

**AGA KHAN UNIVERSITY EXAMINATION BOARD**

**HIGHER SECONDARY SCHOOL CERTIFICATE**

**CLASS XI**

**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. Bashir Traders bought furniture for office use on account for Rs 237,000.

The account heads that will be affected by the given transaction are

- A. cash and furniture.
  - B. cash and purchases.
  - C. trade payables (accounts payable) and furniture.
  - D. trade payables (accounts payable) and purchases.
2. Which of the following transactions of Alpha Sons will be treated as a credit transaction?
- A. Sold goods and received cash
  - B. Purchased goods and paid cash
  - C. Purchased equipment by paying cheque
  - D. Sold goods and received a note receivable

3. Imperial Shoe Store paid an advance rent of Rs 60,000 for 3 months to the owner, Saif.

The amount of advance rent received by Saif will be treated by Imperial Shoe Store as a/ an

- A. asset.
  - B. capital.
  - C. income.
  - D. liability.
4. Ayan Traders paid transportation cost of Rs 12,000 on the purchase of machinery costing Rs 980,000 for business use.

The business will treat the transportation cost as a/ an

- A. capital expenditure.
  - B. selling expenditure.
  - C. revenue expenditure.
  - D. administrative expenditure.
5. Which of the following transactions is CORRECT with reference to the accounting equation?

	Assets (Rs)	Liabilities (Rs)	Equity (Rs)
A	10,000	5,700	15,700
B	18,000	8,000	8,000
C	12,000	2,000	12,000
D	14,500	4,500	10,000

6. Urooj and Simran want to merge their individual businesses. The details of their individual businesses are as follows:

Details	Urooj's Business	Simran's Business
	Rs	Rs
Total non-current assets (fixed assets)	560,000	450,000
Total current assets	120,000	70,000
Total liabilities	230,000	150,000

In books of Urooj, the amount of total capital would be

- A. Rs 370,000  
 B. Rs 450,000  
 C. Rs 680,000  
 D. Rs 910,000
7. Which of the following account heads will be considered as a 'liability' for a business?
- I. Advance from the customers  
 II. Advance to suppliers  
 III. Prepaid expenses  
 IV. Unearned income
- A. I and II  
 B. I and IV  
 C. II and III  
 D. III and IV
8. Kiran Grocery Store is a huge retail outlet which has an average daily sale of Rs 80,000. The accountant of the business forgot to record an entertainment expense of Rs 500. Upon examination, the auditors identified and knowingly ignored this mistake.

The accounting principle on the basis of which the error was ignored by the auditor is

- A. realisation.  
 B. materiality.  
 C. consistency.  
 D. business entity.

9. Ammar owns an office and has an employee responsible for day to day purchasing, like stationery, office materials, etc. He has allotted a lump sum fixed amount for daily expenditures. At the end of the month, the employee would submit the vouchers and the account would be replenished by Ammar.

Which of the following accounting books would be used in the given scenario?

- A. Two column cash book
  - B. Three column cash book
  - C. Imprest petty cash system
  - D. Ordinary petty cash system
10. The column that distinguishes between the two column cash book and three column cash book is
- A. date column.
  - B. bank column.
  - C. discount column.
  - D. particular column.
11. Alam Traders bought goods on credit from Azam Traders. Some of the goods were defected so they were returned to the supplier. In order to notify the return, Alam Traders also issued a note to Azam Traders.

The note issued would be identified as

- A. debit note.
  - B. credit note.
  - C. currency note.
  - D. promissory note.
12. Zarina bought goods worth Rs 50,000 on credit. She got a trade discount of 5% and was also allowed a cash discount of Rs 1,500.

The amount of net purchases shown in the books of Zarina would be

- A. Rs 46,000
  - B. Rs 46,075
  - C. Rs 47,500
  - D. Rs 50,000
13. Maniya Traders buys fixtures of Rs 24,000 for office use on credit.

The given transaction will be entered FIRST in the

- A. cash book.
- B. sales journal.
- C. general journal.
- D. purchase journal.

14. Ayan purchased merchandise for Rs 10,000 on account from Bashir. The general journal entry in the books of Ayan will be

	Particulars	P.R.	Debit	Credit
A	Purchase		10,000	
	Cash			10,000
B	Purchase		10,000	
	Trade payable (account payable)			10,000
C	Trade payable (account payable)		10,000	
	Purchase			10,000
D	Cash		10,000	
	Purchase			10,000

15. Aamna purchased a machine worth Rs 150,000 with credit terms 2/10, n/30.

If the payment is made on the 15<sup>th</sup> day of the purchase, then the amount that will be recorded in the machine ledger account is

- A. Rs 135,000  
 B. Rs 147,000  
 C. Rs 150,000  
 D. Rs 153,000
16. In a three column cash book, the cash withdrawal from the bank for business use will be recorded in
- A. the receipt side only.  
 B. the payment side only.  
 C. neither of the sides.  
 D. both receipt and payment sides.

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17. KMK General Store bought grocery in bulk from KBC warehouse on March 01, 2018. After a week, the store returned some of the goods as they were not up to the order.

The document that would have been issued by KMK General Store at the time of purchase is a/ an

- A. invoice.
  - B. statement.
  - C. debit note.
  - D. credit note.
18. Ammar deposited a cheque of Rs 12,300 in his bank account on October 30, 2017. On October 31, 2017 the bank informed Ammar that the cheque was still in the clearance process.

At the time of preparing the bank reconciliation statement, the mentioned cheque would have been

- A. added to the bank statement balance.
  - B. subtracted from the bank statement balance.
  - C. added to the bank column of the cashbook.
  - D. subtracted from the bank column of the cashbook.
19. The bank reconciliation statement prepared for the month of January 2018 by the accountant of Shamshad Traders is as under:

Bank Reconciliation Statement as on January 31, 2018		
Particulars	Cash Book	Pass Book
Balance	370	(446) O/D
Direct deposit by a customer	209	
Rent paid	(60)	
Uncleared cheques		(2,520)
Unpresented cheques (outstanding)		(1,555)
<b>Total</b>	<b>519</b>	<b>(4,521)</b>

The given bank reconciliation statement is not agreeing because of the wrong adjustment.

The item that has been adjusted wrongly in the given bank reconciliation statement is

- A. rent paid.
- B. uncleared cheques.
- C. unpresented cheques.
- D. direct deposit by a customer.

20. The bank column of the cash book showed the balance of Rs 25,000. The following items were shown in the bank statement, but had not been recorded in the cash book.

Particulars	Amount (Rs)
Bank charges	500
Direct deposit by a customer	10,000
Utility bills directly paid	5,000

The adjusted bank balance of the cash book would be

- A. Rs 9,500  
 B. Rs 20,500  
 C. Rs 29,500  
 D. Rs 31,500
21. On reconciling the bank statement and bank column of the cash book, it was found that the bank has wrongly deducted the amount of Rs 5,500 from the account.
- To find the actual bank balance, the amount should be
- A. added to the balance of the cash book.  
 B. subtracted from the balance of the cash book.  
 C. added to the balance of the bank statement.  
 D. subtracted from the balance of the bank statement.
22. Which of the given equations used in income statement is CORRECT?
- A. Cost of sales + opening inventory = purchases – closing inventory  
 B. Cost of sales + closing inventory = purchases – opening inventory  
 C. Cost of sales + purchases = closing inventory + opening inventory  
 D. Cost of sales + closing inventory = purchases + opening inventory
23. The account head that will NOT be shown in the income statement is
- A. drawings.  
 B. purchases.  
 C. sales revenues.  
 D. salary expenses.

Use the given information to answer Q.24. and Q.25.

An inexperienced accountant wrongly entered a purchase of Rs 20,000 on account in the books as Rs 2,000.

24. The CORRECT general journal entry to rectify the given error will be

	Particulars	P.R.	Debit	Credit
A	Purchase		18,000	
	Trade payables (accounts payable)			18,000
B	Trade payables (accounts payable)		18,000	
	Purchase			18,000
C	Purchase		20,000	
	Trade payables (accounts payable)			20,000
D	Trade payables (account payables)		20,000	
	Purchase			20,000

25. Which of the following would be affected by the given error?

- A. the inventory records will be over-cast.
- B. the balance of trial balance will be impacted.
- C. the purchase ledger account will be over-cast.
- D. the gross profit of the business will be under-cast.

26. If there is a debit balance on a suspense account, then the error could be because of an

- A. omitted sale.
- B. omitted liability.
- C. overstated revenue.
- D. overstated purchase.



27. The following details have been extracted from the trial balance of Baba Traders.

Accrued rent expense      Rs 25,000

If the adjusting data shows an accrued rent amount of Rs 35,000, then the adjustment entry will be

	Particulars	P.R.	Debit	Credit
A	Rent expense		10,000	
	Accrued rent			10,000
B	Rent expense		35,000	
	Accrued rent			35,000
C	Prepaid rent expense		10,000	
	Accrued rent			10,000
D	Prepaid rent expense		35,000	
	Accrued rent			35,000

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28. Riffat owns a grocery store, but withdrew grocery items worth Rs 1,500 for personal use.

The closing entry of the withdrawal made by Riffat will be

	Particulars	P.R.	Debit	Credit
A	Drawing		1,500	
	Merchandise			1,500
B	Merchandise		1,500	
	Drawing			1,500
C	Drawing		1,500	
	Capital			1,500
D	Capital		1,500	
	Drawing			1,500

29. Ayan prepares an income statement and statement of financial position (balance sheet) at the end of each year.

The balance shown in the liability section of the statement of financial position (balance sheet) prepared by Ayan will be

- A. debit balance in the cash account.
  - B. credit balance in the bank account.
  - C. debit balance in the supplier account.
  - D. credit balance in the drawing account.
30. An accountant wrongly recorded an item on the debit side instead of the credit side. This is classified as an error of
- A. omission.
  - B. principle.
  - C. commission.
  - D. original entry.
31. As per the income statement, 'opening inventory + purchases – purchase discount + transportation-in' is used to calculate the
- A. gross profit.
  - B. net purchases.
  - C. cost of goods sales.
  - D. cost of goods available for sale.

32. The following balances have been extracted from the ledgers of Mehreen Enterprises.

Trade receivables (accounts receivable) ledger	Rs 346,000	Debit
Provision (allowance) for doubtful debts (unadjusted)	Rs 13,020	Credit

Business maintains provision for bad debts at the rate of 4% of the year end receivables balance.

From the given information, the amount that will be further provided for provision for bad debts is

- A. Rs 820  
 B. Rs 1,000  
 C. Rs 11,940  
 D. Rs 13,840
33. If an equipment is bought on credit for resale purposes, then the equipment will be treated as a
- A. current asset.  
 B. current liability.  
 C. non-current liability.  
 D. non-current (fixed) asset.
34. The details of the motor vehicles of Paras Traders are given below.

<u>Particulars</u>	<u>Amount (Rs)</u>
Motor vehicle cost	900,000
Provision (allowance) for depreciation of motor vehicles as on December 31, 2015	450,000

Business depreciates motor vehicles at 20% by diminishing balance method (reducing balance method).

The net amount of the motor vehicles appeared in the statement of financial position (balance sheet) as on December 31, 2016 would have been

- A. Rs 90,000  
 B. Rs 180,000  
 C. Rs 360,000  
 D. Rs 540,000

35. Alpha Sons is involved in the production of medicines. The following expenditures were incurred by the business on an old machine on January 01, 2018.

Particulars	Amount (Rs)
Fire insurance premium for three years	84,000
Replaced the old engine with a new engine resulting in an increase in production	238,000
Cleaning and maintenance cost	24,000

The amount that should be treated as capital expenditure by Alpha Sons is

- A. Rs 84,000  
 B. Rs 108,000  
 C. Rs 238,000  
 D. Rs 262,000
36. Kareem Associates, in its books, has classified an item of revenue expenditure as capital expenditure.

As a result of the given error, the assets and net profit of Kareem Associates will be

	Assets	Net Profit
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

37. Basheer Sons wants to exchange an old computer with a new laptop to be used in their office. The details as on the day of exchange, are as under:

Particulars	Amount (Rs)
Cost of computer	45,000
Cost of laptop	80,000
Accumulated depreciation on computer till the date of exchange	21,900
Trade in allowance of computer	18,500

The amount of cash to be paid by Basheer Sons at the time of exchange will be

- A. Rs 3,400  
 B. Rs 4,600  
 C. Rs 58,100  
 D. Rs 61,500

38. Ayan is a sole trader, who purchased a motor vehicle and made the following payments.

Particulars	Amount (Rs)
List price of the motor vehicle	400,000
Capital expenditures on motor vehicle	22,000
Revenue expenditures on motor vehicle	18,000

Ayan also received a trade discount of 8% on the list price of the motor vehicle.

The amount with which the motor vehicle will be recorded in the statement of financial position (balance sheet) is

- A. Rs 368,000
  - B. Rs 372,000
  - C. Rs 386,000
  - D. Rs 390,000
39. A bookkeeper, by mistake, ignored a capital expenditure of Rs 1,000.
- The effect of the given error on the assets of the business will result in a/ an
- A. increase in current assets by Rs 1,000
  - B. decrease in current assets by Rs 1,000
  - C. increase in non-current (fixed) assets by Rs 1,000
  - D. decrease in non-current (fixed) assets by Rs 1,000
40. Ammar bought a computer for Rs 200,000 from Rahmeen on January 01, 2012. Ammar decided to depreciate the computer by reducing balance method at the rate of 20% per annum.
- On December 31, 2013, Ammar exchanged the old computer for a new computer costing Rs 300,000. He paid cash Rs 185,000 at the time of exchange of the old machine with the new machine.
- In the given situation, the amount of trade in allowance received in exchange for the old machine would have been
- A. Rs 13,000
  - B. Rs 115,000
  - C. Rs 185,000
  - D. Rs 300,000

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