

**AGA KHAN UNIVERSITY EXAMINATION BOARD**

**HIGHER SECONDARY SCHOOL CERTIFICATE**

**CLASS XII**

**MODEL EXAMINATION PAPER 2020**

**Principles of Accounting Paper II**

**Time: 2 hours 15 minutes    Marks: 70**

**INSTRUCTIONS**

**Please read the following instructions carefully.**

1. Check your name and school information. Sign if it is accurate.

**I agree that this is my name and school.  
Candidate's Signature**

**RUBRIC**

2. There are TWELVE questions. Answer ALL questions.
3. When answering the questions:  
Read each question carefully.  
Use a black pointer to write your answers. DO NOT write your answers in pencil.  
Use a black pencil for diagrams. DO NOT use coloured pencils.  
DO NOT use staples, paper clips, glue, correcting fluid or ink erasers.  
Complete your answer in the allocated space only. DO NOT write outside the answer box.
4. The marks for the questions are shown in brackets ( ).
5. You may use a scientific calculator if you wish.
6. Wherever new terminologies are mentioned their old terminologies are mentioned in the brackets for your assistance.

Q.1. (Total 5 Marks)

- a. Gross and net amounts are interchangeably used in different accounting records but they are different.

Mention any ONE difference between gross amounts and net amounts. (1 Mark)

Gross Amount	Net Amount

- b. Describe the items that are adjusted in gross purchases to calculate net purchases. (4 Marks)

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Q.2. (Total 5 Marks)

- a. Abeer has been appointed as an accountant by a grocery store, which follows a single entry basis of accounting. She explains the importance of the double entry system to the owner of the grocery shop.

Explain any TWO key features to illustrate the difference between the double entry system and the single entry system. (2 Marks)

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- b. 'Pure single entry' or 'Net worth method' is one of the methods used to calculate the profit of a business following the single entry system.

Explain the THREE 'accounting statements' prepared under the method mentioned above to calculate the profit of the business. (3 Marks)

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Q.3. (Total 5 Marks)

Mr Jamsheed is a treasurer of a sports club, a non-profit organisation (NPO).

The financial year of the sports club ends on December 31, each year. Mr Jamsheed is able to provide the following information related to the subscription of the members.

At January 01, 2017, the amount of accrued subscriptions from members was Rs 420

The amount of subscriptions received from members in cash during the year was Rs 9,720

At December 31, 2017, the amount of subscriptions prepaid by members is Rs 300

Prepare the subscriptions account as it would appear in the ledger of the sports club for the year ended December 31, 2017. Show the amount transferred to the income and expenditure account.

Subscriptions Account			
Particular	Amount (Rs)	Particular	Amount (Rs)

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Q.4. (Total 5 Marks)

Receipt and payment account of Al Fahad Trust at December 31, 2018 is given:

Receipts		Payments	
	Amount (Rs)		Amount (Rs)
Grants	4,500	Conveyance	2,350
Donation	14,500	Machine bought	80,000
Annual membership fee	67,500	Postage and stamps	4,150
<b>Total receipts</b>	<b>86,500</b>	<b>Total payments</b>	<b>86,500</b>

Classify the given accounting heads in the receipt and payment account as either income or expenditure for the non-profit organisation (NPO).

Income Sources	Expenditure Heads

Q.5.

(Total 5 Marks)

Altaf and Yaseen are partners. The equity part of their balance sheet on January 01, 2015 was as under:

Altaf - Capital	Rs 200,000
Altaf - Current	Rs 100,000

Yaseen - Capital	Rs 300,000
Yaseen - Current	Rs 150,000

They follow fixed capital method according to the following plan.

- Annual salary to Altaf would be Rs 24,000 and to Yaseen would be Rs 36,000
- Interest on capital is agreed to be 10%
- Altaf's share of profit is Rs 50,000 and Yaseen's share of profit is Rs 75,000
- Drawings of Altaf of Rs 30,000 and drawings of Yaseen of Rs 41,000

Prepare the current account of Yaseen.

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Q.6.

(Total 5 Marks)

Zareen, Zarnish and Zainab formed a partnership business by contributing the following:

Zareen: Machine costing Rs 480,000 and inventory costing Rs 148,000

Zarnish: Furniture amounting Rs 345,000 and equipment costing Rs 240,000

Zainab: Office premises worth Rs 550,000 and cash Rs 200,000

They agreed that the capital of each partner will be equal to that of Zainab and have agreed to contribute the shortfall (if any) in the form of cash.

Calculate the amount of capital of each partner.

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Q.7.

(Total 5 Marks)

The following data has been extracted from the balance sheet of Masood Ltd. on December 31, 2015.

**Authorised Capital**

200,000 ordinary shares of Rs 10 each Rs 2,000,000

**Issued and Paid up Capital**

100,000 ordinary shares of Rs 10 each Rs 1,000,000

Retained Earnings Rs 75,000

The net income for the year according to the income summary of the company amounted to Rs 200,000

On December 31, 2015, the company decided:

- i. to declare cash dividend of Rs 100,000.
  - ii. to appropriate Rs 50,000 for the repayment of debentures.
- a. Give entries in general journal to show the effect of the above decision of the company. (2 Marks)

Date	Particulars	P.R.	Debit	Credit

- b. Prepare the partial balance sheet using the given information of the company at December 31, 2015. (3 Marks)

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Q.8. (Total 10 Marks)

The following details have been taken from the books of Abiha Limited after the preparation of the income statement for the year ended December 31, 2019.

Account Title	Amount (Rs)
Authorised share capital (200,000 shares of Rs 10 each)	2,000,000
Non-current (fixed) assets at cost	1,800,000
Allowance (provision) for depreciation on non-current assets (fixed assets)	380,000
Ordinary share capital of Rs 10 each	1,000,000
8% debenture payable	200,000
Trade receivables (accounts receivable)	420,000
Trade payables (accounts payable)	360,000
Cash at bank	425,000
Inventory	120,000
Interim dividend	20,000
Retained earnings on January 01, 2019	280,000
Net profit for the year ended December 31, 2019	160,000
General reserve	65,000

On December 31, 2019, the directors of Abiha Limited decided the following:

- i. Transfer Rs 18,000 to the general reserve.
  - ii. Pay 3% final dividend to ordinary shareholders.
- a. Prepare the retained earning account for Abiha Limited as on December 31, 2019. (6 Marks)

#### Retained Earnings Account



- b. Prepare the shareholders' equity portion of the statement of financial position (balance sheet) for Abiha Limited as on December 31, 2019. (4 Marks)

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Q.9. (Total 5 Marks)

The following information has been taken from the accounting records of Saya Limited as on December 31, 2017.

Particulars	January 01, 2017	December 31, 2017
Trade receivables (accounts receivable)	Rs 36,800	Rs 47,200
Inventory	Rs 29,300	Rs 23,900
Trade payables (accounts payable)	Rs 42,000	Rs 38,500

**Other Information:**

- Net profit before interest and tax for the year amounted to Rs 238,000.
- Depreciation expense amounted to Rs 13,000.
- Income tax for the year was Rs 3,800.

Prepare the operating activities section of the cash flow statement for Saya Limited as on December 31, 2017.

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Q.10.

(Total 10 Marks)

Yaseen and Zeeshan are equal partners in a partnership firm. The statement of the financial position (balance sheet) is as under:

Statement of Financial Position (Balance Sheet)			
		Amount (Rs)	
Cash	40,000	Other payables	140,000
Other assets	600,000	Capital - Yaseen	250,000
		Capital - Zeeshan	250,000
	<u>640,000</u>		<u>640,000</u>

They decided to admit Waseem as a new partner for  $\frac{1}{3}$  interest.

Prepare general entries to record admission of Waseem and prepare the statement of financial position (balance sheet) for each of the following situations separately under the **goodwill** method.

**Situation 1: Waseem invests cash Rs 250,000**

### Situation 2: Waseem invests cash Rs 220,000

**Situation 3: Waseem invests cash Rs 290,000**

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Q.11.

(Total 5 Marks)

The following records are extracted from the books of Al-Hamd Traders. The opening stock is valued at 500 units @ Rs 2.0.

Date	Stock in	Rate (Rs)	Stock out	Rate (Rs)
1.01.17	1500	2.0	1000	4.0
3.01.17	700	2.5		
5.01.17			1200	3.0
7.01.17	600	3.0		

Prepare the inventory chart for Al-Hamd Traders by the weighted average cost (AVCO) perpetual method.

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Q.12.

(Total 5 Marks)

The following records are extracted from the books of Al-Hamd Traders. The opening stock is valued at 500 units @ Rs 2.0.

Date	Stock in	Rate (Rs)	Stock out	Rate (Rs)
01.01.17	1500	2.0	1000	4.0
03.01.17	700	2.5		
05.01.17			1200	3.0
07.01.17	600	3.0		

Compute the net inventory balance through the first in first out (FIFO) perpetual method.

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