share of Mr. A?

- ► Rs.22, 500
- ► Rs.25, 500
- ► Rs.27, 500

► Rs.55, 000

Question No: 48 (Marks: 1) - Please choose one

How many members can subscribe their names in memorandum of association for registration of public limited company?

► 2

► 3

► 5

► 7

Question No: 49 (Marks: 1) - Please choose one

Which of the following can be utilized to set off any loss on revaluation?

► Capital reserve

► General reserve

► **Revaluation reserve**

► None of the given options

Question No: 50 (Marks: 1) - Please choose one

According to the statement of cash flows following are the examples of investing activities except:

► Sales of machinery

► **Capital invested by the owners**

► Purchase of building for the business use

► Cash received from the disposal of equipment

No: 51 (Marks: 1) - Please choose one

Which of the following ratio is widely used to measure the short-term debt-paying ability of a company? (Correct Answer is Creditors Turnover Ratio)

- ► Acid-test ratio
- ► Debt ratio
- ► Current ratio
- ► **None of the given options**

Creditors Turnover Ratio (Handouts Page 309)

Creditors turnover means how many times or in how many days a company pay to its creditors. The formulae for this ratio are as follows:

Creditor Turnover (Number of days) = (Average Creditors / Credit Purchases) x 365

Creditor Turnover (Number of times) = Credit Purchases / Average Creditors

Acid Test Ratio (Handouts Page 311)

Acid test ratio is the proportion of current assets which are convertible into cash and current liabilities. The formula for calculating this ratio is as follows:

Acid Test Ratio = (Current Assets – Stock) / Current Liabilities

Debt Equity Ratio (Handouts Page 310)

This ratio shows the composition of finance that have funded the asset of the company. This ratio varies for different projects. In Pakistan, maximum advised ratio is 60: 40. i-e. 40% of the assets should be bought with company, s investment and 60% should be bought with the loan taken by the company. The formula for calculating this ratio is as follows:

Debt Equity Ratio = Long term Liabilities / Equity

Current Ratio (Handouts Page 310,311)

Current ratio shows the proportion of current assets and current liabilities. This ratio should be 1:1. i-e. For every liability of one rupee, there should be an asset of one rupee to pay it. The formula for calculating this ratio is as follows:

Current Ratio = Current Assets / Current Liabilities

Question No: 52 (Marks: 1) - Please choose one

Which of the following usually is least important as a measure of short-term liquidity?

- ► Quick ratio
- ► Debt ratio
- ► Current ratio
- ► **Cash flows from operating activities**

Question No: 53 (Marks: 1) - Please choose one

In statement of cash flows, a payment of cash dividends is related to:

- ► **Investing activity**
- ► Financing activity
- ► Operating activity
- ► Cash flows from operations

CASH FLOW FROM INVESTING ACTIVITIES (Handouts Page 265)

Cash flow from investing activities includes cash receipts and payments that arise from Fixed and Long Term assets of the organization.

• Cash payments and receipts from **acquisition** and **disposal** of **other than long term** assets e.g. Shares, debentures, TFC, long term loans given etc.

CASH FLOW FROM FINANCING ACTIVITIES (Handouts Page 266)

Cash flow from financing activities includes cash receipts and payments that arise from Owners of the business and other long term liabilities of the organization.

• Cash receipts and payments for **other long term** loans and borrowings.

Question No: 54 (Marks: 1) - Please choose one

In statement of cash flows, all of the following items are considered as financing activity, except:

- ► Cash received from issuance of shares
- ► Cash received from issuance of bonds
- ► **Payment made for short term debts**
- ► Collections on loans

Question No: 55 (Marks: 3)

Show how the following items will appear in profit and loss account.

Particulars	Rs.
Bad debts	3,600
Provision for doubtful debts (old)	2,500
Provision for doubtful debts (new)	800

Question No: 56 (Marks: 5)

Pass the Journal Entries in proper format of JOURNAL for the following:

- v To create provision for doubtful debts
- v To reduce the provision
- v To increase the provision

Solution:

To create provision for doubtful debts

Debit: Provision for Bad Debts (P&L)

Credit: Provision for Bad Debts

The debit account is charged against current years profit and the credit head is shown as a deduction from debtors in the balance sheet.

When the bad debt for which provision is already made is confirmed, following entry is passed:

Debit: Provision for Bad Debts

Credit: Debtors

As expense has already been charged, therefore, no affect is given to P&L at this point.

To reduce the provision

Debit: Provision for Bad Debts (Balance Sheet)

Credit: Provision for Bad Debts (P&L)

To increase the provision

Debit: Provision for Bad Debts (P&L)

Credit: Provision for bad debts

Question No: 57 (Marks: 5)

Briefly discuss the followings:

1. Issuance of shares at premium

When a company has a good reputation and earns huge profits, the demand of its shares increases in the market. In that case, the company is allowed by the Companies Ordinance 1984, to issue shares at a higher price than their face value. Such an issue is called Shares Issued at Premium. The amount received; in excess of the face value of the shares is transferred to an account called "Share Premium Account". This account is used to:

- Write off Preliminary Expenses of the company.
- Write off the balance amount, in issuing shares on discount.
- Issue fully paid Bonus Shares.

2. Cash flow statement

Cash Flow Statement shows the movement of cash resources during the year. It gives information about sources of income and account heads on which this amount is spent. It is an integral part of financial statements.

3. Debentures

Debentures are issued under the common seal (Stamp) of the company, as acknowledgement of debt, owed by the company to the public at large for a defined period of time for obtaining loan from general public and has a mark up (profit) rate attached to it, generally equal to the market rate.

4. Notes to the accounts

Notes to the accounts are explanatory notes on financial statements of the company. These include all the information, from formation of company to the calculation of figures, arrived at, during the preparation of financial statements.

Question No: 58 (Marks: 10)

On 31st December, 2006, a merchant has to receive Rs. 50,000 from sundry debtors and creates provision of 5 percent on this amount for doubtful debts. Actual bad debts during the year 2007 were Rs.1, 400. The debtors on 31st December, 2007, are Rs. 40,000 on which he again creates provision of 5 % for doubtful debts. During 2008 actual bad debts are Rs. 600 and the debtors at the end of 2008 totalled Rs. 25,000, on which a reserve a reserve of 5 % for doubtful debts is required to be maintained.

Required: Prepare provision for doubtful debts account with the help of given data.

Question No: 59 (Marks: 10)

The following Trial Balance was extracted from the books of Naeem & Sons on 31st December, 2007. From this you are required to prepare an Income Statement for the year ended 31st December, 2007.

Particulars	Debit	Credit
	Rs.	Rs.
Cash	5,000	
Accounts Receivable	9,000	
Merchandise Inventory on 1.1.2007	6,000	
Plant and Machinery	24,000	
Land and Building	82,000	
Furniture and Fixtures	2,600	
Capital		136,000
Accounts Payable		3800
Purchases	60,000	
Purchases returns and allowances		2,800
Sales		70,000
Sales returns and allowances	4,600	
Insurance	3,400	
Advertisement expenses	4,000	
Salaries expenses	12,000	
Total	212,600	212,600

ADDITIONAL INFORMATION:

5. Prepaid insurance on 31st December, 2007 is Rs. 1,400
6. Outstanding salaries Rs. 1,000
7. Depreciation on Plant and Machinery @ 10% p.a.
8. Merchandise inventory on 31st December, 2007 was valued at Rs. 6,000

Paper No:17

Solved by Chanda Rehman, Nomi chakwal ABr

FINALTERM EXAMINATION

Fall 2009

MGT101- Financial Accounting (Session - 4)

Ref No: 1195706

Time: 120 min

Marks: 87

Question No: 1 (Marks: 1) - Please choose one

Word “Credit” is derived from _____ language.

- **Latin**
- English
- French
- Chinese

Question No: 2 (Marks: 1) - Please choose one

What is the nature of an expense account?

- **Debit**
- Credit
- Revenue
- None of the given options

Question No: 3 (Marks: 1) - Please choose one

_____ A summarized record of transactions related to individuals or things is called a/an _____.

- **Account**
- Voucher
- Journal
- Trial balance

Question No: 4 (Marks: 1) - Please choose one

_____ In an account, if credit side < debit side then the balance is known as:

- Negative Balance
- **Debit Balance**
- Positive Balance
- Credit Balance

Question No: 5 (Marks: 1) - Please choose one

_____

Which of the following organizations do **NOT** prepare Income & Expenditure account?

- Public limited companies
- Private limited companies
- Partnership firms
- **All of the given options**

Question No: 6 (Marks: 1) - Please choose one

Which of the following account will be credited in the books of XYZ Co. Ltd, if the business purchased a vehicle though cheque?

- Vehicle account
- Cash account
- Business account
- **Bank account**

Question No: 7 (Marks: 1) - Please choose one

If the cost of sales is Rs. 60,000, sales are Rs. 90,000 and operating expenses are Rs. 25,000 during the year. What would be the Net Profit?

- **Rs. 5,000**
- Rs. 25,000
- Rs. 55,000
- Rs. 60,000

Question No: 8 (Marks: 1) - Please choose one

Which of the following financial statement **DO NOT** show the financial health of a business

- Profit and loss account
- Balance sheet
- Statement of financial position
- **All of the given options**

at a specific date?

Question No: 9 (Marks: 1) - Please choose one

_____ The total of all costs incurred to convert raw material into finished goods is known as:

- Prime cost
- **Conversion cost**
- Sunk cost
- Opportunity cost

Question No: 10 (Marks: 1) - Please choose one

_____

Which of the following particular is **NOT** included in the specimen of a Journal Voucher?

- Name of organization
- **Bank receipt**
- Debit amount
- Credit amount

Question No: 11 (Marks: 1) - Please choose one

Accountancy covers which of the following area(s):

- Book-keeping
- Accounting
- Auditing
- **All of the given options**

Question No: 12 (Marks: 1) - Please choose one

Depreciation arises because of:

- Fall in the market value of an asset
- Fall in the value of money
- Physical wear and tear
- **All of the given options**

Question No: 13 (Marks: 1) - Please choose one

Which of the following account will be debited, when the bad debts are recovered?

- Bad debt recovered a/c
- Cash a/c
- Doubtful debts a/c
- Bad debts a/c

Question No: 14 (Marks: 1) - Please choose one

Consider the following data and identify the amount which will be shown in profit & loss account.

Particulars	Rs.
Bad debts	1,600
Provision for doubtful debts (old)	2,000
Current year's provision (new)	800

- **Rs. 400**
- Rs. 800
- Rs. 2,000
- Rs. 2,400

Question No: 15 (Marks: 1) - Please choose one

Consider the following data and identify the amount which will be shown in profit & loss account.

Particulars	Rs.
Bad debts	3,600
Provision for doubtful debts (old)	6,000
Current year's provision (new)	1,500

- Rs. (5,100)
- Rs. 5,100
- Rs. (900) (Minus main answer hai tabi Credit side par show hoga)
- Rs. 900

Question No: 16 (Marks: 1) - Please choose one

_____ On which of the following system control accounts are based?

- **Double entry book keeping system**
- Single entry book keeping system
- Cash accounting system
- All of the given options

Question No: 17 (Marks: 1) - Please choose one

_____ Which of the following entry will be passed to record discount received in control account?

- Discount Received (Dr) and Creditors Control A/c (Cr)
- Discount Received (Dr) and Creditors A/c (Cr)
- Creditors Control A/c (Dr) and Discount Received (Cr)
- Creditors A/c (Dr) and Discount Received (Cr)

Question No: 18 (Marks: 1) - Please choose one

_____ A receipt of cash Rs. 10,000 from Mr. Bilal is recorded as Rs. 1,000. What amount will be adjusted in rectifying entry?

- Rs. 1,000
- **Rs. 9,000**
- Rs. 10,000
- Rs. 11,000

Question No: 19 (Marks: 1) - Please choose one

Which of the following rectifying entry will be recorded, if sales to Mr. “A” of Rs.336 have been debited to Mr. “B” account?

- **A’s account (Dr.) and B’s account (Cr.)**
- B’s account (Dr.) and A’s account (Cr.)
- Sales account (Dr.) and B’s account (cr.)
- B’s account (Dr.) and Sales account (Cr.)

Question No: 20 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of Sale to Mr.”A” Rs. 336 was not recorded at all?

- Only sales account
- Only A’s account
- Only cash account
- **Both sales account and A’s account**

Question No: 21 (Marks: 1) - Please choose one

Which of the following item must be recorded in the adjusted Cash Book in order to bring it in line with the entries in the Bank Statement?

- Bank charges
- An error on the Bank Statement
- An uncredited deposit

 An unpresented cheque

Question No: 22 (Marks: 1) - Please choose one

Consider the following data and identify the amount which will be deducted from Sundry Debtors in Balance Sheet.

Particulars	Rs.
Bad debts (from trial balance)	1,600
Provision for doubtful debts (old)	2,000
Current year's provision (new)	1,000

 Rs. 600

 Rs. 1,000

 Rs. 2,000

 Rs. 2,600

Question No: 23 (Marks: 1) - Please choose one

Following information are extracted from books of Mr. XYZ

Particulars	Rs.
Bad Debts (Given in trial balance)	500
Old provisions (Given in trial balance)	700
Sundry Debtors (Given in trial balance)	44,800

If the Provision for doubtful debts has been increased by 5%, which amount of new provision will be shown in Profit & Loss Account?

Rs. 2,240

Rs. 2,425

Rs. 1,925

Rs. 3,025

Question No: 24 (Marks: 1) - Please choose one

_____ The main objective of financial reporting is to provide:

Essential information to internal users of financial reports.

Useful economic information about the business to the external parties for sound financial decisions.

Information to internal users about the cash position of the business.

Information to the Securities Exchange Commission (SEC).

Question No: 25 (Marks: 1) - Please choose one

_____ A financial statement that indicates the success or failure of a business, over a period of time is called:

A cash flow statement

A retained earnings statement

An income statement

A balance sheet

Question No: 26 (Marks: 1) - Please choose one

_____

Which of the following is/are **NOT** shown in balance sheet of sole proprietor?

- Fixed assets
- Current liabilities
- **Profit sharing ratio**
- Long term assets

Question No: 27 (Marks: 1) - Please choose one

Which of the following statement is **TRUE** about the Accounts receivable?

- Accounts receivable arises when a company buys goods or services from another party on credit
- Accounts receivable is a miscellaneous category that may include loans to employees
- Accounts receivable are more formal than notes receivable
- **Accounts receivable are often called trade receivables**

Question No: 28 (Marks: 1) - Please choose one

Which of the following account will be debited when the interest on drawings is charged?

- Partner's capital account
- **Interest account**
- Partner's current account
- Profit & Loss account

Question No: 29 (Marks: 1) - Please choose one

_____ In case of fixed capital accounts, other transactions such as Drawings and Profit etc. are recorded in a separate account that is called _____.

- Fixed Capital Account
- Current Account
- Fluctuating Capital Account
- Floating Capital Account

Question No: 30 (Marks: 1) - Please choose one

Which of the following clause/s are discussed in Memorandum of Association of Companies?

- Name of company
- Place of registered office of company
- Objective of the company
- **All of the given options**

Question No: 31 (Marks: 1) - Please choose one

Preliminary Expenses of the company may write off against:

- **Share premium account**
- Share holder account
- Debtors control account
- Creditor control account

Question No: 32 (Marks: 1) - Please choose one

What are the effects on financial statements, if provision for Income Tax to be made Rs. 12,000 is given in adjustment?

 It will be deducted in Income Statement only

 It will be treated as current liability in balance sheet only

 It will be treated as current asset in balance sheet only

Both it will be deducted in income statement and it will be treated as current liability in balance sheet

Question No: 33 (Marks: 1) - Please choose one

Which of the following is **NOT** a cash inflow?

 Sale of fixed asset

 Issue of debentures

 Cash from business operation

 Purchase of fixed asset

Question No: 34 (Marks: 1) - Please choose one

Which of the following statement in **NOT TRUE** about the limited company form of business?

 The limited company form of business allows ownership of the business to be spread amongst many people

 Shareholders can appoint professionals

Shareholders are personally liable for all the liabilities incurred by the business

 Regular filing of information about the affairs of the company is a legal requirement

Question No: 35 (Marks: 1) - Please choose one

_____ If company has distributable profit is Rs. 4, 90,000. Profit sharing share ratio of Mr. A, Mr. B and Mr. C is 2:3:5 respectively what will be the Profit share for Mr. C in distributable profit.

- Rs. 98,000
- Rs. 1, 47,000
- Rs. 2, 45,000
- Rs. 3, 43,000

Question No: 36 (Marks: 1) - Please choose one

_____

What is the treatment of Accumulated Depreciation in Balance Sheet?

- **It may treated as a deficit not sure**
- It may treated as a surplus
- It may treated as a revenue
- None of the given options I think this one

Question No: 37 (Marks: 1) - Please choose one

_____

According to the double entry system of book keeping, the investment of Rs.10, 000 in the business made by the owner will effect:

- **Cash Account & Capital Account**
- Cash Account & Expense Account
- Capital Account & Revenue Account

- Capital Account & Expense Account

Question No: 38 (Marks: 1) - Please choose one

_____ The return of goods by a customer should be debited to:

- Customer's account
- **Sales return account**
- Goods account
- Accounts receivable account

Question No: 39 (Marks: 1) - Please choose one

_____
Expenditures incurred annually on renewal of patent are known as:

- Revenue Expenditures
- **Capital Expenditures**
- Deferred Expenditures
- None of the given options

Question No: 40 (Marks: 1) - Please choose one

_____
Debts that are not collectible and worthless to the creditor are known as:

- Doubtful debts

- **Bad debts**
- Provision for doubtful debts
- Loss

Question No: 41 (Marks: 1) - Please choose one

_____ ABC Company received discount on its credit purchases, which of the following will be debited while entering in journal?

- Cash
- Discount received
- Creditors
- Bank

Question No: 42 (Marks: 1) - Please choose one

_____ The amount owed by debtors at the start of a month appears on the _____ side of the individual debtors account.

- Left side or credit
- Left side or debit
- Right side or debit
- Right side or credit

Question No: 43 (Marks: 1) - Please choose one

_____

Ahmad Industries want to make payment to its supplier in the form of a pay order. The bank deducted Rs.160 as service charges without its knowledge. The error is known as:

- **Error of commission**
- Error of omission

- Error of original entry
- Error of principle

Question No: 44 (Marks: 1) - Please choose one

Which of the following accounts would never be reported in the income statement as an expense?

- **Depreciation expense**
- Income tax expense
- Interest expense
- Dividends expense

Question No: 45 (Marks: 1) - Please choose one

_____ In the heading of financial statement, _____ is not required?

- Title of financial statement
- **Name of the person who prepares financial statement**
- Period for which financial statement is prepared
- Name of business entity

Question No: 46 (Marks: 1) - Please choose one

_____ In a partnership of Mr. A and Mr. B, the share of profit of Mr. A is Rs.75,375 and the share of profit of Mr. B is Rs. 25,125. What will be the ratio of their share?

- 1:2
- 2:3
- **3:2**
- 3:1

Question No: 47 (Marks: 1) - Please choose one

Which of the following is decreased when an asset is converted into expense in adjustment?

- **Revenue**
- Net income
- Expense
- Liability

Question No: 48 (Marks: 1) - Please choose one

_____ Mr. A & B entered into a partnership with an equal investment and equal share in profit or loss. Markup on capital of Mr. A is Rs.2,500 and markup on drawings of Mr. B is Rs.2,800. The net income for the year is Rs.95,000. What will be the amount of distributable profit?

- **Rs.89,700**
- Rs.94,700
- Rs.95,300
- Rs.100,300

Question No: 49 (Marks: 1) - Please choose one

_____ How many members can subscribe their names in memorandum of association for registration of public limited company?

- 2
- 3
- 5
- **7**

Question No: 50 (Marks: 1) - Please choose one

Which of the following is responsible to register the companies?

- State Bank of Pakistan
- **Security and Exchange Commission of Pakistan**
- Supreme Court
- Stock Exchange

Question No: 51 (Marks: 1) - Please choose one

_____ The amount of share premium can be utilized except:

- **To write off preliminary expenses**
- To meet the expenses of issue of shares
- To distribute among the share holders
- To issue bonus shares

Question No: 52 (Marks: 1) - Please choose one

Which of the following capital is required for the registration of the company?

- Issued capital
- Subscribed capital
- **Authorized capital**
- Reserve capital

Question No: 53 (Marks: 1) - Please choose one

Which of the following items of balance sheet are useful in evaluating a company's liquidity?

- Current assets and other assets
- **Current liabilities and current assets**
- Current liabilities and plant and equipment
- Non current liabilities and other assets

Question No: 54 (Marks: 1) - Please choose one

_____ The company ABC purchased an asset for Rs. 40,000, paying 30,000 in cash and issuing a long term note payable for remaining balance. The amount will be recorded in statement of cash flows as:

- Rs. 40,000 cash outflow as investing activity
- Rs. 30,000 cash outflow as investing activity
- **Rs. 10,000 cash inflow as investing activity**
- Rs. 70,000 cash inflow as investing activity

Question No: 55 (Marks: 3)

_____ **Why an organization is needed to prepare a cash flow statement.**

Question No: 56 (Marks: 5)

_____

Show the following assets at Written Down Value in Balance Sheet with complete working.

Particulars	Rs.
Plant & Machinery	53,000
Buildings	35,000
Tools & Equipment	8,650

Depreciation Rate:

- Plant & Machinery @ 10%
- Buildings @ 5%
- Tools& Equipment @ 15%

Question No: 57 (Marks: 5)

Financial year decided by partnership agreement is 1st July to 30th June. Mr. Ali is partner and having a capital of Rs. 1,500,000 on July 1st 2007 and he introduced more capital on August 1st 2007 Rs. 10,000 on April 1st 2008, Rs.500,000 and on June 1st 2008 , Rs. 5,000. Mark up rate is 10% p.a.

Calculate mark up on Mr. Ali's capital for the year ending on 30th June 2008.

Question No: 58 (Marks: 10)

The following errors have been discovered in the book of a Business Concern:

1. Wage of Rs. 500 paid for the installation of plant debited to Wages Account.
2. Purchases of Office Equipment Rs. 2,000 were recorded as regular purchases of business.
3. Credit sale of Rs. 600 to Kareem was wrongly debited to Kamran.
4. Rs. 200 drawn by the proprietor was treated as Trade Expenses.
5. Rs. 300 received as a Commission was wrongly credited to Sales Account.

Required:

Pass the rectifying entries only.

Question No: 59 (Marks: 10)

Prepare Balance Sheet for the manufacturing concern as on 31st December, 2007 with the help of given data.

Particulars	Rs.
Capital	120,000
Trade Creditors	17,500
Bills payable	1,000
Sales	626,100
Raw material Stocks on 1-1-2007	30,000
Work in process on 1-1-2007	35,600
Finished Goods on 1-1-2007	35,400
Purchases	518,000
Carriage inwards	8,900
Discount Allowed	750
Debtors	16,000
Sales man commission	2,000
Office expenses	2,000
Carriage outwards	1,700
Bad debts	1,400
Salaries	13,000
Direct labor	1,800
FOH	1,100
Plant & Machinery	53,000
Buildings	35,000
Tools	8,650
Long term liability	4,902
Drawings	5,000

Stock as on 31st December, 2007

- Raw material Stocks Rs. 31,000
- Work in process Rs. 25,000
- Finished Goods Rs. 53,900

Depreciation Rate:

- Plant & Machinery is depreciated @ 10%
- Buildings is depreciated @ 5%
- Tools is depreciated @ 15%

Additional data

- Reserve and bad debts is to be created at 5% on debtors.
- Net Income for the year Rs. 75,000

Paper no 18

Solved by Chanda Rehman & ABr

FINALTERM EXAMINATION,

Fall 2008

MGT101- Financial Accounting (Session - 1)

Time: 120 min

Marks: 85

Question No: 1 (Marks: 1) - Please choose one

Which of the following item will be credited in capital account of sole proprietor?

► Cash

► Drawings

► Debtors

► **Profit**

Question No: 2 (Marks: 1) - Please choose one

_____

Debenture is also named as:

► Share

► Bond

► Equity

► Reserve

Question No: 3 (Marks: 1) - Please choose one

_____ A firm may earn profit during an accounting period but have less money in the bank at the end of the period then it had at the beginning. Which of the followings, on its own, could explain this?

► Not paying invoices received from creditors

► The sale of fixed assets during the period

► An increase in trade debtors over the course of the period

► **An increase in the depreciation charge relative to the previous accounting period doubted**

Question No: 4 (Marks: 1) - Please choose one

_____ In cash flow statements, which of the following would appear as a cash outflow?

► The payments for purchases made during the year

► A decrease in trade debtors over the course of an accounting period

► Money received as a result of issuing new shares

► Money received as result of selling fixed assets

Question No: 5 (Marks: 1) - Please choose one

_____ In cash flow statements, which of the following would appear as an inflow of cash?

► The repayments of a bank loan

► Dividend issue in the current year

► Money received as result of selling fixed assets

► The difference between the valuations of old and new fixed assets

Question No: 6 (Marks: 1) - Please choose one

_____ A company is said to have been registered when:

► It filed with the Registrar of Companies articles certain documents, like memorandum and articles of association

► It gets certificate of incorporation from registrar of Companies doubted

► It gets certificate of commencement of business from registrar of Companies

► It actually starts its business

Question No: 7 (Marks: 1) - Please choose one

_____

Which of the following option(s) is **TRUE** about the Sales returns?

► Sales returns reduce the Gross sales of the firm

► Sales returns affect the Net income of the firm

► Sales returns affect the flow of cash

► All of the given options

Question No: 8 (Marks: 1) - Please choose one

_____

Share premium account is used for what?

- ► Write off Preliminary Expenses of the company.
- ► Write off the balance amount, in issuing shares on discount.
- ► Issue fully paid Bonus Shares.
- ► **All of the given options**

Question No: 9 (Marks: 1) - Please choose one

_____ The maximum amount with which the company is registered is called:

- ► **Authorized Share Capital**
- ► Issued Share Capital
- ► Paid up capital
- ► Called up capital

Question No: 10 (Marks: 1) - Please choose one

_____ The Joint Stock Company is formed under the Companies Ordinance:

- ► **1984**
- ► I884
- ► 1948
- ► 1965

Question No: 11 (Marks: 1) - Please choose one

_____ In case of fixed capital accounts, other transactions such as Drawings and Profit etc. are recorded in a separate account that is called _____.

► Fixed Capital Account

► **Current Account**

► Fluctuating Capital Account

► Floating Capital Account

Question No: 12 (Marks: 1) - Please choose one

Which of the following represents the relationship between persons who have agreed to share the profit of business carried on by all or any of them acting for all?

► Sole-ownership

► Private limited company

► Public limited company

► **Partnership**

Question No: 13 (Marks: 1) - Please choose one

Current accounts of the partners should be opened when the capitals are:

► Normal

► Floating

► **Fixed**

► Fluctuating

Question No: 14 (Marks: 1) - Please choose one

Fixed Assets (WDV) + Working Capital =?

► Total assets employed

► Total liabilities

► Total assets

► Current assets

Question No: 15 (Marks: 1) - Please choose one

Which of the following journal entry will be recorded, if cash is drawn by a Proprietor?

► Proprietor's drawings a/c (Dr.) and Cash a/c (Cr.)

► Cash a/c (Dr.) and Proprietor's drawings a/c (Cr.)

► Proprietor's Capital (Dr.) and Proprietor's drawings a/c (Cr.)

► Proprietor's drawings (Dr.) and Proprietor's Capital a/c (Cr.)

Question No: 16 (Marks: 1) - Please choose one

Which of the following will be debited, if cash is drawn by Proprietor?

► Proprietor's drawings

► Proprietor's cash

► Proprietor's capital

► Proprietor's income

Question No: 17 (Marks: 1) - Please choose one

An asset is considered to be a current asset if:

► It has been bought recently and was bought new and not used

► It can be realized in cash or sold or consumed in the business within one year

► It is a piece of new machinery that is expected to last for at least ten years

► All of the given options

Question No: 18 (Marks: 1) - Please choose one

Which financial statement show what a business owes at a particular point in time?

► A cash flow statement

► The bank statement for the business

► **A balance sheet**

► A statement of retained earnings

Question No: 19 (Marks: 1) - Please choose one

_____ The Balance Sheet item that represents the resources invested by the owner is known as:

► Accounts Receivable

► Cash

► Note Payable

► **Owner's Equity**

Question No: 20 (Marks: 1) - Please choose one

Which of the following is **NOT** an operating expense?

► Salaries and wages expense

► Rent expense

► Interest expense

► Depreciation expense

Question No: 21 (Marks: 1) - Please choose one

Which of the following accounts would be increased with a debit?

- ► Contributed Capital
- ► Retained Earnings
- ► Revenues
- ► Expenses

Question No: 22 (Marks: 1) - Please choose one

Which of the following subsidiary book(s) is (are) maintained for creditors control account?

- ► Purchase Day Book
- ► Purchase Return
- ► Creditors Ledger
- ► All of the given options

Question No: 23 (Marks: 1) - Please choose one

_____ It is supposed that on 31st December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 10% of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be credited in profit & loss account

- ► Rs. 3,600
- ► Rs. 4,000
- ► Rs. 1,600
- ► Rs. 2, 400

Question No: 24 (Marks: 1) - Please choose one

Consider the following data and identify the amount which will be shown in profit & loss account.

Particulars	Rs.
Bad debts	1,600
Provision for doubtful debts (old)	2,000
Current year's provision (new)	1,000

► Rs. 600

► Rs. 1,600

► Rs. 2,000

► Rs. 2,600

Question No: 25 (Marks: 1) - Please choose one

Sale of goods to Mr. Amir is wrongly debited to Umair A/c(debtor) instead of Amir A/c(debtor), this is an example of:

► **Error of principle**

► Error of omission

► Error of commission

► Error of original entry

Question No: 26 (Marks: 1) - Please choose one

"Goods sold to Mr. Salman for Rs. 6,000 have been forgotten to enter in books of accounts", is an example of:

► Error of principle

► **Error of omission**

► Error of commission

► Error of original entry

Question No: 27 (Marks: 1) - Please choose one

Transaction that has been completely forgotten to enter is called:

► Error of principle

► **Error of omission**

► Error of commission

► Error of original entry

Question No: 28 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of sales to Rahim Rs. 336 posted to his account as Rs. 363?

► Sales account

► Rahim's account

► Cash account

► Both sales and Rahim's Account

Question No: 29 (Marks: 1) - Please choose one

Which of the following is a detailed record of an individual account in case of large business?

► Control Account

► **Subsidiary Ledger**

► Balance Sheet

► Trial Balance

Question No: 30 (Marks: 1) - Please choose one

Which of the following is **NOT** included in Debtors Control Account?

► **Cash sales**

► Credit sales

► Bills receivable

► Discount allowed

Question No: 31 (Marks: 1) - Please choose one

Following information are extracted from books of Mr. XYZ

Particulars	Rs.
Closing value of stock	40,000
Write off Bad debts (given in adjustments)	2,400
Sundry Debtors (given in trial balance)	33,200
Provision is created on Debtors at 5%	

Requirement: Identify the Total amount which will deduct from Sundry debtors.

► Rs. 460

► Rs. 2,400

► Rs. 1,540

► Rs. 3,940

Question No: 32 (Marks: 1) - Please choose one

_____ Bad debts written off (given in adjustment) always affect the:

► Debtors account

► Creditors account

► Cash account

► Capital account

Question No: 33 (Marks: 1) - Please choose one

_____ debts that are not collectible and worthless to the creditor are known as:

► **Bad debts**

► Good debts

► Doubtful debts

► Provision for doubtful debts

Question No: 34 (Marks: 1) - Please choose one

_____

Which of the following is **NOT** a function of bank reconciliation statement?

► To reconcile the difference between the cash book and the bank statement

► **To check for errors in balance sheet**

► To update omitted entries into the cash book

► To update omitted entries into the bank statement

Question No: 35 (Marks: 1) - Please choose one

_____ The following balance and discrepancies were found on 31 March 2008:

Particulars	Rs.
Cash book balance (Dr)	5 000
Unpresented cheques	1 000
Uncredited cheques	500

The Bank Statement balance on 31 March 2008 should be:

- ► Rs. 5 500 (Dr)
- ► Rs. 5 500 (Cr)
- ► Rs. 4 500 (Dr)
- ► Rs. 4 500 (Cr)

Question No: 36 (Marks: 1) - Please choose one

_____ In accounting accumulated depreciation is:

- ► Treated as a reserve
- ► Treated as a contra asset
- ► Treated as a surplus
- ► Treated as an expense

Question No: 37 (Marks: 1) - Please choose one

_____ Find out the missing value of an Accounting Equation with the help of given data:

Cash at bank	Rs. 22,500
Other assets	Rs. 1,000
Creditors	Rs. 8,385
Other liabilities	Rs. 9,000

► **Rs. 6,115 owner's equity**

► Rs. 31,885 owner's equity

► Rs. 17,385 owner's equity

► Rs. 18,385 owner's equity

Question No: 38 (Marks: 1) - Please choose one

_____ Find out the missing value of an Accounting Equation with the help of given data:

Total Assets	Rs. 34,500
Accounts payable	Rs. 1, 000
Other liabilities	Rs. 11,500

► **Rs. 22,000 owner's equity**

► Rs. 23, 000 owner's equity

► Rs. 24,000 owner's equity

► Rs. 46,000 owner's equity

Question No: 39 (Marks: 1) - Please choose one

_____

Which of the following particular is **NOT** included in the specimen of a Journal Voucher?

► Name of organization

► **Bank receipt**

► Debit amount

► Credit amount

Question No: 40 (Marks: 1) - Please choose one

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 15,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	**?**

► Rs.25, 000

► Rs. 75,000

► Rs. 15,000

► Rs. 1, 00,000

Question No: 41 (Marks: 1) - Please choose one

Which of the following account will be debited, when the labor cost is charged to production?

► Finished goods account

► Labor cost account

► Work in process account doubted

► COGFactor over head account

Question No: 42 (Marks: 1) - Please choose one

Which of the following organization converts raw material into finished goods?

► Trading concern

► **Manufacturing concern**

► Merchandising concern

► Service concern

Question No: 43 (Marks: 1) - Please choose one

Which of the following particular is **NOT** included in the specimen of a payment voucher?

► Name of organization

► Cash payment amount

► Date of transaction

► **Bank receipt**

Question No: 44 (Marks: 1) - Please choose one

Which of the following particulars are included in the specimen of a bank receipt voucher?

1) Name of the organization
2) Bank code
3) Date of transaction

► (1) & (2) only

► (1) & (3) only

► (2) & (3) only

► **(1), (2) & (3)**

Question No: 45 (Marks: 1) - Please choose one

_____ If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs. 20,000 during the year, what would be the value of Gross Profit?

► **Rs. 15,000**

► Rs. 35,000

► Rs. 55,000

► Rs. 60,000

Question No: 46 (Marks: 1) - Please choose one

_____

Which of the following statement is **NOT TRUE** about Current liabilities?

► These are due within one year

► These are short-term loans

► **These are consist of all debts, payable after 12 months**

► In working capital, these are deducted from current assets

Question No: 47 (Marks: 1) - Please choose one

_____

Accrued expenses are the example of:

► **Current liabilities**

► Long term liabilities

► Deferred costs

► Capital expenses

Question No: 48 (Marks: 1) - Please choose one

Which of the following item will appear on the Balance Sheet as current assets?

► Prepaid expenses

► Accrued expenses

► Furniture and Equipment

► Unearned revenue

Question No: 49 (Marks: 1) - Please choose one

When a Liability is reduced or decreased, it is recorded on the:

► Right or debit side of the account

► Left or debit side of the account

► Left or credit side of the account

► Right or credit side of the account

Question No: 50 (Marks: 1) - Please choose one

Which of the following is non- profit organization?

► Sole proprietorship

► Partnership

► Limited company

► **Trust**

Question No: 51 (Marks: 5)

The following errors have been discovered in the book of a Business Concern:

1. A credit purchase of Rs. 10,000 from Rizwan was wrongly passed through the sales book.
2. The casting of the sales book Rs. 1, 15,594 was carried to the sales account as Rs. 1, 51,954.

Required:

Pass the rectifying entries only.

1.Debit Creditor's account

Credit Sales book account

2.Debit Cash account Rs 36360

Credit Sales account Rs (36360)

Question No: 52 (Marks: 10)

Following information is extracted from the books of Arfan Ltd as on December 31st, 2007.

Particulars	Cost	Depreciation rate	Accumulated Depreciation On 01-01-2007
Vehicles 01-01-2007	1,90,000	10%	10,000
Building 01-01-2007	4,00,000	20%	12,500
Furniture & Fixture 01-01-2007	4,15,000	15%	34,500
Land 01-01-2007	1,58,000	--	---

You are required to calculate Written down value of each asset and show working of complete depreciation for the year ending on December 2007.

Question No: 53 (Marks: 10)

Write a note on legal documents required for the formation of company.

Question No: 54 (Marks: 10)

The following discrepancies were noted on comparing Cash Book with Pass Book.

3. Balance as per Cash Book (Cr) is Rs. 19,000.
4. Cheque for Rs. 5,000 paid into the bank for collection on 20th March, 2008 has not yet been collected.
5. Cheques for Rs. 15,000 Issued on 24th March, 2008, out of which Cheques for Rs. 10,000 presented during March, 2008
6. An amount of Rs. 1,000 for interest on overdraft was debited in the Pass Book but was intimated to Mr. David on 4th April, 2008.
7. Mr. David paid into his bank account an amount of Rs. 3,000 but it was wrongly credited to Mr. Denial's Account.
8. On 20th March, 2008 the bank received dividend of Rs. 10,000 from a company where Mr. David's has invested his money, the same had been recorded in Cash Book on 31st March, 2008.
9. Cheque of Rs. 2,500 was shown in Pass Book as dishonored.

Required: Prepare a Bank Reconciliation Statement as on 31st March, 2008

Paper No:19

Solved By Chanda Rehman n ABr

FINALTERM EXAMINATION

Fall 2008

MGT101- Financial Accounting (Session - 3)

Time: 120 min

Marks: 85

Question No: 1 (Marks: 1) - Please choose one

Debenture is also named as:

► Share

► **Bond**

► Equity

► Reserve

Question No: 2 (Marks: 1) - Please choose one

What types of changes (is) are made at the admission of partner in partnership?

► Assets of old business will be revalued

► Liabilities of old business will be revalued

► Good will of business will be revalued

► All of the given options

Question No: 3 (Marks: 1) - Please choose one

The balance sheet reported a beginning balance of Rs. 20,000 in Accounts Receivable and an ending balance of Rs. 15,000. Credit Sales of Rs. 200,000 were made during the year. Using this information, compute cash collected from customers.

► Rs. 215,000

► Rs. 195,000

► Rs. 200,000

► **Rs. 205,000**

Beginning – ending + credit sales

20,000 – 15,000 + 200,000

Question No: 4 (Marks: 1) - Please choose one

_____ In cash flow statements, which of the following would appear as an inflow of cash?

► The repayments of a bank loan

► Dividend issue in the current year

► **Money received as result of selling fixed assets**

► The difference between the valuations of old and new fixed assets

Question No: 5 (Marks: 1) - Please choose one

_____

Which of the following is **NOT** a cash inflow?

► **Purchase of fixed asset**

► Sale of fixed asset

► Issue of debentures

► Cash from business operation

Question No: 6 (Marks: 1) - Please choose one

_____

What are the effects on financial statements, if Rs. 6,000 transfer to general reserve is given in adjustment?

► It will be treated in Income Statement only

► It will be treated as current liability in balance sheet only

► It will be treated in profit and loss appropriation account only

► **it will be treated in both profit and loss appropriation account and in the balance sheet**

Question No: 7 (Marks: 1) - Please choose one

Which of the following is the most important document of the company?

► Memorandum of Association

► Articles of Association

► Prospectus

► Annual Report

Question No: 8 (Marks: 1) - Please choose one

Which of the following document(s) define the relation of company with outside world?

► Memorandum of Association

► Articles of Association

► Prospectus

► **Statutory Declaration doubted**

Question No: 9 (Marks: 1) - Please choose one

_____ The income statement of the Limited company is also known as:

► Manufacturing account

► **Profit and Loss account**

► Profit and Loss Appropriation account

► Current Account

Question No: 10 (Marks: 1) - Please choose one

_____ In which of the following auditor's remuneration payable is shown?

► In balance sheet under the head of current liabilities only

► In balance sheet under the head of current assets only

► In income statement under the administrative expense only

► In both balance sheet under the head of current liabilities and income statement under the administrative expense

Question No: 11 (Marks: 1) - Please choose one

_____ The charter of a company which defines the limitations and powers of the company is called:

► The memorandum of association

► Articles of association

► Statutory report

► Certificate of commencement

Question No: 12 (Marks: 1) - Please choose one

_____
Which of the following represents the partnership agreement in writing?

► Partnership registration

► Partnership-at-will

► Partnership deed

► Partnership certification

Question No: 13 (Marks: 1) - Please choose one

_____
Which of the following represents the relationship between persons who have agreed to share the profit of business carried on by all or any of them acting for all?

► Sole-ownership

► Private limited company

► Public limited company

► **Partnership**

Question No: 14 (Marks: 1) - Please choose one

Which of the following statement is **TRUE** about the Accounts receivable?

► Accounts receivable arises when a company buys goods or services from another party on credit

► Accounts receivable is a miscellaneous category that may include loans to employees

► Accounts receivable are more formal than notes receivable

► **Accounts receivable are often called trade receivables**

Question No: 15 (Marks: 1) - Please choose one

Which one of the following is **TRUE** about provisions?

► It is necessary to prepare for showing true picture of balance sheet

► It is a reduction from assets

► It is prepared for specific purposes

► **All of the given options**

Question No: 16 (Marks: 1) - Please choose one

Which financial statement show what a business owes at a particular point in time?

► A cash flow statement

► The bank statement for the business

► **A balance sheet**

► A statement of retained earnings

Question No: 17 (Marks: 1) - Please choose one

Which of the following is an example of operating expense?

► Purchasing operating equipment

► **Purchasing cleaning services doubted**

► Purchasing an investment in another company

► Purchasing a computer for the accounting office

Question No: 18 (Marks: 1) - Please choose one

Short-term investments include all of the following **EXCEPT**:

► A bond receivable intended to be sold within one year

► Frequently traded securities

► A stock investment in the General Electric Company intended to be sold within one year

► **A shares investment in the Coca-Cola Company intended to be held for several years**

Question No: 19 (Marks: 1) - Please choose one

_____ The figure of cash received from debtors can be located either from cash book or:

► **Debtor's Control Account**

► Balance Sheet

► Profit & Loss Account

► Bills Payable Account

Question No: 20 (Marks: 1) - Please choose one

Following information are extracted from books of Mr. XYZ

Particulars	Rs.
Closing value of stock	40,000
Write off Bad debts (given in adjustments)	2,400
Sundry Debtors (given in trial balance)	33,200
Provision is created on Debtors at 10%	

Identify the Total amount deducted from Sundry debtors.

► Rs. 460

► Rs. 2,400

► Rs. 3,080

► Rs. 5,480

Question No: 21 (Marks: 1) - Please choose one

_____Consi
der the following data and identify the amount which will be deducted from Sundry Debtors in Balance Sheet.

Particulars	Rs.
Bad debts (from trial balance)	1,600
Provision for doubtful debts (old)	2,000
Current year's provision (new)	1,000

► Rs. 600

► **Rs. 1,000**

► Rs. 2,000

► Rs. 2,600

Question No: 22 (Marks: 1) - Please choose one

Which of the following entry will be recorded, if a cheque deposited is dishonored by bank?

► Bank Account (Dr.) and Debtor's Account (Cr.)

► **Debtor's Account (Dr.) and Bank Account (Cr.)**

► Dishonored Cheque Account (Dr.) and Bank Account (Cr.)

► Creditor's Account (Dr.) and Bank Account (Cr.)

Question No: 23 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of an amount Rs.200 received from Mr."P" wrongly credited to Mr."Q's" account?

► **Both of Mr. P's & Mr.Q's Account**

► Only Cash Account

► Only P's account

► Only Q's account

Question No: 24 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of sales Rs.100 to Mr. "A" recorded in the purchases book?

► Sales account

► Purchase account

► A's account and Sales account

► **Sales account, purchase account and A's account**

Question No: 25 (Marks: 1) - Please choose one

"Goods sold to Mr. Salman for Rs. 6,000 have been forgotten to enter in books of accounts", is an example of:

► Error of principle

► **Error of omission**

► Error of commission

► Error of original entry

Question No: 26 (Marks: 1) - Please choose one

Transaction that has been completely forgotten to enter is called:

► Error of principle

► **Error of omission**

► Error of commission

► Error of original entry

Question No: 27 (Marks: 1) - Please choose one

Which of the following is (are) included in Creditors Control Account?

► Discount received from supplier

► Credit purchases

► Bills payable

► **All of the given options**

Question No: 28 (Marks: 1) - Please choose one

Which of the following is **NOT** included in Debtors Control Account?

► **Cash sales**

► Credit sales

► Bills receivable

► Discount allowed

Question No: 29 (Marks: 1) - Please choose one

Which of the following subsidiary book(s) is (are) maintained for debtors control account?

► Sales Day Book

► Sales Return

► Debtors Ledger

► **All of the given options**

Question No: 30 (Marks: 1) - Please choose one

Which of the following is **NOT** based on the concept of double entry book keeping system?

► Subsidiary Ledgers

► Creditors Control Accounts

► Debtors Control Accounts

► **All of the given options doubted**

Question No: 31 (Marks: 1) - Please choose one

Which of the following entry will be recorded when the Bad Debts are recovered?

► **Cash account (Dr.) & Bad Debts recovered account (Cr.)**

► Accounts Receivable account (Dr.) & Bad Debts recovered account (Cr.)

► Bad debts recovered account (Dr.) and Profit & Loss account (Cr.)

► Provision for doubtful debts account (Dr.) & Cash account (Cr.)

Question No: 32 (Marks: 1) - Please choose one

In which of the following condition(s) **DEBT** is regarded as **BAD**.

► Bankruptcy of the debtor

► Disappearance of debtor's business

► Failure of repeated attempt to collect the debt

► **All of the given options**

Question No: 33 (Marks: 1) - Please choose one

Which of the following is **CORRECT** for Doubtful Debt?

► **It is shown in balance sheet**

► It is a definite loss to the business

► It is not shown in balance sheet

► No provision is necessary for it

Question No: 34 (Marks: 1) - Please choose one

_____ The following balance and discrepancies were found on 31 March 2008:

Particulars	Rs.
Cash book balance (Dr)	5 000
Unpresented cheques	1 000
Uncredited cheques	500

The Bank Statement balance on 31 March 2008 should be:

► Rs. 5 500 (Dr)

► Rs. 5 500 (Cr)

► Rs. 4 500 (Dr)

► Rs. 4 500 (Cr)

Question No: 35 (Marks: 1) - Please choose one

_____ A Bank Reconciliation Statement is prepared to:

► **Ascertain that the difference between the Cash Book balance and the Bank Statement balance has been accounted for**

► Correct errors in the Cash Book or errors in the Bank Statement

► Amend the balance of the Bank Statement of the firm

► Amend the balance in the Cash Book of the firm

Question No: 36 (Marks: 1) - Please choose one

Which of the following is **CORRECT** regarding depreciation?

► **It is a systematic allocation of depreciable amount of an asset over its estimated useful life**

► It refers to the end life of an asset

► It refers to the increase in value of asset

► It is another name of Impairment

Question No: 37 (Marks: 1) - Please choose one

Find out the missing value of an Accounting Equation with the help of given data:

Cash	Rs.1, 00, 000
Debtors	Rs.10, 000
Other Assets	Rs. 1,000
Owner's equity	Rs. 1, 000

► Rs. 12,000 liabilities

► Rs. 11,000 liabilities

► **Rs. 1, 10,000 liabilities**

► Rs. 1, 11,000 liabilities

Question No: 38 (Marks: 1) - Please choose one

Which of the following essentials will be shown in the format of Cash Book?

(1) Ledger code

(2) Amount of Receipt

(3) Amount of payment

► (1) only

► (1) & (2) only

► (1) & (3) only

► **(1), (2) & (3)**

Question No: 39 (Marks: 1) - Please choose one

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

► Rs.260

► Rs.232

► Rs.284

► **Rs.320**

Question No: 40 (Marks: 1) - Please choose one

_____ In cost of goods sold statement, the 'cost of material consumed' is equal to:

► **Opening raw material inventory + Purchases – Ending raw material inventory**

► Opening raw material inventory - Purchases + Ending raw material inventory

► Ending raw material inventory + Opening raw material inventory - Purchases

► Ending raw material inventory + Opening raw material inventory + Purchases

Question No: 41 (Marks: 1) - Please choose one

_____

Following are the inventories of Manufacturing Concern **EXCEPT**:

► Raw material

► Work in process

► Finished goods

► **Merchandise inventory**

Question No: 42 (Marks: 1) - Please choose one

_____

Which of the following is an alternate term which can be used for "Capital"?

► Liability

► **Owner's net worth**

► Working capital

► Asset

Question No: 43 (Marks: 1) - Please choose one

_____ In which of the following condition a company will have positive working capital?

► **If current assets > current liabilities**

► If current Assets < current Liabilities

► If current assets = current liabilities

► If current assets ≤ current liabilities

Question No: 44 (Marks: 1) - Please choose one

_____ If salaries expense is Rs. 2,500, purchases are Rs. 16,000 and rent (office building) is Rs. 300 during the year, what would be the total of "general & administrative expenses"?

► Rs. 300

► Rs. 2,500

► **Rs. 2,800**

► Rs.18, 800

Question No: 45 (Marks: 1) - Please choose one

_____ The amount brought by the proprietor in the business should be credited to:

► Cash account

► **Capital account**

► Drawings account

► Proprietor account

Question No: 46 (Marks: 1) - Please choose one

_____ An asset on the balance sheet which is expected to be sold or used within one year is known as:

► Tangible asset

► **Current asset**

► Fixed asset

► Long term asset

Question No: 47 (Marks: 1) - Please choose one

_____

Which one of the following is a type of General Ledger?

► Book of original entry

► **'T' Account**

► Source document

► Day book

Question No: 48 (Marks: 1) - Please choose one

_____

According to the double entry system of book keeping, the investment of Rs.10, 000 in the business made by the owner will effect:

► **Cash & Capital Account**

► Cash & Expense Account

► Capital & Revenue Account

► Capital & Expense Account

Question No: 49 (Marks: 1) - Please choose one

_____ Mr." A" sold goods for Rs. 3, 00,000 to Mr. "B", Rs. 3, 00,000 will be treated as _____ for business.

► **Revenue**

► Net profit

► Gross profit

► Operating profit

Question No: 50 (Marks: 1) - Please choose one

_____ when income exceeds expenses in a specific time period is known as:

► Savings

► **Net profit**

► Gross profit

► Operating profit

Question No: 51 (Marks: 5)

_____ Financial year decided by partnership agreement is 1st July to 30th June. Mr. Ali is partner and having a capital of Rs. 1,500,000 on July 1st 2007 and he introduced more capital on August 1st 2007 Rs. 10,000 on April 1st 2008, Rs.500,000 and on June 1st 2008 , Rs. 5,000. Mark up rate is 10% p.a.

Capital = 1500000 mark up= 1500000

2nd capital= 10000 markup= 1000

3rd capital= 500000 markup= 50000

4th capital= 5000 markup= 500

Total markup= Rs. 201500

Calculate mark up on Mr. Ali's capital for the year ending on 31th June 2008.

Question No: 52 (Marks: 10)

Write a note on legal documents required for the formation of company.

In Pakistan when someone wants to form a company. He will contact with SECP, its abbreviation for Securities and Exchange Commission of Pakistan. it came in 1984 in law of Pakistan which is called companies ordinance. It controls all affairs of limited companies. For making of private limited company 2 members can submit their names in memorandum and articles of association along with other requirements of company ordinance 1984. while for public limited company seven members will sent their names. By this way they can apply and make registration of the company.

Question No: 53 (Marks: 10)

What is the difference between public and private company?

The main difference between public and private company is that in public limited companies there is no restriction on number of persons to be its members. There is one restriction. That there should be a minimum of three members to form a public limited company. Public limited company can offer its shares to general public.

While in private company two to fifty persons can form a company. Minimum two members are elected to form a board of directors. This board is given the responsibility to run day to day business of the company. Private limited company cannot offer its share to general public.

Question No: 54 (Marks: 10)

_____ The following discrepancies were noted on comparing Cash Book with Pass Book.

1. **Balance as per Cash Book (Cr) is Rs. 19,000.**
2. **Cheque for Rs. 5,000 paid into the bank for collection on 20th March, 2008 has not yet been collected.**
3. **Cheques for Rs. 15,000 Issued on 24th March, 2008, out of which Cheques for Rs. 10,000 presented during March, 2008**
4. **An amount of Rs. 1,000 for interest on overdraft was debited in the Pass Book but was intimated to Mr. David on 4th April, 2008.**
5. **Mr. David paid into his bank account an amount of Rs. 3,000 but it was wrongly credited to Mr. Denial's Account.**
6. **On 20th March, 2008 the bank received dividend of Rs. 10,000 from a company where Mr. David's has invested his money, the same had been recorded in Cash Book on 31st March, 2008.**
7. **Cheque of Rs. 2,500 was shown in Pass Book as dishonored.**

Required: Prepare a Bank Reconciliation Statement as on 31st March, 2008

Balance as per Cash Book	Cr	19000
Unpresented cheques	Dr	5000
Uncredited cheque	Dr	10000
Interest by bank	Dr.	1000

MGT101- Financial Accounting (Session - 3)

Question No: 1 (Marks: 1) - Please choose one

Debenture is also named as:

- ► **Share**
- ► **Bond**
- ► **Equity**
- ► **Reserve**

Question No: 2 (Marks: 1) - Please choose one

In which situation(s) Partnership is dissolved?

- ► **In case of death of partner**
- ► **At the admission of new partner**
- ► **If any partner resigned from partnership**
- ► **All of the given options**

Question No: 3 (Marks: 1) - Please choose one

Particulars	Rs.
Debentures	1, 50, 000
Equity Capital	2, 00,000
General Reserve	90, 000
Accumulated profit	60,000
What is debt equity ratio	?

- ► **15:24 (or 5: 8)**
- ► **15:29**
- ► **15:35 (or 3: 7)**

15 : 20

Question No: 4 (Marks: 1) - Please choose one

Particulars	Rs.
Share capital of Rs. 10 each	1,000,000
Profit before tax	150,000
Taxes	10,000
Earning per share	= ?

- ► **Rs. 1.50 per share**
- ► **Rs. 1.40 per share**
- ► **Rs. 1.15 per share**
- ► **Rs. 1.25 per share**

Question No: 5 (Marks: 1) - Please choose one

In calculating earning per share (EPS), the net profit is divided by which of the following?

- ► **Number of ordinary shares**

► **Number of preference shares**
► **Paid up capital**
► **Authorized capital**

Question No: 6 (Marks: 1) - Please choose one
Which of the following statement in NOT TRUE **about the limited company form of business?**

► **The limited company form of business allows ownership of the business to be spread amongst many people**
► **Shareholders can appoint professionals**
► **Shareholders are personally liable for all the liabilities incurred by the business correct**
► **Regular filing of information about the affairs of the company is a legal requirement**

Question No: 7 (Marks: 1) - Please choose one
Which of the following is the most important document of the company?

► **Memorandum of Association**
► **Articles of Association**
► **Prospectus**
► **Annual Report**

Question No: 8 (Marks: 1) - Please choose one
In which of the following interim dividend is treated?

► **In profit and Loss account**
► **In profit and Loss appropriation account**
► **On the asset side of the Balance Sheet**
► **In trading account**

Question No: 9 (Marks: 1) - Please choose one
The income statement of the Limited company is also known as:

► **Manufacturing account**
► **Profit and Loss account**
► **Profit and Loss Appropriation account**
► **Current Account**

Question No: 10 (Marks: 1) - Please choose one
In which of the following auditor's remuneration payable is shown?

► **In balance sheet under the head of current liabilities only**
► **In balance sheet under the head of current assets only**
► **In income statement under the administrative expense only**
► **In both balance sheet under the head of current liabilities and income statement under the administrative expense**

Question No: 11 (Marks: 1) - Please choose one
Preliminary Expenses of the company may write off against:

- ► **Share premium account**
- ► **Share holder account**
- ► **Debtors control account**
- ► **Creditor control account**

Question No: 12 (Marks: 1) - Please choose one

The amount received; in excess of the face value of the shares is transferred to which of the following?

- ► **Share premium account**
- ► **Share holder account**
- ► **Share capital account**
- ► **Right share**

Question No: 13 (Marks: 1) - Please choose one

The maximum amount with which the company is registered is called:

- ► **Authorized Share Capital**
- ► **Issued Share Capital**
- ► **Paid up capital**
- ► **Called up capital**

Question No: 14 (Marks: 1) - Please choose one

When the capitals are fixed, which of the following account will be debited for drawings made by a partner?

- ► **Individual Partner's Current Account**
- ► **Partner's Cash Account**
- ► **Partner's Bank Account**
- ► **Partners Capital Account**

Question No: 15 (Marks: 1) - Please choose one

Which of the following is(are) type(s) of capital account in partnership?

- ► **Fixed Capital**
- ► **Current Capital**
- ► **Fluctuating Capital**
- ► **Both Fixed Capital and Fluctuating Capital**

Question No: 16 (Marks: 1) - Please choose one

Current accounts of the partners should be opened when the capitals are:

- ► **Normal**
- ► **Floating**
- ► **Fixed**
- ► **Fluctuating**

Question No: 17 (Marks: 1) - Please choose one

Identify the selling expenses of manufacturing concern with the help of given data.

Particulars	Rs.
Salesman's salary	70,000

Commission on sales	**28,000**
Carriage outward	**10,000**
Carriage inward	**5,000**

- ► **Rs. 80,000**
- ► **Rs. 60,000**
- ► **Rs. 38,000**
- ► **Rs. 1, 08,000**

Question No: 18 (Marks: 1) - Please choose one
Fixed Assets (WDV) + Working Capital =?

- ► **Total assets employed**
- ► **Total liabilities**
- ► **Total assets**
- ► **Current assets**

Question No: 19 (Marks: 1) - Please choose one
Which of the following is CORRECT **if depreciation is given in trial balance?**

- ► **It means depreciation has already been deducted from concerned asset account**
- ► **It will be shown as an expense in income statement only**
- ► **It will not be deducted from concerned asset in Balance Sheet**
- ► **All of the given options are correct**

Question No: 20 (Marks: 1) - Please choose one
Which of the following journal entry will be recorded, if cash is drawn by a Proprietor?

- ► **Proprietor's drawings a/c (Dr.) and Cash a/c (Cr.)**
- ► **Cash a/c (Dr.) and Proprietor's drawings a/c (Cr.)**
- ► **Proprietor's Capital (Dr.) and Proprietor's drawings a/c (Cr.)**
- ► **Proprietor's drawings (Dr.) and Proprietor's Capital a/c (Cr.)**

Question No: 21 (Marks: 1) - Please choose one
Which financial statement show what a business owes at a particular point in time?

- ► **A cash flow statement**
- ► **The bank statement for the business**
- ► **A balance sheet**
- ► **A statement of retained earnings**

Question No: 22 (Marks: 1) - Please choose one
Which of the following is a selling expense?

- ► **Any tax/freight is paid on purchases**
- ► **General salaries paid to laborers**
- ► **Tax & freight paid on sale**
- ► **Interest on deposits**

Question No: 23 (Marks: 1) - Please choose one
Which of the following would NOT **be considered as a component of 'cost' of stock?**

► **Salaries of selling staff**
► **Transportation inward costs**
► **Import duties**
► **Purchase price**

Question No: 24 (Marks: 1) - Please choose one
Which of the following accounts would be increased with a debit?

► **Contributed Capital**
► **Retained Earnings**
► **Revenues**
► **Expenses**

Question No: 25 (Marks: 1) - Please choose one
Consider the following data and identify the amount which will be shown in profit & loss account.

Particulars	Rs.
Bad debts	1,600
Provision for doubtful debts (old)	2,000
Current year's provision (new)	1,000

► **Rs. 600**
► **Rs. 1,600**
► **Rs. 2,000**
► **Rs. 2,600**

Question No: 26 (Marks: 1) - Please choose one
Which of the following account will be credited when a typewriter is sold that has been used in the office?

► **Cash Account**
► **Sales Account**
► **Purchase Account**
► **Office Equipment Account**

Question No: 27 (Marks: 1) - Please choose one
A sum of Rs. 200 written off as bad debt now received credited to the account of debtor would:

► **Increase the net profit by Rs.200**
► **Decrease the profit by Rs.200**
► **Remains constant and no effect on net profit**
► **There is no relation between debtor and profit**

Question No: 28 (Marks: 1) - Please choose one
Which of the following account(s) will be affected, while rectifying the error of sales to Rahim of Rs. 500 were omitted to record in books of accounts?

- ► **Sales account**
- ► **Rahim's account**
- ► **Cash account**
- ► **Both sales and Rahim's Account correct**

Question No: 29 (Marks: 1) - Please choose one

If the provision for doubtful debts is not created, which of the following entry is passed to record the bad debts in control account?

- ► **Bade debts (Dr) and Debtors Control A/c (Cr)**
- ► **Allowance for doubtful debts (Dr) and Debtors Control A/c (Cr)**
- ► **Allowance for doubtful debts (Dr) and Debtors A/c (Cr)**
- ► **Debtors Control A/c (Dr) and Allowance for doubtful debts (Cr)**

Question No: 30 (Marks: 1) - Please choose one

If Bad Debts written off are given in adjustment, then which of the following entry for bad debts written off is CORRECT**?**

- ► **Bad debts a/c (Dr) and Trading a/c (Cr)**
- ► **Provision for Bad and Doubtful debts a/c (Dr) and Bad debts a/c(Cr)**
- ► **Bad debts a/c (Dr) and debtors a/c (Cr)**
- ► **Trading a/c (Dr) and Bad debts a/c (Cr)**

Question No: 31 (Marks: 1) - Please choose one

Following information are extracted from books of Mr. XYZ

Particulars	Rs.
Bad Debts (Given in trial balance)	500
Old provisions (Given in trial balance)	800
Sundry Debtors (Given in trial balance)	44,500
Provision for doubtful debts @ 5%	
What will be the amount of new provision	?

- ► **Rs. 2,225**
- ► **Rs. 2,525**
- ► **Rs. 1,925**
- ► **Rs. 3,025**

Question No: 32 (Marks: 1) - Please choose one

Following information are extracted from books of Mr. XYZ

Particulars	Rs.
Closing value of stock	40,000
Write off Bad debts (given in adjustments)	2,400

Sundry Debtors (given in trial balance)	**33,200**
Provision is created on Debtors at 5%	

Requirement: **Identify the Total amount which will deduct from Sundry debtors.**

- ► **Rs. 460**
- ► **Rs. 2,400**
- ► **Rs. 1,540**
- ► **Rs. 3,940 correct**

Question No: 33 (Marks: 1) - Please choose one

It is supposed that on 31st December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 5 % of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be credited in profit & loss account.

- ► **Rs. 3,600**
- ► **Rs. 2,000 correct**
- ► **Rs. 1,600**
- ► **Rs. 400**

Question No: 34 (Marks: 1) - Please choose one

Which of the following option is TRUE **about the characteristic(s) of Bad Debt?**

- ► **It is a definite loss to the business**
- ► **It is not shown in Balance Sheet**
- ► **No provision is necessary for it**
- ► **All of the given options**

Question No: 35 (Marks: 1) - Please choose one

A debit balance in the Bank Statement indicates:

- ► **Cash at bank**
- ► **Bank overdraft**
- ► **Overpayment to creditors**
- ► **Cash in hand**

Question No: 36 (Marks: 1) - Please choose one

Particulars	Rs.
Opening written down value of machine	1,00,000
Cost of new machine purchased during the year	50,000
Depreciation during the year	21,000
Closing written down value (WDV)	?

- ► **Rs. 1, 29,000**
- ► **Rs. 1, 50,000**
- ► **Rs. 1, 21,000**
- ► **Rs. 71,000**

Question No: 37 (Marks: 1) - Please choose one
Depreciable value of an asset is equal to:

- ► **Cost + scrap value**
- ► **Cost + market price**
- ► **Cost – scrap value**
- ► **None of the given options**

Question No: 38 (Marks: 1) - Please choose one
If a business pays rent in advance for 12 months, it will be treated as:

- ► **Prepaid expenses of business**
- ► **Long term liability of business**
- ► **Fixed assets of business**
- ► **Current liability of business**

Question No: 39 (Marks: 1) - Please choose one
Which of the following asset is NOT **depreciated?**

- ► **Factory Buildings**
- ► **Office Equipment**
- ► **Plant & Machinery**
- ► **Land**

Question No: 40 (Marks: 1) - Please choose one
Which one of the following is NOT **true about revenue expenditure?**

- ► **These are the running expenses of the business**
- ► **They improve the financial position of the business**
- ► **They reduce the profit of the concern**
- ► **They do not appear in the balance sheet**

Question No: 41 (Marks: 1) - Please choose one
Which one of the following is NOT **true about Capital Expenditure?**

- ► **Creates future benefits**
- ► **Incurred to acquire fixed assets**
- ► **Incurred to increase the economic life of existing fixed assets**
- ► **Reduce the profit of the concern**

Question No: 42 (Marks: 1) - Please choose one
Expenditures incurred anually on renewal of patent are known as:

- ► **Revenue Expenditures**
- ► **Capital Expenditures**
- ► **Financial Expenditures**
- ► **Operating Expenditures**

Question No: 43 (Marks: 1) - Please choose one
Which of the following is NOT **a type of voucher?**

► **Journal Voucher**
► **Receipt Voucher**
► **Payment Voucher**
► **Drawings Voucher**

Question No: 44 (Marks: 1) - Please choose one
If cost of sales is Rs. 95,000, sales are Rs. 200,000 and operating expenses are Rs. 100,000. What will be the net result?

► **Rs. 5,000 Loss**
► **Rs. 5, 000 Profit**
► **Rs.1, 95,000 Profit**
► **Rs.1, 95,000 Loss**

Question No: 45 (Marks: 1) - Please choose one
If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs.20,000 during the year. What would be the Net Profit?

► **Rs.15,000**
► **Rs. 35,000**
► **Rs. 55,000**
► **Rs. 60,000**

Question No: 46 (Marks: 1) - Please choose one
Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance).

► **Capital account**
► **Sundry creditors account**
► **Accounts payable account**
► **Cash account**

Question No: 47 (Marks: 1) - Please choose one
Accounts Receivable & Inventory are the examples of:

► **Liquid assets**
► **Current assets**
► **Fixed assets**
► **Capital assets**

Question No: 48 (Marks: 1) - Please choose one
A summarized record of transactions related to individuals or things is called a/an _____.

► **Account**
► **Voucher**
► **Journal**
► **Trial balance**

Question No: 49 (Marks: 1) - Please choose one

When Capital is increased by an amount, it is recorded on the:

- **Left or credit side of the account**
- **Right or debit side of the account**
- **Left or debit side of the account**
- **Right or credit side of the account**

Question No: 50 (Marks: 1) - Please choose one

What would be the affect on the components of the accounting equation, if goods are purchased on cash?

- **Increase in cash and decrease in equity**
- **Increase in cash and increase in goods**
- **Increase in goods and decrease in cash**
- **Increase in equipment and increase in equity**

Question No: 51 (Marks: 5)

Calculate net income with the help of given date for the year end of 2007 and show complete working of Cost of Goods sold.

Raw material Stocks on 1-1-2007	**Rs. 30,000**
Work in process on 1-1-2007	**35,600**
Finished Goods on 1-1-2007	**35,400**

Raw material Stocks 31-12-2007	**Rs. 31,000**
Work in process 31-12-2007	**25,000**
Finished Goods 31-12-2007	**53,900**
Total factory Cost	**543,339**

Additional data

- **Other expenses for the year is Rs. 5,000.**
- **Operating expenses for the year Rs. 15,000**
- **Sale for the year Rs. 1,500,000**

Solution:
Name of the Company
Income Statement
For the period of 2007

Particulars	**Amount Rs**	**Amount Rs**
Sales		**1500000**
Less Cost of Good Sold		**(534439)**
Gross Profit		**965561**
Less: Expenses:		
Other Expenses	**5000**	
Operating expenses	**15000**	

Net Income		**(20000)** **945561**

Working:
Calculate Cost of Good Sold:
Raw Material:
Opening Raw Material: 30000
- Closing Raw Material: 31000
Cost of Material Consumed: -1000
Conversion Cost:
Direct Labor: 0
FOH: 0
Total Factory Cost: 542339
Work in Process:
+Opening WIP: 35600
-Closing WIP: 25000
Cost of Goods Manufactured: 552939
Finish Goods:
+Opening FG: 35400
-Closing FG: 53900
Cost of Good Sold: 534439

Question No: 52 (Marks: 10)
Write down the at least ten distinguishing features of a limited company which differentiate it from sole proprietor business

Question No: 53 (Marks: 10)
On 01-01-2007, the provision for doubtful debts a/c stood at Rs. 12,000 (credit balance). In 2007, the bad debts amounted to Rs. 10,000. The debtors on 31-12-2007 are amounted to Rs. 3, 20,000 and a provision for doubtful debt to be maintained @ 10%.

Required:
Show Journal entries and necessary accounts. Also show how the items will appear in Profit and Loss account and Balance sheet

Solution:
Entry#1
Provision for Doubtful Debts 32000
Debtors Control Account 32000

Make Ledgers of each account

Debtors Account							
Debit Side				**Credit Side**			
Date	**No.**	**Particulars**	**Dr. Rs.**	**Date**	**No.**	**Particulars**	**Cr. Rs.**
		Balance	**32000**			**Provision for**	**32000**

						doubtful debts	
			32000				32000

Provision of Doubtful debts							
Debit Side				Credit Side			
Date	No.	Particulars	Dr. Rs.	Date	No.	Particulars	Cr. Rs.
		Debtors Account	32000			Balance	32000
			32000				32000

And you people already know to show these accounts in P n L and Balance Sheet.

IN PL Account = 32000+10000-12000=30000 on Debit Side
In Balance Sheet
Debtors = 320000-32000-12000-276000

Question No: 54 (Marks: 10)
Following information is extracted from the books of Arfan Ltd as on December 31st, 2007.

Particulars	Cost	Depreciation rate	Accumulated Depreciation On 01-01-2007
Vehicles 01-01-2007	1,90,000	10%	10,000
Building 01-01-2007	4,00,000	20%	12,500
Furniture & Fixture 01-01-2007	4,15,000	15%	34,500
Land 01-01-2007	1,58,000	--	---

You are required to calculate Written down value of each asset and show working of complete depreciation for the year ending on December 2007.

Particulars	Cost			Rate	Accumulated Depreciation			WDV
	As At 1-1-2007	Addition/ deletion	As At 31st-12-2007		As At 1-1-2007	For The Year	As At 31st-12-2007	
Vehicles	190000	0	190000	10%	10000	19000	29000	161000
Building	400000	0	400000	20%	12500	80000	92500	307500
Furniture	415000	0	415000	15%	34500	62250	96750	318250
Land	158000	0	158000	0	0	0	0	158000
Total	1163000	0	1163000		57000	161250	218250	944750

Paper No:21

Solved by Chanda Rehman & ABr

FINALTERM EXAMINATION
Fall 2008
MGT101- Financial Accounting (Session - 1)

Question No: 1 (Marks: 1) - Please choose one
Debenture is also named as:

- ► **Share**
- ► **Bond**
- ► **Equity**
- ► **Reserve**

Question No: 2 (Marks: 1) - Please choose one
A company declares a cash dividend to be paid to its stockholders next month. The effect of the transaction is to:

- ► **Decrease assets and liabilities.**
- ► **Increase assets and stockholders' equity.**
- ► Decrease assets and stockholders' equity. correct
- ► **Increase liabilities and decrease stockholders' equity.**

Question No: 3 (Marks: 1) - Please choose one
The beginning balance of retained earnings was Rs. 7,500. The dividends paid to stockholders' were Rs.1, 500. The ending balance of retained earnings is Rs. 5,000. What was the net income or net loss for the accounting period?

- ► **Net loss of Rs.1, 000**
- ► **Net income of Rs. 1,000**
- ► **Net loss of Rs. 2,000**
- ► **Net income of Rs. 2,500**

Question No: 4 (Marks: 1) - Please choose one
The net income calculated in the income statement for the accounting period is reported on:

- ► **Bank Statement**
- ► **Statement of retained earnings**
- ► **Statement of cash flows**
- ► **None of the given options**

Question No: 5 (Marks: 1) - Please choose one
If company has distributable profit is Rs. 4, 90,000. Profit sharing share ratio of Mr. A, Mr. B and Mr. C is 2:3:5 respectively what will be the Profit share for Mr. B in distributable profit.

- ► Rs. 98,000
- ► Rs. 1, 47,000
- ► Rs. 2, 45,000
- ► Rs. 3, 43,000

Question No: 6 (Marks: 1) - Please choose one
In which situation(s) Partnership is dissolved?

- ► In case of death of partner
- ► At the admission of new partner
- ► If any partner resigned from partnership
- ► All of the given options

Question No: 7 (Marks: 1) - Please choose one
A private limited company can commence its business:

- ► Immediately on receiving a certificate of incorporation
- ► Without receiving a certificate of incorporation
- ► Only when it receives certificate of commencement of business
- ► Only when it receives both, the certificate of incorporation as well as certificate of commencement of business

Question No: 8 (Marks: 1) - Please choose one
The balance sheet reported a beginning balance of Rs. 20,000 in Accounts Receivable and an ending balance of Rs. 15,000. Credit Sales of Rs. 200,000 were made during the year. Using this information, compute cash collected from customers.

- ► Rs. 215,000
- ► Rs. 195,000
- ► Rs. 200,000
- ► Rs. 205,000

Question No: 9 (Marks: 1) - Please choose one
Which of the following is the most important document of the company?

- ► Memorandum of Association
- ► Articles of Association
- ► Prospectus
- ► Annual Report

Question No: 10 (Marks: 1) - Please choose one
If dividend is proposed by directors of the company @ 30% for the year, it will be calculated on:

- ► Capital Reserve
- ► Authorized share capital

► Paid up share capital
► Share premium

Question No: 11 (Marks: 1) - Please choose one
Share premium account is used for what?
► Write off Preliminary Expenses of the company.
► Write off the balance amount, in issuing shares on discount.
► Issue fully paid Bonus Shares.
► All of the given options

Question No: 12 (Marks: 1) - Please choose one
Authorized share capital is also known as:
► Registered capital
► Issued capital
► Paid up capital
► Called up capital

Question No: 13 (Marks: 1) - Please choose one
In case of fixed capital accounts, other transactions such as Drawings and Profit etc. are recorded in a separate account that is called _____.

► Fixed Capital Account
► Current Account
► Fluctuating Capital Account
► Floating Capital Account

Question No: 14 (Marks: 1) - Please choose one
A, B, C are partners. Their profit sharing ratio is equal. Capital balance on July 1st of Partner A --- Rs. 40,000 Partner B --- Rs. 30,000 and Partner C--- Rs. 20,000.Their private property of Partner A is Rs.15,000, Partner B is Rs. 7,000 and Partner C is Rs. 1,500. What is the level of their liabilities under the partnership firm?
► Partner A—Rs. 40,000, Partner B---- Rs. 30,000, Partner C – 20,000
► Partner A—Rs. 40,000, Partner B---- Rs. 30,000, Partner C – 21,500
► Partner A—Rs. 40,000, Partner B---- Rs. 37,000, Partner C – 20,000
► Partner A—Rs. 55,000, Partner B---- Rs. 37,000, Partner C – 21,500

Question No: 15 (Marks: 1) - Please choose one
Which of the following item will be shown on debit side of capital account of sole proprietor?

► Cash
► Drawings
► Debtors
► Profit

Question No: 16 (Marks: 1) - Please choose one
Which of the following journal entry will be recorded, if cash is drawn by a Proprietor?

► Proprietor's drawings a/c (Dr.) and Cash a/c (Cr.)
► Cash a/c (Dr.) and Proprietor's drawings a/c (Cr.)
► Proprietor's Capital (Dr.) and Proprietor's drawings a/c (Cr.)

► Proprietor's drawings (Dr.) and Proprietor's Capital a/c (Cr.)

Question No: 17 (Marks: 1) - Please choose one
An asset is considered to be a current asset if:

► It has been bought recently and was bought new and not used
► It can be realized in cash or sold or consumed in the business within one year
► It is a piece of new machinery that is expected to last for at least ten years
► All of the given options

Question No: 18 (Marks: 1) - Please choose one
Which of the following appears in both the Income Statement debit column and the Balance Sheet credit?

► Net income
► Net loss
► Dividends
► Retained earnings

Question No: 19 (Marks: 1) - Please choose one
General office expenses are charged to which of the following head:

► Administrative expenses
► Marketing expenses
► Selling expenses
► Financial expenses

Question No: 20 (Marks: 1) - Please choose one
Consider the following table:

	Financial statement item	Classification
A.	Inventory	Current asset
B.	Tangible assets	Non-current asset
C.	Accrued expenses	Current asset
D.	Bonds payable	Long-term liabilities

Identify the row above, showing an INCORRECT financial-statement classification?
► Row A
► Row B
► Row C
► Row D

Question No: 21 (Marks: 1) - Please choose one
Short-term investments include all of the following EXCEPT:

► A bond receivable intended to be sold within one year
► Frequently traded securities
► A stock investment in the General Electric Company intended to be sold within one year

► A shares investment in the Coca-Cola Company intended to be held for several years

Question No: 22 (Marks: 1) - Please choose one
The figure of cash received from debtors can be located either from cash book or:

► Debtor's Control Account
► Balance Sheet
► Profit & Loss Account
► Bills Payable Account

Question No: 23 (Marks: 1) - Please choose one
It is supposed that on 31st December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 10% of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be credited in profit & loss account

► Rs. 3,600
► Rs. 4,000 doubted
► Rs. 1,600
► Rs. 2, 400

Question No: 24 (Marks: 1) - Please choose one
When one or both aspects of a transaction are recorded in the wrong class or category of account, this is called:

► Error of principle
► Error of omission
► Error of commission
► Error of original entry

Question No: 25 (Marks: 1) - Please choose one
Which of the following account will be credited when a typewriter is sold that has been used in the office?

► Cash Account
► Sales Account
► Purchase Account
► Office Equipment Account

Question No: 26 (Marks: 1) - Please choose one
Which of the following rectifying entry will be recorded, if sales to Mr. "A" of Rs.336 have been debited to Mr. "B" account?

► A's account (Dr.) and B's account (Cr.)
► B's account (Dr.) and A's account (Cr.)
► Sales account (Dr.) and B's account (cr.)
► B's account (Dr.) and Sales account (Cr.)

Question No: 27 (Marks: 1) - Please choose one
Goods purchased from "Mr. A" for Rs. 2,000 passed through the sales book. The rectification of error will result in:

► Increase of gross profit
► Decrease of gross profit correct
► Remains constant and no effect on net profit
► There is no relation between goods purchased and gross profit

Question No: 28 (Marks: 1) - Please choose one
Which of the following account(s) will be affected, while rectifying the error of sales to Rahim Rs. 336 posted to his account as Rs. 363?

► Sales account
► Rahim's account
► Cash account
► Both sales and Rahim's Account

Question No: 29 (Marks: 1) - Please choose one
Control account tells about:

► Picture collectively instead of individually
► Details of loyal clients
► Customer attitude of payments
► Complete history of transactions of business clients

Question No: 30 (Marks: 1) - Please choose one
Which of the following subsidiary book(s) is (are) maintained for debtors control account?

► Sales Day Book
► Sales Return
► Debtors Ledger
► All of the given options

Question No: 31 (Marks: 1) - Please choose one
Which of the following entry will be recorded when the Bad Debts are recovered?

► Cash account (Dr.) & Bad Debts recovered account (Cr.)
► Accounts Receivable account (Dr.) & Bad Debts recovered account (Cr.)
► Bad debts recovered account (Dr.) and Profit & Loss account (Cr.)
► Provision for doubtful debts account (Dr.) & Cash account (Cr.)

Question No: 32 (Marks: 1) - Please choose one
If the (New provision + Bad debts) > Amount of old provision then resulting figure will be shown at:

► Debit side of Profit & Loss Account
► Credit side of Profit & Loss Account
► Asset side of Balance Sheet
► Liability side of Balance Sheet

Question No: 33 (Marks: 1) - Please choose one
Which of the following would be deducted from Sundry Debtors in Balance Sheet?

- ► Bad debts (Trial balance item)
- ► Old provision for doubtful debts
- ► New provision for doubtful debts
- ► Both Bad debts (given in adjustment) and new provision for doubtful debts

Question No: 34 (Marks: 1) - Please choose one
Which of the following option is TRUE about the characteristic(s) of Bad Debt?

- ► It is a definite loss to the business
- ► It is not shown in Balance Sheet
- ► No provision is necessary for it
- ► All of the given options

Question No: 35 (Marks: 1) - Please choose one
Which one of the following transactions will cause the balance in Mr. Terry's Cash Book to be greater than his Bank Statement balance?

- ► A cheque is drawn but not yet presented at the bank for payment
- ► The bank has not yet notified to Mr. Terry about a dishonored cheque
- ► A credit transfer into Terry's Bank Account
- ► A cheque payment of Rs.101 is recorded in the Cash Book as Rs.110 correct

Question No: 36 (Marks: 1) - Please choose one
Consider the following data:

Particulars	Rs.
Assets	?
Owner's equity	1,50,000
Liabilities	1,00,000

- ► Rs. 49,000
- ► Rs. 55,000
- ► Rs. 50,000
- ► Rs. 2, 50,000

Question No: 37 (Marks: 1) - Please choose one
Accounting is the language of:

- ► Business
- ► School
- ► Proprietor
- ► Management

Question No: 38 (Marks: 1) - Please choose one

Which of the following account balance is shown on credit side of Trial Balance? (It is assumed that all account balances are shown on normal balance)

- ► Cash account
- ► Furniture account
- ► Vehicle account
- ► Capital account

Question No: 39 (Marks: 1) - Please choose one
Under the reducing balance method of depreciation:

- ► Amount of depreciation increases every year
- ► Amount of depreciation remains constant for every year
- ► Amount of depreciation decreases every year
- ► None of the given options

Question No: 40 (Marks: 1) - Please choose one
Consider the following inventory record:

Date	Item	Quantity	Cost/Unit Rs.	Total Rs.
Jan. 2	Beginning inventory	10	10	100
Mar. 4	Purchase	35	11	385
May 8	Purchase	40	12	480
Nov. 3	Purchase	20	13	260
De31	Merchandise available	105		1,225

85 units were sold, Use the FIFO method of inventory costing and determine the cost of goods sold.

- ► Rs. 1,225
- ► Rs. 1,015
- ► Rs. 965
- ► Rs. 992

Question No: 41 (Marks: 1) - Please choose one
WhicWhich of the following is an example of direct materials cost?

- ► Polish and finishing material for chair
- ► A piece of wood for the production of chair
- ► Production worker's wages
- ► Depreciation expenses

Question No: 42 (Marks: 1) - Please choose one
Which of the following account will be credited, if the goods are sold on credit to Mr. Mahmood?

► Cash account
► Mr. Mahood account
► Sales account
► Purchases account

Question No: 43 (Marks: 1) - Please choose one
Which of the following account will be credited, if business sold goods for Rs.10,000 on credit?

► Cash account
► Sales account
► Accounts receivable account
► Purchases account

Question No: 44 (Marks: 1) - Please choose one
Which of the following is an example of a Current liability?

► Closing inventory
► Opening inventory
► Petty cash
► Bank overdraft

Question No: 45 (Marks: 1) - Please choose one
Which of the following is CORRECT for trading account?

► It inculdes cost of goods sold and all the direct expenses related to sales
► It inculdes cost of goods sold and all the indirect expenses related to sales
► It inculdes cost of goods sold and all the direct and indirect expenses
► It inculdes cost of goods sold and all the direct and selling, administrative expenses

Question No: 46 (Marks: 1) - Please choose one
Which of the following are the components of General Ledger?

1) Title of account
2) Amount of transaction
3) Date of transaction

► (1) & (2) only
► (2) & (3) only
► (1) & (3) only
► (1), (2) & (3)

Question No: 47 (Marks: 1) - Please choose one
The original book of entry, in which all vouchers are first recorded, is called:

► General Journal
► General Ledger
► Trial Balance
► Balance Sheet

Question No: 48 (Marks: 1) - Please choose one
When a Liability is reduced or decreased, it is recorded on the:

- ► Right or debit side of the account
- ► Left or debit side of the account
- ► Left or credit side of the account
- ► Right or credit side of the account

Question No: 49 (Marks: 1) - Please choose one
According to the double entry system of book keeping, the investment of Rs.10, 000 in the business made by the owner will effect:

- ► Cash & Capital Account
- ► Cash & Expense Account
- ► Capital & Revenue Account
- ► Capital & Expense Account

Question No: 50 (Marks: 1) - Please choose one
Which of the following is non- profit organization?

- ► Sole proprietorship
- ► Partnership
- ► Limited company
- ► Trust

Question No: 51 (Marks: 5)
What is bank overdraft? Mention an example for this. Why companies have to pay mark up on it. Under which head mark up paid on overdraft is shown in financial statement.

Answer:
An overdraft occurs when withdrawals from a bank account exceed the available balance. In this situation a person is said to be "overdrawn".

Question No: 52 (Marks: 10)
Income Statement of XYZ Ltd for the year ended on 30th June, 2007:

Particulars	Rs.	Rs.
Sales		500,000
Less: Cost of Goods Sold		250,000
Gross Profit		250,000
Less: Operating expenses		
Administrative expenses	110,000	
Interest expenses	20,000	130,000
Net profit before Tax		120,000
Less: Taxes		36,000
Net profit after tax		84,000

Opening Stock for the year was Rs. 60,000.

Balance Sheet of XYZ Ltd on 30th June, 2007:

Assets	Rs.
Fixed Assets	400,000
Stock	60,000
Debtors	230,000
Bills Receivable	40,000
Cash at bank	150,000
Prepaid expenses	20,000
Total	900,000
Liabilities	
Share capital	200,000
Reserves and surplus	250,000
10% Debentures	200,000
Creditors	180,000
Bills payable	70,000
Total	900,000

Calculate following ratios from the financial statement of XYZ Ltd.

1. **Current Ratio**
2. **Acid Test Ratio**
3. **Stock turn over Ratio**
4. **Debt equity Ratio**
5. **Gross profit Ratio**

Solution:

1: Current Ratio:

Total Assets/Total Liabilities

= 900000/900000

= 1

2: Acid Test Ratio

Total Assets-Stock/Total Liabilities

= 900000-60000/900000

= 840000/900000

= 0.933333

3: Stock turn over Ratio

(Average Stock / Cost of goods sold) x 365

Average Stock = opening stock + Closing Stock/2

= 60000+60000/2

= 60000

= (Average Stock / Cost of goods sold) x 365

= (60000/250000) x 365

= 0.24 x 365

= 87.4

4: Debt equity Ratio

Long term Liabilities / Equity

= 200000/200000
= 1

5: Gross profit Ratio
(Gross Profit / Sales) x 100
= 250000/500000 x 100
= 0.5 x 100
= 50

Question No: 53 (Marks: 10)
Pass the rectifying entries to correct the following errors:

Question No: 54 (Marks: 10)
The following discrepancies were noted on comparing Cash Book with Pass Book.

(1) The following cheques were deposited into bank on 28th March but were not collected by the bank by 31stMarch, (i) Rs. 500, (ii) Rs. 300, (iii) Rs. 200.
(2) The following cheques were issued but were not presented for the payment by 31st March. (i) Rs. 200, (ii) Rs. 450 (iii) Rs. 525 (iv) Rs. 375.
(3) The bank credited a dividend of Rs. 2,000 on 31st march but intimation was received by the trader on 5th April, 2008.
(4) The bank credited interest of Rs. 50 on 31st March but not debited in Cash Book.
(5) The Bank charged (debited) a commission of Rs. 100 on 31st March.
(6) A cheque of Rs. 500 was received from customer and was entered in the bank column of Cash Book on 25thMarch, but was paid into the bank on 1st April.

Required: Prepare a Bank Reconciliation Statement, if the Bank balance as per Cash Book (Dr.) was Rs. 15,000 on 31stMarch, 2008.

Answer:

Balance as per Cash book.	Dr	15000		
Less not collected Cheques. (500+300+200)	Cr	1000		
	Dr	14000		
Add UN Presented Cheques (200+450+525+375)	Dr	1550		
	Dr	15550		
Add dividend Credit by bank			Dr	2000
	Dr	17550		
Add interest credit by bank	Dr	50		
	Dr	17600		
Less bank charges	Cr	100		
	Dr	17500		
Less Cheque received	Cr	500		
Balance as per Bank Book	Cr	17000		

Paper No: 22

Solved by Chanda Rehman & ABr

FINALTERM EXAMINATION

Fall 2008

MGT101- Financial Accounting (Session - 4)

Question No: 1 (Marks: 1) - Please choose one

Wages outstanding given in the trial balance will be treated as a (an):

► Asset

► Liability

► Revenue

► Deferred expense

Question No: 2 (Marks: 1) - Please choose one

What does a credit balance in a partner's current account represent to a business?

► Current Assets

► Current Liability

► Long-term liability

► Share of profit

Question No: 3 (Marks: 1) - Please choose one

Particulars	Rs.
Debentures	1, 50, 000
Equity Capital	2, 00,000
General Reserve	90, 000
Accumulated profit	60,000
What is debt equity ratio	?

► 15: 20 (or 3:4)

► 15:24 (or 5: 8)

► 15:29

► 15:35 (or 3: 7) correct

Question No: 4 (Marks: 1) - Please choose one

Particulars	Rs.
Share capital of Rs. 10 each	1,000,000
Profit before tax	150,000
Taxes	10,000
Earning per share	= ?

► Rs. 1.50 per share

► Rs. 1.40 per share

► Rs. 1.15 per share

► Rs. 1.25 per share

Question No: 5 (Marks: 1) - Please choose one

Mark up cover ratio = operating profit before financial charges ÷ **?**

► Selling expenses

► Administrative expenses

► Financial charges

► Direct expenses

Question No: 6 (Marks: 1) - Please choose one

In calculating earning per share (EPS), the net profit is divided by which of the following?

► Number of ordinary shares

► Number of preference shares

► Paid up capital

► Authorized capital

Question No: 7 (Marks: 1) - Please choose one

Which of the following business publishes the Financial Statements?

► Sole-Proprietorship

► Partnership

► Trust

► Public Limited Company

Question No: 8 (Marks: 1) - Please choose one

The primary purpose of preparing a cash flow statement for an entity is to provide information about:

► Its financial position at the end of an accounting period

► Its cash receipts and cash payments during an accounting period

► Its financial position at the start of an accounting period

► None of the given options

Question No: 9 (Marks: 1) - Please choose one

How dividend declared is treated in the Balance Sheet of the company?

► Provision

► Current liability

► Reserves and surplus

► Current assets

Question No: 10 (Marks: 1) - Please choose one

Which of the following option(s) is **TRUE** about the Sales returns?

► Sales returns reduce the Gross sales of the firm

► Sales returns affect the Net income of the firm

► Sales returns affect the flow of cash

► All of the given options

Question No: 11 (Marks: 1) - Please choose one

Fixed Assets (WDV) + Working Capital =?

► Total assets employed

► Total liabilities

► Total assets

► Current assets

Question No: 12 (Marks: 1) - Please choose one

Which of the following is **TRUE** about a merchandising company?

► A merchandising company's business is to buy and sell products

► A merchandising company must use the perpetual system to account for merchandising inventory

► A merchandising company's business is to provide services

► A Sugar Mill is an example of a merchandising company

Question No: 13 (Marks: 1) - Please choose one

Capital account of sole proprietors is affected by which of the following items?

a. Profit & Loss account

b. Drawings account

c. Balances of capital account

► a,b

► b,c

► a,c

► a,b,c

Question No: 14 (Marks: 1) - Please choose one

Which of the following is/are **TRUE** about the sole trader form of business?

► A sole trader is liable to pay income tax on his/her earnings

► Sole traders do not need to consult accountants

► Sole traders must register the name of their business with the Registrar of Companies

► All of the given options

Question No: 15 (Marks: 1) - Please choose one

Which of the following is (are) characteristic(s) of Reserve?

► Its amount is generally determined by the management on the basis of the amount of profit earned.

► It is shown on liabilities side of balance sheet

► It does not affect profit or loss, since it is created after ascertaining net profit

► All of the given options

Question No: 16 (Marks: 1) - Please choose one

Which account is increased with a debit and decreased with a credit?

► Cash

► Accounts Payable

► Contributed Capital

► Retained Earnings

Question No: 17 (Marks: 1) - Please choose one

Which financial statement show what a business owes at a particular point in time?

► A cash flow statement

► The bank statement for the business

► A balance sheet

► A statement of retained earnings

Question No: 18 (Marks: 1) - Please choose one

Which of the following appears in both the Income Statement debit column and the Balance Sheet credit?

► Net income

► Net loss

► Dividends

► Retained earnings

Question No: 19 (Marks: 1) - Please choose one

The Balance Sheet item that represents the resources invested by the owner is known as:

► Accounts Receivable

► Cash

► Note Payable

► Owner's Equity

Question No: 20 (Marks: 1) - Please choose one

Which of the following is an example of operating expense?

► Purchasing operating equipment

► Purchasing cleaning services doubted

► Purchasing an investment in another company

► Purchasing a computer for the accounting office

Question No: 21 (Marks: 1) - Please choose one

The main objective of financial reporting is to provide:

► Essential information to internal users of financial reports.

► Useful economic information about the business to the external parties for sound financial decisions.

► Information to internal users about the cash position of the business.

► Information to the Securities Exchange Commission (SEC).

Question No: 22 (Marks: 1) - Please choose one

The figure of cash received from debtors can be located either from cash book or:

► Debtor's Control Account

► Balance Sheet

► Profit & Loss Account

► Bills Payable Account

Question No: 23 (Marks: 1) - Please choose one

Consider the following data and identify the amount which will be shown in profit & loss account.

Particulars	Rs.
Bad debts	3,500
Provision for doubtful debts (old)	6,000
Current year's provision (new)	1,500

► Rs. (1,000)

► Rs. 1,000

► Rs. (5,000)

► Rs. 5,000

Question No: 24 (Marks: 1) - Please choose one

Consider the following data and identify the amount which will be shown in profit & loss account.

Particulars	Rs.
Bad debts	1,600
Provision for doubtful debts (old)	2,000
Current year's provision (new)	1,000

► Rs. 600

► Rs. 1,600

► Rs. 2,000

► Rs. 2,600

Question No: 25 (Marks: 1) - Please choose one

Which of the following rectifying entry will be recorded, if sales to Mr. “A” of Rs.336 have been debited to Mr. “B” account?

► A’s account (Dr.) and B’s account (Cr.)

► B’s account (Dr.) and A’s account (Cr.)

► Sales account (Dr.) and B’s account (cr.)

► B’s account (Dr.) and Sales account (Cr.)

Question No: 26 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of a purchase return of Rs.200 to Mr. “A” entered in sales book instead of purchase return book?

► A’s account only

► Sales account only

► Purchase returns account and sales account

► Purchases account only

Question No: 27 (Marks: 1) - Please choose one

A receipt of cash Rs. 10,000 from Mr. Bilal is recorded as Rs. 1,000. What amount will be adjusted in rectifying entry?

► Rs. 1,000

► Rs. 9,000

► Rs. 10,000

► Rs. 11,000

Question No: 28 (Marks: 1) - Please choose one

If provision is created for doubtful debts, which of the following entry will be passed to record bad debts in control account?

- ► Bade debts (Dr) and Debtors Control A/c (Cr)
- ► Provision for doubtful debts (Dr) and Debtors Control A/c (Cr) correct
- ► Provision for doubtful debts (Dr) and Debtors A/c (Cr)
- ► Debtors Control A/c (Dr) and Provision for doubtful debts (Cr)

Question No: 29 (Marks: 1) - Please choose one

Which of the following is a detailed record of an individual account in case of large business?

- ► Control Account
- ► Subsidiary Ledger
- ► Balance Sheet
- ► Trial Balance

Question No: 30 (Marks: 1) - Please choose one

Which of the following is shown on credit side of creditors control account?

- ► Bills Receivable
- ► Return inwards
- ► Credit purchases
- ► Discount allowed

Question No: 31 (Marks: 1) - Please choose one

Which of the following is an item of a creditors control account?

- ► Cash sales
- ► Credit sales
- ► Credit purchase
- ► Cash purchases

Question No: 32 (Marks: 1) - Please choose one

In which of the following condition(s) **DEBT** is regarded as **BAD**.

- ► Bankruptcy of the debtor
- ► Disappearance of debtor's business
- ► Failure of repeated attempt to collect the debt
- ► All of the given options

Question No: 33 (Marks: 1) - Please choose one

Which of the following best describes unpresented cheques?

- ► Cheques received on behalf of the business by the bank
- ► Cheques drawn but yet to be recorded in the bank records
- ► Cheques issued by the bank not recorded in business records
- ► Cheques received but yet to be recorded in the bank records

Question No: 34 (Marks: 1) - Please choose one

The following balance and discrepancies were found on 31 March 2008:

Particulars	Rs.
Cash book balance (Dr)	5 000
Unpresented cheques	1 000
Uncredited cheques	500

The Bank Statement balance on 31 March 2008 should be:

► Rs. 5 500 (Dr)

► Rs. 5 500 (Cr)

► Rs. 4 500 (Dr)

► Rs. 4 500 (Cr) correct

Question No: 35 (Marks: 1) - Please choose one

Consider the following data:

Particulars	Rs.
Assets	?
Owner's equity	1,50,000
Liabilities	1,00,000

► Rs. 49,000

► Rs. 55,000

► Rs. 50,000

► Rs. 2, 50,000

Question No: 36 (Marks: 1) - Please choose one

Find out the missing value of an Accounting Equation with the help of given data:

Furniture	Rs. 90,000
Cash	Rs.1, 00, 000
Debtors	Rs.10, 000
Other Assets	Rs. 1,000
Owner's equity	Rs. 90, 000

► Rs. 2, 01,000 liabilities

► Rs. 1, 11, 000 liabilities

► Rs. 2, 90, 000 liabilities

► Rs. 2, 91, 000 liabilities

Question No: 37 (Marks: 1) - Please choose one

Accountancy covers which of the following area(s):

► Book-keeping

► Accounting

► Auditing

► All of the given options

Question No: 38 (Marks: 1) - Please choose one

_____ is the detail of transaction in one's account provided by the bank.

► Bank statement

► Bank reconciliation statement

► Income statement

► Financial statement

Question No: 39 (Marks: 1) - Please choose one

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit	Total
2007Jan. 2	Opening inventory	100	Rs.18.00	Rs.1,800
Mar. 4	Purchase	400	19.00	7,600
May 8	Purchase	800	20.00	16,000
Nov. 3	Purchase	500	21.00	10,500

Four hundred units are unsold, Use the FIFO method of inventory costing and determine the value assigned to the 400 units on hand at the end of the period.

► Rs.7, 500

► Rs.7, 978

► Rs.8, 000

► Rs.8, 400

Question No: 40 (Marks: 1) - Please choose one

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit Rs.	Total Rs.
Jan. 2	Beginning inventory	10	10	100

Mar. 4	Purchase	35	11	385
May 8	Purchase	40	12	480
Nov. 3	Purchase	20	13	260
De31	Merchandise available	105		1,225

85 units were sold, Use the FIFO method of inventory costing and determine the cost of goods sold.

- ► Rs. 1,225
- ► Rs. 1,015
- ► Rs. 965
- ► Rs. 992

Question No: 41 (Marks: 1) - Please choose one

All the costs incurred on the incomplete assets up to the balance sheet date must be transferred to:

- ► Capital account
- ► Capital work in progress account
- ► Relevant asset account
- ► Owner's equity account

Question No: 42 (Marks: 1) - Please choose one

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 15,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	?

► Rs.25, 000

► Rs. 75,000

► Rs. 15,000

► Rs. 1, 00,000

Question No: 43 (Marks: 1) - Please choose one

Direct materials costs	Rs.70,000
Direct labor costs	30,000
Manufacturing overhead costs	60,000
conversion cost	?

► Rs. 20,000

► Rs.40, 000

► Rs.90, 000

► Rs.160, 000

Question No: 44 (Marks: 1) - Please choose one

Which of the following shows summary of a company's financial position at a specific date?

► Profit & Loss Account

► Cash Flow Statement

► Balance Sheet

► Income & Expenditure Account

Question No: 45 (Marks: 1) - Please choose one

Bank book is part of:

► Voucher

► General Journal

► General Ledger

► Trial Balance

Question No: 46 (Marks: 1) - Please choose one

Which of the following are the components of General Ledger?

1) Title of account

2) Amount of transaction

3) Date of transaction

► (1) & (2) only

► (2) & (3) only

► (1) & (3) only

► (1), (2) & (3)

Question No: 47 (Marks: 1) - Please choose one

Which of the following is **CORRECT** about the flow of recording a transaction?

► Occurrence of event – voucher—Journal—Ledger—Trial Balance—profit and loss account—Balance Sheet

► Occurrence of event—Journal – voucher —Ledger—Trial Balance—profit and loss account—Balance Sheet

► Occurrence of event—Ledger – voucher—Journal—Trial Balance—profit and loss account—Balance Sheet

► Occurrence of event—Trial Balance – voucher—Journal—Ledger—profit and loss account—Balance Sheet

Question No: 48 (Marks: 1) - Please choose one

Vehicles which are used to supply finished products are called business _____.

► Tangible assets

► Intangible assets

► Capital

► Liabilities

Question No: 49 (Marks: 1) - Please choose one

The basic accounting principle/concept according to which Business is independent from its owner(s) is known as:

► Separate Entity Concept

► Matching Concept

► Going Concern Concept

► Materiality Concept

Question No: 50 (Marks: 1) - Please choose one

Shares for which amount is paid by public are called _____ shares.

► Paid up

► Authorized

► Bonus shares

► All are correct options

Question No: 51 (Marks: 5)

10 % Debentures of Rs. 80,000 are shown in trial balance. How it will be shown in financial statements? Also mention why a company issues debentures.

Answer:

10% Debentures of Rs. 80000 is shown the Owners Equity pr liability Side of Balance sheet.

Debentures are issued under the common seal of the company and debentures are an instrument for obtaining the loan from the general public. Company also paid mark up on debentures which generally equal to the market rate.

Question No: 52 (Marks: 10)

Following information is extracted from the books of Arfan Ltd as on December 31st, 2007.

Particulars	Cost	Depreciation rate	Accumulated Depreciation On 01-01-2007

Vehicles 01-01-2007	1,90,000	10%	10,000
Building 01-01-2007	4,00,000	20%	12,500
Furniture & Fixture 01-01-2007	4,15,000	15%	34,500
Land 01-01-2007	1,58,000	--	---

You are required to calculate Written down value of each asset and show working of complete depreciation for the year ending on December 2007.

Particulars	Cost			Rate	Accumulated Depreciation			WDV
	As At 1-1-2007	Addition/ deletion	As At 31st-12-2007		As At 1-1-2007	For The Year	As At 31st-12-2007	
Vehicles	190000	0	190000	10%	10000	19000	29000	161000
Building	400000	0	400000	20%	12500	80000	92500	307500
Furniture	415000	0	415000	15%	34500	62250	96750	318250
Land	158000	0	158000	0	0	0	0	158000
Total	1163000	0	1163000		57000	161250	218250	944750

Question No: 53 (Marks: 10)

Prepare Profit and Loss Account for the year ending 31st December 2007 from the Trial Balance and adjustments of MS Company given below:

Particulars	Debit	Credit
	Rs.	Rs.
Drawings	14,000	
Capital Account		80,000
Opening Stock	55,000	
Purchases	485,000	
Sales		610,000
Sundry Debtors	80,000	
Sundry Creditors		60,500
Sales Returns	5,000	
Carriage Inwards	6,000	
Salaries	28,000	
Rent, Rates, Taxes	15,000	

Insurance	4,000	
Machinery	50,000	
Furniture	5,000	
Cash in hand	3,500	
Total	750,500	750,500

Adjustments:

4) Depreciate machinery and furniture @20%p.a.

5) Outstanding Salaries Rs. 2,000

6) Insurance paid in advance Rs. 500

7) Maintain @5% reserve for doubtful debts on debtors.

8) Closing Stock was valued at Rs. 60,000

Trading & Profit & Loss Account

For the year ending 31st December 2007

Particulars	Debit Balance/Rs	Particulars	Credit Balance/Rs
Opening Stock	55000	Sales 610000	605000
Purchases	485000	Less returns: 5000	
Carriage in	6000	Closing Stock	60000
Gross Profit	119000		
	665000		665000
Salaries 28000		Gross Profit	119000
+outstanding: 2000	30000		
Rent, Rate, Taxes	15000		
Insurance 4000			
Less advance: 500	3500		
Depreciation:			
Machinery: 10000			

Furniture: 1000 Provision of bed debts Net Profit:	11000 4000 55500		
	119000		119000

Question No: 54 (Marks: 10)

What is the effect of given adjustments on Trading & Profit & Loss account and Balance Sheet?

a. Accrued Expenses or Outstanding Expenses

b. Prepaid Expenses or Unexpired Expenses

c. Accrued Revenue or Revenue Receivable

d. Unearned Revenue or Revenue Received in Advance

e. Depreciation of Asset

1. **Accrued Expenses or Outstanding Expenses**

Trading and profit and loss account effect

These expenses will be shown in profit and loss account under administrative expenses and will and be deducted from gross profit. They will be used to calculate net profit

Balance sheet effect

These expenses will be shown as expense payable or accrued expenses in balance sheet as current liabilities and will be shown under current liabilities section of liabilities as they have to be paid by business..

2. **Prepaid Expenses or Unexpired Expenses**

Trading and profit and loss account effect

These will be deducted from relevant expense account to get the actual expenses for the period and that actual amount of expense will be deducted from gross profit to arrive at net profit. This amount of prepaid expenses will not be included in profit and loss account as an expense itself but its effect will be on current expenses for the period for which profit and loss is being calculated.

Balance sheet effect

These prepaid expenses will be show and current assets in balance sheet and will be shown under the section of current assets in balance sheet.

3. Accrued Revenue or Revenue Receivable

Trading and profit and loss account effect

These will be added to sales in trading account in profit and loss statement and will be treated as a revenue in the calculation of gross profit by subtracting cost of goods sold from net sales. This will affect gross profit in trading account.

Balance sheet effect

In balance sheet this revenue will be shown under current assets as receivables from debtors and will be shown under the section of current assets of the business.

4. Unearned Revenue or Revenue Received in Advance

Trading and profit and loss account effect

This will not be added to the sales as sales is recognized when the actual services have been provided or when goods have been shipped irrespective of whether payment has been received or not. So this will not affect profit and loss account as it is still not recognized as sales/revenue.

Balance sheet effect

This is a liability for the company because the company has to give goods or services to the buyer for the advance payment done by the buyer and will be shown as a liability in the balance sheet under the current liability section of balance sheet. Also the same amount will be shown in the bank or cash as current asset to offset the liability because the cash or cheque has been received for goods not given or services not rendered yet.

5. Depreciation of Asset

Trading and profit and loss account effect

The depreciation of asset is an operating expense for the business and will affect profit and loss account. It will be added to the administrative expense and will be appear in the administrative expense section of profit and loss account and will be deducted from gross profits to arrive at net profits along with other expenses.

Balance sheet effect

In balance sheet it will appear as deduction from the fixed asset as the fixed assets in balance sheet will be shown at written down value. So this will be added to previous balance of accumulated depreciation and will be deducted from the total cost of the fixed assets and will appear in the assets section under the heading of fixed asset. It might appear in notes as sometimes in balance sheet summarized figure of fixed asset at WDV will be shown. In any case it is deducted from fixed asset in balance sheet and affects the total assets side

Paper No:23

Solved by Chanda Rehman & ABr

FINALTERM EXAMINATION

Fall 2008

MGT101- Financial Accounting (Session - 1)

Time: 120 min

Marks: 85

Question No: 1 (Marks: 1) - Please choose one

_____ If company has distributable profit is Rs. 4, 90,000. Profit sharing share ratio of Mr. A, Mr. B and Mr. C is 2:3:5 respectively what will be the Profit share for Mr. B in distributable profit.

- Rs. 98,000
- Rs. 1, 47,000
- Rs. 2, 45,000
- Rs. 3, 43,000

Question No: 2 (Marks: 1) - Please choose one

What types of changes (is) are made at the admission of partner in partnership?

- Assets of old business will be revalued
- Liabilities of old business will be revalued
- Good will of business will be revalued
- **All of the given options**

Question No: 3 (Marks: 1) - Please choose one

A firm may earn profit during an accounting period but have less money in the bank at the end of the period then it had at the beginning. Which of the followings, on its own, could explain this?

- Not paying invoices received from creditors
- The sale of fixed assets during the period
- An increase in trade debtors over the course of the period
- **An increase in the depreciation charge relative to the previous accounting period doubted**

Question No: 4 (Marks: 1) - Please choose one

In which of the following auditor's remuneration payable is shown?

- In balance sheet under the head of current liabilities only
- In balance sheet under the head of current assets only
- In income statement under the administrative expense only
- **In both balance sheet under the head of current liabilities and income statement under the administrative expense**

Question No: 5 (Marks: 1) - Please choose one

_____ The charter of a company which defines the limitations and powers of the company is called:

- **The memorandum of association**
- Articles of association
- Statutory report
- Certificate of commencement

Question No: 6 (Marks: 1) - Please choose one

_____ By which if the following Act/ Ordinance, a company is allowed to issue shares at a higher price than their face value.

- **Companies ordinance 1984**
- Contract act 1872
- Sales of Goods act 1930
- None of the given options

Question No: 7 (Marks: 1) - Please choose one

_____

Which of the following clause/s are discussed in Memorandum of Association of Companies?

- Name of company
- Place of registered office of company
- Objective of the company
- **All of the given options**

Question No: 8 (Marks: 1) - Please choose one

Identify the selling expenses of manufacturing concern with the help of given data.

Particulars	Rs.
Salesman's salary	70,000
Commission on sales	28,000
Carriage outward	10,000
Carriage inward	5,000

- Rs. 80,000
- Rs. 60,000
- Rs. 38,000
- Rs. 1, 08,000

Question No: 9 (Marks: 1) - Please choose one

Which of the following account is affected from the Drawings of cash in sole-proprietorship business?

- **Capital account**
- Shareholder account
- Liability account
- Expense account

Question No: 10 (Marks: 1) - Please choose one

Regardless of how long it takes to produce and sell , inventory is always considered to be a:

- current liability

- long-term asset
- stockholders' equity
- **current asset**

Question No: 11 (Marks: 1) - Please choose one

_____ An asset is considered to be a current asset if:

- It has been bought recently and was bought new and not used
- **It can be realized in cash or sold or consumed in the business within one year**
- It is a piece of new machinery that is expected to last for at least ten years
- All of the given options

Question No: 12 (Marks: 1) - Please choose one

_____ General office expenses are charged to which of the following head:

- **Administrative expenses**
- Marketing expenses
- Selling expenses
- Financial expenses

Question No: 13 (Marks: 1) - Please choose one

_____ Wages paid to laborers working in the manufacturing department is treated as an expense of:

- **Cost of goods sold**
- Administrative expenses
- Selling expenses
- Marketing expenses

Question No: 14 (Marks: 1) - Please choose one

_____ It is supposed that on 31st December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 10% of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be deducted from Sundry debtors?

- Rs. 3,600
- Rs. 4,000
- Rs. 1,600
- Rs. 2, 400

Question No: 15 (Marks: 1) - Please choose one

_____

Consider the following data and identify the amount which will be shown in profit & loss account.

Particulars	Rs.
Bad debts	1,600
Provision for doubtful debts (old)	2,000
Current year's provision (new)	1,000

- Rs. 600
- Rs. 1,600

- Rs. 2,000
- **Rs. 2,600**

Question No: 16 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of sales Rs.100 to Mr. “A” recorded in the purchases book?

- Sales account
- Purchase account
- A’s account and Sales account
- **Sales account, purchase account and A’s account**

Question No: 17 (Marks: 1) - Please choose one

"Goods sold to Mr. Salman for Rs. 6,000 have been forgotten to enter in books of accounts", is an example of:

- Error of principle
- **Error of omission**
- Error of commission
- Error of original entry

Question No: 18 (Marks: 1) - Please choose one

Transaction that has been completely forgotten to enter is called:

- Error of principle
- **Error of omission**
- Error of commission
- Error of original entry

Question No: 19 (Marks: 1) - Please choose one

Goods purchased from “Mr. A” for Rs. 2,000 passed through the sales book. The rectification of error will result in:

- Increase of gross profit
- **Decrease of gross profit**
- Remains constant and no effect on net profit
- There is no relation between goods purchased and gross profit

Question No: 20 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of purchases return of Rs. 200 to “Mr.P” mistakenly entered in sales book?

- P’s account
- Purchases return account
- Sales account
- **Purchases returns account and sales account**

Question No: 21 (Marks: 1) - Please choose one

_____ If provision is created for doubtful debts, which of the following entry will be passed to record bad debts in control account?

- Bade debts (Dr) and Debtors Control A/c (Cr)
- Provision for doubtful debts (Dr) and Debtors Control A/c (Cr)
- Provision for doubtful debts (Dr) and Debtors A/c (Cr)
- Debtors Control A/c (Dr) and Provision for doubtful debts (Cr)

Question No: 22 (Marks: 1) - Please choose one

_____

Control account tells about:

- **Picture collectively instead of individually**
- Details of loyal clients
- Customer attitude of payments
- Complete history of transactions of business clients

Question No: 23 (Marks: 1) - Please choose one

_____

Which of the following is an item of a creditors control account?

- Cash sales
- Credit sales
- **Credit purchase**
- Cash purchases

Question No: 24 (Marks: 1) - Please choose one

Which of the following is an item of a debtors control account?

- Cash sale
- **Credit sales**
- Credit purchase
- Cash purchases

Question No: 25 (Marks: 1) - Please choose one

Consider the following data:

Provision created in 2006	Rs. 2,500
Bad debts in 2007	Rs. 1,500
Sundry debtors on 31-12- 2007 were Rs. 40,000 and provision is created @ 5%.	
Which journal entry is Correct for the provision for doubtful debts for the year 2007.	

- Provision for doubtful debts a/c Rs. 1,000 (Dr) & Profit & Loss a/c Rs. 1,000 (Cr)
- Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs. 2,000 (Cr)
- Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs. 2,000 (Cr)
- Profit & Loss a/c Rs. 1,000 (Dr) & Provision for doubtful debts a/c Rs. 1,000 (Cr)

Question No: 26 (Marks: 1) - Please choose one

It is supposed that on 31-12-2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 5 % of the sundry debtors are doubtful. What entry will pass to transfer the bad debts to provision for doubtful debts?

- Profit & Loss a/c Rs. 1,600 (Dr) & Provision for doubtful debts a/c Rs. 1,600 (Cr)
- Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs. 2,000 (Cr)
- Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs. 2,000 (Cr)
- **Provision for doubtful debts a/c Rs. 1,600 (Dr) & Bad Debts a/c Rs. 1,600 (Cr)**

Question No: 27 (Marks: 1) - Please choose one

Which of the following entry will be recorded when the Bad Debts are recovered?

- Cash account (Dr.) & Bad Debts recovered account (Cr.)
- Accounts Receivable account (Dr.) & Bad Debts recovered account (Cr.)
- Bad debts recovered account (Dr.) and Profit & Loss account (Cr.)
- Provision for doubtful debts account (Dr.) & Cash account (Cr.)

Question No: 28 (Marks: 1) - Please choose one

Consider the following data and identify the amount which will be shown in profit & loss account.

Particulars	Rs.
Bad debts	1,600
Provision for doubtful debts (old)	2,000
Current year's provision (new)	800

- Rs. 400
- Rs. 800
- Rs. 2,000

- **Rs. 2,400**

Question No: 29 (Marks: 1) - Please choose one

In which of the following condition(s) **DEBT** is regarded as **BAD**.

- Bankruptcy of the debtor
- Disappearance of debtor's business
- Failure of repeated attempt to collect the debt
- **All of the given options**

Question No: 30 (Marks: 1) - Please choose one

Which of the following is **CORRECT** for Doubtful Debt?

- **It is shown in balance sheet**
- It is a definite loss to the business
- It is not shown in balance sheet
- No provision is necessary for it

Question No: 31 (Marks: 1) - Please choose one

Which of the following option is **TRUE** about the characteristic(s) of Bad Debt?

- It is a definite loss to the business
- It is not shown in Balance Sheet

- No provision is necessary for it
- All of the given options

Question No: 32 (Marks: 1) - Please choose one

Which one of the following transactions will cause the balance in Mr. Terry's Cash Book to be greater than his Bank Statement balance?

- A cheque is drawn but not yet presented at the bank for payment
- The bank has not yet notified to Mr. Terry about a dishonoured cheque
- A credit transfer into Terry's Bank Account
- A cheque payment of Rs.101 is recorded in the Cash Book as Rs.110

Question No: 33 (Marks: 1) - Please choose one

Upon checking the Bank Statement against the Cash Book by Mr. A, It was discovered that an amount of Rs.120 for dividend from XYZ Co. had not been entered in the Cash Book. Which of the following entry should be recorded to rectify the mistake?

- **Bank Account(Dr.) and Dividend Account (Cr.)**
- XYZ Co. Account (Dr.) and Bank Account (Cr.)
- Dividend Account (Dr.) and Bank Account (Cr.)
- Bank Account (Dr.) and XYZ Co. Account (Cr.) doubted

Question No: 34 (Marks: 1) - Please choose one

A Bank Reconciliation Statement is prepared to:

- **Ascertain that the difference between the Cash Book balance and the Bank Statement balance has been accounted for**

- Correct errors in the Cash Book or errors in the Bank Statement
- Amend the balance of the Bank Statement of the firm
- Amend the balance in the Cash Book of the firm

Question No: 35 (Marks: 1) - Please choose one

Firms charge depreciation each year:

- To ensure there is enough money in the firm to replace the asset
- **To spread the cost of the asset over its working life**
- To reduce the profit and thus reduce the dividends they can pay to share holders
- Because the law states they must be reduced

Question No: 36 (Marks: 1) - Please choose one

Which one of the following is **NOT** true about revenue expenditure?

- These are the running expenses of the business
- **They improve the financial position of the business**
- They reduce the profit of the concern
- They do not appear in the balance sheet

Question No: 37 (Marks: 1) - Please choose one

_____ The amount of depreciation charged on machinery will be debited to:

- Machinery account

- **Depreciation account**
- Cash account
- Capital account

Question No: 38 (Marks: 1) - Please choose one

_____ In cost of goods sold statement, the 'cost of material consumed' is equal to:

- Opening raw material inventory + Purchases – Ending raw material inventory
- Opening raw material inventory - Purchases + Ending raw material inventory
- Ending raw material inventory + Opening raw material inventory - Purchases
- Ending raw material inventory + Opening raw material inventory + Purchases

Question No: 39 (Marks: 1) - Please choose one

_____

Which of the following particulars are included in the specimen of a bank receipt voucher?

4) Name of the organization
5) Bank code
6) Date of transaction

- (1) & (2) only
- (1) & (3) only
- (2) & (3) only
- **(1), (2) & (3)**

Question No: 40 (Marks: 1) - Please choose one

_____ If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs.20,000 during the year. What would be the Net Profit?

- **Rs.15,000**
- Rs. 35,000
- Rs. 55,000
- Rs. 60,000

Question No: 41 (Marks: 1) - Please choose one

_____ The return of goods by a customer should be debited to:

- Customer's account
- **Sales return account**
- Goods account
- Accounts receivable

Question No: 42 (Marks: 1) - Please choose one

_____ Mr. A provided the following information from his books of accounts at the end of the month.

Particulars	Rs.
Cash	100
Accounts Receivable	500
Accounts Payable	200
Bank Loans	1,000

Based on the information provided, what are Mr. A's total liabilities?

- Rs.200
- Rs. 900
- **Rs. 1200**
- Rs. 1700

Question No: 43 (Marks: 1) - Please choose one

Which of the following shows the categories of assets in a Balance Sheet?

- Current assets, Long term assets and Accounts payable
- Current assets, Long term assets and Fixed assets
- Current assets, Quick assets and Business debts
- Current assets, Fixed assets and Deferred cost

Question No: 44 (Marks: 1) - Please choose one

An informal accounting statement that lists the ledger account balances at a point in time and compares the total of debit balances with the total of credit balances is known as:

- Income Statement
- Balance Sheet
- **Trial Balance**
- Cash Book

Question No: 45 (Marks: 1) - Please choose one

_____ The original book of entry, in which all vouchers are first recorded, is called:

- **General Journal**
- General Ledger
- Trial Balance
- Balance Sheet

Question No: 46 (Marks: 1) - Please choose one

_____

Commercial Accounting is based on:

- Single entry book keeping
- **Double entry book keeping**
- Both single and double entry book keeping
- Cash basis of book keeping

Question No: 47 (Marks: 1) - Please choose one

_____

Double entry accounting system includes:

- Accrual accounting only
- Cash accounting only
- Both cash and accrual accounting

- None of the given options

Question No: 48 (Marks: 1) - Please choose one

_____ An accounting system is used by a business to:

- Analyze transactions
- Handle routine book-keeping tasks
- Structure information
- **All of the given options**

Question No: 49 (Marks: 1) - Please choose one

_____ The estimation of expenses and revenues for future is called:

- **Budgeting**
- Costing
- Management
- Auditing

Question No: 50 (Marks: 1) - Please choose one

_____
Shares for which amount is paid by public are called _____ shares.

- Paid up doubted
- Authorized
- Bonus shares
- **All are correct options**

Question No: 51 (Marks: 5)

What is the difference between accounts payable and accounts receivable? Discuss it with the help of example.

Accounts Payable:

Liabilities are debts. The person or organization to which the debt is owed is called creditors. All businesses have liabilities; even the most successful companies purchase stocks, supplies, and services on credit. The liabilities arising from such purchases are called accounts payable. For example, if a person A is our creditor and we have to return his money so he it is recorded in our books as accounts payable.

Accounts Receivable:

Debtors are the person from whom our money is receivable. He has to return our money which he had borrowed from us at sometime. Such money or accounts are called Accounts receivable. For example A person named A is our debtor so he is recorded in our book as the account receivable.

Question No: 52 (Marks: 10)

The following Trial Balance was extracted from the books of Naeem & Sons on 31st December, 2007. From this you are required to prepare Balance Sheet as on.

Particulars	**Debit**	**Credit**
	Rs.	**Rs.**
Cash	5,200	
Accounts Receivable	9,000	
Merchandise Inventory on 1.1.2007	6,000	
Plant and Machinery	24,000	

Land and Building	82,000	
Furniture and Fixtures	2,600	
Capital		136,000
Accounts Payable		3800
Purchases	60,000	
Purchases returns and allowances		2,800
Sales		70,000
Sales returns and allowances	4,600	
Insurance Prepaid	3,400	
Advertisement expenses	4,000	
Salaries expenses	12,000	
Total	**212,600**	**212,600**

Liabilities: **Capital 136000** **Purchase return and allowances (2800)**	**Assets** **Accounts receivable 9000** **Merc. Inventory 6000** **Plant n machinery 2400** **Land n building 82000** **Furniture n fixtures 2600**
133220	**102000**
Current liabilities: **Accounts payable (3800)** **Salaries expenses 12000**	**Current Assets** **Sales 70000** **Sales return (4600)**

Advertisement expenses 4000	**Cash 5200**
12200	**70600**

ADDITIONAL INFORMATION:

- Prepaid insurance on 31st December, 2007 is Rs. 1,400
- Outstanding salaries Rs. 1,000
- Depreciation on Plant and Machinery @ 10% p.a.
- Merchandise inventory on 31st December, 2007 was valued at Rs. 6,000
- Net Loss for the period Rs. 13,000

Question No: 53 (Marks: 10)

Prepare Profit & Loss Account for the year ended 31st December, 2007.

Particulars	Rs.
Capital	1,20,000
Trade Creditors	17,500
Bills payable	1,000
Sales	6,26,100
Raw material Stocks on 1-1-2007	30,000
Work in process on 1-1-2007	35,600
Finished Goods on 1-1-2007	35,400
Purchases	5,18,000
Carriage inwards	8,900

Discount Allowed	750
debtors	16,000
Sales man commission	2,000
Office expenses	2,000
Carriage outwards	1,700
Bad debts	1,400
Salaries	13,000
Direct labor	1,800
FOH	1,100
Plant & Machinery	53,000
Buildings	35,000
Tools	8,650

Stock as on 31st December, 2007

- Raw material Stocks Rs. 31,000
- Work in process Rs. 25,000
- Finished Goods Rs. 53,900

Depreciation Rate:

- Plant & Machinery @ 10% and charged to FOH
- Buildings @ 5% and 40% charged to Administrative expenses and balance will be charged to FOH
- Tools @ 15% and 30 % charged to FOH and balancing will be charged to administrative expenses

Additional data

- Reserve and bad debts is to be created at 5% on debtors.
- 40% of salaries will charge to office and balance to FOH.

Question No: 54 (Marks: 10)

You are required to prepare Debtors control account and Creditor control account from the given data from the books of ABC Co. Ltd for the year 2007.

Opening balance

Debtors	Rs.1,55,000
Creditors	2,55,000

Sales

Cash	Rs.1,85,000
Credit	2,65,000

Purchases

Cash	Rs.120,000
Credit	200,000

<u>Other information</u>

Total receipts	Rs.3,50,000
Total payments	2,50,000

Additional Information

Discount allowed	Rs.20,000
Discount received	15,000
Bad debts written off	20,000

Creditors control account			
Discount received	15000	Opening balance	255000
Total payments	250000	Total purchases	200000
balance	190000		
	455000		455000

Debtors Control Account

Opening balance	155000		
Total sales	185000	Receipts	350000
		discount	20000
	340000		

Paper No:24

Solved by Chanda Rehman & ABr

FINALTERM EXAMINATION

Fall 2008

MGT101- Financial Accounting (Session - 3)

Ref

Time: 120 min

Marks: 85

Question No: 1 (Marks: 1) - Please choose one

_____ If company has distributable profit is Rs. 4, 90,000. Profit sharing share ratio of Mr. A, Mr. B and Mr. C is 2:3:5 respectively what will be the Profit share for Mr. B in distributable profit.

- Rs. 98,000
- **Rs. 1, 47,000 (Correct)**
- Rs. 2, 45,000
- Rs. 3, 43,000

Question No: 2 (Marks: 1) - Please choose one

_____

What does a credit balance in a partner's current account represent to a business?

- Current Assets
- Current Liability
- Long-term liability
- **Share of profit (doubted)**

Question No: 3 (Marks: 1) - Please choose one

_____

Which of the following ratio tells about "How a company would repays its loans"

- **Mark up cover ratio doubted**
- Acid test ratio
- Current ratio

- Debt Equity ratio

Question No: 4 (Marks: 1) - Please choose one

Which of the following is **CORRECT** about Gross Profit Ratio?

- (Gross profit / Net Sales) x 100
- (Gross profit / Operating Income) x 100
- **(Gross profit / Sales Return) x 100 (Correct)**
- (Gross profit / Net Income) x 100

Question No: 5 (Marks: 1) - Please choose one

Current ratio may be increased by:

- Overstating current Assets
- Overstating current Liabilities
- Understating current Assets
- Understating current assets and overstating current liabilities

Question No: 6 (Marks: 1) - Please choose one

Which of the following is a type of business formed under the Companies Ordinance 1984?

- Sole-Proprietorship
- Partnership
- **Joint Stock Company (Correct)**

- All of the given options

Question No: 7 (Marks: 1) - Please choose one

When preparing cash flow statements, the repayments of a loan during the year should be included under which of the following heading?

- Operating activities
- Financing activities
- Investing activities
- None of the given options

Question No: 8 (Marks: 1) - Please choose one

In cash flow statements, which of the following would appear as an inflow of cash?

- The repayments of a bank loan
- Dividend issue in the current year
- **Money received as result of selling fixed assets (Correct)**
- The difference between the valuations of old and new fixed assets

Question No: 9 (Marks: 1) - Please choose one

What are the effects on financial statements, if Rs. 6,000 transfer to general reserve is given in adjustment?

- It will be treated in Income Statement only
- It will be treated as current liability in balance sheet only
- It will be treated in profit and loss appropriation account only

- **it will be treated in both profit and loss appropriation account and in the balance sheet (Correct)**

Question No: 10 (Marks: 1) - Please choose one

Which of the following is the most important document of the company?

- **Memorandum of Association (Correct)**
- Articles of Association
- Prospectus
- Annual Report

Question No: 11 (Marks: 1) - Please choose one

Preliminary Expenses of the company may write off against:

- **Share premium account (Correct)**
- Share holder account
- Debtors control account
- Creditor control account

Question No: 12 (Marks: 1) - Please choose one

Which of the following clause/s are discussed in Memorandum of Association of Companies?

- Name of company
- Place of registered office of company
- Objective of the company
- **All of the given options (Correct)**

Question No: 13 (Marks: 1) - Please choose one

_____ The Joint Stock Company is formed under the Companies Ordinance:

- **1984 (Correct)**
- I884
- 1948
- 1965

Question No: 14 (Marks: 1) - Please choose one

_____

When the capitals are fixed, which of the following account will be debited for drawings made by a partner?

- Individual Partner's Current Account
- Partner's Cash Account
- Partner's Bank Account
- Partners Capital Account

Question No: 15 (Marks: 1) - Please choose one

_____

Which of the following account will be debited when the interest on drawings is charged?

- Partner's capital account
- Interest account
- Partner's current account

- **Profit & Loss account doubted**

Question No: 16 (Marks: 1) - Please choose one

Which of the following is **CORRECT** if depreciation is given in trial balance?

- It means depreciation has already been deducted from concerned asset account
- **It will be shown as an expense in income statement only (Correct)**
- It will not be deducted from concerned asset in Balance Sheet
- All of the given options are correct

Question No: 17 (Marks: 1) - Please choose one

An asset which is **NOT** easily convertible to cash or not expected to become cash within a period of twelve months is called:

- Liquid asset
- Current asset
- Fixed asset
- Floating asset

Question No: 18 (Marks: 1) - Please choose one

Which one of the following is **TRUE** about provisions?

- It is necessary to prepare for showing true picture of balance sheet
- It is a reduction from assets
- It is prepared for specific purposes

- All of the given options

Question No: 19 (Marks: 1) - Please choose one

_____ The Balance Sheet item that represents the resources invested by the owner is known as:

- Accounts Receivable
- Cash
- Note Payable
- **Owner's Equity (Correct)**

Question No: 20 (Marks: 1) - Please choose one

_____

Which of the following is **NOT** an operating expense?

- Salaries and wages expense
- Rent expense
- Interest expense
- **Depreciation expense (Correct)**

Question No: 21 (Marks: 1) - Please choose one

_____ A financial statement that indicates the success or failure of a business, over a period of time is called:

- A cash flow statement
- A retained earnings statement
- An income statement
- **A balance sheet (Correct)**

Question No: 22 (Marks: 1) - Please choose one

Which of the following is the first phase of the typical operating cycle?

- Receive cash from customers
- Pay cash to suppliers
- Sell goods and services to customers
- **Purchase goods and services (Correct)**

Question No: 23 (Marks: 1) - Please choose one

Following information are extracted from books of Mr. XYZ

Particulars	Rs.
Closing value of stock	40,000
Write off Bad debts (given in adjustments)	2,400
Sundry Debtors (given in trial balance)	33,200
Provision is created on Debtors at 10%	

Identify the Total amount deducted from Sundry debtors.

- Rs. 460
- Rs. 2,400
- Rs. 3,080
- **Rs. 5,480 (Correct)**

Question No: 24 (Marks: 1) - Please choose one

_____ It is supposed that on 31st December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 10% of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be deducted from Sundry debtors?

- Rs. 3,600
- Rs. 4,000
- Rs. 1,600
- **Rs. 2, 400 (doubted)**

Question No: 25 (Marks: 1) - Please choose one

_____

When one or both aspects of a transaction are recorded in the wrong class or category of account, this is called:

- **Error of principle (Correct)**
- Error of omission
- Error of commission
- Error of original entry

Question No: 26 (Marks: 1) - Please choose one

_____

Which of the following account(s) will be affected, while rectifying the error of sales Rs.100 to Mr. "A" recorded in the purchases book?

- Sales account
- Purchase account

- A's account and Sales account
- **Sales account, purchase account and A's account (Correct)**

Question No: 27 (Marks: 1) - Please choose one

_____ A receipt of cash Rs. 10,000 from Mr. Bilal is recorded as Rs. 1,000. What amount will be adjusted in rectifying entry?

- Rs. 1,000
- **Rs. 9,000 (Correct)**
- Rs. 10,000
- Rs. 11,000

Question No: 28 (Marks: 1) - Please choose one

_____ _____ are committed in those cases where proper distinction between revenue and capital items is not made.

- Error of principle
- Error of omission
- **Error of commission (Correct)**
- Error of original entry

Question No: 29 (Marks: 1) - Please choose one

_____ Which of the following is (are) benefit/s of subsidiary ledger accounts to business?

- It tells about customer attitude of payments

- It can be checked against the control account to pick up recording errors
- It tells about the complete history of transactions of business client
- **All of the given options (Correct)**

Question No: 30 (Marks: 1) - Please choose one

Which of the following is **NOT** included in Debtors Control Account?

- **Cash sales (Correct)**
- Credit sales
- Bills receivable
- Discount allowed

Question No: 31 (Marks: 1) - Please choose one

Which of the following is/are the item/s of a Control Account?

- Credit sale only
- Cash sale only
- Credit purchase only
- Both Credit sales and Credit purchase

Question No: 32 (Marks: 1) - Please choose one

It is supposed that on 31st December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 5 % of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be credited in profit & loss account.

- Rs. 3,600

- Rs. 2,000
- Rs. 1,600
- **Rs. 400 (doubted)**

Question No: 33 (Marks: 1) - Please choose one

Which of the following is **NOT** a function of bank reconciliation statement?

- To reconcile the difference between the cash book and the bank statement
- **To check for errors in balance sheet (Correct)**
- To update omitted entries into the cash book
- To update omitted entries into the bank statement

Question No: 34 (Marks: 1) - Please choose one

Which one of the following transactions will cause the balance in Mr. Terry's Cash Book to be greater than his Bank Statement balance?

- A cheque is drawn but not yet presented at the bank for payment
- The bank has not yet notified to Mr. Terry about a dishonoured cheque
- A credit transfer into Terry's Bank Account
- A cheque payment of Rs.101 is recorded in the Cash Book as Rs.110

Question No: 35 (Marks: 1) - Please choose one

The following balance and discrepancies were found on 31 March 2008:

Particulars	Rs.
Cash book balance (Dr)	5 000

Unpresented cheques	1 000
Uncredited cheques	500

The Bank Statement balance on 31 March 2008 should be:

- Rs. 5 500 (Dr)
- Rs. 5 500 (Cr)
- Rs. 4 500 (Dr)
- **Rs. 4 500 (Cr) (Correct)**

Question No: 36 (Marks: 1) - Please choose one

Which of the following is **NOT** a characteristic of Joint Stock Company?

- Separate Legal Entity
- Limited Liability
- **Easy Formation (Correct)**
- Common Seal

Question No: 37 (Marks: 1) - Please choose one

Consider the following data:

Particulars	Rs.
Assets	1,98,000
Owner's equity	95,000
Liabilities	?

- Rs. 49,000
- Rs. 55,000
- Rs. 1, 25,000
- **Rs. 1, 03,000 (Correct)**

Question No: 38 (Marks: 1) - Please choose one

_____ The basic purpose of depreciation is to achieve the:

- **Matching principle (Correct)**
- Dual aspect principle
- Separate entity concept
- Money measurement concept

Question No: 39 (Marks: 1) - Please choose one

_____
Accountancy covers which of the following area(s):

- Book-keeping
- Accounting
- Auditing
- **All of the given options (Correct)**

Question No: 40 (Marks: 1) - Please choose one

_____ Bank Reconciliation Statement is prepared by:

- Bankers
- **Accountant of the business (Correct)**
- Statutory auditor
- Manger

Question No: 41 (Marks: 1) - Please choose one

Under the reducing balance method, deprecation is calculated on:

- Scrap value of an asset
- Original cost of an asset
- **Book value of an asset (Correct)**
- Fair value of an asset

Question No: 42 (Marks: 1) - Please choose one

_____ The products that are ready for sale are known as:

- Raw material
- Work in process
- **Finished goods (Correct)**
- Closing stock

Question No: 43 (Marks: 1) - Please choose one

Which of the following item appears in Trading Account of a business?

- Interest expenses
- **Wages and salaries (Correct)**
- Depreciation expenses
- Discount Allowed

Question No: 44 (Marks: 1) - Please choose one

Which of the following financial statement **DO NOT** show the financial health of a business at a specific date?

- **Profit and loss account (Correct)**
- Balance sheet
- Statement of financial position
- All of the given options

Question No: 45 (Marks: 1) - Please choose one

Which of the following account will be credited in the books of XYZ Co. Ltd, if the business purchased a vehicle though cheque?

- Vehicle account
- Cash account
- Business account
- **Bank account (Correct)**

Question No: 46 (Marks: 1) - Please choose one

Gross Profit > Operating Expenses=?

- **Net Profit (Correct)**
- Cost of Goods Sold
- Net Loss
- Gross Loss

Question No: 47 (Marks: 1) - Please choose one

_____ Bank book is part of:

- Voucher
- General Journal
- **General Ledger (Correct)**
- Trial Balance

Question No: 48 (Marks: 1) - Please choose one

What would be the affect on the components of the accounting equation, if goods are purchased on cash?

- Increase in cash and decrease in equity
- Increase in cash and increase in goods

- **Increase in goods and decrease in cash (Correct)**
- Increase in equipment and increase in equity

Question No: 49 (Marks: 1) - Please choose one

_____ We can say that the business is in profit, when:

- Assets exceed Liabilities
- **Income exceeds Expenditure (Correct)**
- Income exceeds Liabilities
- Assets exceed Expenditure

Question No: 50 (Marks: 1) - Please choose one

_____ A business event which can be measured in terms of money and must be recorded in books of accounts is called:

- Information
- Condition
- **Transaction (Correct)**
- Record

Question No: 51 (Marks: 5)

_____

Calculate Net income with the help of given date for the year 2007 and also show complete working to support your answer.

Raw material Stocks on 1-1-2007	Rs. 30,000

Work in process on 1-1-2007	35,600
Finished Goods on 1-1-2007	35,400

Raw material Stocks 31-12-2007	Rs. 31,000
Work in process 31-12-2007	25,000
Finished Goods 31-12-2007	53,900
Total factory Cost	543,339

Additional data

- Other income for the year is Rs. 5,000.
- Operating expenses for the year Rs. 15,000.
- Sale for the year Rs. 1,000,000.

Question No: 52 (Marks: 10)

The following Trial Balance was extracted from the books of Naeem & Sons on 31st December, 2007. From this you are required to prepare an Income Statement for the year ended on 31st December, 2007,

Particulars	**Debit**	**Credit**
	Rs.	**Rs.**
Cash	5,000	
Accounts Receivable	9,000	
Merchandise Inventory on 1.1.2007	6,000	
Plant and Machinery	24,000	
Land and Building	82,000	
Furniture and Fixtures	2,600	

Capital		136,000
Accounts Payable		3800
Purchases	60,000	
Purchases returns and allowances		2,800
Sales		70,000
Sales returns and allowances	4,600	
Insurance Prepaid	3,400	
Advertisement expenses	4,000	
Salaries expenses	12,000	
Total	**212,600**	**212,600**

ADDITIONAL INFORMATION:

- Prepaid insurance on 31st December, 2007 is Rs. 1,400
- Outstanding salaries Rs. 1,000
- Depreciation on Plant and Machinery @ 10% p.a.
- Merchandise inventory on 31st December, 2007 was valued at Rs. 6,000

Answer:

Trading Account for the year ending 31.12.2007						
Opening stock		**6000**		**Sales**	**70000**	
				Less : Sales Return	**4600**	
Purchase	**60000**					**65400**
Less Return	**2800**					
		57200				

				Closing Stock		6000
Gross Profit			8200			
			71400			71400
Profit & Loss Account for the year ending 31.12.2007						
Advertisement Exp		4000		Gross Profit		8200
	-					
Salaries	12000					
Add: Outstanding	1000					
		13000				
Depreciation						
Plant & Mach		2400				
Insurance	3400					
	1400					
		2000				
				Net Loss		13200
		19400				21400

Balance Sheet as on 31.12.2007

Accouts Receivable		9000	Capital	136000	
			Less :Net Loss	13200	
Cash		5000			122800
Plant & Mach	24000		Accounts Payable		3800
Less: Depr	2400				
		21600	Outstanding salaries		1000
Land & Building		82000			
Furniture		2600			
Prepaid Insurance		1400			
Closing Stock		6000			
		127600			127600

Question No: 53 (Marks: 10)

Prepare Profit and Loss Account for the year ending 31st December 2007 from the Trial Balance and adjustments of MS Company given below:

Particulars	Debit	Credit
	Rs.	Rs.
Drawings	14,000	
Capital Account		80,000
Opening Stock	55,000	
Purchases	485,000	
Sales		610,000
Sundry Debtors	80,000	
Sundry Creditors		60,500
Sales Returns	5,000	
Carriage Inwards	6,000	
Salaries	28,000	
Rent, Rates, Taxes	15,000	
Insurance	4,000	
Machinery	50,000	
Furniture	5,000	
Cash in hand	3,500	
Total	**750,500**	**750,500**

<u>Adjustments:</u>

- Depreciate machinery and furniture @20%p.a.
- Outstanding Salaries Rs. 2,000
- Insurance paid in advance Rs. 500

- Maintain @5% reserve for doubtful debts on debtors.
- Closing Stock was valued at Rs. 60,000

Answer:

Trading Account for the year ending 31.12.2007						
Opening stock		**55000**		**Sales**	**610000**	
				Less : Sales Return	**5000**	
Purchase		**485000**				**605000**
Caririage Inward		**6000**		**Closing Stock**		**60000**
Gross Profit		**119000**				
		665000				**665000**
Profit & Loss Account for the year ending 31.12.2007						
Salaries	**28000**			**Gross Profit**		**119000**
Add: Outstanding	**2000**					
		30000				
Rent, Rates, Taxes		**15000**				
Insurance	**4000**					
Less :Advance	**500**					

		3500				
Depreciation						
Machinery	10000					
Furniture	1000					
		11000				
Provision on Doubtful Debts		4000				
Net Profit		55500				
		119000				119000

NOTE: PLEASE CONSIDER ALL ENTRIES ON LEFT SIDE AS ON RIGHT HAND SIDE AND VICE VERSA. JUST SHOWN BY MISTAKE. I HOPE YOU CONSIDER MY REQUEST DUE TO SHORATGE OF TIME.

Question No: 54 (Marks: 10)

What is the difference between public and private company?

Answer:

Private Limited Company

- Number of members in a private limited company varies from 2 to 50.
- Any 2 members can subscribe their names in memorandum and articles of association along with other requirements of the companies' ordinance 1984. They can also apply to security exchange commission for company's registration.
- The shareholders of the private limited company elect two members of the company as Directors. These directors form a board of directors to run the affairs of the company.
- The head of board of directors is called chief executive.
- Private limited company can not offer its shares to general public.

- In case a investor decides to sell his/her/her shares, his/her shares are first offered to existing shareholders. If all existing shareholders decide not to buy these shares, then an outsider investor can buy.
- Words and digression "(Private) Limited" are added at the end of the name of a private limited company.

Public Limited Company

- Least number of members in a public limited company is **7** with no upper limit in number of members.
- Any 7members can subscribe their names in memorandum and articles of association along with other requirements of the companies' ordinance 1984. They can also apply to security exchange commission for company's registration.
- The shareholders of the public limited company elect seven members of the company as Directors and these directors form a board of directors to run the daily affairs.
- The head of board of directors is called Chief Executive.
- Public limited company can offer its shares to general public at large.
- Word "Limited" is added at the end of the name of a public limited company.
- Each subscriber of the memorandum shall write opposite to his name, the number of shares held by him/her.

On top of that there are two types of public limited company:

1. Listed Company
2. Non Listed Company

LISTED COMPANY

Listed company is the one whose shares are quoted and traded on stock exchange. It is also called quoted company.

NON LISTED COMPANY

Non listed company is the one whose shares are not quoted or traded.