



COMSATS Institute of Information Technology Abbottabad

Department of Management Sciences

First Sessional: Spring 2017

Class: BBA 1
Subject: Accounting I
Total Time Allowed: 80 Minutes
Registration #

Date: 18-04-17
Instructor: *Zaheer Swati*
Max Marks: 40

SECTION-A

Q1. Encircle the most appropriate choice (MCQs).

(Marks: 10)

1. Accrual-basis of accounting?
(a) Result in higher income than Cash-basis of accounting ? (b) Is not acceptable under GAAP
(c) **Leads to the reporting of more complete information than does cash-basis** (d) Non of Above
2. Losses normally have?
(a) Credit balance (b) **Debit balance** (c) Not mentioned (d) a and b
3. What is the cash basis of accounting?
(a) **Revenue and expenses are recognized as cash comes in or goes out**
(b) All assets must be recorded by how much cash they're worth at that very moment
(c) Cash is always the most liquid asset (d) When cash comes in, something else must go out
4. The process of transferring the debit and credit items from a journal to their respective account in the ledger is termed as?
(a) Balancing (b) **Posting** (c) Arithmetic (d) Entry
5. The respective normal account balances of Sales, Sales Returns and Allowances, and Sales Discounts are?
(a) Credit, Credit, Credit (b) Debit, credit, debit
(c) **Credit, Debit, Debit** (d) Credit, Debit, Credit
6. The journal entry to record the withdrawal of cash by the owner, to pay a personal utility bill would include?
(a) Debit to Capital, and a credit to Cash (b) Debit to Utilities Expense and a credit to Cash
(c) **Debit to Drawing and a credit to Cash** (d) Debit to Drawing and a credit to Utilities Expense
7. Which of the following transactions occurs on daily basis in a large business organization?
(a) Purchaser of equipment (b) Payroll (c) **Credit sales** (d) Payment of suppliers
8. The arithmetical accuracy of books of account is verified through?
(a) Journal (b) **Trial Balance** (c) Ledger (d) None of the given options
9. The process of recording the economic effects of business transactions in a book of original entry is known as which of the following?
(a) Double entry system (b) Debit (c) **Journalizing** (d) Posting
10. A service is sold for Rs. 250 on 10 March. The service is carried out in March; it is invoiced on 10 April and paid for on 31 May. When is the transaction recognized under accrual basis?
(a) On 10 March (b) **On 10 April** (c) On 31 March (d) On 31 May

SECTION-B

Q2: Prepare general journal entries for the following transactions of a business for February 2017

03: Sold Goods to Ali on cash Rs. 4,000 with 10% trade discount

06: Received discount Rs. 20 and Commission Rs. 500

(10 Marks)

07: Billed customer for services provided Rs. 3,000

13: Purchased office supplies for Rs. 1,400. Cash paid Rs. 400 and remaining outstanding

28: Furniture lost by fire of worth Rs. 500

Solution:

General Journal

Date		Account Title and Explanations	Ref	Amount (Rs)	
				Debit	Credit
2017					
Feb	03	Cash Sales		3,600	3,600
	06	Cash Discount Commission		520	20 500
	07	Account Receivable Services Revenue		3,000	3,000
	13	Office Supplies Cash Account Payable		1,400	400 1,000
	28	Lost by Fire Furniture		500	500
Total				Rs. 9,020	Rs. 9,020

Q3. Prepare Cash Ledger Account

(10 Marks)

General Journal					
Date		Account Title and Explanations	Ref	Amount (Rs)	
				Debit	Credit
2016					
<i>Aug.</i>	<i>1</i>	Cash Photography Equipment Owner's Equity_ Hashim Khan (Started business with cash and equipments)		57,500 32,500	81,000
	<i>4</i>	Prepaid Insurance Cash (Purchase two year insurance policy)		3,000	3,000
	<i>7</i>	Account Receivable Photographic Services (Revenue earned but not received)		10,000	10,000
	<i>13</i>	Office Supplies Cash Account Payable (Cash and Credit purchases recorded)		1,400	400 1,000
	<i>20</i>	Cash Account Receivable (Account receivables are converted into cash)		2,000	2,000
	<i>24</i>	Cash Unearned Photographic Services (Liability created)		15,000	15,000
	<i>29</i>	Photography Equipment Cash Note Payable (Purchase asset by cash and credit)		100,000	25,000 75,000
Total				Rs. 221,400	Rs. 221,400

Solution:

Account # 1				Cash Account			Page #
Date	Description	Ref	Amount (Rs.)	Date	Description	Ref	Amount (Rs.)
01	Owner Equity		57,500	4	Prepaid Insurance		3,000
20	Account Receivable		2,000	13	Office Supplies		400
24	Unearned...		15,000	29	Photo. Eq.		25,000
					<i>Balance c/d</i>		<i>46,100</i>
Total			74,500	Total			74,500
Sep.	<i>Balance b/d</i>		<i>46,100</i>				

Q4. There are several Mistakes in the Raees (Pvt.) Ltd. Trial Balance. You are requested to identify Errors and make corrected Trial Balance?

S. No	Heads of Accounts	Ref	Amount (Rs.)	
			Debit	Credit
1	Return outward		16,000	
2	Furniture		34,200	
3	Salaries		12,000	
4	Account Payables		28,000	
5	Bank		45,000	
6	Carriage Inward		6,000	
7	Rent Received		3,000	
8	Discount Allowed		2,000	
9	Purchases		100,000	
10	Bill Payable		20,000	
11	Account Receivables			15,000
12	Carriage Outward			5,000
13	Owner Equity			55,200
14	Machinery			18,000
15	Return Inward			3,000
16	Discount Received			4,000
17	Insurance Expenses			6,000
18	Sales			140,000
19	Building			20,000
Total			Rs. 266,200	Rs. 266,200

Solution:

S. No	Heads of Accounts	Ref	Debit	Credit
1	Return outward			16,000
2	Furniture		34,200	
3	Salaries		12,000	
4	Account Payables			28,000
5	Bank		45,000	
6	Carriage Inward		6,000	
7	Rent Received			3,000
8	Discount Allowed		2,000	
9	Purchases		100,000	
10	Bill Payable			20,000
11	Account Receivables		15,000	
12	Carriage Outward		5,000	
13	Owner Equity			55,200
14	Machinery		18,000	
15	Return Inward		3,000	
16	Discount Received			4,000
17	Insurance Expenses		6,000	
18	Sales			140,000
19	Building		20,000	
Total			Rs. 266,200	Rs. 266,200