



## Accounting I



Registration No \_\_\_\_\_

Signature \_\_\_\_\_

*BBF2*



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 **30 marks for Objective Type Questions, Equation 15 marks and Variation Proforma 15 Marks** and time allowed is one 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      / 30      Equation      / 15      Proforma      / 15      Total =      / 60

**A. Multiple choice Questions**

(Marks 15)

- The controller's responsibilities are primarily in nature, while the treasurer's responsibilities are primarily related to?
  - Operational; Financial accounting
  - Accounting; Financial management**
  - Financial management; Operations
  - Financial management; Accounting
- Economic resources of business that expected to be of benefit in future time referred as?
  - Owner Equity
  - Liabilities
  - Withdrawals
  - Assets**
- Which of the following is not a user of Management Accounting Information?
  - Store Manager
  - Creditor**
  - Chief Executive Officer
  - Chief Financial Officer
- Residual interest in the net asset of an entity that remains after deducting its liabilities is?
  - Owner Equity**
  - Liabilities
  - Asset
  - Expense
- Which of the following item of revenue nature?
  - Dividends payable
  - Rent incur
  - Fee earned**
  - Payment for building improvement
- Which of the following is a liability?
  - Motor Vehicles
  - Creditors for goods**
  - Machinery
  - Cash at Bank
- Mr. A provided the following information from his books of accounts at the end of the month:

Particulars	Rs.
Cash	2,000
Accounts Receivable	500
Accounts Payable	200
Bank Loans	1,000

Based on the information provided, what are Mr. A's Capital?

- Rs. 200
  - Rs. 900
  - Rs. 1,200
  - Rs. 1,300**
- If the assets of a business are Rs. 100,000 and equity is Rs. 20,000, the value of liability will be?
    - Rs. 100,000
    - Rs. 80,000**
    - Rs. 120,000
    - 20,000
  - Which of the following is not a satisfactory statement of the balance sheet equation?
    - Assets = liabilities + owner's equity
    - Assets - liabilities = owner's equity
    - Assets = liabilities - owner's equity**
    - Assets - owner's equity = liabilities
  - Which of the following financial statements answers the question 'How did the business perform'?
    - Balance Sheet
    - Income Statement**
    - Statement of Owners' Equity
    - Statement of cash flows
  - Which account below is not affects the capital owner's equity?
    - Capital Gain
    - Revenues
    - Liabilities**
    - Expenses
  - The effect of a credit entry on the payables account is to?
    - Decrease the account balance
    - Decrease & increase the account balance
    - Decrease or increase the account balance
    - Increase the account balance**

13. During a reporting period, a company's assets increase by Rs. 80,000,000. Liabilities decrease by Rs. 20,000,000. Equity must therefore?
- (a) Decrease by Rs. 100,000,000 (b) **Increase by Rs. 100,000,000**  
(c) Decrease by Rs. 60,00,000 (d) Increase by Rs. 60,000,000
14. To record goods returned inward?
- (a) Debit sales account and credit payables account (b) Debit returns inward and credit payable account  
(c) **Debit returns inwards and credit receivables account**  
(d) Debit receivable account and credit returns inwards account
15. Which of the following journal entry will be recorded, if cash is drawn by a Proprietor?
- (a) **Drawings (Dr) and Cash (Cr)** (b) Cash (Dr) and Drawings (Cr)  
(c) Capital (Dr) and Drawings (Cr) (d) Drawings (Dr) and Capital (Cr)

**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 origins of accounting are attributed to Luca Pacioli, a famous mathematician?
- (a) **True** (b) False
3. The notes to the financial statements are not required?
- (a) True (b) **False**
4. One primary advantage of a sole proprietorship is that raising capital is easier than in the other two business forms?
- (a) True (b) **False**
5. The management discussion and analysis (MD & A) section of an annual report covers various financial aspects of a company?
- (a) **True** (b) False
6. A limited liability company is sometimes referred to as a corporation, joint stock company or share-based entity?
- (a) **True** (b) False
7. Creditors cannot pursue the individual partners in a partnership to collect debts of the partnership. Only the partnership is responsible to the creditors?
- (a) True (b) **False**

8. A debit increases equity?  
(a) True (b) False
9. A company lends an employee Rs. 10,000. This would be recorded as a debit to an asset and a credit to an asset?  
(a) True (b) False
10. A company hires four workers for one month to distribute marketing material in a local shopping mall. The workers will be paid Rs. 50,000 in total which they will be paid one week after the work is completed. The transaction to record the work provided by the workers would be an exchange of services for money?  
(a) True (b) False

**C. Identify which of the users of financial statement information listed in A through E would most likely desire and/or benefit from the economic aspects listed in items 1 through 5 below** (Marks 5)

<b>Users</b>
--------------

- A. Bankers
- B. Potential investors
- C. Government agencies
- D. Customers
- E. Managers

- |                               |                                                                                              |
|-------------------------------|----------------------------------------------------------------------------------------------|
| <u>B. Potential investors</u> | 1. Want to choose a company to earn returns potentially higher than fixed income instruments |
| <u>A. Bankers</u>             | 2. Need to predict future cash flows necessary for repayment                                 |
| <u>C. Government agencies</u> | 3. Want to determine how much tax a company must pay                                         |
| <u>D. Customers</u>           | 4. Want the best product possible for the money                                              |
| <u>E. Managers</u>            | 5. Want to maintain a level of compensation                                                  |

**Q#2: Following Transactions are related to Brother Corporation. You are required to make Equation?**

(Marks 15)

**Opening Balances**

Inventory..... 23,000	Furniture ..... 10,000	Marketable Securities ... 5,000	Bank ..... 25,000
Cash ..... 40,000	Account Payable .... 30,000	Debtors .....17,000	O.E ..... 90,000

1. Received dividend on marketable securities by bank of Rs. 500 and sold marketable securities of Rs. 1,000 by cash
2. Defective inventory returned to vendor of Rs. 7,000 who reduced account payable and paid carriage expense of Rs. 2,000
3. Obtained a bank loan of Rs. 13,000 by cash and paid Rs. 5,000 to creditor by bank
4. Paid Rent for 2 years of worth Rs. 6,000 by cash and received commission of worth Rs. 500 by bank
5. Payment made for furniture purchased for owner domestic use for Rs. 3,000 by bank
6. Goods return by cash customer of Rs. 2,500 which cost Rs. 2,100
7. Sold goods on account of Rs. 7,500 and by cash Rs. 2,500 which cost was Rs. 8,000

**Brother Corporation**

**Accounting Equation**

S. No	Assets							Equities		
	Cash	A/C Rec	Stock	Furniture	P. Rent	Bank	M. Sec	Creditors	B. Loan	Capital
<b>Bal</b>	<b>40,000</b>	<b>17,000</b>	<b>23,000</b>	<b>10,000</b>		<b>25,000</b>	<b>5,000</b>	<b>30,000</b>		<b>90,000</b>
<b>1</b>	1,000					500	(1,000)			500
<b>Bal</b>	<b>41,000</b>	<b>17,000</b>	<b>23,000</b>	<b>10,000</b>		<b>25,500</b>	<b>4,000</b>	<b>30,000</b>		<b>90,500</b>
<b>2</b>	(2,000)		(7,000)					(7,000)		(2,000)
<b>Bal</b>	<b>39,000</b>	<b>17,000</b>	<b>16,000</b>	<b>10,000</b>		<b>25,500</b>	<b>4,000</b>	<b>23,000</b>		<b>88,500</b>
<b>3</b>	13,000					(5,000)		(5,000)	13,000	
<b>Bal</b>	<b>52,000</b>	<b>17,000</b>	<b>16,000</b>	<b>10,000</b>		<b>20,500</b>	<b>4,000</b>	<b>18,000</b>	<b>13,000</b>	<b>88,500</b>
<b>4</b>	(6,000)				6,000	500				500
<b>Bal</b>	<b>46,000</b>	<b>17,000</b>	<b>16,000</b>	<b>10,000</b>	<b>6,000</b>	<b>21,000</b>	<b>4,000</b>	<b>18,000</b>	<b>13,000</b>	<b>89,000</b>
<b>5</b>						(3,000)				(3,000)
<b>Bal</b>	<b>46,000</b>	<b>17,000</b>	<b>16,000</b>	<b>10,000</b>	<b>6,000</b>	<b>18,000</b>	<b>4,000</b>	<b>18,000</b>	<b>13,000</b>	<b>86,000</b>
<b>6</b>	(2,500)		2,100							(400)
<b>Bal</b>	<b>43,500</b>	<b>17,000</b>	<b>18,100</b>	<b>10,000</b>	<b>6,000</b>	<b>18,000</b>	<b>4,000</b>	<b>18,000</b>	<b>13,000</b>	<b>85,600</b>
<b>7</b>	2,500	7,500	(8,000)							2,000
<b>Bal</b>	<b>46,000</b>	<b>24,500</b>	<b>10,100</b>	<b>10,000</b>	<b>6,000</b>	<b>18,000</b>	<b>4,000</b>	<b>18,000</b>	<b>13,000</b>	<b>87,600</b>
<b>Total</b>	<b>Rs. 118,600</b>							<b>Rs. 118,600</b>		

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

*(Marks = 15)*

*Variation Proforma*

<i>S.No</i>	<i>Transactions</i>	<i>Chart of Accounts</i>	<i>Accounting Pillars</i>	<i>Reasons</i>	<i>Debit</i>	<i>Credit</i>
<b>1</b>	Naeem started business with Furniture of worth Rs. 200,000	Furniture	Asset	Increase	200,000	
		Owner Equity	Owner Equity	Increase		200,000
<b>2</b>	Purchased Furniture from Ahmed co. of Rs. 10,000	Furniture	Assets	Increase	10,000	
		A/c Payable	Liability	Increase		10,000
<b>3</b>	Purchased goods of value Rs. 50,000 by Cash	Purchases	Expense	Increase	50,000	
		Cash	Assets	Decrease		50,000
<b>4</b>	Bought Office Equipment on account Rs. 15,000	Office Equipment	Assets	Increase	15,000	
		A/c Payable	Liability	Increase		15,000
<b>5</b>	Withdraw Furniture of Rs. 3,000 for Personal consumption	Drawing	Drawing	Increase	3,000	
		Furniture	Assets	Decrease		3,000
<b>6</b>	Cash paid to Creditors of Rs. 25,000	A/c Payable	Liability	Decrease	25,000	
		Cash	Assets	Decrease		25,000
<b>7</b>	Cash received from Debtors of Rs.15,000	Cash	Assets	Increase	15,000	
		A/c Receivable	Assets	Decrease		15,000
<b>8</b>	Paid Rs. 2,000 for Extension of Building.	Building	Assets	Increase	2,000	
		Cash	Assets	Decrease		2,000