

O-Level Accounting

Paper 1

Unsolved Topical

Past Papers With Marking Scheme
According to New Syllabus (2023-2025)

2020-2023

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the publisher.

Title	O-LEVEL Accounting Paper 1
Published by	MS Books (042-35774780)
Legal Advisor	Ashir Najeeb Khan (Advocate) AKBAR LAW CHAMBERS 39-40, 1 st Floor, Sadiq Plaza, The Mall, Lahore. 0307-4299886, 042-36314839
For Complaints/Order	MS Books 83-B Ghalib Market Gulberg III Lahore info@msbooks.pk (042-35774780), (03334504507), (03334548651)
Price	Rs.

PREFACE

Excellence in learning cannot be claimed without application of concepts in a dexterous way. In this regard one of the logical approach is to start in chunks; like chapter wise learning and applying the concept on exam based questions.

This booklet provides an opportunity to candidates to practice topic wise questions from previous years to the latest. Extensive working of Team MS Books has tried to take this booklet to perfection by collaborating with top of the line teachers.

We have added answer key / marks scheme at the end of each topic for the candidate to compare the his/her answer to the best.

MS Books strives to maintain actual spacing between consecutive questions and within options as per CAIE format which gives students a more realistic feel of attempting question.

Review, feedback and contribution in this booklet by various competent teachers of a subject belonging to renowned school chains make it most valuable resource and tool for both teachers and students.

With all belief in strength of this resource material I can confidently claim that it is worth in achieving brilliance.

Our sincere thanks and gratification to **Mr. Khurram Maqbool** who took out special time to help compile and manage this booklet. We would also like to appreciate Accounting faculty for reviewing and indorsing it.

REVIEWED & RECOMMENDED BY

Khurram Maqbool

LGS, SICAS

0321-9412044

CONTENT TABLE

Sr. #	Topic Name	Pg. #
1.	Accounting Basics	7
2.	Books of Original Entries	17
3.	Capital and Revenue Expenditure	32
4.	Bad Debts and Pro Vision for Doubtful Debts	35
5.	Depreciation of Non Current Assets	42
6.	Sole Trader and Adjustments	52
7.	Bank Reconciliation Statement	67
8.	Control Accounts	71
9.	Errors and Suspense Accounts	78
10.	Accounting Ratios	92
11.	Single Entry and Incomplete Records	108
12.	Non Profit Organisation	117
13.	Manufacturing Accounts	124
14.	Partnership	130
15.	Company Accounts	138
17.	Inventory Valuation	148
18.	Accounting Concepts	153

Accounting Basics

Q1/01/SP/20

- 1 What is the purpose of book-keeping?
- A to interpret the double entry records
 - B to prepare financial statements at regular intervals
 - C to record all the financial transactions of the business
 - D to summarise the financial position of the business

Q2/01/SP/20

- 2 What are assets?
- A items that are bought for long-term use by a business
 - B items that are expected to be turned into cash in the near future
 - C items that are owned by or owed **by** a business
 - D items that are owned by or owed **to** a business

Q3/01/SP/20

- 3 Sami returns goods bought on credit from Javed.
How does Javed record this in his books?

	account debited	account credited
A	purchases returns	Sami
B	sales returns	Sami
C	Sami	purchases returns
D	Sami	sales returns

Q1/11/M/J/20

- 4 Which statement is correct?
- A Accounting involves measuring profits and losses.
 - B Accounting is the recording of financial transactions.
 - C Book-keeping involves communicating financial data.
 - D Book-keeping requires the use of ratio analysis.

MS BOOKS.PK

Q2/11/M/J/20

- 5 The balances remaining on the books of a business after the preparation of the income statement included the following.

	\$
loan from XY Finance	10 000
wages due	620
rent prepaid	240
trade receivables	3 300
trade payables	4 650
motor vehicles	8 000
provision for depreciation of motor vehicles	2 000

What was the total of the liabilities?

- A \$13 920 B \$14 890 C \$15 270 D \$17 270

Q10/11/M/J/20

- 6 Why is a trial balance prepared?

- A to analyse the financial information C to control the costs of the business
 B to assist preparation of financial statements D to evaluate the performance of the business

Q32/11/M/J/20

- 7 Which user of accounting statements is interested in past performance and taking remedial action where necessary?

- A government B investors C managers D suppliers

Q1/12/M/J/20

- 8 Which are examples of book-keeping?

- 1 entering details of a cheque received from a customer in a cash book
- 2 entering details of goods purchased on credit in a purchases journal
- 3 producing an income statement to calculate the profit for the year
- 4 recording details of credit sales in the account of a credit customer

- A 1, 2 and 3 B 1, 2 and 4 C 1 and 2 only D 3 and 4

MS BOOKS.PK

Q3/12/M/J/20

- 9 A trader bought new fixtures. He paid half of the purchase price in cash and agreed to pay the balance in two months' time.

How does this purchase affect the accounting equation?

	assets	owner's equity	liabilities
A	decrease	decrease	no effect
B	decrease	no effect	increase
C	increase	decrease	increase
D	increase	no effect	increase

Q4/12/M/J/20

- 10 On 2 April Nina received a cheque from Zaffar, a credit customer. On 12 April the cheque was returned unpaid by the bank.

What entry would Nina make on 12 April?

	account to be debited	account to be credited
A	irrecoverable debts	bank
B	irrecoverable debts	Zaffar
C	provision for doubtful debts	Zaffar
D	Zaffar	bank

Q3/12/O/N/20

- 11 The following balances appeared in Hussein's books.

	\$
fixtures	6000
inventory	3300
trade receivables	3000
trade payables	4500
other receivables	500
other payables	300
loan to Imran	1000
bank overdraft	1400

What was the total of the liabilities?

- A** \$4800 **B** \$6200 **C** \$6400 **D** \$7200

Q1/12/O/N/20

12 A trader prepares financial statements each year.

What do these assist the trader to do?

- A calculate the amount owing to credit suppliers
- B calculate the cash drawings
- C check the bank statement balance
- D make decisions about the future

Q2/12/O/N/20

13 What is **not** an example of a book-keeping entry?

- A an entry made in the bank column of the cash book for a cheque received
- B cost of goods purchased on credit entered in the supplier's account
- C expenses paid during the year entered in the income statement
- D goods returned by a customer entered in the sales returns journal

Q4/12/O/N/20

14 What does the owner's equity consist of?

- A the amount of money in the business bank account
- B the amount owed by the business to the owner
- C the total of the assets owned by the business
- D the total of the current assets less the current liabilities

Q5/12/O/N/20

15 Which entries did Sally make to record the following transaction?

Rashid, a credit customer, returned damaged goods.

	account to be debited	account to be credited
A	purchase returns	Rashid
B	Rashid	purchase returns
C	sales returns	Rashid
D	Rashid	sales returns

Q1/11/M/J/21

16 Which statements about book-keeping and accounting are correct?

- 1 Accounting is performed periodically rather than daily.
- 2 Accounting relies on having accurate book-keeping records.
- 3 Book-keeping includes the preparation of financial statements.
- 4 Book-keeping involves the recording of financial transactions.

- A 1, 2 and 4
- B 1 and 3
- C 2, 3 and 4
- D 2 and 4 only

Q2/11/M/J/21

- 17 What increases owner's capital?
- A bank loan extended from five to ten years
 - B purchase of inventory on credit
 - C purchase of machinery by cheque
 - D transfer of vehicle to business from private use

Q3/12/M/J/21

- 18 William paid \$500 in cash to Sonia for rent.
How did Sonia record this?

	account debited	account credited
A	cash	rent receivable
B	rent receivable	cash
C	rent receivable	William
D	William	rent receivable

Q9/12/M/J/21

- 19 Which statement is **not** true about a trial balance?
- A It is a list of ledger account balances at a certain date.
 - B It can assist in finding arithmetical errors.
 - C It is part of the double entry system.
 - D It is useful in preparing financial statements.

Q1/12/O/N/21

- 20 Which statement is correct?
- A The accountant prepares the trial balance and the book-keeper prepares the financial statements.
 - B The accountant writes up the journals and the book-keeper writes up the ledger accounts.
 - C The book-keeper writes up the journals and the accountant prepares the trial balance.
 - D The book-keeper writes up the ledger accounts and the accountant prepares the financial statements.

Q2/12/O/N/21

- 21 Which formulas may be used for the accounting equation?

- 1 assets = owner's equity minus liabilities
- 2 liabilities = assets minus owner's equity
- 3 owner's equity = assets plus liabilities
- 4 owner's equity plus liabilities = assets

- A 1 and 2 B 1 and 3 C 2 and 4 D 3 and 4

Q3/12/O/N/21

22 Goods purchased on credit from Zamir were returned by Ashwin.
Which entries should Zamir make to record this?

	account debited	account credited
A	Ashwin	purchase returns
B	purchase returns	Zamir
C	sales returns	Ashwin
D	Zamir	sales returns

Q1/13/O/N/21

23 Why does a trader calculate the profit of his business?

- A to calculate the interest payable on a loan
- B to calculate the provision for doubtful debts
- C to know the total expenses of the business
- D to know whether drawings are at a reasonable level

Q8/13/O/N/21

24 Jane purchased goods and paid by credit transfer.
How should this be recorded in Jane's accounting records?

	account to be debited	account to be credited
A	bank	purchases
B	purchases	bank
C	purchases	trade payable
D	trade payable	purchases

Q9/13/O/N/21

25 What is shown in a trial balance?

- A capital and profit on a particular date
- B financial transactions for a particular period
- C ledger balances on a particular date
- D receipts and payments for a particular period

Q1/11/M/J/22

26 Which task would be carried out by a book-keeper?

- A comparison of financial statements between years
- B preparation of financial statements
- C provision of information for decision-making
- D recording financial transactions

MS BOOKS.PK

Q2/11/M/J/22

27 What is the accounting equation?

- A assets = capital – liabilities
- B assets = liabilities – capital
- C assets – liabilities = capital
- D assets + capital = liabilities

Q8/11/M/J/22

28 Which statement about a trial balance is correct?

- A It assists in locating arithmetical errors in the book-keeping records.
- B It is proof that the entries in the ledger accounts are free from error.
- C It reveals all book-keeping errors.
- D It shows ledger account errors only.

Q1/12/M/J/22

29 Which task would be carried out by a book-keeper?

- A comparison of financial statements between years
- B preparation of financial statements
- C provision of information for decision-making
- D recording financial transactions

Q1/13/O/N/22

30 Ahmed is a trader.

Why should he prepare financial statements?

- A to apply the principle of business entity
- B to monitor his business's performance
- C to prepare a bank reconciliation statement
- D to record changes to his personal wealth

Q1/11/M/J/23

31 Why does the accountant of a business analyse its financial statements?

- A to provide information for the customers
- B to provide information for the government
- C to provide information for the managers
- D to provide information for the suppliers

MS BOOKS.PK

Q2/11/M/J/23

- 32 Padma started a business on 1 April 2022 with \$30 000 of her own money. On 31 March 2023, her assets and liabilities were as shown.

	\$
machinery at net book value	38 000
other assets	15 000
long-term loan from bank	16 500

What was Padma's capital on 31 March 2023?

- A \$30 000 B \$36 500 C \$46 500 D \$53 000

Q4/11/M/J/23

- 33 Ted, a manufacturer, purchased a machine on credit from T Limited.

How did Ted record this?

	account debited	account credited
A	T Limited	machinery
B	T Limited	purchases
C	machinery	T Limited
D	purchases	T Limited

Q8/11/M/J/23

- 34 A trader prepared a trial balance at 31 December.

Which statement about this trial balance is correct?

- A It shows a summary of the financial position at 31 December.
 B It shows the ledger account balances at 31 December.
 C It shows the profit for the year ended 31 December.
 D It shows the transactions for the year to 31 December.

Q1/12/M/J/23

- 35 What is the main function of book-keeping?

- A communicating information C recording information
 B interpreting information D summarising information

MS BOOKS.PK

Q2/12/M/J/23

36 Which components of a statement of financial position do descriptions 1, 2 and 3 relate to?

- 1 finance and other resources that have been provided by the owner
- 2 money owed for goods supplied, unpaid expenses and loans made to the business
- 3 property owned by the business, amounts owed by customers, unsold goods and money in the bank

	1	2	3
A	assets	capital	liabilities
B	assets	liabilities	capital
C	capital	assets	liabilities
D	capital	liabilities	assets

Q5/12/M/J/23

37 Which action is an example of double entry book-keeping?

- A** making a journal entry to record the correction of an error made in the ledger
- B** making entries in the sales journal and the sales ledger to record goods sold on credit
- C** recording a cheque paid to a trade payable in the cash book and purchases ledger
- D** recording the purchase of goods on credit in the purchases journal and purchases account

MS BOOKS.PK

ANSWER KEYS

Sr #	Key	Sr #	Key
1.	C	21.	C
2.	D	22.	C
3.	B	23.	D
4.	A	24.	B
5.	C	25.	C
6.	B	26.	D
7.	C	27.	C
8.	B	28.	A
9.	D	29.	D
10.	D	30.	B
11.	B	31.	C
12.	D	32.	B
13.	C	33.	C
14.	B	34.	B
15.	C	35.	C
16.	A	36.	D
17.	D	37.	C
18.	A	38.	
19.	C	39.	
20.	D	40.	

MS BOOKS.PK