



Accounting XII - Model Paper

SECTION 'A'

(MULTIPLE CHOICE QUESTIONS) – M.C.Qs. [50]

Instructions:

- i. Attempt all questions in this section.
- ii. Each question carries two marks.
- iii. Multiple answers will not be accepted.

i) Choose the correct answer for each from the given options:

Mr. A contributed cash Rs. 50,000 and Furniture at agreed value of Rs. 70,000. What is his capital?

- a. 90,000
- b. 120,000
- c. 130,000
- d. None of the above

ii) In formation, the contribution by partners are recorded in books of accounts at their:

Original cost

- a. Book value
- b. Market value
- c. Mutually agreed value

iii) In case of absence of partnership deed:

- a. The Profit/ loss will be shared 70:30
- b. The Profit/ loss will be shared equally
- c. The Profit /loss will be shared according to their capitals
- d. None of the above

iv) Depreciation is:

- a. A cash expense
- b. A non-cash expense
- c. A business loss
- d. A business gain

v) Repair work that generates a capital expenditure is called:

- a. Ordinary repair
- b. Extra ordinary repair
- c. Minimum repair
- d. Normal repair

- vi)** Expenditure for the purchase or expansion of plant assets is called:
- Revenue expenditure
 - Capital expenditure
 - Opening expenses
 - Marketing expenses
- vii)** The cost of an asset minus the estimated residual or salvage is called:
- Book value
 - Depreciable value
 - Net realizable value
 - Market value
- viii)** In which depreciation method amounts are not computed on the basis of time:
- Straight line
 - Units of production
 - Double declining method
 - Sum of the years digits
- ix)** Depletion is applied on:
- Tangible current assets
 - Natural assets
 - Intangible current assets
 - None of the above
- x)** The cause of depreciation is:
- Physical deterioration
 - Obsolescence
 - Both of the above
 - Decline in market price
- xi)** Depreciation expenses of a machine for the last three years are 20,000, 15,000 and 10,000 respectively which method of depreciation would have been used for calculating depreciation?
- Straight line method
 - Declining balance method
 - Hourly rate method
 - Unit rate method
- xii)** The systematic write off to expense of the cost of an intangible asset over the period of its economic useful life is called:
- Depreciation
 - Amortization
 - Depletion
 - None of the above
- xiii)** The expenses which are incurred during the procedure of incorporation of a PLC are termed as:
- Maintenance cost
 - Preliminary expense
 - Registered cost
 - All of the above

xiv) The method of depreciation that calls for recognition of relatively large amount of depreciation in the early years of an asset's useful life and relatively small amount in the later years is:

- a. Sum of years digit method
- b. Double declining balance method
- c. Both of the above
- d. Hourly rate method

xv) Timber, mines, oil and gas deposits are:

- a. Depletive assets
- b. Intangible assets
- c. Both of the above
- d. Quick assets

xvi) Mr. A brought furniture cost Rs. 80,000 accumulated depreciation of Rs. 20,000, book value of Rs. 60,000, fair market value of Rs. 65,000 and mutually agreed value of Rs. 70,000. Which value is to be recorded in the books of accounts at the time of the formation?

- a. 60,000
- b. 65,000
- c. 80,000
- d. 70,000



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xvii) When the transactions of business are incomplete this is known as

- a. Double entry system
- b. Single entry system
- c. Triple entry system
- d. None

xviii) Beginning capital 10000, ending capital 20000, drawing 5000, additional investment 3000, net income in single entry system is

- a. 10000
- b. 12000
- c. 15000
- d. 5000

xix) While passing journal entry share capital is always credited with.

- a. Intrinsic value
- b. Par value
- c. Market value
- d. None

xx) Which is the most widely held class of stock?

- a. Par value common stock.
- b. No-Par common stock
- c. Par value preferred stock
- d. No-Par preferred stock

EXTRAS:

- xxi)** MACRS is the abbreviation of
- Medium accelerated cost recovery system
 - Method of accelerated cost recovery system
 - Modified accelerated cost recovery system
 - None
- xxii)** Which account is maintained when capital accounts are to remain constant?
- Capital account
 - Current account
 - Profit / Loss account
 - None of the above
- xxiii)** Partner withdraw merchandise costing Rs.2,000 having market value of Rs.3,500 the Journal Entry will be as follows:
- Dr. Drawing Rs.2,000 & Cr. merchandise Rs.3,500
 - Dr. Drawing Rs.2,000 & Cr. cash Rs.2,000
 - Dr. Capital Rs.2,000 & Cr. merchandise Rs.2,000
 - Dr. Drawing Rs.2,000 & Cr. merchandise Rs.2,000
- xxiv)** Statement of assets , liabilities and capital prepared in single entry is called;
- Balance sheet
 - Financial statement
 - Statement of affairs
 - Cash statement
- xxv)** A joint stock company is an artificial person created by;
- Shareholders
 - Law
 - Board of directors
 - Article of association
- xxvi)** Total assets of Zaid sports club are 12,75,000 and its liabilities are Rs.1,80,000, what is the amount of accumulated fund
- 500,000
 - 3,60,000
 - 4,80,000
 - 3,00,000
- xxvii)** Beginning capital 350,000, ending capital 850,000, drawing 250,000, additional investment 150,000, net income in single entry system is
- 6,00,000
 - 12,00,000
 - 15,00,000
 - 5,00,000

xxviii) If Rs.6000 is the depreciation expense of a fixed asset for 8 months, what is its annual depreciation?

- a. Rs.12000
- b. 15,000
- c. 9,000
- d. 10,000

xxix) Garner V/S Murray rule is applied in;

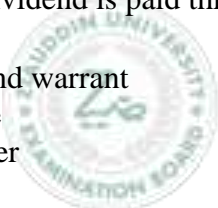
- a. Partnership admission
- b. Partnership liquidation
- c. Partnership retirement
- d. Partnership formation

xxx) Share application account is;

- a. a liability
- b. an asset
- c. an expense
- d. a revenue

xxxi) Cash dividend is paid through;

- a. Cash
- b. Dividend warrant
- c. Cheque
- d. Payorder



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xxxii) In case of liquidation taking over of asset by a partner is debited to;

- a. Realization account
- b. Revaluation account
- c. partner's capital account
- d. profit & loss account

xxxiii) Accumulated depreciation of an asset should not exceed to,

- a. original cost
- b. depreciable cost
- c. market value
- d. salvage value

Section 'B'

[30]

Note: Attempt any three questions. All questions carry equal marks.

Q.2. SINGLE ENTRY:

Karan Kumar keeps his books under single entry system. His financial position was as under:

Title of Accounts	January 1,2020	December 31,2020
Cash	Rs. 50,000	Rs. 70,000
Accounts Receivable	20,000	30,000
Merchandise Inventory	30,000	40,000
Furniture	25,000	35,000
Accounts Payable	25,000	10,000
Bank Loan	--0--	5,000

During the year 2020, Karan withdrew cash Rs.10,000 and merchandise Rs. 5,000 for his personal use and invested in the business an additional amount of Rs. 25,000 in cash.

Adjustment data on December 31,2020:

1. Accrued salaries Rs.15,000.
2. Accrued interest on Bank Loan Rs. 600.
3. Accrued rent income Rs. 25,000.
4. Depreciation on furniture 5% per annum.
5. Estimated Bad Debts 3% of Accounts Receivable.

REQUIRED:

1. Compute capital at start and capital at end by using Accounting Equation.
2. Prepare statement of Profit and Loss for the year ended December 31,2020.

Required: Prepare Statement of Profit & Loss for the year ended December 31, 2020.

Q.3. DISSOLUTION OF PARTNERSHIP:

Mehak, Sejal and Tisha were partners sharing profits and losses equally. They decided to liquidate their business. Prior to liquidation, the Balance Sheet of the firm showed as under:

Cash	Rs. 50,000.	Accounts Payable	Rs 300,000.
Accounts Receivable	200,000.	Mehak, Capital	200,000.
Merchandise	150,000.	Sejal Capital	170,000.
Furniture	300,000.	Tisha, Capital	30,000.

The Accounts Receivable realized Rs. 170,000; merchandise was sold for Rs. 210,000 and furniture was sold for Rs. 150,000. Tisha is personally solvent and can contribute any amount towards her capital deficiency, if any.

Required: All required entries to record the liquidation of the firm.

Q.4. RETIREMENT OF A PARTNER:

Abdullah Sohail, Osama Maqbool and Masab Jawed are partners sharing profits and losses in the ratio of 3:1:1. Their capital balances are Rs. 40,000 , Rs. 20,000 and Rs. 10,000 respectively. Masab Jawed retires from the firm.

REQUIRED:

Give entries in General Journal to show the retirement of Masab Jawed under each of the following assumptions considered independently:-

1. Masab Jawed sold entire interest to his friend Abdullah Sohail for Rs. 5,000.
2. Masab Jawed is Paid cash Rs. 5, 500 and issued a six month note payable for the balance.

Q.5. ACCOUNTING FOR NON-PROFIT CONCERNS:

A summary of receipt and payments account of **Zeeshan Mumtaz Cricket Club** for the year ended December 31, 2020:

Receipts and Payments Account

Receipts	Rs.	Payments	Rs.
Balance (1.1.2010)	12,000	Salaries	8,000
Subscription Income	95,000	General Expense	6,500
Donation	30,000	Utility Expense	2,000
Charity Show Income	20,000	Sports Goods Purchased	20,000
Interest Income	2,000	Sports Expenditure	2,000
		Medical Expenses	7,000
		Books Purchased	16,000
		Charity Show Expense	8,000
		Office Supplies	2,000

Additional data on December 31,2020 :

1. Subscription included Rs. 2000 for 2019 and Rs. 5,000 for 2021..
2. Subscription Receivable Rs. 10,000.
3. Salaries outstanding Rs.4,000.
4. Accrued interest income on investment Rs..2,000.
5. Office Supplies on hand Rs.500.

REQUIRED:

Prepare Club's Income and Expenditure Account for the year ended December 31,2020.

Q.6. APPROPRIATION OF RETAINED EARNINGS :

Following information relates to accounts and operations of **Bakar Mujeeb Limited** on December 31,2020:

Authorised Capital: .

500,000 shares of Rs. 5,000,000.

Issued and paid up capital :

200,000 shares of Rs. 10 Rs. 2,000,000.

Retained Earnings Rs. 400,000.

On December 31, 2020 Credit balance in the Income Summary was Rs. 500,000 which was transferred to retained earnings account. At this date the company decided as under:

- (i) To declare cash dividend of 200,000.
- (ii) To declare stock dividend of Rs. 300,000.
- (iii) To appropriate Rs. 60,000 for Plant Expansion.
- (iv) To appropriate Rs. 50,000 for Contingencies.

REQUIRED:

- (i) Entries to record the above decisions.
- (ii) Prepare Statement of Retained Earnings.



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Section "C" [30]

Attempt any two parts. All parts carry equal marks.

Q.7 (A) COST OF MACHINE:

Yusra Mughal Limited purchased a machine on account on July 1, 2019 at a list price of Rs. 800,000 subject to a Trade Discount of 20%. The credit terms were 2/15, n/45. Sales Tax was payable at 5% on the net cash price. The company also made the following payments:

- a) For freight-----Rs. 45,000.
- b) For installation-----35,000.
- c) For transit insurance-----3,560.
- d) For 3-Year insurance-----6,000.
- e) During the unloading a certain part of the machine was damaged and was replaced at cost of Rs. 15,000.

It is estimated the machine has a scrap value of Rs. 25,000 at the end of its estimated useful life of five years. The company uses Straight-Line Method to calculate depreciation and allowance method to record it. Accounting year ends on December 31 each year. Production started from August 31, 2019.

REQUIRED:

1. Calculate the total cost and depreciable cost of machine.
2. Compute and record depreciation for 2019 and 2020.

Q.7 (B) CALCULATION OF DEPRECIATION:

ISSUE OF SHARES AND DEBENTURES:

Equities section of **Khawaja Muhammad Rashid Limited** on March 31, 2020 was as under:

Authorised Capital: .

500,000 shares of Rs.10 each Rs. 50,00,000.

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Issued and paid up capital :

90,000 shares of Rs. 10 Rs. each Rs. 900,000.

Share Premium 180,000.

Retained Earnings 520,000.

Reserve for Plant Extension 150,000.

During the year ended March 31, 2020 the company performed the following transaction in addition to normal business:

1. Offered 80,000 shares at par to the public payable in full on application. Received applications for 50,000 shares. Remaining shares were sold to underwriters at 10% commission.
2. Purchased furniture at a price of Rs. 150,000 and issued 13,000 shares to vendor.
3. Issued 5,000 debentures at Rs.100 each redeemable at Rs.108 each.
4. Issued 2,000 debentures at Rs. 95 per debenture.
5. Purchased a machine for Rs. 120,000 and issued suitable numbers of shares, shares are quoted in the market @ 12 per share.

REQUIRED:

Entries in proper form to record the above transactions.

Q.7 (C) CALCULATION OF DEPRECIATION:

Total cost of two Machines A & B is Rs.15,00,000.

Salvage value of machine A is Rs. 100,000 which is 10% of its cost. And the salvage value of machine B is also 10% of its cost.

Date of Purchase of machine A ----- Jan 1,2018

Date of purchase of machine B ----- July 1, 2018

Life of both machines is 10 years

Method ----- Fixed installment method

Name of the Company: **Basit khan Ltd.**

Required:

1. Calculate depreciation for 2018 to 2019.
2. Prepare partial Balance Sheet on December 31, 2019