



Financial Accounting



Registration No _____

Quiz No. 1

Instructions

Please read the following instructions carefully before attempting any question:

- Write your student Registration No. and Signature; Failure to do so will result in paper cancellation.
- All questions are compulsory. This exam consists of **20 marks for Objective Type Questions, Equation 15 marks, Proforma 15 marks** and time allowed is 80 minutes.
- For each OTQ statement, read the choices available carefully and **“Encircle” (don’t tick mark)** one which you consider is the most suitable answer. Zero marks will be given if more than one option is **“Encircled”**.
- Cutting and overwriting in objective type questions is not allowed; if done so, that particular question will be marked Zero.
- Remember not to spend too much time on Objective type questions. It is important to manage your time and response to test questions effectively.
- Do not ask any questions about the contents of this examination from anyone.
- If you believe that some essential piece of information is missing, make an appropriate assumption and use it to solve the problem and will discuss in paper debate.
- Students are advised to solve paper in blue & black ink and do not use red, green ink and pencil.
- Writing irrelevant/immoral material will be severely penalized.
- This examination is closed book, closed notes, closed neighbors.
- Use of **mobile phones** is strictly prohibited; switch it off if it is in your custody.
- Failure to comply with the Teacher’s directions will result in your exam paper being cancelled.

(Not to Turn the Title Page Prior to Instructions)

OTQ /20 Equation /15 Proforma /15 Total = /50

A. Multiple choice Questions

(Marks 10)

1. Which one of the following statement completely and correctly describes accounting?
(a) **Recording, classifying and summarizing economic activities in systematic way**
(b) Recording, classifying and summarizing all activities in useful manner
(c) Accounting is the systematic process of recording social activities only
(d) Recording, classifying and summarizing economic activities in informal manner
2. The controller's responsibilities are primarily in nature, while the treasurer's responsibilities are primarily related to?
(a) Operational; Financial accounting
(b) **Accounting; Financial management**
(c) Financial management; Operations
(d) Financial management; Accounting
3. Which of the following financial statements answers the question, 'What resources have the owners invested in an organization'?
(a) Statement of financial position
(b) Statement of comprehensive income
(c) **Statement of changes in equity**
(d) Statement of cash flows
4. Which of these characteristics does not apply to partnership?
(a) Unlimited liabilities
(b) **Unlimited life**
(c) Mutual agency
(d) Income tax
5. Economic resources of business that expected to be of benefit in future time referred as?
(a) Owner Equity
(b) Liabilities
(c) Withdrawals
(d) **Assets**
6. Which of the following transactions would have no impact on stockholders' equity?
(a) **Purchase of land on credit**
(b) Dividends to stockholders
(c) Net loss
(d) Investment in cash by stockholders
7. Which of the following describes the classification and normal balance of the retained earnings account?
(a) Asset, debit
(b) **Shareholders' equity, credit**
(c) Revenues, credit
(d) Expense, debit
8. The payment of cash to supplier will?
(a) **Reduce cash balance and reduce current liabilities**
(b) Increase receivables and reduce cash balance
(c) Reduce account payable and increase purchases
(d) Increase payable and reduce cash balance
9. All of the following accounts normally debit balance except?
(a) Interest paid
(b) Account Receivable
(c) **Commission received**
(d) Bank charges
10. Different terms are used to explain revenue except?
(a) Rent earned by leasing property
(b) Commission earned by real estate
(c) Fees earned in the professional practice of Lawyer
(d) **Depreciation of the building**

B. True False Statements*(Marks 10)*

1. The hiring of a new company president is an economic event recorded by financial information system?
(a) True (b) False
2. The form of business organization that is the easiest to raise capital for is the limited liability company because it is able to continue operations uninterrupted even though the ownership changes?
(a) True (b) False
3. The notes to the financial statements are not required?
(a) True (b) False
4. External users of accounting information are managers who plan, organize, and run a business?
(a) True (b) False
5. Equity has three basic elements: contributed capital, reserves and retained earnings?
(a) True (b) False
6. If liabilities are Rs. 75,000 and equity is Rs. 32,000, assets must be Rs. 43,000?
(a) True (b) False
7. If the assets owned by a business total Rs. 150,000 and liabilities total Rs. 105,000, stockholders' equity totals Rs. 45,000?
(a) True (b) False
8. A company purchases plastics for production of eyewear frames using cash. This transaction would be an exchange of goods for money?
(a) True (b) False
9. A chart of accounts contains a list of all account titles and the net debit or credit balance for each account?
(a) True (b) False
10. A credit increases an asset?
(a) True (b) False

Q # 2: Prove that the Accounting Equation is satisfied in all following transactions of Mr. Jamil Ahmed owner of business enterprises?

(15 Marks)

- I. Started business with cash value of Rs. 500,000
- II. Rent paid in advance for a year Rs. 6,000
- III. Purchased merchandising inventory for cash Rs. 80,000 and on account Rs. 20,000 from Mr. Ali
- IV. Purchased Marketable securities for cash Rs. 100,000
- V. Cash Sales Rs. 30,000 (cost 20,000)
- VI. During the period rent expires Rs. 2,000
- VII. Commission paid during the trading was Rs. 1,000
- VIII. Received cash dividend Rs. 4,000 on marketable securities
- IX. Paid to Rs. 19,500 to Mr. Ali in full settlement
- X. Withdrew inventory for domestic purpose by owner of worth Rs. 4,000

Jamil Ahmed

Accounting Equation

S. No	Assets				Equities	
	Cash	Prepaid Rent	Inventory	M. Securities	A/C Payables	O.E
I	500,000					500,000
Bal	500,000					500,000
II	(6,000)	6,000				
Bal	494,000	6,000				500,000
III	(80,000)		100,000		20,000	
Bal	414,000	6,000	100,000		20,000	500,000
IV	(100,000)			100,000		
Bal	314,000	6,000	100,000	100,000	20,000	500,000
V	30,000		(20,000)			10,000
Bal	344,000	6,000	80,000	100,000	20,000	510,000
VI		(2,000)				(2,000)
Bal	344,000	4,000	80,000	100,000	20,000	508,000
VII	(1,000)					(1,000)
Bal	343,000	4,000	80,000	100,000	20,000	507,000
VIII	4,000					4,000
Bal	347,000	4,000	80,000	100,000	20,000	511,000
IX	(19,500)				(20,000)	500
Bal	327,500	4,000	80,000	100,000	-0-	511,500
X			(6,000)			(6,000)
Bal	327,500	4,000	74,000	100,000	-0-	505,500
Total	Rs. 505,500				Rs. 505,500	

Q # 3 Following Variation Proforma for Journal Entries have been provided, you are required to check changes in following transaction

(Marks = 15)

Variation Proforma

S.No	Transactions	Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
1	Khawar Mughal invested in his business Rs. 104,000 in cash and building worth Rs. 246,000	Cash	Asset	Increase	104,000	
		Building	Asset	Increase	246,000	
		Owner Equity	Owner Equity	Increase		350,000
2	Purchased Equipments Rs. 31,500 on cash	Equipments	Asset	Increase	31,500	
		Cash	Asset	Decrease		31,500
3	Purchased electrical Compressor for Rs. 47,750 from modern Electric store	Electric Compressor	Asset	Increase	47,750	
		A/c Payable	Liability	Increase		47,750
4	Sold merchandise Rs. 21,700 to Ali Malik	A/c Receivable	Asset	Increase	21,700	
		Sale	Revenue	Increase		21,700
5	Paid Miscellaneous Exposures of Rs. 13,245	M. Expenses	Expense	Increase	13,245	
		Cash	Asset	Decrease		13,245
6	Purchased electric typewriter for business use Rs. 21,000	Typewriter	Asset	Increase	21,000	
		Cash	Asset	Decrease		21,000
7	Purchased papers, files ribbons and carbon papers etc. Rs. 1,235 on account	Office Stationery	Expense	Increase	1,235	
		A/c Payable	Liability	Increase		1,235
8	Rented a portion of the shop and received rent Rs. 2,000	Cash	Asset	Increase	2,000	
		Rent	Revenue	Increase		2,000
9	Paid cash to modern Electric store Rs. 7,245 and wages Rs. 100	A/c Payable	Liability	Decrease	7,245	
		Wages	Expense	Increase	100	
		Cash	Asset	Decrease		7,345