



COMSATS Institute of Information Technology Abbottabad

Department of Management Sciences

Second Sessional: Spring 2017

Class: BBA 2
Subject: Accounting I
Total Time Allowed: 65 Minutes
Registration #

Date: 30-05-17
Instructor: *Zaheer Swati*
Max Marks: 50

SECTION-A

(Time allowed 15 Minutes)

Q1. Encircle the most appropriate choice (MCQs).

(Marks: 20)

1. Unfavorable balance means?
(a) **Credit balance in the cash book** (b) Credit balance in Bank statement
(c) Debit balance in cash book (d) Debit balance in petty cash book
2. Which of the following entries records the utility bill incurred but not paid from the water company?
(a) Debit Accounts Payable; credit Utilities Payable
(b) **Debit Utilities Expense; credit Accounts Payable**
(c) Debit Accounts Payable; credit Cash
(d) Debit Utilities Payable; credit Accounts Receivable
3. Bank statement also called?
(a) **Pass book** (b) Cash book (c) Credit book (d) Debit book
4. A dishonored check involves?
(a) Insufficient fund in customer account (b) When cross check is presented on counter
(c) If payment is stopped by drawer (d) **All of above**
5. Credit balance as per pass book is?
(a) Unfavorable balance (b) **Favorable balance** (c) Both a & b (d) None
6. If any amount is directly deposited into the bank then?
(a) **Cash book will show less balance & bank book will show more**
(b) Cash book will show more balance & bank book will show less
(c) Cash book will show double balance (d) Bank book will show double balance
7. Which one of these will require adjustment of cash book balance?
(a) Errors in pass book (b) Cheque issued but not presented for payment
(c) Cheque deposited but not cleared (d) **Overcasting bank column of cash book**
8. Which of the following is true?
(a) Bank Reconciliation Statement (BRS) is an account (b) BRS is prepared by the bank
(c) **BRS shows causes of disagreement between cash book & passbook**
(d) BRS shows only excess of cash book over passbook

9. Unfavorable Balance means?
 (a) **Credit balance in cash book** (b) Credit balance in pass book
 (c) Debit balance in cash book (d) All of the given options
10. Unearned revenues are?
 (a) Prepayments (b) **Liabilities** (c) Temporary accounts (d) Both a and b above
11. How does failure to record accrued revenue distort the financial reports?
 (a) It overstates revenue, stockholders' equity, and current liabilities
 (b) It understates net income, stockholders' equity, and current liabilities
 (c) **It understates revenue, net income, and current assets**
 (d) It understates current assets and overstates stockholders' equity
12. Equipment cost Rs. 36,000 and is expected to be useful for 5 years and have no salvage value. Under the straight-line method, monthly depreciation will be?
 (a) **Rs. 600** (b) Rs. 720 (c) Rs. 60 (d) Rs. 12
13. The revenue receipt is shown in income statement as a?
 (a) Expense (b) **Income** (c) Other income (d) Other expense
14. Which of the following is not an adjusting entry?
 (a) Debit unearned revenue; credit revenue (b) Debit insurance expense; credit pre-paid insurance
 (c) **Debit cash; credit unearned revenue** (d) Debit wages expense; credit wages payable
15. When the goods are provided, unearned revenue decreased and a revenue account is?
 (a) **Increased** (b) Decreased (c) Remain same (d) A and C
16. If the allowance method of accounting for uncollectible receivables is used, what general ledger account is credited to write off a customer's account as uncollectible?
 (a) Uncollectible Accounts Expense (b) Interest Expense
 (c) Allowance for Doubtful Accounts (d) **Accounts Receivable**
17. A provision is?
 (a) The recognition of a probable future obligation (b) A fund of money and investments
 (c) **A liability of uncertain timing or amount** (d) None of Above
18. Uncollected checks are also known as?
 (a) Outstanding checks (b) Uncleared checks (c) Outstation checks (d) **Both b & c**
19. Which of the following asset is not depreciated?
 (a) Factory Buildings (b) Office Equipment (c) **Land** (d) Plant & Machinery
20. Recovery of bad debts is treated as?
 (a) **Revenue** (b) Expenses (c) Asset (d) Loss

SECTION-B

(Time allowed 50 Minutes)

Q2: Problem # 10.12: Following information is given to you to prepare Bank Reconciliation Statement as on 31st December, 2011 for Muqadais Zia Mufti

- a) Bank balance on 31st December, 2011, as per Pass Book was Rs. 7,000
- b) Cheques issued amounted to Rs. 1,800 on 25th December, out of which Rs. 1,400 was presented for payment
- c) Bills payable paid by the bank as per standing instruction Rs. 1,000, not recorded in cash book
- d) Cheques of Rs. 2,300 deposited into bank on 24th December, out of which Rs. 1,200 was cleared and credited
- e) Direct deposit into bank by debtors Mr. Muqarrab Ahmed Rs. 300
- f) Commission paid by bank as per instruction was Rs. 900
- g) The bank credited interest of Rs. 500, but not debited in Cash Book

<i>Cash Book</i>				<i>Bank Statement</i>	
(e) Direct deposit	300	(c) Bill payable	1,000	(b) Unpresented	400
(g) Interest credited	500	(f) Commission paid	900	(a) Balance	7,000
				(d) Uncleared	1,100

Muqadais Zia Mufti

Bank Reconciliation Statement

As on December, 2011

Balance as per Bank Statement	(Cr)		7,000
Add:			
(d) Uncleared		1,100	
(c) Bill payable		1,000	
(f) Commission paid		900	3,000
			10,000
Less:			
(b) Unpresented		400	
(e) Direct deposit		300	
(g) Interest credited		500	(1,200)
Balance as per Cash Book	(Dr)		Rs. 8,800

Q3. Prepare Adjusting Entries at December

1. Services were provided to a customer for Rs. 450 in December. The cash was collected in advance on November 1
2. Furniture costing Rs. 3,000 was purchased on Jan 1. The useful life of the furniture is estimated to be 5 years. Pass entry using cost method
3. Prepare the journal entry for XYZ Company to estimates Rs. 17,000 of Bad debt expense for the year by using allowance method for bad debt treatment
4. The amount of supplies available at the end of December was Rs. 500. The amount of Prepaid Supplies at the beginning of the period was Rs. 1,100
5. On September 1, ABC Inc. had paid Rs. 5,400 as rent for a six month period. This had been recorded as prepaid rent
6. Bad Debts during the year were Rs. 1,500. Pass journal entry by using direct write off method for bad debt treatment
7. Wages expenses of Rs.4,000 have been incurred but are not paid as of December 31
8. A one-year property insurance policy had been purchased on March 31. The entire premium of Rs. 2,400 was initially recorded as Unexpired Insurance

Adjusting Entries

Date		Account Title and Explanations	Ref	Amount (Rs)	
				Debit	Credit
<i>Dec</i>	(1)	Unearned Services Services		450	450
	(2)	Depreciation Expense_ Furniture Accumulated Depreciation _ Furniture		600	600
	(3)	Bad Debts Provision for Bad Debts		17,000	17,000
	(4)	Supplies Expense Prepaid Supplies		600	600
	(5)	Rent Expense Prepaid Rent		3,600	3,600
	(6)	Bad Debts Account Receivable		1,500	1,500
	(7)	Wages Expense Wages Payable		4,000	4,000
	(8)	Insurance Expense Unexpired Insurance		1,800	1,800
Total				Rs. 29,550	Rs. 29,550