

BOARD OF INTERMEDIATE EDUCATION, KARACHI

INTERMEDIATE EXAMINATION

MODEL PAPER 2026

ACCOUNTING PAPER – II

Max. Marks: 80

(Commerce Group – Regular & Private)

Time: 2 hours 40 minutes

SECTION 'B'

(SHORT-ANSWER QUESTIONS)

(Marks : 40)

NOTE: Answer any **Four** questions from this Section. All questions carry equal marks. The use of calculator is allowed.

2. Accounting for Non – Profit Earning Concerns:

The following are the receipts and payments of accounts of A.P.W.A. Welfare Trust for 2025:

RECEIPTS		PAYMENTS	
Opening Bank Balance	Rs.23,100/-	Salaries	Rs.36,000/-
Subscription fees	Rs.89,000/-	Utilities	Rs.11,200/-
Other Revenues	Rs.16,400/-	Repairs	Rs.3,000/-
		Other Expenses	Rs.29,600/-
		Furniture	Rs.30,000/-

Adjustment data at December 31, 2025:

- Accrued subscription fees Rs.4,600 and subscription received in advance Rs.1,600.
- Prepaid salaries Rs.2,800.
- Accrued utilities Exp. Rs.1,400/-
- Depreciation on furniture Rs.3,000.

Required: Prepare Income and Expenditure account for the year ended December 31, 2025.

3. Partnership – Division of Profit & Loss:

Noman and Farooqui are equal partners with capitals of Rs.220,000 and Rs.180,000 respectively. It is decided that partners will receive interest @ 15% per annum on their capitals and a monthly salary allowance of Rs.2,500 and Rs.2,000 respectively. Farooqui who manages the business is to receive a commission of Rs.6,000. Net Income for the year ended December 31 2025, is Rs.80,000. Capitals are fixed.

Required: Prepare an Income Distribution Summary and also record the necessary journal entries.

4. Partnership – Retirement:

Kulsoom, Saba and Bushra are partners having capital balances of Rs.90,000, Rs.60,000 and Rs.30,000 respectively, sharing profits & losses in the ratio of their capitals. Bushra decides to retire from the firm.

Required: Give entries in general journal to record Bushra's retirement under the following cases separately:

- Bushra sells 1/3 of his share to Kulsoom for Rs.15,000 and remaining to Saba for Rs.25,000 cash.
- Bushra is paid Rs.25,000 from firm's resources after revaluation of assets.

5. Partnership – Liquidation:

The partners who own the Triple A Co. Ltd. have agreed to liquidate the partnership. A Balance Sheet as at March 31 2025, is shown here.

Balance Sheet			
Cash	Rs.20,000	Accounts Payable	Rs.160,000
Other Assets	?	Capital – Amar	Rs.120,000
		Capital – Akbar	Rs.80,000
		Capital – Anthony	Rs.40,000

Other assets are sold for Rs.230,000. Liabilities are paid in full. Anthony is personally insolvent. The partners share profits and losses equally.

Required: Give necessary journal entries.

6. Company – Issuance of Shares & Debentures:

BIGG BOSS Co. Ltd. completed the following transactions:

- Offered to the public 40000 shares of Rs.10 each at Rs.12 per share. Applications were received for 30,000 shares. As per agreement the underwriters subscribed for the balance of their shares. The Co. finalized the allotment of shares.
- Purchased Land for Rs.180,000 and in consideration issued shares at a market value of Rs.12/- each.
- In consideration of the services of the promoters, the company issued 8000 shares of Rs.10/- each. Each share has a market value of Rs.12.50.
- Received Rs.190,000 against issuance of 2,000 12% debentures of Rs.100 each, redeemable after 5 years at Rs.110 each.

Required: Record the above transactions in the General Journal.

Continued on next page

7. Company – Disposal of Net Income:

The Retained Earnings account in the books of Badar Alam Company Ltd. showed a credit balance of Rs.450,000 on December 31, 2025. The Income Summary account for the year ending on that date showed a Net Income of Rs.600,000, which was transferred to Retained Earnings account. The directors of the company decided:

- i) To declare a cash dividend at Rs.2 per share.
- ii) To declare a stock dividend at 10% for which ordinary shares at par were issued.
- iii) To establish reserve for debenture redemption Rs.40,000 and for Contingencies Rs.80,000.

Required: Give entries in General Journal to give effect to the above decisions and prepare a Statement of Retained Earnings for the year ended December 31, 2025. (Paid-up capital of the company is Rs.1,000,000)

SECTION ‘C’

(DETAILED-ANSWER QUESTIONS)

(Marks : 40)

NOTE: Answer any **Two** questions from this Section. All questions carry equal marks.

8. Single Entry:

Mr. M. Farhan started business on July 1 2025, with an investment of Rs.250,000 and maintains his accounting records on single entry basis. On December 31, 2025 the following information was obtained from his accounting records: Cash Rs.85,000, Accounts Receivable Rs.90,000, Merchandise Inventory Rs.120,000, Office Equipment Rs.80,000, Accounts payable Rs.35,000.

During the year he withdrew Rs.5,000 per month for personal use and made an additional investment of Rs.50,000. Depreciation on office equipment was estimated at 10% per annum and the bad debts was estimated at Rs.5,000. Accrued salaries Rs.6,000 and Prepaid Insurance Rs.3,500.

Required:

- a) Compute Capital at End and Prepare a Statement of Profit & Loss for the period ended December. 31, 2025.
- b) Prepare a Statement of Affairs as on December 31, 2025.

9. Partnership – Admission:

Asma and Saima are partners having capitals of Rs.50,000 and Rs.30,000 respectively, sharing profits and losses in the ratio of their capitals. On March 01 2025, they admit Seema as a new partner and give her a ¼ share.

Required: Computation and journal entries to record Seema’s admission under the following cases separately:

- i) Seema invests Rs.30,000 and is credited with the entire amount of her investment.
- ii) Seema invests Rs.40,000. The total capital is to be increased by her investment.
- iii) Seema invests Rs.35,000 in the total capital of Rs.120,000.

10. Depreciation:

The balances of the following accounts have been taken from the ledger of Shehzad Saleem & Co. as on December 31 2024, before making any adjustment:

Machine – Cost	Rs.500,000
Allowance For Depreciation	Rs.100,000

Required:

- i) Assuming that the company uses the Diminishing Balance Method for charging depreciation, Calculate depreciation for the year 2024 and 2025 at 20%.
- ii) Prepare Allowance for Depreciation account up to December 31, 2025.
- iii) Prepare a Partial Balance Sheet as on December 31, 2025.

-----XXXXXXXXXX-----

BOARD OF INTERMEDIATE EDUCATION, KARACHI

INTERMEDIATE EXAMINATION MODEL PAPER 2026

ACCOUNTING PAPER – II

Max. Marks: 20

(Commerce Group – Regular & Private)

Time: 20 minutes

SECTION 'A'

(MULTIPLE CHOICE QUESTIONS – M.C.Qs.)

Marks : 20

NOTE:

- i) This section consists of 20 part questions and all are to be answered. Each part question carries 1 mark.
ii) Do not copy the part questions in your answerbook. Write only the answer in full against the proper number of the question and its part.

1. Choose the correct answer for each from the given options:

- i) If company receives share applications more than the offered shares, this is called:
* Equal subscription * Under subscription
* Over subscription * Lower subscription
- ii) If a company offers shares at higher price than the par value, the difference is known as:
* Interest * Discount * Premium * Surplus
- iii) The total amount of the capital of a company, divided into small units, is known as:
* Debentures * Shares * Dividend * Net Income
- iv) The share capital by which a company is registered is called:
* Issued Capital * Paid up Capital
* Authorized Capital * Subscribed capital
- v) If the remaining partners purchase the capital of the retiring partner, the total capital of the firm after retirement of the partner:
* increases * decreases * remains constant * fluctuates
- vi) Salvage value is not taken into account while computing depreciation under:
* Straight Line method * Units of Output method
* Working Hours method * Diminishing Balance method
- vii) The statement of affairs is similar to:
* Trial balance * Balance sheet * Cash book * Income statement
- viii) Discount, availed during the concession period, is known as:
* Trade discount * Sales discount * Cash discount * Share discount
- ix) Under the fixed capital method, profit or loss is transferred to:
* Partners' capital account * Retained earnings account
* Partners' current account * Partners' personal account
- x) In case of an insolvent partner, his capital deficiency is borne by:
* Other solvent partners * The Government * The Bankers * The Creditors
- xi) In the absence of any partnership agreement, profits and losses are divided:
* Equally * In Average capital ratio
* In Beginning capital ratio * In Ending capital ratio
- xii) At the time of liquidation, remaining cash is to be distributed among the partners:
* On the opening capital ratio * On the balance of capital at the end
* Equally * On the ending capital ratio
- xiii) All fixed assets are depreciated except:
* Building * Machine * Land * Furniture
- xiv) Subscription received in advance is:
* An income * An asset * A liability * An expense
- xv) The Partnership Agreement in writing is called:
* Partnership Registration * Partnership-At-Will
* Partnership Deed * Partnership Certification
- xvi) The person who takes the initiative in the matter of formation of the company is known as:
* Promoter * Shareholder * Director * Registrar
- xvii) The expenses incurred in the formation of the company, are called:
* Indirect expenses * Revenue expenses
* Selling expenses * Preliminary expenses
- xviii) Depreciable cost of an asset is equal to:
* Cost + Salvage Value * Cost + Market price
* Cost – Salvage Value * Cost – Acc. Dep.
- xix) Diminishing Balance Method is also known as:
* Declining Balance Method * Straight Line Method
* Fixed Installment Method * Production Method
- xx) Non-Profit Earning Concerns do not maintain:
* Income & Expenditure Account * Income statement
* Receipts & Payments Account * Balance Sheet

-----XXXXXXXXXX-----