



- (xi) Depreciation is a / an \_\_\_\_\_  
A. Expense B. Revenue  
C. Liability D. Capital
- (xii) Depreciation \_\_\_\_\_  
A. Reduces productive activity B. Reduces value of asset gradually  
C. Is a regular loss D. All of these
- (xiii) 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.1000 B. Rs. 810  
C. Rs. 900 D. Rs. 729
- (xiv) Current accounts of the partner should be opened when the capitals are \_\_\_\_\_  
A. Fixed B. Fluctuating  
C. Either fixed or fluctuating D. Variable
- (xv) The current account of a partner \_\_\_\_\_  
A. Will always have a credit balance  
B. Will always have a debit balance  
C. May have a debit balance or a credit balance  
D. None of these
- (xvi) Mr. A drew a cash of Rs. 1000/- from business for 3 months. The amount of interest on drawings @ 6% p.a. will be \_\_\_\_\_  
A. Rs. 25 B. Rs. 10  
C. Rs. 15 D. Rs. 5
- (xvii) Partnership agreement contains \_\_\_\_\_  
A. Name of partnership business  
B. Nature of partnership business  
C. Ratio of profit and losses shared by partners  
D. All of these
- (xviii) A partner has a right to \_\_\_\_\_  
A. Take part in the conduct of business B. Inspect the books of the firm  
C. Share in profit D. All of these
- (xix) In case of dissolution, assets sold for cash are debited to \_\_\_\_\_  
A. Realization Account B. Cash Account  
C. Profit and Loss Account D. None of these
- (xx) Joint life policy reserve at the time of dissolution is transferred to \_\_\_\_\_  
A. Realization Account B. All partners capital Account  
C. Insolvent Partner's Capital Account D. None of these

For Examiner's use only:

Total Marks:

20

Marks Obtained:



# PRINCIPLES OF ACCOUNTING HSSC-II

Time allowed: 2:35 Hours

Total Marks Sections B and C: 80

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

## SECTION – B (Marks 30)

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

- (i) What is meant by Double entry system?
- (ii) Define Statement of Affairs.
- (iii) What do you mean by non profit making organization?
- (iv) What is 'Life Membership Fee'?
- (v) What is the difference between Consignment inward and Consignment outward?
- (vi) Write two main features of Public Limited Company.
- (vii) What do you know about 'Article of Association'?
- (viii) What is Garner vs Murray rule?
- (ix) What will be the entry when debentures are issued for cash at Premium?
- (x) What is the difference between Convertible and Non-convertible debentures?
- (xi) What is Depletion and Amortization?
- (xii) When is Revolution Account prepared?

## SECTION – C (Marks 50) ( PART – I )

**Note: Attempt any ONE question.**

**(1 x 20 = 20)**

**Q. 3** Saleem, Karim and Rahim were partners. Their Balance sheet showed as follows on 31<sup>st</sup> December 2010:

Assets	Rs.	Liabilities	Rs.
Cash at Book	12,500	Sundry Creditors	1,10,000
Debtors	25,000	Reserve fund	15,000
Stock in hand	75,000	Capitals:	
Investment	65,000	Saleem	65,000
Machinery	3,500	Rahim	10,000
Karim's capital(overdrawn)	19,000		75,000
	2,00,000		2,00,000

The firm was dissolved on that date. For the purpose of dissolution, the investments were realized at Rs.60,000 and Stock at Rs.40,000. Saleem purchased machinery at book value. The debtors realized Rs.18,000. The sundry creditors were paid Rs.1,07,000 in full satisfaction of their claims. Expenses of realization came to Rs.400. In addition, Rahim is entitled to Commission of 10% on amounts waived by creditors. Assuming that Karim is insolvent and is unable to bring in anything in respect of his debit to the firm.

Show the Realization account, Capital accounts and Cash account of all partners. The final adjustments are to be made in accordance with the decision in Garner vs Murray. Assume the capitals are not fixed.

**Q. 4** Following is the balance sheet of A, B and C as on 30<sup>th</sup> Sept. 1995:

Assets		Equities	
Cash	1,000	A/C Payable	40,000
Assets	49,000	A's loan	12,000
Capital C	10,000	Capital A	5,000
		Capital B	3,000
	60,000		60,000

Owing to the inability to pay creditors, the firm is dissolved. B and C are insolvent and can not pay anything. A can only contribute Rs. 1500/- from his private estate. The assets were sold for Rs. 32,500/-, the expenses of dissolution were Rs. 3,000/-

**Required:** Prepare General Journal entries and ledger Account to close the books of the firm.

Note: Attempt any THREE questions.

( 3 x 10 = 30 )

Q. 5 Arif keeps his books by single entry system. His financial position is as follows:

	01-01-2005	31-12-2005
Cash in hand	20	80
Cash at bank	100	200
Debtors	300	320
Stock in trade	1800	1500
Furniture	200	200
Creditors	600	400

During the year cash received from debtors Rs. 4400 and paid Rs. 3000/- to creditors. He also paid Rs. 840/- for wages, which include Rs. 10/- per week to himself. The creditors figure Rs. 3000/- include Rs. 300/- for goods for own use of Arif. He paid Rs. 400/- for sundry expenses.

**Required:**

Prepare trading Profit and loss A/C for the year ended on 31<sup>st</sup> Dec. 2005 and the balance sheet on that date.

Q. 6 Below is given the Receipt and Payment Account of Leo's Club, Lahore. Prepare Income and Expenditures Account as on 1<sup>st</sup> December 2005 and a Balance sheet as on that date:

Rs.		Rs.	
Balance B/d	2476	General exp.	1084
Annual subscription	3260	Salaries	1100
Life membership fee	500	Furniture	1600
Entrance fee	466	Rent	1120
Interest	80	Printing	250
		Repairs	300
		Balance C/d	1728
Total	7182		7182

On 31<sup>st</sup> Dec 2005, the annual subscription in arrears amounted to Rs. 700/-.

Rs. 200/- is to be written off as depreciation on furniture. Capitalize the membership fee.

Q. 7 Pass the Journal entries for issuance of debenture:

- 6000 debentures of Rs. 100 each issued at par for cash.
- 5000 debentures of Rs. 100 each issued at discount of Rs. 5/- for cash.
- 4000 debentures of Rs. 100 each at 10% premium for cash.
- To a vendor from whom furniture purchased for Rs. 50,000/-, 5500 debentures of Rs. 10 each issued for settlement.
- Issued Rs. 180,000 debentures as collateral security for a loan of Rs. 150,000 from bank.

Q. 8 On 1<sup>st</sup> January 2001 a firm purchased machinery worth of Rs. 50,000/-. On 1<sup>st</sup> July 2003 it buys additional machinery worth Rs. 10,000/- and spends Rs. 1,000/- on its erection. The accounts are closed each year on 31<sup>st</sup> Dec. Assuming the normal depreciation to be 10% per annum, show the machinery account for four years under fixed installment method.