Q.1. Choose the correct answer and encircle it. (20 x 1) = 20

1. IASC was established in 1973 at:
   (a) London  (b) New York  (c) Paris  (d) Islamabad

2. If applied factory overhead is greater than the actual factory overhead it is called as:
   (a) Under applied F.O.H  (b) Over-applied FOH  (c) Actual FOH  (d) None of these

3. Interest received is:
   (a) Gross Income  (b) Net Income  (c) Other Income  (d) Operating income

4. Freight in is:
   (a) Direct labour  (b) Direct expenses  (c) Factory overhead  (d) Indirect expenses

5. When material is issued, it is recorded in:
   (a) Receipts section  (b) Issued section  (c) Balance section  (d) Sales section

6. Receipt and Payment Account Shows:
   (a) Income & Expenses  (b) Cash Received and Paid  (c) Assets & Liabilities  (d) Capital and Profit

7. If debit side of receipt and payment account exceeds credit, it represents:
   (a) Cash at bank  (b) Bank overdraft  (c) Deficit balance  (d) Surplus balance

8. Non-trading institutions prepare:
   (a) Trading account  (b) Profit and loss account  (c) Income and expenditure account  (d) Income statement

9. A partner who invest in the business but does not take active part is:
   (a) Secret partner  (b) Sleeping partner  (c) Active partner  (d) Nominal Partner

10. An intangible asset regarding the reputation of a business is known as:
    (a) Trade mark rights  (b) Patent rights  (c) Goodwill  (d) Bonus
11. Revaluation account is a:
   (a) Real account  (b) Personal account
   (c) Cash account  (d) Nominal account

12. Sacrificing ratio is calculated by the formula:
   (a) Capital ratio-Old ratio  (b) New ratio-Old ratio
   (c) Old ratio-New ratio  (d) Gaining ratio-Profit ratio

13. Loss on Realization is divided among the partners:
   (a) In Capital Ratio  (b) In Profit Sharing Ratio
   (c) In Equal Ratio  (d) None of these

14. A corporation is managed by:-
   (a) Owners  (b) Promoters
   (c) Directors  (d) Managers

15. The shares of public limited company are:
   (a) Not refundable  (b) Not transferable
   (c) Transferable  (d) Transferable with the permission of registrar

16. Shares discount is shown in the Balance Sheet as an:
   (a) Assets
   (b) Deduction from paid up capital
   (c) Separate item on liability side
   (d) None of above

17. Statement of retained earning is also known as:
   (a) Profit loss appropriation account  (b) Statement of affairs
   (c) Income statement  (d) None of these

18. If depreciation is not charged, the profit is:
   (a) Overstated  (b) Understated
   (c) No effect  (d) None of these

19. Under the straight line method of providing depreciation it:
   (a) Increases every year  (b) Decreases every year
   (c) Remains constant every year  (d) None of these

20. Depreciation is necessary to calculate:
   (a) Net profit  (b) Net financial position
   (c) Tax  (d) None of these
Q.2. Write the short answer to any Twenty Five (25) from the following questions:-(25x2=50)

(1) Give four advantages of IAS.
(2) Briefly describe IAS-7.
(3) Prime Cost.
(4) Conversion Cost.
(5) Fictitious Assets.
(6) What is meant by Cost of Goods Sold?
(7) What is meant by Applied FOH?
(8) What is meant by Operative Expenses?
(9) What is meant by LIFO Method?
(10) What is meant by Purchase Requisition?
(11) Legacies.
(12) NGO.
(13) Give three examples of non trading concerns.
(14) What is meant by Deficit of the year?
(15) What is meant by subscriptions in arrears?
(16) What is meant by accrued incomes?
(17) Active Partner.
(18) Give three disadvantages of partnership?
(19) What is meant by Secret Partner?
(20) Why a minor can not become full fledged partner?
(21) What is meant by profit on revaluation?
(22) Name three methods for the valuation of goodwill?
(23) How the ratio of sacrifice is calculated?
(24) What is meant by all the partners insolvent?
(25) What was the decision of Garner vs Murray case?
(26) When the liabilities are not transferred to realization account?
(27) What do you know about preliminary expenses?
(28) Define Prospectus.
(29) What is Purchas Consideration?
(30) Define Bonus Share.
(31) Retained Earnings.
(32) Dividend.
(33) Scrap Value.
(34) Diminishing Balance Method.
(35) Straight Line Method.
(36) Write down four methods of depreciation.
(37) What is meant by wear and tear of asset?
Section-II

Long Questions

Note:- Attempt any three (3) questions. (3x10 = 30)

**Q.3.** At the end of 2010, Brothers Manufacturing Company has the following balances:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material Inventory (01-01-2010)</td>
<td>45,000</td>
</tr>
<tr>
<td>Work in Process Opening Inv.</td>
<td>70,000</td>
</tr>
<tr>
<td>Finish Goods Opening Inv.</td>
<td>63,000</td>
</tr>
<tr>
<td>Fuel Opening Inventory</td>
<td>4,000</td>
</tr>
<tr>
<td>Fuel Purchases</td>
<td>3,000</td>
</tr>
<tr>
<td>Superintendence</td>
<td>4,000</td>
</tr>
<tr>
<td>Rent of Factory</td>
<td>5,500</td>
</tr>
<tr>
<td>Tool Expenses</td>
<td>200</td>
</tr>
<tr>
<td>Indirect Labour</td>
<td>1,200</td>
</tr>
<tr>
<td>Freight-in</td>
<td>2,000</td>
</tr>
<tr>
<td>Direct Labour</td>
<td>50,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material Inv (31-12-2010)</td>
<td>55,000</td>
</tr>
<tr>
<td>Work in Process End. Inv.</td>
<td>50,000</td>
</tr>
<tr>
<td>Finish Goods End. Inv.</td>
<td>60,000</td>
</tr>
<tr>
<td>Fuel Ending Inventory</td>
<td>2,000</td>
</tr>
<tr>
<td>Purchase of Material</td>
<td>90,000</td>
</tr>
<tr>
<td>Repair to Machinery</td>
<td>500</td>
</tr>
<tr>
<td>Factory Insurance</td>
<td>700</td>
</tr>
<tr>
<td>Depreciation Machinery</td>
<td>2,000</td>
</tr>
<tr>
<td>Power, heat and light</td>
<td>3,000</td>
</tr>
<tr>
<td>Purchases Return</td>
<td>4,000</td>
</tr>
</tbody>
</table>

Factory Overhead applied at 85% of Direct Labour.

**REQUIRED:** Prepare Cost of Goods Sold Statement.

**Q.4.** Following is the summary of cash transactions of Faisalabad Hockey Club for the year ended on 31st December 2011.

<table>
<thead>
<tr>
<th>Receipts</th>
<th>Amount (Rs.)</th>
<th>Payments</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance of Cash</td>
<td>5,070</td>
<td>Salaries</td>
<td>3,800</td>
</tr>
<tr>
<td>Admission Fee</td>
<td>1,280</td>
<td>Furniture Purchased</td>
<td>8,400</td>
</tr>
<tr>
<td>Ground rent</td>
<td>2,340</td>
<td>Refreshment</td>
<td>1,200</td>
</tr>
<tr>
<td>Municipal grant</td>
<td>5,200</td>
<td>Repairs</td>
<td>1,900</td>
</tr>
<tr>
<td>Annual subscription</td>
<td>9,500</td>
<td>Special match expenses</td>
<td>2,100</td>
</tr>
<tr>
<td>Miscellaneous receipts</td>
<td>4,200</td>
<td>Purchase of sports material</td>
<td>7,250</td>
</tr>
<tr>
<td>Loan from bank</td>
<td>10,000</td>
<td>Sport fee paid</td>
<td>1,400</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Balance of Cash</td>
<td>11,540</td>
</tr>
<tr>
<td></td>
<td><strong>37,590</strong></td>
<td></td>
<td><strong>37,590</strong></td>
</tr>
</tbody>
</table>

The club owned building Rs.90,000 and furniture Rs.8,400 as on 1st January 2011.

**Required:** Prepare income and expenditure account and balance sheet as on 31st December 2011.
Q.5. A.B and C are partners sharing profit and loss equally. Their Balance Sheet stood as follows on 31st December, 2011.

<table>
<thead>
<tr>
<th>Assets</th>
<th>Amount</th>
<th>Liabilities</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in hand</td>
<td>800</td>
<td>Accounts payable</td>
<td>5,000</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>35,000</td>
<td>Reserve Fund</td>
<td>6,000</td>
</tr>
<tr>
<td>Merchandise inventory</td>
<td>5,200</td>
<td>Capital Account</td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td>20,000</td>
<td>A. 50,000</td>
<td></td>
</tr>
<tr>
<td>Land and Building</td>
<td>1,00,000</td>
<td>B. 50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>C. 50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,61,000</td>
<td></td>
<td>1,61,000</td>
</tr>
</tbody>
</table>

They admitted D into partnership on 1st January 2011 on the following terms:

  i) D is to pay Rs.52,500 as his capital.
  ii) Merchandise inventory is valued at Rs.5,000
  iii) Furniture is to be depreciated at 10%
  iv) Land and Building is valued at Rs.1,18,700.

Required: Pass the necessary journal entries and prepare balance sheet of the new firm.

Q.6. Zahid Limited with an authorized Capital of Rs.2,00,000 divided into 4,000 shares of Rs.50 each has taken necessary steps to issue 3,000 shares at discount of 10%, out of these 500 shares were issued to directors on 25th March 2012 and 2,500 to the general public. Applications were received for 2,000 shares on 1st April, 2012. The directors allotted these shares on 10th April, 2012.

Required: Record the Journal entries and prepare the balance sheet.

Q.7. A merchant purchased a machine worth Rs.17,000. The estimated life of the machine is 5 years. During these five years, the working hours of the machine was as under:

1st year 1,800 hours  2nd year 1,200 hours  3rd year 2,000 hours
4th year 1,400 hours and  5th year 1,600 hours

The scrap value of the machine is Rs.2,000.
You are required to calculate the yearly depreciation charges and prepare a Comparative Schedule of Depreciation Expenses using the following methods:

  1. Straight Line method.
  2. Double Declining Balance method.
  4. Unit of Production method.

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