

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

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**

- 1884
- 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
- 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
- ▶ **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

► Rs. 5,480

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)**

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- ▶ 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

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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?

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- ▶ 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:

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► **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

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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

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8. The formation of a company and other matters related to companies are governed by “Securities and Exchange Commission of Pakistan (SECP)

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

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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

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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

Note: *Solve these papers by yourself*
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