

**Paper No:1**  
**Solved by Chanda Rehman& Kamran Haider**  
**2010 Final Paper**

**Question No: 7 ( Marks: 1 ) - Please choose one**

---

Which of the following business publishes the Financial Statements?

- ▶ Sole-Proprietorship
- ▶ Partnership
- ▶ Trust
- ▶ **Public Limited Company** correct

**Question No: 16 ( Marks: 1 ) - Please choose one**

---

Which of the following can offer its share to general public at large?

- ▶ A private limited company
- ▶ **A listed company** correct
- ▶ A partnership firm
- ▶ A trust

**Question No: 17 ( Marks: 1 ) - Please choose one**

---

Which financial statement show what a business owes at a particular point in time?

- ▶ A cash flow statement
- ▶ The bank statement for the business
- ▶ **A balance sheet** correct
- ▶ A statement of retained earnings

**Question No: 19 ( Marks: 1 ) - Please choose one**

---

The Balance Sheet item that represents the resources invested by the owner is known as:

- ▶ Accounts Receivable
- ▶ Cash
- ▶ Note Payable
- ▶ **Owner's Equity** correct

**Question No: 25 ( Marks: 1 ) - Please choose one**

---

Which of the following rectifying entry will be recorded, if sales to Mr. "A" of Rs.336 have been debited to Mr. "B" account?

- ▶ **A's account (Dr.) and B's account (Cr.)** correct
- ▶ B's account (Dr.) and A's account (Cr.)

- ▶ Sales account (Dr.) and B's account (cr.)
- ▶ B's account (Dr.) and Sales account (Cr.)

**Question No: 28 ( Marks: 1 ) - Please choose one**

If provision is created for doubtful debts, which of the following entry will be passed to record bad debts in control account?

- ▶ Bade debts (Dr) and Debtors Control A/c (Cr)
- ▶ Provision for doubtful debts (Dr) and Debtors Control A/c (Cr)
- ▶ **Provision for doubtful debts (Dr) and Debtors A/c (Cr) correct**
- ▶ Debtors Control A/c (Dr) and Provision for doubtful debts (Cr)

**Question No: 34 ( Marks: 1 ) - Please choose one**

The following balance and discrepancies were found on 31 March 2008:

Particulars	Rs.
Cash book balance (Dr)	5 000
Unpresented cheques	1 000
Uncredited cheques	500

The Bank Statement balance on 31 March 2008 should be:

- ▶ Rs. 5 500 (Dr)
- ▶ **Rs. 5 500 (Cr) correct**
- ▶ Rs. 4 500 (Dr)
- ▶ Rs. 4 500 (Cr)

**Question No: 42 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 15,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	?

- ▶ **Rs.25, 000 correct**
- ▶ Rs. 75,000
- ▶ Rs. 15,000
- ▶ Rs. 1, 00,000

**Question No: 44 ( Marks: 1 ) - Please choose one**

---

Which of the following shows summary of a company's financial position at a specific date?

- ▶ Profit & Loss Account
- ▶ Cash Flow Statement
- ▶ **Balance Sheet correct**
- ▶ Income & Expenditure Account

Question No: 1 ( Marks: 1 ) - Please choose one

---

Debenture is also named as:

- ▶ Share
- ▶ **Bond correct**
- ▶ Equity
- ▶ Reserve

Question No: 2 ( Marks: 1 ) - Please choose one

---

A company declares a cash dividend to be paid to its stockholders next month. The effect of the transaction is to:

- ▶ **Decrease assets and liabilities.correct**
- ▶ Increase assets and stockholders' equity.
- ▶ Decrease assets and stockholders' equity.
- ▶ Increase liabilities and decrease stockholders' equity.

Question No: 4 ( Marks: 1 ) - Please choose one

---

The net income calculated in the income statement for the accounting period is reported on:

- ▶ Bank Statement
- ▶ Statement of retained earnings
- ▶ Statement of cash flows
- ▶ **None of the given options correct**

Question No: 9 ( Marks: 1 ) - Please choose one

---

Which of the following is the most important document of the company?

- ▶ **Memorandum of Association correct**
- ▶ Articles of Association
- ▶ Prospectus
- ▶ Annual Report

Question No: 12 ( Marks: 1 ) - Please choose one

---

Authorized share capital is also known as:

- ▶ **Registered capital** correct
- ▶ Issued capital
- ▶ Paid up capital
- ▶ Called up capital

Question No: 20 ( Marks: 1 ) - Please choose one

---

Consider the following table:

	Financial statement item	Classification
A.	Inventory	Current asset
B.	Tangible assets	Non-current asset
C.	Accrued expenses	Current asset
D.	Bonds payable	Long-term liabilities

Identify the row above, showing an INCORRECT financial-statement classification?

- ▶ Row A
- ▶ Row B
- ▶ **Row C** correct
- ▶ Row D

Question No: 27 ( Marks: 1 ) - Please choose one

---

Goods purchased from “Mr. A” for Rs. 2,000 passed through the sales book. The rectification of error will result in:

- ▶ **Increase of gross profit** correct
- ▶ Decrease of gross profit
- ▶ Remains constant and no effect on net profit
- ▶ There is no relation between goods purchased and gross profit

Question No: 31 ( Marks: 1 ) - Please choose one

---

Which of the following entry will be recorded when the Bad Debts are recovered?

- ▶ **Cash account (Dr.) & Bad Debts recovered account (Cr.)** correct
- ▶ Accounts Receivable account (Dr.) & Bad Debts recovered account (Cr.)
- ▶ Bad debts recovered account (Dr.) and Profit & Loss account (Cr.)
- ▶ Provision for doubtful debts account (Dr.) & Cash account (Cr.)

Question No: 33 ( Marks: 1 ) - Please choose one

---

Which of the following would be deducted from Sundry Debtors in Balance Sheet?

- ▶ Bad debts (Trial balance item)
- ▶ Old provision for doubtful debts
- ▶ New provision for doubtful debts
- ▶ Both Bad debts (given in adjustment) and new provision for doubtful debts **correct**

Question No: 12 ( Marks: 1 ) - Please choose one

---

The amount received; in excess of the face value of the shares is transferred to which of the following?

- ▶ **Share premium account correct**
- ▶ Share holder account
- ▶ Share capital account
- ▶ Right share

Question No: 13 ( Marks: 1 ) - Please choose one

---

The maximum amount with which the company is registered is called:

- ▶ **Authorized Share Capital correct**
- ▶ Issued Share Capital
- ▶ Paid up capital
- ▶ Called up capital

Question No: 31 ( Marks: 1 ) - Please choose one

---

Following information are extracted from books of Mr. XYZ

Particulars	Rs.
Bad Debts (Given in trial balance)	500
Old provisions (Given in trial balance)	800
Sundry Debtors (Given in trial balance)	44,500
Provision for doubtful debts @ 5%	
What will be the amount of new provision	?

- ▶ **Rs. 2,225 correct**
- ▶ Rs. 2,525
- ▶ Rs. 1,925
- ▶ Rs. 3,025

**Question No: 32 ( Marks: 1 ) - Please choose one**

---

Following information are extracted from books of Mr. XYZ

Particulars	Rs.
Closing value of stock	40,000
Write off Bad debts (given in adjustments)	2,400
Sundry Debtors (given in trial balance)	33,200
Provision is created on Debtors at 5%	

**Requirement:** Identify the Total amount which will deduct from Sundry debtors.

- ▶ Rs. 460
- ▶ Rs. 2,400
- ▶ Rs. 1,540
- ▶ **Rs. 3,940 correct**

**Question No: 37 ( Marks: 1 ) - Please choose one**

---

Depreciable value of an asset is equal to:

- ▶ Cost + scrap value
- ▶ Cost + market price
- ▶ **Cost – scrap value correct**
- ▶ None of the given options

**Question No: 39 ( Marks: 1 ) - Please choose one**

---

Which of the following asset is **NOT** depreciated?

- ▶ Factory Buildings
- ▶ Office Equipment
- ▶ Plant & Machinery
- ▶ **Land correct**

**Question No: 40 ( Marks: 1 ) - Please choose one**

---

Which one of the following is **NOT** true about revenue expenditure?

- ▶ These are the running expenses of the business
- ▶ **They improve the financial position of the business correct**
- ▶ They reduce the profit of the concern
- ▶ They do not appear in the balance sheet

**Question No: 47 ( Marks: 1 ) - Please choose one**

---

Accounts Receivable & Inventory are the examples of:

- ▶ Liquid assets
- ▶ **Current assets** correct
- ▶ Fixed assets
- ▶ Capital assets

**Question No: 11 ( Marks: 1 ) - Please choose one**

---

The Joint Stock Company is formed under the Companies Ordinance:

- ▶ **1984** correct
- ▶ 1884
- ▶ 1948
- ▶ 1965

**Question No: 42 ( Marks: 1 ) - Please choose one**

---

Which one of the following statement is **CORRECT** about Long term liabilities?

- ▶ These are due within one year
- ▶ **These are consist of all debts, payable after 12 months** correct
- ▶ In working capital, these are deducted from current assets
- ▶ All of the given options

**Question No: 16 ( Marks: 1 ) - Please choose one**

---

Which of the following can offer its share to general public at large?

- ▶ A private limited company
- ▶ **A listed company** correct
- ▶ A partnership firm
- ▶ A trust

**Question No: 43 ( Marks: 1 ) - Please choose one**

---

What would be the value of total factory cost, if the cost of material consumed during the month is Rs. 6,000, labor cost incurred is Rs. 2,000 and the factory over head cost is Rs. 2,500?

- ▶ Rs. 6,000
- ▶ Rs. 8,000
- ▶ Rs. 4,500
- ▶ **Rs. 10,500** correct

**Question No: 44 ( Marks: 1 ) - Please choose one**

---

Which of the following is **CORRECT**?

- ▶ A cash inflow means increase total cash only

- ▶ A cash inflow means increase in cash equivalent only
- ▶ A cash inflow means increase in cash and decrease in cash equivalent
- ▶ **A cash inflow means increase in both cash and cash equivalent**

**correct**

**Question: Marks=3**

**What the difference between Debtors turnover Ratio and Creditor turnover ratio?**

**Question: Marks = 5**

**If A and B are two partners and their profit ratio is 3:1 and their capitals are 30000 and 100 respectively. The net profit is 160000 and B get salary Rs. 200 p.m. Prepare Profit distribution account of A and B Partnership.**

**Question: marks = 5**

**Pass the Rectify entries.**

**1: Purchases on credit rs. 10000 to Rizwan have passed through the Sales book.**

**2: The casting of sales book 151594 but wrongly pass in sales Rs. 115594.**

**Question No: 54 ( Marks: 10 )**

**Write a note on legal documents required for the formation of company.**

**ANSWER:**

**LEGAL DOCUMENTS REQUIRED FOR FORMATION OF COMPANY:**

**MEMORENDUM OF ASSOCIATION:** It contains the following information

1. Name of company.
2. Place of registered office
3. Objective
4. Amount of share capital with which company registers.

**ARTICLES OF ASSOCIATION:** It contains the following information



A document that contains all the policies and other matters necessary to run the business of the company. It is signed by all the members of the company.

**Question No: 52 ( Marks: 10 )**

---

**Briefly explain the financial statements prepared by the organization. Why these are important for manufacturing concern?**

**ANSWER:** The financial statements prepared by any organization are as follows:

- 1. Profit and loss account:** It shows the performance of the business in a given period. It shows the profitability of business which shows the success or failure of the business.
- 2. Balance sheet:** Balance sheet shows the position of business at a given point. It shows the resources available by the business and the resources invested by the owner and other loans.
- 3. Cash flow statements:** Cash flow statements show the generation of cash and its usage over a given period.

**IMPORTANCE OF FINANCIAL STATEMENTS FOR MANUFACTURING CONCERN:** These financial statements are important for manufacturing concern organization as they provide information related to financial affairs of the organization. The profitability and liquidity, the resources available to the company and the generation of cash and its usage over a given period which provides reasonable information to the management to take decisions.

**Question No: 54 ( Marks: 10 )**

---

**Pass the rectifying entries to correct the following errors:**

- Mr. "Ali" purchased goods of Rs. 1,500 on cash, but omitted to enter in the books of accounts.
- An amount of Rs. 5,000 received from Mr. Amir, was credited to the account of Mr. Ameer.
- Goods returned worth Rs. 500 to Mr. "B" wrongly debited to sales Account.
- A purchase of goods from Mr. "B" of Rs. 400 has been wrongly debited to Furniture Account.

- Furniture purchased on cash Rs. 8,000 posted as purchases.

### Rectification of Errors

#### Error 1.

A purchase of goods of Rs. 1,500 on cash was omitted by mistake

**Rectification Entry on the date of discovery:**

<b>Debit:</b>	<b>Purchase Account</b>	<b>1,500</b>
<b>Credit:</b>	<b>Cash Account</b>	<b>1,500</b>

#### Error 2

<b>Debit:</b>	<b>Mr. Ameer</b>	<b>5,000</b>
<b>Credit:</b>	<b>Mr. Amir</b>	<b>5,000</b>

- **Error 3** Goods returned worth Rs. 500 to Mr. “B” wrongly debited to sales Account.

<b>Debit:</b>	<b>Goods Return</b>	<b>Rs. 500</b>
<b>Credit:</b>	<b>Sales Account</b>	<b>Rs. 500</b>

**Error 4** A purchase of goods from Mr. “B” of Rs. 400 has been wrongly debited to Furniture Account.

Debit:	Purchases	Rs. 400
Credit	Furniture Account	Rs. 400

Error 5 Furniture purchased on cash Rs. 8,000 posted as purchases.

<b>Debit</b>	<b>Furniture Account</b>	<b>Rs. 8,000</b>
<b>Credit</b>	<b>Purchase Post Account</b>	<b>Rs. 8,000</b>

### Question No: 52 ( Marks: 10 )

**Write down the at least ten distinguishing features of a limited company which differentiate it from Partnership business**

The basic difference between a partnership and a limited company is the concept of limited liability.

1. If a partnership business runs into losses and is unable to pay its liabilities, its partners will have to pay the liabilities from their own wealth.
2. In case of limited company the shareholders don't lose anything more than the amount of capital they have contributed in the company. It points that personal wealth is not at stake and their liability is limited to the amount of share capital they have contributed.
3. The concept of limited company is to mobilize the resources of a large number of people for a project, which they would not be able to afford independently and then get it managed by experts.
4. Listed Company have more than twenty partners, so problem of extra capital is reduced to minimum.
5. The liabilities of the members of a company is limited to the extent of capital invested by them in the company
6. There are certain tax benefits to the company, which a partnership firm can not enjoy
7. In Pakistan, affairs of limited companies are controlled by "Companies Ordinance" issued in 1984
8. The formation of a company and other matters related to companies are governed by "Securities and Exchange Commission of Pakistan (SECP)

Question No: 54 ( Marks: 10 )

---

The following discrepancies were noted on comparing Cash Book with Pass Book.

- (1) The following cheques were deposited into bank on 28<sup>th</sup> March but were not collected by the bank by 31<sup>st</sup> March, (i) Rs. 500, (ii) Rs. 300, (iii) Rs. 200.
- (2) The following cheques were issued but were not presented for the payment by 31<sup>st</sup> March. (i) Rs. 200, (ii) Rs. 450 (iii) Rs. 525 (iv) Rs. 375.
- (3) The bank credited a dividend of Rs. 2,000 on 31<sup>st</sup> march but intimation was received by the trader on 5<sup>th</sup> April, 2008.
- (4) The bank credited interest of Rs. 50 on 31<sup>st</sup> March but not debited in Cash Book.

- (5) The Bank charged (debited) a commission of Rs. 100 on 31<sup>st</sup> March.
- (6) A cheque of Rs. 500 was received from customer and was entered in the bank column of Cash Book on 25<sup>th</sup> March, but was paid into the bank on 1<sup>st</sup> April.

Required: Prepare a Bank Reconciliation Statement, if the Bank balance as per Cash Book (Dr.) was Rs. 15,000 on 31<sup>st</sup> March, 2008.

Answer:

Balance as per Cash book.	Dr	15000
Less not collected Cheques. (500+300+200)	Cr	<u>1000</u>
	Dr	14000
Add UN Presented Cheques (200+450+525+375)	Dr	<u>1550</u>
	Dr	15550
Add dividend Credit by bank	Dr	<u>2000</u>
	Dr	17550
Add interest credit by bank	Dr	<u>50</u>
	Dr	17600
Less bank charges	Cr	<u>100</u>
	Dr	17500
Less Cheque received	Cr	<u>500</u>
Balance as per Bank Book	Cr	17000

Question No: 52 ( Marks: 10 )

Income Statement of XYZ Ltd for the year ended on 30<sup>th</sup> June, 2007:

Particulars	Rs.	Rs.
Sales		500,00 0
Less: Cost of Goods Sold		250,00 0
Gross Profit		250,00 0
Less: Operating expenses		
Administrative expenses	110,000	
Interest expenses	20,000	130,00 0

Net profit before Tax		120,000
Less: Taxes		36,000
Net profit after tax		84,000

Opening Stock for the year was Rs. 60,000.

Balance Sheet of XYZ Ltd on 30<sup>th</sup> June, 2007:

Assets	Rs.
Fixed Assets	400,000
Stock	60,000
Debtors	230,000
Bills Receivable	40,000
Cash at bank	150,000
Prepaid expenses	20,000
Total	900,000
Liabilities	
Share capital	200,000
Reserves and surplus	250,000
10% Debentures	200,000
Creditors	180,000
Bills payable	70,000
Total	900,000

Calculate following ratios from the financial statement of XYZ Ltd.

1. Current Ratio
2. Acid Test Ratio
3. Stock turn over Ratio
4. Debt equity Ratio
5. Gross profit Ratio

Solution:

1: Current Ratio:

$$\begin{aligned} & \text{Total Assets/Total Liabilities} \\ & = 900000/900000 \\ & = 1 \end{aligned}$$

2: Acid Test Ratio

$$\begin{aligned} & \text{Total Assets-Stock/Total Liabilities} \\ & = 900000-60000/900000 \\ & = 840000/900000 \\ & = 0.933333 \end{aligned}$$

3: Stock turn over Ratio

$$(\text{Average Stock} / \text{Cost of goods sold}) \times 365$$

$$\begin{aligned} \text{Average Stock} &= \text{opening stock} + \text{Closing Stock}/2 \\ &= 60000+60000/2 \\ &= 60000 \\ &= (\text{Average Stock} / \text{Cost of goods sold}) \times 365 \\ &= (60000/250000) \times 365 \\ &= 0.24 \times 365 \\ &= 87.4 \end{aligned}$$

4: Debt equity Ratio

$$\begin{aligned} & \text{Long term Liabilities} / \text{Equity} \\ & = 200000/200000 \\ & = 1 \end{aligned}$$

5: Gross profit Ratio

$$\begin{aligned} & (\text{Gross Profit} / \text{Sales}) \times 100 \\ & = 250000/500000 \times 100 \\ & = 0.5 \times 100 \\ & = 50 \end{aligned}$$

**Question No: 51 ( Marks: 5 )**

---

**10 % Debentures of Rs. 80,000 are shown in trial balance. How it will be shown in financial statements? Also mention why a company issues debentures.**

Answer:

10% Debentures of Rs. 80000 is shown the Owners Equity pr liability Side of Balance sheet.

Debentures are issued under the common seal of the company and debentures are an instrument for obtaining the loan from the general public. Company also paid mark up on debentures which generally equal to the market rate.

**Paper No:2**

**Solved by Chanda Rehman, & ABr**

**FINALTERM EXAMINATION**

**Spring 2010**

**MGT101- Financial Accounting (Session - 4)**

**Ref No:**

**Time: 90 min**

**Marks: 69**

**Question No: 1 ( Marks: 1 ) - Please choose one**

---

While making Income & Expenditure account, Excess of income over expenses in a specified accounting period is called:

- ▶ Profit
- ▶ Loss
- ▶ **Surplus**
- ▶ Deficit

**Question No: 2 ( Marks: 1 ) - Please choose one**

---

Which of the following organizations do **NOT** prepare Income & Expenditure account?

- ▶ Public limited companies
- ▶ Private limited companies
- ▶ Partnership firms
- ▶ **All of the given options**

**Question No: 3 ( Marks: 1 ) - Please choose one**

---

Stock of Trading concern consists of:

- ▶ Raw material
- ▶ Work in process
- ▶ **Merchandise inventory**
- ▶ All of the given options

**Question No: 4 ( Marks: 1 ) - Please choose one**

---

Which of the following best describes unrepresented cheques?

- ▶ Cheques received on behalf of the business by the bank

▶ **Cheques drawn but yet to be recorded in the bank records**

- ▶ Cheques issued by the bank not recorded in business records
- ▶ Cheques received but yet to be recorded in the bank records

**Question No: 5 ( Marks: 1 ) - Please choose one**

---

If provision is created for doubtful debts, which of the following entry will be passed to record bad debts in control account?

- ▶ Bade debts (Dr) and Debtors Control A/c (Cr)
- ▶ Provision for doubtful debts (Dr) and Debtors Control A/c (Cr)
- ▶ **Provision for doubtful debts (Dr) and Debtors A/c (Cr)**
- ▶ Debtors Control A/c (Dr) and Provision for doubtful debts (Cr)

**Question No: 6 ( Marks: 1 ) - Please choose one**

---

Which of the following entry will be passed to record discount received in control account?

- ▶ Discount Received (Dr) and Creditors Control A/c (Cr)
- ▶ Discount Received (Dr) and Creditors A/c (Cr)
- ▶ **Creditors Control A/c (Dr) and Discount Received (Cr)**
- ▶ Creditors A/c (Dr) and Discount Received (Cr)

**Question No: 7 ( Marks: 1 ) - Please choose one**

---

Goods purchased from "Mr. A" for Rs. 2,000 passed through the sales book. The rectification of error will result in:

- ▶ Increase of gross profit
- ▶ **Decrease of gross profit**
- ▶ Remains constant and no effect on net profit
- ▶ There is no relation between goods purchased and gross profit

**Question No: 8 ( Marks: 1 ) - Please choose one**

---

Which of the following entry will be recorded, if a cheque deposited is dishonored by bank?

- ▶ Bank Account (Dr.) and Debtor's Account (Cr.)
- ▶ **Debtor's Account (Dr.) and Bank Account (Cr.)**
- ▶ Dishonored Cheque Account (Dr.) and Bank Account (Cr.)
- ▶ Creditor's Account (Dr.) and Bank Account (Cr.)

**Question No: 9 ( Marks: 1 ) - Please choose one**

---

Which financial statement show what a business owes at a particular point in time?

- ▶ A cash flow statement
- ▶ The bank statement for the business



▶ **A balance sheet**

- ▶ A statement of retained earnings

**Question No: 10 ( Marks: 1 ) - Please choose one**

---

When the capitals are fixed, which of the following account will be debited for drawings made by a partner?

▶ **Individual Partner's Current Account**

- ▶ Partner's Cash Account
- ▶ Partner's Bank Account
- ▶ **Partners Capital Account but not sure**

**Question No: 11 ( Marks: 1 ) - Please choose one**

---

A \_\_\_\_\_ business is one in which income is generated by the resale of bought Products.

- ▶ Manufacturing
- ▶ **Merchandising**
- ▶ Sole Proprietorship
- ▶ Partnership

**Question No: 12 ( Marks: 1 ) - Please choose one**

---

Which of the following is NOT a cash inflow?

- ▶ Sale of fixed asset
- ▶ Issue of debentures
- ▶ Cash from business operation
- ▶ **Purchase of fixed asset**

**Question No: 13 ( Marks: 1 ) - Please choose one**

---

Which of the following is a type of business formed under the Companies Ordinance 1984?

- ▶ Sole-Proprietorship
- ▶ Partnership
- ▶ **Joint Stock Company**
- ▶ All of the given options

**Question No: 14 ( Marks: 1 ) - Please choose one**

---

If company has distributable profit of Rs. 490,000, Profit sharing share ratio of Mr. A, Mr. B and Mr. C is 2:3:5 respectively. What will be the share of profit for Mr. A in distributable profit?

- ▶ **Rs. 98,000**
- ▶ Rs. 147,000
- ▶ Rs. 245,000

▶ Rs. 343,000

**Question No: 15 ( Marks: 1 ) - Please choose one**

---

Wages outstanding given in the trial balance will be treated as a (an):

- ▶ Asset
- ▶ **Liability**
- ▶ Revenue
- ▶ Deferred expense

**Question No: 16 ( Marks: 1 ) - Please choose one**

---

An overdraft will appear as:

- ▶ A debit balance in both the bank statement and the cash book
- ▶ A credit balance in the bank statement but as a debit balance in the cash book
- ▶ **A credit balance in the cash book but as a debit balance in the bank statement**
- ▶ A credit balance in both the bank statement and the cash book

**Question No: 17 ( Marks: 1 ) - Please choose one**

---

In which of the following case the bank cannot refuse the payment?

- ▶ Stale cheque
- ▶ **Bearer cheque**
- ▶ Insolvency of the customer
- ▶ Post dated cheque

**Question No: 18 ( Marks: 1 ) - Please choose one**

---

Which of the following is NOT a financial statement?

- ▶ Balance sheet
- ▶ **Audit report**
- ▶ Income statement
- ▶ Cash flow statement

**Question No: 19 ( Marks: 1 ) - Please choose one**

---

In a partnership of Mr. A and Mr. B, the share of profit of Mr. A is Rs.75,375 and the share of profit of Mr. B is Rs. 25,125. What will be the ratio of their share?

- ▶ 1:2
- ▶ 2:3
- ▶ 3:2
- ▶ **3:1**

**Question No: 20 ( Marks: 1 ) - Please choose one**

---

Failure to record \_\_\_\_\_ will result in understates net income.

- ▶ Accrued expenses
- ▶ Expenses incurred
- ▶ **Accrued revenues**

- ▶ Accounts payable

**Question No: 21 ( Marks: 1 ) - Please choose one**

---

The value of a share as quoted on the stock exchange is known as:

- ▶ Book value
- ▶ Par value
- ▶ **Market value**
- ▶ Face value

**Question No: 22 ( Marks: 1 ) - Please choose one**

---

Statement of cash flows helps the stakeholders to assess:

- ▶ Ability to pay cash dividends in the future
- ▶ **All of the given options**
- ▶ The ability to generate future cash flows
- ▶ The liquidity of the business

**Question No: 23 ( Marks: 1 ) - Please choose one**

---

The financial statement that captures both the current operating result and the associated changes in the balance sheet is:

- ▶ Statement of retained earnings
- ▶ Statement of financial position
- ▶ **Statement of cash flows**
- ▶ Statement of changes in equity

**Question No: 24 ( Marks: 1 ) - Please choose one**

---

Which of the following ratio cannot be computed for a period in which the company incurs a net loss?

- ▶ Acid-test ratio
- ▶ **Return on investment**
- ▶ Price-earning ratio
- ▶ None of the given options

**Question No: 25 ( Marks: 1 ) - Please choose one**

---

In statement of cash flows, interest payment made on loan from bank is related to:

- ▶ Investing activity
- ▶ Financing activity
- ▶ Operating activity
- ▶ Net changes in working capital

**Question No: 26 ( Marks: 1 ) - Please choose one**

---

Which of the following is the type of business owned by one person?

- ▶ **Sole-Proprietorship**
- ▶ Partnership
- ▶ Public Limited Company
- ▶ Unlimited Company

**Question No: 27 ( Marks: 1 ) - Please choose one**

---

Which of the following shows a debit balance under normal circumstances?

- ▶ **Asset**
- ▶ Capital
- ▶ Liability
- ▶ Profit

**Question No: 28 ( Marks: 1 ) - Please choose one**

---

Which of the following account would be credited when goods are given as charity?

- ▶ Charity a/c
- ▶ Free sample a/c
- ▶ **Purchases a/c**
- ▶ Sales a/c

**Question No: 29 ( Marks: 1 ) - Please choose one**

---

Which of the following account would be credited when the owner of business sold machinery of Rs. 10,000 for cash?

- ▶ Sales a/c
- ▶ **Machinery a/c**
- ▶ Owner a/c
- ▶ Cash a/c

**Question No: 30 ( Marks: 1 ) - Please choose one**

---

What is the best condition to finance a business?

- ▶ Fully financed from your own resource
- ▶ Fully relied on financial institutions
- ▶ **Investment through own resources as well as rely on financial institutions**
- ▶ None of the given options

**Question No: 31 ( Marks: 1 ) - Please choose one**

---

Which of the following particulars are included in the specimen of a bank receipt voucher?

- 1) Name of the organization
  - 2) Bank code
  - 3) Date of transaction
- ▶ (1) & (2) only
  - ▶ (1) & (3) only
  - ▶ (2) & (3) only
  - ▶ **(1), (2) & (3)**

**Question No: 32 ( Marks: 1 ) - Please choose one**

---

Which of the following account would be debited, when goods are sold on credit?

- ▶ Stock account
- ▶ **Accounts receivable account**
- ▶ Accounts payable account
- ▶ Sales account

**Question No: 33 ( Marks: 1 ) - Please choose one**

---

If:

- Manufacturing Cost is Rs. 30,000
- Opening Work in Process Inventory is Rs. 5,000
- Closing Work in Process Inventory is Rs. 10,000

Then:

What is the amount of Cost of Goods Manufactured?

- ▶ Rs. 35,000
- ▶ **Rs. 25,000**
- ▶ Rs. 15,000
- ▶ Rs. 20,000

**Question No: 34 ( Marks: 1 ) - Please choose one**

---

Under which of the following methods for inventory valuation, cost of goods sold is based on older costs?

- ▶ **FIFO Method**
- ▶ LIFO Method
- ▶ Weighted Average Method
- ▶ Specific Identification Method

**Question No: 35 ( Marks: 1 ) - Please choose one**

---

Bank reconciliation is NOT a:

- ▶ **Ledger account**
- ▶ Reconcile records
- ▶ Memorandum statement
- ▶ Procedure to prove cash book balance

**Question No: 36 ( Marks: 1 ) - Please choose one**

---

When Pass Book shows a debit balance it means:

- ▶ Favourable balance as per cash book
- ▶ **Unfavorable balance as per bank statement**
- ▶ Debit balance as per cash book
- ▶ Favourable balance as per bank statement

**Question No: 37 ( Marks: 1 ) - Please choose one**

---

Which of the following is NOT a cause of disagreement between the balance of cash book and bank statement?

- ▶ Cheques issued to creditors but not paid by bank
- ▶ Cheques deposited for collection but not yet collected and credited by the bank

▶ Amount deposited directly into the bank by the debtors but not recorded in the cash book

▶ Amount deposited directly into the bank by the debtors and the same has also been recorded in the cash book

**Question No: 38 ( Marks: 1 ) - Please choose one**

Which of the following is **INCORRECT** about subsidiary account?

▶ It is not a summary account

▶ It reduces the burden of control account

▶ It provides detailed information about individual accounts

▶ It summarizes the total of related items from other accounts

**Question No: 39 ( Marks: 1 ) - Please choose one**

Prepaid insurance will become an expense when the balance of prepaid amount is

▶ Expired

▶ Collected

▶ Paid

▶ Earned

**Question No: 40 ( Marks: 1 ) - Please choose one**

Which of the following Legal Documents of a company contain(s) the information about the capital and liability clause of a company?

▶ Memorandum of Association

▶ Articles of Association

▶ Both Memorandum of Association and Articles of Association

▶ Both Memorandum of Association and Articles of Association

Prospectus

**Question No: 41 ( Marks: 1 ) - Please choose one**

Which of the following types of Companies is (are) registered in Securities and Exchange Commission of Pakistan?

▶ Public Limited Companies

▶ Private Limited Companies

▶ Both Public Limited Companies & Private Limited Companies

▶ Neither Public Limited Companies nor Private Limited Companies

**Question No: 42 ( Marks: 1 ) - Please choose one**

Which of the following is **TRUE** about the Companies Limited by Shares?

▶ Company has limited shares to offer

▶ Shareholders of the Company are limited

▶ Liability of the shareholders is limited

▶ Liability of the shareholders is unlimited

**Question No: 43 ( Marks: 1 ) - Please choose one**

---

When a share having a face value of Rs.100 issued at Rs.90 then which one of the following options is correct under this situation?

- ▶ Share issued at premium
- ▶ **Share issued at discount**
- ▶ Share issued at nominal value
- ▶ Share issued at market value

**Question No: 44 ( Marks: 1 ) - Please choose one**

---

Which of the following is shown on the liability side of Balance Sheet?

- ▶ Discount on issue of shares a/c only
- ▶ Share capital a/c only
- ▶ Premium on issue of shares a/c only
- ▶ **Both share capital and share premium a/c**

**Question No: 45 ( Marks: 1 ) - Please choose one**

---

Which of the following can be utilized to issue bonus shares?

- ▶ **Share premium PG220**
- ▶ Term finance certificates
- ▶ Bonds
- ▶ Debentures

**Question No: 46 ( Marks: 1 ) - Please choose one**

---

Which of the following would be considered as non cash item in cash flow statement?

- ▶ **Depreciation**
- ▶ Accounts receivable
- ▶ Accounts payable
- ▶ Inventory

**Question No: 47 ( Marks: 1 ) - Please choose one**

---

If there is a portion of long term loan of Rs. 30,000 payable in the current accounting period. Where it will be shown in financial statement?

- ▶ Current liability
- ▶ **Long term liability**
- ▶ Current asset
- ▶ Owner's equity

**Question No: 48 ( Marks: 1 ) - Please choose one**

---

Current ratio may be increased by:

- ▶ **Overstating current Assets**
- ▶ Overstating current Liabilities
- ▶ Understating current Assets
- ▶ Understating current assets and overstating current liabilities

**Question No: 49 ( Marks: 3 )**

---

Mr. A, B & C entered into a partnership. At the beginning of the year their capital

balances were Rs. 180,000, Rs. 140,000 and Rs. 80,000 respectively. Profit or loss is to be divided as:

- Mr. A: one-half
- Mr. B: one-third
- Mr. C: one-sixth

**Required:**

If profit is Rs. 390,000, calculate the share of profit for all the partners.

**Question No: 50 ( Marks: 3 )**

Particulars	Rs.
Markup on Loans	1,000
Finance Lease Charges	2,000
Profit on Bank Deposits	3,000
Dividend Income	4,000

**Based on the above information, you are required to calculate the amount of following:**

- **Financial charges**
- **Other income**

**Question No: 51 ( Marks: 5 )**

Umer and Usman, both of whom are CPAs, form a partnership, with Umer investing Rs.100,000 and Usman, Rs.80,000. They agree to share net income as follows:

- Salary allowances of Rs.80,000 to Umer and Rs.50,000 to Usman.
- Interest allowances at 15 percent of beginning capital account balances.
- Any partnership earnings in excess of the amount required to cover the interest and salary allowances to be divided 60 percent to Umer and 40 percent to Usman.

The partnership net income for the first year of operations amounted to Rs.247,000 before interest and salary allowances. Show how this amount should be divided between the two partners.

**Question No: 52 ( Marks: 5 )**

In trial balance at June 30, 2007 10% debentures are shown at Rs.75,000 and mark up on debentures are shown at Rs.3,750. Six months debenture mark up is to be accrued. What will be the amount of total mark up on debentures show in profit and loss account?

- From the following information calculate cost of goods sold.

Stock opening balance	Rs.56,950
Purchases	175,750
Stock closing balance	65,020
Carriage inward	5,200
Sales	245,500



**Question No: 53 ( Marks: 5 )**

---

**Information given in Trial balance:**

- Plant and machinery Rs. 200,000
- Furniture and fixtures Rs. 100,000

**Information given in adjustment:**

- ↳ Charge 20% depreciation on Plant and machinery and 10 % on Furniture and fixture

**Required:**

1. Calculate the amount of depreciation expense shown in profit and loss account.
2. Calculate the amount of fixed assets shown in balance sheet.

**Paper Mo:3**

**Solved by Chanda Rehman, Kamran Haider & ABr**

**FINAL TERM EXAMINATION**

**Spring 2010**

**MGT101- Financial Accounting (Session - 3)**

**Ref No: 1418636**

**Time: 90 min**

**Marks: 69**

**Question No: 1 ( Marks: 1 ) - Please choose one**

---

Liabilities of the members of the \_\_\_\_\_ is only limited to the capital introduced by member/s.

- ▶ Partnership
- ▶ **Company**
- ▶ Sole proprietorship
- ▶ None of the given options

**Question No: 2 ( Marks: 1 ) - Please choose one**

---

If a business purchases machinery for Rs. 30,000 on 31st January 2008 having a life of 10 years, this expense will be realized \_\_\_\_\_ under the concept of accrual accounting.

- ▶ For the year 2008 only
- ▶ For the last day of 10<sup>th</sup> year only
- ▶ **Over 10 years**
- ▶ Nothing can be said about it

**Question No: 3 ( Marks: 1 ) - Please choose one**

---

While making Income & Expenditure account, Excess of income over expenses in a specified accounting period is called:

- ▶ Profit

- ▶ Loss
- ▶ **Surplus**
- ▶ Deficit

**Question No: 4 (Marks: 1) - Please choose one**

In cost of goods sold statement the 'total factory cost' is equal to:

- ▶ Cost of material consumed + Labor cost
- ▶ **Cost of material consumed + Conversion cost**
- ▶ Cost of material consumed + Total factory cost
- ▶ Cost of material consumed + Factory overhead

**Question No: 5 (Marks: 1) - Please choose one**

It is supposed that on 31-12-2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 5 % of the sundry debtors are doubtful. It is also suppose that during the year 2008 actual bad debts were Rs. 1,600. What entry will pass to create provision for doubtful debts?

▶ **Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs. 2,000 (Cr)**

- ▶ Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs. 2,000 (Cr)
- ▶ Provision for doubtful debts a/c Rs. 1,600 (Dr) & Profit & Loss a/c Rs. 1,600 (Cr)
- ▶ Profit & Loss a/c Rs. 1,600 (Dr) & Provision for doubtful debts a/c Rs. 1,600 (Cr)

**Question No: 6 (Marks: 1) - Please choose one**

Consider the following data:

Provision created in 2006	Rs. 2,500
Bad debts in 2007	Rs. 1,500
Sundry debtors on 31-12- 2007 were Rs. 40,000 and provision is created @ 5%.	
Which journal entry is Correct for the provision for doubtful debts for the year 2007.	

▶ Profit & Loss a/c Rs. 1,000 (Dr) & Provision for doubtful debts a/c Rs. 1,000 (Cr)

▶ Provision for doubtful debts a/c Rs. 1,000 (Dr) & Profit & Loss a/c Rs. 1,000 (Cr)

▶ **Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs. 2,000 (Cr)**

- ▶ Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs. 2,000 (Cr)

**Question No: 7 (Marks: 1) - Please choose one**

Control account tells about:

- ▶ Details of loyal clients
- ▶ Customer attitude of payments
- ▶ Complete history of transactions of business clients
- ▶ **Picture collectively instead of individually**

**Question No: 8 ( Marks: 1 ) - Please choose one**

---

Which of the following item will be shown on debit side of debtors account?

- ▶ Discount received
- ▶ Return inwards
- ▶ Discount allowed
- ▶ **Credit sales**

**Question No: 9 ( Marks: 1 ) - Please choose one**

---

Goods purchased from “Mr. A” for Rs. 2,000 passed through the sales book. The rectification of error will result in:

- ▶ Increase of gross profit
- ▶ **Decrease of gross profit**
- ▶ Remains constant and no effect on net profit
- ▶ There is no relation between goods purchased and gross profit

**Question No: 10 ( Marks: 1 ) - Please choose one**

---

Transaction that has been completely forgotten to enter is called:

- ▶ Error of principle
- ▶ **Error of omission**
- ▶ Error of commission
- ▶ Error of original entry

**Question No: 11 ( Marks: 1 ) - Please choose one**

---

Which of the following item must be recorded in the adjusted Cash Book in order to bring it in line with the entries in the Bank Statement?

- ▶ **Bank charges**
- ▶ An error on the Bank Statement
- ▶ An uncredited deposit
- ▶ An unrepresented cheque

**Question No: 12 ( Marks: 1 ) - Please choose one**

---

It is supposed that on 31<sup>st</sup> December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 10% of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be deducted from Sundry debtors?

- ▶ Rs. 3,600
- ▶ Rs. 4,000
- ▶ Rs. 1,600
- ▶ **Rs. 2,400**

**Question No: 13 ( Marks: 1 ) - Please choose one**

---

Which of the following journal entry will be recorded, if cash is drawn by a Proprietor?

- ▶ **Proprietor's drawings a/c (Dr.) and Cash a/c (Cr.)**
- ▶ Cash a/c (Dr.) and Proprietor's drawings a/c (Cr.)
- ▶ Proprietor's Capital (Dr.) and Proprietor's drawings a/c (Cr.)
- ▶ Proprietor's drawings (Dr.) and Proprietor's Capital a/c (Cr.)

**Question No: 14 ( Marks: 1 ) - Please choose one**

---

Which of the following item will be shown on debit side of capital account of sole proprietor?

- ▶ Cash
- ▶ **Drawings 182**
- ▶ Debtors
- ▶ Profit

**Question No: 15 ( Marks: 1 ) - Please choose one**

---

Which of the following represents the partnership agreement in writing?

- ▶ Partnership registration
- ▶ Partnership-at-will
- ▶ **Partnership deed**
- ▶ Partnership certification

**Question No: 16 ( Marks: 1 ) - Please choose one**

---

In cash flow statements, which of the following would appear as a cash outflow?

- ▶ **The payments for purchases made during the year**
- ▶ A decrease in trade debtors over the course of an accounting period
- ▶ Money received as a result of issuing new shares
- ▶ Money received as result of selling fixed assets

**Question No: 17 ( Marks: 1 ) - Please choose one**

---

If the Capitals of partners are fixed then, at the end of financial year a partner's drawings are transferred to the:

- ▶ Credit side of the partner's capital account
- ▶ Credit side of the partner's current account
- ▶ Debit side of partnership bank account
- ▶ **Debit side of the partner's current account**

**Question No: 18 ( Marks: 1 ) - Please choose one**

---

According to the double entry system of book keeping, the investment of Rs.10, 000 in the business made by the owner will effect:

- ▶ **Cash Account & Capital Account**
- ▶ Cash Account & Expense Account

- ▶ Capital Account & Revenue Account
- ▶ Capital Account & Expense Account

**Question No: 19 ( Marks: 1 ) - Please choose one**

---

Mr. B provided the following information at the end of the month:

Particulars	Rs.
Cash	100
Accounts Receivable	500
Accounts Payable	200
Bank Loans	1,000

**Based on the information provided, what are the total assets of Mr. B?**

- ▶ Rs.200
- ▶ **Rs. 600**
- ▶ Rs. 800
- ▶ Rs. 1,700

**Question No: 20 ( Marks: 1 ) - Please choose one**

---

We usually allow the customer to deduct a certain amount from the invoice value for prompt payment. In doing so we are granting a:

- ▶ Commission
- ▶ Allowance
- ▶ **Discount**
- ▶ Rebate

**Question No: 21 ( Marks: 1 ) - Please choose one**

---

Which of the following financial statements is generally prepared first?

- ▶ **Income statement**
- ▶ Balance sheet
- ▶ Statement of retained earnings
- ▶ Statement of cash flow

**Question No: 22 ( Marks: 1 ) - Please choose one**

---

Which of the following is quoted company?

- ▶ Private Limited Company
- ▶ Public Limited Company
- ▶ **Listed company 215**
- ▶ Non Listed Company

**Question No: 23 ( Marks: 1 ) - Please choose one**

---

Statement of cash flows helps the stakeholders to assess:

- ▶ Ability to pay cash dividends in the future
- ▶ **All of the given options**
- ▶ The ability to generate future cash flows

- ▶ The liquidity of the business

**Question No: 24 ( Marks: 1 ) - Please choose one**

---

According to the statement of cash flows following are the examples of investing activities except:

- ▶ Sales of machinery
- ▶ Capital invested by the owners
- ▶ Purchase of building for the business use
- ▶ **Cash received from the disposal of equipment**

**Question No: 25 ( Marks: 1 ) - Please choose one**

---

Which of the following entities is not profit oriented entity?

- ▶ Sole - proprietorship
- ▶ Partnership
- ▶ Companies
- ▶ **Foundations**

**Question No: 26 ( Marks: 1 ) - Please choose one**

---

Rs. 5,000 spent on the replacement of worn-out parts of the machinery is charged to:

- ▶ Capital expenditure
- ▶ **Revenue expenditure**
- ▶ Deferred expenditure
- ▶ Revenue

**Question No: 27 ( Marks: 1 ) - Please choose one**

---

Which of the following is not incurred repeatedly and regularly?

- ▶ **Capital expenditure**
- ▶ Revenue expenditure
- ▶ Short term expenditure
- ▶ Current expenditure

**Question No: 28 ( Marks: 1 ) - Please choose one**

---

Which of the following account would be credited, when the goods are purchased on credit?

- ▶ Stock account
- ▶ Accounts receivable account
- ▶ **Accounts payable account**
- ▶ Work in process account

**Question No: 29 ( Marks: 1 ) - Please choose one**

---

What is the value of closing raw material inventory based on the following information?

- Opening stock Rs. 1,000
- Cost of material used Rs. Rs. 9,500
- Cost of material available for use Rs. 10,000
- ▶ Rs. 9,000
- ▶ **Rs. 500**

- ▶ Rs.11,500
- ▶ Rs. 8,500

**Question No: 30 ( Marks: 1 ) - Please choose one**

---

If:

- Manufacturing Cost is Rs. 30,000
- Closing Work in Process Inventory is Rs. 10,000
- Cost of Goods Manufactured is Rs. 35,000

Then:

- What is the amount of opening Work in Process inventory?
- ▶ Rs. 40,000
  - ▶ **Rs. 15,000**
  - ▶ Rs. 25,000
  - ▶ Rs. 20,000

**Question No: 31 ( Marks: 1 ) - Please choose one**

---

Which of the following is/are **TRUE** about fixed assets?

- ▶ Fixed assets have a long life
- ▶ Fixed assets are used in the business for future generation of income
- ▶ Fixed assets are not bought with the main purpose of resale
- ▶ **All of the given options**

**Question No: 32 ( Marks: 1 ) - Please choose one**

---

Which of the following is **TRUE**?

- ▶ **Gain on revaluation is credited to Revaluation Reserve Account.**
- ▶ Gain on revaluation is debited to Revaluation Reserve Account.
- ▶ Gain on revaluation is credited to Profit & Loss Account.
- ▶ Gain on revaluation is debited to Profit & Loss Account.

**Question No: 33 ( Marks: 1 ) - Please choose one**

---

Cash received form the sale of stock in trade is a:

- ▶ Capital receipt
- ▶ **Revenue receipt**
- ▶ Final receipt
- ▶ Credit receipt

**Question No: 34 ( Marks: 1 ) - Please choose one**

---

A Bank Reconciliation Statement is prepared to:

- ▶ **Ascertain the difference between the Cash Book balance and the Bank Statement balance.**
- ▶ Correct errors in the Cash Book or errors in the Bank Statement.
- ▶ Amend the balance of the Bank Statement of the firm.
- ▶ Amend the balance in the Cash Book of the firm.

**Question No: 35 ( Marks: 1 ) - Please choose one**

---

Which of the following is **TRUE**, if sales book is overstated?

- ▶ **Net profit would be increased**
- ▶ Net profit would be decreased
- ▶ Fixed assets would be increased
- ▶ Fixed assets would be decreased

**Question No: 36 ( Marks: 1 ) - Please choose one**

---

Inventory is always considered as:

- ▶ **Current asset**
- ▶ Current liability
- ▶ Long-term asset
- ▶ Stockholders' equity

**Question No: 37 ( Marks: 1 ) - Please choose one**

---

Prepaid interest given in the Trial Balance will be treated as a (an):

- ▶ **Asset**
- ▶ Liability
- ▶ Revenue
- ▶ Deferred expense

**Question No: 38 ( Marks: 1 ) - Please choose one**

---

Which of the following is **TRUE** about the Companies Limited by Shares?

- ▶ Company has limited shares to offer
- ▶ **Shareholders of the Company are limited**
- ▶ Liability of the shareholders is limited
- ▶ Liability of the shareholders is unlimited

**Question No: 39 ( Marks: 1 ) - Please choose one**

---

Which of the following represents the total par value of shares offered to the general public for contribution?

- ▶ Registered Capital
- ▶ **Issued Capital**
- ▶ Subscribed Capital
- ▶ Paid up Capital

**Question No: 40 ( Marks: 1 ) - Please choose one**

---

When a share having a face value of Rs.100 issued at Rs.90 then which one of the following options is correct under this situation?

- ▶ Share issued at premium
- ▶ **Share issued at discount**
- ▶ Share issued at nominal value
- ▶ Share issued at market value

**Question No: 41 ( Marks: 1 ) - Please choose one**

---

Which of the following is shown on the liability side of Balance Sheet?

- ▶ Discount on issue of shares a/c only



- ▶ Share capital a/c only
- ▶ Premium on issue of shares a/c only
- ▶ **Both share capital and share premium a/c**

**Question No: 42 ( Marks: 1 ) - Please choose one**

---

Under which of the following Act/ Ordinance, a company is allowed to issue shares at a higher price than their face value.

- ▶ **Companies ordinance 1984 pg 217**
- ▶ Contract act 1872
- ▶ Sales of goods act 1930
- ▶ None of the given options

**Question No: 43 ( Marks: 1 ) - Please choose one**

---

Which of the following is the new name of Sources and Application of Funds?

- ▶ Income Statement
- ▶ **Cash Flow Statement**
- ▶ Statement of Changes in Owners Equity
- ▶ Balance Sheet

**Question No: 44 ( Marks: 1 ) - Please choose one**

---

A company pays cash to purchase the stock of another company in an unrelated industry. The cash outflow can be considered as an:

- ▶ Operating activity that will appear on the statement of cash flows
- ▶ Operating activity that will not appear on the statement of cash flows due to the fact of stock from a company in an unrelated industry
- ▶ **Investing activity that will appear on the statement of cash flows**
- ▶ Investing activity that will not appear on the statement of cash flows due to the fact of stock from a company in an unrelated industry

**Question No: 45 ( Marks: 1 ) - Please choose one**

---

If, Retain earning at the beginning Rs. 897, Net income Rs. 140, and Retain earning at the end Rs. 1,009. Then, which of the following figure represents the amount of dividend paid?

- ▶ **Rs. 28**
- ▶ Rs. 252
- ▶ Rs. 739
- ▶ Rs. 2,046

**Question No: 46 ( Marks: 1 ) - Please choose one**

---

Which of the following would be a suitable head for short term advances from customers in Balance Sheet?

- ▶ Current asset
- ▶ Intangible asset
- ▶ Tangible asset
- ▶ **Current liability**

**Question No: 47 ( Marks: 1 ) - Please choose one**

---

Current ratio may be increased by:

- ▶ **Overstating current Assets**
- ▶ Overstating current Liabilities
- ▶ Understating current Assets
- ▶ Understating current assets and overstating current liabilities

**Question No: 48 ( Marks: 1 ) - Please choose one**

---

Which of the following is **CORRECT** about Gross Profit Ratio?

- ▶ **(Gross profit / Net Sales) x 100**
- ▶ (Gross profit / Operating Income) x 100
- ▶ (Gross profit / Sales Return) x 100
- ▶ (Gross profit / Net Income) x 100

**Question No: 49 ( Marks: 3 )**

---

Mr. A, B & C entered into a partnership. At the beginning of the year their capital balances were Rs. 180,000, Rs. 140,000 and Rs. 80,000 respectively. Profit or loss is to be divided as:

- Mr. A: one-half
- Mr. B: one-third
- Mr. C: one-sixth

**Required:**

If profit is Rs. 390,000, calculate the share of profit for all the partners.

Solution:

$$A = \text{Rs. } 390,000 / \text{Rs } 400,000 * \text{Rs. } 180,000 = \text{Rs } 175,500$$

$$B = 390,000 / \text{Rs } 400,000 * 140,000 = 136,500$$

$$C = 390,000 / 400,000 * 80,000 = 78000$$

$$\text{Check} = 175,500 + 136,500 + 78,000 = 390,000$$

**Question No: 50 ( Marks: 3 )**

Particulars	Rs.
Interest on loans	2,000
Interest on overdraft	4,000
Foreign exchange gain	6,000
Gain on disposal of fixed assts.	8,000
Sale of Scrap	1,000

**Based on the above information, you are required to calculate the amount of following:**

- **Financial charges**
- **Other income**

Solution:

**Financial Charges** = Interest on loan + interest on OD + Foreign exchange  
= 2000+4000+6000 = 12,000

Financial charges = 12,000

**Other income** = Disposal of fixed assets + Sale of scrap  
= 8000+1000 = 9000

Other income= 9,000

**Question No: 51 ( Marks: 5 )**

---

**What is the difference between accounts payable and accounts receivable? Discuss it with the help of example.**

**Account payable:**

Account payable is the amount which a company owes to creditors/ suppliers on account of purchases of goods or services

E.g. Purchase of Raw material on credit, Payment of service agreed after a week etc

Account payable is a liability

**Account receivable:**

Account receivable is the amount which a company has to receive from its customers on account of sales of goods or services made to them

Sales of items to Mr. A,

Account receivable is current asset.

**Question No: 52 ( Marks: 5 )**

---

In trial balance at June 30, 2007 10% debentures are shown at Rs.75,000 and mark up on debentures are shown at Rs.3,750. Six months debenture mark up is to be accrued. What will be the amount of total mark up on debentures show in profit and loss account?

- From the following information calculate cost of goods sold.

Stock opening balance	Rs.56,950
Purchases	175,750
Stock closing balance	65,020
Carriage inward	5,200
Sales	245,500

Solution:

Part A

Total mark-up in P/L = 75000 \* 10% = 7500

Part B:

$$\begin{aligned}\text{Cost of goods sold} &= \text{Opening stock} + \text{Purchases} - \text{Closing stock} + \text{Carriage inwards} \\ &= 56,950 + 175,750 - 65,020 + 5,200 \\ &= 172,880\end{aligned}$$

OR

Cost of goods sold:

$$\begin{aligned}\text{Opening stock} &= 56,950 \\ \text{Add: Purchases} &= 175,750 \\ \text{Less: Closing stock} &= 65,020 \\ \text{Add: Carriage inwards} &= 5,200\end{aligned}$$

$$\text{Cost of goods sold} = 172,880$$

$$\begin{aligned}\text{Gross profit} &= \text{Sales} - \text{cost of goods sold} \\ &= 245,500 - 172,880 \\ &= 72,620\end{aligned}$$

**Question No: 53 (Marks: 5)**

Financial year decided by partnership agreement is 1<sup>st</sup> July to 30<sup>th</sup> June. Mr. Ali is partner and having a capital of Rs. 1,500,000 on July 1<sup>st</sup> 2007 and he introduced more capital on August 1<sup>st</sup> 2007 Rs. 10,000, on April 1<sup>st</sup> 2008, Rs. 500,000 and on June 1<sup>st</sup> 2008, Rs. 5,000. Mark up rate is 10% p.a.

**Calculate mark up on Mr. Ali's capital for the year ending on 30<sup>th</sup> June 2008.**

**Solution # 53**

**Calculation of mark-up:**

$$\begin{aligned}\text{From 1st July to 30 June} &= 1,500,000 * 10\% = 150,000 \\ \text{From 1st August to 30 June} &= 10,000 * 10\% * 11/12 = 917 \\ \text{From 1st April to 30 June} &= 500,000 * 10\% * 3/12 = 12,500 \\ \text{From 1st June to 30 June} &= 5,000 * 10\% * 1/12 = 42 \\ \text{Total markup on capital} &= 150,000 + 917 + 12,500 + 42 = 163,459\end{aligned}$$

**Total markup on capital = 163,459**

Note: financial year 1<sup>st</sup> July to 30<sup>th</sup> June.

**Paper No:4**

**Solved by Chanda Rehman & Kamran Haider**

**FINAL TERM EXAMINATION  
Spring 2010  
MGT101- Financial Accounting (Session - 4)**

Time: 90 min  
Marks: 69

**Question No: 1 ( Marks: 1 ) - Please choose one**

---

Liabilities of the members of the \_\_\_\_\_ is only limited to the capital introduced by member/s.

- ▶ Partnership
- ▶ **Company**
- ▶ Sole proprietorship
- ▶ None of the given options

**Question No: 2 ( Marks: 1 ) - Please choose one**

---

Fixed assets are also called:

- ▶ **Depreciable assets**
- ▶ Current assets
- ▶ Liquid assets
- ▶ Floating assets

**Question No: 3 ( Marks: 1 ) - Please choose one**

---

Stock of Trading concern consists of:

- ▶ Raw material
- ▶ Work in process
- ▶ **Merchandise inventory**
- ▶ All of the given options

**Question No: 4 ( Marks: 1 ) - Please choose one**

---

Which of the following would be deducted from Sundry Debtors in Balance Sheet?

- ▶ Bad debts (Trial balance item)
- ▶ Old provision for doubtful debts
- ▶ New provision for doubtful debts
- ▶ **Both Bad debts (given in adjustment) and new provision for doubtful debts**

**Question No: 5 ( Marks: 1 ) - Please choose one**

---

Consider the following data and identify the amount which will be deducted from Sundry Debtors in Balance Sheet.

Particulars	Rs.
Bad debts (from trial balance)	1,600
Provision for doubtful debts (old)	2,000
Current year's provision (new)	800

- ▶ Rs. 400

▶ **Rs. 800**

▶ Rs. 2,000

▶ Rs. 2,400

**For income statement:**

**bad debts (T.B) + new provision - old provision = 1600 + 800 - 2000 = 400**

**Question No: 6 ( Marks: 1 ) - Please choose one**

---

Which of the following is/are the item/s of a Control Account?

▶ Credit sale only

▶ Cash sale only

▶ Credit purchase only

▶ **Both Credit sales and Credit purchase**

**Question No: 7 ( Marks: 1 ) - Please choose one**

---

Transaction that has been completely forgotten to enter is called:

▶ Error of principle

▶ **Error of omission**

▶ Error of commission

▶ Error of original entry

**Question No: 8 ( Marks: 1 ) - Please choose one**

---

A receipt of cash Rs. 10,000 from Mr. Bilal is recorded as Rs. 1,000. What amount will be adjusted in rectifying entry?

▶ Rs. 1,000

▶ **Rs. 9,000**

▶ Rs. 10,000

▶ Rs. 11,000

**Question No: 9 ( Marks: 1 ) - Please choose one**

---

Which of the following account will be credited when interest on capital is charged against the distribution of profit?

▶ Interest account

▶ **Partner's capital account**

▶ Profit and Loss account

▶ Profit and loss appropriation account

**Question No: 10 ( Marks: 1 ) - Please choose one**

---

When the capitals are fixed, which of the following account will be debited for drawings made by a partner?

▶ **Individual Partner's Current Account**

▶ Partner's Cash Account

- ▶ Partner's Bank Account
- ▶ Partners Capital Account

**Question No: 11 ( Marks: 1 ) - Please choose one**

---

The Joint Stock Company is formed under the Companies Ordinance:

- ▶ **1984**
- ▶ 1884
- ▶ 1948
- ▶ 1965

**Question No: 12 ( Marks: 1 ) - Please choose one**

---

Which of the following is NOT a cash inflow?

- ▶ Sale of fixed asset
- ▶ Issue of debentures
- ▶ Cash from business operation
- ▶ **Purchase of fixed asset**

**Question No: 13 ( Marks: 1 ) - Please choose one**

---

Which of the following business publishes the Financial Statements?

- ▶ Sole-Proprietorship
- ▶ Partnership
- ▶ Trust
- ▶ **Public Limited Company**

**Question No: 14 ( Marks: 1 ) - Please choose one**

---

When we close bad debt account, which of the following account is debited?

- ▶ **Profit and loss account**
- ▶ Bad debt account
- ▶ Debtor account
- ▶ Creditor account

**Question No: 15 ( Marks: 1 ) - Please choose one**

---

ABC Company received discount on its credit purchases, which of the following will be credited while entering in journal?

- ▶ Cash
- ▶ **Discount received**
- ▶ Creditors
- ▶ Bank

**Question No: 16 ( Marks: 1 ) - Please choose one**

---

Which of the following indicates cash discount received?

- ▶ **Discount in paying debt earlier**
- ▶ Discount in receiving debt earlier

- ▶ Discount in purchasing huge goods
- ▶ Discount in selling huge goods

**Question No: 17 ( Marks: 1 ) - Please choose one**

---

In the heading of financial statement, \_\_\_\_\_ is not required?

- ▶ Title of financial statement
- ▶ **Name of the person who prepares financial statement**
- ▶ Period for which financial statement is prepared
- ▶ Name of business entity

**Question No: 18 ( Marks: 1 ) - Please choose one**

---

A and B entered in partnership in capital ratio of 2:3. They earned a profit of Rs.6,600 during the year. What will be the share of profit of Mr. A?

- ▶ Rs.1,320
- ▶ **Rs.2,640**
- ▶ Rs.3,960
- ▶ Rs.6,600

**Question No: 19 ( Marks: 1 ) - Please choose one**

---

Which of the following is the major benefit of a partnership over a sole proprietorship?

- ▶ Unlimited liability
- ▶ Single tax filing
- ▶ Difficult ownership resale
- ▶ **Raising capital**

**Question No: 20 ( Marks: 1 ) - Please choose one**

---

Interest expenses of Epler Corporation shows a debit balance of Rs.200 in its unadjusted trial balance and Rs.250 in adjusted trial balance. Which of the following account will be credited in adjusting entry?

- ▶ Interest expense
- ▶ **Interest payable**
- ▶ Prepaid interest
- ▶ Interest paid

**Question No: 21 ( Marks: 1 ) - Please choose one**

---

For which of the following share premium can be utilized?

- ▶ To write off preliminary expenses
- ▶ To meet the expenses of issue of shares
- ▶ To issue bonus shares
- ▶ **All of the given options**

**Question No: 22 ( Marks: 1 ) - Please choose one**

---

Which of the following statement is not true regarding the objective of statement of cash flows?

- ▶ It is helpful for decision making by management
- ▶ **It is used for reporting the net profit of the period**



- ▶ It can be used for estimations for cash flows in future
- ▶ It is used to determine the liquidity of the business

**Question No: 23 ( Marks: 1 ) - Please choose one**

---

Which of the following can maintain the secrecy in all business matters?

- ▶ **Sole-proprietorship**
- ▶ Partnership
- ▶ Public Limited Company
- ▶ Private Limited Company

**Question No: 24 ( Marks: 1 ) - Please choose one**

---

Expenditure is revenue in nature when it:

- ▶ **Benefits the current period**
- ▶ Benefits the future period
- ▶ Belong to the previous period
- ▶ None of the given options

**Question No: 25 ( Marks: 1 ) - Please choose one**

---

Which of the following is a process of transferring journal entry information to ledger account?

- ▶ Journalizing
- ▶ **Posting**
- ▶ Balancing
- ▶ Analyzing

**Question No: 26 ( Marks: 1 ) - Please choose one**

---

Which of the following account would be debited when the owner of business sold machinery of Rs. 10,000 on cash?

- ▶ Sales a/c
- ▶ Machinery a/c
- ▶ Owner a/c
- ▶ **Cash a/c**

**Question No: 27 ( Marks: 1 ) - Please choose one**

---

Which of the following account would be credited, when goods are sold on credit?

- ▶ Stock account
- ▶ Accounts receivable account
- ▶ Accounts payable account
- ▶ **Sales account**

**Question No: 28 ( Marks: 1 ) - Please choose one**

---

Which of the following account would be debited when Rs.5, 000 were paid to vendor?

- ▶ Cash
- ▶ **Voucher payable-vendor payable**
- ▶ Sundry debtors
- ▶ Personal account of customer

**Question No: 29 ( Marks: 1 ) - Please choose one**

---

Which of the following is **TRUE** during the periods of deflation?

- ▶ The use of FIFO will result in greater net income than LIFO
- ▶ The use of FIFO will result in a smaller cost of goods sold than LIFO
- ▶ **The use of FIFO will result in a lower net income and higher ending inventory than LIFO**

▶ The use of FIFO will result in a lower net income and lower ending inventory than LIFO

**Question No: 30 ( Marks: 1 ) - Please choose one**

---

Which one of the following is **TRUE** with respect to “LIFO” in inventory valuation?

- ▶ **Last-In-First-Out**
- ▶ Last-In-Freight-Out
- ▶ Last-In Frequent-Out
- ▶ Large inventory - First-Out

**Question No: 31 ( Marks: 1 ) - Please choose one**

---

Which one of the following is a fixed asset?

- ▶ Cash in hand
- ▶ Advanced payment
- ▶ Closing stock
- ▶ **Leasehold vehicle**

**Question No: 32 ( Marks: 1 ) - Please choose one**

---

Purpose of charging depreciation expense is the application of:

- ▶ **Matching principle**
- ▶ Dual aspect concept
- ▶ Separate entity concept
- ▶ Money measurement concept

[http://en.wikipedia.org/wiki/Matching\\_principle](http://en.wikipedia.org/wiki/Matching_principle)

The matching principle is a culmination of [accrual accounting](#) and the [revenue recognition](#) principle. They both determine the [accounting period](#), in which [revenues](#) and [expenses](#) are recognized. According to the principle, expenses are recognized when obligations are (1) incurred (usually when goods are transferred or services rendered, e.g. sold), and (2) offset against recognized revenues, which were generated from those expenses (related on the cause-and-effect basis), no matter when cash is paid out

## Examples

---

- [Accrued expense](#) allows one to match future costs of products with the proceeds from their sales prior to paying out such costs.
- [Deferred expense](#) (prepaid expense) allows one to match costs of products paid out and not received yet.

- Depreciation matches the cost of purchasing fixed assets with revenues generated by them by spreading such costs over their expected life.

**Question No: 33 ( Marks: 1 ) - Please choose one**

---

Which of the following is/are TRUE about fixed assets?

- ▶ Fixed assets have a long life
- ▶ Fixed assets are used in the business for future generation of income
- ▶ Fixed assets are not bought with the main purpose of resale
- ▶ All of the given options

**Question No: 34 ( Marks: 1 ) - Please choose one**

---

If:

- Ø Cost of machine= Rs. 425,000
- Ø Useful life= 5 years
- Ø Residual value = Rs. 25,000
- Ø Sale price= Rs. 40,000

What will be book value of machine after four years using straight line method?

- ▶ Rs. 65,000
- ▶ Rs. 400,000
- ▶ Rs. 85,000
- ▶ Rs. 105,000

$425000 - 25000 / 5$

**Question No: 35 ( Marks: 1 ) - Please choose one**

---

It is supposed that on 31<sup>st</sup> December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 5 % of the sundry debtors are doubtful. Actual bad debts are Rs. 1,600 appeared in trial balance. What is amount of new provision for doubtful debts?

- ▶ Rs. 3,600
- ▶ Rs. 2,000
- ▶ Rs. 1,600
- ▶ Rs. 400

**Question No: 36 ( Marks: 1 ) - Please choose one**

---

Which of the following statement is correct, if a company fails to record estimated bad debts expense?

- ▶ Net realizable value is understated
- ▶ Expenses are understated
- ▶ Revenues are understated
- ▶ Receivables are understated

**Question No: 37 ( Marks: 1 ) - Please choose one**

---

Insurance paid in advance would be treated as:

- ▶ Non current asset
- ▶ **Current asset**
- ▶ Intangible asset
- ▶ Deferred expense

**Question No: 38 ( Marks: 1 ) - Please choose one**

---

Which of the following is/are **NOT** included in the cost of goods sold?

- ▶ Distribution expenses
- ▶ Selling expenses
- ▶ Administrative expenses
- ▶ **All of the given options**

**Question No: 39 ( Marks: 1 ) - Please choose one**

---

Which of the following would be added in purchases in order to get the value of Net purchases?

- ▶ Purchases returns
- ▶ **Carriage inwards**
- ▶ Trade discount and rebates
- ▶ All of the given options

**Question No: 40 ( Marks: 1 ) - Please choose one**

---

The amount received in excess of the face value of the shares is transferred to:

- ▶ Share capital account
- ▶ Right shares
- ▶ **Share premium account**
- ▶ Shareholders account

**Question No: 41 ( Marks: 1 ) - Please choose one**

---

Preliminary Expenses of the company may write off against:

- ▶ **Share premium account**
- ▶ Shareholders account
- ▶ Debtors control account
- ▶ Creditors control account

**Question No: 42 ( Marks: 1 ) - Please choose one**

---

Which of the following can be utilized to issue bonus shares?

- ▶ **Share premium**
- ▶ Term finance certificates
- ▶ Bonds
- ▶ Debentures

**Question No: 43 ( Marks: 1 ) - Please choose one**

---

Which of the following is the new name of Sources and Application of Funds?

- ▶ Income Statement
- ▶ **Cash Flow Statement**

- ▶ Statement of Changes in Owners Equity
- ▶ Balance Sheet

<http://www.fao.org/docrep/w4343e/w4343e04.htm>

**Question No: 44 ( Marks: 1 ) - Please choose one**

---

A corporation has retained earning of Rs. 100,000 and Rs. 150,000 for the year ended 2006 and 2007 respectively. The corporations had net profits after taxes of Rs. 80,000 in 2007. What will be the amount of dividend paid in the year 2007?

- ▶ Rs. 30,000
- ▶ **Rs. 70,000**
- ▶ Rs. 50,000
- ▶ Rs. 20,000

**Question No: 45 ( Marks: 1 ) - Please choose one**

---

Which of the following is the **CORRECT** statement with respect to the liquidity and profitability?

- ▶ Liquidity and Profitability is the same thing
- ▶ The importance of Liquidity > The importance of Profitability
- ▶ The importance of Liquidity < The importance of Profitability
- ▶ **The liquidity and profitability is not the same thing but both have equal importance**

**Question No: 46 ( Marks: 1 ) - Please choose one**

---

Which of the following is adjusted as working capital change in operating activities section of a cash flow statement?

- ▶ **Decrease in trade receivable**
- ▶ Repayment of dividend
- ▶ Payment of goodwill
- ▶ Investment in associated companies

**Question No: 47 ( Marks: 1 ) - Please choose one**

---

In statement of cash flows, which of the following would not be considered as an investing activity?

- ▶ Sales of fixed assets
- ▶ Purchase of long term securities
- ▶ Purchase of fixed assets
- ▶ **Payments of dividends**

**Question No: 48 ( Marks: 1 ) - Please choose one**

---

A company ABC purchased an asset for Rs. 40,000, paying Rs. 30,000 in cash and issuing a long term note payable for remaining balance. The amount will be recorded in statement of cash flows as:

- ▶ Rs. 40,000 cash outflow as an investing activity
- ▶ **Rs. 30,000 cash outflow as an investing activity**
- ▶ Rs. 10,000 cash inflow as an investing activity
- ▶ Rs. 70,000 cash inflow as an investing activity

**Question No: 49 ( Marks: 3 )**

---

**What do you know about the Profit and loss appropriation account in case of partnership?**

Answer:

The profit account does not included the salary of partner nor the markup on capital or interest on drawing, this all we do after calculating the net income in profit and loss appropriation account to get to the distributable income/profit among the partners as per the profit/loss sharing ratio.

**Question No: 50 ( Marks: 3 )**

---

Assume that a company repays Rs. 300,000 loan taken from its bank and then later, in the same year company borrows Rs. 500,000. How will these items be treated on the current year's Statement of Cash Flows?

Answer : In the section of Financing Activities

300,000 will appear as (300,000) showing outflow/repayment of loan

500,000 will appear as 500,000 showing inflow of cash borrowed.

**Question No: 51 ( Marks: 5 )**

---

**What types of changes are made when a new partner joins partnership? Mention those situations in which partnership comes to an end.**

Answer:

**In case of admission of any new partner all the assets and liabilities is revalued as well as the good will of the partnership company. The new ratio get sets for profit/loss sharing among the partner.**

**Usually In Case of death or retirement of partner from partnership, partnership comes to an end or in a state of dissolution.**

**Question No: 52 ( Marks: 5 )**

---

**Define cash flow from operating activities with some examples.**

Answer:

Extract from Cash Flow Statement.

Net profit	100,000
Add Back : Non Cash Transaction	
Depreciation Exp	5000
Gain on Currency Exchange	10,000
Gain on Sale of Disposal of Asset	2,000
Cash from Opening Activities before working Capital Change	117,000

Less: Increase in Assets	-10,000
Add: Decrease in Assets	5,000
Add: Increase in Liabilities	6000
Less: Decrease in Liabilities	-3000
Cash Generated from Operating Activities	115,000

**Question No: 53 ( Marks: 5 )**

Given the following data:

Purchases Rs.26,000, Returns outwards Rs.1,470, Returns inwards Rs.2,100, Carriage outwards Rs.1,230, Carriage inwards Rs.890, Opening stock Rs.4,500, and closing stock Rs.6,130.

**What would be the value of the cost of goods sold?**

**Solution:**

Cost of Good Sold	Amount
Opening Stock	4,500
Add: Purchases	26,000
Less: Return Outward	-1,470
Add: Carriage Inward	890
Goods available for Sale	29,920
Less: Closing Stock	-6,130
<b>Cost of Good Sold</b>	<b>23,790</b>

**Paper No:5**

**Solved by Chanda Rehman, Anjam Riaz**

FINAL TERM EXAMINATION

Spring 2010

MGT101- Financial Accounting (Session - 3)

Time: 90 min

Marks: 69

**Question No: 1 ( Marks: 1 ) - Please choose one**

Vehicles which are used to supply finished products are called business \_\_\_\_\_.

- ▶ **Tangible assets**
- ▶ Intangible assets
- ▶ Capital
- ▶ Liabilities

**Question No: 2 ( Marks: 1 ) - Please choose one**





▶ **Easy Formation**

- ▶ Common Seal

**Question No: 8 ( Marks: 1 ) - Please choose one**

Upon checking the Bank Statement against the Cash Book by Mr. A, It was discovered that an amount of Rs.120 for dividend from XYZ Co. had not been entered in the Cash Book. Which of the following entry should be recorded to rectify the mistake?

- ▶ Bank Account(Dr.) and Dividend Account (Cr.)
- ▶ XYZ Co. Account (Dr.) and Bank Account (Cr.)
- ▶ Dividend Account (Dr.) and Bank Account (Cr.)
- ▶ **Bank Account (Dr.) and XYZ Co. Account (Cr.)**

**Question No: 9 ( Marks: 1 ) - Please choose one**

Following information are extracted from books of Mr. XYZ

Particulars	Rs.
Closing value of stock	40,000
Bad Debts (Given in trial balance)	500
Old provisions (Given in trial balance)	800
Sundry Debtors (Given in trial balance)	44,500
Provision for doubtful debts @ 5%	
Which amount of new provision will be deducted from Sundry Debtors	?

▶ **Rs. 2,225**

- ▶ Rs. 2,525
- ▶ Rs. 1,925
- ▶ Rs. 3,025

**Question No: 10 ( Marks: 1 ) - Please choose one**

Which of the following is (are) benefit/s of subsidiary ledger accounts to business?

- ▶ It tells about customer attitude of payments
- ▶ It can be checked against the control account to pick up recording errors
- ▶ It tells about the complete history of transactions of business client

▶ **All of the given options**

**Question No: 11 ( Marks: 1 ) - Please choose one**

Short-term investments include all of the following **EXCEPT**:

▶ A stock investment in the General Electric Company intended to be sold within one year

▶ **A shares investment in the Coca-Cola Company intended to be held for several years**

- ▶ A bond receivable intended to be sold within one year
- ▶ Frequently traded securities

**Question No: 12 ( Marks: 1 ) - Please choose one**

---

Wages paid to laborers working in the manufacturing department is treated as an expense of:

- ▶ Administrative expenses
- ▶ Selling expenses
- ▶ Marketing expenses
- ▶ **Cost of goods sold**

**Question No: 13 ( Marks: 1 ) - Please choose one**

---

Which account is increased with a debit and decreased with a credit?

- ▶ **Cash**
- ▶ Accounts Payable
- ▶ Contributed Capital
- ▶ Retained Earnings

**Question No: 14 ( Marks: 1 ) - Please choose one**

---

Which of the following statements is **NOT TRUE** about the partnership form of business?

- ▶ A partnership is a business run by two or more persons
- ▶ A partnership business is easy to set up
- ▶ Each partner is liable under the law for the actions of other partners
- ▶ **In the absence of agreement, partners will be paid salaries**

**Question No: 15 ( Marks: 1 ) - Please choose one**

---

Authorized share capital is also known as:

- ▶ **Registered capital**
- ▶ Issued capital
- ▶ Paid up capital
- ▶ Called up capital

**Question No: 16 ( Marks: 1 ) - Please choose one**

---

Which of the following is the most important document of the company?

- ▶ **Memorandum of Association**
- ▶ Articles of Association
- ▶ Prospectus
- ▶ Annual Report

**Question No: 17 ( Marks: 1 ) - Please choose one**

Particulars	Rs.
Share capital of Rs. 10 each	1,000,000
Profit before tax	150,000
Taxes	10,000

Earning per share	= ?
-------------------	-----

- ▶ Rs. 1.50 per share
- ▶ **Rs. 1.40 per share**
- ▶ Rs. 1.15 per share
- ▶ Rs. 1.25 per share

**Question No: 18 ( Marks: 1 ) - Please choose one**

Mr. "A" sold goods for Rs. 300,000 to Mr. "B", Rs. 300,000 will be treated as \_\_\_\_\_ for business of Mr. "A".

- ▶ **Revenue**
- ▶ Net profit
- ▶ Gross profit
- ▶ Operating profit

**Question No: 19 ( Marks: 1 ) - Please choose one**

Mr. B provided the following information at the end of the month:

Particulars	Rs.
Cash	100
Accounts Receivable	500
Accounts Payable	200
Bank Loans	1,000

**Based on the information provided, what are the total assets of Mr. B?**

- ▶ Rs.200
- ▶ **Rs. 600**
- ▶ Rs. 800
- ▶ Rs. 1,700

**Question No: 20 ( Marks: 1 ) - Please choose one**

In balance sheet fixed assets are shown at:

- ▶ Residual value
- ▶ Market value
- ▶ Fair value
- ▶ **Written down value (WDV)**

**Question No: 21 ( Marks: 1 ) - Please choose one**

To settle the balances of cash book and pass book \_\_\_\_\_ is prepared.

- ▶ Balance sheet
- ▶ Profit and loss account
- ▶ **Bank reconciliation statement**
- ▶ Cash flow statement

**Question No: 22 ( Marks: 1 ) - Please choose one**

---

Stock account is credited and creditors account is debited, which of the following is reflecting the statement?

- ▶ Discount received
- ▶ **Goods returned**
- ▶ Purchase of goods on credit
- ▶ Payment of goods

**Question No: 23 ( Marks: 1 ) - Please choose one**

---

Suppose a firm has 200 debtors, and each of them owes exactly Rs. 150 at the start of June. What is the total amount owed by all debtors?

- ▶ Rs. 2,000
- ▶ Rs. 3,000
- ▶ **Rs. 30,000**
- ▶ Rs. 150,000

**Question No: 24 ( Marks: 1 ) - Please choose one**

---

Which of the following justifies when profit is earned?

- ▶ Assets exceed Expenditure
- ▶ **Income exceeds Expenditure**
- ▶ Cash Inflow exceeds Cash Outflow
- ▶ Income exceeds Liabilities

**Question No: 25 ( Marks: 1 ) - Please choose one**

---

In a partnership of Mr. X and Mr. Y, the share of profit of Mr. X is Rs.3,840 and the share of profit of Mr. Y is Rs. 5,760. What will be the ratio of their share?

- ▶ 1:2
- ▶ **2:3**
- ▶ 3:2
- ▶ 2:1

**Question No: 26 ( Marks: 1 ) - Please choose one**

---

Puget Sound Co. sold marketable securities Costing Rs.80,000 for Rs.92,000 cash. In the company's income statement and statement of cash flows, respectively, this will appear as:

- ▶ **A Rs.12,000 gain and a Rs.92,000 cash receipt**
- ▶ A Rs.92,000 gain and a Rs.8,000 cash receipt
- ▶ A Rs.12,000 gain and a Rs.80,000 cash receipt
- ▶ A Rs.92,000 sale and a Rs.92,000 cash receipt

**Question No: 27 ( Marks: 1 ) - Please choose one**

---

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on drawings of Mr. A is Rs.1,500 and of Mr. B is Rs.1,800. The net income for the year is Rs.85,000. What will be the profit share of Mr. B?

- ▶ Rs.42,350
- ▶ **Rs.44,150**
- ▶ Rs.41,600
- ▶ Rs.40,850

**Question No: 28 ( Marks: 1 ) - Please choose one**

---

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on capital of Mr. A is Rs.2,000 and markup on drawings of Mr. B is Rs.3,000. The net income for the year is Rs.85,000. What will be the profit share of Mr. B?

- ▶ Rs.40,000
- ▶ Rs.43,000
- ▶ Rs.130,000
- ▶ Rs.133,000

**Question No: 29 ( Marks: 1 ) - Please choose one**

---

Which of the following capital is offered to the general public?

- ▶ **Issued capital**
- ▶ Subscribed capital
- ▶ Authorized capital
- ▶ Reserve capital

**Question No: 30 ( Marks: 1 ) - Please choose one**

---

Which of the following financial statement is helpful for the investors and creditors to assess the cash and non cash aspects of operating, investing and financing transactions on an entity's financial position?

- ▶ **Balance Sheet**
- ▶ Income Statement
- ▶ Statement of cash flows
- ▶ Statement of changes in equity

**Question No: 31 ( Marks: 1 ) - Please choose one**

---

Which of the following is not a measure of short-term liquidity?

- ▶ Current ratio
- ▶ Quick ratio
- ▶ Acid-test ratio
- ▶ **Debt ratio**

**Question No: 32 ( Marks: 1 ) - Please choose one**

---

Which of the following refers to the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all?

- ▶ Sole - proprietorship
- ▶ **Partnership**
- ▶ Company
- ▶ Trust

**Question No: 33 ( Marks: 1 ) - Please choose one**

---

Which of the following is a direct source of revenue?

- ▶ **Sales proceeds**
- ▶ Interest received
- ▶ Dividend received
- ▶ Discount received

**Question No: 34 ( Marks: 1 ) - Please choose one**

---

Which of the following is **NOT** an item of a Balance Sheet?

- ▶ Accounts Receivable
- ▶ Accounts Payable
- ▶ **Sales Revenue**
- ▶ Marketable Securities

**Question No: 35 ( Marks: 1 ) - Please choose one**

---

A fixed asset cost Rs. 8,000; it is sold for Rs. 4,800. At the date of its disposal, its net book value is Rs. 3,000. What is the profit or loss on disposal?

- ▶ Profit Rs. 3,200
- ▶ Loss Rs. 3,200
- ▶ Loss Rs. 1,800
- ▶ **Profit Rs. 1,800**

**Question No: 36 ( Marks: 1 ) - Please choose one**

---

Mr. B's cash book shows a credit balance of Rs.68,000. He issued a cheque of Rs.7,000 but not yet presented by the bank. What will be the balance of bank statement?

- ▶ Rs. 61,000
- ▶ **Rs. 75,000**
- ▶ Rs. 68,000
- ▶ Rs. 7,000

**Question No: 37 ( Marks: 1 ) - Please choose one**

---

If  $(\text{Amount of new provision} + \text{Amount of bad debts}) < \text{Amount of old provision}$  then amount will be shown on:

- ▶ **Debit side of Profit & Loss account**
- ▶ Credit side of Profit & Loss account
- ▶ Asset side of Balance Sheet
- ▶ Liability side of Balance Sheet

**Question No: 38 ( Marks: 1 ) - Please choose one**

---

Which of the following would **NOT** be included in the heads of Current Assets?

- ▶ Stock
- ▶ General Stores
- ▶ Spare parts
- ▶ **Bank over draft**

**Question No: 39 ( Marks: 1 ) - Please choose one**

---

Depreciation expense is charged to which of the following head?

- ▶ **Administrative expenses**
- ▶ Selling expenses
- ▶ Cost of sales
- ▶ It depends on the nature of expense

---

**Question No: 40 ( Marks: 1 ) - Please choose one**

Prepaid insurance will become an expense when the balance of prepaid amount is

- ▶ Expired
- ▶ Collected
- ▶ **Paid**
- ▶ Earned

---

**Question No: 41 ( Marks: 1 ) - Please choose one**

XYZ Company has paid up capital of 20,000 shares of Rs. 100 each. The company offers to existing shareholders the right to buy 3 shares of Rs. 100 each at Rs. 125 for every 5 shares held. What would be the number of right shares?

- ▶ 120 right shares
- ▶ 12,000 right shares
- ▶ 15,000 right shares
- ▶ 25,000 right shares

---

**Question No: 42 ( Marks: 1 ) - Please choose one**

Which of the following is (are) type(s) of Public Limited Companies?

- ▶ Listed company
- ▶ Non listed company
- ▶ Private limited company
- ▶ **Both listed company and non listed company**

---

**Question No: 43 ( Marks: 1 ) - Please choose one**

Which of the following is old name of Cash Flow Statement?

- ▶ **Sources and Application of Funds**
- ▶ Sources and Application of Liabilities
- ▶ Sources and Application of Activities
- ▶ Sources and Application of Income

---

**Question No: 44 ( Marks: 1 ) - Please choose one**

Which of the following is the new name of Sources and Application of Funds?

- ▶ Income Statement
- ▶ **Cash Flow Statement**
- ▶ Statement of Changes in Owners Equity
- ▶ Balance Sheet

---

**Question No: 45 ( Marks: 1 ) - Please choose one**

Which of the following is an example of cash outflow for a company?

- ▶ Cash collected from customers
- ▶ Cash paid for merchandise inventory
- ▶ Writing off an uncollectible accounts receivable
- ▶ **Reclassifying accounts payable to notes payable**

**Question No: 46 ( Marks: 1 ) - Please choose one**

---

Which of the following is an example of Cash flow from operating activities?

- ▶ Cash payment to acquired fixed assets
- ▶ Issuing stock
- ▶ Cash collection as a result of machinery sold
- ▶ **Cash payment to suppliers for goods and services** Doubted

**Question No: 47 ( Marks: 1 ) - Please choose one**

---

If issuance of shares against cash is Rs. 2,000 and payment of dividend is Rs. 9,000 then which of the following is correct?

- ▶ Inflow of cash Rs. 11,000
- ▶ Outflow of cash Rs. 11,000
- ▶ Inflow of cash Rs. 7,000
- ▶ **Outflow of cash Rs. 7,000**

**Question No: 48 ( Marks: 1 ) - Please choose one**

---

In statement of cash flows, which of the following would not be considered as an investing activity?

- ▶ Sales of fixed assets
- ▶ Purchase of long term securities
- ▶ Purchase of fixed assets
- ▶ **Payments of dividends**

**Question No: 49 ( Marks: 3 )**

---

Mr. A, B & C entered into a partnership. At the beginning of the year their capital balances were Rs. 180,000, Rs. 140,000 and Rs. 80,000 respectively. Profit or loss is to be divided as:

- Ø Mr. A: one-half
- Ø Mr. B: one-third
- Ø Mr. C: one-sixth

**Required:**

If profit is Rs. 390,000, calculate the share of profit for all the partners.

**Question No: 50 ( Marks: 3 )**

---

**If:**

- |                                   |           |
|-----------------------------------|-----------|
| · Retain earning at the beginning | Rs. 1,000 |
| · Dividend paid                   | 500       |
| · Retain earning at the end       | 2,500     |

**Then:**



You are required to prepare statement of Retain earnings to find the amount of Net income

**Question No: 51 ( Marks: 5 )**

The face value of the share of ABC public limited company is Rs.10. the share is sold at Rs.15. total shares traded in the market are 50,000. What will be the amount of share premium received and discuss for what it will be utilized?

**Question No: 52 ( Marks: 5 )**

Given the following data:

Purchases Rs.54,533, Returns outwards Rs.2,341, Returns inwards Rs.1,766, Carriage outwards Rs.543, Carriage inwards Rs.4,324, Opening stock Rs.17,600, and closing stock Rs.14,342.

**Determine the value of the cost of goods sold.**

**Question No: 53 ( Marks: 5 )**

Particulars	Rs.
Raw Material - Opening Stock	10,000
Raw Material – Purchases	2,000
Raw Material - Closing Stock	3,000
Packing Material - Opening Stock	4,000
Packing Material – Purchases	5,000
Packing Material - Closing Stock	6,000

**Based on the above information you are required to calculate the following:**

- **Cost of Raw Material Consumed**
- **Cost of Packing Material Consumed**

**Paper No:6**

**Solved by Chanda Rehman & ABr**

**FINAL TERM EXAMINATION**

**Spring 2010**

**MGT101- Financial Accounting (Session - 2)**

**Ref No: 1418712**

**Time: 90 min**

**Marks: 69**

**Question No: 1 ( Marks: 1 ) - Please choose one**

Double entry accounting system includes:

- ▶ Accrual accounting only
- ▶ Cash accounting only
- ▶ **Both cash and accrual accounting**
- ▶ None of the given options

**Question No: 2 ( Marks: 1 ) - Please choose one**

---

Which of the following is correct according to the double entry system of book-keeping?

- ▶ **Debit = Credit**
- ▶ Debit > Credit
- ▶ Debit < Credit
- ▶ All of the given options

**Question No: 3 ( Marks: 1 ) - Please choose one**

---

If the cost of sales is Rs. 60,000, sales are Rs. 90,000 and operating expenses are Rs. 25,000 during the year. What would be the Net Profit?

- ▶ **Rs. 5,000**
- ▶ Rs. 25,000
- ▶ Rs. 55,000
- ▶ Rs. 60,000

**Question No: 4 ( Marks: 1 ) - Please choose one**

---

If the cost of sales is Rs. 95,000, sales are Rs. 100,000 and operating expenses are Rs. 200,000 during the year, what would be the net result?

- ▶ **Loss of Rs. 1, 95,000**
- ▶ Profit of Rs. 1, 95,000
- ▶ Profit of Rs 5,000
- ▶ Loss of Rs 5,000

**Question No: 5 ( Marks: 1 ) - Please choose one**

---

Consider the following data and identify the amount which will be deducted from Sundry Debtors in Balance Sheet.

Particulars	Rs.
Bad debts (from trial balance)	1,600
Provision for doubtful debts (old)	2,000
Current year's provision (new)	800

- ▶ Rs. 400
- ▶ **Rs. 800**
- ▶ Rs. 2,000
- ▶ Rs. 2,400

**Question No: 6 ( Marks: 1 ) - Please choose one**

---

Consider the following data:

Provision created in 2006	Rs. 2,500
Bad debts in 2007	Rs. 1,500
Sundry debtors on 31-12- 2007 were Rs. 40,000 and provision is created @ 5%.	
Which journal entry is Correct for the provision for doubtful debts for the year 2007.	

- ▶ Profit & Loss a/c Rs. 1,000 (Dr) & Provision for doubtful debts a/c Rs. 1,000 (Cr)
- ▶ Provision for doubtful debts a/c Rs. 1,000 (Dr) & Profit & Loss a/c Rs. 1,000 (Cr)
- ▶ **Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs. 2,000 (Cr)**
- ▶ Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs. 2,000 (Cr)

**Question No: 7 ( Marks: 1 ) - Please choose one**

Which of the following account(s) will be affected, while rectifying the error of sales Rs.100 to Mr. "A" recorded in the purchases book?

- ▶ Sales account
- ▶ Purchase account
- ▶ A's account and Sales account
- ▶ **Sales account, purchase account and A's account**

**Question No: 8 ( Marks: 1 ) - Please choose one**

Which one of the following is **TRUE** about provisions?

- ▶ It is necessary to prepare for showing true picture of balance sheet
- ▶ It is a reduction from assets
- ▶ It is prepared for specific purposes
- ▶ **All of the given options**

**Question No: 9 ( Marks: 1 ) - Please choose one**

Which of the following statement is **TRUE** about the Accounts receivable?

- ▶ Accounts receivable arises when a company buys goods or services from another party on credit
- ▶ Accounts receivable is a miscellaneous category that may include loans to employees
- ▶ Accounts receivable are more formal than notes receivable
- ▶ Accounts receivable are often called trade receivables

**Question No: 10 ( Marks: 1 ) - Please choose one**

A, B, C are partners. Their profit sharing ratio is equal. Capital balance on July 1<sup>st</sup> of Partner A --- Rs. 40,000 Partner B --- Rs. 30,000 and Partner C--- Rs. 20,000. Their private property of Partner A is Rs.15,000, Partner B is Rs. 7,000 and Partner C is Rs. 1,500. What is the level of their liabilities under the partnership firm?

- ▶ **Partner A—Rs. 40,000, Partner B---- Rs. 30,000, Partner C – 20,000**
- ▶ Partner A—Rs. 40,000, Partner B---- Rs. 30,000, Partner C – 21,500
- ▶ Partner A—Rs. 40,000, Partner B---- Rs. 37,000, Partner C – 20,000

- ▶ Partner A—Rs. 55,000, Partner B---- Rs. 37,000, Partner C – 21,500

**Question No: 11 ( Marks: 1 ) - Please choose one**

---

In cash flow statements, which of the following would appear as a cash outflow?

- ▶ The payments for purchases made during the year
- ▶ A decrease in trade debtors over the course of an accounting period
- ▶ Money received as a result of issuing new shares
- ▶ Money received as result of selling fixed assets

**Question No: 12 ( Marks: 1 ) - Please choose one**

---

An example of financing activities in the context of cash flow statement is:

- ▶ Capital expenditures on purchase of fixed assets
- ▶ Long-term deposit
- ▶ Financial charges paid
- ▶ **Dividend paid**

**Question No: 13 ( Marks: 1 ) - Please choose one**

---

The beginning balance of retained earnings was Rs. 7,500. The dividends paid to stockholders' were Rs.1, 500. The ending balance of retained earnings is Rs. 5,000. What was the net income or net loss for the accounting period?

- ▶ Net loss of Rs.1, 000
- ▶ Net income of Rs. 1,000
- ▶ Net loss of Rs. 2,000
- ▶ Net income of Rs. 2,500

**Question No: 14 ( Marks: 1 ) - Please choose one**

---

Normally the practice of Book Keeping under Single Entry System is followed by:

- ▶ Small businesses only
- ▶ Governments only
- ▶ Large scale businesses only
- ▶ **Both small businesses and governments, ...**

**Question No: 15 ( Marks: 1 ) - Please choose one**

---

Which of the following is(are) **CORRECT** for Doubtful Debt?

- ▶ **It is shown in balance sheet**
- ▶ It is a definite loss to the business
- ▶ No provision is necessary for it
- ▶ All of the given option

**Question No: 16 ( Marks: 1 ) - Please choose one**

---

An uncollectible account receivable is also termed as:

- ▶ Asset
- ▶ **Uncollectible asset**
- ▶ Uncollectible accounts expense

- ▶ None of the given options

**Question No: 17 ( Marks: 1 ) - Please choose one**

---

Payment is made of a company's purchases on credit, which of the following is correct:

- ▶ Debit stock account and credit creditors account
- ▶ **Debit creditors account and credit cash account**
- ▶ Debit cash account and credit creditors account
- ▶ Debit stock account and credit cash account

**Question No: 18 ( Marks: 1 ) - Please choose one**

---

The amount owed by debtors at the end of a month appears on the \_\_\_\_\_ side of the control account.

- ▶ Left side or debit
- ▶ Left side or credit
- ▶ Right side or debit
- ▶ **Right side or credit**

**Question No: 19 ( Marks: 1 ) - Please choose one**

---

Receipts from debtors appear on the \_\_\_\_\_ side of the individual debtors account.

- ▶ Left side or credit
- ▶ Left side or debit
- ▶ Right side or debit
- ▶ **Right side or credit**

**Question No: 20 ( Marks: 1 ) - Please choose one**

---

Which of the following is usually not an accrued expense?

- ▶ Interest payable
- ▶ Wages payable
- ▶ Taxes payable
- ▶ **Notes payable**

**Question No: 21 ( Marks: 1 ) - Please choose one**

---

According to the rule of debit and credit for balance sheet accounts:

- ▶ Increase in asset, liability, and owners' equity accounts are recorded by debits.
- ▶ Decrease in asset and liability accounts are recorded by credits
- ▶ Increase in asset and owners' equity accounts are recorded by debits
- ▶ **Decrease in liability and owners' equity accounts are recorded by debits**

**Question No: 22 ( Marks: 1 ) - Please choose one**

---

Which of the following justifies when profit is earned?

- ▶ Assets exceed Expenditure
- ▶ **Income exceeds Expenditure**
- ▶ Cash Inflow exceeds Cash Outflow
- ▶ Income exceeds Liabilities

**Question No: 23 ( Marks: 1 ) - Please choose one**

---

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on capital of Mr. A is Rs.2,000 and markup on drawings of Mr. B is Rs.3,000. The net income for the year is Rs.85,000. What will be the profit share of Mr. A?

- ▶ **Rs.43,000**
- ▶ Rs.45,000
- ▶ Rs.71,000
- ▶ Rs.133,000

**Question No: 24 ( Marks: 1 ) - Please choose one**

---

The value of a share as quoted on the stock exchange is known as:

- ▶ Book value
- ▶ Par value
- ▶ **Market value**
- ▶ Face value

**Question No: 25 ( Marks: 1 ) - Please choose one**

---

Which of the following value of the share is authorized by the memorandum of association?

- ▶ Par value
- ▶ Face value
- ▶ **Nominal value**
- ▶ All of the given options

**Nominal, authorised or registered capital means the sum mentioned in the capital clause of Memorandum of Association. It is the maximum amount which the company raise by issuing the shares and on which the registration fee is paid. This limit is cannot be exceeded unless the Memorandum of Association is altered.**

**Question No: 26 ( Marks: 1 ) - Please choose one**

---

Which of the following financial statement is helpful for the investors and creditors to assess the cash and non cash aspects of operating, investing and financing transactions on an entity's financial position?

- ▶ **Balance Sheet**
- ▶ Income Statement
- ▶ Statement of cash flows
- ▶ Statement of changes in equity

**Question No: 27 ( Marks: 1 ) - Please choose one**

---

Which of the following items of balance sheet are useful in evaluating a company's liquidity?

- ▶ **Current assets and other assets**
- ▶ Current liabilities and current assets
- ▶ Current liabilities and plant and equipment
- ▶ Non current liabilities and other assets

**Question No: 28 ( Marks: 1 ) - Please choose one**

---

Which of the following is a process of transferring journal entry information to ledger account?

- ▶ Journalizing
- ▶ **Posting**
- ▶ Balancing
- ▶ Analyzing

**Question No: 29 ( Marks: 1 ) - Please choose one**

---

Which of the following is used to record the payments of cash or cheque?

- ▶ Journal Voucher
- ▶ Receipt Voucher
- ▶ **Payment Voucher**
- ▶ Cash voucher

**Question No: 30 ( Marks: 1 ) - Please choose one**

---

If:

- Direct Material Cost is Rs. 20,000
- Direct labour cost is Rs. 10,000
- Manufacturing Cost is Rs. 45,000

Then:

What is the amount of Factory Overhead?

- ▶ **Rs. 15,000**
- ▶ Rs. 30,000
- ▶ Rs. 35,000
- ▶ Rs. 25,000

**Question No: 31 ( Marks: 1 ) - Please choose one**

---

Which one of the following is **TRUE** with respect to “LIFO” in inventory valuation?

- ▶ **Last-In-First-Out**
- ▶ Last-In-Freight-Out
- ▶ Last-In Frequent-Out
- ▶ Large inventory - First-Out

**Question No: 32 ( Marks: 1 ) - Please choose one**

---

Which one of the following methods for inventory valuation is based on the assumption that the first merchandise purchased is the first merchandise sold?

- ▶ LIFO Method
- ▶ Weighted Average Method
- ▶ Specific Identification Method
- ▶ **FIFO Method**

**Question No: 33 ( Marks: 1 ) - Please choose one**

---

Which of the following is/are **TRUE** about fixed assets?

- ▶ Fixed assets have a long life
- ▶ Fixed assets are used in the business for future generation of income
- ▶ Fixed assets are not bought with the main purpose of resale

▶ **All of the given options**

**Question No: 34 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 100,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.15,000
Written Down Value of Asset on 5 <sup>th</sup> year	Rs. 75,000
Profit or loss on disposal of fixed asset	?

▶ **Rs. 60,000 loss**

- ▶ Rs. 75,000 profit
- ▶ Rs. 25,000 loss
- ▶ Rs. 100,000 profit

**Question No: 35 ( Marks: 1 ) - Please choose one**

An asset costs Rs. 120,000 and has accumulated depreciation of Rs. 72,400. The asset is sold for Rs. 46,500. What is the Profit or Loss on disposal?

▶ **Loss of Rs. 1,100**

- ▶ Loss of Rs. 73,500
- ▶ Profit of Rs. 1,100
- ▶ Profit of Rs. 73,500

**Question No: 36 ( Marks: 1 ) - Please choose one**

Which of the following is TRUE?

- ▶ The entries in cash book are made by the bank
- ▶ **The entries in cash book are made by the depositor himself**
- ▶ The entries in cash book are made by the audit officer
- ▶ The entries in pass book are made by the manager

**Question No: 37 ( Marks: 1 ) - Please choose one**

If (Amount of new provision + Amount of bad debts) < Amount of old provision then amount will be shown on:

- ▶ **Debit side of Profit & Loss account**
- ▶ Credit side of Profit & Loss account
- ▶ Asset side of Balance Sheet
- ▶ Liability side of Balance Sheet

**Question No: 38 ( Marks: 1 ) - Please choose one**

General reserves are shown in:

- ▶ **Balance sheet**
- ▶ Income & expenditure account
- ▶ Cash flow statement
- ▶ Profit & loss account

**Question No: 39 ( Marks: 1 ) - Please choose one**



---

Which of the following statement is **TRUE** about the partnership form of business?

- ▶ Partners must have to share their profits in equal proportion
- ▶ Liabilities of the partners are limited up to the amount of their investment
- ▶ **Partners are personally liable for the liabilities of the business**
- ▶ Partnerships must make their accounts available to the general public

**Question No: 40 ( Marks: 1 ) - Please choose one**

---

Which of the following account will be debited when the interest on drawings is charged in case of fluctuating capital?

- ▶ Partner's capital account
- ▶ Interest expense account
- ▶ Partner's current account

▶ **Fluctuating capital account**

**Fluctuating capital**

**In fluctuating capital account, all transactions relating to partners, such as drawings, salaries etc. are recorded in capital account, in addition to entries relating to capital account.**

**Question No: 41 ( Marks: 1 ) - Please choose one**

---

Which of the following would be included in the cost of goods sold?

- ▶ **Direct labour cost**
- ▶ Distribution expenses
- ▶ Selling expenses
- ▶ Administrative expenses

**Question No: 42 ( Marks: 1 ) - Please choose one**

---

Authorized share capital is also known as:

▶ **Nominal capital** Pg 216

- ▶ Issued capital
- ▶ Paid up capital
- ▶ Called up capital

**Question No: 43 ( Marks: 1 ) - Please choose one**

---

In which of the following type of company, shareholders have the right to transfer their shares of ownership without the consent of other members?

- ▶ **Public Limited Company**
- ▶ Private Limited Company

- ▶ Single Member Company
- ▶ Joint Stock Company ok

**Question No: 44 ( Marks: 1 ) - Please choose one**

Which of the following is old name of Cash Flow Statement?

- ▶ **Sources and Application of Funds**
- ▶ Sources and Application of Liabilities
- ▶ Sources and Application of Activities
- ▶ Sources and Application of Income

**Question No: 45 ( Marks: 1 ) - Please choose one**

Which of the following is an example of cash flow from financing activity?

- ▶ Selling a product to the public
- ▶ Collecting cash from a customer
- ▶ Buying the stock of another company
- ▶ **Issuing stock**

**Question No: 46 ( Marks: 1 ) - Please choose one**

While preparing a statement of cash flows \_\_\_\_\_ must be added back to the net profit after taxes to get cash flows from operations.

- ▶ Accounts receivables
- ▶ Fixed assets
- ▶ **Depreciation and Amortization**
- ▶ Net loss

**Question No: 47 ( Marks: 1 ) - Please choose one**

In statement of cash flows, which of the following would not be considered as an investing activity?

- ▶ Sales of fixed assets
- ▶ Purchase of long term securities
- ▶ Purchase of fixed assets
- ▶ **Payments of dividends**

**Question No: 48 ( Marks: 1 ) - Please choose one**

Nominal value of each share	Rs.10
No. of shares outstanding	10,000 shares
Net profit	Rs. 20,000
What is the EPS	?

- ▶ Rs. 1.00
- ▶ **Rs. 2.00**
- ▶ Rs. 0.20
- ▶ Rs. 20.00

**Question No: 49 ( Marks: 3 )**

**What do you know about the Nominal Capital of company?**

**Question No: 50 ( Marks: 3 )**

**Write down the components of Cash Flow Statement.**

**Question No: 51 ( Marks: 5 )**

**You are required to pass rectifying entries of the following errors:**

1. Received cash Rs. 500 from Mr. "B" entered as Rs. 300 in the cash book.
2. A cash sale of Rs. 600 has completely omitted to be recorded in the books.
3. Goods worth Rs. 200 were returned to Mr. Kamran but no entry was passed in the books.

**Question No: 52 ( Marks: 5 )**

**Write down the common contents of Memorandum of Association.?**

**Question No: 53 ( Marks: 5 )**

Following information is extracted from the books of Abrar Ltd as on December 31<sup>st</sup>, 2007.

<b>Particulars</b>	<b>Rs</b>
Carriage inwards	8,000
Legal charges	6,500
Financial charges	223,500
Tax payable	30,000
Advances from customer	10,000
General reserve	40,000
Accumulated profit brought forward(credit balance )	95,000
Long term loans	100,000

**Additional information**

The authorized capital is Rs. 5,000,000 divided into 500,000 shares of Rs. 10 each. Issued and paid up capital is Rs. 2,500,000.

**You are required to calculate Shareholder's equity**

**Paper No:7**

**Solved by Chanda Rehman & ABr**

**FINALTERM EXAMINATION**

**Spring 2010**

**MGT101- Financial Accounting (Session - 4)**

**Time: 90 min**

**Marks: 69**

**Question No: 1 ( Marks: 1 ) - Please choose one**

---

An organization operating with the objective of making profit from the sale of goods or services is called:

- ▶ Transaction
- ▶ **Business correct**
- ▶ Society
- ▶ Trust

---

**Question No: 2 ( Marks: 1 ) - Please choose one**

We can say that the business is in profit, when:

- ▶ Assets exceed Expenditure
- ▶ Assets exceed Liabilities
- ▶ **Income exceeds Expenditure**
- ▶ Income exceeds Liabilities

---

**Question No: 3 ( Marks: 1 ) - Please choose one**

Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance).

- ▶ Capital account
- ▶ Sundry creditors account
- ▶ Accounts payable account
- ▶ **Cash account**

---

**Question No: 4 ( Marks: 1 ) - Please choose one**

If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs.20,000 during the year. What would be the Net Profit?

- ▶ **Rs.15,000**
- ▶ Rs. 35,000
- ▶ Rs. 55,000
- ▶ Rs. 60,000

---

**Question No: 5 ( Marks: 1 ) - Please choose one**

In cost of goods sold statement the 'cost of goods manufactured' is equal to:

- ▶ Total factory cost + Opening work in process + Ending work in process
- ▶ **Total factory cost + Opening work in process – Ending work in process**
- ▶ Total factory cost - Opening work in process + Ending work in process
- ▶ Ending work in process +Total factory cost – Opening work in process

---

**Question No: 6 ( Marks: 1 ) - Please choose one**

---

If, Cost of machine = Rs.400, 000  
Useful life = 5 years  
Residual value = Rs.25, 000

The depreciation of machine per year using straight line method is?

- ▶ Rs. 160,000
- ▶ Rs. 96,000
- ▶ **Rs. 75,000**
- ▶ Rs. 57,600

**(40000-25000/5=75000)**

---

**Question No: 7 ( Marks: 1 ) - Please choose one**

Find out the missing value of an Accounting Equation with the help of given data:

Cash	Rs.1, 00, 000
Debtors	Rs.10, 000
Other Assets	Rs. 1,000
Owner's equity	Rs. 1, 000

- ▶ Rs. 12,000 liabilities
- ▶ Rs. 11,000 liabilities
- ▶ **Rs. 1, 10,000 liabilities**
- ▶ Rs. 1, 11,000 liabilities

---

**Question No: 8 ( Marks: 1 ) - Please choose one**

Upon checking the Bank Statement against the Cash Book by Mr. A, It was discovered that an amount of Rs.120 for dividend from XYZ Co. had not been entered in the Cash Book. Which of the following entry should be recorded to rectify the mistake?

- ▶ Bank Account(Dr.) and Dividend Account (Cr.)
- ▶ XYZ Co. Account (Dr.) and Bank Account (Cr.)
- ▶ Dividend Account (Dr.) and Bank Account (Cr.)
- ▶ **Bank Account (Dr.) and XYZ Co. Account (Cr.)**

---

**Question No: 9 ( Marks: 1 ) - Please choose one**

Which one of the following transactions will cause the balance in Mr. Terry's Cash Book to be greater than his Bank Statement balance?

- ▶ A cheque is drawn but not yet presented at the bank for payment
- ▶ The bank has not yet notified to Mr. Terry about a dishonoured cheque
- ▶ A credit transfer into Terry's Bank Account
- ▶ **A cheque payment of Rs.101 is recorded in the Cash Book as Rs.110**

---

**Question No: 10 ( Marks: 1 ) - Please choose one**

If Bad Debts written off are given in adjustment, then which of the following entry for bad debts written off is **CORRECT**?

- ▶ Bad debts a/c (Dr) and Trading a/c (Cr)
- ▶ Provision for Bad and Doubtful debts a/c (Dr) and Bad debts a/c (Cr)
- ▶ **Bad debts a/c (Dr) and debtors a/c (Cr)**
- ▶ Trading a/c (Dr) and Bad debts a/c (Cr)

**Question No: 11 ( Marks: 1 ) - Please choose one**

---

Which of the following is (are) benefit/s of subsidiary ledger accounts to business?

- ▶ It tells about customer attitude of payments
- ▶ It can be checked against the control account to pick up recording errors
- ▶ It tells about the complete history of transactions of business client
- ▶ **All of the given options**

**Question No: 12 ( Marks: 1 ) - Please choose one**

---

When one or both aspects of a transaction are recorded in the wrong class or category of account, this is called:

- ▶ **Error of principle**
- ▶ Error of omission
- ▶ Error of commission
- ▶ Error of original entry

**Question No: 13 ( Marks: 1 ) - Please choose one**

---

Which of the following is the first phase of the typical operating cycle?

- ▶ Sell goods and services to customers
- ▶ **Purchase goods and services**
- ▶ Receive cash from customers
- ▶ Pay cash to suppliers

**Question No: 14 ( Marks: 1 ) - Please choose one**

---

In which type of a business, the owner and his business are considered same in the eyes of law?

- ▶ **Sole proprietorship**
- ▶ Public companies
- ▶ Limited companies
- ▶ Listed companies

**Question No: 15 ( Marks: 1 ) - Please choose one**

---

Which of the following clause/s are discussed in Memorandum of Association of Companies?

- ▶ Name of company
- ▶ Place of registered office of company
- ▶ Objective of the company

▶ All of the given options PG 215

**Question No: 16 ( Marks: 1 ) - Please choose one**

6% Debentures Account Rs. 3, 00,000. What amount of interest on debentures should be shown in profit and loss account?

- ▶ Rs. 6,000
- ▶ Rs. 3, 00,000
- ▶ **Rs. 18,000**
- ▶ Rs. 3, 18,000

**Question No: 17 ( Marks: 1 ) - Please choose one**

Which of the following is a type of business formed under the Companies Ordinance 1984?

- ▶ Sole-Proprietorship
- ▶ Partnership
- ▶ **Joint Stock Company**
- ▶ All of the given options

**Question No: 18 ( Marks: 1 ) - Please choose one**

If company has distributable profit is Rs. 4, 90,000. Profit sharing share ratio of Mr. A, Mr. B and Mr. C is 2:3:5 respectively what will be the Profit share for Mr. C in distributable profit.

- ▶ Rs. 98,000
- ▶ Rs. 1, 47,000
- ▶ **Rs. 2, 45,000**
- ▶ Rs. 3, 43,000

$$2+3+5 = 10$$

**Mr. A**

$$490000 * 2/10$$

$$\text{Mr. A} = 98000$$

**Mr. B**

$$490000 * 3/10$$

$$\text{Mr. B} = 147000$$

**Question No: 19 ( Marks: 1 ) - Please choose one**

When we close bad debts account, which of the following account is credited?

- ▶ Profit and loss account
- ▶ **Bad debt account**
- ▶ Debtor account
- ▶ Provision for bad debt account

**Question No: 20 ( Marks: 1 ) - Please choose one**

---

Stock account is credited and creditors account is debited, which of the following is reflecting the statement?

- ▶ Discount received
- ▶ **Goods returned**
- ▶ Purchase of goods on credit
- ▶ Payment of goods

**Question No: 21 ( Marks: 1 ) - Please choose one**

---

Which of the following justifies when profit is earned?

- ▶ Assets exceed Expenditure
- ▶ **Income exceeds Expenditure**
- ▶ Cash Inflow exceeds Cash Outflow
- ▶ Income exceeds Liabilities

**Question No: 22 ( Marks: 1 ) - Please choose one**

---

In a partnership of Mr. X and Mr. Y, the share of profit of Mr. X is Rs.3,840 and the share of profit of Mr. Y is Rs. 5,760. What will be the ratio of their share?

- ▶ 1:2
- ▶ **2:3**
- ▶ 3:2
- ▶ 2:1

**Question No: 23 ( Marks: 1 ) - Please choose one**

---

Which of the following is the major benefit of a partnership over a sole proprietorship?

- ▶ Unlimited liability
- ▶ **Single tax filing**
- ▶ Difficult ownership resale
- ▶ Raising capital

**Question No: 24 ( Marks: 1 ) - Please choose one**

---

Profits earned by partnerships compensate the owners for which of the following?

- ▶ Personal services rendered to the business
- ▶ Capital invested in the business
- ▶ **Assuming the risks of ownership**
- ▶ All of the given options

**Question No: 25 ( Marks: 1 ) - Please choose one**

---

For which of the following share premium can not be utilized?

- ▶ To meet the expenses of issue of shares
- ▶ To issue bonus shares
- ▶ None of the given options
- ▶ **To write off preliminary expenses**

**Question No: 26 ( Marks: 1 ) - Please choose one**



---

According to the statement of cash flows following are the examples of investing activities except:

- ▶ Sales of machinery
- ▶ Capital invested by the owners
- ▶ **Purchase of building for the business use**
- ▶ Cash received from the disposal of equipment

**Question No: 27 ( Marks: 1 ) - Please choose one**

---

Which of the following is one of the major factors affecting the market value of a company's shares?

- ▶ Current ratio
- ▶ **Earning per share**
- ▶ Return on investment
- ▶ Return on asset

**Question No: 28 ( Marks: 1 ) - Please choose one**

---

In statement of cash flows, a payment of cash dividends is related to:

- ▶ Investing activity
- ▶ Financing activity
- ▶ Operating activity
- ▶ **Cash flows from operations**

**Question No: 29 ( Marks: 1 ) - Please choose one**

---

Which of the following is the investment in business by the owners?

- ▶ **Capital**
- ▶ Liability
- ▶ Asset
- ▶ Profit

**Question No: 30 ( Marks: 1 ) - Please choose one**

---

Which of the following is an example of revenue in business enterprises?

- ▶ Accounts payable
- ▶ Accounts receivable
- ▶ **Commission received**
- ▶ Commission paid

**Question No: 31 ( Marks: 1 ) - Please choose one**

---

Which of the following system of recording transactions is based on dual aspect concept of accounting?

- ▶ **Double entry system**
- ▶ Cash accounting system
- ▶ Single entry system
- ▶ Management system

**Question No: 32 ( Marks: 1 ) - Please choose one**

---

Which of the following is a book of original entry in which all the vouchers are recorded at first?

- ▶ **General Journal**
- ▶ General Ledger
- ▶ Trial Balance
- ▶ Balance Sheet

---

**Question No: 33 ( Marks: 1 ) - Please choose one**

What is the treatment of Accumulated depreciation in Balance Sheet?

- ▶ **Treated as an expense**
- ▶ Treated as an asset
- ▶ Treated as a contra asset
- ▶ Treated as an income

---

**Question No: 34 ( Marks: 1 ) - Please choose one**

Which of the following is/are **TRUE** about fixed assets?

- ▶ Fixed assets have a long life
- ▶ Fixed assets are used in the business for future generation of income
- ▶ Fixed assets are not bought with the main purpose of resale
- ▶ **All of the given options**

---

**Question No: 35 ( Marks: 1 ) - Please choose one**

Which one of the following cost is **NOT** attributable to the fixed assets?

- ▶ Costs of site preparation
- ▶ Administration and other general overhead cost
- ▶ **Initial delivery and handling charges not sure**
- ▶ Installation and assembly costs

---

**Question No: 36 ( Marks: 1 ) - Please choose one**

Mr. B's cash book shows a credit balance of Rs.68,000. He issued a cheque of Rs.7,000 but not yet presented by the bank. What will be the balance of bank statement?

- ▶ Rs. 61,000
- ▶ **Rs. 75,000**
- ▶ Rs. 68,000
- ▶ Rs. 7,000

---

**Question No: 37 ( Marks: 1 ) - Please choose one**

If cash purchase is the missing figure, it can be ascertained by the construction of:

- ▶ **Cash Account**
- ▶ None of the given options
- ▶ Creditors Control Accounts
- ▶ Debtors Control Accounts

---

**Question No: 38 ( Marks: 1 ) - Please choose one**

Depreciation expense is charged to which of the following head?

- ▶ Administrative expenses

- ▶ Selling expenses
- ▶ Cost of sales
- ▶ **It depends on the nature of expense**

**Question No: 39 ( Marks: 1 ) - Please choose one**

---

Which of the following is/are included in the cost of goods sold?

- ▶ Cost of materials used
- ▶ Direct labour cost
- ▶ Factory costs
- ▶ **All of the given options**

**Question No: 40 ( Marks: 1 ) - Please choose one**

---

A firm had sales of Rs. 200,000, cost of goods available for sale Rs. 120,000, and an ending finished goods inventory of Rs. 20,000. Selling and Administrative expenses are Rs. 55,000. Which of the following would be **TRUE**?

- ▶ Net income was 22.5% of sales
- ▶ The cost of goods sold was Rs. 100,000
- ▶ **The gross profit was Rs. 100,000**
- ▶ All of the given options

**Question No: 41 ( Marks: 1 ) - Please choose one**

---

Which of the following is **TRUE** about the Companies Limited by Shares?

- ▶ Company has limited shares to offer
- ▶ Shareholders of the Company are limited
- ▶ **Liability of the shareholders is limited**
- ▶ Liability of the shareholders is unlimited

**Question No: 42 ( Marks: 1 ) - Please choose one**

---

Which of the following is shown on the liability side of Balance Sheet?

- ▶ Discount on issue of shares a/c only
- ▶ Share capital a/c only
- ▶ Premium on issue of shares a/c only
- ▶ **Both share capital and share premium a/c**

**Question No: 43 ( Marks: 1 ) - Please choose one**

---

XYZ Company has paid up capital of 20,000 shares of Rs. 100 each. The company offers to existing shareholders the right to buy 3 shares of Rs. 100 each at Rs. 125 for every 5 shares held. What would be the number of right shares?

- ▶ 120 right shares
- ▶ **12,000 right shares**
- ▶ 15,000 right shares
- ▶ 25,000 right shares

**Question No: 44 ( Marks: 1 ) - Please choose one**

---

A company is said to have been registered when:

- ▶ It gets certificate of incorporation from registrar of Companies
- ▶ It gets certificate of commencement of business from registrar of Companies
- ▶ It actually starts its business

▶ **It filed with the Registrar of Companies certain documents, like memorandum and articles of association not sure**

**Question No: 45 ( Marks: 1 ) - Please choose one**

Which of the following is considered as Non-cash item in cash flow statement?

- ▶ **Depletion**
- ▶ Accrued income
- ▶ Prepaid expenses
- ▶ Cash at bank

**Question No: 46 ( Marks: 1 ) - Please choose one**

Which of the following is the **CORRECT** statement with respect to the liquidity and profitability?

- ▶ Liquidity and Profitability is the same thing
- ▶ The importance of Liquidity > The importance of Profitability
- ▶ The importance of Liquidity < The importance of Profitability

▶ **The liquidity and profitability is not the same thing but both have equal importance**

**Question No: 47 ( Marks: 1 ) - Please choose one**

If issuance of shares against cash is Rs. 2,000 and payment of dividend is Rs. 9,000 then which of the following is correct?

- ▶ Inflow of cash Rs. 11,000
- ▶ Outflow of cash Rs. 11,000
- ▶ **Inflow of cash Rs. 7,000**
- ▶ Outflow of cash Rs. 7,000

**Question No: 48 ( Marks: 1 ) - Please choose one**

Which of the following is **CORRECT** about Gross Profit Ratio?

- ▶ **(Gross profit / Net Sales) x 100**
- ▶ (Gross profit / Operating Income) x 100
- ▶ (Gross profit / Sales Return) x 100
- ▶ (Gross profit / Net Income) x 100

**Question No: 49 ( Marks: 3 )**

- ┆ \_\_\_\_\_
- ┆ Cash at bank Rs. 20,000
- ┆ Closing stock Rs. 25,000
- ┆ Sundry debtors Rs. 35,000

If provision for doubtful debts is Rs. 5,000, calculate the amount of current assets to be shown in balance sheet.

**Question No: 50 ( Marks: 3 )**

<b>Particulars</b>	<b>Rs.</b>
Interest on loans	2,000
Interest on overdraft	4,000
Foreign exchange gain	6,000
Gain on disposal of fixed assts.	8,000
Sale of Scrap	1,000

**Based on the above information, you are required to calculate the amount of following:**

- ↳ **Financial charges**
- ↳ **Other income**

**Question No: 51 ( Marks: 5 )**

**Briefly discuss the followings:**

- ↳ Issuance of shares at premium
- ↳ Cash flow statement
- ↳ Debentures
- ↳ Notes to the accounts

**Question No: 52 ( Marks: 5 )**

**Find the cost of goods sold by preparing a cost of goods sold statement with the help of given date for the year 2007.**

Raw material Stocks on 1-1-2007	Rs. 30,000
Work in process on 1-1-2007	35,600
Finished Goods on 1-1-2007	35,400

Raw material Stocks 31-12-2007	Rs. 31,000
Work in process 31-12-2007	25,000
Finished Goods 31-12-2007	53,900
Total factory Cost	543,339

**Question No: 53 ( Marks: 5 )**

**Classify the followings whether these Entries are Operating, Investing or Financing activity by filling the appropriate boxes given below.**

<u>S. No.</u>	<u>ENTRIES</u>	<u>CLASSIFICATION</u>
0	Change in Accounts receivable and Inventory	Operating activity
1	Change in Property, Buildings, and Equipment	?
2	Change in Accumulated depreciation and Amortization	?
3	Change in Accounts payable, Accrued wages and Salaries payable	?
4	Change in Note payable	?
5	Net income	?

**Paper NO:8**

**Solved by Chanda Rehman & ABr**

**FINAL TERM EXAMINATION**

**Spring 2010**

**MGT101- Financial Accounting (Session - 3)**

**Ref No: \*\*\***

**Time: 90 min**

**Marks: 69**

**Question No: 1 ( Marks: 1 ) - Please choose one**

Vehicles which are used to supply finished products are called business \_\_\_\_\_.

▶ **Tangible assets**

▶ Intangible assets

▶ Capital

▶ Liabilities

**Question No: 2 ( Marks: 1 ) - Please choose one**

---

Which of the following account will be credited, if business purchased a vehicle on cash?

- ▶ Vehicle account
- ▶ **Cash account**
- ▶ Business account
- ▶ Bank account

**Question No: 3 ( Marks: 1 ) - Please choose one**

---

If, Cost of machine = Rs.400, 000

Useful life = 5 years

Residual value = Rs.25, 000

The depreciation of machine per year using straight line method is?

- ▶ Rs. 160,000
- ▶ Rs. 96,000
- ▶ **Rs. 75,000**
- ▶ Rs. 57,600

**Question No: 4 ( Marks: 1 ) - Please choose one**

---

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit Rs.	Total Rs.
Jan. 2	Beginning inventory	10	10	100
Mar. 4	Purchase	35	11	385
May 8	Purchase	40	12	480
Nov. 3	Purchase	20	13	260
De31	Merchandise available	105		1,225

85 units were sold, Use the FIFO method of inventory costing and determine the **cost of goods sold**.

- ▶ Rs. 1,225
- ▶ Rs. 1,015
- ▶ **Rs. 965**
- ▶ Rs. 992

**Question No: 5 ( Marks: 1 ) - Please choose one**

---

While adjusting the cash balance of cash book, which of the following is **NOT** taken into account.

- ▶ Mistakes in the cash book
- ▶ **Mistakes in the pass book**

- ▶ Interest credited in the pass book but not entered in cash book
- ▶ Interest debited in the pass book but not entered in cash book

**Question No: 6 ( Marks: 1 ) - Please choose one**

---

If a business pays rent in advance for 12 months, it will be treated as:

- ▶ **Prepaid expenses of business**
- ▶ Long term liability of business
- ▶ Fixed assets of business
- ▶ Current liability of business

**Question No: 7 ( Marks: 1 ) - Please choose one**

---

The allocation of the cost of a tangible plant asset to expense in the periods, in which services are received from the asset, is termed as:

- ▶ Appreciation
- ▶ **Depreciation**
- ▶ Fluctuation
- ▶ None of the given options

**Question No: 8 ( Marks: 1 ) - Please choose one**

---

A debit balance in the Bank Statement indicates:

- ▶ Cash at bank
- ▶ **Bank overdraft**
- ▶ Overpayment to creditors
- ▶ Cash in hand

**Question No: 9 ( Marks: 1 ) - Please choose one**

---

Control account tells about:

- ▶ Details of loyal clients
- ▶ Customer attitude of payments
- ▶ Complete history of transactions of business clients
- ▶ **Picture collectively instead of individually**

**Question No: 10 ( Marks: 1 ) - Please choose one**

---

Which of the following account(s) will be affected, while rectifying the error of purchases return of Rs. 200 to “Mr.P” mistakenly entered in sales book?

- ▶ P's account
- ▶ Purchases return account
- ▶ Sales account
- ▶ **Purchases returns account and sales account**



**Question No: 11 ( Marks: 1 ) - Please choose one**

---

Which of the following account(s) will be affected, while rectifying the error of a purchase return of Rs.200 to Mr. "A" entered in sales book instead of purchase return book?

- ▶ A's account only
- ▶ Sales account only
- ▶ **Purchase returns account and sales account**
- ▶ Purchases account only

**Question No: 12 ( Marks: 1 ) - Please choose one**

---

Which of the following item will be shown on debit side of capital account of sole proprietor?

- ▶ Cash
- ▶ **Drawings**
- ▶ Debtors
- ▶ Profit

**Question No: 13 ( Marks: 1 ) - Please choose one**

---

In which type of a business, the owner and his business are considered same in the eyes of law?

- ▶ **Sole proprietorship**
- ▶ Public companies
- ▶ Limited companies
- ▶ Listed companies

**Question No: 14 ( Marks: 1 ) - Please choose one**

---

When the capitals are fixed, which of the following account will be debited for drawings made by a partner?

- ▶ **Individual Partner's Current Account**
- ▶ Partner's Cash Account
- ▶ Partner's Bank Account
- ▶ Partners Capital Account

**Question No: 15 ( Marks: 1 ) - Please choose one**

---

Share premium account is used for what?

- ▶ Write off Preliminary Expenses of the company.
- ▶ Write off the balance amount, in issuing shares on discount.
- ▶ Issue fully paid Bonus Shares.
- ▶ **All of the given options**

**Question No: 16 ( Marks: 1 ) - Please choose one**

---

The persons who sign articles and memorandum of the company and contribute in the initial share capital of the company are called:

▶ **Subscribers**

- ▶ Shareholders
- ▶ Managers
- ▶ Directors

---

**Question No: 17 ( Marks: 1 ) - Please choose one**

When preparing a cash flow statement, which of the following would be classified as a financing activity?

▶ **A new long-term loan taken out to finance the purchase of fixed assets**

- ▶ Salaries paid
- ▶ Interest paid on a long-term bank loan
- ▶ The cost of purchasing a patent

---

**Question No: 18 ( Marks: 1 ) - Please choose one**

Which of the following will be credited, if cash is drawn by Proprietor?

▶ **Proprietor's drawing**

- ▶ Proprietor's cash
- ▶ Proprietor's capital
- ▶ Proprietor's income

---

**Question No: 19 ( Marks: 1 ) - Please choose one**

Which one of the following vouchers is used to record the non-cash transactions?

▶ **Journal Vouchers**

- ▶ Receipt Vouchers
- ▶ Payment Vouchers
- ▶ Nominal Vouchers

---

**Question No: 20 ( Marks: 1 ) - Please choose one**

When there is no chance of payment being received from a debt, it must be:

▶ **Accrued**

- ▶ Accepted
- ▶ Written off
- ▶ Received

---

**Question No: 21 ( Marks: 1 ) - Please choose one**

Bad debts belong to which one of the following class:

- ▶ Asset
- ▶ Revenue
- ▶ **Expense**
- ▶ Owner's Equity

**Question No: 22 ( Marks: 1 ) - Please choose one**

---

Which of the following account is the summary of all accounts of suppliers of goods?

- ▶ Creditor account
- ▶ Purchase day book
- ▶ Purchase return day book
- ▶ **Purchase ledger control account**

**Question No: 23 ( Marks: 1 ) - Please choose one**

---

Accumulated depreciation is a \_\_\_\_\_ account?

- ▶ Fixed asset
- ▶ Current asset
- ▶ **Contra asset**
- ▶ Liability

[http://wiki.answers.com/Q/Is\\_Accumulated\\_depreciation\\_account\\_is\\_an\\_expense\\_account](http://wiki.answers.com/Q/Is_Accumulated_depreciation_account_is_an_expense_account)

**Question No: 24 ( Marks: 1 ) - Please choose one**

---

The weekly or biweekly compensation received by hourly-paid employees is called:

- ▶ Salary
- ▶ **Wages**
- ▶ Income
- ▶ Profit

**Question No: 25 ( Marks: 1 ) - Please choose one**

---

Dillon Company sold marketable securities Costing Rs.60,000 for Rs.72,000 cash. In the company's income statement and statement of cash flows, respectively, this will appear as:

- ▶ A Rs.72,000 gain and a Rs.6,000 cash receipt
- ▶ **A Rs.12,000 gain and a Rs.72,000 cash receipt**
- ▶ A Rs.12,000 gain and a Rs.60,000 cash receipt
- ▶ A Rs.72,000 sale and a Rs.72,000 cash receipt

**Question No: 26 ( Marks: 1 ) - Please choose one**

---

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on drawings of Mr. A is Rs.1,500 and of Mr. B is Rs.1,800. The net income for the year is Rs.85,000. What will be the profit share of Mr. B?

- ▶ Rs.42,350
- ▶ Rs.44,150
- ▶ Rs.41,600
- ▶ Rs.40,850

**Question No: 27 ( Marks: 1 ) - Please choose one**

---

How many members can subscribe their names in memorandum of association for registration of public limited company?

- ▶ 2
- ▶ 3
- ▶ 5
- ▶ 7

**Question No: 28 ( Marks: 1 ) - Please choose one**

---

Which of the following statement is not true regarding the objective of statement of cash flows?

- ▶ It is helpful for decision making by management
- ▶ It is used for reporting the net profit of the period
- ▶ It can be used for estimations for cash flows in future
- ▶ It is used to determine the liquidity of the business

**Question No: 29 ( Marks: 1 ) - Please choose one**

---

Which of the following items of balance sheet are useful in evaluating a company's liquidity?

- ▶ Current assets and other assets
- ▶ **Current liabilities and current assets**
- ▶ Current liabilities and plant and equipment
- ▶ Non current liabilities and other assets

**Question No: 30 ( Marks: 1 ) - Please choose one**

---

Short term investments in marketable securities and treasury bills that will mature within ninety days from the date of acquisition, must be classified as:

- ▶ Receivables
- ▶ Receipts from Capital
- ▶ Current and intangible assets
- ▶ Cash equivalents

**Question No: 31 ( Marks: 1 ) - Please choose one**

---

Which of the following is **TRUE** according to the dual aspect of accounting?

- ▶ **Capital = Assets – Liabilities**
- ▶ Capital = Assets + Liabilities
- ▶ Capital = Assets x Liabilities
- ▶ None of the given options

**Question No: 32 ( Marks: 1 ) - Please choose one**

---

Which of the following book is prepared for recording cash transactions?

- ▶ **Cash book**
- ▶ Creditors' book
- ▶ Debtors' book
- ▶ None of the given options

**Question No: 33 ( Marks: 1 ) - Please choose one**

---

Which of the following result would be shown if Gross Profit is greater than the Operating Expenses in profit and loss account?

- ▶ Net Profit
- ▶ **Operating profit**
- ▶ Net Loss
- ▶ Gross Loss

**Question No: 34 ( Marks: 1 ) - Please choose one**

---

What is the treatment of Accumulated depreciation in Balance Sheet?

- ▶ Treated as an expense
- ▶ Treated as an asset
- ▶ **Treated as a contra asset I think**
- ▶ Treated as an income

**Question No: 35 ( Marks: 1 ) - Please choose one**

---

Which of the following account will be debited, when the goods are purchased on credit?

- ▶ Stock account
- ▶ Accounts receivable account
- ▶ **Accounts payable account**
- ▶ Work in process account

**Question No: 36 ( Marks: 1 ) - Please choose one**

---

Under which of the following methods for inventory valuation, inventory is valued at most recent costs?

- ▶ LIFO Method
- ▶ Weighted Average Method
- ▶ Specific Identification Method
- ▶ **FIFO Method**

**Question No: 37 ( Marks: 1 ) - Please choose one**

---

Which of the following is an item of a debtors control account?

- ▶ Cash sale
- ▶ **Credit sale**
- ▶ Credit purchase
- ▶ Cash purchase

**Question No: 38 ( Marks: 1 ) - Please choose one**

---

Sales are calculated by adding:

- ▶ Cash sales and cash received from debtors
- ▶ Credit sales and cash received from debtors
- ▶ **Cash sales and credit sales**
- ▶ Cash sales and credit purchases

**Question No: 39 ( Marks: 1 ) - Please choose one**

---

Which of the following statement is correct, if a company fails to record estimated bad debts expense?

- ▶ Net realizable value is understated

- ▶ **Expenses are understated**
- ▶ Revenues are understated
- ▶ Receivables are understated

**Question No: 40 ( Marks: 1 ) - Please choose one**

---

Which of the following would be occurred in a transaction, but will not be expensed until a future accounting period?

- ▶ Deferred cost
- ▶ **Provision**
- ▶ Unearned revenue
- ▶ Capital work in progress

**Question No: 41 ( Marks: 1 ) - Please choose one**

---

Which of the following statement is **TRUE** about the partnership form of business?

- ▶ Partners must have to share their profits in equal proportion
- ▶ Liabilities of the partners are limited up to the amount of their investment
- ▶ **Partners are personally liable for the liabilities of the business**
- ▶ Partnerships must make their accounts available to the general public

**Question No: 42 ( Marks: 1 ) - Please choose one**

---

In which of the following situation/s a partnership would be dissolved?

- ▶ In case of death of partner
- ▶ At the admission of new partner
- ▶ If any partner resigned from partnership
- ▶ **All of the given options**

**Question No: 43 ( Marks: 1 ) - Please choose one**

---

Which of the following is **TRUE** about the Unlimited Companies?

- ▶ Company has unlimited shares to offer
- ▶ Shareholders of the company are unlimited
- ▶ **Liability of the shareholders is unlimited**
- ▶ Liability of the shareholders is limited

**Question No: 44 ( Marks: 1 ) - Please choose one**

---

Which of the following is old name of Cash Flow Statement?

- ▶ **Sources and Application of Funds**
- ▶ Sources and Application of Liabilities
- ▶ Sources and Application of Activities
- ▶ Sources and Application of Income

**Question No: 45 ( Marks: 1 ) - Please choose one**

---

Which of the following is the new name of Sources and Application of Funds?

- ▶ Income Statement
- ▶ **Cash Flow Statement**

- ▶ Statement of Changes in Owners Equity
- ▶ Balance Sheet

**Question No: 46 ( Marks: 1 ) - Please choose one**

---

Which of the following is an example of cash outflow for a company?

- ▶ Cash collected from customers
- ▶ Cash paid for merchandise inventory
- ▶ Writing off an uncollectible accounts receivable
- ▶ Reclassifying accounts payable to notes payable

**Question No: 47 ( Marks: 1 ) - Please choose one**

---

Which of the following is an example of Cash flow from operating activities?

- ▶ Cash payment to acquired fixed assets
- ▶ Issuing stock
- ▶ Cash collection as a result of machinery sold
- ▶ **Cash payment to suppliers for goods and services**

**Question No: 48 ( Marks: 1 ) - Please choose one**

---

While preparing a statement of cash flows \_\_\_\_\_ must be added back to the net profit after taxes to get cash flows from operations.

- ▶ Accounts receivables
- ▶ Fixed assets
- ▶ **Depreciation and Amortization not sure**
- ▶ Net loss

**Question No: 49 ( Marks: 3 )**

---

**Why an organization is needed to prepare a cash flow statement.**

**Question No: 50 ( Marks: 3 )**

---

**What do you know about "Share" and "Authorized Capital".**

**Question No: 51 ( Marks: 5 )**

---

ABC company had current and total assets of Rs.450,000 and Rs.1,000,000, respectively. The company's current and total liabilities were Rs.267,000 and Rs.600,000, respectively. Calculate the amount of working capital and the current ratio using this information.

**Question No: 52 ( Marks: 5 )**

---

**Calculate the amount of Current Assets and Current Liabilities to be shown in Balance Sheet from the information given below:**

- Ø Cash at bank Rs. 10,000
- Ø Sundry debtors Rs. 15,000
- Ø Bank overdraft Rs. 5,000
- Ø Building Rs. 200,000

- Ø Accounts payable Rs. 3,000
- Ø Plant and Machinery Rs. 100,000
- Ø Capital stock Rs. 1,000,000
- Ø Debentures Rs. 150,000
- Ø Long term borrowings 250,000

**Question No: 53 ( Marks: 5 )**

---

Cost of goods sold is 25% of sales.  
 Salary is paid to Mr. "A" & Mr. "B" Rs. 10,000 and Rs. 8,000 respectively.  
 Cost of goods sold is Rs. 100,000.  
 Profit sharing ratio for Mr. "A" and Mr. "B" is 60:40  
 It is to be assumed that there is no other cost.

**Required:**

**Prepare profit & Loss appropriation account for "A" & "B" for the distribution of profit. Also show necessary calculations in solution.**

**Paper No: 9**

**Solved by Chanda Rehman & ABr**

**FINALTERM EXAMINATION**

**Spring 2010**

**MGT101- Financial Accounting (Session - 2)**

**Ref No:  
 Time: 90 min  
 Marks: 69**

**Question No: 1 ( Marks: 1 ) - Please choose one**

Direct materials costs	Rs.70,000
Direct labor costs	30,000
Manufacturing overhead costs	60,000
conversion cost	?

- ▶ Rs. 20,000
- ▶ Rs.40, 000
- ▶ **Rs.90, 000**
- ▶ Rs.160, 000

**Question No: 2 ( Marks: 1 ) - Please choose one**

---

Sale proceeds of goods are an example of:

- ▶ **Revenue expense**
- ▶ Capital expense
- ▶ Capital receipt
- ▶ Revenue receipt

**Question No: 3 ( Marks: 1 ) - Please choose one**



Consider the following data:

Provision created in 2006	Rs. 2,500
Bad debts in 2007	Rs. 1,500
Sundry debtors on 31-12- 2007 were Rs. 40,000 and provision is created @ 5%.	
Which journal entry is Correct for the provision for doubtful debts for the year 2007.	

- ▶ Profit & Loss a/c Rs. 1,000 (Dr) & Provision for doubtful debts a/c Rs. 1,000 (Cr)
- ▶ Provision for doubtful debts a/c Rs. 1,000 (Dr) & Profit & Loss a/c Rs. 1,000 (Cr)
- ▶ **Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs. 2,000 (Cr)**
- ▶ Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs. 2,000 (Cr)

**Question No: 4 ( Marks: 1 ) - Please choose one**

Which of the following subsidiary book(s) is (are) maintained for debtors control account?

- ▶ Sales Day Book
- ▶ Sales Return
- ▶ Debtors Ledger
- ▶ **All of the given options**

**Question No: 5 ( Marks: 1 ) - Please choose one**

Which of the following account(s) will be affected, while rectifying the error of Carriage paid Rs.50 for the newly purchased machinery mistakenly debited to carriage account?

- ▶ Only machinery account
- ▶ Only carriage account
- ▶ **Both carriage and machinery account**
- ▶ Only cash account

**Question No: 6 ( Marks: 1 ) - Please choose one**

Which of the following account(s) will be affected, while rectifying the error of an amount Rs.200 received from Mr."P" wrongly credited to Mr."Q's" account?

- ▶ Only Cash Account
- ▶ Only P's account
- ▶ Only Q's account
- ▶ **Both of Mr. P's & Mr.Q's Account**

**Question No: 7 ( Marks: 1 ) - Please choose one**

Which of the following accounts would be increased with a debit?

- ▶ Contributed Capital
- ▶ Retained Earnings
- ▶ Revenues
- ▶ **Expenses**

**Question No: 8 ( Marks: 1 ) - Please choose one**

---

Which of the following would **NOT** be considered as a component of 'cost' of stock?

- ▶ **Salaries of selling staff**
- ▶ Transportation inward costs
- ▶ Import duties
- ▶ Purchase price

---

**Question No: 9 ( Marks: 1 ) - Please choose one**

Which of the following are the owners of a company?

- ▶ Proprietors
- ▶ Partners
- ▶ **Shareholders**
- ▶ Managers

---

**Question No: 10 ( Marks: 1 ) - Please choose one**

If dividend is proposed by directors of the company @ 30% for the year, it will be calculated on:

- ▶ Capital Reserve
- ▶ Authorized share capital
- ▶ **Paid up share capital**
- ▶ Share premium

---

**Question No: 11 ( Marks: 1 ) - Please choose one**

In which of the following interim dividend is treated?

- ▶ In profit and Loss account
- ▶ **In profit and Loss appropriation account**
- ▶ On the asset side of the Balance Sheet
- ▶ In trading account

---

**Question No: 12 ( Marks: 1 ) - Please choose one**

Which of the following documents contains rules and regulations for internal management of the company?

- ▶ Memorandum of Association
- ▶ **Articles of Association**
- ▶ Prospectus
- ▶ Statutory Declaration

---

**Question No: 13 ( Marks: 1 ) - Please choose one**

When preparing a cash flow statement, which of the following would be classified as a financing activity?

- ▶ **A new long-term loan taken out to finance the purchase of fixed assets**
- ▶ Salaries paid

- ▶ Interest paid on a long-term bank loan
- ▶ The cost of purchasing a patent

**Question No: 14 ( Marks: 1 ) - Please choose one**

When opening stock is Rs. 50,000, closing stock Rs. 60,000 and cost of goods sold Rs. 220,000. What will be stock turnover ratio?

- ▶ 2 times
- ▶ 3 times
- ▶ **4 times**
- ▶ 5 times

**Question No: 15 ( Marks: 1 ) - Please choose one**

What does a credit balance in a partner's current account represent to a business?

- ▶ Current Assets
- ▶ Current Liability
- ▶ Long-term liability
- ▶ **Share of profit**

**Question No: 16 ( Marks: 1 ) - Please choose one**

Net Profit + Expenses= \_\_\_\_\_

- ▶ Liabilities
- ▶ Assets
- ▶ Capital
- ▶ **Income**

**Question No: 17 ( Marks: 1 ) - Please choose one**

What would be the value of 'cost of goods manufactured' if the total factory cost of the month is Rs. 6,000, opening work in process is Rs. 2,000 and the closing work in process is Rs. 2,500?

- ▶ **Rs. 5,500**
- ▶ Rs. 8,000
- ▶ Rs. 4,500
- ▶ Rs. 8,500

**Question No: 18 ( Marks: 1 ) - Please choose one**

Particulars	Rs.
Direct materials costs	80,000
Direct labor costs	50,000
Manufacturing overhead costs	60,000
Prime cost	?

- ▶ **Rs.130, 000**

- ▶ Rs.110, 000
- ▶ Rs.140, 000
- ▶ Rs.190, 000

**Question No: 19 ( Marks: 1 ) - Please choose one**

---

"The owner of the business should be remunerated for his time spent in the business".  
This concept is known as:

- ▶ Inflation
- ▶ **Money value of time**
- ▶ Money measurement concept
- ▶ Realization concept

**Question No: 20 ( Marks: 1 ) - Please choose one**

---

Which of the following account will be debited, when the labor cost is charged to production?

- ▶ Finished goods account
- ▶ Labor cost account
- ▶ Work in process account
- ▶ **Factory over head account**

**Question No: 21 ( Marks: 1 ) - Please choose one**

---

Stock account is debited and creditors account is credited, which of the following is reflecting the statement?

- ▶ Discount received
- ▶ Goods returned
- ▶ **Purchase of goods on credit**
- ▶ Payment of goods

**Question No: 22 ( Marks: 1 ) - Please choose one**

---

The financial year of Atif Brothers & Co. is closed on June 30, 2009. Total cash sales are Rs. 150,000, credit sales are Rs. 180,000 and total receipts are Rs. 250,000. Credit receipts will be:

- ▶ Rs. 150,000
- ▶ Rs. 100,000
- ▶ Rs. 220,000
- ▶ **Rs. 280,000**

**Question No: 23 ( Marks: 1 ) - Please choose one**

---

Which of the following is usually not an accrued expense?

- ▶ Interest payable
- ▶ Wages payable
- ▶ Taxes payable
- ▶ **Notes payable**

**Question No: 24 ( Marks: 1 ) - Please choose one**

---

Which of the following financial statements is generally prepared first?

- ▶ Income statement
- ▶ **Balance sheet**
- ▶ Statement of retained earnings
- ▶ Statement of cash flow

**Question No: 25 ( Marks: 1 ) - Please choose one**

---

Which of the following is known as an asset account?

- ▶ Gains
- ▶ **Prepaid insurance**
- ▶ Unearned revenue
- ▶ Accounts payable

**Question No: 26 ( Marks: 1 ) - Please choose one**

---

Puget Sound Co. sold marketable securities Costing Rs.80,000 for Rs.92,000 cash. In the company's income statement and statement of cash flows, respectively, this will appear as:

- ▶ **A Rs.12,000 gain and a Rs.92,000 cash receipt**
- ▶ A Rs.92,000 gain and a Rs.8,000 cash receipt
- ▶ A Rs.12,000 gain and a Rs.80,000 cash receipt
- ▶ A Rs.92,000 sale and a Rs.92,000 cash receipt

**Question No: 27 ( Marks: 1 ) - Please choose one**

---

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on drawings of Mr. A is Rs.1,500 and of Mr. B is Rs.1,800. The net income for the year is Rs.85,000. What will be the profit share of Mr. B?

- ▶ Rs.42,350
- ▶ Rs.44,150
- ▶ Rs.41,600
- ▶ Rs.40,850

**Question No: 28 ( Marks: 1 ) - Please choose one**

---

Which of the following statement is not true regarding the objective of statement of cash flows?

- ▶ It is helpful for decision making by management
- ▶ It is used for reporting the net profit of the period
- ▶ It can be used for estimations for cash flows in future
- ▶ **It is used to determine the liquidity of the business**

**Question No: 29 ( Marks: 1 ) - Please choose one**

---

According to the statement of cash flows following are the examples of investing activities except:

- ▶ Sales of machinery

- ▶ Capital invested by the owners
- ▶ **Purchase of building for the business use**
- ▶ Cash received from the disposal of equipment

**Question No: 30 ( Marks: 1 ) - Please choose one**

---

Which of the following account would be credited in case of loss of goods by fire?

- ▶ **Purchase account**
- ▶ Sales account
- ▶ Loss by fire account
- ▶ Capital account

**Question No: 31 ( Marks: 1 ) - Please choose one**

---

Which of the following result would be shown if Gross Profit is greater than the Operating Expenses in profit and loss account?

- ▶ Net Profit
- ▶ **Operating profit**
- ▶ Net Loss
- ▶ Gross Loss

**Question No: 32 ( Marks: 1 ) - Please choose one**

---

Which of the following is/are NOT the example of intangible assets?

- ▶ Copyright
- ▶ Goodwill
- ▶ Patent
- ▶ **Land**

**Question No: 33 ( Marks: 1 ) - Please choose one**

---

If salaries expense is Rs. 2,500, purchases are Rs. 16,000 and rent (office building) is Rs. 300 during the year, what would be the total "General & administrative expenses"?

- ▶ Rs. 300
- ▶ Rs. 2,500
- ▶ **Rs. 2,800**
- ▶ Rs.18,800

**Question No: 34 ( Marks: 1 ) - Please choose one**

---

Which one of the following methods for inventory valuation is based on the assumption that the first merchandise purchased is the first merchandise sold?

- ▶ LIFO Method
- ▶ Weighted Average Method
- ▶ Specific Identification Method
- ▶ **FIFO Method**

**Question No: 35 ( Marks: 1 ) - Please choose one**

---

A machine, which was bought at a cost of Rs. 4,000, is not expected to have any residual value. If it is depreciated at a rate of 10% per annum using Straight line method, its net book value after two years will be:

▶ **Rs. 3,200**

▶ Rs. 800

▶ Rs. 3,600

▶ Rs. 3,240

**Question No: 36 ( Marks: 1 ) - Please choose one**

Particulars	Rs.
Written down value of asset at the time of sale	10,000
Original cost of asset	20,000
Depreciation expense during the year	700
Disposal value of asset	?
Loss on disposal of asset	1,000

▶ Rs. 9,000

▶ Rs. 19,000

▶ **Rs. 8,300**

▶ Rs.10,000

**Question No: 37 ( Marks: 1 ) - Please choose one**

Accounts receivables are shown in balance sheet at:

▶ **Net realizable value**

▶ Total amount

▶ Market value

▶ Residual value

**Question No: 38 ( Marks: 1 ) - Please choose one**

Which of the following is **NOT** included in Debtors Control Account?

▶ **Cash sale**

▶ Credit sale

▶ Bills receivable

▶ Discount allowed

**Question No: 39 ( Marks: 1 ) - Please choose one**

Which of the following would be shown on the credit side of creditors control account?

▶ Bills Receivable

▶ Return outwards

▶ **Credit purchases**

▶ Discount allowed

**Question No: 40 ( Marks: 1 ) - Please choose one**

Which of the following is **INCORRECT** about subsidiary account?

▶ It is not a summary account

▶ It reduces the burden of control account

▶ **It provides detailed information about individual accounts**

▶ It summarizes the total of related items from other accounts

**Question No: 41 ( Marks: 1 ) - Please choose one**

---

Which of the following would be occurred in a transaction, but will not be expensed until a future accounting period?

- ▶ **Deferred cost**
- ▶ Provision
- ▶ Unearned revenue
- ▶ Capital work in progress

**Question No: 42 ( Marks: 1 ) - Please choose one**

---

Deferred revenues will become revenue when they are:

- ▶ Unearned
- ▶ **Earned**
- ▶ Incurred
- ▶ Paid

**Question No: 43 ( Marks: 1 ) - Please choose one**

---

Which of the following can be utilized to issue bonus shares?

- ▶ **Share premium**
- ▶ Term finance certificates
- ▶ Bonds
- ▶ Debentures

**Question No: 44 ( Marks: 1 ) - Please choose one**

---

Which of the following is old name of Cash Flow Statement?

- ▶ **Sources and Application of Funds**
- ▶ Sources and Application of Liabilities
- ▶ Sources and Application of Activities
- ▶ Sources and Application of Income

**Question No: 45 ( Marks: 1 ) - Please choose one**

---

Which of the following is **TRUE**?

- ▶ **Sale of equipment for cash is considered as inflow of cash**
- ▶ Sale of equipment on account is considered as inflow of cash
- ▶ Purchases of equipment for cash is considered as inflow of cash
- ▶ Sale of equipment for cash is considered as outflow of cash

**Question No: 46 ( Marks: 1 ) - Please choose one**

---

Which of the following is the **CORRECT** statement with respect to the liquidity and profitability?

- ▶ Liquidity and Profitability is the same thing
- ▶ The importance of Liquidity > The importance of Profitability
- ▶ The importance of Liquidity < The importance of Profitability
- ▶ **The liquidity and profitability is not the same thing but both have equal importance**



**Question No: 47 ( Marks: 1 ) - Please choose one**

---

A company ABC purchased an asset for Rs. 40,000, paying Rs. 30,000 in cash and issuing a long term note payable for remaining balance. The amount will be recorded in statement of cash flows as:

- ▶ Rs. 40,000 cash outflow as an investing activity
- ▶ **Rs. 30,000 cash outflow as an investing activity**
- ▶ Rs. 10,000 cash inflow as an investing activity
- ▶ Rs. 70,000 cash inflow as an investing activity

**Question No: 48 ( Marks: 1 ) - Please choose one**

---

Which of the given Asset is **Not** included in the calculation acid test ratio?

- ▶ **Stock**
- ▶ Cash
- ▶ Debtors
- ▶ Bills Receivable

**Question No: 49 ( Marks: 3 )**

---

**Briefly write down the steps for the formation of a Private Ltd Company.**

1. Selection of the type of company.
2. Selection of name for the proposed company.
3. Apply for the Directors Identification Number (DIN) and Digital Signatures.
4. Drafting of Memorandum and Articles of Association.
5. Stamping, digitally signing and e-filing of various documents with the Registrar.
6. Payment of Fees.
7. Obtaining Certificate of Incorporation.
8. Preparation and filing of Prospectus/Statement in lieu of Prospectus and e-Form 19/20 (in case of public companies) for obtaining the certificate of commencement of business.
9. Obtaining Certificate of Commencement of business (in case of public limited companies).

**Question No: 50 ( Marks: 3 )**

---

**If:**

· Retain earning at the beginning	Rs. 1,000
· Dividend paid	500
· Retain earning at the end	2,500

**Then:**

You are required to prepare statement of Retain earnings to find the amount of Net income

**Question No: 51 ( Marks: 5 )**

a. 

---

In trial balance at June 30, 2007 10% debentures are shown at Rs.75,000 and mark up on debentures are shown at Rs.3,750. Six months debenture mark up is to be accrued. What will be the amount of total mark up on debentures show in profit and loss account?

b. From the following information calculate cost of goods sold.

Stock opening balance	Rs.56,950
Purchases	175,750
Stock closing balance	65,020
Carriage inward	5,200
Sales	245,500

**Question No: 52 ( Marks: 5 )**

---

**Information given in Trial balance:**

- c. Plant and machinery Rs. 200,000
- d. Furniture and fixtures Rs. 100,000

**Information given in adjustment:**

- Ø Charge 20% depreciation on Plant and machinery and 10 % on Furniture and fixture

**Required:**

- ⤴ Calculate the amount of depreciation expense shown in profit and loss account.
- ⤴ Calculate the amount of fixed assets shown in balance sheet.

**Question No: 53 ( Marks: 5 )**

---

XYZ Co. Ltd. had a paid up capital of Rs. 600,000 divided in 6,000 shares of Rs. 100 each. The company resolves to capitalize a part of reserve fund of Rs. 800,000 by issuing bonus shares. One bonus share is issued for every three shares held in the company. Bonus shares are to be issued at 25% premium.

**Required:**

Calculate the No. of Bonus shares and the amount of Bonus.

**Paper No 10**  
**Solved by Chanda Rehman & ABr**

**FINALTERM EXAMINATION**

**Spring 2009**

**MGT101- Financial Accounting (Session - 4)**

**Question No: 1 ( Marks: 1 ) - Please choose one**

The expenses that give benefit for a period of more than twelve months are called \_\_\_\_\_.

▶ **Capital expenses**

- ▶ Revenue expenses
- ▶ Preliminary expenses
- ▶ None of the given options

**Question No: 2 ( Marks: 1 ) - Please choose one**

A summarized record of transactions related to individuals or things is called a/an \_\_\_\_\_.

▶ **Account** **Correct**

- ▶ Voucher
- ▶ Journal
- ▶ **Trial balance**

**Question No: 3 ( Marks: 1 ) - Please choose one**

Documentary evidence, in a specific format used to record the details of a transaction is known as:

- ▶ Account
- ▶ **Voucher**
- ▶ Journal
- ▶ Ledger

**Question No: 4 ( Marks: 1 ) - Please choose one**

Which of the following organizations prepare Income & Expenditure account?

- ▶ Public libraries
- ▶ NGOs
- ▶ Labor unions
- ▶ **All of the given options**

**Question No: 5 ( Marks: 1 ) - Please choose one**

Which of the following is an example of business liability?

- ▶ Land
- ▶ Building
- ▶ Cash
- ▶ **Capital**

**Question No: 6 ( Marks: 1 ) - Please choose one**

Mr. B provided the following information at the end of the month:

Particulars	Rs.
Cash	100
Accounts Receivable	500
Accounts Payable	200
Bank Loans	1,000

**Based on the information provided, what are the total assets of Mr. B?**

- ▶ Rs.200
- ▶ **Rs. 600**
- ▶ Rs. 800
- ▶ Rs. 1700

**Question No: 7 ( Marks: 1 ) - Please choose one**

Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance)

- ▶ Cash account
- ▶ Furniture account
- ▶ Vehicle account
- ▶ **All of the given options**

**Question No: 8 ( Marks: 1 ) - Please choose one**

If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs. 20,000 during the year, what would be the value of Gross Profit?

- ▶ Rs. 15,000
- ▶ **Rs. 35,000**
- ▶ Rs. 55,000
- ▶ Rs. 60,000

**Question No: 9 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, when the goods are purchased on cash?

- ▶ Stock account
- ▶ **Cash account Correct**
- ▶ **Supplier account**
- ▶ Work in process account

**Question No: 10 ( Marks: 1 ) - Please choose one**

Fixed assets are also called:

- ▶ **Depreciable assets**
- ▶ Current assets
- ▶ Liquid assets
- ▶ Floating assets

**Question No: 11 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Written down value of asset on 5 <sup>th</sup> year	Rs.75,000
profit or loss on disposal of fixed assets	?

- ▶ **Rs.25, 000 loss**
- ▶ Rs. 75,000 loss
- ▶ Rs. 15,000 profit
- ▶ Rs. 1, 00,000 profit

**Question No: 12 ( Marks: 1 ) - Please choose one**

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

▶ Rs.260

▶ Rs.232

▶ Rs.284

▶ **Rs.320**

**Question No: 13 ( Marks: 1 ) - Please choose one**

Which of the following asset is **NOT** depreciated?

▶ Factory Buildings

▶ Office Equipment

▶ Plant & Machinery

▶ **Land**

**Question No: 14 ( Marks: 1 ) - Please choose one**

Consider the following data:

Particulars	Rs.
Assets	8,20,000
Owner's equity	3,80,000
Liabilities	?

▶ Rs. 1, 98,000

▶ Rs. 49,000

▶ Rs. 55,000

▶ **Rs. 4, 40,000**

**Question No: 15 ( Marks: 1 ) - Please choose one**

Which one of the following is **NOT** true for Profit & Loss Account?

- ▶ It shows whether a business has made a profit or loss over a financial year
- ▶ It shows the financial performance of a business for the period
- ▶ It shows revenues and expenses for the period

▶ **It is used to calculate surplus/deficit for a particular period**

**Question No: 16 ( Marks: 1 ) - Please choose one**

A Bank Reconciliation Statement is prepared to:

- ▶ **Ascertain that the difference between the Cash Book balance and the Bank**

**Statement balance has been accounted for**

- ▶ Correct errors in the Cash Book or errors in the Bank Statement
- ▶ Amend the balance of the Bank Statement of the firm
- ▶ Amend the balance in the Cash Book of the firm

**Question No: 17 ( Marks: 1 ) - Please choose one**

Which one of the following transactions will cause the balance in Mr. Terry's Cash Book to be greater than his Bank Statement balance?

- ▶ A cheque is drawn but not yet presented at the bank for payment
- ▶ The bank has not yet notified to Mr. Terry about a dishonoured cheque
- ▶ A credit transfer into Terry's Bank Account

▶ **A cheque payment of Rs.101 is recorded in the Cash Book as Rs.110**

**Question No: 18 ( Marks: 1 ) - Please choose one**

In which of the following condition(s) **DEBT** is regarded as **BAD**.

- ▶ Bankruptcy of the debtor



- ▶ Disappearance of debtor's business
- ▶ Failure of repeated attempt to collect the debt
- ▶ **All of the given options**

**Question No: 19 ( Marks: 1 ) - Please choose one**

Which of the following account will be debited, when the bad debts are recovered?

- ▶ Bad debt recovered a/c
- ▶ Cash a/c
- ▶ Doubtful debts a/c
- ▶ **Bad debts a/c**

**Question No: 20 ( Marks: 1 ) - Please choose one**

Which of the following would be deducted from Sundry Debtors in Balance Sheet?

- ▶ Bad debts (Trial balance item)
- ▶ Old provision for doubtful debts
- ▶ **New provision for doubtful debts**
- ▶ **Both Bad debts (given in adjustment) and new provision for doubtful debts**

**Correct**

**Question No: 21 ( Marks: 1 ) - Please choose one**

Which of the following entry will be recorded when the Bad Debts are recovered?

- ▶ Cash account (Dr.) & Bad Debts recovered account (Cr.)

- ▶ Accounts Receivable account (Dr.) & Bad Debts recovered account (Cr.)
- ▶ **Bad debts recovered account (Dr.) and Profit & Loss account (Cr.)**
- ▶ Provision for doubtful debts account (Dr.) & Cash account (Cr.)

**Question No: 22 ( Marks: 1 ) - Please choose one**

It is supposed that on 31-12-2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 5 % of the sundry debtors are doubtful. What entry will pass to transfer the bad debts to provision for doubtful debts?

- ▶ Profit & Loss a/c Rs. 1,600 (Dr) & Provision for doubtful debts a/c Rs. 1,600 (Cr)
- ▶ **Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs. 2,000 (Cr)**
- ▶ Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs. 2,000 (Cr)
- ▶ Provision for doubtful debts a/c Rs. 1,600 (Dr) & Bad Debts a/c Rs. 1,600 (Cr)

**Question No: 23 ( Marks: 1 ) - Please choose one**

Which of the following is/are the item/s of a Control Account?

- ▶ Credit sale only
- ▶ Cash sale only
- ▶ Credit purchase only
- ▶ **Both Credit sales and Credit purchase**

**Question No: 24 ( Marks: 1 ) - Please choose one**

Which of the following is an item of a debtors control account?

- ▶ Cash sale

▶ **Credit sales**

- ▶ Credit purchase
- ▶ Cash purchases

**Question No: 25 ( Marks: 1 ) - Please choose one**

Which of the following is (are) benefit/s of subsidiary ledger accounts to business?

- ▶ It tells about customer attitude of payments
- ▶ It can be checked against the control account to pick up recording errors
- ▶ It tells about the complete history of transactions of business client
- ▶ **All of the given options**

**Question No: 26 ( Marks: 1 ) - Please choose one**

Which of the following is a detailed record of an individual account in case of large business?

- ▶ **Control Account** **Correct**
- ▶ **Subsidiary Ledger**
- ▶ Balance Sheet
- ▶ Trial Balance

**Question No: 27 ( Marks: 1 ) - Please choose one**

Transaction that has been completely forgotten to enter is called:

- ▶ Error of principle
- ▶ **Error of omission**

- ▶ Error of commission
- ▶ Error of original entry

**Question No: 28 ( Marks: 1 ) - Please choose one**

Which of the following account(s) will be affected, while rectifying the error of Sale to Mr."A" Rs. 336 was not recorded at all?

- ▶ Only sales account
- ▶ Only A's account
- ▶ Only cash account
- ▶ **Both sales account and A's account**

**Question No: 29 ( Marks: 1 ) - Please choose one**

If (Amount of new provision + Amount of bad debts) < Amount of old provision then amount will be shown on:

- ▶ Debit side of P & L account
- ▶ **Credit side of P & L account** Correct
- ▶ **Asset side of Balance Sheet**
- ▶ Liability side of Balance Sheet

**Question No: 30 ( Marks: 1 ) - Please choose one**

Following information are extracted from books of Mr. XYZ

Particulars	Rs.
Bad Debts (Given in trial balance)	500
Old provisions (Given in trial balance)	700
Sundry Debtors (Given in trial balance)	44,800

If the Provision for doubtful debts has been increased by 5%, which amount of new provision will be shown in Profit & Loss Account?

- ▶ **Rs. 2,240**
- ▶ Rs. 2,425
- ▶ Rs. 1,925
- ▶ Rs. 3,025

**Question No: 31 ( Marks: 1 ) - Please choose one**

The main objective of financial reporting is to provide:

- ▶ **Essential information to internal users of financial reports.**
- ▶ **Useful economic information about the business to the external parties for sound financial decisions.** Correct
- ▶ Information to internal users about the cash position of the business.
- ▶ Information to the Securities Exchange Commission (SEC).

**Question No: 32 ( Marks: 1 ) - Please choose one**

Which of the following would **NOT** be considered as a component of 'cost' of stock?

- ▶ **Salaries of selling staff**
- ▶ Transportation inward costs
- ▶ Import duties

- ▶ Purchase price

**Question No: 33 ( Marks: 1 ) - Please choose one**

Inventory is considered a current asset because it:

- ▶ Often reflects the most current trends and styles
- ▶ Was purchased during the current year, usually
- ▶ **Will be converted into cash in the course of the company's operating cycle**
- ▶ Can be returned to the supplier for a cash refund

**Question No: 34 ( Marks: 1 ) - Please choose one**

Which one of the following is **TRUE** about provisions?

- ▶ It is necessary to prepare for showing true picture of balance sheet
- ▶ It is a reduction from assets
- ▶ It is prepared for specific purposes
- ▶ **All of the given options**

**Question No: 35 ( Marks: 1 ) - Please choose one**

Which of the following item will be shown on debit side of capital account of sole proprietor?

- ▶ Cash

▶ **Drawings**

▶ Debtors

▶ Profit

**Question No: 36 ( Marks: 1 ) - Please choose one**

Which of the following is **TRUE** about a merchandising company?

▶ **A merchandising company's business is to buy and sell products**

▶ A merchandising company must use the perpetual system to account for merchandising inventory

▶ A merchandising company's business is to provide services

▶ A Sugar Mill is an example of a merchandising company

**Question No: 37 ( Marks: 1 ) - Please choose one**

Which of the following statement is **TRUE** about the partnership form of business?

▶ Partners must have to share their profits in equal proportion

▶ Partners are personally liable for the liabilities of the business

▶ Partnerships must make their accounts available to the general public

▶ **Partnership agreement in writing is called Partnership deed**

**Question No: 38 ( Marks: 1 ) - Please choose one**

Which of the following are the owners of a company?

▶ **Proprietors**

▶ Partners

▶ **Shareholders** Correct

▶ Managers

**Question No: 39 ( Marks: 1 ) - Please choose one**

Authorized share capital is also known as:

▶ **Registered capital**

▶ Issued capital

▶ Paid up capital

▶ Called up capital

**Question No: 40 ( Marks: 1 ) - Please choose one**

The persons who sign articles and memorandum of the company and contribute in the initial share capital of the company are called:

▶ Subscribers

▶ **Shareholders**

▶ Managers

▶ Directors

**Question No: 41 ( Marks: 1 ) - Please choose one**

Which of the following option(s) is **TRUE** about the Sales returns?

▶ Sales returns reduce the Gross sales of the firm

▶ Sales returns affect the Net income of the firm



- ▶ Sales returns affect the flow of cash

▶ **All of the given options**

**Question No: 42 ( Marks: 1 ) - Please choose one**

In Income Statement, both beginning inventory and ending inventory appear in the section of:

- ▶ **Cost of good sold**
- ▶ Indirect cost
- ▶ Selling cost
- ▶ Factory over head cost

**Question No: 43 ( Marks: 1 ) - Please choose one**

The income statement of the Limited company is also known as:

- ▶ Manufacturing account
- ▶ **Profit and Loss account**
- ▶ Profit and Loss Appropriation account
- ▶ Current Account

**Question No: 44 ( Marks: 1 ) - Please choose one**

A company is said to have been registered when:

- ▶ It gets certificate of incorporation from registrar of Companies
- ▶ **It gets certificate of commencement of business from registrar of Companies**
- ▶ It actually starts its business
- ▶ It filed with the Registrar of Companies articles certain documents, like

memorandum and articles of association

**Question No: 45 ( Marks: 1 ) - Please choose one**

In cash flow statements, which of the following would appear as an inflow of cash?

- ▶ The repayments of a bank loan
- ▶ Dividend issue in the current year
- ▶ **Money received as result of selling fixed assets**
- ▶ The difference between the valuations of old and new fixed assets

**Question No: 46 ( Marks: 1 ) - Please choose one**

Which of the following is **CORRECT**?

- ▶ **A cash inflow means increase total cash only**
- ▶ A cash inflow means increase in cash equivalent only
- ▶ A cash inflow means increase in cash and decrease in cash equivalent
- ▶ **A cash inflow means increase in both cash and cash equivalent** **Correct**

**Question No: 47 ( Marks: 1 ) - Please choose one**

Which of the following business publishes the Financial Statements?

- ▶ Sole-Proprietorship
- ▶ Partnership
- ▶ Trust
- ▶ **Public Limited Company**

**Question No: 48 ( Marks: 1 ) - Please choose one**

Which of the following ratio tells about “How a company would repays its loans”

- ▶ Mark up cover ratio
- ▶ Acid test ratio
- ▶ Current ratio
- ▶ **Debt Equity ratio**

**Question No: 49 ( Marks: 1 ) - Please choose one**

Particulars	Rs.
Share capital of Rs. 10 each	1,000,000
Profit before tax	150,000
Taxes	10,000
<b>Earning per share</b>	<b>= ?</b>

- ▶ Rs. 1.50 per share
- ▶ **Rs. 1.40 per share**
- ▶ Rs. 1.15 per share
- ▶ Rs. 1.25 per share

**Question No: 50 ( Marks: 1 ) - Please choose one**

The beginning balance of retained earnings was Rs. 7,500. The dividends paid to stockholders' were Rs.1, 500. The ending balance of retained earnings is Rs. 5,000. What was the net income or net loss for the accounting period?

- ▶ **Net loss of Rs.1, 000**

- ▶ Net income of Rs. 1,000
- ▶ Net loss of Rs. 2,000
- ▶ Net income of Rs. 2,500

### **1. Issuance of shares at premium**

When a company earned profits and its reputation increased in the market then demand of its shares increases. In that case that company is allowed to issue the shares at higher than the face value. These kind of issuance of share is called shares at premium. In the return money which is received as excess to face value is deposited in the “shares Premium Account.” This account is used to write off preliminary expenses of the company and used to write off the amount of issuing shares on discount (if any)

### **2. Cash Flow Statement**

It is fundamental part of the financial statements.

Cash flow statement shows cash resource movement during the financial year. It shows us that how the cash is produced and how its spent during the year. It is very important for any business to make sure that business have enough funds in hand to meet the obligations.

### **3. Debentures**

It is an acknowledgment of loan that company took from the public for a specific period of time and has markup rate attached to it. Markup rate or interest rate which is paid on debentures is normally equal to market rate.

### **4. Notes to the accounts**

Notes to the accounts are details of the financial statements of the organization. It includes details calculation of figures during the preparation of financial Statements.

### **Question No: 52 ( Marks: 10 )**

Income Statement of XYZ Ltd for the year ended on 30<sup>th</sup> June, 2007:

<b>Particulars</b>	<b>Rs.</b>	<b>Rs.</b>
Sales		500,000
Less: Cost of Goods Sold		250,000
Gross Profit		250,000
Less: <b>Operating expenses</b>		
Administrative expenses	110,000	

Interest expenses	20,000	130,000
<b>Net profit before Tax</b>		<b>120,000</b>
Less: Taxes		36,000
Net profit after tax		84,000

Opening Stock for the year was Rs. 60,000.

Balance Sheet of XYZ Ltd on 30<sup>th</sup> June, 2007:

<b>Assets</b>	Rs.
Fixed Assets	400,000
Stock	60,000
Debtors	230,000
Bills Receivable	40,000
Cash at bank	150,000
Prepaid expenses	20,000
<b>Total</b>	<b>900,000</b>
<b>Liabilities</b>	
Share capital	200,000
Reserves and surplus	250,000
10% Debentures	200,000
Creditors	180,000
Bills payable	70,000
<b>Total</b>	<b>900,000</b>

**Calculate following ratios from the financial statement of XYZ Ltd.**

1. Current Ratio
2. Acid Test Ratio
3. Stock turn over Ratio
4. Debt equity Ratio
5. Gross profit Ratio

1. **Current ratio**

Current ratio = current assets / current liabilities

$$= 500,000 / 250,000 = 2$$

## **2. Acid test ratio**

Acid Test = (current Assets – stock) / current liabilities

$$= (500,000 - 60,000) / 250,000 = 1.76$$

## **3. Stock turn over Ratio**

a.

Stock turn over Ratio = (cost of good sold / Average stock)

$$= (250,000 / 60,000)$$

Stock turnover (number of times) = 4.1 times

b.

Stock turnover in days = (Average stock / cost of good sold)\*365

$$= (60,000 / 250,000) * 365$$

$$= 87 \text{ days}$$

## **4. Debt equity ratio**

Debit equity ratio = long term liabilities / equity

$$= 650,000 / 200,000$$

$$= 3.25$$

## **5 Gross profit ratio**

Gross profit ratio = (gross profit / sales)\* 100

$$= (250,000 / 500,000) * 100$$

$$\text{G.P RATE} = 50 \%$$

**Question No: 53 ( Marks: 10 )**

The following Trial balance is taken out from the books of Rahman & Sons as on 31st December, 2008.

	<b>Dr.</b>	<b>Cr.</b>
	<b>Rs.</b>	<b>Rs.</b>
Sales		204,000
Capital		120,000
Bank overdraft		103,560
Sundry Creditors		120,000
Opening Stock	60,400	
Purchases	231,600	
Sundry Debtors	109,660	
Returns Inwards	3,640	
General Expenses	6,980	
Plant	22,620	
Wages & Salaries	16,740	
Building	50,000	
Cash in Hand	680	
Cash at bank	8,720	
Drawings	16,960	
Motive Power	2,300	
Dock & clearing Charges	1,300	
Coal, Gas, Water	1,700	
Salaries	9,820	
Interest on O/D	4,440	
Rent rates Taxes	1,400	
Discount Allowed	2,000	
Interest received		3,400
	<b>550,960</b>	<b>550,960</b>

**Requirement:**

Prepare The Trading and Profit & Loss account of the business for the year ended. Closing Stock is valued at Rs.40, 000.

**Question No: 54 ( Marks: 10 )**

Following information is extracted from the books of Mr. Ali and Mr. Babar for the year 2007.

<b>Particulars</b>	<b>Rs.</b>
Closing Stock	564,000
Carriage inwards	1,780
Wages & Salaries	1,950
Debtors	160,000
Bank	7,000
Creditors	100,000
Expenses payable	18,000
Wages payable	12,750
Accounts payable	4,250
Profit for the year	Ali:80,000 Babar:70,000
Drawings for the year	Ali:10,000 Babar:15,000
Capital	Ali:400,000 Babar: 350,000
Opening balance: Current Account	Ali: 13,000 Babar:10,000
Long term loans	2,27,500
Material 01-01-2007	100,000
Work in process 01-01-2007	78,000
Finished Goods 01-01-2007	108,000
Fixed Asset at WDV on 31-12-2007	529,500

**You are required to prepare Balance Sheet as on 31<sup>st</sup> December 2007. Show complete working.**

**Paper No 11**

**Solved by Chanda Rehman & ABr**

**FINAL TERM EXAMINATION**

SPRING 2006

MGT101 - FINANCIAL ACCOUNTING (Session - 1 )

Marks: 60

Time: 120min



Question No: 1 ( Marks: 1 ) - Please choose one

\_\_\_\_\_ is used to record transactions that do not affect cash or bank.

Payment voucher

Receipt voucher

**Journal voucher PG83**

All of the given options

Question No: 2 ( Marks: 1 ) - Please choose one

Which one of the following item will appear on the balance sheet of a company as current assets?

**Prepaid expenses**

.

Outstanding expenses

.

Furniture and equipment

.

Provision for depreciation

Question No: 3 ( Marks: 1 ) - Please choose one

If bank statement shows a credit balance, it means \_\_\_\_\_ balance for bank book.

.

**Favorable**

.

Unfavorable

.

Overdraft

.

None of the given options

Question No: 4 ( Marks: 1 ) - Please choose one

Formula for Earning per Share is \_\_\_\_\_

.

Market value per share / Earning per share

**Net profit after tax before appropriation / Number of shares 273**

.

Operating Profit before financial charges / Financial charges

.

None of the given options

Question No: 5 ( Marks: 1 ) - Please choose one

Liquidity is defined as:

.

The amount of cash to liquidate

.

The funds available for use

.

The ability of business to receive its cash

.

**The ability of a business to pay its debts in time 235**

Question No: 6 ( Marks: 1 ) - Please choose one

Cash flow from operating activities is generated from:

.

The cash receipts and payments that arise from Fixed and Long Term assets of the organization.

.

Cash generated from daily operations of organization

The cash receipts and payments that arise from Owners of the business and other long term liabilities of the organization

**None of the given options**

Question No: 7 ( Marks: 1 ) - Please choose one

Accumulated Profit & Loss is an example of:

.

Distributable reserves

.

**Non distributable reserves**

.

Both Distributive and non distributive reserve

.

None of the given options

Question No: 8 ( Marks: 1 ) - Please choose one

According to \_\_\_\_\_, Fixed assets revaluation reserve is included in the statement of changes in equity.

.

**International Accounting Standards**

.

Companies Ordinance

.

International Standards of Auditing

.

None of the given options

**According to International Accounting Standards, fixed assets revaluation reserve is included in the statement of changes in equity.**

Question No: 9 ( Marks: 1 ) - Please choose one

Share premium can be utilized:

- .  
To create non distributive reserves

- .  
**To issue bonus shares**

- .  
To increase the Owners Capital

- .  
To meet unexpected losses

Question No: 10 ( Marks: 1 ) - Please choose one  
Notes to the accounts explain which of the followings:

- .  
Nature of business of the company

- .  
Accounting Policies of the company

- .  
Details and explanation of items given in the Profit and Loss Account and  
Balance Sheet

- .  
**All of the given options**

Question No: 11 ( Marks: 1 ) - Please choose one  
Mark up ratio is better for:

- .  
Bankers

- .  
Debtors

- .  
Creditors

- .  
**Owners**

Question No: 12 ( Marks: 1 ) - Please choose one  
Debentures are a company's:  
Assets

- .  
**Liability**

- .  
Expenses

- .  
Investments

Question No: 13 ( Marks: 1 ) - Please choose one  
Subscribers / Sponsors are the persons who sign:

- .  
Articles of Association

- .

Memorandum of the company

.  
Contribute in the initial share capital of the company.

.  
**All of the given options**

Question No: 14 ( Marks: 1 ) - Please choose one

All expenses incurred up to the stage of incorporation of the company are called:

.  
**Preliminary Expenses**

.  
Installation expenses

.  
Accrued expenses

.  
Deferred expenses

Question No: 15 ( Marks: 1 ) - Please choose one

The head of board of directors is called:

.  
**Chief executive**

.  
Manager

.  
Subscriber

.  
Shareholder

**Paper No:12**

**Solved by Anjam n Chanda Rehman n ABr**

**FINAL TERM EXAMINATION**

FALL 2007

MGT101 - FINANCIAL ACCOUNTING (Session - 3 )

Marks: 60

Time: 150min

Question No: 1 ( Marks: 1 ) - Please choose one

Which one of the following assets could be described as a current asset?

.  
**Stock of goods for resale**

.  
Machinery to manufacture goods for resale

.  
Buildings to house the machinery

.  
Land on which the buildings stand

Question No: 2 ( Marks: 1 ) - Please choose one  
Operating Profit is equal to:

.  
Sales - Gross Profit – Cost of goods sold – Operating expenses

.  
**Sales – Cost of goods sold – Operating expenses**

.  
Sales - Gross Profit

.  
None of the given options

Question No: 3 ( Marks: 1 ) - Please choose one  
The accounting equation represents:

.  
**Resources in the business are equal to resources supplied by the owner and outsiders**

.  
Resources are allocated in the business on cost price

.  
Owners give money for the business

.  
Resources in the business are not equal to resources supplied by the owner and outsiders

Question No: 4 ( Marks: 1 ) - Please choose one  
Credit signifies:

.  
Increase in asset account

.  
**Increase in liability account**

.  
Decrease in capital account

.  
None of the given options

Question No: 5 ( Marks: 1 ) - Please choose one  
A business owned and run by **one** person is called:

.  
**Sole Proprietorship**

.  
Partnership

.  
Limited Company

.  
None of the given options

Question No: 6 ( Marks: 1 ) - Please choose one

Any expenditure that benefits the business for several accounting years is regarded as:

.  
**Capital expenditure**

.  
Revenue expenditure

.  
Revenue receipt

.  
None of the given options

Question No: 7 ( Marks: 1 ) - Please choose one

Which of the following option is true?

.  
Increase in expense is Debit

.  
Increase in asset is Debit

.  
Increase in income is credit

.  
**All of the given options**

Question No: 8 ( Marks: 1 ) - Please choose one

The accounting equation is based on:

.  
**Dual aspect concept**

.  
Going concern concept

.  
Business entity concept

.  
None of the given options

Question No: 9 ( Marks: 1 ) - Please choose one

The discount allowed by manufacturer or wholesaler at the time of selling goods to retailer as a deduction from the listed-price or catalogue price, is called as:

.  
**Trade discount**

.  
Cash discount

.  
Commission

.  
None of the given options

Question No: 10 ( Marks: 1 ) - Please choose one

If the original cost of an asset is Rs. 2,000 then the written down value of asset after two

years by using the diminishing balance method at the rate of 10% p.a. will be:

Rs. 1,600

**Rs. 1,620**

Rs. 380

None of the given options

Question No: 11 ( Marks: 1 ) - Please choose one

Sales = Cost of goods sold + Gross profit.

**True**

False

Question No: 12 ( Marks: 1 ) - Please choose one

Balance Sheet discloses the financial position of the business.

**True**

False

Question No: 13 ( Marks: 1 ) - Please choose one

Budget is an Organization's plan of future period expressed in money terms.

**True**

False

Question No: 14 ( Marks: 1 ) - Please choose one

Cash Accounting is the accounting system in which events are recorded as and when they occur.

**True**

False

Question No: 15 ( Marks: 1 ) - Please choose one

In double entry system of book keeping, every business transaction affects the same side of the same account.

**True**

False

**Paper No 13**

**Solved by Chanda Rehman & ABr**

FINALTERM EXAMINATION

fall 2008

MGT101- Financial Accounting (Session - 2)

Marks: 85

Question No: 1 ( Marks: 1 ) - Please choose one

Liabilities of the members of the \_\_\_\_\_ is only limited to the capital introduced by member/s.

**Partnership**

Company

Sole proprietorship

None of the given options

Question No: 2 ( Marks: 1 ) - Please choose one

A summarized record of transactions related to individuals or things is called a/an

**Account**

Voucher

Journal

Trial balance

Question No: 3 ( Marks: 1 ) - Please choose one

A book, in which receipts and payments are recorded, is known as:

Pass Book

**Cash Book**

Purchase Book

Sales Book

Question No: 4 ( Marks: 1 ) - Please choose one

Which of the following periods is known as a fiscal Year of the Government of Pakistan?

1 January to 31 December

1 June to 31 May

**1st July to 30th June**

1 October to 30 September

Question No: 5 ( Marks: 1 ) - Please choose one

If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs. 20,000 during the year. What would be the Net Profit?

**Rs. 15,000**

Rs. 35,000

Rs. 55,000

Rs. 60,000

Question No: 6 ( Marks: 1 ) - Please choose one

In which of the following conditions a company will have positive working capital?

**If current assets > current liabilities**

If current Assets < current Liabilities

If current assets = current liabilities

If current assets <

current liabilities

Question No: 7 ( Marks: 1 ) - Please choose one



Which of the following is NOT

a type of voucher?

Journal Voucher

Receipt Voucher

Payment Voucher

**Drawings Voucher**

Question No: 8 ( Marks: 1 ) - Please choose one

Partially completed products that are not yet ready for sale are known as:

Raw material

**Work in process**

Finished goods

Closing stock

Question No: 9 ( Marks: 1 ) - Please choose one

Following are the inventories of Manufacturing Concern

EXCEPT

:

Raw material

Work in process

Finished goods

**Merchandise inventory**

Question No: 10 ( Marks: 1 ) - Please choose one

If Cost of asset=Rs. 100,000, Residual Value (RV) = Rs. 20,000 and Life = 3 years, what will be the rate of depreciation?

10%

22%

42%

52%

Question No: 11 ( Marks: 1 ) - Please choose one

The amount of depreciation charged on machinery will be debited to:

Machinery account

**Depreciation account**

Cash account

Capital account

Question No: 12 ( Marks: 1 ) - Please choose one

Consider the following:

Beginning inventory 10 units @ Rs. 10 per unit

First purchase 35 units @ Rs. 11 per unit

Second purchase 40 units @ Rs. 12 per unit

Third purchase 20 units @ Rs. 13 per unit

Eighty-five units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

**Rs.260**

Rs.232

Rs.284

Rs.268

Question No: 13 ( Marks: 1 ) - Please choose one  
Cash book is a part of:

Voucher

General Journal

**General Ledger**

Trial Balance

Question No: 14 ( Marks: 1 ) - Please choose one  
Consider the following data:

Particulars Rs.

Assets ?

Owner's equity 1,50,000

Liabilities 1,00,000

Rs. 49,000

Rs. 55,000

Rs. 50,000

**Rs. 2, 50,000**

Question No: 15 ( Marks: 1 ) - Please choose one  
Particulars Rs.

Opening written down value of machine 3,50,000

Cost of machine purchased during the year 50,000

Depreciation during the year 13,000

Closing written down value (WDV) of the

?

Machines

**Rs. 3, 87,000**

Rs. 4, 00,000

Rs. 4, 13,000

Rs. 63,000

Question No: 16 ( Marks: 1 ) - Please choose one  
Particulars Rs.

Opening written down value of machine 3,75,000

Cost of machine

50,000

Depreciation during the year 11,000

Closing written down value (WDV) of the Machines ?

**Rs. 4, 14,000**

Rs. 4, 25,000

Rs. 3, 86,000

Rs. 61,000

Question No: 17 ( Marks: 1 ) - Please choose one  
A Bank Reconciliation Statement is prepared to:

**Ascertain that the difference between the Cash Book balance and the  
Bank Statement balance has been accounted for**

Correct errors in the Cash Book or errors in the Bank Statement

Amend the balance of the Bank Statement of the firm

Amend the balance in the Cash Book of the firm

Question No: 18 ( Marks: 1 ) - Please choose one

Bank Statement is a record of transactions between the bank and the holder of:

A foreign currency account

A current account

A saving account

**All of the given options**

Question No: 19 ( Marks: 1 ) - Please choose one

Which one of the following transactions will cause the balance in Mr. Terry's Cash Book to be greater than his Bank Statement balance?

A cheque is drawn but not yet presented at the bank for payment

The bank has not yet notified to Mr. Terry about a dishonoured cheque

A credit transfer into Terry's Bank Account

**A cheque payment of Rs.101 is recorded in the Cash Book as Rs.110**

Question No: 20 ( Marks: 1 ) - Please choose one

Which of the following account would be credited, when the bad debts are recovered?

Allowance for bad debts a/c

**Bad debts recovered a/c**

Doubtful debts a/c

Cash a/c

Question No: 21 ( Marks: 1 ) - Please choose one

Consider the following data and identify the amount which will be shown in profit & loss account.

Particulars Rs.

Bad debts 1,600

Provision for doubtful debts (old) 2,000

Current year s provision (new) 800

**Rs. 400**

Rs. 800

Rs. 2,000

Rs. 2,400

Question No: 22 ( Marks: 1 ) - Please choose one

Bad debts written off (given in adjustment) always affect the:

**Debtors account**

Creditors account

Cash account

Capital account

Question No: 23 ( Marks: 1 ) - Please choose one

It is supposed that on 31

st

December, 2007, the sundry debtors are amounted to

Rs. 40,000. On the basis of past experience, it is estimated that 5 % of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be credited in profit & loss account.

Rs. 3,600

**Rs. 2,000**

Rs. 1,600

Rs. 400

Question No: 24 ( Marks: 1 ) - Please choose one

Which of the following is

(are)

included in Creditors Control Account?

Discount received from supplier

Credit purchases

Bills payable

**All of the given options**

Question No: 25 ( Marks: 1 ) - Please choose one

Which of the following is (are) benefit/s of subsidiary ledger accounts to business?

It tells about customer attitude of payments

It can be checked against the control account to pick up recording errors

It tells about the complete history of transactions of business client

**All of the given options**

Question No: 26 ( Marks: 1 ) - Please choose one

Amount by which the purchaser (buyer) receives a reduction in price from the seller is known as:

Expense

Discount Allowed

**Discount Received**

Liability

Question No: 27 ( Marks: 1 ) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of carriage charges, paid for a new plant purchased mistakenly debited to carriage account?

Plant account

Carriage account

**Both plant account and carriage account**

Trading account

Question No: 28 ( Marks: 1 ) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of purchases return of Rs. 200 to Mr.P mistakenly entered in sales book?

P s account

Purchases return account

Sales account

**Purchases returns account and sales account**

Question No: 29 ( Marks: 1 ) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of sales Rs.100 to Mr. A recorded in the purchases book?

Sales account

Purchase account

A s account and Sales account

**Sales account, purchase account and A s account**

Question No: 30 ( Marks: 1 ) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of an amount Rs.200 received from Mr. P wrongly credited to Mr. Q s account?

Only Cash Account

Only P s account

Only Q s account

**Both of Mr. P's & Mr.Q's Account**

Question No: 31 ( Marks: 1 ) - Please choose one

When one or both aspects of a transaction are recorded in the wrong class or category of account, this is called:

**Error of principle**

Error of omission

Error of commission

Error of original entry

Question No: 32 ( Marks: 1 ) - Please choose one

Consider the following data and identify the amount which will be shown in profit & loss account.

Particulars Rs.

Bad debts 1,600

Provision for doubtful debts (old) 2,000

Current year s provision (new) 1,000

**Rs. 600**

Rs. 1,600

Rs. 2,000

Rs. 2,600

Question No: 33 ( Marks: 1 ) - Please choose one

Following information are extracted from books of Mr. XYZ

Particulars Rs.

Closing value of stock 40,000

Bad Debts (Given in trial balance) 500

Old provisions (Given in trial balance) 700

Sundry Debtors (Given in trial balance) 44,500

Provision for doubtful debts be increases by 5%

What will be the amount of new provision

?

**Rs. 2,225**

Rs. 2,425

Rs. 1,925

Rs. 3,025

Question No: 34 ( Marks: 1 ) - Please choose one

Following information are extracted from books of Mr. XYZ

Particulars Rs.

Bad Debts (Given in trial balance)

500

Old provisions (Given in trial balance)

700

Sundry Debtors (Given in trial balance) 44,800

If the Provision for doubtful debts has been increased by 5%, which amount of new provision will be shown in Profit & Loss Account?

**Rs. 2,240**

Rs. 2,425

Rs. 1,925

Rs. 3,025

Question No: 35 ( Marks: 1 ) - Please choose one

The main objective of financial reporting is to provide:

Essential information to internal users of financial reports.

**Useful economic information about the business to the external parties for sound financial decisions.**

Information to internal users about the cash position of the business.

Information to the Securities Exchange Commission (SEC).

Question No: 36 ( Marks: 1 ) - Please choose one

Which of the following accounts would be increased with a debit?

Contributed Capital

Retained Purchases returns account and sales account

Sales account, purchase account and A s account

Both of Mr. P's & Mr.Q's Account

Error of principle

Rs. 600

Rs. 2,225

Useful economic information about the business to the external parties for sound financial decisions.

**Expenses**

Earnings

Revenues

**Expenses**

Question No: 37 ( Marks: 1 ) - Please choose one

Which of the following is

NOT

correct about income tax?

Different companies pay tax on different rates

It is treated as an expense and debited in Profit & Loss account

When financial statements are prepared, an estimate of expected tax liability is made

**It is treated as an expense and credited in Profit & Loss account**

Question No: 38 ( Marks: 1 ) - Please choose one

Which of the following is

TRUE

about a merchandising company?

**A merchandising company's business is to buy and sell products**

A merchandising company must use the perpetual system to account for merchandising inventory

A merchandising company's business is to provide services

A Sugar Mill is an example of a merchandising company

Question No: 39 ( Marks: 1 ) - Please choose one

Which of the following statement is

TRUE

about the partnership form of business?

Partners must have to share their profits in equal proportion

Partners are personally liable for the liabilities of the business

Partnerships must make their accounts available to the general public

**Partnership agreement in writing is called Partnership deed**

Question No: 40 ( Marks: 1 ) - Please choose one

In case of fixed capital accounts, other transactions such as Drawings and Profit etc. are recorded in a separate account that is called \_\_\_\_\_.

Fixed Capital Account

**Current Account**

Fluctuating Capital Account

Floating Capital Account

Question No: 41 ( Marks: 1 ) - Please choose one

The charter of a company which defines the limitations and powers of the company is called:

**The memorandum of association**

Articles of association

Statutory report

Certificate of commencement

Question No: 42 ( Marks: 1 ) - Please choose one

What are the effects on financial statements, if Rs. 6,000 transfer to general reserve is given in adjustment?

It will be treated in Income Statement only

It will be treated as current liability in balance sheet only

It will be treated in profit and loss appropriation account only

**it will be treated in both profit and loss appropriation account and in the balance sheet**

Question No: 43 ( Marks: 1 ) - Please choose one

A firm may earn profit during an accounting period but have less money in the bank at the end of the period than it had at the beginning. Which of the followings, on its own, could explain this?

Not paying invoices received from creditors

The sale of fixed assets during the period

An increase in trade debtors over the course of the period

An increase in the depreciation charge relative to the previous accounting period

Question No: 44 ( Marks: 1 ) - Please choose one

When preparing a cash flow statement, which of the following would be classified

as a financing activity?

Salaries paid

Interest paid on a long-term bank loan

The cost of purchasing a patent

**A new long-term loan taken out to finance the purchase of fixed assets**

Question No: 45 ( Marks: 1 ) - Please choose one

The balance sheet reported a beginning balance of Rs. 20,000 in Accounts Receivable and an ending balance of Rs. 15,000. Credit Sales of Rs. 200,000 were made during the year. Using this information, compute cash collected from customers.

Rs. 215,000

Rs. 195,000

Rs. 200,000

**Rs. 205,000**

Question No: 46 ( Marks: 1 ) - Please choose one

Which of the following is a type of business formed under the Companies Ordinance 1984?

Sole-Proprietorship

Partnership

**Joint Stock Company**

All of the given options

Question No: 47 ( Marks: 1 ) - Please choose one

Particulars Rs.

Debentures 1, 50, 000

Equity Capital 2, 00,000

General Reserve 90, 000

Accumulated profit 60,000

What is debt equity ratio ?

15: 20 (or 3:4)

15:24 (or 5: 8)

15:29

**15:35 (or 3: 7)**

Question No: 48 ( Marks: 1 ) - Please choose one

If one partner receives a salary which is credited to him at the end of the year, the share of profit available for distribution will be:

Increased

**Decreased**

Unchanged

Changed and become negative

Question No: 49 ( Marks: 1 ) - Please choose one

If company has distributable profit of Rs. 490,000, Profit sharing share ratio of Mr. A, Mr. B and Mr. C is 2:3:5 respectively. What will be the share of profit for Mr. A in distributable profit?

**Rs. 98,000**

Rs. 147,000

Rs. 245,000



Rs. 343,000

Question No: 50 ( Marks: 1 ) - Please choose one

Wages outstanding given in the trial balance will be treated as a (an):

Asset

**Liability**

Revenue

Deferred expense

Question No: 51 ( Marks: 5 )

Calculate cost of goods sold with the help of given data.

Particulars Rs.

Purchases 418,000

Carriage inwards 7,900

Discount Allowed 750

debtors 16,000

Sales man commission 2,000

Office expenses 2,000

Carriage outwards 1,700

Salaries 13,000

Direct labor 3,825

FOH 2,100

Plant & Machinery 53,000

Buildings 35,000

Tools 8,650

Helping data:

Plant & Machinery depreciate @ 10% and charged to FOH

Buildings depreciate @ 5% and 40% charged to Administrative expenses and balancing to FOH

40% of salaries will be charge to office and balance to Selling

Question No: 52 ( Marks: 10 )

Write down the at least ten distinguishing features of a limited company which differentiate it from sole proprietor business

**Paper No: 14**

**SOLVED BY CHANDA REHMAN & ABR**

**FINAL TERM EXAMINATION**

**Fall 2008**

**MGT101- Financial Accounting (Session - 1)**

**Marks: 85**

Question No: 1 ( Marks: 1 ) - Please choose one

An organization operating with the objective of making profit from the sale of goods or services is called:

Transaction

**Business**

Society

Trust

Question No: 2 ( Marks: 1 ) - Please choose one

Net Profit =? - Expenses

Liabilities

Assets

Capital

**Income**

Question No: 3 ( Marks: 1 ) - Please choose one

The basic accounting principle/concept according to which Business is independent from its owner(s) is known as:

**Separate Entity Concept**

Matching Concept

Going Concern Concept

Materiality Concept

Question No: 4 ( Marks: 1 ) - Please choose one

Which of the following account/s will be affected under the rule of accrual accounting, when furniture is purchased on cash?

Only Cash Account

**Only Furniture Account**

Cash & Furniture Account

Only Purchases Account

Question No: 5 ( Marks: 1 ) - Please choose one

Documentary evidence, in a specific format used to record the details of a transaction is known as:

Account

**Voucher**

Journal

Ledger

Question No: 6 ( Marks: 1 ) - Please choose one

Accounts Receivable & Inventory are the examples of:

Liquid assets

**Current assets**

Fixed assets

Capital assets

Question No: 7 ( Marks: 1 ) - Please choose one

Which one of the following statement is CORRECT about Long term liabilities?

These are due within one year

**These are consist of all debts, payable after 12 months**

In working capital, these are deducted from current assets

All of the given options

Question No: 8 ( Marks: 1 ) - Please choose one

Which of the following is an example of a Current liability?

Closing inventory

Opening inventory

Petty cash

**Bank overdraft**

Question No: 9 ( Marks: 1 ) - Please choose one

If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs. 20,000 during the year, what would be the value of Gross Profit?

**Rs. 15,000**

Rs. 35,000

Rs. 55,000

Rs. 60,000

Question No: 10 ( Marks: 1 ) - Please choose one

The stock of manufacturing concern consists of:

Work in Process Inventory

Raw Materials Inventory

Finished Goods Inventory

**All of the given options**

Question No: 11 ( Marks: 1 ) - Please choose one

Which of the following account will be debited, when the labor cost is charged to production?

Finished goods account

Labor cost account

Work in process account

COGFactor over head account

Question No: 12 ( Marks: 1 ) - Please choose one

Find out the missing value of an Accounting Equation with the help of given data:

Cash Rs. 22,500

Debtors Rs. 500

Total Assets Rs. 80, 385

Accounts payable Rs. 1,000

Total liabilities Rs. 20,000:

**Rs. 60,385 owner s equity**

Rs. 61,385 owner s equity

Rs. 99,885 owner s equity

Rs. 99,385 owner s equity

Question No: 13 ( Marks: 1 ) - Please choose one

Consider the following data:

Particulars Rs.

Assets 8,20,000

Owner's equity 3,80,000

Liabilities ?

Rs. 1, 98,000

Rs. 49,000

Rs. 55,000

**Rs. 4, 40,000**

Question No: 14 ( Marks: 1 ) - Please choose one

Particulars Rs.

Opening written down value of machine 3,75,000

Cost of machine

50,000

Depreciation during the year 11,000

Closing written down value (WDV) of the Machines ?

Rs. 4, 14,000

Rs. 4, 25,000

Rs. 3, 86,000

Rs. 61,000

Question No: 15 ( Marks: 1 ) - Please choose one

Which of the following is NOT a characteristic of Joint Stock Company?

Separate Legal Entity

Limited Liability

Easy Formation

Common Seal

Question No: 16 ( Marks: 1 ) - Please choose one

Which of the following account would be credited, when the bad debts are recovered?

Allowance for bad debts a/c

Bad debts recovered a/c

Doubtful debts a/c

Cash a/c

Question No: 17 ( Marks: 1 ) - Please choose one

Which of the following account will be debited, when the bad debts are recovered?

Bad debt recovered a/c

Cash a/c

Doubtful debts a/c

Bad debts a/c

Question No: 18 ( Marks: 1 ) - Please choose one

Following information are extracted from books of Mr. XYZ

Particulars Rs.

Closing value of stock 40,000

Bad Debts (Given in trial balance) 500

Old provisions (Given in trial balance) 800

Sundry Debtors (Given in trial balance) 44,500

Provision for doubtful debts @ 5%

Which amount of new provision will be deducted from Sundry Debtors ?

Rs. 2,225

Rs. 2,525

Rs. 1,925

Rs. 3,025

Question No: 19 ( Marks: 1 ) - Please choose one

It is supposed that on 31-12-2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 5 % of the sundry debtors are doubtful. It is also suppose that during the year 2008 actual bad debts were Rs. 1,600. What entry will pass to create provision for doubtful debts?

Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs. 2,000 (Cr)

Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs.

2,000 (Cr)

Provision for doubtful debts a/c Rs. 1,600 (Dr) & Profit & Loss a/c Rs.

1,600 (Cr)

Profit & Loss a/c Rs. 1,600 (Dr) & Provision for doubtful debts a/c Rs.

1,600 (Cr)

Question No: 20 ( Marks: 1 ) - Please choose one

Consider the following data:

Provision created in 2006

Rs. 2,500

Bad debts in 2007

Rs. 1,500

Sundry debtors on 31-12- 2007 were Rs. 40,000 and provision is created @ 5%.

Which journal entry is Correct for the provision for doubtful debts for the year 2007.

Provision for doubtful debts a/c Rs. 1,000 (Dr) & Profit & Loss a/c Rs.

1,000 (Cr)

Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs.

2,000 (Cr)

Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs.

2,000 (Cr)

Profit & Loss a/c Rs. 1,000 (Dr) & Provision for doubtful debts a/c Rs.

1,000 (Cr)

Question No: 21 ( Marks: 1 ) - Please choose one

Which of the following is/are the item/s of a Control Account?

Credit sale only

Cash sale only

Credit purchase only

Both Credit sales and Credit purchase

Question No: 22 ( Marks: 1 ) - Please choose one

Which of the following is a detailed record of an individual account in case of large business?

Control Account

Subsidiary Ledger

Balance Sheet

Trial Balance

Question No: 23 ( Marks: 1 ) - Please choose one

Which of the following entry is passed to record discount allowed in control account?

Discount Allowed (Dr) and Debtors Control A/c (Cr)

Discount Allowed (Dr) and

Debtors A/c (Cr)

Debtors Control A/c (Dr) and

Discount Allowed (Cr)

Debtors A/c (Dr) and

Discount Allowed (Cr)

Question No: 24 ( Marks: 1 ) - Please choose one

Which of the following entry will be passed to record discount received in control account?

Discount Received (Dr) and Creditors Control A/c (Cr)

Discount Received

(Dr) and Creditors A/c (Cr)

**Creditors Control A/c (Dr) and Discount Received (Cr)**

Creditors A/c (Dr) and Discount Received

(Cr)

Question No: 25 ( Marks: 1 ) - Please choose one

A receipt of cash Rs. 10,000 from Mr. Bilal is recorded as Rs. 1,000. What amount will be adjusted in rectifying entry?

Rs. 1,000

**Rs. 9,000**

Rs. 10,000

Rs. 11,000

Question No: 26 ( Marks: 1 ) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of Sale to Mr. A Rs. 336 was not recorded at all?

Only sales account

Only A s account

Only cash account

**Both sales account and A s account**

Question No: 27 ( Marks: 1 ) - Please choose one

Which of the following entry will be recorded, if a cheque deposited is dishonored by bank?

Bank Account (Dr.) and Debtor's Account (Cr.)

**Debtor's Account (Dr.) and Bank Account (Cr.)**

Dishonored Cheque Account (Dr.) and Bank Account (Cr.)

Creditor's Account (Dr.) and Bank Account (Cr.)

Question No: 28 ( Marks: 1 ) - Please choose one

Consider the following data and identify the amount which will be shown in profit & loss account.

Particulars Rs.

Bad debts 1,600

Provision for doubtful debts (old) 2,000

Current year s provision (new) 1,000

**Rs. 600**

Rs. 1,600

Rs. 2,000

Rs. 2,600

Question No: 29 ( Marks: 1 ) - Please choose one

Consider the following data and identify the amount which will be deducted from Sundry Debtors in Balance Sheet.

Particulars Rs.

Bad debts (from trial balance) 1,600

Provision for doubtful debts (old) 2,000

Current year s provision (new) 1,000

Rs. 600

**Rs. 1,000**

Rs. 2,000

Rs. 2,600

Question No: 30 ( Marks: 1 ) - Please choose one

If (Amount of new provision + Amount of bad debts) < Amount of old provision  
then amount will be shown on:

Debit side of P & L account

**Credit side of P & L account**

Asset side of Balance Sheet

Liability side of Balance Sheet

Question No: 31 ( Marks: 1 ) - Please choose one

The main objective of financial reporting is to provide:

Essential information to internal users of financial reports.

**Useful economic information about the business to the external parties for  
sound financial decisions.**

Information to internal users about the cash position of the business.

Information to the Securities Exchange Commission (SEC).

Question No: 32 ( Marks: 1 ) - Please choose one

Which of the following is NOT an item of cost of goods sold statement?

Purchase of raw material

Any tax/freight paid on purchases

**Salaries paid to accountant**

Any expense incurred on carriage/transportation of raw material purchased  
items

Question No: 33 ( Marks: 1 ) - Please choose one

Which of the following would

NOT

be considered as a component of 'cost' of  
stock?

**Salaries of selling staff**

Transportation inward costs

Import duties

Purchase price

Question No: 34 ( Marks: 1 ) - Please choose one

Which of the following account is affected from the Drawings of cash in sole-  
proprietorship business?

**Capital account**

Shareholder account

Liability account

Expense account

Question No: 35 ( Marks: 1 ) - Please choose one

Which of the following journal entry will be recorded, if cash is drawn by a  
Proprietor?

**Proprietor s drawings a/c (Dr.) and Cash a/c (Cr.)**

Cash a/c (Dr.) and Proprietor s drawings a/c (Cr.)

Proprietor s Capital (Dr.) and Proprietor s drawings a/c (Cr.)

Proprietor s drawings (Dr.) and Proprietor s Capital a/c (Cr.)

Question No: 36 ( Marks: 1 ) - Please choose one

Which of the following is/are NOT shown in balance sheet of sole proprietor?

Fixed assets

Current liabilities

**Profit sharing ratio**

Long term assets

Question No: 37 ( Marks: 1 ) - Please choose one

Which of the following statements is NOT TRUE about the partnership form of business?

A partnership is a business run by two or more persons

A partnership business is easy to set up

Each partner is liable under the law for the actions of other partners

In **the absence of agreement, partners will be paid salaries**

Question No: 38 ( Marks: 1 ) - Please choose one

Which of the following account will be credited when interest on capital is charged against the distribution of profit?

Interest account

**Partner s capital account**

Profit and Loss account

Profit and loss appropriation account

Question No: 39 ( Marks: 1 ) - Please choose one

Which of the following account will be debited when the interest on drawings is charged?

**Partner s capital account**

Interest account

Partner s current account

Profit & Loss account

Question No: 40 ( Marks: 1 ) - Please choose one

When the capitals are fixed, which of the following account will be debited for drawings made by a partner?

**Individual Partner s Current Account**

Partner s Cash Account

Partner s Bank Account

Partners Capital Account

Question No: 41 ( Marks: 1 ) - Please choose one

Which of the following is (are) type(s) of Public Limited Companies?

Listed company

Non listed company

Private limited company

**Both Listed Company and non listed company**

Question No: 42 ( Marks: 1 ) - Please choose one

The maximum amount with which the company is registered is called:



**Authorized Share Capital**

Issued Share Capital

Paid up capital

Called up capital

Question No: 43 ( Marks: 1 ) - Please choose one

In which of the following, the Interest paid on debenture will be shown?

**Profit and loss account**

Profit and loss appropriation account

Balance sheet asset side under the heading of current assets

Trading Account

Question No: 44 ( Marks: 1 ) - Please choose one

In which of the following interim dividend is treated?

In profit and Loss account

**In profit and Loss appropriation account**

On the asset side of the Balance Sheet

In trading account

Question No: 45 ( Marks: 1 ) - Please choose one

Which of the following is (are) NOT example(s) of distributable profit?

General reserve

Accumulated profit and loss (credit balance)

**Revaluation reserves** not sure

None of the given options

Question No: 46 ( Marks: 1 ) - Please choose one

The primary purpose of preparing a cash flow statement for an entity is to provide information about:

Its financial position at the end of an accounting period

**Its cash receipts and cash payments during an accounting period**

Its financial position at the start of an accounting period

None of the given options

Question No: 47 ( Marks: 1 ) - Please choose one

When preparing a cash flow statement, which of the following would be classified as a financing activity?

Salaries paid

Interest paid on a long-term bank loan

The cost of purchasing a patent

**A new long-term loan taken out to finance the purchase of fixed assets**

Question No: 48 ( Marks: 1 ) - Please choose one

Which of the following is CORRECT?

A cash inflow means increase total cash only

A cash inflow means increase in cash equivalent only

A cash inflow means increase in cash and decrease in cash equivalent

**A cash inflow means increase in both cash and cash equivalent**

Question No: 49 ( Marks: 1 ) - Please choose one

What types of changes (is) are made at the admission of partner in partnership?

Assets of old business will be revalued

Liabilities of old business will be revalued

Good will of business will be revalued

All of the given options

Question No: 50 ( Marks: 1 ) - Please choose one

If company has distributable profit of Rs. 490,000, Profit sharing share ratio of Mr. A, Mr. B and Mr. C is 2:3:5 respectively. What will be the share of profit for Mr. A in distributable profit?

Rs. 98,000

Rs. 147,000

Rs. 245,000

Rs. 343,000

Question No: 51 ( Marks: 5 )

1,00,000

Additional information

The authorized capital is Rs. 50, 00,000 divided into 500,000 shares of Rs. 10 each. Issued and paid up capital 2, 500,000.

You are required to prepare calculate Share holders equity

Question No: 52 ( Marks: 10 )

Pass the rectifying entries to correct the following errors:

- (1) Mr. Ali purchased goods of Rs. 1,500 on cash, but omitted to enter in the books of accounts.
- (2) An amount of Rs. 5,000 received from Mr. Amir, was credited to the account of Mr. Ameer.
- (3) Goods returned worth Rs. 500 to Mr. B wrongly debited to sales Account.
- (4) A purchase of goods from Mr. B of Rs. 400 has been wrongly debited to Furniture Account.
- (5) Furniture purchased on cash Rs. 8,000 posted as purchases.