



EXAMINATION MATERIAL - 2022

ACCOUNTING XII

SECTION A

MULTIPLE CHOICE QUESTION (MCQ'S)

CHAPTER 1 SINGLE ENTRY	SUB TOPICS	<ul style="list-style-type: none">• Calculate Capital at start and Capital at end.• Prepare Statement of Profit and Loss.• Prepare statement of Affairs.
	MCQ'S	<p>01) Arithmetical accuracy of the books of accounts cannot be checked under:</p> <p>a) Double entry system (b) Single entry system c) Cash system (d) Accrual based system</p> <p>02) A following is a system of bookkeeping in which is a rule only records of cash and personal accounts are maintained;</p> <p>a) Double entry system (b) Single entry System c) Non trading concern (d) Partnership concern.</p> <p>03) The system of recording transactions based on dual aspect concept is called;</p> <p>a) Double entry (b) Single entry c) Single account (d) Double account</p> <p>04) Accounts are avoided under single entry system;</p> <p>a) Capital (b) Personal c) Real and nominal (d) Cash</p> <p>05) In single entry system, it is not possible to prepare:</p> <p>a) Trial balance (b) Creditor's account c) Balance Sheet (d) Account sales</p> <p>06) Net worth of an organization means the excess of its total assets over total:</p> <p>a) Liabilities (b) Incomes c) Expenses (d) Creditors</p> <p>07) In appearance, the statement of Affairs, is similar to a:</p> <p>a) Balance sheet (b) Profit and loss account c) Trading account (d) Bank reconciliation.</p> <p>08) Profit can be measured as an increase in the net ____ of the business.</p> <p>a) Liabilities (b) Personal & cash c) Assets (d) Drawings</p> <p>09) Single entry system is prohibited for?</p> <p>a) Sole Proprietors (b) Partnership Business</p>

- c) **Companies** (d) Both a and b.
- 10) Capital is also known as:
 a) Debtors (b) External Equities
 c) **Internal Equities** (d) Bank
- 11) A Statement of Assets and Liabilities prepared under the Single-Entry System is called:
 a) Statement of Retained Earnings (b) Financial Statement
 c) Cash Statement (d) **Statement of Affairs**
- 12) This is shown as a Liability:
 a) **Advance from Customers** (b) Loan to Employee
 c) Accrued Rent Income (d) Unexpired Insurance
- 13) Capital at end - Capital at start = ?
 a) Net income (b) **Unadjusted income/loss**
 c) Sales (d) Commission Income.
- 14) Unearned income shows in Balance sheet:
 a) Current assets (b). Non-current assets
 c) **Current liabilities** (d) Owner's equity
- 15) What is/are the other names for net worth method in single entry system?
 a) Capital Comparison method (b) Statement of affairs method
 c) **All of the above** (d) None of the above.
- 16) Accounts are usually held using a single-entry scheme by:
 a) Society (b) Company
 c) **Sole Trader** (d) Government
- 17) Single entry system cannot be maintained by:
 a) Sole proprietorship business (b) Partnership business
 c) **Companies** (d) All of these
- 18) A single-entry system usually adopted by:
 a) Company (b) Partnership
 c) **Government** (d) None of above
- 19) Single entry system cannot be maintained by:
 a) **Joint stock company** (b) Partnership
 c) Sole proprietorship (d) All of these
- 20) Statement of financial position produced from incomplete accounting record is commonly known as:
 a) Balance sheet (b) Cash flow statement
 c) **Statement of affairs** (d) Statement of financial operation.

<p>CHAPTER 2</p> <p>DEPRECIATION</p>	<p>SUB TOPICS</p>	<p>i) Compute: The Cost of Fixed Assets, Depreciable cost of Fixed Assets.</p> <p>ii) Calculate Depreciation with the help of:</p> <ol style="list-style-type: none"> Straight line method. Working hours method. Production unit method. Diminishing balance method. <p>iii) Prepare general entries for:</p> <ol style="list-style-type: none"> Purchase of fixed Depreciation of the fixed assets. <p>iv) Prepare general ledger.</p> <p>v) Prepare a Balance Sheet (partial)</p>
	<p>MCQ'S</p>	<p>01. Depreciation is a process of allocation of cost of:</p> <ol style="list-style-type: none"> Intangible assets (b) Tangible fixed assets Intangible fixed assets. All of these. <p>02. The main object of providing depreciation is</p> <ol style="list-style-type: none"> To calculate true profit To provide funds for replacement To shows true financial position To reduce tax burden <p>03. Total depreciation of an asset cannot exceed its</p> <ol style="list-style-type: none"> Scrap value Cost value Market value (d) Depreciable value <p>04. Depreciable value of an asset is equal to:</p> <ol style="list-style-type: none"> Cost + scrap value Cost + market price Cost - Scrap value None of these <p>05. Depreciation is:</p> <ol style="list-style-type: none"> An income An asset An Expense A liability <p>06. Under the straight-line method of charging the depreciation it:</p> <ol style="list-style-type: none"> Increases every year (b) Constant every year Decrease every year Both (a) & (b) <p>07. This is not included in the Cost of Machine</p> <ol style="list-style-type: none"> Installation Charges Insurance in Transit Freight (d) Repair expense. <p>08. All Fixed Assets are Depreciated except</p> <ol style="list-style-type: none"> Building Office Equipment Vehicles (d) Land <p>09. Cost of machine include</p> <ol style="list-style-type: none"> 3 years fire insurance Repair cost Trade discount (d) Insurance in transit

10. Under the diminishing balance method. Depreciation is calculated on
- a) The original cost (b) The scrap values
c) **Book value** (d) Both (a) & (b)
11. The basic purpose of depreciation is to achieve the?
- a) **Matching principle**
b) Dual aspect principle
c) Separate entity concept
d) Money measurement concept.
12. An alternative term used for accumulated depreciation expenses?
- a) **Provision for depreciation** (b) Cumulative depreciation
c) Targeted depreciation (d) Depletion
13. Depreciation helps in determining
- a) **Accurate level of profit** (b) Increases the value of asset
c) Revenue generation (d) Increase the burden of tax
14. What is the rate of charging depreciation under diminishing method?
- a) 12% p.a. (b) 15% p.a.
c) 10% p.a. (d) **Not fixed**
15. Under the diminishing balance method depreciation is calculate on?
- a) original value. (b) **Written down value.**
c) Scrap value. (d) Market value.
16. Estimated sale value of the asset at the end of its economic life is known as?
- a) Purchase value. (b) Market value.
c) Written down value. (d) **Salvage value.**
17. What is process called, where costs of the natural resources are allocated over its useful life?
- a) Capitalization (b) **Depletion**
c) Amortization (d) Depreciation
18. Which one is a capital transaction?
- a) Purchase of goods (b) Payment of wages
c) Sale of goods (d) **Purchase of Machinery**
19. Depreciation fund is also called?
- a) Reserve fund. (b) Compensation fund.
c) Worker's fund. (d) **Sinking fund.**
20. Depreciation is a process of:
- a) **Allocation** (b) Valuation
c) None of these (d) Depletion

<p>CHAPTER 3</p> <p>NON-PROFIT ORGANIZATION</p>	<p>SUB TOPICS</p>	<ul style="list-style-type: none"> • Prepare income and expenditure account. • Calculate Accumulated Fund • Prepare a Balance Sheet.
	<p>MCQ'S</p>	<p>01. An organization which is not formed to earn profit is known as</p> <p>a) Profit-motive organization</p> <p>b) Non-profit organization</p> <p>c) Manufacturing organization</p> <p>d) Trading organization</p> <p>02. In non-profit organization which one of the following is used in place of income statement</p> <p>a) Balance sheet</p> <p>b) Receipts and payments account</p> <p>c) Income and expenditure account</p> <p>d) Cash book</p> <p>03. In income and expenditure account of non-profit organization, profit is represented by:</p> <p>a) Deficit (b) Net profit</p> <p>c) Surplus (d) Net loss</p> <p>04. In income and expenditure account of non-profit organization, loss is represented by:</p> <p>a) Deficit (b) Net profit</p> <p>c) Surplus (d) Net loss</p> <p>05. Subscription earned but not received should be shown in balance sheet as;</p> <p>a) Liability (b) Asset</p> <p>c) Income (d) Expense</p> <p>06. Out of following items, which one is shown in the Receipts and Payments Account?</p> <p>a) Outstanding Salary (b) Depreciation</p> <p>c) Life Membership Fees (d) Accrued Subscription.</p> <p>07. Income and Expenditure Account is a:</p> <p>a) Personal Account</p> <p>b) Real Account</p> <p>c) Nominal Account</p> <p>d) Real and Nominal Account, both</p> <p>08. Edhi Foundation is an example of:</p> <p>a) Business organization.</p> <p>b) Non-Profit Organization.</p> <p>c) Government Organization.</p> <p>d) Partnership Firm.</p> <p>09. Which of the following is not a non - profit organization?</p> <p>a) School (b) Hospital</p> <p>c) Club (d) Partnership Firm</p> <p>10. which of the following is a non-trading organization?</p>

		a) Dr. Ziauddin College c) Imtiaz Store	(b) Atlas Honda (d) Lucky One Mall.
CHAPTER 4	SUB TOPICS	<ul style="list-style-type: none"> • General Journal: • Shares Subscribed to the public. • Shares issue against purchase an asset. • Issue a Debentures. 	
ISSUANCE OF SHARES AND DEBENTURES	MCQ'S	01. In Pakistan, limited companies are registered under: a) Companies Act 1913 b) Partnership Act 1932 c) Income Tax Ordinance 2001 d) Companies Ordinance 1984	
		02. Share application account is; a) An asset accounts c) An expense accounts	
		(b) A liability accounts (d) A capital accounts	
		03. When a company issues ordinary shares to public then; a) Its liability increases c) Its capital increases	
		(b) Its income increases (d) Its expense increases	
		04. Debenture holders are; a) Creditors of company	
		(b) Customers of company c) Suppliers of company (d) Owners of company	
		05. Profit received on shares is called; a) Interest c) Gross profit	
		(b) Dividend (d) Net profit	
		06. The nature of share premium account is; a) Expense c) Liability	
		(b) Asset (d) Capital	
		07. Preliminary expenses are shown in: a) Income statement c) Statement of retained earnings	
		(b) Balance sheet (d) Both (a) & (c)	
		08. Dividend is paid on the bases of: a) Share premium c) Paid up capital	
		(b) Authorized capital (d) Called up capital	
		09. Commission paid to promoters is included in a) Preliminary expenses	
		(b) Operating expenses c) Selling expense (d) Administrative expense.	
		10. A Company is created by: a) Special act of the Parliament c) Investors	
		(b) Companies Act (d) Members	

CHAPTER 5 APPROPRIATION OF RETAINED EARNING	SUB TOPICS	<ul style="list-style-type: none"> • General Journal Entries. • Prepare Retained Earning Account. • Statement of Retained Earning
	MCQ'S	<p>01. In case of loss the retained earnings may has balance.</p> <p>a) Debit (b) Credit c) Retained earning account (d) Contra account</p> <p>02. Total profit of the company cannot be distributed amongst the</p> <p>a) Directors (b) Partners c) Shareholders (d) Dividends</p> <p>03. Dividends are paid from the</p> <p>a) Retained earnings b) Internal transactions c) Operating Transactions approach d) Non-Operating Transactions</p> <p>04. Which are declared from the Retained earning</p> <p>a) Reserves (b) Bonds c) Debentures (d) Stock</p> <p>05. Dividend are settled always by issuing shares.</p> <p>a) Stock (b) Cash c) Shareholders (d) Revenue</p> <p>06. Reserves cannot be used except there</p> <p>a) Specific purpose (b) Any purpose c) Dividend distribution purpose (d) Expense purpose</p> <p>07. The term Retained Earning represents:</p> <p>a) Reserves b) Liabilities c) Accumulated Profit d) Net Profit for the Current Year</p> <p>08. Cash Dividend is paid by issue of:</p> <p>a) Pay Order (b) Bank Drafts c) Dividend Warrants (d) Bonus Shares</p> <p>09. Unclaimed Dividend is/are:</p> <p>a) Income (b) Liabilities c) Assets (d) Capital</p> <p>10. Income and Expenditure Account is a:</p> <p>a) Personal Account b) Real Account c) Nominal Account d) Real and Nominal Account, both.</p>

CHAPTER 6 PARTNERSHIP – FORMATION	SUB TOPICS	General Journal Entries. Calculate Initial Investment. Prepare Initial Balance Sheet
	MCQ'S	<p>01. Which Partnership is the commencement of the new partnership business?</p> <p>a) Admission (b) Formation c) Retirement (d) None of these</p> <p>02. In case of merger of two sole proprietors, new values of assets and liabilities are called</p> <p>a) Agreed value (b) Cost value c) Market value (d) None of these</p> <p>03. In a partnership business liability of all partners are</p> <p>a) Same (b) Equal c) Different (d) None of these</p> <p>04. In a partnership the maximum limit of partners</p> <p>a) 5 (b) 50 c) 20 (d) 30</p> <p>05. The persons who have entered into a partnership are individually called</p> <p>a) Agents (b) Partners c) A firm (d) Vendors</p> <p>06. The partnership agreement in writing is called</p> <p>a) Partnership registration (b) Partnership-at-will c) Partnership deed (d) Partnership certification</p> <p>07. A partner who lends his name and reputation to the firm is called</p> <p>a) Active partner (b) Dormant partner c) Nominal partner (d) None of these</p> <p>08. This account is not included in newly formed business:</p> <p>a) Cash b) Account receivable c) Allowance for bad debts d) Allowance for depreciation</p> <p>09. Which is not a feature of a partnership business?</p> <p>a) Ease of formation (b) Limited liability c) Limited life (d) Mutual agency</p> <p>10. Which of the following is not one of the three forms of business organization?</p> <p>a) Corporations (b) Investors c) Sole Proprietorship (d) Partnerships</p>

<p>CHAPTER 7</p> <p>PARTNERSHIP - DISTRIBUTION OF PROFIT OR LOSS</p>	<p>SUB TOPICS</p>	<p>Prepare Income Distribution Summary. General Journal Entries: Fluctuating Capital Method. Fixed Capital Method. General Ledger</p>
	<p>MCQ'S</p>	<p>01. When the partners do not agree to keep their capital fixed, they are called</p> <p>a) Fixed Capital (b) Currents Capital c) Fluctuating capital (d) None of these</p> <p>02. Current accounts of the partners should be opened when the capitals are:</p> <p>a) Fluctuating Capital. b) Fixed Capital. c) Either Fixed Capital or Fluctuating Capital. d) Neither fixed Capital nor fluctuating Capital.</p> <p>03. The interest on partners' capital accounts is to be credited to</p> <p>a) Partner's capital account (b) Profit and loss account c) Interest account (d) Both A & B.</p> <p>04. The current account of a partner.</p> <p>a) Will always have a credit balance. b) Will always have a debit balance. c) A debit balance or credit balance. d) Neither debit balance and credit balance.</p> <p>05. A credit balance on a partner's current account is:</p> <p>a) A fixed asset (b) Part of the capital c) Along term liability (d) A current Asset</p> <p>06. The relation of partner with the firm is that of:</p> <p>(a) An Owner (b) An Agent (c) An Owner and an Agent (d) Manager</p> <p>07. Number of partners in a partnership firm may be:</p> <p>a) Maximum Two (b) Maximum Ten c) Maximum One Hundred (d) Maximum Fifty</p> <p>08. Which one of the following items cannot be recorded in the profit and loss appropriation account?</p> <p>a) Interest on capital (b) Interest on drawings c) Rent paid to partners (d) Partner's salary</p> <p>09. Every partner is bound to attend diligently to his in the conduct of the business.</p> <p>a) Rights (b) Meetings c) Capital (d) Duties</p> <p>10. Which of the following is not incorporated in the Partnership Act?</p> <p>a) Profit and loss are to be shared equally. b) No interest is to be charged on capital. c) All loan to be charged interest @6% p.a.</p>

<p>CHAPTER 8</p> <p>PARTNERSHIP – RETIREMENT</p>	<p>SUB TOPICS</p>	<p>d) All drawings are to be charge interest.</p> <p>General Journal Entries under each of the following methods.</p> <p>a) Revaluation Method. b) Bonus Method. c) Goodwill Method</p>
	<p>MCQ'S</p>	<p>01. When a partner is withdrawing from the business, it is called</p> <p>a) Retirement (b) Admission c) Formation (d) Distribution of profit & loss</p> <p>02. Retired partner's capital will be distributed among the</p> <p>a) Existing partners (b) New partner c) Retired partners (d) None of these</p> <p>03. In case of revaluation of assets, which account will be distributed all partners</p> <p>a) Gain (b) Loss c) Gain or loss (d) None of these</p> <p>04. If a retired partner is paid more than his capital. This excess value is known as</p> <p>a) Goodwill (b) Bonus c) Interest (d) None of these</p> <p>05. The balance to the credit of retiring partners' capital account if not paid in cash must be transferred to;</p> <p>a) Profit and Loss account (b) Loan account c) Old partner capital account (d) None of these</p> <p>06. Profit and loss on revaluation at the time of retirement must be transferred to the partners in</p> <p>a) Capital ratio (b) Old profit-sharing ratio c) New profit-sharing ratio (d) Gaining ratio</p> <p>07. The amount due to the deceased partner is paid to his?</p> <p>a) Father (b) Friend c) Wife (d) Executors</p> <p>08. The life policies are taken on the lives of the partners to guard against the risk of disturbance in the business on the:</p> <p>a) Admission of a partner (b) Retirement of a partner c) Death of a partner (d) Dissolution of the partner</p> <p>09. In the case of retirement of a partner, full goodwill is credited to the account of</p> <p>a) All partners (b) Only retiring partner c) Only remaining partners (d) Only the partners</p> <p>10. Revaluation means:</p> <p>a) Assets are revalued. b) Liabilities are revalued. c) Equities are revalued. d) Assets and Liabilities are revalued.</p>

<p>CHAPTER 9</p> <p>PARTNERSHIP – DISSOLUTION.</p>	<p>SUB TOPICS</p>	<p>General Journal Entries under each of the following methods.</p> <p>a) Realization. b) Solvent. c) Insolvent</p>
	<p>MCQ'S</p>	<p>01. If the realized value of assets is more than book value, brings</p> <p>a) Surplus on realization (b) Loss on realization c) Gain on realization (d) Deficit on realization.</p> <p>02. If the realized value of assets is less than book value, brings</p> <p>a) Gain on realization (b) Loss on realization c) Surplus on realization (d) Deficit on realization.</p> <p>03. If the partner is insolvent, his deficiency is met by</p> <p>a) Insolvent partners (b) Solvent partners c) Remaining partners (d) None of these</p> <p>04. If the partner is solvent, his efficiency is met by</p> <p>a) Himself (b) Remaining partners c) All partners (d) All of the above</p> <p>05. In case of liability payment, difference of paid amount and liability is recorded with the of</p> <p>a) Cash (b) Partner's capital c) Assets (d) Realization</p> <p>06. The end or termination of partnership is called</p> <p>a) Dissolution (b) Retirement c) Admission (d) Amalgamation</p> <p>07. Where a partner has become of unsound mind, the dissolution considered as dissolution by</p> <p>a) Agreement (b) Court c) Notice (d) Compulsion</p> <p>08. A firm is unable to pay debts, when:</p> <p>a) A partner is insolvent. b) A partner has debit balance. c) A partner has become of unsound mind. d) The firm is insolvent.</p> <p>09. Provision for bad and doubtful debts appearing at the time of dissolution of a firm is transferred to account:</p> <p>a) Debtors (b) Realization c) Partner's capital (d) Cash</p> <p>10. Realization Account, operated by partnership business, is called:</p> <p>a) Asset (b) Temporary Account c) Contra Asset (d) None of these</p>

<p style="text-align: center;">CHAPTER 10</p> <p>PARTNERSHIP – DISSOLUTION</p>	<p style="text-align: center;">SUB TOPICS</p>	<p>General Journal Entries under each of the following methods.</p> <p>a) No Bonus No Goodwill Method. b) Bonus Method. c) Goodwill Method.</p>
	<p style="text-align: center;">MCQ'S</p>	<p>01. In admission of a partner if the goodwill account is to be raised this should be debited to</p> <p>a) Partner's capital accounts (b) Goodwill account c) Cash account (d) Capital account of new partner</p> <p>02. Old partners' capital will remain same, shows?</p> <p>a) Bonus to old partners b) Bonus to new partner c) Goodwill old partners d) Goodwill to new partner</p> <p>03. In sufficient of cash method, partner's capital in recorded with</p> <p>a) Book value (b) More than value c) Less than value (d) Equal value</p> <p>04. Equal to book value brings</p> <p>a) Bonus to new (b) Bonus to old c) Goodwill (d) Nil</p> <p>05. A new partner may be admitted into a partnership:</p> <p>a) With the consent of any one partner b) With the consent of majority of partners c) With the consent of 2/3rd of old partners d) With the consent of all old partners</p> <p>06. If the new partner brings his share of goodwill in cash, it will be shared by old partners in:</p> <p>a) Ratio of sacrifice (b) Old profit-sharing ratio c) New profit-sharing ratio(d) In Capital ratio</p> <p>07. When the balance sheet is prepared after the new partnership agreement, the assets and liabilities are recorded at:</p> <p>a) Historical cost (b) Current cost c) Realizable value (d) Revalued figures</p> <p>08. Goodwill is nothing more than probability that the old customer will resort to the old place. This definition of goodwill was given by:</p> <p>a) Spicer and Pegler (b) ICAI c) Lord Elton (d) AICPA</p> <p>09. Excess of the credit side over the debit side of Revaluation account is:</p> <p>a) Profit (b) Loss c) Gain (d) Expense</p> <p>10. Formula of Sacrificing ratio is:</p> <p>a) New Ratio – Old Ratio b) Old Ratio – New Ratio c) Gain Ratio – Sacrificing Ratio d) New Ratio – Sacrificing Ratio.</p>

