



PRINCIPLES OF ACCOUNTING HSSC-II

SECTION – A (Marks 20)

Time allowed: 25 Minutes

Version Number 4 1 5 1

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) The expenses incurred in the initial stages of incorporation are:
 - A. Direct expenses
 - B. Indirect expenses
 - C. Preliminary expenses
 - D. Operating expenses
- 2) When capital accounts are fixed then all adjustments are made in:
 - A. Partner's capital account
 - B. Partner's nominal account
 - C. Partner's current account
 - D. Partner's fixed account
- 3) If cash paid to creditors Rs.35,000/- return outwards Rs.250/-, credit purchases Rs.66,500/-, cash purchases Rs.25,000/-, then the value of closing creditors will be:
 - A. Rs.30,000/-
 - B. Rs.31,250/-
 - C. Rs.32,000/-
 - D. Rs.32,250/-
- 4) The single entry system is not followed in dual aspect concept, so it is:
 - A. Incomplete and scientific
 - B. Complete and scientific
 - C. Complete and unscientific
 - D. Incomplete and unscientific
- 5) The persons who take the risk of issuing shares are known as:
 - A. Directors
 - B. Promoters
 - C. Underwriters
 - D. Public
- 6) Debenture holders are:
 - A. Creditors of company
 - B. Owners of company
 - C. Debtors of company
 - D. Customers of company
- 7) Subscription outstanding in the beginning are shown in the:
 - A. Trading account
 - B. Income and expenditure account
 - C. Balance sheet
 - D. Profit and loss account
- 8) When a partner dies the firm will receive:
 - A. Half amount of the policy
 - B. $\frac{1}{4}$ amount of the policy
 - C. $\frac{3}{4}$ amount of the policy
 - D. Full amount of the policy
- 9) What shows the details about the sale of goods, expenses paid by consignee?
 - A. Account sales
 - B. Sales account
 - C. Purchases account
 - D. Sales book
- 10) In the books of consignor, the unsold stock with the consignee should be debited to:
 - A. Consignment stock account
 - B. Consignment account
 - C. Stock account
 - D. Consignees account
- 11) In the book of consignee, del credere commission should be debited to:
 - A. Commission account
 - B. Consignor's account
 - C. Sundry debtor's account
 - D. Consignee's account



PRINCIPLES OF ACCOUNTING HSSC-II

51

Time allowed: 2:35 Hours

Total Marks Sections B and C: 80

NOTE: Sections 'B' and 'C' comprise pages 1-2. Answer any ten parts from Section 'B', any one question from Section 'C (Part-I)' and three questions from Section 'C (Part-II)' on the separately provided answer book. 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) Define increased net worth method of single entry system.
- (ii) How you will deal with the term "Donations" under non trading accounts?
- (iii) What should be the accounting treatment of debentures as collateral security?
- (iv) Why is consignment account prepared?
- (v) To whom the under writing commission is paid and why?
- (vi) What is meant by external cause of depreciation?
- (vii) What is an account sales?
- (viii) What do you understand by Proforma Invoice?
- (ix) What are the rules which are applicable in the absence of an agreement in a Partnership? Write any three rules.
- (x) What are the basic factors for determining depreciation on fixed assets?
- (xi) What is realization account?
- (xii) What is Provision?

SECTION – C (Marks 50)

(PART – I)

Note: Attempt any ONE question.

(1 x 20 = 20)

Q. 3 X and Y were partners sharing profits in the ratio of 3:2. The position of the firm as on 31st, December 2015 was as follow:

Balance Sheet			
Assets	Rs.	Liabilities	Rs.
Cash at bank	3000	Sundry creditors	39,000
Stock in trade	14,000	Outstanding liabilities	3000
Sundry debtors	10,000	Capitals account:	
Prepaid insurance	1000	X 30,000	
Furniture	5000	Y 14,000	44,000
Machinery	19,000		
Building	34,000		
	86,000		86,000

Z was admitted as a new partner introducing a capital of Rs.16,000/-. The new profit sharing ratio is decided as 5:3:2. Z is unable to bring in any cash for goodwill. So it was decided to raise good will account, amount being calculated on the basis of Z's share in the Profits and the capital contributed by him. Following revaluations were made:

- i) Stock to be depreciated by 5%
- ii) Provision for doubtful debts Rs.100/-
- iii) Furniture to be depreciated by 10%
- iv) Building is valued at Rs.40,000/-

Required: Show the revaluation account, partner's capital account, calculate the value of goodwill of whole business and prepare a balance sheet of new firm,

Q. 4 D,E and F were partners sharing profits in the proportions of $\frac{1}{2}$, $\frac{1}{3}$ and $\frac{1}{6}$ respectively. The balance sheet of the firm on 31st, December 2016 was as follows:

Assets	Rs.	Liabilities	Rs.
Cash at Bank	2500	Sundry creditors	19,000
Debtors 16000		Bills payable	5000
Less Reserve 500	15,500	Reserve fund	12,000
Stock	25,000	Capital Accounts:	
Motor van	8000	D 40,000	
Plant and machinery	35,000	E 30,000	
Factory building	45,000	F 25,000	95,000
	1,31,000		1,31,000

E retires on above mentioned date subject to the following conditions:

- (i) The goodwill of the firm to be valued at Rs.18,000/-
- (ii) Plant and machinery to be depreciated by 10% and motor vans by 15%
- (iii) Stock to be appreciated by 20% and building by 10%
- (iv) The provision for doubtful debts to be increased by Rs.1950/-
- (v) Liability for Workmen's compensation to the extent of Rs.1650/- is to be brought into account.

Required: Prepare the journal entries, make the capital accounts of partners and show balance sheet.

(PART – II)

Note: Attempt any THREE questions.

(3 x 10 = 30)

Q. 5 Jamil Ltd. with an authorised capital of 1,00,000 shares of Rs.10/- each, passed a resolution in a general meeting to issue 40,000 shares at a discount of 5%, 10,000 shares were issued to directors and 30,000 shares were offered to general public.

Applications were received for 25,000 shares and subsequently shares were allotted. Record the transaction in the books of the company and show the reflection in the balance sheet.

Q. 6 A company purchased a second hand machine for Rs.8000/- on 1st April 2013. They spent Rs.3500/- on its overhauling and installation.

Depreciation is written off at 10% of the original cost.

On 30th June 2016 the machine was found to be unsuitable and was sold for Rs.6500/-.

Prepare the machine account from 2013 to 2016, assuming that the accounts were closed on 31st December every year.

Q. 7 The following is the receipts and payments account of the Lahore club for the year ended on 31st December 2015.

Receipts	Rs.	Payments	Rs.
Balance (1st January)	300	Rent	5200
Entrance fees	550	Stationary	3068
Subscription 2014	200	Wages	5330
Subscription 2015	16900	Billiards table	3900
Subscription 2016	300	Repairs and renewals	806
Lockers rent	500	Interest	1500
Special subscription for governor's party	3450	Balance (31st December)	2396
	22,200		22,200

Lockers Rent Rs.60/- referred to 2014 and Rs.90/- is still owing. Rent Rs.1300/- pertained 2014 and another Rs.1300/- is still due. Stationary Rs.312/- related to 2014 still owing Rs.364/-. Subscription unpaid for 2015 Rs.468/-; special subscription for governor's party outstanding Rs.550/-.

Required: From the above information you are required to prepare an income and expenditure account for the club for the year ended on 31st Demeter 2015.

Q. 8 Arslan keeps his books on single entry system. His financial position was as follows:

	January 1st 2005 (Rs.)	December 31st 2005 (Rs.)
Sundry Debtors	4250	7000
Cash in hand	—	150
Cash at Bank	1600	1000
Stock	10000	9500
Machinery	900	900
Motor Vehicles	7000	7000
Furniture	8000	8000
Sundry Creditors	11000	14500

During the year he withdrew Rs.7000/- for personal use. He introduced additional capital on 1st July 2005 Rs.9000/-. Charge depreciation on machinery, motor vehicles and furniture at 10% p.a. Allow interest on Capital at 6% per annum.

Ascertain the profit or loss made by him under the net worth method for the year ended on 31st December 2005.