



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: 10)

1. Credit balance in bank pass book means?
(a) Bank overdraft (b) **Bank balance** (c) Balance as per cash book (d) None
2. 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
3. Which one of the following is an example of unearned income?
(a) Cash paid to supplier (b) Advanced received from bank
(c) **Advanced received from a customer for a purchase order place by him**
(d) Cash discount received from customer
4. The cheque which is issued to creditor but is not presented for payment is called?
(a) Uncredited cheque (b) **Outstanding cheque**
(c) Omitted cheque (d) Dishonored cheque
5. Bank reconciliation is not a?
(a) Reconcile records (b) Memorandum statement
(c) **Ledger account** (d) Procedure to provide cash book adjustments
6. When bank statement shows a debit balance, it means?
(a) Overdraft balance as per cash book (b) **Unfavorable balance as per bank book**
(c) Unfavorable balance as per cash book (d) None of the above
7. An increase in value of a fixed asset is known as?
(a) Depreciation (b) Accumulated Depreciation
(c) **Appreciation** (d) Written Down Value
8. An amount of Rs. 1,000 is debited twice in the bank statement. When overdraft as per the cash book is the starting point?
(a) Rs. 1,000 will be deducted (b) **Rs. 1,000 will be added**
(c) Rs. 2,000 will be deducted (d) Rs. 2,000 will be added
9. The record of such transactions in the book of prime entry is called?
(a) **Adjustments** (b) Trial balance (c) Ledger (d) Income Statement

10. Which of these statements is true about a bank pass book?
- (a) Pass book contains a copy of bank column of the customer's cash book
 (b) Pass book contain a copy of customer's current account in cash book
 (c) Pass book contains a copy of cash column of customer cash book
(d) Pass book is a copy of customer's account in bank books
11. The receipt of Rs. 5,000 of unearned revenue would be recorded by debiting Cash. What account should be credited?
- (a) Cash (b) Revenue (c) **Unearned Revenue** (d) Prepaid Revenue
12. 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) Non of Above
13. What will the effects on financial statements, if machinery is depreciated @ 10%?
- (a) It will be treated as an expense in income statement only
 (b) It will be subtracted from concerned asset only (c) It will be treated as a current asset only
(d) It will be treated as an expense in income statement & subtracted from concerned assets in Balance Sheet
14. Recovery of bad debts is treated as?
- (a) **Revenue** (b) Expenses (c) Asset (d) Loss
15. 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
16. Accrued expenses affects the?
- (a) Assets and expenses (b) Liabilities and revenues (c) Assets and revenues (d) **Expenses and liabilities**
17. How does failure to record accrued revenue distort the financial reports?
- (a) **It understates revenue, net income, and current assets**
 (b) It understates net income, stockholders' equity, and current liabilities
 (c) It overstates revenue, stockholders' equity, and current liabilities
 (d) It understates current assets and overstates stockholders' equity
18. Unearned revenues are?
- (a) Prepayments (b) **Liabilities** (c) Temporary accounts (d) Both a and b above
19. 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
20. Bad debts written off (given in adjustment) always affect the?
- (a) Cash account (b) Creditors account (c) **Debtors account** (d) Capital account

SECTION-B

(Time allowed 50 Minutes)

Q2: The Abdul Rafay and Co. as on December 31st, 2008 indicated the balance in Bank Statement of Rs. 20,500. Comparison of the bank statement with the company records revealed the following:

- I.** Outstanding check totaled Rs. 9,900
- II.** Bank services charges for the month of December amounted to Rs. 220
- III.** A check for Rs. 1,720 issued to Amna Aziz & Co. for purchase of Office Equipment was not encashed
- IV.** A check of Rs. 1,500 was uncollected and uncredited
- V.** Dividend collected by bank Rs. 2,500 but not entered in cash book
- VI.** A customer's cheque of Rs. 1,000 had been dishonored
- VII.** A check for Rs. 2,000 was issued by the company for purchase of merchandise and was paid by the bank but not recorded in company's book

<i>Cash Book</i>		<i>Bank Statement</i>	
(v) Dividend collected 2,500	(ii) Bank charges 220	(i) Outstanding 9,900	Balance 20,500
	(vi) Dishonored 1,000	(iii) Not encashed 1,720	(iv) Uncollected 1,500
	(vii) Not recorded 2,000		

Abdul Rafay and Co.

Bank Reconciliation Statement

As on December, 2008

Balance As per Bank Statement	(Cr)	Rs. 20,500
Add:		
(iv) Uncollected	1,500	
(ii) Bank charges	220	
(vi) Dishonored check	1,000	
(vii) Not recorded	2,000	4,720
		25,220
Less:		
(v) Dividend collected	2,500	
(ii) Outstanding	9,900	
(iii) Not encashed	1,720	(14,120)
Balance as per Cash Book	(Dr)	Rs. 11,100

Q3. Prepare Adjusting Entries at December

1. The amount of unused supplies available at the end of December was Rs. 400. The amount of supplies at the beginning of the period was Rs. 260. Rs. 350 of supplies were purchased during the year
2. At year end, unrecorded interest receivable from the Government bonds is Rs. 1,700. Prepare the adjusting entry
3. A computer was purchased on January 1, for Rs. 2,400. The useful life of the computer is 4 years. Record depreciation by WDM
4. Services were provided to a customer for Rs. 550. The cash was collected in advance on December 1.
5. Wages are paid every Saturday for a five day work week (Mon – Fri; two days are unpaid and free). Wages are Rs. 2,000 per week. Prepare the adjusting entry on June 30, assuming July 1 falls on a Thursday
6. Wages of Rs. 650 for December will be paid in January
7. Prepare the journal entry for Company to estimates Rs. 14,000 of Bad debt expense for the year by using allowance method for bad debt treatment
8. Unrecorded Income Taxes Expense accrued in December amounts to Rs. 1,700.

Adjusting Entries

Date		Account Title and Explanations	Ref	Amount (Rs)	
				Debit	Credit
<i>Dec</i>	(1)	Supplies Expense		210	
		Supplies			210
	(2)	Interest Receivable		1,700	
		Interest Revenue			1,700
	(3)	Depreciation Expense_ Computer		600	
		Computer			600
	(4)	Unearned Revenue		550	
		Revenue			550
(5)	Wages Expense		650		
	Wages Payable			650	
(6)	Wages Expense		650		
	Wages Outstanding			650	
(7)	Bad Debts		14,000		
	Provision for Bad Debts			14,000	
(8)	Income Tax Expense		1,700		
	Income Tax Payable			1,700	
Total				Rs. 19,410	Rs. 19,410