

AGA KHAN UNIVERSITY EXAMINATION BOARD

HIGHER SECONDARY SCHOOL CERTIFICATE

CLASS XII

MODEL EXAMINATION PAPER 2023 AND ONWARDS

Principles of Accounting Paper I

Time: 1 hour 10 minutes Marks: 40

INSTRUCTIONS

1. Read each question carefully.
2. Answer the questions on the separate answer sheet provided. DO NOT write your answers on the question paper.
3. There are 100 answer numbers on the answer sheet. Use answer numbers 1 to 40 only.
4. In each question, there are four choices A, B, C, D. Choose ONE. On the answer grid, black out the circle for your choice with a pencil as shown below.

Correct Way		Incorrect Ways	
1		1	
		2	
		3	
		4	

Candidate's Signature

5. If you want to change your answer, ERASE the first answer completely with a rubber, before blacking out a new circle.
6. DO NOT write anything in the answer grid. The computer only records what is in the circles.
7. You may use a scientific calculator if you wish.
8. Wherever new terminologies are mentioned their old terminologies are mentioned in the brackets for your assistance.

1. Following details have been extracted from the records of a sole trader for the year ended December 31, 2018.

Account Title	Amount (Rs)
Drawings during the year 2018	40,000
Additional investment	25,000
Net profit for the year 2018	145,000
Capital as on December 31, 2018	300,000

The amount of capital on January 01, 2018 for the business from the given data was

- A. Rs 170,000
- B. Rs 220,000
- C. Rs 430,000
- D. Rs 510,000

2. The CORRECT difference between single and double entry systems is

	Single Entry System	Double Entry System
A	This system is normally used by large multinational corporations.	This system is normally used by sole owner businesses and small partnerships.
B	It is effective, but costly method for recording books of accounts.	It is less effective, but a cheap method of recording books of accounts.
C	It is an easy system to detect errors in accounting records.	It is a difficult system to detect errors in accounting records.
D	Only personal accounts are maintained in this accounting system.	Personal, real and nominal accounts are maintained in this accounting system.

3. Hammad and Ameen are running a partnership business. At the end of the year, their mark-up was 25%. If the amount of sales was Rs 120,000, then the percentage of margin will be

- A. 20.00%.
- B. 25.00%.
- C. 33.33%.
- D. 40.00%.

4. A business had an opening balance of trade payables (accounts payable) of Rs 15,000. During the year, the total cash payment to the supplier was Rs 55,000 and the closing balance of trade payables (accounts payable) was Rs 10,000.

The amount of credit purchase during the year was

- A. Rs 50,000
- B. Rs 60,000
- C. Rs 70,000
- D. Rs 80,000

5. The following information is extracted from account records of a business.

Particulars	January 01, 2020	December 31, 2020
Trade receivables (accounts receivable)	Rs 25,000	Rs 50,000
Collection from debtors during the year		Rs 110,000
Sales return and allowances		Rs 30,000

From the given information, the net amount of credit sales for the year would have been

- A. Rs 55,000
 B. Rs 115,000
 C. Rs 165,000
 D. Rs 190,000
6. Moon Traders had the following assets and liabilities on December 30, 2019.

Account Title	Amount (Rs)
Assets	
Non-current assets	970,000
Inventory	48,000
Trade receivables (accounts receivable)	92,000
Other current assets	40,000
Liabilities	
Bank loan	400,000
Trade payables (accounts payable)	118,000
Other current liabilities	29,000

On the last day of the given accounting year, the only transaction that took place was a payment received from a customer of Rs 9,200 after a cash discount of Rs 300.

The amount of capital of Moon Traders as on December 31, 2019 would have been

- A. Rs 593,500
 B. Rs 593,800
 C. Rs 602,700
 D. Rs 603,000

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7. ABRT Sports Centre is a non-profit organisation (NPO) that prepares 'receipt and payment account' and 'income and expenditure account' at the end of each year.

Which of the following will appear in both 'receipt and payment account' and 'income and expenditure account'?

- A. Cash in hand
- B. Ground staff salaries
- C. Purchase of machine
- D. Subscription income of last year

8. Starline Club bought books on credit. These books will be used in the library of the club.

The books bought by the club will be treated as

- A. expense.
- B. current asset.
- C. current liability.
- D. non-current (fixed) asset.

9. Azeem Sports Club received an advance subscription of Rs 28,000 at the end of the year 2018.

This amount of subscription would be shown in the statement of affairs (balance sheet) of Azeem Sports Club under

- A. current assets.
- B. current liabilities.
- C. long-term liabilities.
- D. non-current (fixed) assets.

10. Streetend Sports Club wants to extend its building. For this purpose, a piece of land has been bought for Rs 500,000 on cash.

The books that will show the given purchase are

A	income and expenditure account	receipt and payment account
B	accumulated fund account	statement of financial position (balance sheet)
C	statement of financial position (balance sheet)	receipt and payment account
D	income and expenditure account	accumulated fund account

11. The receipt and payment account of a Fitness Club as on March 31, 2019 is as under:

Receipt and Payment Account					
01.04.18	Balance B/d	12,000	25.06.18	Fitness equipment	55,000
20.09.18	Donation	48,000	10.09.18	Machine	18,000
05.02.19	Annual membership	80,000	15.01.19	Printing and stationary	3,000
			30.03.19	Fire insurance	10,000
			31.03.19	Balance c/d	54,000
		<u>140,000</u>			<u>140,000</u>

The amount of current asset and non-current (fixed) assets that will appear in the statement of financial position (balance sheet) of the Fitness Club as on March 31, 2019 would have been

	Current Asset	Non-Current (Fixed) Asset
A	Rs 54,000	Rs 73,000
B	Rs 54,000	Rs 55,000
C	Rs 73,000	Rs 55,000
D	Rs 55,000	Rs 73,000

12. In a non-profit organisation (NPO), accumulated fund is considered as a/ an

- A. asset.
- B. capital.
- C. liability.
- D. revenue.

13. The details of the assets and liabilities of Rafay's business are as under:

Account Title	Amount (Rs)
Motor vehicle - net value	900,000
Trade receivables (accounts receivable) - net value	120,000
Other assets	80,000
Car loan repayable	200,000
Trade payables (accounts payable)	75,000

If Rafay wants to combine his business with another business on net worth basis, then the net worth of his business at the time of merger would be

- A. Rs 825,000
- B. Rs 975,000
- C. Rs 1,225,000
- D. Rs 1,375,000

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14. Rafia and Sadia are sole traders. They agreed to amalgamate their businesses to share profit and loss equally. Goodwill of Rafia and Sadia at the time of amalgamation amounted to Rs 60,000 and Rs 40,000 respectively.

The amount of goodwill will be recorded in the books of the new business as

	Particulars	P.R.	Debit	Credit
A	Capital account - Rafia		60,000	
	Capital account - Sadia		40,000	
	Goodwill			100,000
B	Goodwill		100,000	
	Capital account - Rafia			60,000
	Capital account - Sadia			40,000
C	Capital account - Rafia		50,000	
	Capital account - Sadia		50,000	
	Goodwill			100,000
D	Goodwill		100,000	
	Capital account - Rafia			50,000
	Capital account - Sadia			50,000

15. Tasneem and Taiba are partners in a firm. Taiba withdrew inventory of worth Rs 25,000 from the firm for her personal use.

The general entry to record the drawings made by Taiba will be

	Particulars	P.R.	Debit	Credit
A	Drawings - Taiba		25,000	
	Sales revenue			25,000
B	Drawings - Taiba		25,000	
	Purchases			25,000
C	Sales revenue		25,000	
	Drawings - Taiba			25,000
D	Purchases		25,000	
	Drawings - Taiba			25,000

16. Rubina and Rauf are partners in a business.

If they maintain the fluctuating capital method, then the entry for distribution of profit would be

	Particulars	P.R.	Debit	Credit
A	Income summary		****	
	Current account - Rubina			****
	Current account - Rauf			****
B	Current account - Rubina		****	
	Current account - Rauf		****	
	Income summary			****
C	Income summary		****	
	Capital account - Rubina			****
	Capital account - Rauf			****
D	Capital account - Rubina		****	
	Capital account - Rauf		****	
	Income summary			****

17. Rehan and Zia are partners in a firm. The firm follows the fixed capital method for profit and loss distribution. The capital balances of both partners are stated as follows:

Capital - Rehan Rs 30,000

Capital - Zia Rs 15,000

Rehan is entitled to receive interest on capital of 6% per annum.

The general journal entry for Rehan's interest on capital will be

	Debit	Credit
A	income statement	capital account - Rehan
B	income statement	current account - Rehan
C	profit and loss appropriation	capital account - Rehan
D	profit and loss appropriation	current account - Rehan

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18. Shahab and Karim are partners and share profit and loss equally. On December 31, 2018, the net profit earned from business operations amounted to Rs 168,000. The provisions related to profit and loss distribution in the partnership agreement are as under:

- Karim will be given an annual bonus of Rs 18,000.
- Both partners will be given salary of Rs 2,000 per month.
- Annual commission of Rs 12,000 will be given to Shahab.

The total amount of distribution of profit received by Shahab would have been

- A. Rs 45,000
 B. Rs 81,000
 C. Rs 84,000
 D. Rs 87,000
19. Faryal, Meher and Madiha were partners in a firm. Madiha decided to retire from the firm. After the approval of the partners, she transferred her shares to her brother Hamza.

Under fluctuating capital method, the general entry to record the transfer of Madiha's share will be

	Debit	Credit
A	Madiha's current account	Hamza's current account
B	Hamza's current account	Madiha's current account
C	Madiha's capital account	Hamza's capital account
D	Hamza's capital account	Madiha's capital account

20. Jabbar, Ghaffar and Sattar are partners in a firm having capital balances of Rs 200,000, 100,000 and 100,000, respectively. On March 31, 2015, Sattar retired from the firm. He transferred his share to his son.

The capital structure of the firm after the retirement would have been

	Jabbar	Ghaffar	Sattar
A	Rs 200,000	Rs 100,000	Nil
B	Rs 200,000	Rs 100,000	Rs 100,000
C	Rs 200,000	Nil	Rs 100,000
D	Rs 100,000	Rs 100,000	Rs 100,000

21. Tahir and Shams were partners in a firm with capital of Rs 300,000 and 240,000, respectively. Tahir sold $\frac{1}{2}$ of his interest to Saad for Rs 180,000, whereas Shams sold $\frac{1}{3}$ of his interest to Saad for Rs 100,000.

After the admission of Saad, the amount of capital of each partner that will appear in the books of the firm would be

	Capital - Tahir	Capital - Shams	Capital - Saad
A	Rs 150,000	Rs 160,000	Rs 230,000
B	Rs 150,000	Rs 160,000	Rs 280,000
C	Rs 120,000	Rs 140,000	Rs 280,000
D	Rs 120,000	Rs 140,000	Rs 230,000

22. Fahad and Majid are running a partnership firm. Their capital balances on July 01, 2012 were Rs 200,000 and Rs 300,000, respectively. On the same day, they decided to admit Qadir as a new partner for $\frac{1}{5}$ th interest. Qadir invested Rs 150,000 in cash. Their profit sharing percentages before admitting Qadir were 40% and 60%, respectively.

If Qadir's capital is credited with his entire amount of investment, then the amount of goodwill given to Majid, an old partner, would be

- A. Rs 20,000
 B. Rs 40,000
 C. Rs 60,000
 D. Rs 100,000
23. At the time of liquidation, Ahmed's capital account balance was on debit due to a heavy loss. If all partners are solvent, the deficiency of Ahmed's capital will be compensated by
- A. the court.
 B. Ahmed himself.
 C. Ahmed's relatives.
 D. the remaining partners.
24. Kamran, Sabir and Taha were partners in a business with capital of Rs 120,000, Rs 180,000 and Rs 240,000 respectively. They shared profit and loss on the basis of capital. They decided to liquidate the business on March 01, 2018. At the time of liquidation, other assets were sold at a loss of Rs 135,000.

The amount payable to Taha on liquidation would be

- A. Rs 105,000
 B. Rs 180,000
 C. Rs 240,000
 D. Rs 300,000

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25. The expression used to calculate the net worth of a business is
- total assets + total liabilities.
 - total assets – total liabilities.
 - total assets – shareholder's equity.
 - total liabilities + shareholder's equity.
26. Which of the following is a general journal entry to record the issuance of shares for the consideration other than cash?

	Debit	Credit
A	Cash	Share capital
B	Cash	Share premium
C	Building	Share capital
D	Share capital	Capital reserve

27. A company issued 5,000 ordinary shares at market price of Rs 12 each. The par value of a share is Rs 10 each.

The share premium account will be credited with

- Rs 10,000
 - Rs 50,000
 - Rs 60,000
 - Rs 110,000
28. Ria Limited offered 200,000 shares of Rs 10 each at par. Later on, the bank informed that applications for 220,000 shares were received. The company refunded the excess amount after finalising the allotment.

The general journal entry that will be made to record the refund of the application money would be

	Particulars	P.R.	Debit	Credit
A	Bank		200,000	
	Share application			200,000
B	Share application		200,000	
	Bank			200,000
C	Bank		2,200,000	
	Share application			2,200,000
D	Share application		2,200,000	
	Bank			2,200,000

29. A reserve that is created to safeguard the business against unforeseen losses or business expansion is known as
- secret reserve.
 - capital reserve.
 - general reserve.
 - revenue reserve.

30. The following details have been taken from the books of Raheel Limited on December 31, 2016.

Particulars	Amount (Rs)
Retained earnings as on December 31, 2015	125,000
Profit after tax (net income) for 2016	75,000
Appropriation for reserves	63,000
Retained earnings as on December 31, 2016	60,000
Dividend payable	?

Based on the given information, the amount of dividend payable to the shareholders would be

- Rs 12,000
 - Rs 77,000
 - Rs 198,000
 - Rs 323,000
31. The directors of Lalani Limited announced a cash dividend of Rs 248,000 to be issued to its shareholders.
- The said amount of dividend will be paid from
- share capital.
 - share premium.
 - capital reserves.
 - retained earnings.
32. The following information has been taken from the books of Ahsan Limited as on March 31, 2018.

Account Title	Amount (Rs)
Net income for the year ended March 31, 2018	115,900
Dividend paid for the year	53,400
Transferred to reserves	55,000
Retained earnings on March 31, 2018	45,000

The retained profit of Ahsan Limited as on April 01, 2017 was

- Rs 7,500
- Rs 37,500
- Rs 52,500
- Rs 72,500

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33. The following retained earnings account has been made by the accountant of Aleem Limited for the year ended December 31, 2018.

Retained Earnings Account			
Amount in (Rs)			
Dividend payable	80,000	Opening balance	880,000
		Net profit after tax for the year	160,000
		General reserve	25,000

The amount that has been posted on the wrong side of the account by the accountant is

- A. general reserve Rs 25,000
- B. dividend payable Rs 80,000
- C. opening balance Rs 880,000
- D. net profit after tax for the year Rs 160,000

Use the given information to answer Q.34, Q.35 and Q.36.

The following details have been extracted from the books of Laghari Limited as on December 31, 2018.

Account Title	January 01, 2018 (Rs)	December 31, 2018 (Rs)
Retained earnings	150,000	165,000
Trade receivables (accounts receivable)	60,000	72,000
Trade payables (accounts payable)	40,000	45,000
Inventory	30,000	20,000
Furniture cost	60,000	40,000

Additional Information:

- Dividend paid during the year was amounted to Rs 25,000
 - Interest paid for the year was Rs 12,000
 - Tax amounted to Rs 8,000 was paid
34. The amount of earnings before interest and tax (EBIT), that will be shown in the operating activity of Laghari Limited would be
- A. Rs 15,000
 - B. Rs 30,000
 - C. Rs 35,000
 - D. Rs 60,000
35. The net amount of change in working capital that will be shown under the operating activity of the cash flow statement by the business would be
- A. Rs 3,000
 - B. Rs 7,000
 - C. Rs 17,000
 - D. Rs 27,000

36. If Laghari Limited sold furniture for Rs 10,000 whose cost was Rs 20,000 and a book value of Rs 8,000, then this transaction will be shown in the operating and investing activity of cash flow statement as

	Operating Activity	Investing Activity
A	gain of Rs 2,000	sale of furniture Rs 10,000
B	gain of Rs 2,000	sale of furniture Rs 20,000
C	sale of furniture Rs 10,000	gain of Rs 2,000
D	sale of furniture Rs 20,000	gain of Rs 2,000

37. The following table shows the record of inventory of a store. The store follows the FIFO (first in first out) perpetual method of inventory valuation.

Date	Unit Sold	Unit Rate (Rs)	Unit Purchased	Unit Rate (Rs)
01.12.2015			105	15.5
05.12.2015	75	20.5		
10.12.2015			125	16.5
15.12.2015	135	22.5	50	17.5
24.12.2015	125	24.5		

If the opening inventory was 75 units at Rs 15, then the unit of ending inventory would be

- A. nil.
B. 20 units.
C. 50 units.
D. 55 units.
38. Basit is a reputed designer. He bought a suit for Rs 1,200 and paid Rs 400 for modifying the design. The suit was then sold for Rs 1,550.
- The price at which the stock will be mentioned in the statement of financial position (balance sheet) is
- A. Rs 350
B. Rs 400
C. Rs 1,550
D. Rs 1,600
39. If the beginning inventory of a business is overstated, then which of the following will be overstated?
- A. Net profit
B. Gross profit
C. Cost of goods
D. Non-current assets

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40. The following summary of inventory has been taken from the books of Rutherford Traders for the month of March 2020.

Date	Particulars	Rate per unit	Quantity	Amount (Rs)
Mar 01, 2020	Balance	15	60	900
Mar 05, 2020	Purchase	15.50	140	2,170
Mar 14, 2020	Sale	20	120	2,400
Mar 27, 2020	Purchase	16	50	800
Mar 29, 2020	Sale	45	22	990

The ending inventory in units on March 2020 would be

- A. 12
- B. 48
- C. 108
- D. 250

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