

# BOARD OF INTERMEDIATE EDUCATION, KARACHI

## H.S.C. Annual Examinations 2021

### (MODEL QUESTION PAPER)

### ACCOUNTING PAPER-II

**Total Duration: 02 Hours**

**Time Allowed: 30 Minutes**

**SECTION "A" (M.C.Qs)**

**Marks: 50**

- Note:** i) This section consists of 25 part questions and all are to be answered. Each question carries two marks.
- ii) Do not copy down the part questions in your answer book. Write only the answer in full against proper number of the question and its part.
- iii) The code number of your question paper is to be written in bold letters in the beginning of the answer script.
1. Choose the correct answer of each from the given options:
- i) If company receives share applications more than the offered shares, this is called:
- |                      |                      |
|----------------------|----------------------|
| ◆ Equal subscription | ◆ Under subscription |
| ◆ Over subscription  | ◆ Lower subscription |
- ii) If a company offers shares at higher price than the par value, the difference is known as:
- |            |            |
|------------|------------|
| ◆ Interest | ◆ Discount |
| ◆ Premium  | ◆ Surplus  |
- iii) The total amount of the capital of a company, divided into small units, is known as:
- |              |              |
|--------------|--------------|
| ◆ Debentures | ◆ Shares     |
| ◆ Dividend   | ◆ Net Income |
- iv) The share capital by which a company is registered is called:
- |                      |                      |
|----------------------|----------------------|
| ◆ Issued Capital     | ◆ Paid up Capital    |
| ◆ Authorized Capital | ◆ Subscribed capital |
- v) If the remaining partners purchase the capital of the retiring partner, the total capital of the firm after retirement of the partner:
- |                    |                 |
|--------------------|-----------------|
| ◆ Increases        | ◆ decreases     |
| ◆ remains constant | ◆ none of these |

vi) Salvage value is not taken into account while computing depreciation under:

- ◆ Straight Line method
- ◆ Working Hour method
- ◆ Units Produced method
- ◆ Diminishing Balance method

vii) The statement of affairs is similar to:

- ◆ Trial balance
- ◆ Cash book
- ◆ Balance sheet
- ◆ Income statement

viii) Discount availed during the concession period is known as:

- ◆ Trade discount
- ◆ Cash discount
- ◆ Sales discount
- ◆ Share discount

ix) Under the fixed capital method, profit or loss is transferred to:

- ◆ Partners' capital account
- ◆ Partners' current account
- ◆ Retained earnings account
- ◆ Partners' personal account

x) In case of an insolvent partner, his capital deficiency is borne by:

- ◆ Other solvent partners
- ◆ The Bankers
- ◆ The Government
- ◆ The Creditors

xi) In the absence of any partnership agreement, profits and losses are divided:

- ◆ Equally
- ◆ In Beginning capital ratio
- ◆ In Average capital ratio
- ◆ In Ending capital ratio

xii) In the case of admission on more than book value, the goodwill or bonus is to be given to:

- ◆ New partners
- ◆ Minor partners
- ◆ Old partners
- ◆ None of these

xiii) At the time of liquidation, remaining cash is to be distributed among the partners:

- ◆ On the opening capital ratio
- ◆ Equally
- ◆ On the balance of capital at the end
- ◆ On the ending capital ratio

xiv) Debentures are the certificates of:

- ◆ Ownership
- ◆ Receipts of loan acknowledgement
- ◆ Medical for company employees
- ◆ None of these

xv) Residual value is the estimated recoverable cost of a depreciable asset at the time of it's:

- ◆ Removal from service
- ◆ Removal from one factory to another
- ◆ Removal from one place to another
- ◆ None of these

xvi) All fixed assets are depreciated except:

- ◆ Building
- ◆ Land
- ◆ Machine
- ◆ Furniture

xvii) Non-Profit Earning organizations include:

- ◆ Schools
- ◆ Hospitals
- ◆ Clubs
- ◆ All of these

xviii) Non-Profit Earning Concerns do not maintain:

- ◆ Income & Expenditure Account
- ◆ Profit & Loss Account
- ◆ Receipts & Payments Account
- ◆ Balance Sheet

xix) Subscription received in advance is:

- ◆ An income
- ◆ A liability
- ◆ An asset
- ◆ An expense

xx) The Single-Entry system of book keeping is generally followed by:

- ◆ Small business concerns
- ◆ Non-trading concerns
- ◆ Large business concerns
- ◆ None of these

xxi) The Partnership Agreement in writing is called:

- ◆ Partnership Registration
- ◆ Partnership Deed
- ◆ Partnership-At-Will
- ◆ Partnership Certification

xxii) The person who takes the initiative in the matter of formation of the company is known as:

- ◆ Promoter
- ◆ Director
- ◆ Shareholder
- ◆ Registrar

xxiii) The expenses incurred in the formation of the company, are called:

- ◆ Indirect expenses
- ◆ Selling expenses
- ◆ Revenue expenses
- ◆ Preliminary expenses

xxiv) Depreciable cost of an asset is equal to:

- ◆ Cost + Salvage Value
- ◆ Cost – Salvage Value
- ◆ Cost + Market price
- ◆ None of these

xxv) Straight Line Method is also known as:

- ◆ Reducing Balance Method
- ◆ Year's Digit Method
- ◆ Fixed Installment Method
- ◆ Production Method

Time: 1 Hour 30 Min.

Max. Marks: 50

**SECTION "B" (SHORT-ANSWER QUESTIONS) (30 Marks)**

**Note:** Attempt any **Three** questions from this section. All questions carry equal marks.

2. The following are the receipts and payments of accounts of Hania Welfare Trust for 2020:

<u>RECEIPTS</u>		<u>PAYMENTS</u>	
Opening Bank Balance	Rs. 23,100/-	Salaries	Rs. 36,000/-
Subscription fees	Rs. 89,000/-	Utilities	Rs. 11,200/-
Other Revenues	Rs. 16,400/-	Repairs	Rs. 3,000/-
		Other Exp.	Rs. 29,600/-
		Furniture	Rs. 30,000/-

Adjustment data at December 31, 2020:

- i) Accrued subscription fees Rs.4,600/-.
- ii) Prepaid salaries Rs.2,800/-.
- iii) Accrued utilities Exp. Rs.1,400/-
- iv) Depreciation on furniture Rs.3,000/-.

**Required:** Prepare Income and Expenditure account for the year ended December 31, 2020.

3. Salman and Kamran are equal partners with capitals of Rs.120,000 and Rs.80,000 respectively. It is decided that partners will receive interest @ 15% per annum on their capitals and a monthly salary allowance of Rs.2,500 and Rs.2,000 respectively. Kamran who manages the business is to receive a commission of Rs.6,000. Net Income for the year ended Dec. 31 2020, is Rs.75,000.

**Required:** Prepare an Income Distribution Summary.

4. Azmat and Rauf are partners having capitals of Rs.50,000 and Rs.30,000 respectively, sharing profits and losses in the ratio of their capitals. On Mar 1 2021, they admit Masood as a new partner and give him a  $\frac{1}{4}$  share.

**Required:** Computation and journal entries to record Masood's admission under the following cases separately:

- (i) Masood invests Rs.40,000 and is credited with the entire amount of his investment.
- (ii) Masood invests Rs.20,000. The total capital is to be increased by Masood's investment.

5. The partners who own the Quick Company have agreed to liquidate the partnership. A Balance Sheet as at March 31 2021, is shown here. The partners share profits and losses equally.

Balance Sheet			
Cash 160,000 Other Assets	20,000  ?  <hr style="width: 50%; margin: 0 auto;"/> 400,000 <hr style="width: 50%; margin: 0 auto;"/>	Accounts Payable  A – Capital B – Capital C – Capital	  120,000 80,000 40,000 <hr style="width: 50%; margin: 0 auto;"/>
400,000			<hr style="width: 50%; margin: 0 auto;"/>

**Required:** Give necessary journal entries assuming that other assets are sold for Rs.320,000.

6. Asif Company Ltd. completed the following transactions:
1. Offered to the public 40,000 shares of Rs.10 each. Applications were received for 30,000 shares. As per agreement the underwriters subscribed for the balance of their shares. The Co. finalized the allotment of shares.
  2. Purchased Land for Rs.180,000 and in consideration issued shares at market value of Rs.12/- each.
  3. In consideration of the services of the promoters, the company issued 8,000 shares of Rs.10/- each. Each share has a market value of Rs.12.50.
  4. Received Rs.190,000 against issuance of 2,000 12% debentures of Rs.100 each, redeemable after 5 years at Rs.110 each.

**Required:** Record the above transactions in the General Journal.

**SECTION "C"(DETAILED-ANSWER QUESTION) (20 Marks)**

**Note:** Attempt any **one** part.

7. (a) Sana Ltd. purchased a machine on April 30, 2019 at a cost of Rs.325,000 with estimated life of 10 years and scrap value of Rs.25,000. The machine had a working life of 50,000 hours and 150,000 units. The company's accounting year ends on December 31. During the year 2019, the machine worked for 4000 hours produced 12000 units and during the year 2020 it worked for 6000 hours and produced 16000 units.

**Required:**

1. Compute depreciation expense on December 31 2019 & 2020 under the following methods:
    - (i) Straight Line Method
    - (ii) Working Hours Method
    - (iii) Units Output Method
  2. Give Adjusting Entry for 2019 under Straight Line Method, Closing Entry for 2020 under Working Hours Method
7. (b) Mr. Asim started business on January 1 2020, with an investment of Rs.250,000 and maintains his accounting records on single entry basis. On Dec. 31, 2020 the following information was obtained from his accounting records: Cash Rs.85,000, Accounts Receivable Rs.90,000, Merchandise Inventory Rs.120,000, Office Equipment Rs.80,000, Accounts payable Rs.35,000.

During the year he withdrew Rs.5,000 p.m. for personal use and made an additional investment of Rs.50,000. Depreciation on office equipment was estimated at 10% and the allowance for bad debts was estimated at 5% of A/c Receivable. Accrued salaries Rs.6,000 and Prepaid Insurance Rs.3,500.

**Required:**

1. Compute Capital at End and Prepare Statement of Profit & Loss for the year ended Dec. 31, 2020.
2. Prepare Statement of Affairs as on Dec. 31, 2020.