

FINAL TERM EXAMINATION

Fall 2008

MGT101- Financial Accounting (Session - 3)

Question No: 1 (Marks: 1) - Please choose one

Debenture is also named as:

- ▶ Share
- ▶ **Bond**
- ▶ **Equity**
- ▶ Reserve

Question No: 2 (Marks: 1) - Please choose one

What types of changes (is) are made at the admission of partner in partnership?

- ▶ Assets of old business will be revalued
- ▶ Liabilities of old business will be revalued
- ▶ Good will of business will be revalued
- ▶ **All of the given options**

Question No: 3 (Marks: 1) - Please choose one

The balance sheet reported a beginning balance of Rs. 20,000 in Accounts Receivable and an ending balance of Rs. 15,000. Credit Sales of Rs. 200,000 were made during the year. Using this information, compute cash collected from customers.

- ▶ Rs. 215,000
- ▶ **Rs. 195,000**
- ▶ Rs. 200,000
- ▶ **Rs. 205,000**

Question No: 4 (Marks: 1) - Please choose one

In cash flow statements, which of the following would appear as an inflow of cash?

- ▶ The repayments of a bank loan
- ▶ **Dividend issue in the current year**
- ▶ **Money received as result of selling fixed assets**
- ▶ The difference between the valuations of old and new fixed assets

Question No: 5 (Marks: 1) - Please choose one

Which of the following is **NOT** a cash inflow?

- ▶ **Purchase of fixed asset**
- ▶ Sale of fixed asset
- ▶ Issue of debentures
- ▶ Cash from business operation

Question No: 6 (Marks: 1) - Please choose one

What are the effects on financial statements, if Rs. 6,000 transfer to general reserve is given in adjustment?

- ▶ It will be treated in Income Statement only
- ▶ It will be treated as current liability in balance sheet only
- ▶ It will be treated in profit and loss appropriation account only
- ▶ **it will be treated in both profit and loss appropriation account and in the balance sheet**

Question No: 7 (Marks: 1) - Please choose one

Which of the following is the most important document of the company?

- ▶ **Memorandum of Association**
- ▶ Articles of Association
- ▶ Prospectus
- ▶ **Annual Report**

Question No: 8 (Marks: 1) - Please choose one

Which of the following document(s) define the relation of company with outside world?

- ▶ Memorandum of Association
- ▶ **Articles of Association**
- ▶ Prospectus
- ▶ **Statutory Declaration**

Question No: 9 (Marks: 1) - Please choose one

The income statement of the Limited company is also known as:

- ▶ Manufacturing account
- ▶ **Profit and Loss account**
- ▶ Profit and Loss Appropriation account
- ▶ Current Account

Question No: 10 (Marks: 1) - Please choose one

In which of the following auditor's remuneration payable is shown?

- ▶ In balance sheet under the head of current liabilities only
- ▶ In balance sheet under the head of current assets only
- ▶ In income statement under the administrative expense only
- ▶ **In both balance sheet under the head of current liabilities and income statement under the administrative expense**

Question No: 11 (Marks: 1) - Please choose one

The charter of a company which defines the limitations and powers of the company is called:

- ▶ The memorandum of association
- ▶ **Articles of association**
- ▶ Statutory report
- ▶ Certificate of commencement

Question No: 12 (Marks: 1) - Please choose one

Which of the following represents the partnership agreement in writing?

- ▶ Partnership registration
- ▶ **Partnership-at-will**
- ▶ **Partnership deed**
- ▶ Partnership certification

Question No: 13 (Marks: 1) - Please choose one

Which of the following represents the relationship between persons who have agreed to share the profit of business carried on by all or any of them acting for all?

- ▶ Sole-ownership
- ▶ Private limited company
- ▶ Public limited company
- ▶ **Partnership**

Question No: 14 (Marks: 1) - Please choose one

Which of the following statement is **TRUE** about the Accounts receivable?

- ▶ **Accounts receivable arises when a company buys goods or services from another party on credit**
- ▶ Accounts receivable is a miscellaneous category that may include loans to employees
- ▶ Accounts receivable are more formal than notes receivable
- ▶ **Accounts receivable are often called trade receivables**

Question No: 15 (Marks: 1) - Please choose one

Which one of the following is **TRUE** about provisions?

- ▶ It is necessary to prepare for showing true picture of balance sheet
- ▶ It is a reduction from assets
- ▶ It is prepared for specific purposes
- ▶ **All of the given options**

Question No: 16 (Marks: 1) - Please choose one

Which financial statement show what a business owes at a particular point in time?

- ▶ A cash flow statement
- ▶ The bank statement for the business

- ▶ A balance sheet
- ▶ A statement of retained earnings

Question No: 17 (Marks: 1) - Please choose one

Which of the following is an example of operating expense?

- ▶ Purchasing operating equipment
- ▶ Purchasing cleaning services
- ▶ Purchasing an investment in another company
- ▶ Purchasing a computer for the accounting office

Question No: 18 (Marks: 1) - Please choose one

Short-term investments include all of the following **EXCEPT**:

- ▶ A bond receivable intended to be sold within one year
- ▶ Frequently traded securities
- ▶ A stock investment in the General Electric Company intended to be sold within one year
- ▶ A shares investment in the Coca-Cola Company intended to be held for several years

Question No: 19 (Marks: 1) - Please choose one

The figure of cash received from debtors can be located either from cash book or:

- ▶ Debtor's Control Account
- ▶ Balance Sheet
- ▶ Profit & Loss Account
- ▶ Bills Payable Account

Question No: 20 (Marks: 1) - Please choose one

Following information are extracted from books of Mr. XYZ

Particulars	Rs.
Closing value of stock	40,000
Write off Bad debts (given in adjustments)	2,400
Sundry Debtors (given in trial balance)	33,200
Provision is created on Debtors at 10%	

Identify the Total amount deducted from Sundry debtors.

- ▶ Rs. 460
- ▶ Rs. 2,400
- ▶ Rs. 3,080
- ▶ Rs. 5,480

Question No: 21 (Marks: 1) - Please choose one

Consider the following data and identify the amount which will be deducted from Sundry Debtors in Balance Sheet.

Particulars	Rs.
Bad debts (from trial balance)	1,600
Provision for doubtful debts (old)	2,000
Current year's provision (new)	1,000

- ▶ Rs. 600
- ▶ **Rs. 1,000**
- ▶ Rs. 2,000
- ▶ **Rs. 2,600**

Question No: 22 (Marks: 1) - Please choose one

Which of the following entry will be recorded, if a cheque deposited is dishonored by bank?

- ▶ Bank Account (Dr.) and Debtor's Account (Cr.)
- ▶ **Debtor's Account (Dr.) and Bank Account (Cr.)**
- ▶ **Dishonored Cheque Account (Dr.) and Bank Account (Cr.)**
- ▶ Creditor's Account (Dr.) and Bank Account (Cr.)

Question No: 23 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of an amount Rs.200 received from Mr."P" wrongly credited to Mr."Q's" account?

- ▶ **Both of Mr. P's & Mr.Q's Account**
- ▶ Only Cash Account
- ▶ Only P's account
- ▶ Only Q's account

Question No: 24 (Marks: 1) - Please choose one

Which of the following account(s) will be affected, while rectifying the error of sales Rs.100 to Mr. "A" recorded in the purchases book?

- ▶ Sales account
- ▶ Purchase account
- ▶ A's account and Sales account
- ▶ **Sales account, purchase account and A's account**

Question No: 25 (Marks: 1) - Please choose one

"Goods sold to Mr. Salman for Rs. 6,000 have been forgotten to enter in books of accounts", is an example of:

- ▶ Error of principle
- ▶ **Error of omission**
- ▶ Error of commission
- ▶ Error of original entry

Question No: 26 (Marks: 1) - Please choose one

Transaction that has been completely forgotten to enter is called:

- ▶ Error of principle
- ▶ **Error of omission**
- ▶ Error of commission
- ▶ Error of original entry

Question No: 27 (Marks: 1) - Please choose one

Which of the following is (are) included in Creditors Control Account?

- ▶ Discount received from supplier
- ▶ Credit purchases
- ▶ Bills payable
- ▶ **All of the given options**

Question No: 28 (Marks: 1) - Please choose one

Which of the following is **NOT** included in Debtors Control Account?

- ▶ **Cash sales**
- ▶ Credit sales
- ▶ Bills receivable
- ▶ Discount allowed

Question No: 29 (Marks: 1) - Please choose one

Which of the following subsidiary book(s) is (are) maintained for debtors control account?

- ▶ Sales Day Book
- ▶ Sales Return
- ▶ **Debtors Ledger**
- ▶ All of the given options

Question No: 30 (Marks: 1) - Please choose one

Which of the following is **NOT** based on the concept of double entry book keeping system?

Question is wrong...

- ▶ Subsidiary Ledgers
- ▶ Creditors Control Accounts

- ▶ Debtors Control Accounts
- ▶ **All of the given options**

Question No: 31 (Marks: 1) - Please choose one

Which of the following entry will be recorded when the Bad Debts are recovered?

- ▶ Cash account (Dr.) & Bad Debts recovered account (Cr.)
- ▶ **Accounts Receivable account (Dr.) & Bad Debts recovered account (Cr.)**
- ▶ Bad debts recovered account (Dr.) and Profit & Loss account (Cr.)
- ▶ Provision for doubtful debts account (Dr.) & Cash account (Cr.)

Question No: 32 (Marks: 1) - Please choose one

In which of the following condition(s) **DEBT** is regarded as **BAD**.

- ▶ Bankruptcy of the debtor
- ▶ Disappearance of debtor's business
- ▶ Failure of repeated attempt to collect the debt
- ▶ **All of the given options**

Question No: 33 (Marks: 1) - Please choose one

Which of the following is **CORRECT** for Doubtful Debt?

- ▶ It is shown in balance sheet
- ▶ It is a definite loss to the business
- ▶ **It is not shown in balance sheet**
- ▶ **No provision is necessary for it**

Question No: 34 (Marks: 1) - Please choose one

The following balance and discrepancies were found on 31 March 2008:

Particulars	Rs.
Cash book balance (Dr)	5 000
Unpresented cheques	1 000
Uncredited cheques	500

The Bank Statement balance on 31 March 2008 should be:

- ▶ Rs. 5 500 (Dr)
- ▶ **Rs. 5 500 (Cr)**
- ▶ **Rs. 4 500 (Dr)**
- ▶ Rs. 4 500 (Cr)

Question No: 35 (Marks: 1) - Please choose one

A Bank Reconciliation Statement is prepared to:

► Ascertain that the difference between the Cash Book balance and the Bank Statement balance has been accounted for

► **Correct errors in the Cash Book or errors in the Bank Statement**

- Amend the balance of the Bank Statement of the firm
- Amend the balance in the Cash Book of the firm

Question No: 36 (Marks: 1) - Please choose one

Which of the following is **CORRECT** regarding depreciation?

► **It is a systematic allocation of depreciable amount of an asset over its estimated useful life**

- It refers to the end life of an asset
- It refers to the increase in value of asset
- It is another name of Impairment

Question No: 37 (Marks: 1) - Please choose one

Find out the missing value of an Accounting Equation with the help of given data:

Cash	Rs.1, 00, 000
Debtors	Rs.10, 000
Other Assets	Rs. 1,000
Owner's equity	Rs. 1, 000

- Rs. 12,000 liabilities
- Rs. 11,000 liabilities
- **Rs. 1, 10,000 liabilities**
- Rs. 1, 11,000 liabilities

Question No: 38 (Marks: 1) - Please choose one

Which of the following essentials will be shown in the format of Cash Book?

- (1) Ledger code
- (2) Amount of Receipt
- (3) Amount of payment

- (1) only
- (1) & (2) only
- (1) & (3) only
- **(1), (2) & (3)**

Question No: 39 (Marks: 1) - Please choose one

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

- ▶ Rs.260
- ▶ Rs.232
- ▶ Rs.284
- ▶ **Rs.320**

Question No: 40 (Marks: 1) - Please choose one

In cost of goods sold statement, the 'cost of material consumed' is equal to:

- ▶ **Opening raw material inventory + Purchases – Ending raw material inventory**
- ▶ Opening raw material inventory - Purchases + Ending raw material inventory
- ▶ Ending raw material inventory + Opening raw material inventory - Purchases
- ▶ Ending raw material inventory + Opening raw material inventory + Purchases

Question No: 41 (Marks: 1) - Please choose one

Following are the inventories of Manufacturing Concern **EXCEPT**:

- ▶ Raw material
- ▶ Work in process
- ▶ Finished goods
- ▶ **Merchandise inventory**

Question No: 42 (Marks: 1) - Please choose one

Which of the following is an alternate term which can be used for "Capital"?

- ▶ Liability
- ▶ **Owner's net worth**
- ▶ Working capital
- ▶ Asset

Question No: 43 (Marks: 1) - Please choose one

In which of the following condition a company will have positive working capital?

- ▶ If current assets > current liabilities
- ▶ If current Assets < current Liabilities
- ▶ If current assets = current liabilities
- ▶ If current assets \leq current liabilities

Question No: 44 (Marks: 1) - Please choose one

If salaries expense is Rs. 2,500, purchases are Rs. 16,000 and rent (office building) is Rs. 300 during the year, what would be the total of "general & administrative expenses"?

- ▶ Rs. 300
- ▶ Rs. 2,500
- ▶ Rs. 2,800
- ▶ Rs.18, 800

Question No: 45 (Marks: 1) - Please choose one

The amount brought by the proprietor in the business should be credited to:

- ▶ Cash account
- ▶ Capital account
- ▶ Drawings account
- ▶ Proprietor account

Question No: 46 (Marks: 1) - Please choose one

An asset on the balance sheet which is expected to be sold or used within one year is known as:

- ▶ Tangible asset
- ▶ Current asset
- ▶ Fixed asset
- ▶ Long term asset

Question No: 47 (Marks: 1) - Please choose one

Which one of the following is a type of General Ledger?

- ▶ Book of original entry
- ▶ 'T' Account
- ▶ Source document
- ▶ Day book

Question No: 48 (Marks: 1) - Please choose one

According to the double entry system of book keeping, the investment of Rs.10, 000 in the business made by the owner will effect:

► **Cash & Capital Account**

- Cash & Expense Account
- Capital & Revenue Account
- Capital & Expense Account

Question No: 49 (Marks: 1) - Please choose one

Mr.” A” sold goods for Rs. 3, 00,000 to Mr. “B”, Rs. 3, 00,000 will be treated as _____ for business.

► **Revenue**

- Net profit
- Gross profit
- Operating profit

Question No: 50 (Marks: 1) - Please choose one

when income exceeds expenses in a specific time period is known as:

► Savings

► **Net profit**

- Gross profit
- Operating profit

Question No: 51 (Marks: 5)

Financial year decided by partnership agreement is 1st July to 30th June. Mr. Ali is partner and having a capital of Rs. 1,500,000 on July 1st 2007 and he introduced more capital on August 1st 2007 Rs. 10,000 on April 1st 2008, Rs.500,000 and on June 1st 2008 , Rs. 5,000. Mark up rate is 10% p.a.

Solution:

Capital = 1500000 x 12/12 x 10/100	mark up= 150000
2 nd capital= 10000 x 11/12 x 10/100	markup= 916.67
3 rd capital= 500000 x 3/12 x 10/100	markup= 12500
4 th capital= 5000 x 1/12 x 10/100	markup= 41.67

Total markup= Rs. 163458.34

Question No: 52 (Marks: 10)

Write a note on legal documents required for the formation of company.

In Pakistan when someone wants to form a company. He will contact with SECP, its abbreviation for Securities and Exchange Commission of Pakistan. it came in 1984 in law of Pakistan which is called companies ordinance. It controls all affairs of limited

companies. For making of private limited company 2 members can submit their names in memorandum and articles of association along with other requirements of company ordinance 1984. while for public limited company seven members will sent their names. By this way they can apply and make registration of the company.

Question No: 53 (Marks: 10)

What is the difference between public and private company?

The main difference between public and private company is that in public limited companies there is no restriction on number of persons to be its members. There is one restriction. That there should be a minimum of three members to form a public limited company. Public limited company can offer its shares to general public.

While in private company two to fifty persons can form a company. Minimum two members are elected to form a board of directors. This board is given the responsibility to run day to day business of the company. Private limited company cannot offer its share to general public.

Question No: 54 (Marks: 10)

The following discrepancies were noted on comparing Cash Book with Pass Book.

1. Balance as per Cash Book (Cr) is Rs. 19,000.
2. Cheque for Rs. 5,000 paid into the bank for collection on 20th March, 2008 has not yet been collected.
3. Cheques for Rs. 15,000 Issued on 24th March, 2008, out of which Cheques for Rs. 10,000 presented during March, 2008
4. An amount of Rs. 1,000 for interest on overdraft was debited in the Pass Book but was intimated to Mr. David on 4th April, 2008.
5. Mr. David paid into his bank account an amount of Rs. 3,000 but it was wrongly credited to Mr. Denial's Account.
6. On 20th March, 2008 the bank received dividend of Rs. 10,000 from a company where Mr. David's has invested his money, the same had been recorded in Cash Book on 31st March, 2008.
7. Cheque of Rs. 2,500 was shown in Pass Book as dishonored.

Required: Prepare a Bank Reconciliation Statement as on 31st March, 2008

Mr. David		
Bank reconciliation statement as on 31 st march 2008		
1. Balance as per Cash Book (Cr)		19000
Add:		
Cheques paid into bank but not collected	5000	
Wrongly credited to Mr. Denial's Account.	3000	
Cheques dishonored	2500	

Interest on overdraft	1000	11500
Less:		
Unpresented cheques		(5000)
Balance as per Pass book (Dr)		25500