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**PRINCIPLES OF ACCOUNTING HSSC-I**  
**SECTION – A (Marks 20)**

**Time allowed: 25 Minutes**

<b>Version Number</b>	<b>3</b>	<b>1</b>	<b>5</b>	<b>1</b>
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**Note:** Section – A is compulsory. All parts of this section are to be answered on the separately provided OMR Answer Sheet which should be completed in the first 25 minutes and handed over to the Centre Superintendent. Deleting/overwriting is not allowed. Do not use lead pencil.

**Q. 1** Choose the correct answer A / B / C / D by filling the relevant bubble for each question on the OMR Answer Sheet according to the instructions given there. Each part carries one mark.

- 1) Management accounting provides invaluable services to management in performing:  
A. All management functions                      B. Controlling functions  
C. Co-ordinating management functions        D. Recording of financial data functions
- 2) Double entry means:  
A. Entry in two sets of books                      B. Entry at two dates  
C. Entry for two aspects of one transaction    D. Entry in two sides of account
- 3) All those things which are purchased for re-sale purpose are called:  
A. Assets                      B. Goods                      C. Sale                      D. Trade
- 4) Modern accounting is based on:  
A. Cost concept                      B. Matching concept  
C. Going concern concept                      D. Dual aspect concept
- 5) If sub-standard goods are returned to the seller, it is called:  
A. Return inwards                      B. Purchases return  
C. Return to consumer                      D. Return to agent
- 6) Purchased goods on credit and on cash will affect:  
A. Cash of goods                      B. Cash of creditors  
C. Cash, creditors and owner's equity        D. Cash, goods and creditors
- 7) According to American approach, 'credit' should increase in:  
A. Revenue, Liabilities and Capital            B. Expenses, Capital and Liabilities  
C. Assets, Capital and Liabilities              D. Assets and Expenses
- 8) Which account should be debited to purchase furniture for the domestic use of the owner?  
A. Purchases account                      B. Drawings account  
C. Proprietor's Personal account              D. Furniture account
- 9) Payment before maturity is called:  
A. Dishonour of a bill                      B. Endorsement of a bill  
C. Retiring of a bill                      D. Discounting of a bill
- 10) A motor car lost in fire should be debited to:  
A. Motor car account                      B. Loss by fire account  
C. Purchases account                      D. Drawings account
- 11) The amount invested into the business by the owner is called:  
A. Cash account                      B. Real account  
C. Nominal account                      D. Capital account
- 12) The document sent to the customer when he returns the goods is called:  
A. Credit note                      B. Debit note                      C. Invoice                      D. Voucher
- 13) Wrong allocation of expenses between capital of revenue is an error of:  
A. Principle                      B. Omission                      C. Commission                      D. Compensating
- 14) Sales journal records only:  
A. Cash sales                      B. Cash and credit sales  
C. Credit sales                      D. Cash purchases
- 15) The cash book is a:  
A. Special journal                      B. Subsidiary journal  
C. General journal                      D. Subsidiary journal and ledger
- 16) An expenditure incurred to keep the activities of a concern going is a:  
A. Revenue expenditure                      B. Capital expenditure  
C. Prepaid expenditure                      D. Deferred revenue expenditure
- 17) Work sheet provides complete information for preparing:  
A. Financial statement                      B. Income statement  
C. Bank statement                      D. Bank reconciliation statement
- 18) Pass Book is prepared by:  
A. Debtor                      B. Creditor                      C. Banker                      D. Customer
- 19) Interest on capital is:  
A. An expense                      B. An income                      C. An asset                      D. A liability
- 20) If any income omitted to be recorded it will:  
A. Understate the profit                      B. Overstate the profit  
C. Not affect the profit                      D. Not affect the loss

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# PRINCIPLES OF ACCOUNTING HSSC-I

**Time allowed: 2:35 Hours**

**Total Marks Sections B and C: 80**

**NOTE:** Sections B and C comprise pages 1-2 and questions therein are to be answered on the separately provided answer book. Answer any ten parts from Section 'B', any one question from Section 'C (Part-I)' and three questions from Section 'C (Part-II)'. Use supplementary answer sheet i.e. Sheet-B if required. Write your answers neatly and legibly.

## SECTION – B (Marks 30)

- Q. 2 Attempt any TEN parts. The answer to each part should not exceed 3 to 4 lines. (10 x 3 = 30)**
- (i) Why Journal is called Original Entry Book?
  - (ii) Name the three main branches of accounting.
  - (iii) Briefly explain the following:
    - a. Money measurement concept
    - b. Cost concept
  - (iv) Explain the term 'credit purchases'.
  - (v) What do you mean by Monetary events?
  - (vi) Explain the rules of debit and credit for Assets and Owner's equity.
  - (vii) Why is ledger called the king of all books of accounts?
  - (viii) Define Promissory note.
  - (ix) Explain pay in slip.
  - (x) Define the term 'capital'.
  - (xi) Which type of mistakes can be considered as trial balance?
  - (xii) What do you mean by revenue expenditure?

## SECTION – C (Marks 50)

### (PART – I)

**(1 x 20 = 20)**

**Note:** Attempt any ONE question.

- Q. 3** From the under mentioned information write up the cash book of Asif Trading Co. for the month of December 2018:

December 1	Cash in hand Rs. 2000 and balance overdraft with bank Rs. 1500
December 2	Cash sales Rs. 500, banked cash Rs. 200
December 3	Paid Habib and Co. by cheque Rs. 1500
December 5	Received Abdul Rahim's cheque Rs. 850 and paid it into bank
December 6	Bought goods from Shahid on cash Rs. 500
December 8	Drew from bank for personal use Rs. 500
December 10	Cash sales Rs. 600 and credit sales Rs. 1000 to Aftab
December 12	Received cheque from Aftab Rs. 950, discount Rs. 50 and paid this cheque into bank
December 15	Sent a cheque to Jones for Rs. 190 and discount received Rs. 10
December 18	Received cash from Rahim Rs. 250 in full settlement of Rs. 260
December 22	Type writer purchased for cash Rs. 700
December 25	Paid for advertising in cash Rs. 200
December 26	Drew cash from bank for office use Rs. 1000
December 28	Bank commission paid Rs. 150
December 31	Office rent paid for the month Rs. 1000

- Q. 4** From the following Trial balance of Salman Trading Co. prepare Trading and Profit and loss account and a balance sheet as on 31st December 2015:

Details	Rs.	Details	Rs.
Opening stock	1,2000	Sundry creditors	8,000
Wages	6,575	Sales	98,000
Sundry debtors	30,000	Bank loan	1,775
Salaries	4,000	Provision for bad debts	225
Carriage out wards	25	Capital	50,000
Purchases	38,000		
Trade expenses	750		
Cash in hand	6,250		
Plant and Machinery	35,000		
Free hold premises	24,000		
Printing and stationary	400		
Bad debts	500		
Advertisement	500		
<b>Total</b>	<b>1,58,000</b>		<b>1,58,000</b>

**Adjustments:**

- (i) Closing stock valued Rs. 15000
- (ii) Wages payable Rs. 500
- (iii) Make a provision of 2% on debtors
- (iv) Allow interest on Capital @5%

(PART – II)

**Note: Attempt any THREE questions.**

**(3 x 10 = 30)**

**Q. 5** X sold goods to Y on 1st March 2017 of Rs. 10,000 and X drew a bill on Y for Rs. 10,000 who accepted it and returned it to X. When the bill was about to mature, Y expressed his inability to meet it and requested X to renew it, which X agreed to but added Rs. 50 to the new bill for interest.

Pass the journal entries in the books of both the parties, when the bill is renewed.

**Q. 6** From the following particulars ascertain the bank balance as per the cash book of Mubashar and Co. As on 31st March 2016.

- a. Bank balance as per the pass book on 31st March 2016 was Rs. 80,000.
- b. Cheques paid into bank on 26th March but not collected prior to 31st March 2016 amount to Rs. 20,000/-.
- c. Interest on investment of Rs. 2,000 was credited in the pass book but not recorded in the cash book till 31st March 2016.
- d. A customer paid into the bank Rs. 15,000 directly as appeared in the passbook but not in the cashbook.
- e. Dividend money of Rs. 8,000 on the share held by Mubashar and Co. was received directly by the bank on 29th March 2016 but the intimation was sent to them on 5th April 2016.

**Q. 7** State with reasons whether the following expenditures should be capital or revenue.

- a. Cost of air conditioning of the office of the general manager.
- b. Wages paid to workers for installation of machinery.
- c. Legal expenses incurred in an income tax appeal.
- d. Amount realised from sale of old furniture.
- e. Repair and renewal of machinery.

**Q. 8** Rectify the following errors by passing necessary journal entries.

- a. Legal expenses Rs. 2,000 paid to lawyer have been wrongly debited to his personal account
- b. Wages paid Rs. 1,500 wrongly debited to salary account.
- c. Trade expenses of Rs. 180 posted in the ledger as Rs. 810.
- d. A sale of Rs. 2,000 to X was wrongly debited to the account of Y.
- e. Sale book was overcast by Rs. 2,500.