

**AZEEM**

# SOLVED PAST PAPERS

## PRINCIPLES OF ACCOUNTING

**I.Com - II**

**Chapter Wise**

**Topic Wise**

- ☞ Chapter wise MCQs with solutions from Past Papers (2014 - 2019) of all Boards of Punjab & AJK.
- ☞ Chapter wise Short questions with solutions from Past Papers (2014 - 2019) of all Boards of Punjab & AJK.
- ☞ Chapter wise Long Questions with Solutions from Past Papers (2014 - 2019) of all Boards of Punjab & AJK.

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## Principles of Accounting

## HSSC – II

MODEL PAPER 1

Time Allowed: 25 Minutes

Marks: 20

Version Number

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 Center Superintendent. Deleting / overwriting is not allowed. Do not use lead pencil.

**ACCOUNTS FROM INCOMPLETE RECORDS****SECTION – A****MULTIPLE CHOICE QUESTIONS**

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.

- In single entry system, what/whose account does the ledger contain?**

(A) Debtors, creditors and cash (B) Assets and liabilities  
(C) Wages and carriage (D) Salaries and insurance
- In single entry system, what is the statement of assets, liabilities and capital called:**

(A) Income statement (B) Retained earnings statement  
(C) Cash flow statement (D) Statement of affairs
- How do drawings made during the year affect the closing balance of capital?**

(A) They increase it (B) They keep it constant  
(C) They decrease it (D) They divided it
- What account is prepared to ascertain the closing balance of creditors?**

(A) Bill receivable account (B) Account receivable account  
(C) Bills payable account (D) Accounts payable account
- If cost of goods sold is Rs. 350,000 and the gross profit on cost is 15%, what would be the value of sales?**

(A) Rs. 420,000 (B) Rs. 422,500 (C) Rs. 402,500 (D) Rs. 405,000
- According to the companies ordinance, single entry system cannot be adopted by:**

(A) Sole proprietor (B) Partnership (C) Co-operative society (D) Joint stock company
- The format sketch of statement of affairs is similar to \_\_\_\_\_.**

(A) Trial balance (B) Profit and loss account  
(C) Balance sheet (D) Income and expenditure account
- In single entry system:**

(A) Personal accounts are maintained (B) Real accounts are maintained  
(C) Nominal accounts are maintained (D) None of these
- In increased net worth method, profit or loss is calculated by preparing:**

(A) Income and expenditure account (B) Profit and loss account  
(C) Statement of profit or loss (D) Balance sheet
- If capital at the end is Rs. 30,000, drawings Rs. 1,250, capital in beginning Rs. 15,000, then amount of profit will be:**

(A) Rs. 43,750 (B) Rs. 16,250 (C) Rs. 13,750 (D) Rs. 43,500
- Net worth is equal to:**

(A) Assets – Liabilities (B) Liabilities – Assets (C) Liabilities + Capital (D) Capital + Assets

12. If cash paid to creditors Rs. 33,075/-, returns outward Rs. 225/-, credit purchases Rs. 67,500/- cash purchases Rs. 25,000/-, then the value of closing creditors will be \_\_\_\_\_.
- (A) 34,300 (B) 34,500 (C) 34,200 (D) 34,000
13. The closing balance of debtors can be located from \_\_\_\_\_.
- (A) Total debtors A/c (B) Balance sheet (C) Bills receivable A/c (D) Cash book
14. Under the net worth method any addition to capital during the accounting period must be \_\_\_\_\_.
- (A) Added to profit (B) Subtracted from profit  
(C) Added to capital (D) Subtracted from capital
15. The capital in the beginning of the accounting year is ascertained by preparing \_\_\_\_\_.
- (A) Cash account (B) Opening statement of affairs  
(C) Total creditors account (D) Total debtors account
16. In single entry system, both the aspects, debit and credit of a transaction are not recorded so it is:
- (A) Complete and unscientific (B) Incomplete and scientific  
(C) Complete and scientific (D) Incomplete and unscientific
17. What is meant by double entry system?
- (A) Recording of the same transaction twice (B) Entry at two dates  
(C) Recording of two sides of every transaction (D) None of these
18. To calculate the true profit or loss in single entry system it is necessary that the amount of fresh capital should be subtracted from:
- (A) Closing capital (B) Opening capital (C) Cash in hand (D) Cash at bank
19. If the closing capital is Rs. 30,000 and opening capital is Rs. 18,000 then the amount of net profit will be:
- (A) Rs. 48,000 (B) Rs. 18,000 (C) Rs. 12,000 (D) Rs. 30,000
20. If gross profit is 20% on sales and cost of goods sold is Rs. 2,00,000 amount of gross profit will be:
- (A) Rs. 40,000 (B) Rs. 60,000 (C) Rs. 30,000 (D) Rs. 50,000

**ANSWERS**

1.	(A)	2.	(D)	3.	(C)	4.	(D)	5.	(C)	6.	(D)	7.	(C)	8.	(A)	9.	(C)	10.	(B)
11.	(A)	12.	(C)	13.	(A)	14.	(D)	15.	(B)	16.	(D)	17.	(C)	18.	(A)	19.	(C)	20.	(D)



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 1**

Time Allowed: 2:35 Hours

Total Marks Sections B and C: 80

Note: Section '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)****SHORT QUESTIONS ANSWERS**

Q.2 Attempt any TEN parts. The answer to each part should not exceed 3 to 4 lines. (10 × 3 = 30)

(i) What is a statement of affairs?

Ans: Statement of affair is a sort of balance sheet having assets on left side and liabilities and capital on right side under single entry system. It shows capital position of a business during a particular period. Opening statement is prepared to find out opening capital and closing statement is prepared to find out the closing capital.



(viii) What types of records are kept in single entry system?

Ans: Under single entry system following records are kept:

- (i) Day book records (ii) Cash book records  
(iii) Ledger accounts of customer (iv) Ledger accounts of creditor

(ix) What is additional capital?

Ans: Amount of capital introduced during the year in the business is known as additional capital.

(x) Define balance sheet.

Ans: It is a statement of assets, liabilities and owner's equity on a particular date which shows financial position of a business during a particular period.

(xi) Differentiate between pure single entry system and quasi single entry system.

Pure Single Entry System	Quasi Single Entry System
Under pure single entry system only personal accounts are kept. Real and nominal accounts records are not maintained.	The system under which personal accounts, cash book and some other subsidiary books are kept.

(xii) If the closing capital Rs. 50,000, drawings Rs. 10,000 and opening capital Rs. 40,000, find profit or loss.

Ans: We know that:

$$\begin{aligned} \text{Profit or loss} &= \text{Closing capital} + \text{Drawings} - \text{Opening capital} \\ &= 50,000 + 10,000 - 40,000 \\ \text{Profit} &= \text{Rs. } 20,000 \end{aligned}$$

### SECTION - C (Marks: 50)

#### LONG QUESTIONS

#### PART-I

Note: Attempt any ONE questions.

(1 × 20 = 20)

Q.3 On 1<sup>st</sup> January 2011 the position of Waleed general store, who has not kept full double entry records, stood as follows:

Cash in hand	Rs. 345
Cash in bank	Rs. 5,537
Stock	Rs. 5,690
Sundry debtors	Rs. 3,275
Furniture	Rs. 210
Sundry creditors	Rs. 3,457

Its position at the end of 2011 was found as under:

Cash in hand	Rs. 450
Cash in bank	Rs. 2,430
Stock	Rs. 4,680
Sundry debtors	Rs. 4,620
Furniture	Rs. 250
Sundry creditors	Rs. 4,350

During the year its drawings were Rs. 6,500, of which Rs. 5,600 were spent in purchasing a bicycle for the business. At the end of the year while preparing statement it is to provide.

- (i) 10% depreciation furniture and bicycle.  
 (ii) Write off Rs. 120 as actual bad debts.  
 (iii) Make a 5% reserve for likely bad debts.

**REQUIRED:**

Prepare statement, showing its trading result for the year ended 31<sup>st</sup> December, 2011 and a balance sheet as on that date.

**Solution:**

**M/s Waleed General Store**  
**Statement of Affair (Opening)**  
 As on 1<sup>st</sup> Jan. 2011

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Cash in hand	345	Sundry creditors	3,457
Cash at bank	5,537	Opening capital (balance)	11,600
Stock	5,690		
Sundry debtors	3,275		
Furniture	210		
	15,057		15,057

**M/s Waleed General Store**  
**Statement of Affair (Closing)**  
 As on 31<sup>st</sup> Dec. 2011

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Cash in hand	450	Sundry creditors	4,350
Cash at bank	2,430	Closing capital (balance)	12,750
Stock	4,680		
Sundry debtors	4,620		
Less: Write off	(120)		
	4,500		
Less: Reserve (5%)	(225)		
Furniture	250		
Less: Depreciation (10%)	(25)		
Bicycle	5,600		
Less: Depreciation (10%)	(560)		
	17,100		17,100

**M/s Waleed General Store**  
**Statement of Profit and Loss Account**  
 For the year ended 31<sup>st</sup> Dec. 2011

Detail	Amount (Rs.)
Closing capital	12,750
Add: Drawings (6,500 – 5,600)	900
	13,650
Less: Opening capital	11,600
Net Profit	2,050

**M/s Waleed General Store**  
**Balance Sheet**  
**As on 31<sup>st</sup> Dec. 2011**

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Cash in hand	450	Sundry creditors	4,350
Cash at bank	2,430	Opening capital	11,600
Stock	4,680	Add: Net profit	<u>2,050</u>
Sundry debtors	4,620		13,650
Less: Write off	<u>(120)</u>	Less: Drawings	<u>(900)</u>
	4,500		12,750
Less: Reserve (5%)	<u>(225)</u>		
Furniture	250		
Less: Depreciation	<u>(25)</u>		
Bicycle	5,600		
Less: Depreciation (10%)	<u>(560)</u>		
	5,040		
	<u>17,100</u>		<u>17,100</u>

**Q.4** A trader keeps his books by single entry system. His financial position of year ended December 31<sup>st</sup>, 2015 is given below:

	01-01-2015	31-12-2015
Stock in trade	16,700	18,100
Sundry creditors	15,400	19,200
Sundry debtors	11,200	10,600
Cash in hand	250	1,400
Bank overdraft	19,200	—
Bills receivable	16,000	5,000
Fixtures and fittings	1,500	1,500
Motor van	1,900	—
Bank balance	—	2,900

The drawings during the year amounted to Rs. 2,400. Depreciate fixtures and fittings by 10%. Provide 5% reserve for doubtful debts and a reserve of Rs. 200 in respect of bill receivable. Calculate profit or loss for the year 2015.

**Solution:**

**A Trader**  
**Statement of Affair (Opening)**  
**As on 1<sup>st</sup> Jan. 2015**

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Stock in hand	16,700	Sundry creditors	15,400
Sundry debtors	11,200	Bank overdraft	19,200
Cash in hand	250	Opening capital (balance)	12,950
Bill receivable	16,000		
Fixture and fitting	1,500		
Motor van	900		
	<u>47,550</u>		<u>47,550</u>

**A Trader**  
**Statement of Affair (Closing)**  
 As on 31<sup>st</sup> Dec. 2015

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Stock in trade	18,100	Sundry creditors	19,200
Sundry debtors	10,600	Closing capital (balance)	19,420
– Reserves (5%)	<u>530</u>		
Cash in hand	1,400		
Bill receivable	5,000		
– Reserves	<u>200</u>		
Fixture and fitting	1,500		
– Depreciation (10%)	<u>150</u>		
Bank balance	2,900		
	<u>38,620</u>		<u>38,620</u>

**A Trader**  
**Statement of Profit & Loss**  
 For the year ended 31<sup>st</sup> Dec. 2015

Particulars	Amount (Rs.)
Closing capital	19,420
+ Drawings	2,400
	<u>21,820</u>
– Opening capital	12,950
Profit earned during the year	<u>8,870</u>

**PART-II**

Note: Attempt any **THREE** questions.

(3 × 10 = 30)

**Q.5** Mr. Saleem Hassan commenced business on 01-01-2005 with a capital of Rs. 50,000. He immediately purchased furniture for Rs. 12,000. On April 1, 2005 he borrowed Rs. 30,000 from his friend Mr. Nasir @ 10% p.a. and introduced a further capital of his own amounting to Rs. 19,000. He had withdrawn Rs. 1,800 at the end of each month for family expenses. On December 31, 2005 his position was as follows: Cash in hand Rs. 1,200, cash at bank Rs. 15,600, sundry debtors Rs. 28,800; stock Rs. 40,800. Bills receivable Rs. 9,600, sundry creditors Rs. 3,000, rent due Rs. 900. Ascertain profit or loss made by him after making the following adjustments:

- (i) Depreciation on furniture @ 10% p.a.
- (ii) Charge interest on capital @ 10%.
- (iii) Interest is unpaid on Mr. Nasir loan.
- (iv) Write off Rs. 2,800 from sundry debtors.

**Solution:**

**Mr. Saleem**  
**Statement of Affairs**  
 As on 31<sup>st</sup> Dec. 2005

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Cash in hand	1,200	Sundry creditors	3,000
Cash at bank	15,600	Rent due	900
Sundry debtors	28,800	Loan from friends	30,000
– Write off	<u>2,800</u>	+ Interest on loan	<u>2,250</u>
Stock	40,800	(30,000 × 10/100 × 9/12)	
Bill receivable	9,600	Closing capital (balance)	67,850
Furniture	12,000		
– Depreciation	<u>1,200</u>		
	<u>104,000</u>		<u>104,000</u>

**Mr. Saleem**  
**Statement of Profit and Loss**  
 For the year ended 31<sup>st</sup> Dec. 2005

Particulars	Amount (Rs.)
Closing capital	67,850
+ Drawings (1,800 × 12)	21,600
	89,450
– Opening capital	(50,000)
	39,450
– Fresh capital	(19,000)
	20,450
– Interest on capital	
(50,000 × $\frac{10}{100}$ ) = 5,000	
(19,000 × $\frac{10}{100} \times \frac{9}{12}$ ) = <u>1,425</u>	
	(6,425)
Net profit	14,025

**Q.6** Sagheer is not writing his books properly. From the following information prepare A statement showing profit or loss and statement of affairs for the year ending 30<sup>th</sup> June 2005:

	01-07-2004	30-06-2005
Cash in hand	900	2,800
Debtors	22,800	21,400
Creditors	31,200	28,400
Stock	33,400	37,400
Bill receivable	30,500	28,800
Bank over draft	40,800	39,200
Motor van	4,200	4,200
Furniture	3,400	3,400

Drawing Rs. 4,800; Depreciate furniture at 10%; write off Rs. 800 on motor van. Provide Rs. 1,000 as bad debts and 5% as reserve on debtors. Provide reserve of Rs. 1,600 on bills receivable.

**Solution:**

**Mr. Sagheer**  
**Statement of Affairs (Opening)**  
As on 1<sup>st</sup> July, 2004

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Cash in hand	900	Creditors	31,200
Debtors	22,800	Bank overdraft	40,800
Stock	33,400		
Bill receivable	30,500		
Motor van	4,200	Opening capital (Balancing amount)	23,200
Furniture	3,400		
	95,200		95,200

**Mr. Sagheer**  
**Statement of Affairs (Closing)**  
As on 30<sup>th</sup> June, 2005

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Cash in hand	2,800	Creditors	28,400
Debtors	21,400	Bank overdraft	39,200
Bad debts	(1,000)		
Reserve for bad debts	(1,020)		
Stock	37,400		
Bill receivable	28,800		
- Reserve for bad debts	(1,600)		
Motor van	4,200		
Less: Depreciation	(800)	Capital (Closing)	25,640
Furniture	3,400		
Less: Depreciation	(340)		
	93,240		93,240

**Mr. Sagheer**  
**Statement of Profit & Loss**  
 As on 1<sup>st</sup> July, 2004

Detail	Amount (Rs.)
Closing capital	25,640
Add: Drawings	4,800
	30,440
Less: Opening capital	(23,200)
Less: Introduced capital	(Nil)
Less: Interest on capital	(Nil)
	7,240

**Q.7** Mr. Kashif keeps his books under single entry system. His capital on 31<sup>st</sup> March 2004 was Rs. 59,200. On 1<sup>st</sup> October 2004, Kashif introduced Rs. 10,000 as further capital in the business and withdrew on the same date Rs. 7,000 out of which he spent Rs. 5,000 on the purchase of a machine for the business.

On 31<sup>st</sup> March, 2005 his financial position was as follows:

Cash in hand Rs. 2,100, Cash at bank Rs. 27,500, Stock Rs. 31,500, Debtors Rs. 24,200, Furniture Rs. 5,000, Creditors Rs. 25,200, Prepaid insurance Rs. 200/-.

**ADJUSTMENTS:**

- Depreciate furniture and machine @ 10% p.a.
- Write off bad debts Rs. 1,200 and provide 5% for doubtful debts.
- Goods taken away by Mr. Kashif for personal use Rs. 1,500.

**REQUIRED:**

Prepare necessary statements showing the profit or loss for the 31<sup>st</sup> March, 2005.

**Solution:**

**Mr. Kashif**  
**Statement of Affairs (Closing)**  
 As on 31<sup>st</sup> March 2005

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Cash in hand	2,100	Creditors	25,200
Cash at bank	27,500	Closing capital (balance)	67,200
Stock	31,500		
Debtors	24,200		
– Bad debts	<u>1,200</u>		
	23,000		
– Provision (5%)	<u>1,150</u>		
	21,850		
Furniture	5,000		
– Depreciation (10%)	<u>500</u>		
	4,500		
Prepaid insurance	200		
Machinery	5,000		
– Depreciation	<u>250</u>		
(5,000 × 10/100 × 6/12)	4,750		
	92,400		
			92,400

**Mr. Kashif**  
**Statement of Profit and Loss**  
 For the year ended 31<sup>st</sup> March 2005

Particulars	Amount (Rs.)
Closing capital	67,200
+ Drawings (2,000 + 1,500)	3,500
	70,700
- Opening capital	(59,200)
	11,300
- Fresh capital	(10,000)
Net profit	1,500

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

	January 1 <sup>st</sup> 2005 (Rs.)	December 31 <sup>st</sup> 2005 (Rs.)
Sundry debtors	4,250	7,000
Cash in hand	-	150
Cash at bank	1,500	1,000
Stock	10,000	9,500
Machinery	900	900
Motor vehicles	7,000	7,000
Furniture	8,000	8,000
Sundry creditors	11,000	14,500

During the year he withdrew Rs. 7,000/- for personal use. He introduced additional capital on 1<sup>st</sup> July 2005 Rs. 9,000/-. 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 31<sup>st</sup> December 2005.

**Solution:**

**Arslan**  
**Statement of Affairs (Opening)**  
 As on January 1<sup>st</sup> 2005

Details	Amount (Rs.)	Details	Amount (Rs.)
S. debtors	4,250	S. creditors	11,000
Cash at bank	1,600		
Stock	10,000		
Machinery	900		
Motor vehicles	7,000		
Furniture	8,000		
		Opening capital	20,750
	31,750		31,750

**Arslan**  
**Statement of Affairs (Closing)**  
**As on December 31<sup>st</sup> 2005**

Details	Amount (Rs.)	Details	Amount (Rs.)
Sundry debtors	7,000		
Cash in hand	150		
Cash at bank	1,000		
Stock	9,500		
Machinery	900		
– Depreciation	<u>90</u>		
Motor vehicles	7,000		
– Depreciation	<u>700</u>		
Furniture	8,000		
– Depreciation	<u>800</u>		
		Closing stock	17,460
	<u>31,960</u>		<u>31,960</u>

**Arslan**  
**Statement of Profit and Loss**  
**For the year ended 31<sup>st</sup> December 2005**

Details	Amount (Rs.)
Closing stock	17,460
Add: Drawings	7,000
	24,460
Less: Opening capital	(20,750)
Less: Fresh / introduced capital	(9,000)
Less: Interest on capital (270 + 1,245)	(1,515)
Free capital = $9,000 \times 6/100 \times 6/12$ = 270	
Opening = $20,750 \times 6/100$ = 1,245	
Net loss	6,805



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 2**

Time Allowed: 25 Minutes

Marks: 20

Version Number

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 Center Superintendent. Deleting / overwriting is not allowed. Do not use lead pencil.

**THE ACCOUNTS OF NON-PROFIT MAKING ORGANIZATIONS**

**SECTION – A**

**MULTIPLE CHOICE QUESTIONS**

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. Receipt and payment account is summary of:
  - (A) Cash book
  - (B) Purchases book
  - (C) Sales book
  - (D) Purchases return book
2. What is the subscription received in advance treated as?
  - (A) Accrued income
  - (B) Unearned income
  - (C) Accrued expense
  - (D) Prepaid expense
3. Amount received from any source by way of gift is described as \_\_\_\_\_.
  - (A) Legacy
  - (B) Subscription
  - (C) Donation
  - (D) Life membership fee
4. Non-profit making organization is also known as \_\_\_\_\_.
  - (A) Non-profit seeking concerned
  - (B) Non-trading concern
  - (C) Trading concern
  - (D) Both (A) and (B)
5. What kind of final account do non-trading concerns prepare?
  - (A) Manufacturing cost statement
  - (B) Statement of affairs
  - (C) Income and expenditure statement
  - (D) Retained earnings statement
6. If salaries paid during the year are Rs. 1,575 and amount debited to income and expenditure account is Rs. 1,500, the amount of the prepaid salaries will be:
  - (A) Rs. 75
  - (B) Rs. 1,500
  - (C) Rs. 1,575
  - (D) Rs. 1,425
7. In receipts and payments account \_\_\_\_\_.
  - (A) No narration is written
  - (B) No ledger reference is recorded
  - (C) Daily cash balance cannot be ascertained
  - (D) All of these
8. If rent received during the year is Rs. 5,000 and the amount of pre-received rent is Rs. 600 then the amount credited to income and expenditure account will be:
  - (A) Rs. 4,400
  - (B) Rs. 5,600
  - (C) Rs. 5,000
  - (D) Rs. 6,200
9. Entrance fee Rs. 8,000 which is 90% capitalized, the amount to be credited to income and expenditure account is:
  - (A) Rs. 800
  - (B) Rs. 7,600
  - (C) Rs. 7,200
  - (D) Rs. 8,000
10. In a non-trading enterprise, how is the entrance fee received during the year treated as:
  - (A) Advance income
  - (B) Revenue income
  - (C) Capital income
  - (D) Special income
11. Receipt and payment account records transactions relating to:
  - (A) Past year
  - (B) Future year
  - (C) Present year
  - (D) All of these

12. Legacies are generally:  
 (A) Capitalized (B) Treated as income  
 (C) Treated as expenditure (D) None of these
13. In income and expenditure account:  
 (A) Expenses are recorded on debit side (B) Revenues are recorded on credit side  
 (C) Does not start with any opening balance (D) All of these
14. If the amount of prepaid rent is Rs. 150 and amount debited to income and expenditure account is Rs. 3,250 then rent paid during the year will be:  
 (A) Rs. 3,400 (B) Rs. 3,100 (C) Rs. 3,500 (D) Rs. 3,000
15. The basic objective of non-trading concerns is:  
 (A) Public welfare (B) Publicity (C) Education (D) All of these
16. Income and expenditure account is:  
 (A) Personal A/c (B) Nominal A/c (C) Real A/c (D) None of these
17. Income and expenditure account shows:  
 (A) Surplus or deficit (B) Net profit (C) Net loss (D) None of these
18. The amount paid as reward of services rendered to a person who is not an employee of a non-trading concern is called:  
 (A) Salary (B) Wages (C) Both (A) and (B) (D) Honorarium
19. The main source of income for non-trading concerns is:  
 (A) Subscription (B) Donations (C) Sale of goods (D) Both (A) and (B)
20. Donation for building is added in:  
 (A) Revenue (B) Capital fund (C) Assets (D) Expense

**ANSWERS**

1.	(A)	2.	(B)	3.	(C)	4.	(D)	5.	(C)	6.	(A)	7.	(D)	8.	(A)	9.	(A)	10.	(B)
11.	(D)	12.	(A)	13.	(D)	14.	(B)	15.	(A)	16.	(B)	17.	(A)	18.	(D)	19.	(D)	20.	(B)



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 2**

Time Allowed: 2:35 Hours

Total Marks Sections B and C: 80

Note: Section '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)****SHORT QUESTIONS ANSWERS**

- Q.2 Attempt any TEN parts. The answer to each part should not exceed 3 to 4 lines. (10 × 3 = 30)
- (i) Write income and expenditure account of characteristics / features / advantages.
- Ans: Characteristics / Features / Advantages of Income and Expenditure A/c:
- It provide true picture of matching principle.
  - All revenue transactions are recorded in it.
  - Current year expenditures can easily separate.
  - Current year incomes can easily separate.
  - It tells us profit or loss in shape of surplus or deficit.

(ii) **What is the basic objective of non-profit making organization?**

**Ans:** The main objective of non-profit organization is the welfare of people they do not have objective of earning profit.

These type of organization's do not buy and sell goods, but only to provide benefit for the whole community.

The examples of non-trading concern's are clubs, schools, colleges, hospitals, public libraries, sports club and other societies of various kinds.

(iii) **Differentiate between:**

(a) **Receipt and payment accounts**

(b) **Income and expenditure accounts**

<b>Ans:</b>	<b>Receipt and Payment A/c</b>	<b>Income and Expenditure A/c</b>
(i)	It is a summarized statement of cash receipts and cash payments during a particular period.	(i) It is the account of revenue income and revenue expenditure during a particular period.
(ii)	Only cash transaction are recorded in it.	(ii) In it both cash and non-cash transaction are recorded.
(iii)	It has only debit balance not credit balance.	(iii) It may be of debit and credit balance.
(iv)	It is outside the double entry system.	(iv) It is within the double entry system.
(v)	Preparation of balance sheet is not necessary in it.	(v) Preparation of balance sheet is necessary in it.

(iv) **How will you deal with each of these while preparing income and expenditure account and balance sheet?**

(a) **Legacies**

(b) **Donation for specific purpose**

(c) **Life membership fee**

**Ans:** (a) **Legacies:** Legacy means the amount or property which is given to a non-trading concern as per the will of a person after his death. It will be treated as capital receipt. In simple words any amount or property which is received by a non-trading concern as per the will of a deceased person is called legacy.

**Treatment:** There are two treatments of legacy.

(i) It will be written on asset side in balance sheet.

(ii) And it will be added in capital fund on liability side in balance sheet.

(b) **Donation for Special Purpose:** Simple donation is normally treated as income by non-trading concern and recorded as an income. But donation for special purpose should be capitalized and shown on liability side in balance sheet.

(c) **Life Membership Fee:** If it is said in question that some portion of it treated as revenue then such portion will be written in income and expenditure account as an income and remaining will be treated as a liability in balance sheet otherwise it will be treated as liability in balance sheet.

(v) **What is legacy?**

**Ans:** Legacy means the amount or property which is given to a non-trading concern as per the will of a person after his death. It will be treated as capital receipt for non-trading concerns.

In simple words any amount or property which is received by a non-trading concern as per the will of a deceased person is called legacy.

(vi) **What is admission fee or entrance fee?**

**Ans:** At the time of admission, new member have to pay an amount for becoming a regular member of non-trading concern. This amount is known as admission fees or entrance fees. This amount is collected by non-trading concern other the regular subscription at once.

**(vii) What is income and expenditure account? Who prepares it?**

**Ans:** The account through which surplus or deficit of a non-trading concern is ascertained is called income and expenditure account. All the expenditures are written on debit side and all the receipts are shown on credit side.

It is prepared by non-trading concerns.

**(viii) Define subscriptions.**

**Ans:** The amount which is paid by members monthly or annually to a non-trading concern as per agreement or rule is called subscription.

**(ix) Define capital fund. How it is calculated?**

**Ans:** In a non-trading concern excess of total assets over total liabilities is called capital fund. It is shown on liability side of balance sheet. It is also called accumulated fund or surplus fund. It is calculated by applying following formula:

Opening assets	xxx
Less: Opening liabilities	xxx
Capital fund	<u>xxx</u>

**(x) What is difference between surplus and deficit?**

Surplus	Deficit
When in income and expenditure account income is more than expenditure it will be known as surplus of a non-trading concern.	When in income and expenditure account expenditure is more than income, it will be known as deficit of a non-trading concern.

**(xi) What is honorarium? Also explain its treatment.**

**Ans:** The amount which is paid to a person who is not the member of non-trading concern is known as honorarium.

Which means the amount which is paid by non-trading concern to a outsider for providing some service for them. e.g., The amount paid to a professor for delivering a lecture in a non-trading concern.

**(xii) What are the main points which should be kept in mind while preparing income and expenditure account?**

**Ans:** (i) Opening balance of receipt and payment account not be written in income and expenditure account.

(ii) Closing balances are also not written in income and expenditure account.

(iii) Only income and expenditure of current year will be written in income and expenditure account.

**SECTION - C (Marks: 50)****LONG QUESTIONS****PART-I**

**Note:** Attempt any ONE questions.

(1 × 20 = 20)

**Q.3** Following is the summary of the cash book of Baby Welfare Society for the year ended on December 31<sup>st</sup>, 2016:

Balance of cash on January 1, 2016	Rs. 9,870
Cash at Bank on January 1, 2016	Rs. 150
Contribution from member	Rs. 7,550
Donations	Rs. 1,650
Interest on investment	Rs. 1,350
Grant to members	Rs. 4,150

Social benefits provided	Rs. 500
Purchase of investment	Rs. 10,000
Printing and stationary	Rs. 90
Postage	Rs. 100
Balance at bank on December 31, 2016	Rs. 5,600
Cash in hand on December 31, 2016	Rs. 130

Investment held on 1<sup>st</sup> January, 2016 cost Rs. 33,670; members contribution in arrear Rs. 120. On December 31, 2016: members contribution in arrear Rs. 160, and their contribution to the extent Rs. 180 was paid in advance. Expenses payable are salary Rs. 210 and stationary Rs. 20.

**REQUIRED:**

- Income and expenditure account.
- Calculation of accumulated surplus.
- Balance sheet at the end of the year December 31, 2016.

**Solution:**

**Baby Welfare Society**  
**Income and Expenditure Account**  
For the year ended 31<sup>st</sup> Dec, 2016

Expenditure	Amount (Rs.)	Income	Amount (Rs.)
Grant to members	4,150	Contribution from member	7,550
Social benefit provided	500	Less: Last year	(120)
Printing and stationary	90	Add: Outstanding	160
Add: Outstanding	20	Less: Prepaid	(180)
Postage	100	Donation	1,650
Salary	210	Interest on investment	1,350
To surplus (balance)	5,340		
	10,410		10,410

**Baby Welfare Society**  
**Balance Sheet**  
As on 1<sup>st</sup> Jan. 2016

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Opening cash	9,870	Capital fund (balance)	43,810
Opening cash at bank	150		
Investment	33,670		
Contribution for members	120		
	43,810		43,810

**Baby Welfare Society**  
**Balance Sheet**  
As on 31<sup>st</sup> Dec. 2016

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Closing cash	130	Outstanding salary	210
Closing cash at bank	5,600	Outstanding stationary	20
Investment	33,670	Prepaid contribution	180
+ Purchase on investment	<u>10,000</u>	Capital fund	43,810
Outstanding contribution	160	+ Surplus	<u>5,340</u>
	49,560		49,560

**Q.4** The treasurer of Sargodha Club has prepared the following receipt and payment account for the year ended on 31<sup>st</sup> December 1995:

Receipts	Rs.	Payments	Rs.
Cash in hand	1,575	Social event expenses	730
Cash at bank	2,630	Insurance	350
Annual subscription	5,600	Secretary's salary	1,850
Donation for building fund	12,000	General expenses	208
Social events receipts	1,214	Purchases of stationary	400
Misc. receipt	1,200	Advance against contract for building	8,500
		Cash in hand	4,381
		Cash at bank	7,800
	<u>24,219</u>		<u>24,219</u>

Following is the additional information:

(a) The assets and liabilities of the club are as under:

	1 <sup>st</sup> Jan. 1995 Rs.	31 <sup>st</sup> Dec. 1995 Rs.
Creditors for stationary	325	340
General expenses accrued	125	235
Prepaid insurance	145	188
Accrued annual subscriptions	75	90

(b) On 1<sup>st</sup> July 1995, the club had inaugurated a building fund which is to be used for construction of the new building.

**REQUIRED:**

- (i) Prepare income and expenditure account.
- (ii) Calculate accumulated surplus at the beginning of the year.
- (iii) Balance sheet as on that date.

**Solution:**

**Sargodha Club**  
**Income and Expenditure Account**  
**For the year ended 31<sup>st</sup> Dec. 1995**

Expenditure	Amount (Rs.)	Income	Amount (Rs.)
Social event expenses	730	Annual subscription	5,600
Insurance	350	– Previous	<u>75</u>
+ Opening	<u>145</u>		5,525
	495	+ Accrued	<u>90</u>
– Ending	<u>188</u>	Social events receipts	1,214
Secretary salary	307	Misc. receipts	1,200
General expenses	1,850		
– Opening	<u>125</u>		
	83		
+ Ending	<u>235</u>		
Stationary	318		
– Previous year	<u>325</u>		
	75		
+ Outstanding	<u>340</u>		
Surplus	4,409		
	<u>4,409</u>		
	8,029		8,029

**Sargodha Club**  
**Balance Sheet**  
**As on 1<sup>st</sup> Jan. 1995**

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Cash in hand	1,575	Creditors for stationary	325
Cash at bank	2,630	Accrued G. expenses	125
Prepaid insurance	145		
Accrued subscription	75	O.P capital fund	3,975
	<u>4,425</u>		<u>4,425</u>

**Sargodha Club**  
**Balance Sheet**  
**As on 31<sup>st</sup> Dec. 1995**

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Cash in hand	4,381	Donation	12,000
Cash at bank	7,800	Creditor for stationary	340
Advance against contract	8,500	Accrued G. expenses	235
Accrued annual subscription	90	Capital fund	3,975
Prepaid insurance	188	+ Surplus	<u>4,409</u>
	<u>20,959</u>		8,384
			<u>20,959</u>

## PART-II

Note: Attempt any THREE questions.

(3 × 10 = 30)

Q.5 The following is the receipt and payment account of ABC prepare its income and expenditure account and balance sheet as on Dec. 31<sup>st</sup>, 2017:

Receipts	Rs.	Payments	Rs.
Balance b/d	3,435	Salaries	5,500
Subscription	9,000	Utility expenses	1,470
Entrance fees	2,300	Expenses	7,720
Locker rent	3,920	Furniture	6,000
Sale of equipment	12,600	General expenses	2,150
Misc. receipts	645	Closing balance	9,060
<b>Total</b>	<b>31,900</b>	<b>Total</b>	<b>31,900</b>

Additional Information:

- Subscription outstanding Rs. 3,000.
- Entrance fees should be capitalized.
- Locker rent receivable Rs. 1,080.
- Salary payable Rs. 500.

Solution:

M/S ABC  
Income and Expenditure Account  
For the year ended 31-12-2017

Expenditures	Rs.	Income	Rs.
Salaries	5,500	Subscription	9,000
Add: Payable	<u>500</u>	Add: Outstanding	<u>3,000</u>
Utility expenses	1,470	Locker rent	3,920
Expenses	7,720	Add: Receivable	<u>1,080</u>
General expenses	2,150	Sale of equipment	12,600
Surplus	12,905	Misc. Receipts	645
	<u>30,245</u>		<u>30,245</u>

M/S ABC  
Balance Sheet  
As on 31-12-2017

Assets	Rs.	Liabilities	Rs.
Cash	9,060	Capital Fund	3,435
Outstanding subscription	3,000	Add: Entrance fee	<u>2,300</u>
Locker rent receivable	1,080		5,735
Furniture	6,000	Add: Surplus	<u>12,905</u>
		Salary Payable	500
	<u>19,140</u>		<u>19,140</u>

**WORKING:**

Calculation of capital fund:

	Rs.
Cash (Opening balance)	<u>3,435</u>
Capital fund	<u>3,435</u>

Q.6 Below is given the receipts and payments account of Leo's club. Prepare income and expenditure account as on December 31, 2005 and a balance sheet as on that date:

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Balance b/d	2,476	General expenses	1,084
Annual subscription	3,260	Salaries	1,100
Life membership fee	500	Furniture	1,600
Entrance fee	400	Rent	1,120
Misc. receipts	466	Printing	250
Interest	80	Repairs	300
		Balance c/d	1,728
	<u>7,182</u>		<u>7,182</u>

On December 31, 2005 the annual subscriptions in arrears amounted to Rs. 700. Rs. 200, is to be written off as depreciation on furniture.

**Solution:**

**Leo Club**  
**Income and Expenditure Account**  
For the year ended 31<sup>st</sup> Dec. 2005

Particular	Amount (Rs.)	Income	Amount (Rs.)
General expenses	1,084	Annual subscription	3,260
Salaries	1,100	+ Arrear	<u>700</u>
Depreciation on furniture	200		3,960
Rent	1,120	Life membership fee	500
Printing	250	Entrance fees	400
Repairs	300	Miscellaneous receipts	466
Surplus (balance)	1,352	Interest	80
	<u>5,406</u>		<u>5,406</u>

**Leo Club**  
**Balance Sheet**  
As on 31<sup>st</sup> 1<sup>st</sup> Jan.

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Opening balance	2,476	Capital fund (balance)	2,476
	<u>2,476</u>		<u>2,476</u>

**Leo Club**  
**Balance Sheet**  
As on 31<sup>st</sup> Dec. 2005

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Closing balance	1,728	Capital fund	2,476
Furniture	1,600	+ Surplus	1,352
– Depreciation	<u>200</u>		
Subscription arrear	700		
	<u>3,828</u>		<u>3,828</u>

Q.7 The following is the summary of cash transactions of ABC Club for the year ended on 31<sup>st</sup> December 2018:

Receipts	Rs.	Payments	Rs.
Balance b/d	500	Salaries	1,000
Donations	100	Lightings	500
Subscription:		Rent and taxes	1,300
2017	400	Furniture purchased	2,500
2018	2,000	Office expenses	1,800
2019	1,000	Cash at bank	110
Sale of waste paper	1,500	Cash in hand	90
Life member fee	800		
Interest	1,000		
<b>Total</b>	<b><u>7,300</u></b>	<b>Total</b>	<b><u>7,300</u></b>

At the beginning of the year, ABC Club possessed building Rs. 2,00,000 and furniture Rs. 1000.

**ADJUSTMENTS:**

Subscription arrears amounting to Rs. 400.

Rent and taxes outstanding Rs. 500.

Rs. 10000 is written off depreciation on building.

**REQUIRED:**

Prepare income and expenditure account for the year ended on 31<sup>st</sup> December 2018 and balance sheet on that date of ABC Club.

**Solution:**

**ABC Club**  
**Income and Expenditure Account**  
For the year ended 31-12-2018

Expenditures	Rs.	Income	Rs.
Salaries	1,000	Subscription	2,000
Lightings	500	Add: Arrear	<u>400</u>
Rent and taxes	1,300	Donations	100
Add: Outstanding	<u>500</u>	Sale of waste paper	1,500
Office expenses	1,800	Life membership fee	800
Depreciation on building	10,000	Interest	1,000
		Deficit	9,300
	<u>15,100</u>		<u>15,100</u>

**ABC Club  
Balance Sheet  
As on 31-12-2018**

Assets		Rs.	Liabilities		Rs.
Cash in hand		90	Capital fund	201,900	
Cash at bank		110	Less: Deficit	<u>9,300</u>	192,600
Subscription in arrear		400	Outstanding rent and taxes		500
Building	200,000		Advance subscription		1,000
Less depreciation	<u>10,000</u>	190,000			
Furniture	1,000				
Add: Purchases	<u>2,500</u>	3,500			
		<u>194,100</u>			<u>194,100</u>

**WORKING:**

Calculation of capital fund.

**ABC Club  
Balance Sheet  
As on 01-01-2018**

Assets		Rs.	Liabilities		Rs.
Cash in hand		500	Capital fund		201,900
Outstanding subscription		400			
Building	200,000				
Furniture	1,000				
		<u>201,900</u>			<u>201,900</u>

**Q.8** Ali Library has the following receipt and payment account:

Receipts	Rs.	Payments	Rs.
Opening balance	1,300	General expenses	600
Annual subscription	1,600	Salaries and wages	700
Life membership fee	300	Furniture	900
Entrance fee	200	Rent, rate and taxes	500
Interest on securities	200	Printing and stationery	150
Sundry receipts	50	Repairs	150
		Balance c/d	650
	<u>3,650</u>		<u>3,650</u>

**ADJUSTMENTS:**

- (i) Annual subscription in arrears amounted Rs. 400.
- (ii) General expenses outstanding on 31<sup>st</sup> December, 2016 were Rs. 50.
- (iii) Secretary salary Rs. 200 though sanctioned by the library had not been paid.
- (iv) Rs. 200 is to be written off as depreciation of furniture.

**REQUIREMENT:**

Prepare income and expenditure account for the year ended 31<sup>st</sup> December, 2016 and also the balance sheet on that date.

**Solution:**

**Ali Library**  
**Income and Expenditure Account**  
 For the year ended 31<sup>st</sup> December, 2016

Expenditures		Rs.	Incomes		Rs.
General expenses	600		Annual subscription	1,600	
+ Outstanding	50	650	+ Arrears	400	2,000
Salaries and wages	700		Life membership fee		300
+ Outstanding	200	900	Entrance fees		200
Depreciation on furniture		200	Interest on securities		200
Rent, rate and taxes		500	Sundry receipts		50
Printing and stationery		150			
Repairs		150			
Surplus		200			
		2,750			2,750

**Ali Library**  
**Balance Sheet**  
 As on .....

Assets		Rs.	Liabilities + Capital		Rs.
Furniture	900		Outstanding expenses		50
Less: Depreciation	200	700	Outstanding salary		200
Arrear subscription		400	Opening balance		1,300
Closing balance		650	Surplus		200
		1,750			1,750



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 3**

Time Allowed: 25 Minutes

Marks: 20

Version Number

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 Center Superintendent. Deleting / overwriting is not allowed. Do not use lead pencil.

**CONSIGNMENT ACCOUNTS****SECTION – A****MULTIPLE CHOICE QUESTIONS**

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.

- The manufacturer or wholesaler who sends his goods for the purpose of sales known as?  
 (A) Consignee (B) Consigner (C) Drawer (D) Agent
- The relationship between consignor and consignee is that of:  
 (A) Principal and agent (B) Debtor and creditor (C) Buyer and seller (D) Endorser and endorsee

3. In consignment all the expenses, either paid by the consignor himself or by the consignee are borne by the \_\_\_\_\_.
- (A) Consignor (B) Consignee (C) Bank (D) Creditor and debtor
4. The remuneration of the consignee for selling the goods of the consignor is called:
- (A) Salary (B) Interest (C) Dividend (D) Commission
5. Account sale is a submitted by \_\_\_\_\_.
- (A) Consignee to consignor (B) Debtor to creditor  
(C) Principal to agent (D) Creditor to debtor
6. In case of delcredre commission the liability for bad debts will be on \_\_\_\_\_.
- (A) Consignee (B) Consignor (C) Bank (D) Insurance company
7. How many parties are involved in consignment?
- (A) 2 (B) 3 (C) 4 (D) None of these
8. Consignee \_\_\_\_\_.
- (A) Bears expenses and losses in consignment (B) Shares profit made on the sale of goods  
(C) Receives his commission from the consignor (D) All of these
9. \_\_\_\_\_ is paid to the agent to work hard to push a new line of product in the market.
- (A) Commission (B) Delcredre commission  
(C) Overriding commission (D) Ordinary commission
10. Abnormal loss occurs due to \_\_\_\_\_.
- (A) Fire (B) Accident (C) Theft (D) All of these
11. In consignment the risk attached to goods delivered is with:
- (A) Seller (B) Buyer (C) Consignor (D) Consignee
12. In books of consignee, the cash received from sundry debtors should be debited to:
- (A) Consignor's account (B) Cash account  
(C) Sundry debtors account (D) Consignee's account
13. When goods are sent on consignment, debit is given to \_\_\_\_\_.
- (A) Consignee's A/c (B) Consignment A/c (C) Consignor's A/c (D) Sales account
14. Delcredre commission is calculated on \_\_\_\_\_.
- (A) Cash sales (B) Credit sales (C) Total sales (D) Cash and creditor sales
15. In the books of consignee the expenses incurred by him on consignment are debited to \_\_\_\_\_.
- (A) Purchases A/c (B) Consignment A/c (C) Cash A/c (D) Consignor's A/c
16. The act of sending goods by consignor to the consignee is called.
- (A) Sales (B) Purchases (C) Stock (D) Consignment
17. Consignment inward book is maintained by:
- (A) Consignor (B) Consignee (C) Customer (D) Debtors
18. In the books of consignor the balance of the consignment stock account would be shown \_\_\_\_\_.
- (A) As an asset in the balance sheet (B) As a liability in the balance sheet  
(C) On the credit side of the trading account (D) On the debit side of profit and loss account
19. If consignment sold by consignee for Rs. 50,000 his 5% commission will be:
- (A) Rs. 500 (B) Rs. 50,000 (C) Rs. 5000 (D) Rs. 2500
20. Godown rent paid by consignee is debited to \_\_\_\_\_ in the books of consignor.
- (A) Consignor (B) Consignee (C) Consignment (D) Consignment A/c

**ANSWERS**

1. (B)	2. (A)	3. (A)	4. (D)	5. (A)	6. (A)	7. (A)	8. (C)	9. (C)	10. (D)
11. (C)	12. (B)	13. (B)	14. (C)	15. (D)	16. (D)	17. (B)	18. (A)	19. (D)	20. (B)



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 3**

Time Allowed: 2:35 Hours

Total Marks Sections B and C: 80

Note: Section '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)****SHORT QUESTIONS ANSWERS**

**Q.2 Attempt any TEN parts. The answer to each part should not exceed 3 to 4 lines. (10 × 3 = 30)**

(i) **Define consignment.**

**Ans:** Consignment is an act of sending goods by the owner to his agent for the purpose of sale on commission basis. So, the goods which are going to be sent are known as consignment.

(ii) **What is difference between consignment and sale?**

Consignment	Sale
(i) The relation between consignor and consignee is principal and agent.	(i) The relationship between seller and buyer is creditor and debtor.
(ii) In consignment when goods are transferred from consignor to consignee ownership does not transfer.	(ii) In sale when goods are transfer from seller to buyer ownership also transfer.
(iii) In consignment return of goods is possible.	(iii) In sale return of goods is generally not possible.

(iii) **Who are “consignor” and “consignee”?**

**Ans:** **Consignor:** Consignor is a person who is actually the owner of the goods and he sends his goods to agent (consignee) for the purpose of sale on commission basis.

**Consignee:** The person to whom goods are sent for selling purpose is called consignee.

(iv) **Define performa invoice.**

**Ans:** When the consignor send goods to consignee, he forwards a statement showing detail such as:

- Quantity of goods
- Quality of goods
- Price of goods
- Weight of goods and any other query.

This type of statement is known as performs invoice.

(v) **What is normal loss of stock?**

**Ans:** It is the loss which occurs due to natural causes or the loss which occurs in daily routine of the business or the loss which is unavoidable is called normal loss.

Examples:

- (i) Normal leakage
- (ii) Loss in weight due to nature of goods.
- (iii) Normal loss due to loading and unloading.

(vi) **What is account sales? Draw specimen of account sales.**

**Ans:** It is a statement which is prepared by consignee and also sent by consignee to the consignor at periodical intervals including.

- List of goods sold.
- Price of goods sold.
- Expenses incurred on sales.
- Commission received.
- Commission payable.
- And only other balance which is payable.

**Account Sales**

	Rs.	Rs.
Sales (10 T.V sets @ 12,000 each)		120,000
Less: <u>Expenses and Charges</u>		
Freight	1,000	
Duty charges	500	
Insurance	500	
Storage	1,000	3,000
		117,000
Less: Advance		40,000
Net balance		77,000

(vii) **If unsold stock is 200 cases @ Rs. 75 each. Expenses paid by consignor Rs. 600, unloading expenses paid by consignee Rs. 300, total cases sent on consignment are 600, then calculate the value of unsold stock.**

**Ans:** Cost of unsold goods (200 × 75)      15,000  
 + Expenses                                      300  
 Closing stock                                    15,300

$$\text{Expenses} = \frac{600 + 300}{600} \times 200 = 300$$

(OR)

$$\text{Expenses} = \frac{600 + 300}{45,000} \times 15,000 = 300$$

(viii) **For what purpose overriding commission is paid?**

**Ans:** When consignor want to introduce a new product in the market he offers some extra commission to consignee for introducing this new product in the market this extra commission is known as overriding commission.

In simple words overriding commission is an extra commission which is given by consignor to consignee when he want from him to work hard for passing a new product in the market.



**Solution:**

**Journal  
Book of Karim**

S. No.	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
(1)	Consignment A/c Goods sent on consignment A/c (Goods consigned)		650,000	650,000
(2)	Bill receivable A/c Afzal & Sons A/c (Bill drawn)		780,000	780,000
(3)	Bank A/c Discount A/c Bill receivable A/c (Bill discounted)		767,000 13,000	780,000
(4)	Consignment A/c Cash A/c (Expense of consignment) (35,000 + 6,500)		41,500	41,500
(5)	Afzal A/c Consignment A/c (Sale proceed)		824,000	824,000
(6)	Consignment A/c Afzal A/c (Expense of consignee)		12,100	12,100
(7)	Consignment A/c Afzal A/c (Consignment paid) $(824,000 \times 10/100)$		82,400	82,400
(8)	Stock on consignment A/c Consignment A/c (Closing stock of consignment)		138,300	138,300
(9)	Consignment A/c Profit & loss A/c (Balance of consignment A/c transfer to profit & loss A/c)		176,300	176,300
(10)	Goods sent on consignment A/c Trading A/c (Balance G.S.O.C A/c transfer to trading A/c)		650,000	650,000
(11)	Afzal A/c Bank A/c (Balance of consignee A/c transferred to bank)		50,500	50,500

**Consignment Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Goods sent on consignment A/c	650,000	Afzal A/c	824,000
Cash A/c (35,000 + 6,500)	41,500	Stock on consignment A/c	138,300
Afzal A/c (Selling exp)	12,100		
Afzal A/c (Commission)	82,400		
Profit & loss A/c (Balance)	176,300		
	962,300		962,300

**Calculation of Closing Stock:**

Total goods	100%
Sale goods	80%
Unsold goods	20%
Cost of goods unsold	$650,000 \times \frac{20}{100} = 130,000$
+ Expenses	8,300
Closing stock	138,300
Expenses = $\frac{41,500}{650,000} \times 130,000$	= 8,300

**Goods Sent on Consignment Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Trading A/c	650,000	Consignment A/c	650,000
	650,000		650,000

**Afzal & Sons Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Consignment A/c	824,000	Bill receivable A/c	780,000
Balance c/d (Bank)	50,500	Consignment A/c	12,100
		Commission A/c	82,400
	874,500		874,500

**Q.4** Suzuki Motors Ltd. consigned to their selling agents Star Motors in Lahore two cars costing Rs. 20,000 for sale on the basis of 8% commission plus 2% delcredre commission. Star Motors paid selling expenses amounting to Rs. 1,300. Suzuki Motors Ltd. paid for carriage, freight and insurance Rs. 1,700.

Consignee sold one car for Rs. 13,000 and remitted Rs. 11,500 on account. The second car was sold for Rs. 13,500, but Rs. 13,500 were not realized and become a bad debt.

Show the ledger accounts in the books of consignor assuming that Star Motors settled the account with Suzuki Motors Ltd.

**Solution:****Journal Entries**

S. No.	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
(1)	Consignment A/c Goods sent on consignment A/c (Cars consigned)		20,000	20,000
(2)	Consignment A/c Cash A/c (Expense of consignor)		1,700	1,700
(3)	Star Motor's A/c Consignment A/c (Sales proceeds) (13,000 + 13,500)		26,500	26,500
(4)	Cash A/c Star Motor's A/c (Cash received)		11,500	11,500
(5)	Consignment A/c Star Motor's A/c (Expense of consignee)		1,300	1,300
(6)	Consignment A/c Star Motor's A/c (Commission paid)		2,650	2,650
(7)	Consignment A/c Profit and loss A/c (Balance of consignment account transferred to paid A/c)		850	850
(8)	Goods sent on consignment A/c Trading A/c (Balance of goods sent on consignment transferred to trading A/c)		20,000	20,000
(9)	Bank A/c Star Motor's A/c (Balance of consignee transferred to Bank A/c)		11,050	11,050

**Consignment Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Goods sent on consignment A/c	20,000	Star Motor's A/c	26,500
Cash A/c	1,700		
Star Motor's A/c	1,300		
Star Motor's A/c	2,650		
Profit and loss A/c	850		
	26,500		26,500

## Goods Sent on Consignment Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Trading A/c (balance)	20,000	Consignment A/c	20,000
	20,000		20,000

## Star Motor's Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Consignment A/c	26,500	Cash A/c	11,500
		Consignment A/c	1,300
		Consignment A/c	2,650
		Bank A/c (balance)	11,050
	26,500		26,500

## PART-II

Note: Attempt any THREE questions.

(3 × 10 = 30)

Q.5 On 1<sup>st</sup> January 2005 Razzaq & Co. of Lahore consigned to Mushtaq & Co. of Mardan 100 cycles at Rs. 500 each, Razzaq & Co. had paid Rs. 200 for packing etc., Rs. 50 for insurance and Rs. 250 for carriage. On 1<sup>st</sup> March, 2005 Mushaq & Co. sold 75 cycles for Rs. 45,000. The expenses thereon being Rs. 2,000. Mushtaq and Co. are entitled for commission of 5% and 2% (delcredre) on sale and they remitted Rs. 30,000 on account. One customer who purchased 5 cycles failed to pay his debts due to his insolvency.

REQUIRED:

Prepare the necessary ledgers accounts in the books of Razzaq & Co.

Solution:

## Journal

S. No.	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
(1)	Consignment A/c Goods sent on consignment A/c (Goods consigned)		50,000	50,000
(2)	Consignment A/c Cash A/c (Expenses paid)		500	500
(3)	Mushtaq and Co. A/c Consignment A/c (Sales proceeds)		45,000	45,000
(4)	Consignment A/c Mushtaq A/c (Expense of consignment)		2,000	2,000

(5)	Consignment A/c Mushtaq A/c (Commission paid)	3,150	3,150
(6)	Cash A/c Mushtaq A/c (Amount received from consignee)	30,000	30,000
(7)	Stock on consignment A/c Consignment A/c (Closing stock of consignment)	12,625	12,625
(8)	Consignment A/c Profit and loss A/c (Balance of consignment account transferred to profit and loss account)	1,975	1,975
(9)	Goods sent on consignment A/c Trading A/c (Balance of goods sent on consignment account transferred to trading account)	50,000	50,000
(10)	Bank A/c Mushtaq A/c (Balance of Mushtaq account transferred to bank account)	9,850	9,850

### Consignment Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Goods sent on consignment A/c	50,000	Mushtaq A/c	45,000
Cash A/c	500	Stock on consignment A/c	12,625
Mushtaq A/c	2,000		
Mushtaq A/c	3,150		
Profit and loss A/c (balance)	1,975		
	57,625		57,625

### Goods Sent on Consignment Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Trading A/c	50,000	Consignment A/c	50,000
	50,000		50,000

### Mushtaq Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Consignment A/c	45,000	Consignment A/c	2,000
		Consignment A/c	3,150
		Cash A/c	30,000
		Bank A/c (balance)	9,850
	45,000		45,000

**Calculation of Closing Stock:**

Cost of unsold goods (25 × 500)	12,500
+ Expenses	125
Closing stock	<u>12,625</u>

$$\text{Expenses} = \frac{500}{50,000} \times 12,500 = 125$$

**Q.6** Ali sent out a consignment of the value of Rs. 5,000 to Bashir drawing on the latter for Rs. 4,000 as an advance against the same. Ali paid Rs. 400 for freight etc. Bashir cleared the goods paying Rs. 200 for duty. He sold on credit half the lot for Rs. 4,000 and half of the remaining sold for cash Rs. 2,200. Bashir's remuneration is 2-1/2 per cent on gross proceeds. Bashir sent out an account sales and a draft to Ali for the balance as shown therein. Rs. 1,250 worth of goods are in hand with Bashir.

**REQUIRED:**

Open the consignment account and Bashir's account in the book of Ali to record the above transactions.

**Solution:****Consignment Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Goods sent on consignment A/c	5,000	Bashir A/c (Sales)	6,200
Cash A/c (Expenses)	400	Stock on consignment A/c	1,400
Bashir A/c (Expenses)	200		
Bashir A/c (Commission)	155		
Profit on consignment	1,845		
	<u>7,600</u>		<u>7,600</u>

**Working of Stock:**

Cost of unsold goods	1,250
+ Expenses	150
Closing stock	<u>1,400</u>

$$\text{Expenses} = \frac{500 + \text{Nil}}{5,000} \times 1,250 = \boxed{150}$$

**Bashir Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Consignment A/c (Sales)	6,200	B/R A/c	4,000
		Consignment A/c (Expenses)	200
		Consignment A/c (Commission)	155
	<u>6,200</u>		<u>6,200</u>

**Q.7** Mr. Saleem consigned 2000 mobiles to Mr. Kaleem costing Rs. 600 each. Mr. Saleem paid Rs. 4000 as cartage. Mr. Kaleem paid Rs. 3000 as duty and Rs. 2000 as godown rent. Mr. Kaleem is entitled to receive a commission of 5% on sales. Mr. Kaleem sold all the mobiles for Rs. 14,00,000. Mr. Kaleem sent a bank draft for the balance along with account sales.

**REQUIRED:**

Pass journal entries & consignment account in the books of Mr. Saleem.

**Solution:****Mr. Saleem's Journal**

Date	Details	L.F	Debit Rs.	Credit Rs.
(1)	Consignment Account Goods sent on consignment Account (Being goods sent on consignment)		12,00,000	12,00,000
(2)	Consignment Account Cash Account (Being expense paid by consignor)		4,000	4,000
(3)	Consignment Account Mr. Kaleem Account (Being expense paid by consignee)		5,000	5,000
(4)	Mr. Kaleem Account Consignment Account (Being goods sold by consignee)		14,00,000	14,00,000
(5)	Consignment Account Mr. Kaleem Account (Being commission is payable to consignee)		70,000	70,000
(6)	Consignment Account Profit & Loss Account (Being profit incurred in consignment)		1,21,000	1,21,000
(7)	Bank Account Mr. Kaleem Account (Being a bank draft from consignee received)		13,25,000	13,25,000
(8)	Goods sent on consignment Account Trading Account (Being goods sent on consignment in transfer to trading account)		12,00,000	12,00,000

Dr.		Consignment Account		Cr.	
Details	Rs.	Details	Rs.		
Goods sent on consignment Account	12,00,000	Mr. Kaleem Account (Sales)		14,00,000	
Cash Account (exp.)	4,000				
Mr. Kaleem Account (exp.)	5,000				
Mr. Kaleem Account (comm.)	70,000				
Profit & Loss Account	1,21,000				
	14,00,000				14,00,000

Dr. **Mr. Kaleem Account** Cr.

Details	Rs.	Details	Rs.
Consignment Account	14,00,000	Consignment Account	5,000
		Consignment Account	70,000
		Bank Account (Bal. fig)	13,25,000
	14,00,000		14,00,000

**Q.8** Riaz of Lahore sent goods at consignment to Raza of Peshawar costing Rs. 20,000. Expenses incurred by Riaz were Rs. 1000. Riaz received account sales showing that half of consignment was sold at Rs. 18,000. The expense by Raza were freight Rs. 300, insurance Rs. 180 and other expenses Rs. 100. His commission was 6% on sales and 2% del-credere commission. Give necessary accounts in books of Riaz.

**Solution:**

Dr. **Consignment Account** Cr.

Details	Rs.	Details	Rs.
Goods sent on consignment A/c	20,000	Raza A/c Sales	18,000
Cash A/c – Expenses	1000	Stock on consignment A/c (W – 1)	10,650
Raza A/c – Expenses	580		
Raza A/c – Commission	1440		
Profit and Loss A/c	5630		
	28,650		28,650

Dr. **Raza Account** Cr.

Details	Rs.	Details	Rs.
Consignment A/c – Sales	18,000	Consignment A/c – Expenses	580
		Consignment A/c – Commission	1440
		Balance c/d	15,980
	18,000		18,000

Dr. **Goods Sent on Consignment Account** Cr.

Details	Rs.	Details	Rs.
Trading A/c	20,000	Consignment A/c	20,000
	20,000		20,000

**WORKING:**

**Cost of unsold stock:**

Cost of unsold goods  $(20000 \times \frac{1}{2})$  10,000

Add proportionate expenses  $(1000 + 300) \times \frac{1}{2}$  650

Stock on Consignment 10,650



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 4**

Time Allowed: 25 Minutes

Marks: 20

Version Number

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 Center Superintendent. Deleting / overwriting is not allowed. Do not use lead pencil.

**ACCOUNTS OF JOINT STOCK COMPANIES**

**SECTION – A**

**MULTIPLE CHOICE QUESTIONS**

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.

- In which of the following members are personally liable for the debts of the company?
  - Company limited by shares
  - Unlimited company
  - Company limited by guarantee
  - Association not for profit
- How long after its incorporation can a Private Ltd. Company commence business?
  - After six months
  - Immediately
  - After a year
  - After four months
- The shares of a public limited company are generally:
  - Freely transferable
  - Not transferable
  - Restricted
  - Partly transferable
- What is the premium on issue of shares?
  - A business loss
  - A revenue profit
  - A capital profit
  - A revenue loss
- Company receives more applications than shares to be issued, it would be a case of:
  - Under subscription
  - Over subscription
  - Normal subscription
  - Routine subscription
- It is a document evidencing indebtedness of a company \_\_\_\_\_.
  - Share
  - Capital
  - Debenture
  - Bill of exchange
- If a share of Rs. 100 is issued at Rs. 110 then it is to be issued at:
  - 5% discount
  - 5% premium
  - 10% discount
  - 10% premium
- Which of the following is the value of a share as quoted on the stock exchange?
  - Book value
  - Par value
  - Face value
  - Market value
- Discount on issue of shares is a \_\_\_\_\_.
  - Revenue loss
  - Capital profit
  - Capital loss
  - Revenue profit
- Debentureholders are its:
  - Debtors of the company
  - Creditors of the company
  - Owners of the company
  - Directors of the company
- The debentures which do not carry any charge on the assets of the company are called:
  - Naked debentures
  - Mortgaged debentures
  - Secured debentures
  - None of these
- The debentures which are secured by charge upon the whole or portion of the assets of the company are called \_\_\_\_\_.
  - Naked debentures
  - Unsecured debentures
  - Mortgage debentures
  - Pledge debentures

13. A document which contains the rules for the internal management of the company is called \_\_\_\_\_.
- (A) Memorandum of association (B) Articles of association  
(C) Prospectus (D) Partnership deed
14. Issue of shares at a price less than the face value is called \_\_\_\_\_.
- (A) Issue of shares at par value (B) Issue of shares at discount  
(C) Issue of shares at face value (D) Issue of shares at premium
15. The amount of share capital with which a company is registered is called \_\_\_\_\_.
- (A) Authorized capital (B) Issued capital (C) Paid up capital (D) Called up capital
16. A prospectus for shares can be issued only by \_\_\_\_\_.
- (A) A public limited company (B) A private company  
(C) A firm (D) A single-member company
17. Share capital in the Balance Sheet is shown under \_\_\_\_\_.
- (A) Asset (B) Liabilities (C) Income (D) None of these
18. Debenture suspense account is shown on:
- (A) Asset side of balance sheet (B) Liability side of balance sheet  
(C) Credit side of profit and loss account (D) Debit side of profit and loss account
19. Investors of the corporation business are called \_\_\_\_\_.
- (A) Manager (B) Promoters (C) Debenture holder (D) Shareholders
20. The charter of the company containing the objectives is called:
- (A) Articles of association (B) Prospectus  
(C) Memorandum of association (D) None of these

**ANSWERS**

1.	(B)	2.	(B)	3.	(A)	4.	(C)	5.	(B)	6.	(C)	7.	(D)	8.	(D)	9.	(C)	10.	(B)
11.	(A)	12.	(C)	13.	(B)	14.	(B)	15.	(A)	16.	(A)	17.	(B)	18.	(A)	19.	(D)	20.	(C)



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 4**

Time Allowed: 2:35 Hours

Total Marks Sections B and C: 80

Note: Section '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)****SHORT QUESTIONS ANSWERS**

- Q.2 Attempt any TEN parts. The answer to each part should not exceed 3 to 4 lines. (10 × 3 = 30)
- (i) Define joint stock company.

Ans: A company is an artificial person created by law, having a common seal and it is an association of persons who contribute money and use it for a common purpose. It can sue and be sued in its own name.

According to Company Act 2017:

"A company means a company which is formed and registered under the companies Act 2017 or an existing company".

An existing company means a company which is registered under any of former companies Act or Ordinance.

(ii) Write briefly about "memorandum of association".

**Ans:** It is basic legal document of company. It is known as the charter of the company. It contains fundamental conditions upon which a company is incorporated. There are six clauses of M.O.A.

- (i) Name clause      (ii) Head office clause      (iii) Capital clause      (iv) Objective clause  
(v) Liability clause      (vi) Association clause

(iii) Define "Underwriters" and "Promoters".

Ans:	Underwriters	Promoters
	Underwriters are the persons who take the responsibility of the shares which are offered to public but not taken up by the public. For this purpose they receive commission which is called underwriter's commission.	Promoters are the persons who take the responsibility of formation of a company. In simple words a person who is appointed for bringing a company into existence is called promoter.

(iv) For what purpose is underwriting commission paid?

**Ans:** The commission which is paid to underwriters for the taking of risk, for such shares, which are offered to public but not taken up by public is known as underwriting commission.

In simple words this is the commission which is paid to underwriters to take the risk of shares offered to the public.

(v) Write names of three legal basic documents of a joint stock company.

- Ans:** (i) Memorandum of association.  
(ii) Article of association.  
(iii) Prospectus for the sale of shares.

(vi) What is meant by issue of shares at premium?

**Ans:** When a share is issued for more than face value then it will be known as share issued at premium. e.g., a share having face value of Rs. 10 but it is issued at Rs. 11. So, Rs. 1 is the premium on the share. Only successful companies can issue shares at premium because of their strong financial strength and high earning capacity.

(vii) Under what situation are shares issued in consideration of assets other than cash?

**Ans:** Following are the situations:

- (i) When any asset is purchased against issue of shares.  
(ii) When whole business is purchased against issue of shares.  
(iii) Acquisition of running business against issue of shares.

(viii) Define preliminary expenses.

**Ans:** These are the expenses which are incurred in the incorporation stage of a company.

(OR)

The expenses which are incurred in the formation of a company examples:

- Legal fees  
Fees of promoters.  
Fees of various documents etc.

(ix) Define authorized capital.

**Ans:** The amount with which a company is registered is known as authorized capital. It represents the total amount of share capital authorized by memorandum of association.

This is the maximum amount of capital which a company can issue which means that company cannot issue shares beyond this capital.

It is also known as registered capital and nominal capital.

(x) Write down three main differences between a shareholder and a debentureholder.

Shareholder	Debentureholder
(i) Shareholders are the owner of the company.	(i) Debentureholders are the creditors of the company.
(ii) Shareholders can participate in annual general meeting of the company by way of voting.	(ii) Debentureholders cannot participate in the annual general meeting of the company by way of voting.
(iii) Shareholders receive dividend on shares.	(iii) Debentureholders receives interest on debentures.
(iv) Shareholders cannot with-draw their capital because shares exist till the winding up of company.	(iv) Debentureholders can withdraw their money after a fixed period.
(v) Rate of dividend depends upon profit of the company.	(v) Rate of interest is fixed on debentures.

(xi) Define collateral security.

**Ans:** Collateral security means additional security which becomes effective only in the event of the loan not being paid when it becomes due sometimes debentures are given as collateral security to the lender.

So, these securities are in the nature of a contingent liability and then became actual liability at the moment when company fails to honour its commitment about the loan.

(xii) Write three types of debentures used by a company.

**Ans:** (i) Redeemable debenture      (ii) Irredeemable debenture      (iii) Mortgage debenture  
(iv) Bearer debenture      (v) Naked debenture

### SECTION - C (Marks: 50)

#### LONG QUESTIONS

#### PART-I

Note: Attempt any ONE questions.

(1 × 20 = 20)

Q.3 Kisan Ghee Corporation Ltd. issued 3,000, 8% bonds payable for 5 years on 1<sup>st</sup> June 2011, the par value being Rs. 100 each.

#### REQUIRED:

Give journal entries for the issue and redemption of the bonds under each of the following cases, if:

- Issued at par and redeemed at premium of 5% after 5 years.
- Issued at premium of 5% and redeemed at par in 2016.
- Issued at a discount of 5% repayable at par at maturity of period.
- Issued at par and redeemable at par after 5 years.
- Issued at par and redeemable at 5% discount after 5 years.

**Solution:****Journal**

S. No.	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
(i)	Bank A/c Loss on issue of bonds 8% bonds payable Premium on redemption of bonds (Issued at par and redeemable at premium)		300,000 15,000	300,000 15,000
(ii)	Bank A/c 8% bonds payable Premium on issue of bonds (Issued at premium and redeemable at par)		315,000	300,000 15,000
(iii)	Bank A/c Discount on issue of bonds 8% bonds payable (Issued at discount and repayable at par)		285,000 15,000	300,000
(iv)	Bank A/c 8% bonds payable (Issued at par and redeemable at par)		300,000	300,000
(v)	(Wrong transaction bonds can never be redeemable less than par value)			

**Q.4 Imran Textiles Ltd. acquired to business of M/s Noor & Sons. The assets and liabilities of M/s Noor & Sons at book value are given below:**

	Rs.		Rs.
Land & building	50,000	Sundry creditors	10,000
Machinery	40,000		
Furniture	15,000		
Debtors	5,000		

The purchase consideration is to be paid by the company in fully paid up shares of Rs. 10 each. Pass journal entries if the shares are issued.

(a) At par                      (b) At 10% discount                      (c) At 10% premium

**Solution:****Journal**

S. No.	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
	Land and building A/c Machinery A/c Furniture A/c Debtors A/c Sundry creditors A/c M/s Noor & Sons A/c (Assets taken over and balance transfer to profit and loss A/c)		50,000 40,000 15,000 5,000	10,000 100,000

(a) (At par)	M/s Noor & Sons A/c Share capital A/c (Shares issued at par)	100,000	100,000
(b) (At dis.)	M/s Noor & Sons A/c Discount on issue of share A/c Share capital A/c Cash A/c (Shares issued at discount) <b>Working:</b> No. of shares = Rs. $\frac{100,000}{9}$ = 11,111 shares Share capital = Rs. 11,111 × 10 = Rs. 111,110 Discount = Rs. 111,110 × $\frac{10}{100}$ = Rs. 11,111	100,000 11,111	111,110 01
(c) (At pre.)	M/s Noor & Sons A/c Share capital A/c Premium on issue of shares A/c Cash A/c (Shares issued at premium) <b>Working:</b> No. of shares = Rs. $\frac{100,000}{11}$ = 9,090 shares Share capital = Rs. 9,090 × 10 = Rs. 90,900 Premium = Rs. 909,00 × $\frac{10}{100}$ = Rs. 9,090	100,000	90,900 9,090 10

## PART-II

Note: Attempt any THREE questions.

(3 × 10 = 30)

Q.5 All Industries Ltd. issued 5,000 10% debentures of Rs. 1,000 each. What entries will be passed if:

- Debentures are issued at par and redeemable at par.
- Debentures are issued at 7% discount and redeemable at par.
- Debentures are issued at 8% premium and repayable at par.
- Debentures are issued at par and redeemable at 4% premium.
- Debentures are issued at 5% discount and redeemable at 4% premium.

Solution:

## Journal

S. No.	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
(1)	Bank A/c 10% debenture A/c (Debentures issued at par and redeemable at par)		50,00,000	50,00,000

(2)	Bank A/c Discount on issue of debenture A/c 10% debentures A/c (Debentures issued at discount and redeemable at par)	46,50,000 350,000	50,00,000
(3)	Bank A/c 10% debenture A/c Premium on issue of debenture A/c (Debentures issued at premium and redeemable at par)	54,00,000	50,00,000 400,000
(4)	Bank A/c Loss on issue of debenture A/c 10% debenture A/c Premium on redemption of debentures A/c (Debentures issued at par and redeemable at premium)	50,00,000 200,000	50,00,000 200,000
(5)	Bank A/c Discount on issue of debenture A/c Loss in issue of debenture A/c 10% debenture A/c Premium of redemption of debenture A/c (Debentures issued at discount and redeemable at premium)	47,50,000 250,000 200,000	50,00,000 200,000

Q.6 (a) A company issued 1000 6% debentures of Rs. 100 each, pass journal entries in each of the following cases:

- Debentures are issued at a discount of 5% but redeemable at par.
- Debentures are issued at a premium of 5% but redeemable at par.
- Debentures are issued at a discount of 4% but redeemable at a premium of 5%.

(b) A company issued 10,000 shares of Rs. 10 each to the public for subscription at par value. Applications for 14,000 shares were received. No allotment was made for extra money received but refunded to the applicants and remaining money was transferred to share capital account.

**REQUIRED:**

Pass necessary journal entries in the books of company.

**Solution:**

**Journal**

S. No.	Particulars	L.F	Amount (Rs.)	Amount (Rs.)
(i)	Bank A/c Discount on issue of debenture A/c 6% debenture A/c (Debenture issued at discount and redeemable at par)		95,000 5,000	100,000
(ii)	Bank A/c 6% debenture A/c Premium on issue of debenture A/c (Debenture issued at premium and redeemable at par)		105,000	100,000 5,000

(iii)	Bank A/c Discount on issue of debenture A/c Loss on issue of debenture A/c 6% debenture A/c Premium on redemption of debenture A/c (Debenture issued at discount and redeemable at premium)	96,000 4,000 5,000  5,000	100,000 5,000
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**(b) Journal**

S. No.	Particulars	L.F.	Amount (Rs.)	Amount (Rs.)
(i)	Bank A/c Share application A/c (Application received)		140,000	140,000
(ii)	Share application A/c Bank A/c (Excess amount refunded)		40,000	40,000
(iii)	Share application A/c Share capital A/c (Share allotted at par)		100,000	100,000

**Q.7** Good Luck Company Ltd. was formed with authorized capital of Rs. 50,00,000 divided into 50000 shares of Rs. 100 each. The company issued 10000 shares at the premium of Rs. 1 per share. Applications for 10000 shares were received and shares were allotted to applicants.

**REQUIRED:**

Pass journal entries and prepare balance sheet.

**Solution:****Good Luck Company Ltd. Journal**

Date	Details	L.F.	Debit Rs.	Credit Rs.
	Bank Account (10,000 × 101) Ordinary share application Account (Being the share application money received)		10,10,000	10,10,000
	Ordinary share application Account Ordinary share capital A/c (10,000 × 100) Premium on issue of share A/c (10,000 × 1) (Being the shares are allotted at premium)		10,10,000	10,00,000 10,000

**Good Luck Company Ltd.****Balance Sheet**

As on .....

Liabilities	Rs.	Assets	Rs.
Authorised capital: 50,000 shares @ Rs. 100 each	50,00,000	Bank Account	10,10,000
Issued, subscribed & paid up capital: 10,000 shares @ Rs. 100 each	10,00,000		
Reserves: Share premium	10,000		
	10,10,000		10,10,000

**Q.8** (a) Hussnain & Company Limited was formed with authorized capital of Rs. 70,00,000 divided into 7,00,000 ordinary shares of Rs. 10 each. On 1<sup>st</sup> January 2015, the company issued 35,000 shares @ Rs. 10 each at 10% premium to public for subscription. On 10<sup>th</sup> January 2015, the company issued 5000 ordinary shares @ Rs. 10 each at 10% premium to the directors of the company for cash. On 31<sup>st</sup> January 2015, applications for 30,000 shares were received and on 1<sup>st</sup> February 2015 shares were allotted to applications. Prepare necessary journal entries in the books of Hussnain & Company.

(b) Journalise the following transactions and prepare balance sheet:

(a) A company issued 2000 debentures of Rs. 100/- each at par.

(b) A company issued 2000 debentures of Rs. 100/- each at 10% premium.

(c) A company issued 2000 debentures of Rs. 100/- each at 10% discount.

**Solution:**

(a) **Hussnain Co. Journal**

Date	Details	L.F	Debit Rs.	Credit Rs.
2015 Jan. 10	Bank A/c (5000 × 11) Share capital A/c (5000 × 10) Share premium A/c (500 × 1) (Being shares issued to directors at premium)		55,000	50,000 5000
2015 Jan. 31	Bank A/c (30,000 × 11) Share application A/c (Being share applications received with money)		3,30,000	3,30,000
2015 Feb. 1	Share application A/c (30,000 × 11) Share capital A/c (30,000 × 10) Share premium A/c (30,000 × 1) (Being shares allotted at premium)		3,30,000	3,00,000 30,000

(b) **Journal**

Date	Details	L/F	Debit Rs.	Credit Rs.
(a)	Bank account (2,000 × Rs. 100) Debentures account (Being the debentures issued at par)		200,000	200,000
(b)	Bank account (200,000 + 20,000) (2,000 × Rs. 100) Debentures account (2,000 × Rs. 10) Premium on issue of debentures account (Being the debentures issued at discount)		220,000	200,000 20,000
(c)	Bank account (200,000 – 20,000) Discount on issue of shares account (2,000 × Rs. 10) (2,000 × Rs. 100) Debentures account (Being the debentures issued at premium)		180,000 20,000	200,000

## Balance Sheet

As at .....

S. No.	Liabilities & Capital	Amount (Rs.)	S. No.	Assets	Amount (Rs.)
(a)	Debentures A/c	200,000	(a)	Bank A/c	200,000
		200,000			200,000
(b)	Premium on issue of debentures A/c Debentures	20,000	(b)	Bank A/c	220,000
		200,000			220,000
		220,000			220,000
(c)	Debentures A/c	200,000	(c)	Discount on issue of debentures A/c Bank A/c	20,000
		200,000			180,000
		200,000			200,000



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 5**

Time Allowed: 25 Minutes

Marks: 20

Version Number

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 Center Superintendent. Deleting / overwriting is not allowed. Do not use lead pencil.

## DEPRECIATION, PROVISIONS AND RESERVES

### SECTION – A

#### MULTIPLE CHOICE QUESTIONS

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.

- What is depreciation?
  - An expense
  - A liability
  - A revenue
  - A profit
- Depreciation arise because of \_\_\_\_\_.
  - Fall in the market value of an asset
  - Physical wear and tear
  - Fall in the value of money
  - Increase in the value of money
- In fixed installment method, depreciation is calculated on:
  - Book value
  - Market price
  - Scrap value
  - Original cost
- The value of an asset at the end of working life is called \_\_\_\_\_.
  - Original cost
  - Book value
  - Scrap value
  - Market value
- Depreciation is recorded on the:
  - Debit side of trading account
  - Credit side of trading account
  - Debit side of profit and loss account
  - Credit side of profit and loss account

6. The term depreciation is used with reference to \_\_\_\_\_.
- (A) Tangible assets (B) Intangible assets (C) Current assets (D) Fixed assets
7. Suppose cost of asset is Rs. 1,000/- and rate of depreciation 10% p.a. The book value of asset after two years will be \_\_\_\_\_.
- (A) Rs. 1,000 (B) Rs. 810 (C) Rs. 900 (D) Rs. 729
8. Loss on the sale of machinery should be written off against:
- (A) Share premium account (B) Sales account  
(C) Depreciation fund account (D) None of these
9. The period during which the asset will help in earning income of business is known as:
- (A) Consumed life (B) Expired life (C) Exhausted life (D) Working life
10. What is the decline in the value of an asset proportionate to the quantum of its production e.g., mine, quarry etc. called?
- (A) Amortization (B) Depletion (C) Depreciation (D) Wear and tear
11. Depreciation on the diminishing balance method of Rs. 2,000 at the rate of 10% p.a after three years will be:
- (A) Rs. 1,400 (B) Rs. 1,458 (C) Rs. 542 (D) None of these
12. The benefit and advantage of the good name or reputation of a business is \_\_\_\_\_.
- (A) Liability (B) Goodwill (C) Amortization (D) Depreciation
13. Under straight line method, the amount of depreciation (is) \_\_\_\_\_.
- (A) Decreases every year (B) Increases every year (C) Both (A) and (B) (D) Constant every year
14. Reducing balance method is also known as \_\_\_\_\_.
- (A) Diminishing balance method (B) Book value method  
(C) Written down value method (D) All of these
15. The gradual decrease in the value of fixed asset is called:
- (A) Appreciation (B) Depletion (C) Fluctuation (D) Depreciation
16. The objective of charging depreciation on fixed asset is to:
- (A) Calculate true profit (B) Provide funds for the replacement  
(C) Reduce the tax liability (D) All of these
17. The assets which have physical existence are called:
- (A) Intangible asset (B) Current asset (C) Tangible asset (D) None of these
18. The process of writing off intangible assets, such as goodwill is called:
- (A) Depreciation (B) Fluctuation (C) Depletion (D) Amortization
19. Under diminishing balance method amount of depreciation gradually:
- (A) Increases (B) Decreases (C) Remains constant (D) None of these
20. If the value of fixed assets increased by the passage of time is called:
- (A) Depreciation (B) Appreciation (C) Fluctuation (D) Depletion

**ANSWERS**

1.	(A)	2.	(B)	3.	(D)	4.	(C)	5.	(C)	6.	(A)	7.	(B)	8.	(D)	9.	(D)	10.	(B)
11.	(B)	12.	(B)	13.	(D)	14.	(D)	15.	(D)	16.	(D)	17.	(C)	18.	(D)	19.	(B)	20.	(B)



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 5**

Time Allowed: 2:35 Hours

Total Marks Sections B and C: 80

Note: Section '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)**

**SHORT QUESTIONS ANSWERS**

**Q.2 Attempt any TEN parts. The answer to each part should not exceed 3 to 4 lines. (10 × 3 = 30)**

(i) **Define depreciation.**

**Ans:** "Depreciation is the permanent decrease in the value of asset because of its usage and wear and tear".

(OR)

"Depreciation is the expired cost of an asset".

(OR)

"Depreciation is the gradual decrease in the efficiency of an asset because of its usage and wear and tear".

(ii) **What are the causes/need/reasons of provision of depreciation? (OR) Why depreciation is charged/factors of depreciation?**

- Ans:** (i) To find out the correct profit or loss.  
 (ii) To find out the original cost of production.  
 (iii) To find out the original cost of asset.  
 (iv) To fulfill the requirement of Companies Act, 2017  
 (v) To know value of asset at the time of replacement

(iii) **Define the diminishing balance method of depreciation.**

**Ans:** In this method depreciation of an asset will not be equal every year because we take depreciation on remaining balance of an asset.

In simple words depreciation is calculated on the book value of an assets, and book value is obtained by deducting depreciation from its original value that is:

$$\text{Cost} - \text{Accumulated depreciation} = \text{Book value}$$

This method is more suitable for income tax purpose and also easily adjustable when additional assets are purchased.

(iv) **Differentiate between fixed installment and reducing balance method of depreciation.**

Fixed Installment Method	Reducing Balance Method
In this method depreciation of an asset will be equal every year because we take depreciation on original cost of an asset.	In this method depreciation of an asset will not be equal every year because we take depreciation on remaining balance of an asset.
In simple words depreciation is calculated on cost price of an asset at which it was acquired.	In simple words depreciation is calculated on the book value of an asset and book value is obtained by deducting depreciation from its original value that is $\text{Cost} - \text{Accumulated depreciation} = \text{Book value}$
This method is very easy to calculate and it can reduce the book value of the asset to zero.	This method is more suitable for income tax purpose and also easily adjustable when additional assets are purchased.

**(v) Define intangible assets.**

**Ans:** These are the assets which have no physical existence and these type of assets cannot be seen and touched but can only be felt are called intangible assets e.g., goodwill, trade mark and patent etc.

**(vi) Write briefly three reasons of making provisions for depreciation.**

- Ans:** (i) Ascertainment of true profit and loss.  
 (ii) Ascertainment of true cost of production.  
 (iii) True valuation of assets.  
 (iv) Help in replacement of assets.  
 (v) To fulfill the requirement of Companies Act, 2017.  
 (vi) To check obsolescence due to inventions.

**(vii) Define 'scrap value'.**

**Ans:** Scrap value is the price at which an asset will be sold at the end of its working life.

**(OR)**

The amount which is received by sale of an asset at the end of its working life is called scrap value. It is also called breakup value or residual value.

**(viii) What are the causes of external depreciation?**

**Ans:** There are three main causes of external depreciation:

- (a) Accident                      (b) Efflux of time                      (c) Obsolescence

**(ix) Under the "straight line method", what is the annual rate of depreciation if the cost price of an asset is Rs. 2,500, scarp value Rs. 500 and life is 5 years.**

**Ans:** Depreciation =  $\frac{\text{Cost} - \text{Scrap value}}{\text{Estimated life}}$

$$= \frac{2500 - 500}{5}$$

$$= \frac{2000}{5}$$

$$= 400$$

$$\text{Rate} = \frac{400}{2500} \times 100$$

$$= 16\%$$

**(x) What is the difference between depreciation and fluctuation in market price?**

<b>Ans:</b>	<b>Depreciation</b>	<b>Fluctuation</b>
(i)	Depreciation is the permanent decrease in the value of assets because of its usage and wear and tear.	(i) It is a temporary variation in the market price of a commodity due to change in demand and supply.
(ii)	It is regular loss.	(ii) It is generally irregular.
(iii)	It always show loss.	(iii) It may show loss or profit.
(iv)	It reduces working capacity of an asset.	(iv) It does not reduce working capacity of an asset.
(v)	It should be considered in valuation of the asset.	(v) It is not necessary to consider in valuation of the assets.

**(xi) Give the formula for calculating annual depreciation under straight line method.**

**Ans:**  $\frac{\text{Cost of asset} - \text{Scrap value}}{\text{Estimated life}}$

(xii) Differentiate between reserve and provision?

Reserve	Provision
(i) The portion of the profit which is not paid to proprietor, but it is kept apart for meeting some known or unknown losses is called reserve. e.g., Reserve fund, contingency fund etc.	(i) Provision is created to meet special loss or liability. But the amount of loss or liability cannot be determined exactly. So the amount of provision is an estimated amount. e.g., Provision for doubtful debt.
(ii) It increases working capital.	(ii) It cannot increase working capital.
(iii) The owner can claim it because it is created out of profit.	(iii) The owner cannot claim it because it is created for meeting a specific loss or liability.
(iv) It is shown on "liabilities" side of balance sheet.	(iv) It is shown on "Asset" side of balance sheet.

**SECTION - C (Marks: 50)****LONG QUESTIONS****PART-I**

Note: Attempt any ONE questions.

(1 × 20 = 20)

Q.3 A manufacturing firm purchased on 1<sup>st</sup> of January, 2011 certain Machinery for Rs. 100,000 and spent Rs. 2,000 on its erection. On 1<sup>st</sup> of July in the same year additional machinery costing Rs. 50,000 were acquired. On 1<sup>st</sup> January, 2013 the machinery purchased on 1<sup>st</sup> of January, 2011 having become obsolete was auctioned for Rs. 40,000 and on the same date fresh machinery was purchased at a cost of Rs. 25,000. Depreciation was provided annually on 31<sup>st</sup> December at the rate of 10% p.a. on the original cost of the asset. In 2013 however, this method was changed and that of writing off 15% on the written down value was adopted.

**REQUIRED:**

Give Machinery Account from 2011 to 2013.

**Solution:****Machinery Account**

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
2011			2011		
1 <sup>st</sup> Jan.	Cash A/c	102,000	31 <sup>st</sup> Dec.	Depreciation A/c	10,200
1 <sup>st</sup> July	Cash A/c	50,000	31 <sup>st</sup> Dec.	Depreciation A/c	2,500
			31 <sup>st</sup> Dec.	Balance c/d	139,300
		152,000			152,000
2012			2012		
1 <sup>st</sup> Jan.	Balance b/d	139,300	31 <sup>st</sup> Dec.	Depreciation A/c	10,200
			31 <sup>st</sup> Dec.	Depreciation A/c	5,000
			31 <sup>st</sup> Dec.	Balance c/d	124,100
		139,300			139,300

2013			2013		
1 <sup>st</sup> Jan.	Balance b/d	124,100	1 <sup>st</sup> Jan.	Cash A/c	40,000
1 <sup>st</sup> Jan.	Cash A/c	25,000	1 <sup>st</sup> Jan.	Profit & loss A/c	41,600
			31 <sup>st</sup> Dec.	Depreciation A/c	6,375
			31 <sup>st</sup> Dec.	Depreciation A/c	3,750
			31 <sup>st</sup> Dec.	Balance c/d	57,375
		149,100			149,100
2014			2014		
1 <sup>st</sup> Jan.	Balance b/d	57,375	31 <sup>st</sup> Dec.	Depreciation A/c	8,606
			31 <sup>st</sup> Dec.	Balance c/d	48,769
		57,375			57,375
2015			2015		
1 <sup>st</sup> Jan.	Balance b/d	48,769	31 <sup>st</sup> Dec.	Depreciation A/c	7,315
			31 <sup>st</sup> Dec.	Balance c/d	41,454
		48,769			48,769

**Working of Depreciation:**

$$2011: 31^{\text{st}} \text{ Dec.} = 102,000 \times \frac{10}{100} = 10,200$$

$$2011: 31^{\text{st}} \text{ Dec.} = 50,000 \times \frac{10}{100} \times \frac{6}{12} = 2,500$$

$$2012: 31^{\text{st}} \text{ Dec.} = 102,000 \times \frac{10}{100} = 10,200$$

$$2012: 31^{\text{st}} \text{ Dec.} = 50,000 \times \frac{10}{100} = 5,000$$

$$2013: 31^{\text{st}} \text{ Dec.} = 50,000 - 2,500 - 5,000 = 42,500$$

$$= 42,500 \times \frac{15}{100} = 6,375$$

$$2013: 31^{\text{st}} \text{ Dec.} = 25,000 \times \frac{15}{100} = 3,750$$

$$2014: 31^{\text{st}} \text{ Dec.} = 57,375 \times \frac{15}{100} = 8,606$$

$$2012: 31^{\text{st}} \text{ Dec.} = 48,769 \times \frac{15}{100} = 7,315$$

**Working of Profit and Loss:**

Cost of machinery = 102,000

$$- \text{ Depreciation of all years } (10,200 + 10,200) = \underline{20,400}$$

$$= 81,600$$

$$- \text{ Sale price} = \underline{40,000}$$

$$\text{Profit \& loss} = \underline{\underline{41,600}}$$

**Q.4** On 1<sup>st</sup> July 2012, Ali purchased a second hand machine for Rs. 18,000 and spent Rs. 2,000 on its repair and installation. On 30<sup>th</sup> June 2015 the machinery was disposed of for a sum of Rs. 13,600. Assuming the books are closed on 31<sup>st</sup> December each year and taking the rate of depreciation at 10% p.a. on diminishing balance.

**REQUIRED:**

Show the machinery account of all years.

**Solution:****Machinery Account**

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
2012 1 <sup>st</sup> July	Cash A/c	20,000	2012 31 <sup>st</sup> Dec.	Depreciation A/c	1,000
			31 <sup>st</sup> Dec.	Balance c/d	19,000
		20,000			20,000
2013 1 <sup>st</sup> Jan.	Balance b/d	19,000	2013 31 <sup>st</sup> Dec.	Depreciation A/c	1,900
			31 <sup>st</sup> Dec.	Balance c/d	17,100
		19,000			19,000
2014 1 <sup>st</sup> Jan.	Balance b/d	17,100	2014 31 <sup>st</sup> Dec.	Depreciation A/c	1,710
			31 <sup>st</sup> Dec.	Balance c/d	15,390
		17,100			17,100
2015 1 <sup>st</sup> Jan.	Balance b/d	15,390	2015 30 <sup>th</sup> June	Depreciation A/c	770
			30 <sup>th</sup> June	Cash A/c	13,600
			30 <sup>th</sup> June	Profit on loss A/c	1,020
			30 <sup>th</sup> June	Balance A/c	Nil
		15,390			15,390

**PART-II**

Note: Attempt any THREE questions.

(3 × 10 = 30)

**Q.5** A transport company purchased 10 motor trucks at Rs. 90,000 each, on 1<sup>st</sup> April 2002. On 1<sup>st</sup> October 2004 one of the truck got an accident and was completely destroyed. Rs. 54,000 are received from the insurer in full settlement. On the same day another truck was purchased for the sum of Rs. 100,000. The company wrote off depreciation @ 20% on the original cost per annum and observed the calendar year as its financial year.

Give the motor truck account from 2002 to 2004.

**Solution:****Motor Truck Account**

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
2002 1 <sup>st</sup> Apr.	To cash (90,000 × 10)	900,000	2002 31 <sup>st</sup> Dec.	By depreciation A/c	135,000
		900,000	"	Balance c/d	765,000
2003 1 <sup>st</sup> Jan.	To balance b/d	765,000	2003 31 <sup>st</sup> Dec.	By depreciation	180,000
		765,000	"	By balance c/d	585,000
2004 1 <sup>st</sup> Jan.	Balance b/d	585,000	2004 1 <sup>st</sup> Oct.	By depreciation	13,500
1 <sup>st</sup> Oct.	To P & L	9,000	"	By cash	54,000
1 <sup>st</sup> Oct.	To cash A/c	100,000	31 <sup>st</sup> Dec.	By depreciation	162,000
		694,000	"	By depreciation	5,000
			"	By balance	459,500
					694,000

**WORKING # 1:****Year 2002:**

$$\text{Depreciation} = 900,000 \times \frac{20}{100} \times \frac{9}{12} = 135,000$$

**WORKING # 2:****Year 2003:**

$$\text{Depreciation} = 900,000 \times \frac{20}{100} = 180,000$$

**WORKING # 3:**Cost of 1 truck as on 1<sup>st</sup> Oct., 2004

Cost of truck 90,000

Less: Accumulated depreciation

$$\left( \frac{135,000}{10} + \frac{180,000}{10} + 13,500 \right)$$

$$(13,500 + 18,000 + 13,500)$$

45,000

45,000

- Sale price

54,000

Capital profit

9,000

**WORKING # 4:****Year 2004:**

$$31^{\text{st}} \text{ Dec. depreciation} = 900,000 - 90,000 = 810,000 \times \frac{20}{100} = 162,000$$

$$\text{Depreciation} = 100,000 \times \frac{20}{100} \times \frac{3}{12} = 5,000$$

**Q.6** On 1<sup>st</sup> January 2002 a firm purchased a truck for Rs. 15,000. Depreciation is charged @ 20% p.a. on the written down value method. On 31<sup>st</sup> December 2005 it was arranged to replace the old truck with a new one cost Rs. 18,000 and an allowance of Rs. 4,500 being made from the purchase price of new one.

**REQUIRED:**

Show the truck account for your years.

**Solution:****Machinery Account**

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
2002 1 <sup>st</sup> Jan.	Cash A/c	15,000	2002 31 <sup>st</sup> Dec.	Depreciation A/c	3,000
			31 <sup>st</sup> Dec.	Balance c/d	12,000
		15,000			15,000
2003 1 <sup>st</sup> Jan.	Balance b/d	12,000	2003 31 <sup>st</sup> Dec.	Depreciation A/c	2,400
			31 <sup>st</sup> Dec.	Balance c/d	9,600
		12,000			12,000
2004 1 <sup>st</sup> Jan.	Balance b/d	9,600	2004 31 <sup>st</sup> Dec.	Depreciation A/c	1,920
			31 <sup>st</sup> Dec.	Balance c/d	7,680
		9,600			9,600
2005 1 <sup>st</sup> Jan.	Balance b/d	7,680	2005 31 <sup>st</sup> Dec.	Depreciation A/c	1,536
31 <sup>st</sup> Dec.	Cash A/c (18,000 - 4,500)	13,500	31 <sup>st</sup> Dec.	Profit and loss A/c	1,644
			31 <sup>st</sup> Dec.	Balance c/d	18,000
		21,180			21,180

**Working of Depreciation:**

$$2002: 31^{\text{st}} \text{ Dec. } 15,000 \times \frac{20}{100} = 3,000$$

$$2003: 31^{\text{st}} \text{ Dec. } 12,000 \times \frac{20}{100} = 2,400$$

$$2004: 31^{\text{st}} \text{ Dec. } 9,600 \times \frac{20}{100} = 1,920$$

$$2005: 31^{\text{st}} \text{ Dec. } 7,680 \times \frac{20}{100} = 1,536$$

**Calculation of Profit and Loss:**

Cost of truck	15,000
- Depreciation of all years (3,000 + 2,400 + 1,920 + 1,536)	8,856
	6,144
- Sale price	4,500
Profit and loss	1,644

**Q.7** On 1st January, 1995 Sun Shine Co. purchased a machinery for Rs. 99,000 and immediately spent Rs. 1,000 on its repairing. On 1st July, 1997 the company purchased an additional machinery for Rs. 50,000.

Prepare machinery account for five years calculating annual depreciation according to reducing installment method at the rate of 10%.

**Solution:**

Dr.		Machinery Account		Cr.	
Date	Details	Amount (Rs.)	Date	Details	Amount (Rs.)
1995 Jan. 1	Cash account	99,000	1995 Dec. 31	Depreciation account	10,000
	Cash account	1,000		Balance c/d	90,000
		100,000			100,000
1996 Jan. 1	Balance b/d	90,000	1996 Dec. 31	Depreciation account	9,000
		90,000		Balance c/d	81,000
					90,000
1997 Jan. 1	Balance b/d	81,000	1997 Dec. 31	Depreciation account	10,600
July 1	Cash account	50,000		Balance c/d	120,400
		131,000			131,000
1998 Jan. 1	Balance b/d	120,400	1998 Dec. 31	Depreciation account	12,040
		120,400		Balance c/d	108,360
					120,400
1999 Jan. 1	Balance b/d	108,360	1999 Dec. 31	Depreciation account	10,836
		108,360		Balance c/d	97,524
					108,360

**Q.8** Shaukat & Company purchased a second hand truck for Rs. 80,000 on 01-01-2010 and spent Rs. 30,000 on its immediate repairs. Its estimated life is five years. At the end of its life its scrap value is Rs. 10,000.

**REQUIRED:**

Show truck account for five years after calculating annual depreciation under straight line method of depreciation.

**Solution:**

$$\begin{aligned}
 \text{Amount of annual depreciation} &= \frac{\text{Cost of truck} - \text{Scrap value}}{\text{Estimated life}} \\
 &= \frac{(\text{Rs. } 80,000 + \text{Rs. } 30,000) - \text{Rs. } 10,000}{5} \\
 &= \text{Rs. } 20,000
 \end{aligned}$$

Dr.			Truck Account			Cr.		
Date	Details	Amount (Rs.)	Date	Details	Amount (Rs.)			
2010 Jan. 1	Cash account (Rs. 80,000 + Rs. 30,000)	110,000	2010 Dec. 31	Depreciation account	20,000			
			Dec. 31	Balance c/d	90,000			
		110,000			110,000			
2011 Jan. 1	Balance b/d	90,000	2011 Dec. 31	Depreciation account	20,000			
			Dec. 31	Balance c/d	70,000			
		90,000			90,000			
2012 Jan. 1	Balance b/d	70,000	2012 Dec. 31	Depreciation account	20,000			
			Dec. 31	Balance c/d	50,000			
		70,000			70,000			
2013 Jan. 1	Balance b/d	50,000	2013 Dec. 31	Depreciation account	20,000			
			Dec. 31	Balance c/d	30,000			
		50,000			50,000			
2014 Jan. 1	Balance b/d	30,000	2014 Dec. 31	Depreciation account	20,000			
			Dec. 31	Balance c/d	10,000			
		30,000			30,000			



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 6**

Time Allowed: 25 Minutes

Marks: 20

Version Number

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 Center Superintendent. Deleting / overwriting is not allowed. Do not use lead pencil.

**HALF BOOK WISE****SECTION – A****MULTIPLE CHOICE QUESTIONS**

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. Receipts and payments account shows:

- (A) Income and expenditure  
(C) Assets and liabilities

- (B) Cash receipts and payments  
(D) Surplus and deficit

2. **Any profit on the sale of furniture of a Football Club will be taken to:**  
(A) Profit & loss account (B) Income and expenditure account  
(C) Cash account (D) Balance sheet
3. **Legacies debited to receipts and payments account are:**  
(A) Credited to income and expenditure account (B) Shown on the liabilities side of the balance sheet  
(C) Shown on the assets side of the balance sheet (D) Debit side of the income and expenditure account
4. **Income and expenditure account begins with:**  
(A) Opening capital (B) Opening and closing capital  
(C) No balance (D) Both (A) and (B)
5. **In single entry system interest on capital will be calculated on:**  
(A) Opening capital (B) Opening and closing capital  
(C) Fresh capital (D) Opening and fresh capital
6. **Stock of stationary on January 1<sup>st</sup> 2001 Rs. 600. Payment for stationary during 2001 Rs. 2,800. The stock of stationary on December 31<sup>st</sup> Rs. 400. The amount to be charged to income and expenditure account of stationary is:**  
(A) Rs. 3,200 (B) Rs. 3,400 (C) Rs. 3,000 (D) Rs. 2,800
7. **Profit can be measured as an increase in:**  
(A) The net liabilities of the business (B) The net worth of the business  
(C) The net assets of the business (D) The net drawings of the business
8. **Total creditors account is prepared for ascertaining the:**  
(A) Credit sales (B) Cash purchases (C) Bills payable (D) Credit purchases
9. **In consignment the "Performa Invoice" is a substitute of:**  
(A) Account sales (B) Letter of credit (C) Forwarding letter (D) None of these
10. **In sale, the risk and damages attached to goods sold and transferred to:**  
(A) Seller (B) Buyer (C) Consignee (D) Consignor
11. **Del credere commission is allowed to cover:**  
(A) Normal losses (B) Abnormal losses  
(C) Losses due to bad debts (D) Loss on sale
12. **Single entry system is generally adopted by \_\_\_\_\_.**  
(A) Small business concerns (B) Large business concerns  
(C) Medium business concerns (D) All of these
13. **To calculate the value of capital both at the beginning and at the end of year in single entry system we prepare \_\_\_\_\_.**  
(A) Balance sheet (B) Trading account (C) Trial balance (D) Statement of affairs
14. **Which of the following is prepared to calculate the net profit or net loss under single entry system?**  
(A) Opening statement of affairs (B) Statement of profit or loss  
(C) Receipts and payments account (D) Balance sheet
15. **Receipts and payments account is a summary of \_\_\_\_\_.**  
(A) Cash book (B) Purchases book (C) Sales book (D) Purchases returns book
16. **In a non-profit making organization final account contains \_\_\_\_\_.**  
(A) Income and expenditure account and balance sheet  
(B) Receipts and payments account and balance sheet  
(C) Receipts and payments account and statement of affairs  
(D) Profit & loss account and balance sheet

17. Which is prepared by non-profit making organizations to determine surplus or deficit?  
 (A) Trading account (B) Profit & loss account  
 (C) Receipts and payments account (D) Income and expenditure account
18. Receipt and payment account is a \_\_\_\_\_.  
 (A) Nominal account (B) Personal account (C) Real account (D) Impersonal account
19. In book of consignor, profit on consignment should be credited to:  
 (A) Profit & loss A/c (B) Cash A/c (C) Consignee's A/c (D) Consignment A/c
20. The remuneration of the consignee for selling the goods of the consignor is called:  
 (A) Salary (B) Interest (C) Dividend (D) Commission

**ANSWERS**

1.	(B)	2.	(B)	3.	(A)	4.	(C)	5.	(D)	6.	(C)	7.	(B)	8.	(D)	9.	(C)	10.	(B)
11.	(C)	12.	(A)	13.	(D)	14.	(B)	15.	(A)	16.	(A)	17.	(D)	18.	(D)	19.	(A)	20.	(D)

**Principles of Accounting****HSSC – II****MODEL PAPER 6**

Time Allowed: 2:35 Hours

Total Marks Sections B and C: 80

Note: Section '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)****SHORT QUESTIONS ANSWERS**

Q.2 Attempt any TEN parts. The answer to each part should not exceed 3 to 4 lines. (10 × 3 = 30)

(i) Single entry is not a system but want of a system. Explain.

Ans: It is difficult to define single entry system because in fact, there exist no system like single entry system broadly speaking it is defective double entry system. Any system that fall short of complete double entry method is called single entry system.

This system is used by small business. Under this system generally personal accounts of debtors and creditors are recorded, real and nominal aspect are omitted altogether.

(ii) What is double entry system of accounts?

Ans: Under double entry system both debit and credit aspect of all transactions are recorded. This is comprehensive system of accounting.

(iii) Differentiate between statement of affairs and balance sheet.

Ans:	Statement of Affair	Balance Sheet
(i)	It is just like balance sheet which is prepared under single entry system.	(i) It is a statement of assets, liabilities and owner's equity on a particular date.
(ii)	It is prepared under single entry system.	(ii) It is prepared under double entry system.
(iii)	Dual aspect of a transaction is not completed.	(iii) Dual aspect of a transaction is completed.
(iv)	Information provided is not reliable.	(iv) Information provided is reliable and can be proved.

**(iv) Differentiate between receipts and payments account and income and expenditure account.**

Ans:	Receipts and Payment Account	Income and Expenditure Account
(i)	It is a summary of cash book which shows cash receipts and cash payments.	(i) It is the account which shows surplus or deficit of a non-trading concern.
(ii)	It starts from opening balance of cash and bank.	(ii) It does not start with any balance.
(iii)	In it capital and revenue items are recorded.	(iii) In it only revenue items are recorded.
(iv)	It always indicate debit balance not credit balance.	(iv) Its balance may be debit or credit.

**(v) How you will treat the following special items while preparing the income and expenditure account and balance sheet?**

- (a) Donation for special purpose      (b) Endowment fund      (c) Life membership fees

**Ans:** (a) **Donation for Special Purpose:** Donations are usually treated as income and credited to income and expenditure account. If the donations are received for a specific purpose. e.g., Construction of a building, purchase of furniture etc. then it should be capitalized and will be shown as liability in balance sheet.

(b) **Endowment Fund:** It will be treated as liability in the balance sheet.

(c) **Life Membership Fee:** If there is no instructions as to what portion be treated as income of the amount. Then it should be treated as capital shown as liability in the balance sheet.

**(vi) What is consignment? What is the relationship between consignor and consignee?**

**Ans:** Consignment is an act of sending goods by the owner (manufacturer or wholesaler) to his agent, who agree to collect, store and sell them on the risk and behalf of the owner on commission basis. This process is called consignment.

**Relationship between Consignor & Consignee:** The relationship between consignor and consignee is that of a "Principal and Agent" and not that of seller and buyer.

**(vii) What is an account sales?**

**Ans:** It is a statement which is prepared by consignee and also sent by consignee to the consignor at periodical intervals showing following detail:

- List of goods sold.
  - Price of goods sold.
  - Expenses incurred on goods sold.
  - Commission received.
  - Commission payable.
- And any other balance which is payable.

**(viii) What is difference between surplus and deficit?**

Ans:	Surplus	Deficit
	When in income and expenditure account income is more than expenditure it will be known as surplus of a non-trading concern.	When in income and expenditure account expenditure is more than income, it will be known as deficit of a non-trading concern.

**(ix) What types of records are kept in single entry system?**

**Ans:** Under single entry system following records are kept:

- Day book records
- Cash book records
- Ledger accounts of customer
- Ledger accounts of creditor

(x) Define balance sheet.

**Ans:** It is a statement of assets, liabilities and owner's equity on a particular date which shows financial position of a business during a particular period.

(xi) Define cash book.

**Ans:** Cash book is the book of original entry in which transactions relating to cash receipts and cash payments are recorded in detail. Cash receipts are recorded on debit side and cash payments are recorded on credit side.

(xii) What are the main points which should be kept in mind while preparing income and expenditure account?

- Ans:** (i) Opening balance of receipt and payment account not be written in income and expenditure account.  
 (ii) Closing balances are also not written in income and expenditure account.  
 (iii) Only income and expenditure of current year will be written in income and expenditure account.

### SECTION - C (Marks: 50)

#### LONG QUESTIONS

#### PART-I

Note: Attempt any ONE questions.

(1 × 20 = 20)

**Q.3** The statement of affairs of trader on 31<sup>st</sup> December 2006 is given. He started his business on January 1<sup>st</sup>, 2006 with a capital of Rs. 14,000.

Assets	Rs.	Liabilities	Rs.
Cash	2,500	Bills payable	1,000
Sundry debtors	16,500	Creditors	6,500
Stock	4,200	Bank loan	5,000
Machinery	4,800	Capital	17,500
Furniture	2,000		
	30,000		30,000

- (i) During the year he had withdrawn Rs. 300 p.m. for this private use and on August 1<sup>st</sup> he introduced Rs. 2,000 as additional capital.  
 (ii) He had decided to depreciate machinery by 10% and create a reserve for bad and doubtful debts at 5% of debtors.  
 (iii) Interest on bank loan were outstanding Rs. 450.

**REQUIRED:**

Find out the profit and loss for the year ended December 31<sup>st</sup>, 2005.

**Solution:**

Mr. ....  
**Amended Statement of Affairs**  
 As on 31<sup>st</sup> December 2006

Assets	Rs.	Liabilities	Rs.
Cash	2,500	Bills payable	1,000
Sundry debtors	16,500	Creditors	6,500
Less: Provision for bad debts (5%)	(825)	Bank loan	5,000
Stock	4,200	Interest on bank loan outstanding	450
Machinery	4,800	Capital (Balancing figure)	(15,745)
Less: Depreciation (10%)	(480)		
Furniture	2,000		
	28,695		28,695

Mr. ....  
**Statement of Profit or Loss**  
**For the period ended 31<sup>st</sup> December 2006**

Amended capital as on 31 <sup>st</sup> December 2006	Rs. 15,745
Add: Drawings (300 × 12)	3,600
	19,345
Less: Capital as on 1 <sup>st</sup> January 2006	(14,000)
	5,345
Less: Additional capital introduced on 1 <sup>st</sup> August 2006	(2,000)
Net profit during the year	3,345

**Q.4 The Lahore Club was formed on January 1<sup>st</sup>, 2006 the following receipts and payments account of the club at the end of the year was prepared:**

Receipts	Rs.	Payments	Rs.
Entrance fees	16,000	Rent	6,000
Subscriptions	12,000	Furniture	12,920
Sale of cold drinks	29,750	Salaries and wages	9,600
Deposit from members	8,000	Purchase of cold drinks	24,000
		Printing and stationary	530
		General expenses	6,300
		Cash in hand	6,400
	65,750		65,750

Other information available is as under:

- (i) Subscription received in advance is Rs. 2,400.
- (ii) The payment of Rs. 6,000 rent covers 2½ years at the rate of Rs. 200 p.m.
- (iii) Depreciation is to be provided at 5% p.a. on furniture.
- (iv) The stock of cold drinks on 31<sup>st</sup> December, 2006 is Rs. 3,750.

**REQUIRED:**

- (i) Prepare income and expenditures account.
- (ii) Balance sheet at the end of year.

**Solution:**

(i) **Lahore Club**  
**Income and Expenditure Account**  
**For the period ended 31<sup>st</sup> December 2006**

Expenditures	Rs.	Incomes	Rs.
Rent	6,000	Entrance fee	16,000
Less: Prepaid rent (18 × 200)	(3,600)	Subscriptions	12,000
Salaries and wages	9,600	Less: Received in advance	(2,400)
<b>Cold Drinks:</b>		Sale of cold drinks	29,750
Purchased	24,000		
Less: Closing stock	(3,750)		
Printing and stationary	530		
General expenses	6,300		
Depreciation on furniture (12,920 × 5%)	646		
Surplus	15,624		
	55,350		55,350

(ii)

**Lahore Club**  
**Balance Sheet**  
As on 31<sup>st</sup> December 2006

Assets	Rs.	Liabilities	Rs.
<b><u>Current Assets:</u></b>		<b><u>Current Liabilities:</u></b>	
Cash-in-hand	6,400	Subscription received in advance	2,400
Prepaid rent	3,600	Deposits from members	8,000
Stock of cold drinks	3,750		
<b><u>Fixed Assets:</u></b>		<b><u>Capital:</u></b>	
Furniture	12,920	Capital	—
Less: Depreciation	(646)	Add: Surplus	15,624
	26,024		26,024

**PART-II**

Note: Attempt any THREE questions.

(3 × 10 = 30)

Q.5 'T' keeps his books on single entry system. His financial position was as follows:

	Jan. 1 2009	Dec. 31, 2009
Sundry debtors	4,250	17,000
Cash in hand	100	150
Cash at bank	1,500	1,000
Stock	10,000	19,500
Machinery	900	1,900
Motor vehicles	7,000	7,000
Furniture	8,000	18,000
Sundry creditors	11,000	14,500

During the year he withdrew Rs. 7,000 for personal use. He introduced additional capital on 1<sup>st</sup> October 2009 Rs. 9,000. Charge depreciation on machinery, motor vehicle and furniture at 10% p.a. Allow interest on capital at 6% p.a. and on drawing 6%.

Ascertain the profit or loss made by him for the year ended 31<sup>st</sup> December 2009.

**Solution:**

**Mr. T**  
**Statement of Affairs**  
As on 1<sup>st</sup> Jan. 2009

Assets	Rs.	Liabilities	Rs.
<b><u>Current Assets:</u></b>		<b><u>Current Liabilities:</u></b>	
Cash-in-hand	100	Sundry creditors	11,000
Cash-at-bank	1,500		
Sundry debtors	4,250		
Stock	10,000		
<b><u>Fixed Assets:</u></b>		<b><u>Owner's Equity:</u></b>	
Machinery	900	Capital (balancing figure)	20,750
Motor vehicles	7,000		
Furniture	8,000		
	31,750		31,750

**Mr. T**  
**Statement of Affairs**  
**As on 31<sup>st</sup> December 2009**

Assets	Rs.	Liabilities	Rs.
<b><u>Current Assets:</u></b>		<b><u>Current Liabilities:</u></b>	
Cash-in-hand	150	Sundry creditors	14,500
Cash-at-bank	1,000		
Sundry debtors	17,000		
Stock	19,500		
<b><u>Fixed Assets:</u></b>		<b><u>Owner's Equity:</u></b>	
Machinery	1,900	Capital (balancing figure)	47,360
Less: Depreciation (10%)	<u>(190)</u>		
Motor vehicles	7,000		
Less: Depreciation (10%)	<u>(700)</u>		
Furniture	18,000		
Less: Depreciation (10%)	<u>(1,800)</u>		
	<u>61,860</u>		<u>61,860</u>

**Mr. T**  
**Statement of Profit or Loss**  
**For the period ended 31<sup>st</sup> December 2009**

	Rs.	Rs.
Capital as on 31 <sup>st</sup> December 2009		47,360
Add: Drawings	7,000	
Add: Interest on drawings (7,000 × 6%)	<u>420</u>	<u>7,420</u>
		54,780
Less: Capital as on 1 <sup>st</sup> Jan. 2009		<u>(20,750)</u>
		34,030
Less: Additional capital introduced on 1 <sup>st</sup> Oct. 2009		<u>(9,000)</u>
		<u>25,030</u>
<b><u>Less: Interest on Capital:</u></b>		
= $20,750 \times \frac{6}{100} \times \frac{12}{12}$	1,245	
= $9,000 \times \frac{6}{100} \times \frac{3}{12}$	<u>135</u>	<u>(1,380)</u>
Net profit during the year		<u><u>23,650</u></u>

- Q.6** Nasir of Islamabad sent 500 cases @ Rs. 150 each to Shahid of Lahore on July 1<sup>st</sup> 2010, to be sold on behalf and at his risk for 7½ % ordinary commission and 2½ % delcredere commission and incurred Rs. 5,500 expenses. Nasir received from Shahid Rs. 20,000 as an advance. Shahid sent an account sales showing that 300 cases have been sold on cash for Rs. 230 each and another 100 cases @ Rs. 220 each credit. He has incurred unloading expenses Rs. 500 and selling expenses Rs. 1,500. Shahid sends a bank draft for the net amount due.

**REQUIRED:**

Prepare consignment account, consignee's account and calculate the value of the unsold stock.

**Solution:****Books of Consignor  
Consignment Account**

Date	Particulars	J.F.	Debit Rs.	Date	Particulars	J.F.	Credit Rs.
	Goods sent on consignment A/c (500 cases × Rs. 150)		75,000		Shahid A/c (Sales)		91,000
	Cash A/c (Expenses)		5,500		Stock on consignment A/c		16,200
	Shahid A/c (Expenses)		2,000				
	Shahid A/c (Commission) (w-1)		9,650				
	Profit & loss A/c		(15,050)				
			107,200				107,200

**Shahid's Account**

Date	Particulars	J.F.	Debit Rs.	Date	Particulars	J.F.	Credit Rs.
	Consignment A/c (Sales)		91,000		Cash A/c		20,000
					Consignment A/c (Exp.)		2,000
					Consignment A/c (Comm.) (w-1)		9,650
					Bank A/c		(59,350)
			91,000				91,000

**Valuation of Unsold Stock:**

<u>Value of Unsold Cases:</u>		<b>Rs.</b>
= 100 cases × Rs. 150	=	15,000
<u>Add: Consignor's All Expenses (Prop.)</u>		
= $\frac{5,500}{500} \times 100$	=	1,100
<u>Add: Consignee's Direct Expenses (Prop.)</u>		
= $\frac{500}{500} \times 100$	=	100
Value of unsold stock		<u>16,200</u>

**WORKINGS:****(w-1) Calculation of Commission:**

<u>Total Sales:</u>		<b>Rs.</b>
Cash sales = 300 cases × Rs. 230	=	69,000
Credit sales = 100 cases × Rs. 220	=	22,000
Total sales		<u>91,000</u>

Ordinary Commission:

$$= 91,000 \times \frac{10}{100}$$

Add: Del-credere Commission:

$$= 22,000 \times \frac{2.50}{100}$$

Rs.

$$= 9,100$$

$$= 550$$

$$\underline{\underline{9,650}}$$

**NOTE:**

Del-credere commission always calculated on credit sales.

**Q.7** Given below is the receipts and payments accounts of the Lahore Club for the year ended 31<sup>st</sup> December 2005:

Receipts	Rs.	Payments	Rs.
Balance b/d	1,200	Salaries	800
Subscription 2004	50	General expenses	585
Subscription 2005	2,000	Municipal taxes	160
Subscription 2006	75	Charity	200
Donations	640	Investment (01-06-2005)	2,000
Proceeds of drama-ticket	1,250	Electricity charges	150
Sale of waste paper	95	Balance c/d	1,415
	<u>5,310</u>		<u>5,310</u>

Prepare the Lahore Club's income and expenditure account for the year ending 31<sup>st</sup> December 2005 and on that date after taking the following informations into accounts:

- There are 500 members each paying an annual subscription of Rs. 5.
- Municipal taxes amounting to Rs. 60 per annum have been paid upto 31<sup>st</sup> March 2006 and Rs. 100 for salaries is payable.
- Building stands in the books at Rs. 5,000 and it is required to write off depreciation @ 5%.

**Solution:**

**Lahore Club**  
**Income and Expenditure Account**  
For the period ended 31<sup>st</sup> December 2005

Expenditures	Rs.	Incomes	Rs.
Salaries	800	Subscription (2005)	2,000
Add: Outstanding	<u>100</u>	Add: Receivable	
General expenses	585	(500 × 5 = 2,500 - 2,000)	<u>500</u>
Municipal taxes	160	Donations	640
Less: Prepaid (60 × 3/12)	<u>(15)</u>	Proceeds from drama tickets	1,250
Charity	200	Sale of waste paper	95
Electricity charges	150		
Depreciation on building (5,000 × 5%)	250		
Surplus	<u>2,250</u>		
	<u>4,485</u>		<u>4,485</u>

**Q.8** Ali keeps his books by single entry. He gives you the following information from which you are required to ascertain his profit or loss during 2016:

	Jan. 1 <sup>st</sup> 2016 (Rs.)	Dec. 31 <sup>st</sup> 2016 (Rs.)
Bank balance	740 (Cr.)	400 (Dr.)
Cash in hand		10
Sundry debtors	5,300	8,800
Sundry creditors	1,500	1,950
Stock	1,700	1,900
Plant	2,000	2,000
Furniture	140	140

Ali had withdrawn Rs. 3,000 during the year but had introduced fresh capital of Rs. 600 of 1<sup>st</sup> July 2016. A provision of 5 per cent on sundry debtors is necessary. Write off depreciation on plant at 5% interest on capital is to be allowed at 5% p.a.

**Solution:**

**Ali**  
**Statement of Affair (Opening)**  
As on Jan. 1<sup>st</sup> 2016

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Sundry debtor	5,300	Bank balance (Cr.)	740
Stock	1,700	Sundry creditors	1,500
Plant	2,000		
Furniture	140		
		Opening capital (Bal.)	6,900
	9,140		9,140

**Ali**  
**Statement of Affair (Closing)**  
As on 31<sup>st</sup> Dec. 2016

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Bank balance	400	Sundry creditors	1,950
Cash in hand	10		
Sundry debtors	8,800		
- Provision	440		
	8,360		
Stock	1,900		
Plant	2,000		
- Depreciation	100		
	1,900	Closing capital (Bal.)	10,760
Furniture	140		
	12,710		12,710

**Ali**  
**Statement of Profit and Loss**  
 As on 31<sup>st</sup> Dec. 2016

Details	Amount (Rs.)
Closing capital	10,760
Add: Drawings	3,000
	13,760
Less: Opening capital	(6,900)
Less: Fresh capital	(600)
O.P capital interest	
Opening (6,900 × 5/100) = 345	
Fresh capital interest	
(600 × 5/100 × 6/12) = 15	(360)
Net profit	5,900



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 7**

Time Allowed: 25 Minutes

Marks: 20

Version Number

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 Center Superintendent. Deleting / overwriting is not allowed. Do not use lead pencil.

**HALF BOOK WISE**

**SECTION – A**

**MULTIPLE CHOICE QUESTIONS**

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.

- A company can be wound up through compliance with the provision for:
 

(A) Companies Ordinance, 1982	(B) Companies Act, 1986
(C) Companies Ordinance, 1884	(D) Companies Act, 2017
- The total par value of shares taken up by the public is called:
 

(A) Authorized capital	(B) Issued capital	(C) Subscribed capital	(D) Paid up capital
------------------------	--------------------	------------------------	---------------------
- One of the unit into which the capital of the company is divided is called:
 

(A) Debenture	(B) Share	(C) Capital	(D) Prize bond
---------------	-----------	-------------	----------------
- The value of assets may rise or fall on account of:
 

(A) Depreciation	(B) Depletion	(C) Fluctuation	(D) Amortization
------------------	---------------	-----------------	------------------
- External cause of depreciation:
 

(A) Obsolescence	(B) Efflux of time	(C) Accident	(D) All of these
------------------	--------------------	--------------	------------------

6. **Consignee** \_\_\_\_\_,  
 (A) Bears expenses or losses in consignment (B) Shares profit made on the sale of goods  
 (C) Receives the commission from the consignor (D) All of these
7. **The relationship between consignor and consignee is that of** \_\_\_\_\_,  
 (A) Principal & agent (B) Debtor & creditor (C) Buyer & seller (D) None of these
8. **In case of delcredre commission the liability for bad debts will be on** \_\_\_\_\_,  
 (A) Consignee (B) Consignor (C) Insurance company (D) None of these
9. **In consignee's book, The acceptance given of a bill should be debited to** \_\_\_\_\_,  
 (A) Bill receivable account (B) Bill payable account  
 (C) Consignee's account (D) Consignor's account
10. **Joint stock company is formed under** \_\_\_\_\_,  
 (A) Finance Society Act, 1913 (B) Partnership Act, 1932  
 (C) Companies Act, 2017 (D) Common Carrier Act, 1865
11. **Which company can be formed by at least two members?**  
 (A) Private company (B) Public company (C) Sole proprietorship (D) All of these
12. **Which is the value of a share as quoted on the stock exchange?**  
 (A) Book value (B) Par value (C) Face value (D) Market value
13. **Premium on issue of shares is a** \_\_\_\_\_,  
 (A) Business loss (B) Revenue profit (C) Capital profit (D) Revenue loss
14. **The decrease in the value of mines, quarries etc. is termed as** \_\_\_\_\_,  
 (A) Depreciation (B) Construction (C) Depletion (D) Amortization
15. **Consignment outward book treatment is similar to:**  
 (A) Purchase book (B) Cash book (C) Sales book (D) Pass book
16. **The official signature of the company:**  
 (A) Partnership deed (B) Common seal (C) Common act (D) Common deal
17. **Consignee is:**  
 (A) Drawer (B) Drawee (C) Consignor (D) Agent
18. **Maximum members in private company are:**  
 (A) 10 (B) 100 (C) 150 (D) 50
19. **The decrease in the value of trade mark, copy right etc., is termed as** \_\_\_\_\_,  
 (A) Depreciation (B) Amortization (C) Depletion (D) Reconstruction
20. **Under diminishing balance method amount of depreciation gradually:**  
 (A) Decrease (B) Increase (C) Constant (D) No change

**ANSWERS**

1.	(D)	2.	(C)	3.	(B)	4.	(C)	5.	(D)	6.	(C)	7.	(A)	8.	(A)	9.	(D)	10.	(C)
11.	(A)	12.	(D)	13.	(C)	14.	(C)	15.	(C)	16.	(B)	17.	(D)	18.	(D)	19.	(B)	20.	(A)



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 7**

Time Allowed: 2:35 Hours

Total Marks Sections B and C: 80

Note: Section '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)**

**SHORT QUESTIONS ANSWERS**

**Q.2 Attempt any TEN parts. The answer to each part should not exceed 3 to 4 lines. (10 × 3 = 30)**

**(i) What is the difference between share and debenture?**

Share	Debenture
The total capital of a company is divided into several small units and each unit is called a share. They are the main source to raise the company's capital.	It is a certificate which provides an evidence about the indebtedness of company. It contains a contract for the repayment of principal amount and pay of interest at a specified time.

**(ii) Why is the fixed installment method of depreciation known as "straight line method"?**

**Ans:** If the annual depreciation is plotted on graph paper, under the fixed installment method, it will show a straight line, since the amount of depreciation is equal every year, this is why this method is also called "Straight Line Method".

**(iii) Write about the underwriters.**

**Ans:** Underwriters are the persons who take the responsibility of these shares which are offered to public but not taken up by the public. For this purpose they receive commission which is called underwriter commission.

**(iv) What is the common seal of a company?**

**Ans:** The official signature of a company is known as common seal of a company. As we know that company is an artificial person and cannot sign itself so common seal is used as alternate of its signature. This is known as common seal of a company.

**(v) Write a short note on subscribed capital.**

**Ans:** It is part of issued capital which is actually taken up by the public is known as subscribed capital. It represents the paid up value of issued shares, which means the capital for which applications for subscription have been received from the public.

**(vi) What do you mean by scrap value of an asset?**

**Ans:** The amount at which an asset is sold at the end of its working life is called scrap value. It is also known as residual value and break up value.

**(vii) What do you know about depletion method of depreciation?**

**Ans:** Depletion is the permanent decrease in the value of wasting assets such as mines, oil, forests, timber trees, quarries etc.

**(viii) Write a note on redeemable debentures.**

**Ans:** These are the debentures which are redeemed or repaid after a specified time period for which they were issued is called redeemable debenture. Normally joint stock company use this type of debentures.

In simple words these debentures are issued for a specified period and after the completion of that period these debentures are returned.

(ix) What is difference between over subscription and under subscription?

Ans:	Over Subscription	Under Subscription
	Applications or cash received by the company more than issued capital is known as over subscription.	Applications or cash received by the company less than issued capital is known as under subscription.

(x) Under straight line method what would be the annual rate of depreciation if cost price of an asset is Rs. 100,000 and scrap value is Rs. 10,000 and estimated life is 5 years.

$$\begin{aligned} \text{Ans: Depreciation} &= \frac{\text{Cost} - \text{Scrap value}}{\text{Estimated life}} \\ &= \frac{100,000 - 10,000}{5} \\ &= 18,000 \end{aligned}$$

(xi) What are wasting assets? Write its example (any three).

**Ans:** Wasting assets are the assets which are physically removed from their natural environment and are converted into inventory. And these type of inventories are classified as property, plant and equipment.

In simple words these type of assets are slowly reduce and after sometime totally exhausted because of their use.

**Examples:**

- (i) Mines                      (ii) Oil                      (iii) Quarries                      (iv) Forests etc.

(xii) Write formula of profit and loss in depreciation.

**Ans:** Cost of machinery

Less: Accumulated depreciation	xxx
	xxx
	xxx
Less: Sale price of asset	xxx
Profit and loss	xxx

## SECTION - C (Marks: 50)

### LONG QUESTIONS

#### PART-I

**Note:** Attempt any ONE questions.

(1 × 20 = 20)

**Q.3** Indus Company Limited purchased the business of Vender Company at an agreed value of Rs. 770,000. The book value of the assets were Rs. 760,000 and took over the liabilities of Rs. 30,000. The company debentures of Rs. 100 each of Vendor Company. Pass the journal entries in the books of the Indus Company if:

- (a) Debentures were issued at 10% discount.  
 (b) Debentures were issued at 10% premium.

**Note:** The fraction of debentures being paid in cash.

**REQUIRED:**

Pass journal entries in the book of Indus Company.

## Solution:

## Books of Indus Company Limited

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
	Assets A/c		760,000	
	Goodwill A/c (w-1)		40,000	
	Liabilities A/c			30,000
	Vendor company			770,000
	(Acquisition of assets and liabilities of vendor company)			
(a)	<b><u>If Debentures were Issued at 10% Discount:</u></b>			
	Vendor company		770,000	
	Discount on issuance of debentures A/c		85,550	
	Debentures A/c (w-2)			885,500
	Bank A/c (w-2)			50
	(Issuance of 8,555 debentures of Rs. 100 each @ 10% discount and balance paid in cash)			
(b)	<b><u>If Debentures were Issued at 10% Premium:</u></b>			
	Vendor company		770,000	
	Debentures A/c (w-3)			700,000
	Premium on issue of debentures A/c			70,000
	(Issuance of 7,000 debentures of Rs. 100 each @ 10% premium)			

**WORKINGS:****(w-1) Calculation of Goodwill:**

Book value of assets taken by purchasing company	=	Rs.	760,000
Less: Liabilities taken by purchasing company	=		(30,000)
Net worth of the business			730,000
Purchase consideration			770,000
Value of goodwill			<u>40,000</u>

(w-2) Purchase consideration	=	Rs. 770,000
Per debenture value	=	100 - 10 = Rs. 90
No. of debentures to be issued	=	$\frac{770,000}{90} = 8,555.55$ debentures

**Payment Details:**

Debentures (8,555 × 100)	=	Rs.	855,500
Less: Discount on issuance of debentures (855,500 × 10%)	=		(85,550)
			769,950
Add: Cash payments			50
Purchase consideration			<u>770,000</u>

(w-3) Purchase consideration	=	Rs. 770,000
Per debenture value	=	100 + 10 = Rs. 110

**No. of Debentures to be Issued:**

$$= \frac{770,000}{110} = 7,000 \text{ debentures}$$

Payment Details:

Debentures (7,000 × 100)	=	700,000
Add: Premium on issue of debentures (700,000 × 10%)	=	70,000
Purchase consideration		<u>770,000</u>

- Q.4** On 1<sup>st</sup> September 2008 'S' of Lahore sent 2,500 cases @ Rs. 150 each to 'A' of Karachi to be sold on his account and at his risk. 'A' is entitled at 7½ % commission and 2½ % del credere commission 'S' paid Rs. 5,500 as expenses and received Rs. 20,000 as advance on 31<sup>st</sup> December 2009. 'A' sent an account sales disclosing that 2,400 cases have been sold for Rs. 225 each. He has incurred unloading expenses etc. Rs. 2,750 and selling expenses Rs. 9,000. He sent a bank draft for the net amount due. Pass journal entries and necessary ledger accounts in the books of 'S'.

**Solution:****Books of S (Consignor)**

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
	Consignment to Karachi A/c (2,500 × 150) Goods sent on consignment A/c (Goods sent on consignment basis)		375,000	375,000
	Consignment to Karachi A/c Cash A/c (Expenses paid)		5,500	5,500
	Cash A/c A A/c (Advance received from A)		20,000	20,000
	A (2,400 × 225) Consignment to Karachi A/c (2,400 cases @ Rs. 225 sold by A)		540,000	540,000
	Consignment to Karachi A/c A A/c (Unloading and selling expenses paid by A)		11,750	11,750
	Stock on consignment A/c (w-1) Consignment to Karachi A/c (Stock with A)		15,330	15,330
	Consignment to Karachi A/c A A/c (Commission charged by A)		54,000	54,000
	Consignment to Karachi A/c Profit & loss A/c (Profit on consignment transferred to general profit & loss A/c)		109,080	109,080
	Bank A/c A A/c (A settled his account by bank draft)		454,250	454,250
	Goods sent on consignment A/c Trading A/c (Goods sent on consignment account closed to trading account)		375,000	375,000
	<b>TOTAL</b>		<b>1,959,910</b>	<b>1,959,910</b>

## Consignment to Karachi's Account

Date	Particulars	J.F.	Debit Rs.	Date	Particulars	J.F.	Credit Rs.
	Goods sent on consignment A/c		375,000		A (Sales)		540,000
	Cash A/c (Expenses)		5,500		Stock on consignment A/c		15,330
	A (Expenses)		11,750				
	A (Commission)		54,000				
	Profit & loss A/c		(109,080)				
			555,330				555,330

## A's Account

Date	Particulars	J.F.	Debit Rs.	Date	Particulars	J.F.	Credit Rs.
	Consignment to Karachi A/c (Sales)		540,000		Cash A/c (Advance)		20,000
					Consignment to Karachi A/c (Expenses)		11,750
					Consignment to Karachi A/c (Commission)		54,000
					Bank A/c		454,250
			540,000				540,000

## Goods Sent on Consignment Account

Date	Particulars	J.F.	Debit Rs.	Date	Particulars	J.F.	Credit Rs.
	Trading A/c		375,000		Consignment to Karachi A/c		375,000
			375,000				375,000

**WORKINGS:****(w-1) Valuation of Stock:**

Value of Unsold Cases: Rs.

$$= 100 \text{ cases} \times \text{Rs. } 150 = 15,000$$

Add: Consignor's All Expenses (Prop.):

$$= \frac{5,500}{2,500} \times 100 = 220$$

Add: Consignee's Direct Expenses (Prop.):

$$= \frac{2,750}{2,500} \times 100 = 110$$

Value of stock 15,330

## PART-II

Note: Attempt any THREE questions.

(3 × 10 = 30)

Q.5 A limited company acquired machinery worth Rs. 100,000 on May 1<sup>st</sup> 2002 and spent Rs. 10,000 as wages and installation charges. The books are closed on 31<sup>st</sup> December every year. On 30<sup>th</sup> June, 2005 it was sold for Rs. 40,000 and new machinery was purchased for Rs. 50,000 on the same date. Depreciation is charged at the rate of 10% p.a. on straight line method.

**REQUIRED:**

Prepare the machinery account for four years.

Solution:

## Machinery Account

Date	Particulars	J.F.	Debit Rs.	Date	Particulars	J.F.	Credit Rs.
01-05-02	Cash A/c		100,000	31-12-02	Depreciation A/c (w-1)		7,333
01-05-02	Cash A/c		10,000	31-12-02	Balance c/d		102,667
			110,000				110,000
01-01-03	Balance b/d		102,667	31-12-03	Depreciation A/c (w-2)		11,000
				31-12-03	Balance c/d		91,667
			102,667				102,667
01-01-04	Balance b/d		91,667	31-12-04	Depreciation A/c (w-3)		11,000
				31-12-04	Balance c/d		80,667
			91,667				91,667
01-01-05	Balance b/d		80,667	30-06-05	Cash A/c		40,000
30-06-05	Cash A/c		50,000	30-06-05	Profit & loss A/c (w-4)		35,167
				31-12-05	Depreciation A/c (w-5)		8,000
				31-12-05	Balance c/d		47,500
			130,667				130,667
01-01-06	Balance b/d		47,500				

**WORKINGS:**

(w-1) Calculation of Depreciation on 31-12-2002:

$$= 110,000 \times \frac{10}{100} \times \frac{8}{12} = \text{Rs. } 7,333$$

(w-2) Calculation of Depreciation on 31-12-2003:

$$= 110,000 \times \frac{10}{100} \times \frac{12}{12} = \text{Rs. } 11,000$$

(w-3) Calculation of Depreciation on 31-12-2004:

$$= 110,000 \times \frac{10}{100} \times \frac{12}{12} = \text{Rs. } 11,000$$

<b>(w-4) Calculation of Loss on Sale of Machinery on 30-06-2005:</b>	<b>Rs.</b>
Machinery purchased on 01-05-2002	110,000
Less: Depreciation on 31-12-2002	(7,333)
	<u>102,667</u>
Less: Depreciation on 31-12-2003	(11,000)
	<u>91,667</u>
Less: Depreciation on 31-12-2004	(11,000)
	<u>80,667</u>
Less: Depreciation upto 30-06-2005 $\left(110,000 \times \frac{10}{100} \times \frac{6}{12}\right)$	(5,500)
	<u>75,167</u>
Book value of machinery on 30-06-2005	75,167
Less: Sale proceeds	(40,000)
Loss on sale of machinery	<u>35,167</u>

<b>(w-5) Calculation of Depreciation on 31-12-2005:</b>	<b>Rs.</b>
<u>Depreciation on machinery sold on 30-06-2005</u>	<b>Rs.</b>
= $110,000 \times \frac{10}{100} \times \frac{6}{12}$	= 5,500
<u>Depreciation on Machinery Purchased on 30-06-2005</u>	
= $50,000 \times \frac{10}{100} \times \frac{6}{12}$	= 2,500
	<u>8,000</u>

**Q.6** On the 15<sup>th</sup> August, 2009 a company was registered with an authorized capital of 100,000 shares of Rs. 10 each. On 1<sup>st</sup> January 2009, the company issued 20,000 shares of Rs. 10 each the general public at 10% premium. Applications were received for 35,000 shares. On 30<sup>th</sup> January shares were allotted and money was refunded to the applicants of 15,000 shares.

Record the above transactions in the books of the company and draft the cash book and balance sheet.

**Solution:**

### Books of Company

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
	Bank A/c (35,000 × 11) Share application A/c (Share application money received of 35,000 shares @ Rs. 10 each at 10% premium)		385,000	385,000
	Share application A/c (20,000 × 11) Share capital A/c (20,000 × 10) Share premium A/c (20,000 × 1) (Allotment of 20,000 shares to public)		220,000	200,000 20,000
	Share application A/c (15,000 × 11) Bank A/c (Excessive share application money of 15,000 shares @ Rs. 11 each refunded)		165,000	165,000
	<b>TOTAL</b>		<b>770,000</b>	<b>770,000</b>

**Bank Account**

Date	Particulars	J.F.	Debit Rs.	Date	Particulars	J.F.	Credit Rs.
	Share application A/c		385,000		Share application A/c		165,000
			385,000		Balance c/d		220,000
							385,000

..... Company  
**Balance Sheet**  
 As on .....

Capital and Liabilities	Rs.	Assets	Rs.
<b>Authorized Share Capital:</b> 100,000 shares of Rs. 10 each	1,000,000	Bank A/c	220,000
<b>Issued Share Capital:</b> 20,000 shares of Rs. 10 each	200,000		
<b>Subscribed Share Capital:</b> 35,000 shares of Rs. 10 each	350,000		
<b>Paid up Capital:</b> 20,000 shares of Rs. 10 each	200,000		
<b>Reserves:</b> Share premium	20,000		
	220,000		220,000

**Q.7** A company purchased a second hand machine on 31<sup>st</sup> January 2006 for Rs. 87,000 and purchased another machine for Rs. 20,000 on 1<sup>st</sup> May 2006.

Depreciation was provided on machinery @ 10% p.a. on the original cost annually. In 2008, however, the company changed the method providing depreciation and adopted the written down value method at the rate of depreciation being 15% p.a. Give the machinery account for four years. Accounting year closed on 31<sup>st</sup> December of each year.

**Solution:**

**Machinery Account**

Date	Particulars	J.F.	Debit Rs.	Date	Particulars	J.F.	Credit Rs.
31-01-06	Bank A/c		87,000	31-12-06	Depreciation A/c (w-1)		9,308
01-05-06	Bank A/c		20,000	31-12-06	Balance c/d		97,692
			107,000				107,000
01-01-07	Balance b/d		97,692	31-12-07	Depreciation A/c (w-2)		10,700
				31-12-07	Balance c/d		86,992
			97,692				97,692
01-01-08	Balance b/d		86,992	31-12-08	Depreciation (w-3)		13,049
				31-12-08	Balance c/d		73,943
			86,992				86,992
01-01-09	Balance b/d		73,943	31-12-09	Depreciation A/c (w-4)		11,091
				31-12-09	Balance c/d		62,852
			73,943				73,943
01-01-10	Balance b/d		62,852				

**WORKINGS:****(w-1) Calculation of Depreciation on 31-12-2006:**

	Rs.
= $87,000 \times \frac{10}{100} \times \frac{11}{12}$	= 7,975
= $20,000 \times \frac{10}{100} \times \frac{8}{12}$	= 1,333
	9,308

**(w-2) Calculation of Depreciation on 31-12-2007:**

	Rs.
= $87,000 \times \frac{10}{100}$	= 8,700
= $20,000 \times \frac{10}{100}$	= 2,000
	10,700

**(w-3) Calculation of Depreciation on 31-12-2008:**

	Rs.
= $87,000 - 7,975 - 8,700 = 70,325 \times \frac{15}{100}$	= 10,549
= $20,000 - 1,333 - 2,000 = 16,667 \times \frac{15}{100}$	= 2,500
	13,049

(OR)

$$= 86,992 \times \frac{15}{100} = \text{Rs. } 13,049$$

**(w-4) Calculation of Depreciation on 31-12-2009:**

	Rs.
= $87,000 - 7,975 - 8,700 - 10,549 = 59,776 \times \frac{15}{100}$	= 8,966
= $20,000 - 1,333 - 2,000 - 2,500 = 14,167 \times \frac{15}{100}$	= 2,125
	11,091

(OR)

$$= 73,943 \times \frac{15}{100} = \text{Rs. } 11,091$$

**Q.8 What journal entries will be made in the following cases?**

- (a) A company issued Rs. 40,000, 6% debentures at par redeemable at par.
- (b) A company issued Rs. 40,000, 6% debentures at discount of 10% redeemable at par.
- (c) A company issued Rs. 40,000, 6% debentures at premium of 5% redeemable at par.
- (d) A company issued Rs. 40,000, 6% debentures at par redeemable at 10% premium.
- (e) A company issued Rs. 40,000, 6% debentures at a discount of 5% and redeemable at 5% premium.

**Solution:****Journal**

S. No.	Details	L.F	Debit (Rs.)	Credit (Rs.)
(1)	Bank A/c 6% debenture A/c (Issued at par and redeemable at par)		40,000	40,000
(2)	Bank A/c Discount on issue of debenture 6% debenture A/c (Issued at discount and redeemable at par)		36,000 4,000	40,000
(3)	Bank A/c 6% debenture A/c Premium on issue of debenture A/c (Issued at premium and red at par)		42,000	40,000 2,000
(4)	Bank Loss on issue of debenture 6% debenture A/c Premium on issue of debenture A/c (Issued at par and red at premium)		40,000 4,000	40,000 4,000
(5)	Bank Discount on issue of share Loss on issue of debenture 6% debenture A/c Premium on redemption of debenture A/c (Issued at due and redeemable at premium)		38,000 2,000 2,000	40,000 2,000



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 8**

Time Allowed: 25 Minutes

Marks: 20

Version Number

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 Center Superintendent. Deleting / overwriting is not allowed. Do not use lead pencil.

**FULL BOOK WISE****SECTION – A****MULTIPLE CHOICE QUESTIONS**

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. Legacies are generally:**

- (A) Capitalized (B) Treated as income (C) Treated as expenditure (D) None of these

**2. In income and expenditure account:**

- (A) Expenses are recorded on debit side (B) Revenues are recorded on credit side  
(C) Does not start with any opening balance (D) All of these

3. If the amount of prepaid rent is Rs. 150 and amount debited to income and expenditure account is Rs. 3,250 then rent paid during the year will be:  
(A) Rs. 3,400 (B) Rs. 3,100 (C) Rs. 3,500 (D) Rs. 3,000
4. Loss on the sale of machinery should be written off against:  
(A) Share premium account (B) Sales account  
(C) Depreciation fund account (D) None of these
5. The period during which the asset will help in earning income of business is known as:  
(A) Consumed life (B) Expired life (C) Exhausted life (D) Working life
6. If original cost of an asset is Rs. 10,000, rate of depreciation 10% p.a. then the value of depreciation under diminishing balance method after third year will be:  
(A) Rs. 1000 (B) Rs. 900 (C) Rs. 700 (D) Rs. 810
7. In consignment the risk attached to goods delivered is with:  
(A) Seller (B) Buyer (C) Consignor (D) Consignee
8. In books of consignee, the cash received from sundry debtors should be debited to:  
(A) Consignor's A/c (B) Cash A/c (C) Sundry debtors A/c (D) Consignee's A/c
9. Cash paid to creditors can be ascertained by preparing:  
(A) Total debtor's A/c (B) Total creditor's A/c (C) Balance sheet (D) None of these
10. Net worth is equal to:  
(A) Assets - Liabilities (B) Liabilities - Assets (C) Liabilities + Capital (D) Capital + Assets
11. Receipt and payment account shows.  
(A) Debit and credit balance of ledgers (B) Incomes and expenditures  
(C) Cash receipts and payments (D) Assets and liabilities
12. Goods return by consignee to consignor. The entry will be in \_\_\_\_\_.  
(A) Consignor book (B) Consignee book  
(C) Stock on consignment account (D) All of these
13. Debentures include \_\_\_\_\_.  
(A) Debenture stock (B) Bonds  
(C) Participation term certificate (D) All of these
14. The relationship between consignor and consignee is that of:  
(A) Principal and agent (B) Debtor and creditor (C) Buyer and seller (D) Endorser and endorsee
15. The basic purpose of depreciation is to achieve the \_\_\_\_\_.  
(A) Matching principles (B) Dual aspect principle (C) Separate entity (D) All of these
16. Under which the book value of the asset can be reduced to zero after certain years?  
(A) Written down value method (B) Straight line method  
(C) Depletion method (D) Annuity method
17. The amount of cash sales and cash purchases can be ascertained by preparing:  
(A) Total creditor's A/c (B) Total debtor's A/c (C) Profit and loss A/c (D) None of these
18. Private company can start business \_\_\_\_\_ after its incorporation.  
(A) Two months (B) Two weeks (C) Immediately (D) Three weeks
19. Which of the following the value of a share is as quoted on the stock exchange?  
(A) Book value (B) Par value (C) Face value (D) Market value
20. Debenture suspense account is shown on:  
(A) Asset side of balance sheet (B) Liability side of balance sheet  
(C) Credit side of profit and loss account (D) Debit side of profit and loss account

**ANSWERS**

1.	(A)	2.	(D)	3.	(B)	4.	(D)	5.	(D)	6.	(D)	7.	(C)	8.	(B)	9.	(B)	10.	(A)
11.	(C)	12.	(B)	13.	(D)	14.	(A)	15.	(A)	16.	(B)	17.	(D)	18.	(C)	19.	(D)	20.	(D)



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 8**

Time Allowed: 2:35 Hours

Total Marks Sections B and C: 80

Note: Section '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)**

**SHORT QUESTIONS ANSWERS**

**Q.2 Attempt any TEN parts. The answer to each part should not exceed 3 to 4 lines. (10 × 3 = 30)**

**(i) Write any three characteristics of depreciation.**

- Ans:** (a) Depreciation is the permanent decrease in the value of asset because of its usage and wear and tear.  
 (b) Depreciation is the expired cost of asset.  
 (c) Depreciation is the gradual decrease in the efficiency of its usage and wear and tear.

**(ii) What are the causes of internal depreciation?**

**Ans:** This is the depreciation which occurs due to some expected normal causes is known as internal depreciation. Following are causes of internal depreciation:

- (a) Wear and tear                      (b) Depletion

**(iii) Define "Specific reserve" and "Capital reserve"**

<b>Ans:</b>	<b>Specific Reserve</b>	<b>Capital Reserve</b>
(i)	It is created for specific purpose.	(i) It is created out of profit earned not in the normal course of business.
(ii)	It can be utilized only for the purpose for which it has been created. It can't be utilized for other purpose. e.g., Debenture sinking fund is created for the purpose of repaying loan on account of debenture.	(ii) Capital employed in business is increased permanently. e.g., To a bookseller, profit on sale of books is a regular profit. But profit earned on sale of something other than books is capital profit.

**(iv) Write down any three differences between Provision and Reserve.**

<b>Ans:</b>	<b>Reserve</b>	<b>Provision</b>
(i)	The portion of profit which is not paid to proprietor, but it is kept apart for meeting some known or unknown losses. e.g., Reserve fund, contingency fund. It increases working capital.	(i) It is created to meet specific loss or liability. But the amount of loss or liability can't be determined exactly. So the amount is estimated amount. e.g., provision for doubtful debt.
(ii)	It is shown on "liability" side of balance sheet.	(ii) It can't increase working capital.

**(v) What do you understand by increased net worth method of single entry system?**

**Ans:** This is the method in which closing and opening capital are compared to know the profit and loss under single entry system is known as net worth method.

**(vi) What is special subscription?**

**Ans:** It is an additional subscription which is paid by the members over and above the monthly and annually subscription is called special subscription. It is called for some special purposes such as helping the poor and needy people etc.

**(vii) What is consignment?**

**Ans:** Consignment is an act of sending the goods by the owner (manufacturer or wholesaler) to his agent, who agree to collect, store and sell them on the risk and behalf of the owner on commission basis.

**(viii) What is memorandum of association?**

**Ans:** It is the most important document of Joint Stock Company. It contains the fundamental conditions on which a company is incorporated. The company cannot go beyond this document. There are six clauses of Memorandum of Association.

- (i) Name clause                      (ii) Head office clause                      (iii) Capital clause  
(iv) Objective clause              (v) Liability clause                      (vi) Association clause

**(ix) Define non-trading concerns.**

**Ans:** Individuals or institutions with activities other than trade and their primary object is not to earn profit, are known as non-trading concerns.

**(x) Write any three differences between consignment and sale.**

<b>Consignment</b>		<b>Sale</b>	
(i) The relation between consignor and consignee is principal and agent.	(i)	The relationship between seller and buyer is creditor and debtor.	(i)
(ii) In consignment when goods are transferred from consignor to consignee ownership.	(ii)	In sale when goods are transfer from seller to buyer ownership also transfer.	(ii)
(iii) In consignment return of goods is possible.	(iii)	In sale return of goods is generally not possible.	(iii)

**(xi) What is meant by perpetual existence of a joint stock company?**

**Ans:** According to Companies Act, 2017:

"A company means which is formed and registered under Companies Act, 2017". A joint stock company has a long life compared to other forms of business organizations. When company is formed and commences business, it has then a continuous life. The shareholder can withdraw the capital by selling shares in market.

**(xii) What is receipt and payment account?**

**Ans:** According to the definition of Spicer and Pegler:

"A receipts and payments account is a summarized cash book (cash and bank) for a given period".

In simple words it is a summary of cash book in which opening and closing balance of cash and bank are given at the end of a financial period along with cash receipts and cash payments.

**SECTION - C (Marks: 50)****LONG QUESTIONS****PART-I**

**Note:** Attempt any ONE questions.

(1 × 20 = 20)

- Q.3 (a) On 1<sup>st</sup> Jan. 2009 Mansoor Chemicals Ltd. was formed with an authorized capital of 500,000 shares of Rs. 10 each. The subscribed and paid up capital of the company was 300,000 shares of Rs. 10 each. On 1<sup>st</sup> April, 2009, the management of the company decided to issue 100,000 shares at a premium of Rs. 2 per share as subsequent issue. Applications were received on 15<sup>th</sup> April, 2009 for 118,000 shares. Shares were allotted on 22<sup>nd</sup> April and money was refunded to applicants of 18,000 shares.

Pass the necessary journal entries and draft the balance sheet of the company.

(b) Journalise the following transactions and prepare balance sheet:

- (a) A company issued 2000 debentures of Rs. 100/- each at par.  
 (b) A company issued 2000 debentures of Rs. 100/- each at 10% premium.  
 (c) A company issued 2000 debentures of Rs. 100/- each at 10% discount.

**Solution:**

(a) **Books of Mansoor Chemicals Ltd.**

Date	Particulars	L/F	Debit (Rs.)	Credit (Rs.)
15-04-09	Bank A/c (118,000 shares × Rs. 12) Share application A/c (Share application money of 118,000 shares @ Rs. 12 each received)		1,416,000	1,416,000
22-04-09	Share application A/c (100,000 × Rs. 12) Share capital A/c (100,000 × 10) Share premium A/c (100,000 × 2) (Allotment of 100,000 shares at premium of Rs. 2 per share)		1,200,000	1,000,000 200,000
22-04-09	Share application A/c (18,000 × 12) Bank A/c (Share application money of 18,000 shares @ Rs. 12 refunded)		216,000	216,000
	TOTAL		2,832,000	2,832,000

**Mansoor Chemicals Ltd.**  
**Balance Sheet**  
 As on 31<sup>st</sup> December 2009

Capital & Liabilities	Rs.	Properties & Assets	Rs.
<u>Authorized Share Capital:</u> = 500,000 shares of Rs. 10 each	5,000,000	Bank A/c Sundry assets	1,200,000 3,000,000
<u>Issued, Subscribed &amp; Paid up Capital:</u> = 400,000 shares of Rs. 10 each			
Share premium	4,000,000 200,000		
	4,200,000		
			4,200,000

(b) **Journal**

Date	Details	L/F	Debit Rs.	Credit Rs.
(a)	Bank account (2,000 × Rs. 100) Debentures account (Being the debentures issued at par)		200,000	200,000
(b)	Bank account (200,000 + 20,000) (2,000 × Rs. 100) Debentures account (2,000 × Rs. 10) Premium on issue of debentures account (Being the debentures issued at discount)		220,000	200,000 20,000

(c)	Bank account (200,000 – 20,000) Discount on issue of shares account (2,000 × Rs. 10) (2,000 × Rs. 100) Debentures account (Being the debentures issued at premium)	180,000 20,000	200,000
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**Balance Sheet**

As at .....

S. No.	Liabilities & Capital	Amount (Rs.)	S. No.	Assets	Amount (Rs.)
(a)	Debentures	200,000	(a)	Bank	200,000
		200,000			200,000
(b)	Premium on issue of debentures Debentures	20,000	(b)	Bank	220,000
		200,000			220,000
		220,000			220,000
(c)	Debentures	200,000	(c)	Discount on issue of debentures Bank	20,000
		200,000			180,000
		200,000			200,000

**Q.4** Given below in the receipts and payments account of the Lahore Club for the year ended 31<sup>st</sup> December 2005:

Receipts	Rs.	Payments	Rs.
To balance b/d	1,200	By salaries	800
To subscription 2004	50	By general expenses	85
To subscription 2005	2,000	By drama expenses	450
To subscription 2006	75	By newspaper etc.	150
To donations	640	By municipal taxes	60
To proceeds of drama ticket	1,250	By charity	250
To sale of waste paper	95	By investment (01-06-2005)	2,000
		By electricity charges	145
		By balance c/d	1,370
	5,310		5,310

Prepare the Club's Income and Expenditure Account for the year ending 31<sup>st</sup> December 2005 and on that data after taking the following information into accounts:

- There are 500 member each paying an annual subscription of Rs. 5.
- Municipal taxes amounting to Rs. 60 per annual have been paid upto 31<sup>st</sup> March 2006 and Rs. 100 for salaries is outstanding.
- Building stands in the book at Rs. 5,000 and it is required to write off depreciation at 5% p.a.
- 5% interest has accrued on investment.

**Solution:**

**Lahore Club**  
**Income and Expenditure Account**  
 For the period ended 31<sup>st</sup> December 2005

Expenditures	Rs.	Incomes	Rs.
Salaries	800	Subscription (2005)	2,000
Add: Outstanding	<u>100</u>	Add: Receivable	
General expenses	85	(500 × 5 = 2,500 - 2,000)	
Drama expenses	450		<u>500</u>
Newspaper expenses	150	Donations	640
Municipal taxes	60	Proceeds from drama tickets	1,250
Less: Prepaid (60 × 3/12)	<u>(15)</u>	Sale of wastepaper	95
Charity	250	Interest on investment A/c	
Electricity charges	145	(2,000 × 5/100 × 7/12)	58
Depreciation on building (5,000 × 5/100)	250		
Surplus	<u>(2,268)</u>		
	4,543		4,543

**PART-II**

Note: Attempt any THREE questions.

(3 × 10 = 30)

Q.5 X and Y carrying on business in partnership keep their books by single entry. On 1<sup>st</sup> January 2005, the statement of their position was:

Assets	Rs.	Liabilities and Capital	Rs.
Cash in hand	270	Bill payable	6,460
Cash at bank	2,190	Sundry creditors	
Bill receivable	4,060	Capital accounts:	20,280
Sundry debtors	48,670	X	73,400
Stock	32,850	Y	<u>73,400</u>
Plant and machinery	80,200		146,800
Furniture	5,300		
	<u>173,540</u>		<u>173,540</u>

The following was the state of affairs on 31<sup>st</sup> December 2005.

Cash in hand Rs. 400; cash at bank Rs. 5,810, debtors Rs. 56,280, bill receivable Rs. 6,840, stock Rs. 36,730, creditors Rs. 21,470, bills payable Rs. 5,950.

The partners have drawn Rs. 4,800 each and were entitled to interest on capital at 6% p.a. No interest was payable on drawings. It was agreed to depreciate plant and machinery at 10% and furniture at 6%.

**REQUIREMENT:**

Draw up a statement of profit and loss for the year ended 31<sup>st</sup> December 2005 and also a statement of affairs as on that date.

**Solution:**

**X & Y**  
**Statement of Affair (Closing)**  
 As on 31<sup>st</sup> Dec. 2005

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Cash in hand	400	Creditors	21,470
Cash at bank	5,810	Bill payable	5,950
Debtors	56,280		
Bill receivable	6,840		
Stock	36,730		
Plant and machinery	80,200		
Less: Depreciation	<u>8,020</u>		
Furniture (53,00 × 6/100)	5,300	Closing capital (Bal)	165,802
Less: Depreciation	<u>318</u>		
	<u>183,222</u>		<u>183,222</u>

**X and Y**  
**Statement of Profit and Loss**  
 For the year ended 31<sup>st</sup> Dec. 2005

Details	Amount (Rs.)
Closing	155,802
Add: Drawings (4,800 × 2)	9,600
	165,402
Less: Opening capital	(146,800)
Less: Fresh capital	(Nil)
Less: Interest on capital	(8,808)
Opening (146,800 × 6/100)	
Net profit	<u>9,794</u>

**Q.6** A sends out a consignment of the value of Rs. 5,000 to B drawing on the later for Rs. 4,000 as an advance against the same. A also pays Rs. 450 for freight etc. B clears the goods paying Rs. 250 for duty, dock dues etc. B sells on credit half the lot for Rs. 4,000 and half of the remaining is sold for cash Rs. 2,200, B's remuneration is 2½ % on gross proceeds.

B sends out an account sales and a draft to A for the balance as shown there in Rs. 1,250 worth of goods are on hand with B.

**REQUIREMENT:**

Open the necessary accounts in the books of A to record the above transactions.

**Solution:**

A's Account		B's Account	
Consignment A/c	5,000		
Goods sent on consignment A/c	5,000		
(Goods consigned)			
Cash A/c	4,000	A's A/c	4,000
B's A/c	4,000	Cash A/c	4,000
(Advance received)		(Advance paid)	
Consignment A/c	400		
Cash A/c	400		
(Expense of consigner)			
Consignment A/c	200	A's A/c	200
B's A/c	200	Cash A/c	200
(Expense of consignee)		(Expense of consignee)	
B's A/c	6,200	Cash A/c	6,200
Consignment A/c	6,200	A's A/c (4,000 + 2,200)	6,200
(Sale proceed)		(Sale proceed)	
Consignment A/c	155	A's A/c	155
B's A/c	155	Commission (6,200 × 2.5/100)	155
(Commission received)		(Commission paid)	
Stock on consignment A/c	1,400		
Consignment A/c	1,400		
Consignment A/c	1,845		
Profit and loss A/c	1,845		
Bank A/c	1,845		
Consignee A/c	1,845		

**Working of Stock:**

Cost of unsold goods	1,250
Add: Expenses	150
Closing stock	<u>1,400</u>

$$\text{Expense} = \frac{600 + \text{Nil}}{5,000} \times 1,250$$

$$\text{Expense} = 150$$

**Consignment Account**

Details	Amount (Rs.)	Details	Amount (Rs.)
Goods sent on consignment A/c	5,000	B's A/c	6,200
Cash A/c	400	Stock on consignment A/c	1,400
B's A/c	200		
B's A/c	155		
Profit and loss A/c	1,845		
	<u>7,600</u>		<u>7,600</u>

## Consignee Account

Details	Amount (Rs.)	Details	Amount (Rs.)
Consignment A/c	6,200	Cash A/c	4,000
		Consignment A/c	200
		Consignment A/c	155
		Bank A/c	1,845
	6,200		6,200

Q.7 From the particulars given below prepare the income and expenditure account and the balance sheet of a music club started on 1-4-2004 for the year ended on 31<sup>st</sup> March 2005.

Receipts	Rs.	Payments	Rs.
Donations	12,000	Land and buildings	12,000
Entrance fees	3,000	Concert expenses	9,200
Subscriptions	6,000	Purchase of public address system	4,000
Rent on a part of the building let out	600	Salaries	800
Annual grant from the state govt.	9,600	Annual award for the musician of the year	2,200
		Cash in hand	1,000
		Cash at bank	2,000
	31,200		31,200

One-third of the entrance fees received was to be credited to revenue and donations is to be capitalized. Depreciate land and buildings by 5% and public address system by 2%. Outstanding subscriptions for the year 2004-2005 are Rs. 200 and advance receipt of subscriptions on account of the year 2005-2006 is Rs. 400. Salaries unpaid for the year 2004-2005 amount to Rs. 125.

**Solution:**

**Music Club**  
**Income and Expenditure**  
For the year ended

Expenditure	Amount (Rs.)	Income	Amount (Rs.)
Concert expense	9,200	Entrance fees	1,000
Musician award for the year ended	2,200	Subscription	6,000
Depreciation on land and building (12,000 × 5/100)	600	Add: Outstanding	200
Depreciation on public address (4,000 × 2/100)	80	Less: Advance	(400)
Salaries	800	Building let out	600
Outstanding	125	State govt.	9,600
Surplus (Bal.)	3,995		
	17,000		17,000

**Music Club**  
**Balance Sheet**  
**For the year ended**

Assets		Amount (Rs.)	Liabilities	Amount (Rs.)
Cash at bank		2,000	Donation	12,000
Cash in hand		1,000	Entrance fees (3,000 – 1,000)	2,000
Outstanding		200	Advance subscription	400
Public address	4,000		Outstanding salaries	125
Less: Depreciation	<u>(80)</u>	3,920		
Land and building	12,000		Capital fund	Nil
Less: Depreciation	<u>(600)</u>	11,400	Add: Surplus	<u>3,995</u>
				3,995
		18,520		18,520

**Q.8** Pass the following entries of debentures in each case:

- Debentures issued at Rs. 90 and redeemable at Rs. 100.
- Debentures issued at Rs. 100 and redeemable at Rs. 110.
- Debentures issued at Rs. 110 and redeemable at Rs. 100.
- Debentures issued at Rs. 90 and redeemable at Rs. 110.
- Debentures issued at Rs. 100 and redeemable at Rs. 100.

**Solution:**

**Journal**

S. No.	Details	L.F	Debit (Rs.)	Credit (Rs.)
(a)	Bank A/c		90	
	Discount on issue of debenture A/c Debenture A/c (Debenture issued at discount and redeemable at par)		10	100
(b)	Bank A/c		100	
	Loss on issue of debenture Debenture A/c Premium on redemption of debenture A/c (Debenture issued at par and redeemable at premium)		10	100 10
(c)	Bank A/c		110	
	Debenture A/c Debenture premium A/c (Debenture issued at premium and redeemable at par)			100 10

(d)	Bank A/c	90	
	Discount on issue of debenture A/c	10	
	Less on issue of debenture A/c	10	
	Debenture A/c		100
	Debenture premium on redemption A/c (Debenture issued at discount and redeemable at premium)		10
(e)	Bank A/c	100	
	Debenture A/c		100
	(Debenture issued at par and redeemable at par)		



## Principles of Accounting

HSSC – II

MODEL PAPER 9

Time Allowed: 25 Minutes

Marks: 20

Version Number

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 Center Superintendent. Deleting / overwriting is not allowed. Do not use lead pencil.

**FULL BOOK WISE****SECTION – A****MULTIPLE CHOICE QUESTIONS**

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. Premium on issue of shares is shown on:

- (A) Debit side of trading account                      (B) Debit side of profit and loss account  
(C) Asset side of balance sheet                      (D) Liability side of balance sheet

2. The forwarding letter sent by consignor to consignee is a substitute of:

- (A) Voucher                      (B) Journal                      (C) Invoice                      (D) Consignment account

3. In consignee's book, the payment of expenses by consignee should be debited to:

- (A) Consignment A/c                      (B) Consignor A/c                      (C) Cash A/c                      (D) Expenses A/c

4. A receipts and payments account is similar to:

- (A) An income and expenditure account                      (B) A statement of affairs  
(C) A cash or a bank account                      (D) A profit or loss account

5. The amount paid to persons who are invited to deliver lectures in a club is known as:

- (A) Salary                      (B) Wages                      (C) Honorarium                      (D) Income

6. The closing balance of creditors can be ascertained by preparing the:

- (A) Bills receivable account                      (B) Bills payable account  
(C) The debtors account                      (D) The creditors account

7. The physical deterioration in assets due to use in business is called:

- (A) Depletion                      (B) Obsolescence                      (C) Wear and tear                      (D) Accident

- 8. In single entry system profit is calculated as:**  
 (A) Capital in start + Drawings + Fresh capital introduced – Capital at the end  
 (B) Capital at the end + Drawings + Fresh capital introduced – Capital in start  
 (C) Capital at the end + Drawings – Fresh capital introduced – Capital in start  
 (D) Opening capital + Drawings + Fresh capital introduced – Closing capital
- 9. The single-entry system, is not followed dual aspect concept, so it is:**  
 (A) Incomplete and scientific (B) Complete and scientific  
 (C) Complete unscientific (D) Incomplete and unscientific
- 10. In single entry system, it is not possible to prepare:**  
 (A) Trial balance (B) Creditor's account (C) Balance sheet (D) Account sales
- 11. The capital in the beginning of the accounting year is ascertained by preparing:**  
 (A) Cash account (B) Opening statement of affairs  
 (C) Total creditors account (D) Total debtors account
- 12. The maximum member of members in public limited company are:**  
 (A) 50 (B) 20 (C) 10 (D) Unlimited
- 13. Provision is created for:**  
 (A) Know liability (B) Unknown liability  
 (C) Increase working capital (D) None of them
- 14. Donator Rs. 9,000, 4/5<sup>th</sup> capitalized, the amount which should be credited to income and expenditure account is:**  
 (A) Rs. 1,800 (B) Rs. 7,200 (C) Rs. 8,500 (D) Rs. 900
- 15. A person who is elected to run the club is called:**  
 (A) Treasurer (B) Secretary (C) Chairperson (D) President
- 16. If cost of goods sold Rs. 350,000/-, gross profit on cost 15%, then the value of sales will be:**  
 (A) Rs. 425,000 (B) Rs. 402,500 (C) Rs. 422,500 (D) Rs. 405,000
- 17. Debenture suspense account is shown on:**  
 (A) Asset side of balance sheet (B) Liability side of balance sheet  
 (C) Credit side of profit and loss account (D) Debit side of profit and loss account
- 18. The conversion of debentures into debentures stock is made by:**  
 (A) Promoters (B) Shareholders (C) Directors (D) Underwriters
- 19. Which one of the following is a tangible asset?**  
 (A) Goodwill (B) Trademark (C) Copyright (D) Machinery
- 20. \_\_\_\_\_ is paid to agent to work hard to push a new line of product in market.**  
 (A) Commission (B) Delcredre commission  
 (C) Overriding commission (D) Ordinary commission

**ANSWERS**

1.	(D)	2.	(C)	3.	(B)	4.	(C)	5.	(C)	6.	(D)	7.	(C)	8.	(C)	9.	(D)	10.	(A)
11.	(B)	12.	(D)	13.	(A)	14.	(A)	15.	(A)	16.	(B)	17.	(A)	18.	(C)	19.	(D)	20.	(C)



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 9**

Time Allowed: 2:35 Hours

Total Marks Sections B and C: 80

Note: Section '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)**

**SHORT QUESTIONS ANSWERS**

**Q.2 Attempt any TEN parts. The answer to each part should not exceed 3 to 4 lines. (10 × 3 = 30)**

**(i) What do you mean by Legacy?**

**Ans:** Legacy means the amount or property which is given to a non-trading concern as per the will of the person after his death. It will be treated as capital receipt.

In simple words, any amount or property which is received by a non-trading concern as per the will of deceased person is called legacy.

**(ii) What is unlimited company?**

**Ans:** It is the company in which the liability of shareholder is unlimited which means in case of loss or insolvency the personal property of shareholders will be taken into consideration for payment of company's debts.

**(iii) What is obsolescence?**

**Ans:** Obsolescence means decrease in the value of asset because of the following:

- Invention of new technology
- Change in demand
- Change in fashion
- Change in taste
- Improvement in production method

**(iv) Explain the term efflux of time in depreciation.**

**Ans:** In depreciation, efflux of time means decrease in the value of asset because of that time for which it was not used.

In simple words when an asset is held for a long period of time and after that time it diminishes its value it will be known as efflux of time.

**(v) Write the points of difference between statement of affair and balance sheet.**

<b>Ans:</b>	<b>Statement of Affair</b>	<b>Balance Sheet</b>
(i)	It is just like balance sheet which is prepared under single entry system.	It is a statement of assets, liabilities and owner's equity on a particular date.
(ii)	It is prepared under single entry system.	It is prepared under double entry system.
(iii)	Dual aspect of a transaction is not completed.	Dual aspect of a transaction is completed.
(iv)	Information provided is not reliable.	Information provided is reliable and can be proved.

(vi) What are the characteristics of double entry system?

- Ans:** (i) Both aspects of a transaction is recorded.  
 (ii) Real and nominal accounts are prepared.  
 (iii) True financial position can be obtained.  
 (iv) Every type of business can adopt this system.

(vii) Write about endowment fund and also explain its treatment.

**Ans: Endowment Fund:** Endowment fund is a fund set up by an institution in which regular withdrawals from the invested capital are used for ongoing operations or specific purposes.

These funds are often used by no profit making organization such as universities, hospitals and churches. These funds are funded by donation which are tax deductible for donor. The principle of this fund is non-expendable and income on investment is made for specified period.

**Treatment:** Endowment fund is not written in income and expenditure account because it is a liability and will be written in balance sheet on liability side.

(viii) Show the formula to calculate the value of adjusted per unit cost in case of normal loss.

**Ans:** Following is the formula:

$$\text{Adjusted per unit cost} = \frac{\text{Original cost of goods consigned} + \text{Direct expenses}}{\text{Total goods} - \text{Lost goods}}$$

(ix) Define the following:

- (a) Commission                      (b) Del-credere commission                      (c) Overriding commission

**Ans: (a) Commission:** The term commission is used in consignment which denotes the remuneration of the consignee for the selling of goods of consignor.

**(b) Del-credere Commission:** It is an extra commission which is given by consignor to consignee for the realization of debts in full in connection with credit sales.

**(c) Overriding Commission:** When consignor wants to introduce a new produce in the market, he offers some extra commission to consignee for introducing that new product in the market. This extra commission is overriding commission.

(x) What is scrap value of Asset?

**Ans:** The price at which the asset is sold at the end of its working life is called scrap value. It is also known as residual or break-up value.

(xi) What are the kinds of joint stock company?

**Ans:** There are four types of joint stock company:

- (i) Company limited by shares.  
 (ii) Company limited by guarantee.  
 (iii) Unlimited company.  
 (iv) Company not for profit.

(xii) What is difference between public limited company and private limited company?

Public Limited Company	Private Limited Company
(i) The company in which minimum number of shareholders is seven and there is no limit for maximum is called public limited company.	(i) The company in which minimum number of shareholders is two and maximum should not exceed fifty members.
(ii) It can invite general public for purchasing of shares.	(ii) It cannot invite general public for purchasing of shares.
(iii) Its shares can be transfer easily.	(iii) The shares of this company are not transferable.
(iv) It is compulsory for public company to hold statutory meeting.	(iv) It is not necessary for this company to call statutory meeting.

**SECTION - C (Marks: 50)****LONG QUESTIONS****PART-I**

Note: Attempt any ONE questions.

(1 × 20 = 20)

Q.3 The following is the receipts and payments account of Sultan Club for the year ended 30<sup>th</sup> June 2006.

Receipts	Rs.	Payments	Rs.
Balance	67,400	Salaries	25,600
Subscription	40,000	Rent	4,460
Entrance fee	5,600	Printing charges	1,540
Lockers rent	4,975	Creditors (01-07-2005)	8,000
Sundry receipts	5,025	Utensils	2,400
		Misc. expenses	10,000
		Balance	71,000
	123,000		123,000

Assets on 1<sup>st</sup> July 2005: Furniture Rs. 30,000; Utensils Rs. 2,600. Charge 10% depreciation on furniture. Prepare income and expenditure account and also balance sheet.

**Solution:**

**Sultan Club**  
**Income and Expenditure Account**  
For the period ended 30<sup>th</sup> June 2006

Expenditures	Rs.	Incomes	Rs.
Salaries	25,600	Subscription	40,000
Rent	4,460	Entrance fee	5,600
Printing charges	1,540	Locker's rent	4,975
Misc. expenses	10,000	Sundry receipts	5,025
Depreciation on furniture (30,000 × 10%)	3,000		
Surplus	(11,000)		
	55,600		55,600

**Sultan Club**  
**Balance Sheet**  
As on 30<sup>th</sup> June 2006

Assets	Rs.	Liabilities	Rs.
<b><u>Current Assets:</u></b>		<b><u>Current Liabilities:</u></b>	
Cash	71,000		
<b><u>Fixed Assets:</u></b>		<b><u>Capital Fund:</u></b>	
Furniture	30,000	Capital fund (w-1)	92,000
Less: Depreciation	(3,000)	Add: Surplus	11,000
Utensils	2,600		103,000
Add: New purchases	2,400		
	5,000		
	103,000		103,000

**WORKINGS:****(w-1) Calculation of Opening Capital Fund:**Opening Assets:

	Rs.
Cash	67,400
Furniture	30,000
Utensils	2,600

Less Opening Liabilities:

Creditors	(8,000)
Opening capital fund	92,000

**Q.4** On January 1<sup>st</sup> 2001 a company purchased machinery for Rs. 100,000/- and spent Rs. 10,000/- on its installation. On 30<sup>th</sup> September 2003, 1/4 of the machinery was sold for Rs. 15,000/- as it became useless. On the same date the company purchased a new machinery for Rs. 30,000/-. Depreciation was provided for annually on 31<sup>st</sup> December at the rate of 10% per annum on the written down value method.

**REQUIRED:**

- (a) Prepare the machinery account for four years.  
 (b) Depreciation account from 2001 to 2004.

**Solution:**

(a)

**Machinery Account**

Date	Particulars	J.F.	Debit Rs.	Date	Particulars	J.F.	Credit Rs.
01-01-01	Bank A/c		100,000	31-12-01	Depreciation A/c (w-1)		11,000
	Bank A/c		10,000	31-10-01	Balance c/d		99,000
			110,000				110,000
01-01-02	Balance b/d		99,000	31-12-02	Depreciation A/c (w-2)		9,900
				31-12-02	Balance c/d		89,100
			99,000				99,000
01-01-03	Balance b/d		89,100	30-09-03	Depreciation A/c (w-3)		1,671
30-09-03	Bank A/c		30,000	30-09-03	Bank A/c		15,000
				30-09-03	Profit & loss A/c (w-4)		5,604
				31-12-03	Depreciation A/c (w-5)		7,433
				31-12-03	Balance c/d		89,392
			119,100				119,100
01-01-04	Balance b/d		89,392	31-12-04	Depreciation A/c (w-6)		8,939
				31-12-04	Balance c/d		80,453
			89,392				89,392
01-01-05	Balance b/d		80,453				

## (b) Depreciation Account

Date	Particulars	J.F.	Debit Rs.	Date	Particulars	J.F.	Credit Rs.
31-12-01	Machinery A/c		11,000	31-12-01	Profit & loss A/c		11,000
			11,000				11,000
31-12-02	Machinery A/c		9,900	31-12-02	Profit & loss A/c		9,900
			9,900				9,900
30-09-03	Machinery A/c		1,671	31-12-03	Profit & loss A/c		9,104
31-12-03	Machinery A/c		7,433				9,104
			9,104				9,104
31-12-04	Machinery A/c		8,939	31-12-04	Profit & loss A/c		8,939
			8,939				8,939

**WORKINGS:****(w-1) Calculation of Depreciation on 31-12-2001:**

$$= 110,000 \times \frac{10}{100} = \text{Rs. } 11,000$$

**(w-2) Calculation of Depreciation on 31-12-2002:**

$$= 110,000 - 11,000 = 99,000 \times \frac{10}{100} = \text{Rs. } 9,900$$

**(w-3) Calculation of Depreciation on 30-09-2003:**

$$= 110,000 - 11,000 - 9,900 = 89,100 \times \frac{1}{4} = 22,275 \times \frac{10}{100} \times \frac{9}{12} = \text{Rs. } 1,671$$

**(w-4) Calculation of Profit or Loss on Sale of 1/4 Machinery:**

	Rs.
Cost of $\frac{1}{4}$ machinery	$= 110,000 \times \frac{1}{4} = 27,500$
<u>Less: Depreciation on 31-12-2001</u>	
$= 27,500 \times \frac{10}{100}$	$= (2,750)$
	<u>24,750</u>
<u>Less: Depreciation on 31-12-2002</u>	
$= 24,750 \times \frac{10}{100}$	$= (2,475)$
	<u>22,275</u>
<u>Less: Depreciation upto 30-09-2003</u>	
$= 22,275 \times \frac{10}{100} \times \frac{9}{12}$	$= (1,671)$
Book value	<u>20,604</u>
Less: Sold	<u>(15,000)</u>
Loss on sale of machinery	<u><u>5,604</u></u>

The entry will be:

Bank A/c	15,000	
Profit & loss A/c	5,604	
Machinery		20,604

(w-5) Calculation of Depreciation on 31-12-2003:

$$\begin{aligned}
 &= 110,000 - 11,000 - 9,900 = 89,100 \times \frac{3}{4} = 66,825 \times \frac{10}{100} \\
 &= 30,000 \times \frac{10}{100} \times \frac{3}{12}
 \end{aligned}$$

Rs.  
6,683  
750  
7,433

(w-6) Calculation of Depreciation on 31-12-2004:

$$= 89,392 \times \frac{10}{100} = \text{Rs. } 8,939$$

### PART-II

Note: Attempt any THREE questions.

(3 × 10 = 30)

Q.5 Nadeem keeps his books on single entry system. His financial position was as follow:

	Jan 01, 2015 (Rs.)	Dec 31, 2015 (Rs.)
Sundry debtors	4,250	7,000
Cash in hand	100	150
Cash at bank	1,500	1,000
Stock	10,000	9,500
Motor vehicles	7,000	7,000
Machinery	900	900
Furniture	8,000	8,000
Sundry creditors	11,000	14,500

During the year, he withdrew for personal use Rs. 7,000. He introduced additional capital on 1<sup>st</sup> July 2015 Rs. 9,000. Charge depreciation on machinery, motor vehicle and furniture @ 10% p.a. Allow interest on capital @ 6% p.a.

REQUIREMENT:

Ascertain the profit or loss made by him under Net Worth Method for the year ended 31<sup>st</sup> Dec. 2015.

**Solution:**

**Mr. Nadeem**  
**Statement of Affairs (Opening)**  
 As on 1<sup>st</sup> January 2015

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Sundry debtors	4,250	Creditors	11,000
Cash in hand	100		
Cash at bank	1,500		
Stock	10,000		
Motor vehicles	7,000		
Machinery	900		
Furniture	8,000	Opening capital	20,750
	31,750		31,750

**Mr. Nadeem**  
**Statement of Affairs (Closing)**  
 As on 31<sup>st</sup> December 2015

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Cash in hand	150	Sundry creditors	14,500
Cash at bank	1,000		
Debtors	7,000		
Stock	9,500		
Motor vehicles	7,000		
– Depreciation (7,000 × 10/100)	(700)		
	6,300		
Machinery	900		
– Depreciation (900 × 10/100)	90		
	810		
Furniture	8,000		
– Depreciation (8,000 × 10/100)	800		
	7,200	Closing capital	17,460
	31,960		31,960

**Mr. Nadeem**  
**Statement of Profit and Loss**  
**For the year ended 31<sup>st</sup> Dec. 2015**

Details	Amount (Rs.)
Closing capital	17,460
+ Drawings	7,000
	24,460
- Opening capital	20,750
- Fresh capital	9,000
- Interest on capital:	
Opening capital (20,750 × 6/100) = 1,245	1,245
Fresh capital (9,000 × 6/100 × 6/12) = 270	270
	1,515
Net loss	6,805

**Q.6** Zahid & Co. purchased a machinery for Rs. 160,000 on 1<sup>st</sup> July 2010. The books are closed on 31<sup>st</sup> December every year. On 30<sup>th</sup> June 2013, it was sold for Rs. 70,000 and new machinery was purchased for Rs. 180,000 on the same date. Depreciation is charged at the rate of 15% p.a. on original cost method.

**REQUIREMENT:**

Prepare the machinery account up to 2013 in the books of company.

**Solution:**

**Machinery Account**

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
2010 1 <sup>st</sup> July	Cash A/c	160,000	2010 31 <sup>st</sup> Dec.	Depreciation A/c	12,000
		160,000		Balance c/d	148,000
		160,000			160,000
2011 1 <sup>st</sup> Jan.	Balance b/d	148,000	2011 31 <sup>st</sup> Dec.	Depreciation A/c	24,000
		148,000		Balance c/d	124,000
		148,000			148,000
2012 1 <sup>st</sup> Jan.	Balance b/d	124,000	2012 31 <sup>st</sup> Dec.	Depreciation	24,000
		124,000		Balance c/d	100,000
		124,000			124,000
2013 1 <sup>st</sup> Jan.	Balance b/d	100,000	2013 30 <sup>th</sup> June	Depreciation	12,000
30 <sup>th</sup> June	Cash A/c	180,000		Cash A/c	70,000
		180,000		Profit and loss A/c	18,000
		180,000	31 <sup>st</sup> Dec.	Depreciation	13,500
		180,000		Balance c/d	166,500
		180,000			166,500
		280,000			280,000

**Calculation of Profit and Loss:**

Cost of machine	=	160,000
- Account depreciation	=	<u>72,000</u>
		88,000
- Sale price		<u>70,000</u>
Profit and loss		18,000

**WORKING:**

$$2010: 31^{\text{st}} \text{ December} = 160,000 \times \frac{6}{12} \times \frac{16}{100} = 12,000$$

$$2011: 31^{\text{st}} \text{ December} = 160,000 \times \frac{15}{100} = 24,000$$

$$2012: 31^{\text{st}} \text{ December} = 160,000 \times \frac{15}{100} = 24,000$$

$$2013: 31^{\text{st}} \text{ June} = 160,000 \times \frac{15}{100} \times \frac{6}{12} = 12,000$$

$$2013: 31^{\text{st}} \text{ December} = 180,000 \times \frac{15}{100} \times \frac{6}{12} = 13,500$$

**Q.7** M/S Kaleem Traders sent 100 machines to Habeeb on consignment. The cost of each machine was Rs. 12,000. The expenses of M/S Kaleem traders were, Freight Rs. 7,000 and insurance Rs. 3,000. During transit one machine was destroyed and the insurance company admitted Rs. 9,000 towards that claim Habeeb sold 7 machines at Rs. 15,000 each and paid for storage and insurance Rs. 3,400. Habeeb then accepted a bill for Rs. 90,000 at 3 months drawn by M/S Kaleem traders, which they discounted immediately with their bank at 6% p.a. It was agreed that Habeeb is to get 5% commission.

**REQUIREMENT:**

Give the consignment account in the books of M/S Kaleem Traders.

**Solution:**

A's Account		B's Account	
Consignment A/c	1,200,000		
Goods sent on consignment A/c	1,200,000		×
(Goods consigned) (12,000 × 100)			
Consignment A/c	10,000		
Cash A/c	10,000		×
(Expenses of consignor) (7,000 + 3,000)			
Habib A/c	105,000	Cash A/c	105,000
Consignment A/c	105,000	Kaleem A/c	105,000
(Sale proceeds) (7 × 15,000)		(Sale proceeds)	
Consignment A/c	3,400	Kaleem A/c	3,400
Habib A/c	3,400	Cash A/c	3,400
(Expenses of consignee)		(Expenses of consignee)	
Bill receivable A/c	90,000	Kaleem A/c	90,000
Habib A/c	90,000	Bill payable A/c	90,000
(Bill drawn)		(Bill accepted)	

Bank A/c	88,650		
Discount A/c	1,350		
Bill receivable A/c		90,000	
(Bill discounted from bank) $(90,000 \times 3/12 \times 6/100)$			
Consignment A/c	5,250		Kaleem A/c 5,250
Habib A/c		5,250	Commission A/c 5,250
(Commission paid) $(105,000 \times 5/100)$			(Commission received)
Loss on consignment A/c	3,100		
Consignment A/c		3,100	
(Abnormal loss on consignment)			
Cash A/c	9,000		
Consignment A/c (insurance)		9,000	
(Cash received from insurance company)			
Stock of consignment	1,113,200		
Consignment		1,113,200	
(Closing stock of consignment)			
Consignment A/c	11,650		
Profit and loss A/c		11,650	
(Balance transfer to profit and loss account)			
Goods sent on consignment A/c	1,200,000		
Trading A/c		1,200,000	
(Balance transfer to trading account)			
Bank A/c	6,350		
Habib account		6,350	
(Balance transfer to bank account)			

**Consignment Account**

Details	Amount (Rs.)	Details	Amount (Rs.)
Goods sent on consignment A/c	120,000	Habib	105,000
Cash A/c	10,000	Loss	3,100
Habib	3,400	Cash	9,000
Habib	5,250	Stock	1,113,200
Profit and loss	11,650		
	1,230,300		1,230,300

**Goods Sent on Consignment Account**

Details	Amount (Rs.)	Details	Amount (Rs.)
Trading A/c	1,200,000	Consignment	1,200,000
	1,200,000		1,200,000

## Consignee Account

Details	Amount (Rs.)	Details	Amount (Rs.)
Consignment	105,000	Consignment	3,900
		Bill receivable	90,000
		Consignment	5,250
		Bank A/c	6,350
	105,000		105,000

Calculation of Abnormal Loss:

Cost of lost goods (1 × 12,000)	=	12,000
+ Expenses	=	<u>100</u>
		12,100
- Cash	=	<u>9,000</u>
		3,100

$$\text{Expenses} = \frac{\text{All expenditure of consignor} + \text{Direct expenses of consignee}}{\text{Cost of total goods}} \times \text{Cost of lost goods}$$

$$= \frac{10,000 + \text{Nil}}{1,200,000} \times 12,000 = 100$$

Closing Stock:

Cost of unsold goods (92 × 12,000)	=	1,104,000
+ Expenses	=	<u>9,200</u>
		1,113,200

**Q.8** Imran Textile Ltd. acquired the business of M/S Noor & Sons. The assets and liabilities of M/S Noor & Sons at book value are given below:

Assets	Rs.	Liabilities	Rs.
Land and building	50,000	Sundry creditors	10,000
Machinery	40,000		
Furniture	14,000		
Debtors	5,000		

The purchase consideration is to be paid by the company in fully paid up shares of Rs. 10 each. Pass journal entries if the shares are issued:

- At Par
- At 10% Discount
- At 10% Premium

**Solution:****Journal**

Details	Debit (Rs.)	Credit (Rs.)
Land and building A/c	50,000	
Machinery A/c	40,000	
Furniture A/c	14,000	
Debtor A/c	5,000	
Sundry creditors A/c		10,000
Noor & Sons A/c		99,000
(Assets and liabilities takes over)		
Noor & Sons A/c	99,000	
Share capital A/c		99,000
(Shares allotted at par)		
Noor & Sons A/c	99,000	
Discount A/c	111,000	
Share capital A/c		110,000
(Shares allotted at discount)		
Noor & Sons A/c	99,000	
Share capital A/c		90,000
Premium A/c		9,000
(Shares allotted at premium)		

**At Discount:**

$$\text{Number of shares} = ?$$

$$10 \times \frac{10}{100} = 1$$

$$10 - 1 = 9$$

$$\text{Number of shares} = \frac{99,000}{9}$$

$$\text{Number of shares} = 11,000 \text{ shares}$$

**At Premium:**

$$\text{Number of shares} = ?$$

$$10 \times \frac{10}{100} = 1$$

$$10 + 1 = 11$$

$$\text{Number of shares} = \frac{99,000}{11}$$

$$\text{Number of shares} = 9,000 \text{ shares}$$



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 10**

Time Allowed: 25 Minutes

Marks: 20

Version Number

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 Center Superintendent. Deleting / overwriting is not allowed. Do not use lead pencil.

ANNUAL 2018

## SECTION – A

## MULTIPLE CHOICE QUESTIONS

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.

- The portion of issued capital which has been actually paid by shareholder is called:
 

(A) Issued capital      (B) Called up capital      (C) Subscribed capital      (D) Paid up capital
- In Pakistan, the companies are registered under the company ordinance:
 

(A) 1975      (B) 1980      (C) 1982      (D) 1984
- A public limited company is formed by:
 

(A) Government      (B) Directors      (C) Promoters      (D) Underwriters
- The capital in the beginning of the accounting year is ascertained by:
 

(A) Cash book      (B) Statement of affairs      (C) Total debtors A/c      (D) Total creditors A/c
- Arithmetical accuracy of the books of accounts can be checked under:
 

(A) Single Entry System      (B) Double Entry System      (C) Cash System      (D) Accrual System
- Total debtors account is prepared for ascertaining the:
 

(A) Credit purchases      (B) Credit sales      (C) Cash sales      (D) Cash purchases
- In non-trading concerns, the subscription received in advance is considered as:
 

(A) Income      (B) Asset      (C) Expense      (D) Liability
- Capital fund of a non-trading concerns is equal to:
 

(A) Assets + Liabilities      (B) Assets + Income      (C) Expenditure + Liabilities      (D) Assets – Liabilities
- Any profit on the sale of sports material of a club will be taken to:
 

(A) Receipts and payments account      (B) Profit and loss account      (C) Income and expenditure account      (D) Balance sheet
- The value of assets may rise or fall on account of:
 

(A) Depreciation      (B) Depletion      (C) Fluctuation      (D) Amortization
- In case of del credere commission, the liability for bad debts will be on:
 

(A) Consignee      (B) Consignor      (C) Broker      (D) Clearing agent
- In sale, the risk and damaged attached to goods sold are transferred to:
 

(A) Seller      (B) Consignee      (C) Consignor      (D) Buyer
- In straight line method, depreciation is calculated on:
 

(A) Book value      (B) Market value      (C) Scrap value      (D) Original cost

14. Original cost of machinery Rs. 5,500, scrap value Rs. 500, the useful life of machinery 10 years, then the annual value of depreciation will be:  
 (A) Rs. 500 (B) Rs. 550 (C) Rs. 1,000 (D) Rs. 1,500
15. Current accounts of the partner should be opened when the capitals are:  
 (A) Fluctuating (B) Fixed  
 (C) Either fixed or fluctuating (D) Variable
16. In the absence of an agreement, the profit and loss are divided by partners in the ratio of:  
 (A) Capital (B) Time devoted by each partner  
 (C) Equally (D) Sacrifice
17. On the admission of a new partner, the decrease in the value of assets is debited to:  
 (A) Profit & loss adjustment account (B) Old partner's capital account  
 (C) Cash account (D) New partner's capital account
18. Goodwill is a/an:  
 (A) Tangible asset (B) Intangible asset (C) Wasting asset (D) Fictitious asset
19. The amount payable to retiring partner is shown in the balance sheet as a:  
 (A) Capital (B) Loan (C) Asset (D) Profit
20. In case of dissolution, the loss due to insolvency of partner, when capital are fixed is to be shared by the solvent partner in:  
 (A) Fixed capital sharing ratio (B) Profit sharing ratio  
 (C) Gaining ratio (D) Remaining ratio

**ANSWERS**

1.	(D)	2.	(D)	3.	(C)	4.	(B)	5.	(B)	6.	(B)	7.	(D)	8.	(D)	9.	(C)	10.	(C)
11.	(A)	12.	(D)	13.	(D)	14.	(A)	15.	(B)	16.	(C)	17.	(A)	18.	(B)	19.	(B)	20.	(A)



**Principles of Accounting**  
**HSSC – II**  
**MODEL PAPER 10**

Time Allowed: 2:35 Hours

Total Marks Sections B and C: 80

Note: Section '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)****SHORT QUESTIONS ANSWERS**

Q.2 Attempt any TEN parts. The answer to each part should not exceed 3 to 4 lines. (10 × 3 = 30)

(i) What is memorandum of association?

Ans: "It is a document which determines the rights, powers and objects of bank".

It is the most important legal document which must be submitted to the registrar before the establishment of bank. This document is a sort of contract between the company and other persons outside the company. No change can be made in it without the prior permission of court.

(ii) Write three disadvantages of single entry system.

Ans: Following are the disadvantages of single entry system:

- Only partial and incomplete records are kept.
- Two fold aspect of a transaction is not recorded.
- Nominal and real accounts are not maintained.

**(iii) What is profit and loss appropriation account?**

**Ans:** In partnership profit and loss appropriation account is prepared in the event of profit distribution. In case of profit or loss it may be distributed among partners according to agreed ratio. Is it interest on drawings, interest on capital, salary of partner and commission of partners are recorded.

**(iv) Define non-trading concerns.**

**Ans:** The main objective of non-trading concern is the welfare of people they do not have objective of earning profit. These type of organization do not buy and sell goods but only to provide benefit for the whole community.

The examples of non-trading concerns are clubs, schools, colleges, hospitals, public library, sports club and other societies of various kinds.

**(v) How can a partnership come into existence?**

**Ans:** When two or more than two persons join together to carry a business and for sharing profit and losses according to an agreed ratio partnership come into existence.

**(OR)**

The relationship between the persons who have an agreed to share the profits of a business carried on by all and any one of them acting for all.

**(vi) Prepare an account sale with imaginary data.**

Ans:	Details	Debit	Credit
	Sold (800 tons at the rate of Rs. 200 per ton: 800 × 200)		160,000
	Less: Expenses paid and commission		
	Duty and taxes	10,000	
	- Godown rent	2,000	
	Insurance of godown	5,000	
	Commission on sale 5%	8,000	25,000
			135,000
	Less: Advance		50,000
	Balance due and book draft enclose		85,000

**(vii) What is scrap value? Write down the formula of depreciation if scrap value is given.**

**Ans:** Scrap value is the price which is received on sale of an asset after its working life.

**(OR)**

The amount at which an asset is sold at the end of its working life is called scrap value. It is also known as residual value and breakup value.

**Formulas:****(a) Under straight line method:**

$$\text{Depreciation} = \frac{\text{Cost of asset} - \text{Break up value}}{\text{Estimated life of asset}}$$

**(b) Under diminishing balance method:**

$$r = 1 - \left(\frac{S}{C}\right)^{1/n}$$

- r = Rate of depreciation  
 S = Scrap value  
 C = Cost of asset  
 n = Estimated life of asset

(viii) On 1<sup>st</sup> January 2010, a firm purchased machinery worth Rs. 20,000 and spent Rs. 2,000 on its installation, the rate of depreciation is 10% p.a. then what will be the book value of asset under written down value method after three years?

Ans:

Date	Details	Amount (Rs.)	Date	Details	Amount (Rs.)
2010 1 <sup>st</sup> Jan.	To cash account	22,000	2010 31 <sup>st</sup> Dec.	By depreciation account	2,200
			31 <sup>st</sup> Dec.	By balance c/d	19,800
		22,000			22,000
2011 1 <sup>st</sup> Jan.	To balance b/d	19,800	2011 31 <sup>st</sup> Jan.	By depreciation account	1,980
			31 <sup>st</sup> Jan.	By balance c/d	17,820
		19,800			19,800
2012 1 <sup>st</sup> Jan.	To balance b/d		2012 31 <sup>st</sup> Jan.	By depreciation account	1,782
		17,820	31 <sup>st</sup> Jan.	By balance c/d	16,038
		17,820			17,820

(ix) What do you mean by wear and tear in depreciation?

Ans: "The change in the shape of an asset because of its use in business is known as wear and tear".

Wear and tear is an example of internal depreciation.

(x) Define general reserve.

Ans: The portion of profit which is not to owner, but it is kept apart for meeting some unknown losses is called general reserve:

- It increases the working capital.
- The owner can claim it because it is created out of profit.
- It is shown on liabilities side of balance sheet.

(xi) What is average profit method for the valuation of goodwill?

Ans: Average profit is the profit which a business gets in normal routine. For obtaining amount of goodwill average profit of last years is multiplied by an agreed number or value.

(xii) Write the six names of the various kinds of debentures issued by a company.

Ans: Following are the various kinds of debentures:

- Redeemable debenture
- Irredeemable debenture
- Mortgage debenture
- Bearer debenture
- Naked debenture
- Registered debenture

## SECTION - C (Marks: 50)

LONG QUESTIONS

## PART-I

Note: Attempt any ONE questions.

(1 × 20 = 20)

Q.3 A and B are partner in a firm sharing profits and losses as A, 3/4 and B, 1/4. On 1<sup>st</sup> January 2015, their position was as given below:

Assets	Rs.	Liabilities	Rs.
Bank balance	18,000	Sundry creditors	20,000
Stock	10,000	Capitals:	
Sundry debtors	30,000	A	48,000
Machinery	40,000	B	<u>30,000</u>
	98,000		78,000
			<u>98,000</u>

C is now to join the partnership. He agrees to pay the partners Rs. 20,000 by way of goodwill and introduced 3/5 of the combined capital of the two existing partners after depreciating stock at 10% plant at 20% and raising a reserve of 10% against sundry debtors. The partner is to be allowed 1/4<sup>th</sup> share of the profit of the firm.

REQUIRED:

Pass the journal entries and prepare the revaluation account and balance sheet of the new firm.

Solution:

Journal

S. No.	Details	L.F	Debit (Rs.)	Credit (Rs.)
(1)	Cash A/c C's capital A/c (Capital brought by new partner)		51,600	51,600
(2)	Cash A/c Goodwill A/c (Goodwill brought by new partner)		20,000	20,000
(3)	Goodwill A/c A's capital A/c B's capital A/c (Goodwill distribution among old partners account to sacrifice ratio)		20,000	15,000 5,000
(4)	Revaluation A/c Stock A/c (Asset decrease)		1,000	1,000
(5)	Revaluation A/c Machinery A/c (Asset decrease)		8,000	8,000

(6)	Revaluation A/c Bad debts A/c (Asset decrease)	3,000	3,000
(7)	A's capital A/c B's capital A/c Revaluation A/c (Balance of revaluation account transfer to old partners act to old ratio)	9,000 3,000	12,000

**Revaluation Account**

Details	Amount (Rs.)	Details	Amount (Rs.)
Stock A/c	1,000		
Machinery A/c	8,000		
Bad debts A/c	3,000		
		A's capital A/c	9,000
		B's capital A/c	3,000
	12,000		12,000

**Cash Account**

Details	Amount (Rs.)	Details	Amount (Rs.)
Bank balance	18,000		
C's capital	51,600		
Goodwill A/c	20,000		
		Closing cash (Bal.)	89,600
	89,600		89,600

**WORTH OF CAPITAL:****Machinerv:**

$$40,000 \times \frac{20}{100} = 8,000$$

**Stock:**

$$10,000 \times \frac{10}{100} = 1,000$$

**Provision for Debtors:**

$$30,000 \times \frac{10}{100} = 3,000$$

**Total Worth Depreciation:**

$$98,000 - 12,000 = 86,000$$

**R's Capital:**

$$86,000 \times \frac{3}{5} = 51,600$$

## Partner's Capital Account

Details	A (Rs.)	B (Rs.)	C (Rs.)	Details	A (Rs.)	B (Rs.)	C (Rs.)
Revaluation A/c	9,000	3,000	-	Opening capital	18,000	30,000	-
				Cash A/c	-	-	51,000
				Goodwill	15,000	5,000	-
Closing capital	59,000	32,000	51,600				
	63,000	35,000	51,600		63,000	35,000	51,600

**A, B, C**  
**Balance Sheet**  
As on 1<sup>st</sup> Jan. 2015

Assets		Amount (Rs.)	Liabilities	Amount (Rs.)
Cash		89,600	Sundry creditors	20,000
Stock	10,000		Capital:	
- Depreciation	<u>1,000</u>	9,000	A	54,000
Sundry debtors	30,000		B	32,000
- Reserve	<u>3,000</u>	27,000	C	<u>516,000</u>
Machinery	40,000			132,600
- Depreciation	<u>8,000</u>	32,000		
		157,600		157,600

Q.4 P, Q and R were sharing profits and losses in the ratio of 5 : 3 : 2. On 1<sup>st</sup> January 2006 their balance sheet as under:

Assets	Rs.	Liabilities	Rs.
Furniture	3,000	Creditors	11,500
Stock	13,000	General reserve	5,000
Debtors	20,000	Capitals:	
Less: Provision	<u>1,000</u>	P	10,000
Cash	1,000	Q	8,000
		R	<u>1,500</u>
	36,000		19,500
			36,000

The firm was dissolved on that date. The assets were realised as under:

Furniture Rs. 1,000, Stock Rs. 10,000, Debtors Rs. 12,000; remaining creditors were paid at a discount of 5%. It was found however that there was a liability for Rs. 3,050 for damages which had to be paid. The expenses came to Rs. 1,000. R could contribute only Rs. 100.

**REQUIRED:**

Show the realization account, cash account and partner's capital accounts to close the books of the firm with the decision in Garner Vs. Murray.

## Solution:

## Journal

S. No.	Details	L.F	Debit (Rs.)	Credit (Rs.)
(1)	Realization A/c Furniture A/c Stock A/c Debtors A/c (Assets realized)		36,000	3,000 13,000 20,000
(2)	S. creditor A/c Provision for debts A/c Realization A/c (Liabilities realized)		11,500 1,000	12,500
(3)	Realization A/c (11,500 × 5/100 = 575) Cash A/c (Liability paid)		13,975	13,975
(4)	General reserve P's capital A/c Q's capital A/c R's capital A/c (General reserve distribution among all partners account of old ratio)		5,000	2,500 1,500 1,000
(5)	Cash Realization A/c (Asset realized)		23,000	23,000
(6)	Realization A/c Cash A/c (Expense paid)		1,000	1,000
(7)	Cash A/c R's capital A/c (R's capital transfer to cash account)		100	100
(8)	P's capital A/c Q's capital A/c R's capital A/c Realization A/c (Realization account balance transfer to all partner's account according to old ratio)		7,737 4,643 3,095	15,475
(9)	Cash A/c P's capital A/c Q's capital A/c		12,380	7,737 4,643

(10)	P's capital A/c Q's capital A/c R's capital A/c	275 220	495
(11)	P's capital A/c Q's capital A/c Cash A/c	12,228 9,280	21,505

**Realization Account**

Details	Amount (Rs.)	Details	Amount (Rs.)
Assets A/c	36,000	Stock liabilities A/c	12,500
Cash A/c	13,975	Cash A/c	23,000
Cash A/c	1,000	P's capital	7,737
		Q's capital	4,643
		R's capital	3,095
	50,975		15,975
			50,975

**R's Capital Account**

Details	Amount (Rs.)	Details	Amount (Rs.)
Realization A/c	3,095	Opening capital	1,500
		General reserve A/c	1,000
		Cash A/c	100
		P's capital	275
		Q's capital	220
	3,095		495
			3,095

**Capital Account**

Details	P (Rs.)	Q (Rs.)	Details	P (Rs.)	Q (Rs.)
Realization A/c	7,737	4,643	Opening capital	10,000	8,000
R's capital A/c	275	220	General reserve A/c	2,800	1,500
			Cash A/c	7,737	4,643
	12,225	9,280			
	20,237	14,143		20,237	14,143

**Cash Account**

Details	Amount (Rs.)	Details	Amount (Rs.)
Opening cash	1,000	Realization	13,975
Realization	23,000	Realization	1,000
R's capital	100	P & Q	21,505
P & Q	12,380		
	36,480		36,480

## PART-II

Note: Attempt any THREE questions.

(3 × 10 = 30)

Q.5 Convert the following receipts and payments account of the Pakistan nursing society for the year ended 30<sup>th</sup> June 2015 into an income and expenditure account and prepare a balance sheet:

Receipts	Rs.	Payments	Rs.
Balance b/d (01-07-2014)	2,010	Salaries of nurses	1,036
Subscriptions	1,115	Rent, rates and taxes	200
Fee from non-members	270	Cost of car	2,000
Municipal grant	1,000	Car expenses	840
Donation for building fund	1,560	Drugs and incidental expenses	670
Interest	38	Balance c/d (30-06-2015)	1,247
	5,993		5,993

The society owns freehold land costing Rs. 8,000 on which it was proposed to build the Nurses Hostel. A donation of Rs. 100, received to building fund, was wrongly included in the subscription account. A bill for medicines purchased during the year amounting to Rs. 128 was outstanding.

Solution:

**Pakistan Nursing Society**  
**Income and Expenditure Account**  
As on 30<sup>th</sup> June 2015

Expenses	Amount (Rs.)	Income	Amount (Rs.)
Salaries of nurses	1,036	Subscription	1,115
Rent, rates and taxes	200	Fee from non-member	270
Cost of car	2,000	Municipal grant	1,000
Car expenses	840	Donation for building fund	1,560
Drugs & incidental expenses	670	- Pre received	<u>100</u>
+ Outstanding	<u>128</u>	Interest	38
	798	Deficit	991
	4,874		4,874

**Pakistan Nursing Society**  
**Opening Balance Sheet**  
As on 1<sup>st</sup> July 2015

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Opening balance	2,010		
		Capital fund (Bal.)	2,010
	2,010		2,010

**Pakistan Nursing Society**  
**Closing Balance Sheet**  
 As on 30<sup>th</sup> June 2015

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Closing asset	1,247	Pre-received donation	100
		O/S bill for medicine	128
		Capital fund	2,010
		- Deficit	991
	1,247		1,247

**Q.6** Ali keeps his books by single entry. He gives you the following information from which you are required to ascertain his profit or loss during 2016:

	January 1 <sup>st</sup> 2016 (Rs.)	December 31 <sup>st</sup> 2016 (Rs.)
Bank balance	740 (Cr.)	400 (Dr.)
Cash in hand		10
Sundry debtors	5,300	8,800
Sundry creditors	1,500	1,950
Stock	1,700	1,900
Plant	2,000	2,000
Furniture	140	140

Ali had withdrawn Rs. 3,000 during the year but had introduced fresh capital of Rs. 600 of 1<sup>st</sup> July 2016. A provision of 5 per cent on sundry debtors is necessary. Write off depreciation on plant at 5% interest on capital is to be allowed at 5% p.a.

**Solution:**

Ali  
**Statement of Affair (Opening)**  
 As on Jan. 1<sup>st</sup> 2016

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Sundry debtor	5,300	Bank balance	740
Stock	1,700	Sundry creditors	1,500
Plant	2,000		
Furniture	140	Opening capital (Bal.)	6,900
	9,140		9,140

**Ali**  
**Statement of Affair (Closing)**  
As on 31<sup>st</sup> Dec. 2016

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Bank balance	400	Sundry creditors	1,950
Cash in hand	10		
Sundry debtors	8,800		
– Provision	440		
Stock	1,900		
Plant	2,000		
– Depreciation	100	Closing capital (Bal.)	10,760
Furniture	140		
	12,710		12,710

**Ali**  
**Statement of Profit and Loss**  
As on 31<sup>st</sup> Dec. 2016

Details	Amount (Rs.)
Closing capital	10,760
Add: Drawing	3,000
	13,760
Less: Opening capital	(6,900)
Less: Fresh capital	(600)
Less: Interest on capital	
Opening capital interest	
Opening $(6,900 \times 5/100)$	= 345
Fresh capital interest	
$(600 \times 5/100 \times 6/12)$	= 15
Net profit	5,900

**Q.7** On 1<sup>st</sup> January M/S A & Co. forwarded to M/S X & Co. a consignment of 25 chest of tea at Rs. 500 per chest. Paying Rs. 150 for freight on 18<sup>th</sup> March M/S A & Co. received an account dated 20<sup>th</sup> February showing that 20 cases were realised Rs. 15,000 gross and the following expenses have been incurred:

Octroi duty Rs. 100, storage and insurance Rs. 20, Delivery charges Rs. 150, commission 3% and del credere commission 2%.

M/S X & Co. enclosed a bill at three months for the amount due.

**REQUIRED:**

You are required to record the above transactions in the books of M/S A & Co. and prepare a consignment account.

**Solution:****Journal**

Sr. No.	M/S A & Co.	M/S X & Co.
(1)	Consignment A/c                      12,500 Goods sent on consignment A/c      12,500 (Good sent on consignment)	
(2)	Consignment A/c                      150 Cash A/c                                      150 (Expenses of consignor)	
(3)	X & Co. A/c                              15,000 Consignment A/c                      15,000	Cash A/c 15,000 A & Co. A/c                              15,000 (Sales proceed)
(4)	Consignment A/c                      270 X & Co. A/c                              270 (Expenses of consignee)	A & Co. 270 Cash A/c                                      270 (Expenses of consignee)
(5)	Consignment A/c                      750 X & Co. A/c                              750 (Commission paid)	A & Co. A/c                              750 Commission A/c                      750 (Commission received)
(6)	Consignment A/c                      2,550 Stock on consignment                  2,550 (Unsold goods)	×
(7)	Consignment A/c                      3,880 Profit on consignment A/c              3,880	×
(8)	Goods sent on consignment A/c 12,500 Trading A/c                              12,500	×
(9)	Bank A/c                                  13,980 To X & Co. A/c                      13,980	A & Co. A/c                              13,980 Bank A/c                                      13,980

**Calculation:**

$$\text{Cost of unsold goods} = 2,500$$

$$\text{Expenses} = 80$$

$$\text{Closing stock} = 2,550$$

$$= \frac{\text{All expenses of consignor} + \text{Direct expenses}}{\text{Cost of total goods}} \times \text{Cost of unsold goods}$$

$$= \frac{150 + 100}{12,500} \times 2,500$$

$$\text{Expenses} = 50$$

**Consignment Account**

Details	Amount (Rs.)	Details	Amount (Rs.)
Goods sent on consignment A/c	12,500	X & Co. A/c	15,000
Cash A/c	150	Stock on consignment A/c	2,550
X & Co. A/c	270		
X & Co. A/c	750		
Profit on consignment	3,880		
	17,550		17,550

**G.S.O.C Account**

Details	Amount (Rs.)	Details	Amount (Rs.)
		Consignment A/c	12,500
Trading A/c (Bal.)	12,500		
	12,500		12,500

**A & Co. Account**

Details	Amount (Rs.)	Details	Amount (Rs.)
Cash A/c	270	Cash A/c	15,000
Commission A/c	250		
Bank A/c (Bal.)	13,980		
	15,000		15,000

**X's & Co. Account**

Details	Amount (Rs.)	Details	Amount (Rs.)
Consignment A/c	15,000	Consignment A/c	270
		Consignment A/c	750
		Bank A/c (Bal.)	13,980
	15,000		15,000

**Q.8** What journal entries will be made in the following cases?

- A company issued Rs. 40,000, 6% debentures at par redeemable at par.
- A company issued Rs. 40,000, 6% debentures at discount of 10% redeemable at par.
- A company issued Rs. 40,000, 6% debentures at premium of 5% redeemable at par.
- A company issued Rs. 40,000, 6% debentures at par redeemable at 10% premium.
- A company issued Rs. 40,000, 6% debentures at a discount of 5% and redeemable at 5% premium.

**Solution:****Journal**

S. No.	Details	L.F	Debit (Rs.)	Credit (Rs.)
(1)	Bank A/c 6% debenture A/c (Issued at par and redeemable at par)		40,000	40,000
(2)	Bank A/c Discount on issue of debenture 6% debenture A/c (Issued at discount and redeemable at par)		36,000 4,000	40,000
(3)	Bank A/c 6% debenture A/c Premium on issue of debenture A/c (Issued at premium and redeemable at par)		42,000	40,000 2,000
(4)	Bank A/c Loss on issue of debenture A/c 6% debenture A/c Premium on redemption of debenture A/c (Issued at par and redeemable at premium)		40,000 4,000	40,000 4,000
(5)	Bank A/c Discount on issue of share A/c Loss on issue of debenture A/c 6% debenture A/c Premium on redemption of debenture A/c (Issued at due and redeemable at premium)		38,000 2,000 2,000	40,000 2,000

**Principles of Accounting****HSSC – II****MODEL PAPER 11**

Time Allowed: 25 Minutes

Marks: 20

Version Number

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 Center Superintendent. Deleting / overwriting is not allowed. Do not use lead pencil.

**ANNUAL 2019****SECTION – A****MULTIPLE CHOICE QUESTIONS**

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) 1/4 amount of the policy  
(C) 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) Consignee 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
12. **On admission of a partner, the increase in the value of assets should be debited to:**  
(A) Revaluation account (B) Realization account  
(C) New partner capital account (D) Old partners' capital account
13. **Depreciation arises because of:**  
(A) Fall in the market value of an asset (B) Physical wear and tear  
(C) Fall in the value of money (D) Increase in the value of money
14. **Dissolution of the firm by consent of all the partners is called:**  
(A) Dissolution by court (B) Dissolution by notice  
(C) Dissolution by agreement (D) Dissolution on the happening by certain contingencies
15. **The decreases in the value of intangible asset is known as:**  
(A) Amortization (B) Depreciation (C) Appreciation (D) Depletion
16. **Entrance fee Rs. 10,000/- which is 80% capitalized, what income should be credited to income and expenditure account?**  
(A) Rs. 1,000/- (B) Rs. 2,000/- (C) Rs. 2,500/- (D) Rs. 3,000/-

**17. Receipts and payments account shows:**

- (A) Opening and closing balance of cash (B) Assets and liabilities  
(C) Liabilities and capital (D) Profit and loss

**18. If the capital at the end of the year is Rs. 46,000/-, fresh capital introduced during the year is Rs. 15,500/-, capital in the beginning was Rs. 33,000/- then the amount of losses:**

- (A) Rs. 1,500/- (B) Rs. 2,000/- (C) Rs. 2,400/- (D) Rs. 2,500/-

**19. The interest on partner's capital account should be credited to:**

- (A) Partner's capital A/c (B) Profit and loss A/c (C) Interest account (D) Trading account

**20. Sacrifice ratio is equal to:**

- (A) Old ratio + New ratio (B) Old ratio - New ratio  
(C) New ratio - Old ratio (D) New ratio + Gaining ratio

**ANSWERS**

1.	(C)	2.	(C)	3.	(B)	4.	(B)	5.	(A)	6.	(A)	7.	(C)	8.	(D)	9.	(A)	10.	(A)
11.	(B)	12.	(A)	13.	(B)	14.	(C)	15.	(A)	16.	(B)	17.	(A)	18.	(D)	19.	(C)	20.	(B)



**Principles of Accounting**  
**HSSC - II**  
**MODEL PAPER 11**

Time Allowed: 2:35 Hours

Total Marks Sections B and C: 80

Note: Section '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)****SHORT QUESTIONS ANSWERS**

**Q.2 Attempt any TEN parts. The answer to each part should not exceed 3 to 4 lines. (10 × 3 = 30)**

**(i) Define increased net worth method of single entry system.**

**Ans:** There are two methods available for determination of profit under single entry system:

- (a) Increased net worth method  
(b) Conversion method

**Net Worth Method:** This is the method in which closing capital and opening capital are compared to know the profit and loss under single entry system.

**(ii) How you will deal with the term "Donations" under non-trading accounts?**

**Ans:** **Donation:** Donation is the amount which is received by non-trading concern from members and other than members by way of a gift is known as donation.

**Treatment:**

- (a) If the amount of donation is large and nothing is said about it then it will be treated as a liability in balance sheet.  
(b) If it is said that to capitalize some portion then, such portion will be treated as liability and remaining will be income, in income and expenditure amount.  
(c) If amount is small and nothing is said about it then it will be treated as an income in income and expenditure account.

(iii) What should be the accounting treatment of debentures as collateral security?

**Ans:** Treatment of Debentures as Collateral Security:

Debenture suspense A/c	xxx	
Debenture A/c		xxx

(iv) Why is consignment account prepared?

**Ans:** Consignment account shows profit or loss which is made out during the process of consignment. All expenses related to consignment are debited and all revenues related to consignment are credited. So, it is just like profit and loss account of any particular consignment. If revenue side is greater it will be known as profit and if expense side is greater it will be known as loss. A separate account is maintained for each consignment.

(v) To whom the under writing commission is paid and why?

**Ans:** Underwriter commission is paid to underwriters for the purpose of taking risk about the shares which are offered to public but not taken up by public.

Actually it is the commission which is paid to underwriters because they guarantee that if the shares or debentures were not taken by public they will be responsible to take those shares or debentures.

(vi) What is meant by external cause of depreciation?

**Ans:** External Depreciation: Depreciation which is caused by some external causes is known as external depreciation.

Examples / Causes: There are three main causes of external depreciation:

- Accident
- Obsolescence
- Efflux of time

(vii) What is an account sales?

**Ans:** Account Sales: It is a statement which is prepared by consignee and also sent by consignee to consignor at periodical intervals showing following detail:

- List of goods sold
- Price of goods sold
- Expenses incurred on goods sold
- Commission received
- Commission payable

And any other balance which.

(viii) What do you understand by Proforma Invoice?

**Ans:** Proforma Invoice: When consignor sends goods to consignee, he also forwards a statement showing details such as:

- Quantity of goods
- Quality of goods
- Minimum sale price
- Maximum sale price
- Weight of goods

This type of statement is known as proforma invoice.

(ix) What are the rules which are applicable in the absence of an agreement in a Partnership? Write any three rules.

Ans: **Rules Applicable in the Absence of Partnership:** Following are the rules:

- Every partner has the right to participate in business affairs.
- Profit and loss will be divided equally.
- 6% interest on loan will be given to a partner if he provides loan to business.
- No interest on drawing is allowed.
- No commission is allowed to any partner.
- No salary is allowed to any partner.

(x) What are the basic factors for determining depreciation on fixed assets?

Ans: **Basic Factors Determining Depreciation:**

- To find out true / correct profit or loss.
- To find out original cost of production.
- To find out the original cost of asset.
- To fulfill the requirement of Companies Act, 2017.
- To know value of asset at the time of replacement.

(xi) What is realization account?

Ans: **Realization Account:** Realization account is prepared in the event of dissolution of firm. In this account all the assets and liabilities of firm are closed. Expenses on dissolution are recorded on debit side and sale of asset are recorded on credit side. Difference of this account which may be in shape of profit and loss is transferred to partner's capital account according to profit sharing ratio.

(xii) What is Provision?

Ans: **Provision:** Provision is created to meet specific loss or liability. But the amount of loss or liability cannot be determined exactly. So the amount of provision is an estimated amount. e.g., Provision of doubtful debts. It cannot increase working capital. The owner cannot claim it because it is created for meeting a specific loss or liability. It is shown on asset side of balance sheet.

### SECTION - C (Marks: 50)

#### LONG QUESTIONS

#### PART-I

Note: Attempt any ONE questions.

(1 × 20 = 20)

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

Balance Sheet

Assets	Rs.	Liabilities	Rs.
Cash at bank	3,000	Sundry creditors	39,000
Stock in trade	14,000	Outstanding liabilities	3,000
Sundry debtors	10,000	Capitals account:	
Prepaid insurance	1,000	X	30,000
Furniture	5,000	Y	<u>14,000</u>
Machinery	19,000		
Building	34,000		
	<u>86,000</u>		<u>86,000</u>

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.

**Solution:**

**Journal**

S. No.	Details	L.F	Debit (Rs.)	Credit (Rs.)
(1)	Cash A/c Z's capital A/c (Capital brought by new partner)		16,000	16,000
(2)	Goodwill A/c X's capital A/c Y's capital A/c (Goodwill raised and distributed among old partners according to O:R)		20,00	12,000 8,000
(3)	Revaluation A/c Stock A/c (Asset decreased)		700	700
(4)	Revaluation A/c Provision for debtors A/c (Asset decreased)		100	100
(5)	Revaluation A/c Furniture A/c (Asset decreased)		500	500
(6)	Building A/c Revaluation A/c (Asset increased)		6,000	6,000
(7)	Revaluation X's capital A/c Y's capital A/c (Balance of revaluation distributed among old partners according to old ratio)		4,700	2,820 1,880

## Revaluation Account

Details	Amount (Rs.)	Details	Amount (Rs.)
Stock A/c	700	Building A/c	6,000
Provision for debtors A/c	100		
Furniture A/c	500		
X's capital	2,820		
Y's capital	<u>1,880</u>		
	6,000		6,000

## Partner's Capital Account

Details	X (Rs.)	Y (Rs.)	Z (Rs.)	Details	X (Rs.)	Y (Rs.)	Z (Rs.)
				Opening capital A/c	30,000	14,000	-
				Cash A/c	-	-	16,000
				Goodwill A/c	12,000	8,000	-
				Revaluation A/c	2,820	1,880	-
Balance c/d	44,820	23,880	16,000		44,820	23,880	16,000
	<u>44,820</u>	<u>23,880</u>	<u>16,000</u>				

## Cash Account

Details	Amount (Rs.)	Details	Amount (Rs.)
Opening cash A/c	3,000		
Z's capital A/c	16,000		
	19,000	Closing capital A/c	19,000
			<u>19,000</u>

## Balance Sheet

As on 31<sup>st</sup> December 2015

Details	Amount (Rs.)	Details	Amount (Rs.)
Cash A/c	19,000	S. creditors A/c	39,000
Stock A/c	14,000	O/S liabilities A/c	3,000
- Decrease	<u>700</u>	Capitals:	
S. debtors	10,000	X's capital A/c	44,820
- Decrease	<u>100</u>	Y's capital A/c	23,880
Prepaid insurance A/c	1,000	Z's capital A/c	<u>16,000</u>
Furniture	5,000		84,700
- Decrease	<u>500</u>		
Machinery A/c	19,000		
Building A/c	34,000		
+ Increase	<u>6,000</u>		
Goodwill A/c	20,000		
	<u>126,700</u>		<u>126,700</u>

**Calculation of Goodwill:**

$$= 16,000 \times \frac{10}{2} = 80,000$$

**Capitals:**

$$29,000 + 15,000 + 16,000 = 60,000$$

**Goodwill:**

$$80,000 - 60,000 = \boxed{20,000}$$

Q.4 D, E and F were partners sharing profits in the proportions of 1/2, 1/3 and 1/6 respectively. The balance sheet of the firm on 31<sup>st</sup>, December 2016 was as follows:

Assets		Rs.	Liabilities		Rs.
Cash at bank		2,500	Sundry creditors		19,000
Debtors	16,000		Bills payable		5,000
Less: Reserve	<u>500</u>	15,500	Reserve fund		12,000
Stock		25,000	Capital accounts:		
Motor van		8,000	D	40,000	
Plant and machinery		35,000	E	30,000	
Factory building		45,000	F	<u>25,000</u>	95,000
		<u>131,000</u>			<u>131,000</u>

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

- The goodwill of the firm to be valued at Rs. 18,000/-.
- Plant and machinery to be depreciated by 10% and motor vans by 15%.
- Stock to be appreciated by 20% and building by 10%.
- The provision for doubtful debts to be increased by Rs. 1,950/-.
- Liability for Workmen's compensation to the extent of Rs. 1,650/- is to be brought into account.

**REQUIRED:**

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

**Solution:****Journal**

S. No.	Details	L.F	Debit (Rs.)	Credit (Rs.)
(i)	Goodwill A/c D's capital A/c E's capital A/c F's capital A/c (Goodwill raised and distributed among old partners according to old ratio)		18,000	9,000 6,000 3,000
(ii)	Reserve fund A/c D's capital A/c E's capital A/c F's capital A/c (Reserve fund distributed among old partners according to O:R)		12,000	6,000 4,000 2,000

(iii)	Revaluation A/c Plant and machinery A/c Motor van A/c (Assets decreased)	4,700	3,500 1,200
(iv)	Stock A/c Building A/c Revaluation A/c (Assets increased)	5,000 4,500	9,500
(v)	Revaluation A/c Provision for doubtful debts A/c (Assets decreased)	1,450	14,50
(vi)	Revaluation A/c Liability of workmen's company A/c (Liability increased)	1,650	1,650
(vii)	Revaluation A/c D's capital A/c E's capital A/c F's capital A/c (Balance of revaluation distributed among old partners according to old ratio)	1,700	850 567 283
(viii)	E's capital A/c E's loan A/c (Capital of retired capital transferred to his loan account)	40,567	40,567

### Revaluation Account

Details	Amount (Rs.)	Details	Amount (Rs.)
Plant and machinery A/c	3,500	Stock A/c	5,000
Motor van A/c	1,200	Building A/c	4,500
Provision for doubtful - debts A/c	1,450		
Liability for workmen compensation A/c			
D's capital A/c	850		
E's capital A/c	567		
F's capital A/c	<u>283</u>		
	1,700		
	<u>9,500</u>		<u>9,500</u>

## Partners Capital Account

Details	D (Rs.)	E (Rs.)	F (Rs.)	Details	D (Rs.)	E (Rs.)	F (Rs.)
Loan A/c Capital A/c				Opening capital A/c	400,000	30,000	25,000
				Goodwill A/c	9,000	6,000	3,000
		40,567		Revaluation A/c	850	567	283
	55,850		30,283	Reserve fund	6,000	4,000	2,000
	55,850	40,567	30,283		55,850	40,567	30,283

## Balance Sheet

Assets	Amount (Rs.)	Liabilities	Amount (Rs.)
Cash at bank A/c	2,500	S. creditors A/c	19,000
Debtors A/c	15,500	Bill payable A/c	5,000
- Provision	<u>1,950</u>	Provision against – workmen's compensation	1,650
Stock A/c	25,000	E's loan A/c	40,567
+ Increase	<u>5,000</u>	<b>Capitals:</b>	
Motor van A/c	8,000	D's capital A/c	55,850
- Decrease	<u>1,200</u>	F's capital A/c	<u>30,283</u>
Plant and machinery	35,000		86,133
- Decrease	<u>3,500</u>		
Factory building	45,000		
- Decrease	<u>4,500</u>		
Goodwill	18,000		
	<u>152,350</u>		<u>152,350</u>

## PART-II

Note: Attempt any THREE questions.

(3 × 10 = 30)

Q.5 Jamil Ltd. with an authorised capital of 100,000 shares of Rs. 10/- each, passed a resolution 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.

Solution:

## Journal

S. No.	Details	L.F	Debit (Rs.)	Credit (Rs.)
(i)	Bank A/c Share application A/c (Application received) (25,000 × 9.5)		237,500	237,500

(ii)	Share application A/c Discount on issue of shares A/c Share capital A/c (Shares allotted to public at discount)	237,500 12,500	250,000
(iii)	Bank A/c Discount on issue of shares A/c Share capital A/c (Shares allotted to directors at discount)	95,000 5,000	100,000

**Jamil Ltd.**  
**Balance Sheet**  
As on .....

Assets		Amount (Rs.)	Liabilities		Amount (Rs.)
Bank (237,500 + 95,000)		332,500	Authorized capital (100,000 × 10)		100,000
Discount (12,500 + 5,000)		17,500	Issued capital (40,000 × 10)		400,000
			<b>Sub + Paid up:</b>		
			G. public (25,000 × 10)		250,000
			Directors (10,000 × 10)		100,000
		350,000			350,000

**Q.6** A company purchased a second hand machine for Rs. 8,000/- on 1<sup>st</sup> April 2013. They spent Rs. 3,500/- on its overhauling and installation.

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

On 30<sup>th</sup> June 2016 the machine was found to be unsuitable and was sold for Rs. 6,500/-.

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

**Solution:**

**Machinery Account**

Sr. No.	Details	Amount (Rs.)	Sr. No.	Details	Amount (Rs.)
2013 1 <sup>st</sup> Apr.	Cash A/c	11,500	2013 31 <sup>st</sup> Dec.	Depreciation A/c	287.5
			31 <sup>st</sup> Dec.	Balance c/d	11,212.5
		11,500			11,500
2014 1 <sup>st</sup> Jan.	Balance b/d	11,212.5	2014 31 <sup>st</sup> Dec.	Depreciation A/c	1,150
			31 <sup>st</sup> Dec.	Balance c/d	1062.5
		11,212.5			11,212.5
2015 1 <sup>st</sup> Jan.	Balance b/d	1,0062.5	2015 31 <sup>st</sup> Dec.	Depreciation A/c	1,150
			31 <sup>st</sup> Dec.	Balance b/d	8,912.5
		1,0062.5			1,0062.5

2016 1 <sup>st</sup> Jan.	Balance b/d	8,912.5	2016 30 <sup>th</sup> June	Depreciation A/c	575
			30 <sup>th</sup> June	Cash A/c	6,500
			30 <sup>th</sup> June	Profit and loss	1,837.5
			31 <sup>st</sup> Dec.	Balance c/d	Nil
		8,912.5			8,912.5

**WORKING:**

Cost of asset	11,500
- Accumulated depreciation	3,162.5
	<u>8,337.5</u>
- Sale price	6,500
Profit and loss	<u>1,837.5</u>

**Q.7** The following is the receipts and payments account of the Lahore Club for the year ended on 31<sup>st</sup> December 2015.

Receipts	Rs.	Payments	Rs.
Balance (1 <sup>st</sup> January)	300	Rent	5,200
Entrance fees	550	Stationary	3,068
Subscription 2014	200	Wages	5,330
Subscription 2015	15,900	Billiards table	3,900
Subscription 2016	300	Repairs and renewals	806
Lockers rent	500	Interest	1,500
Special subscription for governor's party	3,450	Balance (31 <sup>st</sup> December)	2,396
	<u>22,200</u>		<u>22,200</u>

Lockers rent Rs. 60/- referred to 2014 and Rs. 90/- is still owing. Rent Rs. 1,300/- pertained 2014 and another Rs. 1,300/- 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 31<sup>st</sup> December 2015.

**Solution:**

**Lahore Club**  
**Income and Expenditure Account**  
For the year ended 31<sup>st</sup> Dec. 2015

Expenditure	Amount (Rs.)	Income	Amount (Rs.)
Rent	5,200	Entrance fees	550
- Previous year	(1,300)	Subscription	16,900
+ O/S rent	<u>1,300</u>	+ Outstanding	<u>468</u>
Wages	5,330	Locker rent	500
Repairs and renewal	806	- Previous year	(60)
Interest	1,500	+ Outstanding	<u>90</u>
Stationary opening	312	Special subscription	
+ Stationary purchase	<u>3,068</u>	governor party	3,450
	3,380	+ Outstanding	<u>550</u>
- Owing	<u>364</u>		
Surplus (Bal.)	6,596		
	<u>22,448</u>		<u>22,448</u>

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

	January 1 <sup>st</sup> 2005 (Rs.)	December 31 <sup>st</sup> 2005 (Rs.)
Sundry debtors	4,250	7,000
Cash in hand		150
Cash at bank	1,500	1,000
Stock	10,000	9,500
Machinery	900	900
Motor vehicles	7,000	7,000
Furniture	8,000	8,000
Sundry creditors	11,000	14,500

During the year he withdrew Rs. 7,000/- for personal use. He introduced additional capital on 1<sup>st</sup> July 2005 Rs. 9,000/-. 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 31<sup>st</sup> December 2005.

**Solution:**

**Arslan**  
**Statement of Affairs (Opening)**  
As on January 1<sup>st</sup> 2005

Details	Amount (Rs.)	Details	Amount (Rs.)
S. debtors	4,250	S. creditors	11,000
Cash at bank	1,600		
Stock	10,000		
Machinery	900		
Motor vehicles	7,000		
Furniture	8,000		
	31,750	Opening capital	20,750
			31,750

**Arslan**  
**Statement of Affairs (Closing)**  
As on December 31<sup>st</sup> 2005

Details	Amount (Rs.)	Details	Amount (Rs.)
Sundry debtors	7,000		
Cash in hand	150		
Cash at bank	1,000		
Stock	9,500		
Machinery	900		
- Depreciation	90		
Motor vehicles	7,000		
- Depreciation	700		
Furniture	8,000		
- Depreciation	800		
	31,960	Closing stock	17,460
			31,960

**Arslan**  
**Statement of Profit and Loss**  
**For the year ended 31<sup>st</sup> December 2005**

Details	Amount (Rs.)
Closing stock	17,460
Add: Drawings	7,000
	24,460
Less: Opening capital	(20,750)
Less: Fresh / introduced capital	(9,000)
Less: Interest on capital (270 + 1,245)	(1,515)
Free capital = $9,000 \times 6/100 \times 6/12$ = 270	
Opening = $20,750 \times 6/100$ = 1,245	
Net loss	6,805

AZEEM E-BOOKS