Paper No:25
Solved by Chanda Rehman & ABr

FINALTERM EXAMINATION
Fall 2008
MGT101- Financial Accounting (Session - 1)
Marks: 85

Question No: 1 (Marks: 1) - Please choose one
The area of accounting concerned with reporting financial information to the interested parties is called:
Cost Accounting
Financial Accounting
Management Accounting
Tax Accounting

Question No: 2 (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: 3 (Marks: 1) - Please choose one
Net Profit =? - Expenses
Liabilities
Assets
Capital
Income

Question No: 4 (Marks: 1) - Please choose one
Economic resources owned by a business and expected to benefit for the future operations are called:
Expenses
Assets
Capital
Liabilities

Question No: 5 (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: 6 (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: 7 (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: 8 (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: 9 (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: 10 (Marks: 1) - Please choose one
What would be the value of 'cost of goods manufactured' if the total factory cost of the month is Rs. 6,000, opening work in process is Rs. 2,000 and the closing work in process is Rs. 2,500?
Rs. 5,500
Rs. 8,000
Rs. 4,500
Rs. 8,500

Question No: 11 (Marks: 1) - Please choose one
Which of the following asset is NOT depreciated?
Factory Buildings
Office Equipment
Plant & Machinery
Land

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
Increase in an asset 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: 14 (Marks: 1) - Please choose one
Particulars Rs.
Opening written down value of machine Rs. 2,00,000
Cost of new machine purchased during the year Rs. 50,000
Depreciation during the year Rs. 25,000
Closing written down value (WDV) of machines ?
Rs. 2, 25,000
Rs. 2, 50,000
Rs. 2, 75,000
Rs. 75,000
Question No: 15 (Marks: 1) - Please choose one
Particulars Rs.
Opening written down value of machine 4,00,000

Cost of machine purchased during the year 50,000
Depreciation during the year 20,000
closing written down value (WDV) of the Machines
?
Rs. 4, 30,000
Rs. 4, 50,000
Rs. 4, 70,000
Rs. 70,000

Question No: 16 (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: 17 (Marks: 1) - Please choose one

Which of the following account would be credited, when the bad debts are recovered?

Allowance for bad debts a/c
Bad debts recovered a/c
Doubtful debts a/c
Cash a/c

Question No: 18 (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: 19 (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
Rs. (900)

Question No: 20 (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: 21 (Marks: 1) - Please choose one
It is supposed that on 31December, 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

Question No: 22 (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: 23 (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: 24 (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: 25 (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: 26 (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: 27 (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: 28 (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

(In the first phase of the operating cycle a business, unless it is a service business, buys inventory and materials which they will resell to customers.)

Question No: 29 (Marks: 1) - Please choose one
Which of the following is normally treated as the last expense listed in the income statement of a company?

General and administrative expenses
Salaries and wages expense
Income tax expense
Interest expense

Question No: 30 (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: 31 (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: 32 (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: 33 (Marks: 1) - Please choose one
What will the effects on financial statements, if machinery is depreciated @ 10%?
It will be treated as an expense in income statement only
It will be subtracted from concerned asset only
It will be treated as a current asset only
It will be treated as an expense in income statement and subtracted from concerned assets in Balance Sheet

Question No: 34 (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: 35 (Marks: 1) - Please choose one
Which of the following statement is TRUE about the partnership form of business?
Partners must have to share their profits in equal proportion
Partners are personally liable for the liabilities of the business
Partnerships must make their accounts available to the general public
Partnership agreement in writing is called Partnership deed

Question No: 36 (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: 37 (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: 38 (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: 39 (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: 40 (Marks: 1) - Please choose one
A _____ business is one in which income is generated by the resale of bought Products.
Manufacturing
Merchandising
Sole Proprietorship
Partnership
Question No: 41 (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: 42 (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: 43 (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: 44 (Marks: 1) - Please choose one
Which of the given Asset is
Not
included in the calculation acid test ratio?
Stock
Cash
Debtors
Bills Receivable

Question No: 45 (Marks: 1) - Please choose one
When the current Ratio is 2: 5 and the amount of Current Liabilities is Rs. 25,000. What will be the amount of Current Assets?
Rs. 62,500
Rs. 12,500
Rs. 10,000 (2 * 25000/5 = 10000)
Cannot be calculated with the help of given data

Question No: 46 (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: 47 (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: 48 (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: 49 (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: 50 (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: 51 (Marks: 5)
Describe the following terms.
Error of principle
Error of omission
Error of commission
Error of original entry

Question No: 52 (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 20
th
March, 2008
has not yet been collected.
3. Cheques for Rs. 15,000 Issued on 24
March, 2008, out of which
th
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 4
th
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 31
March, 2008
st
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 during the year are 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 @ 5%.
Required:
Show Journal entries and necessary accounts. Also show how the items will appear in Profit and Loss account and Balance sheet

Paper No:26

Solved by Chanda Rehman & ABr

FINALTERM EXAMINATION
Fall 2008
MGT101- Financial Accounting (Session - 1)
Marks: 85

Question No: 1 (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: 2 (Marks: 1) - Please choose one
We can say that the business is in profit, when:
Assets exceed Expenditure
Assets exceed Liabilities
Income exceeds Expenditure
Income exceeds Liabilities
Question No: 3 (Marks: 1) - Please choose one
Accounts Receivable & Inventory are the examples of:
Liquid assets
Current assets
Fixed assets
Capital assets
Question No: 4 (Marks: 1) - Please choose one
Which of the following account will be credited in the books of ABC Co. Ltd., if furniture is purchased on cash?
Furniture account
Cash account
Business account
Bank account
Question No: 5 (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: 6 (Marks: 1) - Please choose one
If Cost of asset=Rs. 100,000, Residual Value (RV) = Rs. 20,000 and Life = 3 years, what will be the rate of depreciation?
10%
22%
42%
52% (Rate = 1 – n√ RV / C

Where:

"RV" = Residual Value

"C" = Cost

"n" = Life of Asset

Calculate the rate if:
Cost = 100,000

Residual Value (RV) = 20,000

Life = 3 years

Rate = 1 – 3 √20000/100000

= 42%)
Question No: 7 (Marks: 1) - Please choose one
Consider the following inventory record:
Date Item
Quantity
Cost/Unit
Total
2007Jan. 2
Opening

100 Rs.18.00
Rs.1,800
inventory
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: 8 (Marks: 1) - Please choose one
If you start with cash book favorable balance in Bank Reconciliation Statement, which item will be added?

Cheque deposited but not credited by the bank
Cheques omitted to be deposited into bank
Any amount directly collected by bank on behalf of customer but not recorded in cash book
Debit side of cash book was overcast

Question No: 9 (Marks: 1) - Please choose one
Bank Reconciliation Statement is:
A memorandum statement
A ledger account
A part of cash book
A part of journal
Question No: 10 (Marks: 1) - Please choose one
Accountancy covers which of the following area(s):
Book-keeping
Accounting
Auditing
All of the given options
Question No: 11 (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: 12 (Marks: 1) - Please choose one
Consider the following data:

Particulars Rs.
Assets 8,20,000
Owner's equity 3,80,000
Liabilities ?

Rs. 1, 98,000
Rs. 49,000
Rs. 55,000
Rs. 4, 40,000
Question No: 13 (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: 14 (Marks: 1) - Please choose one
Particulars Rs.
Opening written down value of machine 3,00,000
Cost of machine purchased during the year 50,000
Depreciation during the year 9,000
closing written down value (WDV) of the Machine ?
Rs. 3, 41,000
Rs. 3, 50,000
Rs. 3, 59,000
Rs. 59,000
Question No: 15 (Marks: 1) - Please choose one
Which one of the following is
NOT
true for Profit & Loss Account?
It shows whether a business has made a profit or loss over a financial year
It shows the financial performance of a business for the period
It shows revenues and expenses for the period
It is used to calculate surplus/deficit for a particular period
Question No: 16 (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: 17 (Marks: 1) - Please choose one
An overdraft will appear as:
a debit balance in the both the bank statement and the cash book.
a credit balance in the bank statement but as a debit balance in the cash book.
a credit balance in the cash book but as a debit balance in the bank statement.
a credit balance in both the bank statement and the cash book.
Question No: 18 (Marks: 1) - Please choose one
Which of the following account would be credited, when the bad debts are recovered?
Allowance for bad debts a/c
Bad debts recovered a/c
Doubtful debts a/c
Cash a/c
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

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: 21 (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: 22 (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: 23 (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: 24 (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 doubted
Balance Sheet
Trial Balance
Question No: 25 (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: 26 (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: 27 (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: 28 (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?
Only Cash Account

Only P s account
Only Q s account
Both of Mr. P's & Mr.Q's Account
Question No: 29 (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: 30 (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: 31 (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) 700
Sundry Debtors (Given in trial balance) 44,500
Provision for doubtful debts be increases by 5%
What will be the amount of new provision
?
Rs. 2,225
Rs. 2,425
Rs. 1,925
Rs. 3,025
Question No: 32 (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: 33 (Marks: 1) - Please choose one
Which of the following is
NOT correct about income tax?

Different companies pay tax on different rates
It is treated as an expense and debited in Profit & Loss account
When financial statements are prepared, an estimate of expected tax liability is made
It is treated as an expense and credited in Profit & Loss account
Question No: 34 (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: 35 (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: 36 (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: 37 (Marks: 1) - Please choose one
When closing stock is given in trial balance, then it will effect:
Trading account only
Balance sheet only
Owner's equity only
Both Trading account and Balance sheet

Question No: 38 (Marks: 1) - Please choose one
Fixed Assets (WDV) + Working Capital =?
Total assets employed
Total liabilities
Total assets
Current assets

Question No: 39 (Marks: 1) - Please choose one
Which of the following statements is
NOT TRUE about the partnership form of business?

A partnership is a business run by two or more persons
A partnership business is easy to set up
Each partner is liable under the law for the actions of other partners
In the absence of agreement, partners will be paid salaries

Question No: 40 (Marks: 1) - Please choose one
Which of the following statement is
TRUE
about the partnership form of
business?
Partners must have to share their profits in equal proportion
Partners are personally liable for the liabilities of the business
Partnerships must make their accounts available to the general public
Partnership agreement in writing is called Partnership deed
Question No: 41 (Marks: 1) - Please choose one
Which of the following are the owners of a company?
Proprietors
Partners
Shareholders
Managers
Question No: 42 (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: 43 (Marks: 1) - Please choose one
A _____ business is one in which income is generated by the resale of bought Products.
Manufacturing
Merchandising
Sole Proprietorship
Partnership
Question No: 44 (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: 45 (Marks: 1) - Please choose one
Which of the following document(s) define the relation of company with outside world?
Prospectus
Statutory Declaration
Memorandum of Association
Articles of Association
Question No: 46 (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: 47 (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: 48 (Marks: 1) - Please choose one
Which of the following ratio tells about How a company would repays its loans
Mark up cover ratio
Acid test ratio
Current ratio
Debt Equity ratio
Question No: 49 (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: 50 (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: 51 (Marks: 5)
You are required to pass rectifying entries of the following errors:
1. Received cash Rs. 500 from Mr. "B" entered as Rs. 300 in the cash book.
2. A cash sale of Rs. 600 has completely omitted to be recorded in the books.
3. Goods worth Rs. 200 were returned to Mr. Kamran but no entry was passed in the books.

Question No: 52 (Marks: 10)
Prepare profit & loss Appropriation account with the help of given data and show

capital accounts and current account in balance sheet for XY Z & Sons
Particulars Rs.
Net profit for the year 600,000
Opening balance of Capital X:400,000
Y: 250,000
Z: 300,000
Drawings during the year X: 100,000
Y: 150,000
Z: 125,000
Salaries are to be paid X: 12,000
Y:20,000
Z:15,000
Opening Balance of current
X: 50,000
account
Y: 60,000
Z: 45,000
Mark up rate on capital 5%
Mark up rate on drawings 5%
Profit sharing ratio for X:Y:Z 30: 25:45
It is assumed that no capital introduced during the year

Question No: 53 (Marks: 10)
Following information is extracted from the books of Mr. Ali and Mr. Babar for the year 2007.
Particulars Rs.
Fixed Asset at WDV 529,500
Material 31-12-2007 188,000
Work in process 31-12-2007 178,000
Finished Goods 31-12-2007 198,000
Debtors 160,000
Bank 7,000
Creditors 100,000
Expenses payable 15,000
Profit for the year A:80,000
B:70,000
Drawings for the year A:10,000
B:15,000
Capital A:400,000
B: 350,000
Current Account A: 13,000
B:10,000
Long term loans 2,27,500
You are required to prepare Balance Sheet as on 31
December 2007. Show
st
complete working.
Question No: 54 (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.

FINALTERM EXAMINATION
fall 2008
MGT101- Financial Accounting (Session - 2)
Marks: 85

Question No: 1 (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: 2 (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: 3 (Marks: 1) - Please choose one
Which of the following is an example of business liability?
Land
Building
Cash
Capital

Question No: 4 (Marks: 1) - Please choose one
Which of the following journal entry will be recorded, if the goods are sold on credit to Mr. 'B'?
Mr. B / Accounts Receivable account (Dr) and Sales account (Cr)
Cash account (Dr) and sales account (Cr)
Sales account (Dr) and Mr. B / Accounts Receivable account (Cr)
Goods Sold account (Dr) and Mr. B / Accounts Receivable account (Cr)

Question No: 5 (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: 6 (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: 7 (Marks: 1) - Please choose one
Which one of the following is CORRECT about the closing stock?
It appears in the assets side of a balance sheet
It decreases the value of cost of goods sold
It becomes opening stock of next year
All of the given option

Question No: 8 (Marks: 1) - Please choose one
A decrease in value of a fixed asset due to age, wear and tear is known as:
Depreciation
Accumulated Depreciation
Appreciation
Written Down Value

Question No: 9 (Marks: 1) - Please choose one
Cost of asset Rs. 1,00,000
Life of asset 5 years
Depreciation for the each year Rs. 5,000
Sale price after 5 years Rs.15,000
Written Down Value of Asset on 5th year Rs. 75,000
Profit or loss on disposal of fixed asset?
Rs. 60,000 loss
Rs. 75,000 profit
Rs. 25,000 loss
Rs. 1, 00,000 profit

Question No: 10 (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 200, 000 period
Cost of Material Consumed
?
Rs. 205,000
Rs. 215,000
Rs. 220,000
Rs. 225,000

Question No: 11 (Marks: 1) - Please choose one
If you start with cash book balance (Dr.), which of the following item will be deducted in Bank Reconciliation Statement?
Any cheque drawn to creditor but not paid by bank
Interest credited by the bank in pass book
Cheque deposited but not credited by the bank
Dividend collected by bank on behalf of the customer

Question No: 12 (Marks: 1) - Please choose one
Unfavorable Bank Balance means:
Credit balance in cash book
Credit balance in pass book
Debit balance in cash book
All of the given options

Question No: 13 (Marks: 1) - Please choose one
Stock of Trading concern consists of:
Raw material
Work in process
Merchandise inventory
All of the given options

Question No: 14 (Marks: 1) - Please choose one
The allocation of the cost of a tangible plant asset to expense in the periods, in which services are received from the asset, is termed as:
Appreciation
Depreciation
Fluctuation
None of the given options

Question No: 15 (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: 16 (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: 17 (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: 18 (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: 19 (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: 20 (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: 21 (Marks: 1) - Please choose one
Which of the following account(s) will be affected, while rectifying the error of Carriage paid Rs.50 for the newly purchased machinery mistakenly debited to carriage account?
Only machinery account
Only carriage account
Both carriage and machinery account
Only cash account

Question No: 22 (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: 23 (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: 24 (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: 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 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: 26 (Marks: 1) - Please choose one
Which of the following is the first phase of the typical operating cycle?
Sell goods and services to customers
Purchase goods and services
Receive cash from customers
Pay cash to suppliers

Question No: 27 (Marks: 1) - Please choose one
Which of the following is normally treated as the last expense listed in the income statement of a company?
General and administrative expenses
Salaries and wages expense
Income tax expense
Interest expense

Question No: 28 (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: 29 (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: 30 (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: 31 (Marks: 1) - Please choose one
When closing stock is given in trial balance, then it will effect:
Trading account only
Balance sheet only
Owner's equity only
Both Trading account and Balance sheet

Question No: 32 (Marks: 1) - Please choose one
Which of the following account will be credited when interest on capital is charged against the distribution of profit?
Interest account
Partner s capital account
Profit and Loss account
Profit and loss appropriation account

Question No: 33 (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: 34 (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: 35 (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: 36 (Marks: 1) - Please choose one
The Joint Stock Company is formed under the Companies Ordinance:
1984
I884
1948
1965

Question No: 37 (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: 38 (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: 39 (Marks: 1) - Please choose one
Which of the following account will be debited if shares issued against cash?
Share premium account
Cash account
Share capital account
Profit and loss account

(entry is :

Cash account Dr
Share premium (if any) Cr
Share capital account Cr)

Question No: 40 (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: 41 (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: 42 (Marks: 1) - Please choose one
Which of the following is (are) shown as notes to the accounts.
Nature of the business of the company
Accounting polices of the business
Details and explanations of items given in Balance Sheet
All of the given options

Question No: 43 (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: 44 (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: 45 (Marks: 1) - Please choose one
Mark up cover ratio = operating profit before financial charges ÷?
Selling expenses
Administrative expenses

Financial charges
Direct expenses

Question No: 46 (Marks: 1) - Please choose one
Which of the following ratio tells about How a company would repays its loans
Mark up cover ratio
Acid test ratio
Current ratio
Debt Equity ratio

Question No: 47 (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)

Question No: 48 (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: 49 (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: 50 (Marks: 1) - Please choose one
Which of the following item will be credited in capital account of sole proprietor?
Cash
Drawings
Debtors
Profit

Paper no 28
Solved by Chanda Rehman, Nomi chakwal ABr

FINALTERM EXAMINATION
Fall 2009
MGT101- Financial Accounting (Session - 1)

Ref No: 1195859
Time: 120 min
Marks: 87

Question No: 1 (Marks: 1) - Please choose one
Liabilities of the members of the _____ is only limited to the capital introduce by member/s.

► Partnership

► Company

► Sole proprietorship

► None of the given options

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

Term "Credit" means_____ by the business.

► Receiving of benefits
► It has no effect on business
► **Providing of benefits**
► It depends upon items

Question No: 3 (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: 4 (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: 5 (Marks: 1) - Please choose one

Accounts Receivable & Inventory are the examples of:

► Liquid assets
► **Current assets**
► Fixed assets
► Capital assets

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

Which of the following is **NOT** an example of Current Asset?

► **Bank Overdraft**
► Accounts Receivable
► Notes Receivable
► Prepaid Expenses

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 statement is **NOT** true about the Journal voucher?

► **Financial data is picked only from Journal vouchers to Journal**
► These are used to record all transaction other than cash & bank
► These are used to make corrections or adjustments to previous Receipts
► Format of Journal voucher is different from other vouchers

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

Which one of the following is **CORRECT** about the closing stock?

► It appears in the assets side of a balance sheet
► It decreases the value of cost of goods sold
► It becomes opening stock of next year
► **All of the given option**

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

In the cost of goods sold statement, Cost of direct material consumed + Direct labor=?

► Conversion cost
► **Prime cost**
► Total factory cost
► Cost of goods manufactured

Question No: 11 (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: 12 (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-five 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.268

Question No: 13 (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: 14 (Marks: 1) - Please choose one

Bank Reconciliation Statement is:

► **A memorandum statement**
► A ledger account
► A part of cash book
► A part of journal

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

Which of the following assets are shown at written down value in balance sheet?

► Current assets
► Liquid assets
► Floating assets
► **Fixed assets**

Question No: 16 (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: 17 (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: 18 (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: 19 (Marks: 1) - Please choose one

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

► **Subsidiary Ledgers** **doubted**
► Creditors Control Accounts
► Debtors Control Accounts
► All of the given options

Question No: 20 (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**

Question No: 21 (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: 22 (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: 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**

Question No: 24 (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: 25 (Marks: 1) - Please choose one

Which of the following is a selling expense?

- ► Interest on deposits
- ► Any tax/freight is paid on purchases
- ► General salaries paid to laborers
- ► **Tax & freight paid on sale**

Question No: 26 (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: 27 (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: 28 (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: 29 (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: 30 (Marks: 1) - Please choose one

Which of the following is (are) **NOT** example(s) of distributable profit?
► None of the given options
► General reserve
► **Accumulated profit and loss (credit balance)**
► Revaluation reserves

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

Which of the following is a common way to evaluate a company's performance?
► Compare this year's performance of the company to a prior year's performance of the company.
► Compare the company's performance to the industry's performance.
► Compare the company's performance to the performance of a competing company.
► **All of the given options**

Question No: 32 (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: 33 (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: 34 (Marks: 1) - Please choose one

Mr. B provided the following information 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 the total assets of Mr. B?

- ► Rs.200
- ► **Rs. 600**
- ► Rs. 800
- ► Rs. 1,700

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

An overdraft will appear as:

- ► A debit balance in both the bank statement and the cash book
- ► A credit balance in the bank statement but as a debit balance in the cash book
- ► **A credit balance in the cash book but as a debit balance in the bank statement**
- ► A credit balance in both the bank statement and the cash book

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

When we close bad debt account, which of the following account is debited?

- ► Profit and loss account
- ► Bad debt account
- ► Debtor account
- ► Creditor account

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

Payment is made of a company's purchases on credit, which of the following is correct:

- ► Debit stock account and credit creditors account
- ► **Debit creditors account and credit cash account**
- ► Debit cash account and credit creditors account
- ► Debit stock account and credit cash account

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

Suppose a firm has 200 debtors, and each of them owes exactly Rs. 150 at the start of June. What is the total amount owed by all debtors?

- ► Rs. 2,000
- ► Rs. 3,000
- ► **Rs. 30,000**
- ► Rs. 150,000

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

The amount owed by debtors at the end of a month appears on the_____ side of the control account.

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

Question No: 40 (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: 41 (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: 42 (Marks: 1) - Please choose one

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

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

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

Accumulated depreciation is a _____ account?

- ► Fixed asset
- ► Current asset
- ► **Contra asset**
- ► Liability

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

Prepaid insurance will become an expense as the prepaid amount _____.

- ► Expires
- ► **Adjust**
- ► Paid
- ► Regulate

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

Adjusting costs are reported as:

- ► Revenues
- ► **Expenses**
- ► Assets
- ► Net Income

Question No: 46 (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: 47 (Marks: 1) - Please choose one

Profit and loss sharing in partnership must be based on which of the following:

- ► Service to the partnership
- ► Capital contribution
- ► **Any profit-and-loss-sharing method partners desire**
- ► A stated fraction

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

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on drawings of Mr. A is Rs.1,500 and of Mr. B is Rs.1,800. The net income for the year is Rs.85,000. What will be the profit share of Mr. B?

- ► Rs.42,350
- ► **Rs.44,150**
- ► Rs.41,600
- ► Rs.40,850

Net Profit = 85 000
Intrest on Drawings = 1500 + 1800 = 3300
Total Profit of the firm = 85 000 + 3300 = 88 300
Profit of B = 88 300 / 2 = 44150

Question No: 49 (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: 50 (Marks: 1) - Please choose one

For which of the following share premium can be utilized?

- ► To write off preliminary expenses
- ► To meet the expenses of issue of shares
- ► To issue bonus shares
- ► **All of the given options**

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

Which of the following can be utilized to meet the expenses of issue of shares?

- ► Reserves
- ► Debentures
- ► **Share premium**
- ► Term finance certificate

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

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

Which of the following is measured by debt ratio?

- ► Short-term liquidity
- ► **Creditors' long term risk**
- ► Short-term risk of the company
- ► All of the given options

Question No: 55 (Marks: 3)

What do you know about the Profit and loss appropriation account in case of partnership?

Profit and loss appropriation account contains the information regarding the amount of profit distributed to the partner's current account.

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%

	Plant & Machinery	Buildings	Tools & Equipment	Total in Rs.
Cost	53,000	35,000	8,650	96,650
Depreciation	(5,300)	(1,750)	(1,297.5)	8,347.5
W.D.V	47,700	33,250	7,352.5	88,302.5

Question No: 57 (Marks: 5)

Briefly discuss the followings:

1. Issuance of shares at premium

Issuance of shares for an amount more than its face value is known issuance of shares at premium.

2. Cash flow statement

Cash flow statement is a part of financial statements; it contains the information regarding the cash generated by (used in) operating, investing and financing activities.

3. Debentures

Debentures are issued by the companies to raise finance. Normally, the carry a fixed rate of return.

4. Notes to the accounts

Notes to the accounts are a part of financial statements, which contains the detail about the Company, accounting policies used, critical judgment areas and detail of certain account heads of balance sheet and profit and loss account along with the detail of contingencies and commitments, if any.

Question No: 58 (Marks: 10)

What is the effect of given adjustments on Trading & Profit & Loss account and Balance Sheet?

a. Accrued Expenses or Outstanding Expenses

Accrued expenses or outstanding expenses are shown as a current liability in the Balance Sheet second effect goes to the expenses in the Trading & Profit and Loss account .

Double entry:

Expenses a/c

Accrued Expenses a/c

b. Prepaid Expenses or Unexpired Expenses

Prepaid expenses are shown as a current asset in the balance sheet and second effect goes to cash and bank account in the Balance Sheet.

Double entry:

Prepaid expenses a/c
Cash and Bank a/c

c. Accrued Revenue or Revenue Receivable

Accrued revenue is shown as a current asset in the balance sheet and second effect goes to revenue account in the Trading & Profit and Loss account.

Double entry:

Accrued revenue a/c
Revenue a/c

d. Unearned Revenue or Revenue Received in Advance

Unearned revenue is shown as a current liability in the Balance Sheet corresponding effect goes to cash and bank account in the balance Sheet.

Double entry:

Cash and Bank a/c
Unearned revenue a/c

e. Depreciation of Asset

Depreciation is shown as an expense in the Trading & Profit and Loss account and the corresponding effect goes to provision of depreciation in the balance sheet.

Double entry:

Depreciation expense a/c
Provision for depreciation a/c

Question No: 59 (Marks: 10)

Mr. A, Mr. B and Mr. C entered into partnership on 1st January 2007 contributing Rs.15, 000, Rs.10, 000 and Rs.18, 000. Mr. A invested Rs.6, 000 as additional capital on 1st May, Mr. B brought additional capital of Rs.4, 000 on 1st October and Mr. C brought additional capital of Rs.8, 000 on 1st October. They earned a profit of Rs.10, 500 during the year. Profits are to be shared in their capital ratio. Calculate partners share of profit and pass the necessary journal entry. Financial year ends on 31st December.

Contributed on	Mr. A	Mr. B	Mr. C	Total in Rs.
January 01, 07	15,000	10,000	18,000	43,000
May 01, 07	6,000	--	--	6,000
October 01, 07	--	4,000	--	4,000
October 01, 07	--	--	8,000	8,000
	21,000	**14,000**	**26,000**	**61,000**

Sharing percentage	**34.43%**	**22.95%**	**42.62%**	**100%**
Share of profit	**3,615**	**2,410**	**4,475**	**10,500**

	Dr (Rs.)	Cr. (Rs.)

Profit for the year	10,500	
Partner's account Mr. A Mr. B Mr. C		 3,615 2,410 4,475
	10,500	**10,500**

Paper no 29
Solved by Chanda Rehman, Nomi chakwal ABr

FINALTERM EXAMINATION
Fall 2009
MGT101- Financial Accounting (Session - 3)

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

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: 3 (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: 4 (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: 5 (Marks: 1) - Please choose one

The unfavorable balance of Profit and Loss account should be:

- ► Added in liabilities
- ► Subtracted from current assets
- ► Subtracted from liabilities
- ► Subtracted from capital

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

Which of the following account will be credited, if business purchased a vehicle on cash?

- ► Vehicle account
- ► Cash account
- ► Business account
- ► Bank account

Question No: 7 (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: 8 (Marks: 1) - Please choose one

A decrease in value of a fixed asset due to age, wear and tear is known as:

- ► Depreciation
- ► Accumulated Depreciation
- ► Appreciation
- ► Written Down Value

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

The cost of moving plant and machinery to a new site will be treated as:

- ► Revenue expense
- ► Capital expense
- ► Administrative expense
- ► Operating expense

Question No: 10 (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: 11 (Marks: 1) - Please choose one

Which one of the following is **NOT** true about revaluation of fixed assets?

- ► Revaluation should be made after regular intervals
- ► Change in value should be permanent
- ► Only relevant asset should be revalued in the whole class of asset
- ► The profit or loss will be transferred to revaluation account

Question No: 12 (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: 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

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: 15 (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: 16 (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: 17 (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)
► Rs. 900

Question No: 18 (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: 19 (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: 20 (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: 21 (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: 22 (Marks: 1) - Please choose one

Which of the following is/are **TRUE** about the sole trader form of business?
► 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
► A sole trader is liable to pay income tax on his/her earnings

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

Which of the following is **TRUE** about the treatment of insurance paid in advance Rs. 13,000?

► It will be treated as an other income in Profit & Loss Account
► It will be treated as a current asset in Balance Sheet
► It will be treated as a current liability in Balance Sheet
► It will be treated as an accrued expense in Balance Sheet

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

Rent receivable (given in trial balance) is an item of_____.

► Balance Sheet
► Profit & Loss Account
► Trading Account
► Both Balance Sheet and Profit & Loss Account

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

What will the effects on financial statements, if machinery is depreciated @ 10%?

► It will be treated as an expense in income statement only
► It will be subtracted from concerned asset only
► It will be treated as a current asset only
► It will be treated as an expense in income statement and subtracted from concerned assets in Balance Sheet

Question No: 26 (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: 27 (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: 28 (Marks: 1) - Please choose one

Which of the following statements is **NOT TRUE** about the partnership form of business?

► A partnership is a business run by two or more persons
► A partnership business is easy to set up
► Each partner is liable under the law for the actions of other partners
► In the absence of agreement, partners will be paid salaries

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

Which of the following account will be credited when interest on capital is charged against the distribution of profit?

► Interest account
► Partner's capital account
► Profit and Loss account
► Profit and loss appropriation account

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

Question No: 31 (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 doubted
► Financing activities
► Investing activities
► None of the given options

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

An example of financing activities in the context of cash flow statement is:

► Capital expenditures on purchase of fixed assets
► Long-term deposit
► Financial charges paid
► Dividend paid no idea

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

Which of the following business publishes the Financial Statements?

- ► Sole-Proprietorship
- ► Partnership
- ► Trust
- ► Public Limited Company

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

Which of the given Asset is **Not** included in the calculation acid test ratio?

- ► Stock
- ► Cash
- ► Debtors
- ► Bills Receivable

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

Which of the following ratio tells about "How a company would repays its loans"

- ► Mark up cover ratio not sure
- ► Acid test ratio
- ► Current ratio
- ► Debt Equity ratio

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

	Rs.
Gross profit	50,000
Operating profit	42,000
Sales	250, 000
What is the amount of operating expenses	**?**

- ► Rs. 8,000
- ► Rs. 92,000
- ► Rs. 62,500
- ► Rs. 300,000

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

Debenture is also named as:

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

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

What is the treatment of Accumulated Depreciation in Balance Sheet?

- ► It may treated as a deficit
- ► It may treated as a surplus
- ► It may treated as a revenue
- ► None of the given options not sure

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

An accounting system is used by a business to:

- ► Analyze transactions
- ► Handle routine book-keeping tasks
- ► Classify and summarize financial information
- ► All of the given options

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

Which one of the following vouchers is used to record the non-cash transactions?

► Journal Vouchers
► Receipt Vouchers
► Payment Vouchers
► Nominal Vouchers

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

What would be the value of 'cost of goods manufactured' if the total factory cost of the month is Rs. 6,000, opening work in process is Rs. 2,000 and the closing work in process is Rs. 2,500?

► Rs. 5,500
► Rs. 8,000
► Rs. 4,500
► Rs. 8,500

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

Particulars	Rs.
Direct materials costs	80,000
Direct labor costs	50,000
Manufacturing overhead costs	60,000
Prime cost	?

► Rs.130, 000
► Rs.110, 000
► Rs.140, 000
► Rs.190, 000

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

When we close bad debts account, which of the following account is credited?

► Profit and loss account
► Bad debt account
► Debtor account
► Provision for bad debt account

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

Which of the following statement is correct? If a company fails to record estimated bad debts expense,

► Net realizable value is understated
► Expenses are understated
► Revenues are understated
► Receivables are understated

Question No: 45 (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: 46 (Marks: 1) - Please choose one

Which of the following is the major benefit of a partnership over a sole proprietorship?

► Unlimited liability
► Single tax filing
► Difficult ownership resale
► Raising capital

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

Which of the following is used to convert accounting information from the cash basis of accounting to the accrual basis of accounting?

► Ledger

► Journal entries
► Adjusted entries
► Trial balance

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

Unexpired costs are reported as:

► Revenues
► Expenses
► Assets
► Income

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

The weekly or biweekly compensation received by hourly-paid employees is called:

► Salary
► Wages
► Income
► Profit

Question No: 50 (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 payable
► Prepaid income tax
► Income tax expense
► Income tax paid

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

Which of the following capital is offered to the general public?

► Issued capital
► Subscribed capital
► Authorized capital
► Reserve capital

Question No: 52 (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: 53 (Marks: 1) - Please choose one

With reference to the statement of cash flows the transactions involving production and delivering goods or providing services must be classified as:

► Business activities
► Operating activities
► Financing activities
► Investing activities

Question No: 54 (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: 55 (Marks: 3)

How bad debts & provision for doubtful debts (new and old) are treated in profit and loss account.

Question No: 56 (Marks: 5)

Differentiate the following terms and also mention how these are treated in financial Statements.

- Carriage inwards and carriage outwards
- Returns inwards and returns outwards

Question No: 57 (Marks: 5)

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

Particulars	Rs
Carriage inwards	8,000
Legal charges	6,500
Financial charges	223,500
Tax payable	30,000
Advances from customer	10,000
General reserve	40,000
Accumulated profit brought forward(credit balance)	95,000
Long term loans	100,000

Additional information

The authorized capital is Rs. 5,000,000 divided into 500,000 shares of Rs. 10 each. Issued and paid up capital 2500,000.

You are required to calculate Share holders equity

Question No: 58 (Marks: 10)

Write down the at least ten distinguishing features of a limited company which differentiate it from sole proprietor business

Question No: 59 (Marks: 10)

The following is the trial balance of Sikander's Photo Studio, Inc., dated December 31, 2007. The net income for the period is **Rs.36,000**. You are required to prepare Balance Sheet as on December 31, 2007.

Sikander's Photo Studio, Inc.
Trial balance
December 31, 2007

Cash	Rs.171,100	
Accounts receivable	9,400	
Prepaid studio rent	3,000	
Unexpired insurance	7,200	
Supplies	500	
Equipment	18,000	
Accumulated depreciation: equipment		Rs.7,200
Notes payable		10,000
Accounts payable		3,200
Salaries payable		4,000
Income tax payable		6,000
Unearned revenue		8,800
Capital stock		100,000
Retained earnings		34,000
Revenue earned		165,000
Salary expense	85,000	
Supply expense	3,900	
Rent expense	12,000	
Insurance expense	1,900	
Advertising expense	500	

Depreciation expense: equipment	1,800	
Interest expense	900	
Income taxes expense	23,000	
	338,200	**338,200**

Paper no 30
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 at a specific date?

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

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)
► 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
► It may treated as a surplus
► It may treated as a revenue
► None of the given options doubted

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 doubted
- ► 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 doubted
► 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 31

Solved by Chanda Rehman, Nomi chakwal ABr

FINALTERM EXAMINATION

Fall 2009

MGT101- Financial Accounting (Session - 3)

Ref No: 1195700
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

Income of the business includes:

- Cash sales only
- Credit sales only
- Credit purchases only
- **Both cash sales and credit sales**

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

Which of the following is used to record financial transactions in chronological (day-to-day) order?

- Voucher
- **General Journal**
- General Ledger
- Trial balance

Question No: 4 (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: 5 (Marks: 1) - Please choose one

A book, in which receipts and payments are recorded, is known as:

► Pass Book
► **Cash Book**
► Purchase Book
► Sales Book

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

Which of the following period is known as a fiscal Year of the Government of Pakistan?

► 1st January to 31st December
► 1st June to 31st May
► **1st July to 30th June**
► 1st October to 30th September

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

Which of the following is/are the **END** product of accounting cycle?

► **Financial Statements**
► General Journal
► General Ledger
► Voucher

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

Which of the following is **NOT** considered a part of financial statements?

► **General Ledger**
► Balance Sheet
► Profit and Loss Account
► Cash Flow Statement

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

The amount of salary paid to Mr. Sohail should be debited to:

► Mr. Sohail account
► **Salaries account**
► Cash account
► Drawings account

Question No: 10 (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: 11 (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: 12 (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: 13 (Marks: 1) - Please choose one

The Primary objective of providing depreciation is:

► To calculate true profit
► To show the asset on market value
► To reduce tax Burdon
► To provide funds for replacement

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

Accounting is the language of:

► Business
► School
► Proprietor
► Management

Question No: 15 (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: 16 (Marks: 1) - Please choose one

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

Owner's equity	Rs. 22,500
Total Liabilities	Rs. 80, 385
Cash in hand	Rs. 1,000
Cash at bank	Rs. 2,000
Debtors	Rs. 500

► Rs. 1, 02,885 other assets
► Rs. 1, 02,885 other liabilities
► Rs. 99,885 current liabilities
► Rs. 99,385 other assets

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

When the Bank Statement balance is more than the Cash Book balance, it is because of:

► Unpresented cheques
► Unrecorded bank charges
► Uncredited cheques
► None of the given options

Question No: 18 (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.)

Question No: 19 (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: 20 (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: 21 (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: 22 (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: 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

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: 25 (Marks: 1) - Please choose one

When closing stock is given in trial balance, then it will effect:

► Trading account only
► Balance sheet only
► Owner's equity only
► Both Trading account and Balance sheet

Question No: 26 (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: 27 (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: 28 (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: 29 (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: 30 (Marks: 1) - Please choose one

In Income Statement, both beginning inventory and ending inventory appear in the section of:

► Cost of good sold
► Indirect cost
► Selling cost

► Factory over head cost

Question No: 31 (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: 32 (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: 33 (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. 205,000
► Rs. 215,000
► Rs. 195,000
► Rs. 200,000

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

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: 36 (Marks: 1) - Please choose one

Which of the given Asset is **Not** included in the calculation acid test ratio?

► Stock
► Cash
► Debtors
► Bills Receivable

Question No: 37 (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)

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

Normally the practice of Book Keeping under Single Entry System is followed by:

- ► Small businesses only
- ► Governments only
- ► Large scale businesses only
- ► Both small businesses and governments

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

In which of the following case the bank cannot refuse the payment?

- ► Stale cheque
- ► Bearer cheque
- ► Insolvency of the customer
- ► Post dated cheque

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

Stock account is debited and creditors account is credited, which of the following is reflecting the statement?

- ► Discount received
- ► Goods returned
- ► Purchase of goods on credit
- ► Payment of goods

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

Payment is made of a company's purchases on credit, which of the following is correct:

- ► Debit stock account and credit creditors account
- ► Debit creditors account and credit cash account
- ► Debit cash account and credit creditors account
- ► Debit stock account and credit cash account

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

What will be obtained from the Purchases Returns Book?

- ► Discount received
- ► Returns outward
- ► Credit purchases
- ► Discount allowed

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

Deferred cost is classified as:

- ► Current liability
- ► Current asset
- ► Non-current asset
- ► Non-current liability

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

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

- ► Revenue
- ► Net income
- ► Expense
- ► Liability

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

Accumulated depreciation is a _____ account?

- ► Fixed asset
- ► Current asset
- ► Contra asset
- ► Liability

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

Failure to record _____ will result in understates net income.

- ► Accrued expenses
- ► Expenses incurred
- ► Accrued revenues
- ► Accounts payable

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

Puget Sound Co. sold marketable securities Costing Rs.80,000 for Rs.92,000 cash. In the company's income statement and statement of cash flows, respectively, this will appear as:

- ► A Rs.12,000 gain and a Rs.92,000 cash receipt
- ► A Rs.92,000 gain and a Rs.8,000 cash receipt
- ► A Rs.12,000 gain and a Rs.80,000 cash receipt
- ► A Rs.92,000 sale and a Rs.92,000 cash receipt

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

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on drawings of Mr. A is Rs.1,500 and of Mr. B is Rs.1,800. The net income for the year is Rs.85,000. What will be the amount of distributable profit?

- ► Rs.81,700
- ► Rs.88,300
- ► Rs.131,700
- ► Rs.146,700

Question No: 50 (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: 51 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an 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.85,000. What will be the profit share of Mr. B?

- ► Rs.40,000
- ► **Rs.43,000**
- ► Rs.130,000
- ► Rs.133,000

Net Profit = 85 000
Add Intrest on Drawings = 3000
Less intrest on capital = 2000

Total Profit of the firm = 85 000 + 3000 - 2000 = 86 000
Profit of B = 86000 / 2 = 43000

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

The value of a share as quoted on the stock exchange is known as:

- ► Book value
- ► Par value
- ► Market value
- ► Face value

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

Which of the following is not a measure of short-term liquidity?

- ► Current ratio
- ► Quick ratio
- ► Acid-test ratio
- ► Debt ratio

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

Short term investments in marketable securities and treasury bills that will mature within ninety days from the date of acquisition, must be classified as:

- ► Receivables
- ► Receipts from Capital
- ► Current and intangible assets
- ► Cash equivalents

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)	8,500
Provision for doubtful debts (new)	1,500

Question No: 56 (Marks: 5)

What is the Purpose of Control Accounts?

Question No: 57 (Marks: 5)

Umer and Usman, both of whom are CPAs, form a partnership, with Umer investing Rs.100,000 and Usman, Rs.80,000. They agree to share net income as follows:

1. Salary allowances of Rs.80,000 to Umer and Rs.50,000 to Usman.
2. Interest allowances at 15 percent of beginning capital account balances.
3. Any partnership earnings in excess of the amount required to cover the interest and salary allowances to be divided 60 percent to Umer and 40 percent to Usman.

The partnership net income for the first year of operations amounted to Rs.247,000 before interest and salary allowances. Show how this amount should be divided between the two partners.

Question No: 58 (Marks: 10)

Following information are extracted from the books of XY and Sons for the year 2007.

Particulars	**Rs.**
Fixed Asset at WDV	529,500
Material 31-12-2007	188,000
Work in process on 31-12-2007	178,000
Finished Goods on 31-12-2007	198,000
Debtors	160,000

Bank	7,000
Creditors	100,000
Expenses payable	15,000
Profit for the year	X:90,000 Y:80,000
Drawings for the year	X:10,000 Y:15,000
Capital	X:400,000 Y: 350,000
Current Account	X: 13,000 Y:10,000
Long term loans	2,27,500

You are required to prepare Balance Sheet as on 31st December 2007. Show complete working.

Question No: 59 (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

Paper no 32

Solved by Chanda Rehman, Nomi chakwal ABr FINALTERM EXAMINATION

Fall 2009

MGT101- Financial Accounting (Session - 4)

Ref No: 1195876
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

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

What is the nature of an expense account?

► Debit
► Credit
► Revenue
► None of the given options

Question No: 4 (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: 5 (Marks: 1) - Please choose one

Which one of the following is **NOT** prepared by Non profit organizations?

► Profit & Loss account
► Income & Expenditure account
► Receipts & Payments account
► Balance Sheet

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

Which of the following organizations prepare Income & Expenditure account?

► Public libraries
► NGOs
► Labor unions
► All of the given options

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

The favorable balance of Profit and Loss account should be:

► Added in liabilities
► Subtracted from current assets
► Subtracted from liabilities
► Added in capital

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

Which of the following entry will be recorded in the books of accounts for the goods returned to Mr. 'A'?

► Purchases return account (Dr) and Trading account (Cr)
► Mr.” A”/ creditor account (Dr) and purchases return account (Cr)
► Purchases return account (Dr) and Mr.” A” / creditor account (Cr)
► Mr.” A”/ creditor account (Dr) and Profit & Loss account (Cr)

Question No: 9 (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: 10 (Marks: 1) - Please choose one

If the cost of sales is Rs.1,00,000, sales are Rs. 300,000 and operating expenses Rs. 200,000 during the year. What would be the Gross Profit?

► Rs. 5,000
► Rs. 1, 00,000
► Rs.1, 05,000
► Rs. 2, 00,000

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

Partially completed products that are not yet ready for sale are known as:

► Raw material
► Work in process
► Finished goods
► Closing stock

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

In the cost of goods sold statement, Cost of direct material consumed + Direct labor=?

► Conversion cost
► Prime cost
► Total factory cost
► Cost of goods manufactured

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

The Primary objective of providing depreciation is:

► To calculate true profit
► To show the asset on market value
► To reduce tax Burdon
► To provide funds for replacement

Question No: 14 (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: 15 (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: 16 (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: 17 (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)
► Rs. 900

Question No: 18 (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: 19 (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: 20 (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
► Error of original entry

Question No: 21 (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: 22 (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: 23 (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: 24 (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: 25 (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: 26 (Marks: 1) - Please choose one

When closing stock is given in trial balance, then it will effect:

► Trading account only
► Balance sheet only
► Owner's equity only
► Both Trading account and Balance sheet

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

Which of the following account will be credited when interest on capital is charged against the distribution of profit?

► Interest account
► Partner's capital account
► Profit and Loss account
► Profit and loss appropriation account

Question No: 29 (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: 30 (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: 31 (Marks: 1) - Please choose one

Which of the following is (are) type(s) of Public Limited Companies?

- ► Listed company
- ► Non listed company
- ► Private limited company
- ► Both Listed Company and non listed company

Question No: 32 (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: 33 (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 capital account
- ► Right share
- ► Share premium account
- ► Share holder account

Question No: 34 (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: 35 (Marks: 1) - Please choose one

Which of the following account will be debited if shares issued against cash?

- ► Share premium account
- ► Cash account
- ► Share capital account
- ► Profit and loss account

Question No: 36 (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: 37 (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: 38 (Marks: 1) - Please choose one

How dividend declared is treated in the Balance Sheet of the company?

- ► Provision
- ► Current liability think this one
- ► Reserves and surplus
- ► Current assets

Question No: 39 (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: 40 (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 doubted

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

Debenture is also named as:

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

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

Prepaid interest given in the Trial Balance will be treated as a (an):

- ► Asset
- ► Liability
- ► Revenue
- ► Deferred expense

Question No: 43 (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: 44 (Marks: 1) - Please choose one

Which of the following fixed asset is normally appreciated with the passage of time?

- ► Land
- ► Vehicles
- ► Furniture
- ► Machinery

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

Expenditures incurred annually on renewal of patent are known as:

- ► Revenue Expenditures
- ► Capital Expenditures doubted
- ► Deferred Expenditures
- ► None of the given options

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

Accounts receivables are shown in balance sheet at:

- ► Net realizable value
- ► Total collectible amount
- ► Current value
- ► Collected amount

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

Stock account is credited and creditors account is debited, which of the following is reflecting the statement?

- ► Discount received
- ► Goods returned
- ► Purchase of goods on credit
- ► Payment of goods

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

Mr. Ali's bank book shows a debit balance of Rs. 36,000. He deposited a cheque of Rs.15,000 but not yet collected by the bank. What will be the balance of bank statement?

- ► Rs. 21,000
- ► Rs. 51,000
- ► Rs. 36,000
- ► Rs. 15,000

Question No: 49 (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: 50 (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: 51 (Marks: 1) - Please choose one

In a partnership of Mr. X and Mr. Y, the share of profit of Mr. X is Rs.3,840 and the share of profit of Mr. Y is Rs. 5,760. What will be the ratio of their share?

- ► 1:2
- ► 2:3
- ► 3:2
- ► 2:1

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

Interest expenses of Epler Corporation shows a debit balance of Rs.200 in its unadjusted trial balance and Rs.250 in adjusted trial balance. Which of the following account will be debited in adjusting entry?

► Interest expense
► Interest payable
► Prepaid interest
► Interest paid

Question No: 53 (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: 54 (Marks: 1) - Please choose one

Which of the following ratio cannot be computed for a period in which the company incurs a net loss?

► Acid-test ratio doubted
► Return on investment
► Price-earning ratio
► None of the given options

Question No: 55 (Marks: 3)

What are the benefits of subsidiary ledgers?

Answer:

When business expands the number of accounts and entries are also increased so to control the accounts in a better way subsidiary ledgers are used which give a good picture and vision of the account study and accountablility.

Following are the subsidiary ledgers used:

1. Sales Journals
2. Sales Returns
3. Debtors Ledgers

Question No: 56 (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:

Bank Overdraft is the form of loan taken from the bank when the amount is exceeding from specific limit, and bank deduct this overdraft amount when company's account debited, As this is the type of Loan and so company have to pay mark up as interest on the overdraft amount and depend upon the terms of agreement. In the financial statement the mark up is shown in Financial Expenses.

Question No: 57 (Marks: 5)

What will be the effects of given adjustments on the income statement and balance sheet?

	Income statement			**Balance sheet**		
Adjustment	Revenue	Expense	Net income	Assets	Liabilities	Owner's equity
Converting assets to expenses	**No effect**	**Increase**	**Decrease**	**Decrease**	**No effect**	**Decrease**
Converting liabilities to revenue	Increase	No Effect	NO Effect	No effect	Decrease	No effect
Accruing unpaid expenses	No effect	Decrease	No effect	No effect	Decrease	
Accruing uncollected revenue	Increase	No effect	increase	No effect	No effect	

Note: For better understanding an example is given above. Follow the format given in example.

Question No: 58 (Marks: 10)

Prepare Debtors and Creditors control account from the following data. Also work out their closing balances on June 30, 2009

June 1:		**Rs.**
Opening balance of Debtors	58,500	
Opening balance of Creditors	70,000	
Details of June:		
Total credit sales		44,700
Cheques and cash received	55,000	
Purchase return		6,600
Total credit purchases	48,000	
Discount received		2,200
Discount allowed		2,800
Cheques and cash paid		36,330

Creditors Control Account							
Debit Side				**Credit Side**			
Date	No.	Narration	Dr. Rs	Date	No.	Narration	Cr. Rs
		Purchase Return	6,600			B/F	70,000
		Discount Received	2,200			Purchase	48,000
		Cash/cheques Paid	36,330				
		C/f	72,870				
		Total	**1,18000**			**Total**	**118000**
Debtors Control Account							
Debit Side				**Credit Side**			
Date	No.	Narration	Dr. Rs	Date	No.	Narration	Cr. Rs
		B/f	58,500			Cash/Checque Rec	55,000
		Total Sale	44,700			Discount	28,00
						C/f	45,400
		Total	**10,3200**			**Total**	**10,3200**

Question No: 59 (Marks: 10)

From the given information as at June 30, 2007, calculate fixed assets at WDV and cost of goods sold as on June 30,2008.

Building at Cost	239,500
Equipment at Cost	22,000
Vehicles at Cost	45,000
Accumulated Dep. – Building	12,250
Equipment	7,000
Vehicles	13,900
Stock Opening Balance	58,725
Sales	247,500
Purchases	136,775
Carriage Inward	6,050
Vehicle Running Expenses	22,300

Additional Information:

- Closing stock Rs. 70,050.
- Depreciation during the year
  - Building 6,000
  - Vehicles Rs 8,500
  - Equipment 4,000

Solution:

Cost of Goods Sold:

Opening Stock Balance		58,725
Add: Purchase	136,775	
Add: Carriage Inward	6,050	
Less: Closing Stock		(70,050)
Cost of Goods sold	**131,500 Rs.**	

Fixed Assets:

Building (12,250)	227,250
Vehicle (13,900)	31,100
Equipment (7,000)	15,000
Total	**273,350 Rs.**

Paper no 33

Solved by Chanda Rehman, & ABr

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

Prepaid interest given in the Trial Balance will be treated as a (an):

- ► **Asset**
- ► **Liability**
- ► **Revenue**
- ► **Deferred expense**

Question No: 2 (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: 3 (Marks: 1) - Please choose one

If the Capitals of partners are fixed then, at the end of financial year a partner's drawings are transferred to the:

- ► **Credit side of the partner's capital account**
- ► **Credit side of the partner's current account**
- ► **Debit side of partnership bank account**
- ► **Debit side of the partner's current account**

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

If one partner receives a salary which is credited to him at the end of the year, the share of profit available for distribution will be:

- ► **Increased**
- ► **Decreased**
- ► **Unchanged**
- ► **Changed and become negative**

Question No: 5 (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: 6 (Marks: 1) - Please choose one

	Rs.
Gross profit	50,000
Operating profit	42,000
Sales	250, 000
What is the amount of operating expenses	?

- ► Rs. 8,000
- ► **Rs. 92,000**
- ► **Rs. 62,500**
- ► **Rs. 300,000**

Question No: 7 (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: 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 statement of changes in equity basically shows the movement of:

- ► **share capital during the year**
- ► **Capital reserves during the year**
- ► **Revenue Reserves during the year**
- ► **All of the given options not sure**

Question No: 10 (Marks: 1) - Please choose one
Which of the following can offer its share to general public at large?

- ► **A private limited company**
- ► A listed company
- ► **A partnership firm**
- ► **A trust**

Question No: 11 (Marks: 1) - Please choose one
The Joint Stock Company is formed under the Companies Ordinance:

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

Question No: 12 (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: 13 (Marks: 1) - Please choose one
Which of the following account will be debited when the interest on drawings is charged?

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

Question No: 14 (Marks: 1) - Please choose one
Which of the following account will be credited when interest on capital is charged against the distribution of profit?

- ► **Interest account**
- ► Partner's capital account
- ► **Profit and Loss account**
- ► **Profit and loss appropriation account**

Question No: 15 (Marks: 1) - Please choose one
Which of the following statement is TRUE **about the partnership form of business?**

- ► **Partners must have to share their profits in equal proportion**
- ► **Partners are personally liable for the liabilities of the business**
- ► **Partnerships must make their accounts available to the general public**
- ► Partnership agreement in writing is called Partnership deed

Question No: 16 (Marks: 1) - Please choose one
Which of the following statements is NOT TRUE **about the partnership form of business?**

- ► **A partnership is a business run by two or more persons**
- ► **A partnership business is easy to set up**
- ► **Each partner is liable under the law for the actions of other partners**
- ► **In the absence of agreement, partners will be paid salaries**

Question No: 17 (Marks: 1) - Please choose one
Which of the following is TRUE **about the treatment of insurance paid in advance Rs. 13,000?**

- ► **It will be treated as an other income in Profit & Loss Account**
- ► It will be treated as a current asset in Balance Sheet
- ► **It will be treated as a current liability in Balance Sheet**
- ► **It will be treated as an accrued expense in Balance Sheet**

Question No: 18 (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: 19 (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: 20 (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: 21 (Marks: 1) - Please choose one
Which of the following is NOT **an operating expense?**

► **Salaries and wages expense**
► **Rent expense correct**
► Interest expense
► **Depreciation expense**

Question No: 22 (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: 23 (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

Question No: 24 (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 (wrong)**
► **Rs. 5,480 (correct)**

Question No: 25 (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: 26 (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: 27 (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: 28 (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: 29 (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**
- **Error of original entry**

Question No: 30 (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: 31 (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: 32 (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: 33 (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: 34 (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: 35 (Marks: 1) - Please choose one
An overdraft will appear as:

► **a debit balance in the both the bank statement and the cash book.**
► **a credit balance in the bank statement but as a debit balance in the cash book.**
► a credit balance in the cash book but as a debit balance in the bank statement.
► **a credit balance in both the bank statement and the cash book.**

Question No: 36 (Marks: 1) - Please choose one
Which one of the following is NOT **true for Profit & Loss Account?**

► **It shows whether a business has made a profit or loss over a financial year**
► **It shows the financial performance of a business for the period**
► **It shows revenues and expenses for the period**
► It is used to calculate surplus/deficit for a particular period

Question No: 37 (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: 38 (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: 39 (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: 40 (Marks: 1) - Please choose one
"Electricity bill for the month is paid by Mr. Imran Rs. 325". What is the journal entry to record this transaction?

► **Cash a/c Rs. 325 (Dr.) , Utilities Expense a/c Rs. 325 (Cr.)**
► Utilities Expense a/c Rs. 325 (Dr.), Cash a/c Rs. 325 (Cr.)
► **Accounts Receivable a/c Rs. 325 (Dr.), Utilities Expense a/c Rs. 325 (Cr.)**
► **Utilities Expense a/c Rs. 325 (Dr.), Accounts Receivable a/c Rs. 325 (Cr.)**

Question No: 41 (Marks: 1) - Please choose one
Which of the following journal entry will be recorded, if the cash is deposited in the bank?

► Bank account (Dr) and Cash account (Cr)
► **Cash account (Dr) and Bank account (Cr)**
► **Bank account (Dr) and Profit & Loss account (Cr)**
► **Cost of goods Sold account (Dr) and Bank account (Cr)**

Question No: 42 (Marks: 1) - Please choose one
Which one of the following statement is CORRECT **about Long term liabilities?**

- ► **These are due within one year**
- ► These are consist of all debts, payable after 12 months
- ► **In working capital, these are deducted from current assets**
- ► **All of the given options**

Question No: 43 (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: 44 (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: 45 (Marks: 1) - Please choose one
Obligations to pay cash or un-earned incomes by the business are the:

- ► **Assets**
- ► Liabilities
- ► **Equities**
- ► **Expenses**

Question No: 46 (Marks: 1) - Please choose one
Economic resources owned by a business and expected to benefit for the future operations are called:

- ► **Expenses**
- ► **Assets**
- ► **Capital**
- ► **Liabilities**

Question No: 47 (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: 48 (Marks: 1) - Please choose one
Income of the business includes:

- ► **Cash sales only**
- ► **Credit sales only**
- ► **Credit purchases only**
- ► **Both cash sales and credit sales**

Question No: 49 (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: 50 (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: 51 (Marks: 5)

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

Particulars	Rs
Carriage inwards	8,000
Legal charges	6,500
Financial charges	223,500
Tax payable	30,000
Advances from customer	10,000
General reserve	40,000
Accumulated profit brought forward(credit balance)	95,000
Long term loans	1,00,000

Additional information

The authorized capital is Rs. 50, 00,000 divided into 500,000 shares of Rs. 10 each. Issued and paid up capital 2, 500,000.

You are required to prepare calculate Share holders equity

Share holder equity will have Authorized capital, Paid up capital, General Reserves & Accumulated profit brought forward

Authorized capital = Rs. 50,00,000 divided into 500,000 shares of Rs. 10 each
Issued and paid up capital 2,500,000
General Reserve 40,000
Accumulated profit brought forward (Credit balance) 95,000

2500000 + 40000 + 95000 = 2635000

Question No: 52 (Marks: 10)

Write down the at least ten distinguishing features of a limited company which differentiate it from sole proprietor business

The basic difference between a partnership and a limited company is the concept of limited liability.

1. **If a partnership business runs into losses and is unable to pay it's liabilities, its partners will have to pay the liabilities from their own wealth.**
2. **In case of limited company the shareholders don't lose anything more than the amount of capital they have contributed in the company. It points that personal wealth**

is not at stake and their liability is limited to the amount of share capital they have contributed.

3. The concept of limited company is to mobilize the resources of a large number of people for a project, which they would not be able to afford independently and then get it managed by experts.
4. Listed Company have more than twenty partners, so problem of extra capital is reduced to minimum.
5. The liabilities of the members of a company is limited to the extent of capital invested by them in the company
6. There are certain tax benefits to the company, which a partnership firm can not enjoy
7. In Pakistan, affairs of limited companies are controlled by "Companies Ordinance" issued in 1984
8. The formation of a company and other matters related to companies are governed by "Securities and Exchange Commission of Pakistan (SECP)

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Question No: 53 (Marks: 10)

The following Trail balance is taken out from the books of Rahman & Sons as on 31st December, 2008.

	Dr.	Cr.
	Rs.	Rs.
Sales		204,000
Capital		120,000
Bank overdraft		103,560
Sundry Creditors		120,000
Opening Stock	60,400	
Purchases	231,600	
Sundry Debtors	109,660	
Returns Inwards	3,640	
General Expenses	6,980	
Plant	22,620	
Wages & Salaries	16,740	
Building	50,000	
Cash in Hand	680	
Cash at bank	8,720	
Drawings	16,960	
Motive Power	2,300	
Dock &clearing Charges	1,300	
Coal, Gas, Water	1,700	
Salaries	9,820	
Interest on O/D	4,440	
Rent rates Taxes	1,400	
Discount Allowed	2,000	
Interest received		3,400
	550,960	550,960

Requirement:

Prepare The Trading and Profit & Loss account of the business for the year ended. Closing Stock is valued at Rs.40, 000.

Trading & Profit & Loss Account
For the year ending 31st December 2008

Particulars	Debit Balance/Rs	Particulars	Credit Balance/Rs
Opening Stock	60400	Sales 204000	200360
Purchases	231600	Less returns: 3640	
Dock &clearing Charges	1300	Closing Stock	40000
Wages	16740		
Motive Power	2300		
Coal gas Water	1700	Gross Loss	73680
	314040		314040
Gross Loss	73680	Interest received	3400
Salaries	9820		
Rent, Rate, Taxes	1400		
General Expenses	6980		
Interest on O/D	4440		
Discount Allowed	2000		
		Net Loss	94920
	98320		98320

Question No: 54 (Marks: 10)
Pass the rectifying entries to correct the following errors:

- **Mr. "Ali" purchased goods of Rs. 1,500 on cash, but omitted to enter in the books of accounts.**
- **An amount of Rs. 5,000 received from Mr. Amir, was credited to the account of Mr. Ameer.**
- **Goods returned worth Rs. 500 to Mr. "B" wrongly debited to sales Account.**
- **A purchase of goods from Mr. "B" of Rs. 400 has been wrongly debited to Furniture Account.**
- **Furniture purchased on cash Rs. 8,000 posted as purchases.**

Rectification of Errors

Error 1.
A purchase of goods of Rs. 1,500 on cash was omitted by mistake

Rectification Entry on the date of discovery:
Debit: Purchase Account 1,500
Credit: Cash Account
1,500

Error 2

Debit: Mr. Ameer 5,000
Credit: Mr. Amir 5,000

- Error 3 **Goods returned worth Rs. 500 to Mr. "B" wrongly debited to sales Account.**

Debit: Goods Return Rs. 500
Credit: Sales Account Rs. 500

Error 4 **A purchase of goods from Mr. "B" of Rs. 400 has been wrongly debited to Furniture Account.**

Debit: Purchases Rs. 400
Credit Furniture Account Rs. 400

Error 5 Furniture purchased on cash Rs. 8,000 posted as purchases.

Debit Furniture Account Rs. 8,000

Credit Purchase Post Account Rs. 8,000