

AGA KHAN UNIVERSITY EXAMINATION BOARD

HIGHER SECONDARY SCHOOL CERTIFICATE

CLASS XII

MODEL EXAMINATION PAPER 2020

Principles of Accounting Paper I

Time: 45 minutes Marks: 30

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 30 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 (A) (B) (C) (D)	1 (A) (B) (C) (D)
	2 (A) (B) (C) (D)
	3 (A) (B) (C) (D)
	4 (A) (B) (C) (D)

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 would be

- A. Rs 170,000
 B. Rs 220,000
 C. Rs 430,000
 D. Rs 510,000
2. The CORRECT difference between single entry and double entry is

	Single Entry	Double Entry
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 of recording books of accounts.	It is less effective but cheap method of recording books of accounts.
C	Easy to detect errors in accounting records.	Difficult 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%
 B. 25%
 C. 33.33%
 D. 40%

4. An inexperienced accountant made wrong postings to the account receivable ledger. The account prepared by him appeared as follows

Trade Receivables (Accounts Receivable) Ledger			
10.6.15 Cash sales	15,000	01.6.15 Balance b/d	12,000
Credit sales	45,000	15.6.15 Cash received from credit customers	38,000
		30.6.15 Sales returns	2,000
		30.6.15 Balance c/d	8,000
	<u>60,000</u>		<u>60,000</u>

As an experienced accountant, the CORRECT amount of net sales that you will extract will be

- A. Rs 23,000
 B. Rs 33,000
 C. Rs 58,000
 D. Rs 60,000
5. ABRT Sports Centre is a non-profit organisation 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
6. 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.

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7. 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 be

	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

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

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

9. Tooba 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 drawing made by Taiba will be

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

10. Rafia 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 - Rafia			****
	Current account - Rauf			****
B	Current account - Rafia		****	
	Current account - Rauf		****	
	Income summary			****
C	Income summary		****	
	Capital account - Rafia			****
	Capital account - Rauf			****
D	Capital account - Rafia		****	
	Capital account - Rauf		****	
	Income summary			****

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11. The details of the assets and liabilities of the 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 Rafay's 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
12. Ahmed 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 Ahmed.

The total amount of distribution of profit received by Mr Ahmed will be

- A. Rs 45,000
 B. Rs 81,000
 C. Rs 84,000
 D. Rs 87,000

13. 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

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

The amount of the capital of the partners that will appear in the books of the firm after the admission of Saad would be

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

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15. Ahmed 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 - Ahmed Rs 30,000

Capital - Zia Rs 15,000

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

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

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

16. Alina and Hafsa were doing businesses as sole traders. Due to the same nature of business, they decided to merge their business to form a partnership. Their assets and liabilities on the day of merger were as follows.

Alina: Cash Rs 20,000, accounts receivables Rs 15,000, inventory Rs 25,000, bank overdraft Rs 1,500 and account payable Rs 11,500.

Hafsa: Furniture Rs 23,000, bank Rs 7,000, machinery Rs 18,000, loan from friend Rs 10,000.

The amount of capital of both the partners that will be shown in the balance sheet of new firm will be

	Alina	Hafsa
A	Rs 47,000	Rs 38,000
B	Rs 47,000	Rs 50,000
C	Rs 50,000	Rs 58,000
D	Rs 61,500	Rs 38,000

17. 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 Rahim as a new partner for $\frac{1}{5}$ th interest. Rahim invested Rs 150,000 in cash. Their profit sharing percentages before admitting Rahim were 40% and 60%, respectively.

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

- A. Rs 20,000
- B. Rs 40,000
- C. Rs 60,000
- D. Rs 100,000

18. 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 Ather.

The capital structure of the firm after the retirement will be

	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

19. 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

- A. Rs 7,500
 B. Rs 37,500
 C. Rs 52,500
 D. Rs 72,500
20. The expression used to calculate the net worth of a business is
- A. total assets + total liabilities.
 B. total assets – total liabilities.
 C. total assets – shareholder's equity.
 D. total liabilities + shareholder's equity.
21. 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

- A. share capital.
 B. share premium.
 C. capital reserves.
 D. retained earnings.

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22. Rabia 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

23. 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
24. A reserve that is created to safeguard the business against unforeseen losses or business expansion is known as
- A. secret reserve.
 B. capital reserve.
 C. general reserve.
 D. revenue reserve.

Use the given information to answer Q.25, Q.26 and Q.27.

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.
25. 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
26. 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
27. 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

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28. 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 unit.
 B. 20 units.
 C. 50 units.
 D. 55 units.
29. Mr Basit is a reputed designer; he bought a suit for Rs 1,200. He also paid Rs 400 for modifying the design. This suit can now be 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
30. 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.

END OF PAPER