BS Four Years Program

KARACHI UNIVERSITY BUSINESS SCHOOL

University of Karachi

FINAL EXAMINATION, JUNE 2010: AFFILIATED COLLEGES

Financial Accounting: BA (H) – 332

BS – II

Date: June 17, 2010 | Max Time: 2.5 Hrs
Max Marks: 40

Instructions: Attempt any **FOUR (4)** Questions. All questions carry equal marks

Q1 (a) What are the objectives of IAS–2 for determination of inventories?

Q1 (b) Differentiate between the Income Statement approach and the Balance Sheet Approach for determination of uncollectible accounts expense.

Q1 (c) Distinguish between the Cash Basis of accounting and Accrued Basis of Accounting.

Q2 The following data relate to the Baba Corporation on December 31, 2009.

Net Sales for the year……………………………………	Rs. 425,000
Accounts Receivable on Dec 31, 2009………………	70,000
Allowance for uncollectable accounts on Dec 31, 2009 (before adjustment) balance Dr………………………	4,000

Required:

- Calculate the amount of uncollectable accounts under the following assumptions:

a. Allowance for uncollectable accounts must be 5% of the Accounts Receivable at end.
b. Uncollectable accounts must be 10% of the net sales.
c. Give the adjusting entry to record bad debts expense under each of the above assumptions.

Q3 The following information relates to merchandise inventory for the month of May 2010:

		Units Sold	Units Purchased	Unit Cost
May-01	Beginning Inventory	-	8	Rs 200
10	Purchase	-	9	Rs 225
18	Sale	7	-	-
20	Purchase	-	7	Rs 240
29	Sale	6	-	-

Required:

- Calculate cost of ending inventory and cost of goods sold using perpetual LIFO.

Q4 (a) Taha Corporation issued 5,000, 10%, 10-year bonds Rs. 100 par at Rs. 98 to an underwriter.

Required:

(i) Make a general journal entry to record issue of the bonds.
(ii) What is the face value of the bonds?
(iii) What is net liability for the bonds for the bonds at the issue date?
(iv) What is the nature of discount on bonds?

Q4 (b) Al-Farooq Ltd. Borrowed cash Rs. 60,000/- from a bank, issuing a 60–day, 10% note.

Required:

(i) Give a general journal entry to record issuance of the note.
(ii) What is the stated value of the note?
(iii) What is the maturity value of the note?

Q5 (a) The following data relate to the Utilities Corporation:

Retained Earnings (un-appropriated) on Dec 31, 2009...	Rs 950,000
Net Income for the year..	Rs 200,000
On Dec 31, 2009 declared cash dividend.................	Rs 120,000
On preferred stock and stock dividend on common stock..	Rs 150,000

Required:

- Prepare a statement of Retained Earnings for the year ended Dec 31, 2009.

Q5 (b) Al-Wasay Ltd. Performed the following transactions during May 2010.

May-01	Issued 15000 shares of common stock of Rs 10 par at Rs 20/- each for cash.
May-05	Issued 800 share of Common stock of Rs 10/- par at Rs 25/- each in exchange for equipment.
May-13	Repurchased 1000 outstanding shares of its common stock of Rs 10/- par at a price of Rs 30/- per share
May-24	Re-issued 400 shares of Treasury stock which cost Rs 12000/- at a price of Rs 45/- per share

Required:

- Record the above transaction in the general journal giving narration below each entry.

Q6 (a) Tariq Ltd. furnished following information on Dec 31, 2009.

• Net income for the year 2009	Rs 125,000
• Depreciation expenses	Rs 30,000
• Increase in Accounts Receivable	Rs 5,000
• Decrease in inventory	Rs 2,500
• Decrease in accrued expenses	Rs 7,500
• Increase in Accounts Payable	Rs 5,000
• Gain on sale of marketable securities	Rs 10,000
• Proceeds from sale of marketable securities	Rs 17,500
• Dividends paid	Rs 120,000

Required:

- Calculate net cash provided by Operating activities.

Q6 (b) Following are the selected financial data for Al-Habib Ltd.

For 2009			
Current Assets	Rs 48,576	Stockholders' equity	Rs 52,180
Total Assets	67,646	Sales	28,365
Current Liabilities	12,744	Net Income	7,829
Total Liabilities	15,466		

Required:

Calculate

(i) Debt Rate
(ii) Current Ratio
(iii) Return on Sales
(iv) Return on equity
(v) Asset turnover

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KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI

FINAL EXAMINATION : AFFILIATED COLLEGES
FINANCIAL ACCOUNTING : BA (H)–332
BS–II

Date : June 28, 2009 **Time Allowed : 3 Hours**
Max. Marks : 60

Instructions: Attempt any five questions. All questions carry equal marks.

Q.No.1.

(a) What is the operating cycle of a business? Describe the operating cycle of the following businesses:
  (i) Distillery
  (ii) Savings and loan company
  (iii) Construction company
  (iv) Book publisher

(b) Describe the two common measures used to assess a firm's liquidity.

(c) Briefly discuss the difference between the perpetual inventory system and the periodic inventory system. Under what circumstances is each system used?

(d) Define: (a) trade discount, (b) sales discount, and (c) quantity discount.

Q.No.2.

(a) The Masood Company signed on March 1, 2008 a Rs.232,000, one-year, 16% discount note payable to the Pak National Bank. What cash proceeds did the Masood Company receive? Make the necessary journals entries related to this note assuming that the firm has a December 31 year-ended. In addition, show the note payable would be disclosed on a December 31, 2008 balance sheet.

(b) Define the following terms relating to notes payable:

(i)	Payee	(iv)	Maturity
(ii)	Maker	(v)	Duration of note
(iii)	Face Value	(vi)	Interest rate

Q.No.3.

The Babar Company uses the periodic inventory method system. During March the following sales and purchases of inventories were made:

		Number of Units	Cost per Unit	Total Cost
March 1	Inventory	100	Rs.13.50	Rs.1,350
March 3	Sale	75		
March 15	Purchase	250	Rs.15.00	Rs.3,750
March 20	Sale	125		
March 29	Purchase	150	Rs.16.00	2,400
March 30	Sale	110		

Required:

Determine the ending inventory and cost of goods sold for the Babar Company under the following methods:

(a) First-in, First-out
(b) Last-in, First-out
(c) Average Cost

Q.No.4.

(a) What is the stock dividend? What are the benefits of stock dividends, if any, to the issuing corporation and the existing stockholders?

(b) At the beginning of the current year, 2008, the Taimoor Corporation had 450,000 common shares outstanding. On April 1, 2008 the company issued an additional 200,000 common shares of stock for cash. All 650,000 shares were outstanding on December 31, 2008.

At the beginning of 2008, Taimoor Corporation issued 5,000 shares of 8%, Rs.100 par value convertible preferred stock at par. Each share of preferred stock is convertible into eight shares of common. As of the end of the year, none of the preferred stock had been converted. Net income the year amounted to Rs.1.2 million.

Required:

Assuming the preferred stock is a common stock equivalent, calculate earnings per share for 2008.

Q.No.5.
The accounting staff of Telecard Corporation has assembled the following information for the year ended December 31, 2008.

Cash sales	Rs.402,000
Credit sales	3,420,000
Collection on account receivable	3,193,000
Cash transferred from the money market fund to the general bank account	180,000
Interest and dividends received	40,000
Purchases (all on account)	1,950,000
Payments on accounts payable to merchandise suppliers	2,036,000
Cash payments for operating expenses	822,000
Interest paid	99,000
Income taxes paid	180,000
Loans made to borrowers	220,000
Collection on loans (excluding receipts of interest)	145,000
Cash paid to acquire plant assets	1,640,000
Book value of plant assets sold	70,000
Gain on sales of plant assets	35,000
Proceeds from issuing capital stock	1,355,000
Dividends paid	180,000
Cash and cash equivalents, beginning of year	297,000
Cash and cash equivalents, end of year	-?-

Required:
Prepare a statement of cash flows. Place brackets around amounts representing cash outflows. Use the **direct method** of reporting cash flows from operating activities.

Many of the items above will be listed in your statement without change. However, you will have to combine certain information to compute the amounts of (1) Collections from customers (2) cash paid to suppliers and employees, and (3) proceeds from sales of plant assets.

Q.No.6.
Shown below are selected transactions of Gulf Corporation during the month of June:

June 1	Accepted a one-year promissory note from Tanveer Company in settlement of a Rs.30,000 account receivable due today. The note is drawn in the face amount of Rs.32,700, with no mention of interest.
June 10	An account receivable from Wasim in the amount of Rs.700 is determined to be uncollectible and is written off against Allowance for Doubtful Accounts.
June 15	Made a loan of Rs.120,000 to a supplier, Kashif Inc., in exchange for a three-year, 8% note. The note is drawn in the face amount of Rs.120,000, with interest and principal due at maturity date.
June 22	Unexpectedly received Rs.200 from Hajira in full payment of her account. The Rs.200 account receivable from Hajira had previously been written off as uncollectible.

Data for Adjusting Entries

1. An aging of accounts receivable indicate probable uncollectible accounts totaling Rs.9,000. At the end of May, the allowance for Doubtful Accounts had a credit balance of Rs.5,710.
2. In addition to the notes form Tanveer Company and from Kashif Inc., Gulf Corporation held other notes receivable totaling Rs.33,000 throughout the month of June. All these other notes bear interest at annual rate of 10%. (Assume 360 days in a year.)

Required:
Prepare entries in general journal form for the June transactions.

Q.No.7.
Dawood Company acquired new equipment with an estimated useful life of 5 years. Cost of the equipment was Rs.50,000 and the residual salvage value was estimated to be Rs.5,000. Compute the annual depreciation expense for each of the first 2 years under each of the following methods of depreciation. (Compute on full year's depreciation in each year.)

a. Straight Line
b. Sum of the Years' Digits
Double Declining Balance

BS Four Years Program

Fall 2008/

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION, DECEMBER 2008: AFFILIATED COLLEGES
FINANCIAL ACCOUNTING: BA (H) – 332
BS – II

Date: December 30, 2008 | Max Marks: 60
Instruction: Attempt all questions. | Time allowed: 3 Hours

Q1. Following is the extract from the financial records of Alpha Corporation. Company closes its book of accounts **on 31 December.**

	2006 (EY)	2005 (OP)		2006	2005
Cash	180,000	150,000	Allowance for depreciation furniture & fixture	7,000	6,000
Accounts Receivable	480,000	240,000	Allowance for depreciation Equipment	21,000	18,000
Merchandise	550,000	510,000	Allowance for depreciation Machinery	40,000	30,000
Prepaid Expenses	60,000	80,000	Allowance for depreciation Building	70,000	60,000
Supplies	20,000	30,000	Accounts Payable	250,000	300,000
Furniture & fixture	70,000	60,000	Outstanding expenses	190,000	150,000
Equipment	210,000	180,000	Debentures (Bond) Payable	580,000	500,000
Machinery	300,000	300,000	Paid up capital	900,000	800,000
Building	600,000	600,000	Premium on shares	100,000	96,000
Patent	75,000	80,000	General Reserves	120,000	100,000
Goodwill	22,000	30,000	Retained Earning	289,000	200,000
	2,567,000	**2,260,000**		**2,567,000**	**2,260,000**

24000

For the year ended	2006
Sales	1,259,000
Cost of Goods Sold	450,000
Gross Profit	509,000
Operating expense	350,000
Operating Income	159,000
Add: Gain on sale of Equipment	10,000
Less: Loss on Sale of Machine	20,000
Net Profit	149,000

1. During the year company declared cash Dividend and Stock Dividend $ 15,000 and $ 25,000 respectively.
2. Sold and Equipment-cost $ 17,000 having accumulated Depreciation $ 5,000 sold at $ 22,000.
3. Sold Machine of $ 50,000 having accumulated Depreciation $ 15,000 sold at $ 15,000.

Required:

Prepare Cash Flow Statement under Direct or Indirect Method with proper classification of operating Inventing and Financing Activities.

Q2. Data from the inventory records of Vetro, Incorporated, which sells only one product, are shown here for the month of January.

Jan. 1	Beginning inventory	80 units @ $ 15
3	Purchased	300 units @ 16
5	Sold	200 units @ 25
10	Purchased	400 units @ 18
16	Sold	500 units @ 25
27	Sold	50 units @ 25
31	Purchased	100 units @ 20

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Required:

Determine the cost of ending inventory, the cost of goods sold and the gross profit for January using the perpetual inventory system and

a. The LIFO Method **b.** The FIFO Method **c.** The Moving Average Method

Q3. Bukhari Co. Ltd. completed the following transactions. The par value of Company's share is $ 10 each.

1. Issued 2000 shares at $ 10 each for cash.
2. Issued 17000 shares at $ 12 each for cash.
3. Issued 2000 shares at $ 9 each for furniture.
4. Issued 3000 shares at $ 10 each for equipment purchased worth $ 28,000.
5. Declared at stock dividend of $ 90,000 and issued shares in payment of the same.
6. Issued 3500 shares at par value to the promoters of the Company.
7. Purchased building costing $ 480,000 issuing shares of $ 10 each. The market value of the shares was $ 12 per share.

Required:

Give the necessary Journal entries to record the above transactions in the book of the Company.

Q4. A condensed balance sheet for Durham Corporation prepared at the end of the year appears as follows:

Assets		**Liabilities & Stockholder's Equity**	
Cash	$ 55,000	Notes payable (due in 6 months)	$ 40,000
Accounts receivable	155,000	Accounts payable	110,000
Inventory	270,000	Long-term liabilities	330,000
Prepaid Expenses	60,000	Capital stock, $ 5 par	300,000
Plant & supplement (net)	570,000	Retained earnings	420,000
Other assets	90,000		
Total	$1,200,000		$1,200,000

During the year the company earned a gross profit pf $ 1,116,000 on sales of $ 2,7[illegible]0,000. Accounts receivable, inventory and plant assets remained almost constant in amount throughout the year. Retained earning opening bulk was $ 300,000.

Compute the following:

1. Current ratio	2. Quick ratio
3. Working capital	4. Debt ratio
5. Accounts receivable turnover (all sales were on credit)	6. Inventory turnover
7. Book value per share of capital stock	8. E.P.S.
9. Return on shareholder's equity	10. Return on Assets

Q5. The following data are of Nadeem Brothers:

Accounts Receivable balance	68,000
Allowance for bad debts balance	3,000
Promissory notes received from customers to apply on account	17,500
Credit balance in customers accounts end of year, advance payment	12,400
Customers accounts written off during the year	2,100
Gross credit sale for the year	320,000
Sales return and allowance	21,500
Previously written off account A/C recovered	2,000

Allowance for bad debts at December 31, 2001 should be equal to 2% of the year end balance of Accounts Receivable Account

Required:

1. Prepare the Accounts Receivable and Allowance for bad debts accounts from the above information.
2. Prepare a Journal entry to record the year-end adjustment.
3. Several accounts are involved in the above question some of which will be shown on the balance sheet. Prepare a partial Balance Sheet as on December 31, 2001.

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BBA – TWO
Years Program

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION JUNE 2008: AFFILIATED COLLEGES
FINANCIAL ACCOUNTING: BA (P) - 322

June 23, 2008
Time Allowed: 03 Hrs. Max. Marks: 60

Attempt any five questions all questions carry equal marks:

Question # 1.
Prepare general journal entries to record the following transactions under the allowance method of accounting for uncollectibles:

Apr. 2	Sold merchandise for Rs.3,900 on credit terms of 2/10 n/30 to Ithaca Sales Company.
May. 28	Received legal notification that Ithaca Sales Company was bankrupt. Wrote off Ithaca's accounts receivable balance.
Aug. 11	Received Rs.2,200 from Ithaca Sales Company together with a letter indicating that the company intended to pay its account within the next month.
30	Received the remaining amount due from Ithaca.

Question # 2.
A Tractor which cost Rs. 30,000 had an estimated useful life of 5 years and an estimated salvage value of Rs. 10,000. Straight-line depreciation was used. Give the entry (in general journal form) required by each of the following alternative assumptions:

a) The tractor was sold for cash of Rs. 19,500 after 2 years, use.
b) The tractor was traded in after 3 years on another tractor with a fair market value of Rs. 37,000. Trade- in allowance was Rs. 21,000 (Record any implied gain or loss)
c) The tractor was scrapped after 7 years, use. Since scrap dealers were unwilling to pay anything for the tractor, it was given to a scrap dealer for his services in removing it.

Question # 3 (a).
What do the inventory and receivable turn-over ratio measure?

Question # 3 (b).
The financial statements of Alamo Iron Works include the following items:

	Current Year	Preceding Year
Balance Sheet:		
Cash...............................	Rs. 17,000	Rs. 22,000
Short-term investments..........	11,000	26,000
Net receivables....................	64,000	73,000
Inventory...........................	87,000	71,000
Prepaid expenses..................	6,000	8,000
Total current assets	185,000	200,000
Total current liabilities	121,000	91,000
Income statement:		
Net credit sales	Rs. 454,000	
Cost of goods sold	257 000	

Required:
Compute the following ratios for the current year: (a) current ratio, (b) acid-test ratio, (c) inventory turnovers, (d) accounts receivable turnover, and (e) days' sales in average receivables.

Cash received from interest	4600	Paid to bank for interest	7200
Cash received from borrowing	25000	Paid a bank loan	10,000
		Paid for taxes	23500
		Paid for operating expenses	128100
		Paid for equipment	15000

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Question # 4.
The accounting records of Beaulain Corporation reveal the following:

Cash sales....	Rs 9,000	Payment of accounts payable....	Rs.48,000
Loss on sale of land........	5,000	Net income........................	21,000
Acquisition of land.........	37,000	Payment of income tax............	13,000
Collection of dividend revenue	7,000	Collection of accounts receivable	Rs.93,000
Payment of interest............	16,000	Payment of salaries and Wages....................	34,000
Increase in current assets Other than cash.............	17,000	Depreciation.........................	12,000
Payment of dividends.........	7,000	Decrease in current liabilities......	23,000

Required:
Compute cash flows from operating activities by the indirect method.

Question # 5 (a).
The stockholders' equity for Cohen Jewelry Corporation on September 30, 1994 end of the company's fiscal year follows:

Stockholders' Equity

Common stock, Rs.10 par, 100,000 shares authorized.	
50,000 shares issued..	Rs. 500,000
Paid-in capital in excess of par - common.................	50,000
Retained earnings.	340,000
Total stockholders' equity....	Rs. 890,000

On November 16, market price of Cohen's common stock was Rs.14 per share and the company declared a 10-percent stock dividend. Cohen issued the dividend shares on November 30.

Required:
1. Journalize the declaration and distribution of the stock dividend.
2. Prepare the stockholders' equity section of the balance sheet after the issuance of the stock dividend.

Question # 5 (b).
A Corporation declare a stock Dividend on December 21 and reports stock dividend payable as a liability on the December 31 balance sheet is this correct? Give your reason.

Question # 6.
(a). What does the objectivity principle require for information presented in financial statement?

(b) Why is the revenue recognition principle needed? What does it require?
(c) What is the main purpose of accounting?
(d) Describe the internal role of accounting for organizations.

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI

FINAL EXAMINATION DECEMBER-2007: AFFILIATED COLLEGES
FINANCIAL ACCOUNTING BA(P)-322
BBA-II

Time Allowed: 3 Hours — Max: Marks: 60
Dated: January 02, 2008

Attempt any five questions. All questions carry equal marks.

Q1(a). Explain the nature of Net Income, Revenues, and Expenses?

(b). What are the limitations of a classified balance sheet?

(c). How many closing entries are needed and what are these?

Q2(a). The following data are taken from the books of Tata Co. on Dec. 31, 2006.

Net Sales for the year	Rs.850,000
Accounts Receivable of Dec. 31, 2006	Rs.140,000
Allowance for un-collectible accounts (before adjustment)	Rs.8000 (credit balance)

Required: Determine the amount of un-collectible accounts exp. Under each of the following conditions:

1. Allowance for un-collectible accounts must be 2% of Accounts Receivable.
2. Un-collectible accounts exp. Must be 10% of net sales.

(b). The following are the results of Precision Corporation's operations for 2006:

Sales Revenue	Rs.68,000
Advertising Expense	1530
Income Taxes	4360
Delivery Expense	355
Packaging Expense	480
Salaries Expense	18350
Supplies Expense	8410

Earning per share (EPS)= Rs.3.45

Required:

1. Prepare an Income Statement for the year ended Dec. 31, 2006
2. How many shares of stock were outstanding?

Q3(a). What are the techniques of financial analysis?

(b). The following information for Highsons Company is provided:

Current assets	Rs.145,000	Sales for the year	Rs.1425,000
Long-term assets	75,000	Net Income for the year	105,000
Current liabilities	75,000	Average Market price per share	145
Long-term liabilities	300,000	Average number of shares outstanding	100,000
Owners' equity	520,000		

Required:

1. Compute the working capital, current ratio, debt ratio, return on sales, return on equity, asset turnover, and price-earning ratio.
2. What do these ratios show for Highsons Company?

Q4. Alamgeer Corporation has provided the following cash flow information for the year ended Dec. 31, 2006. The cash balance at Jan. 01, 2006 was Rs.105,000

Cash receipts:		**Cash payments:**	
Cash received from issuance of shares	Rs.50,000	Cash paid for salaries	Rs.134600
Cash received from customers	252,000	Paid cash dividend	5500
Cash received from interest	4600	Paid to bank for interest	7200
Cash received from borrowing	25000	Paid a bank loan	10,000
		Paid for taxes	23500
		Paid for operating expenses	128100
		Paid for equipment	15000

Required:

1. Prepare a cash flow statement for the year classifying according to op... Investing, and Financing activities.
2. Determine the ending cash balance.

Q5(a). Al-Hameed Company purchased a machine for Rs.91,000. The machine has an estimated life of 7 years and a salvage value of Rs.7000. The company uses straight-line depreciation.

Requied: Journalize the disposal of the machine under each of the following conditions:

1. Sold the machine for Rs.72,000 cash after two years.
2. Sold the machine for Rs.28,000 cash after five years.

(b). On January 01, The company purchased a 14-year-old patent from another company for Rs.160,000. The patent has a five-year legal life remaining.

Required:

Make the necessary journal entries to record (i) Purchase of the patent, and (ii) to record amortization of the patent for the year of its acquisition.

Q6(a) U-Turn Corporation issued 10,000, 9%, 20-year bonds of Rs.100 par at Rs.98 to an underwriter.

Required:

a. Prepare a journal to record issuance of bonds.
b. What is the face value of the bonds?
c. What is net liability for bonds payable at the date of issue?
d. What is the nature of discount on bonds?

(b). Taha Company borrowed cash Rs.20,000 from a bank issuing a 90-day, 10% note.

Required:

(i) Record the issuance of the note.
(ii) What is the face value of the note?
(iii) What is the maturity value of the note?
(iv) Prepare a journal to record payment of the note at maturity.

Q7(a). The following data relate to C-Shore Corporation:

Retained Earnings, Dec. 31, 2005.	Rs.600,000
Net Income for 2006,	18,000

On Dec. 16, 2006 declared (i) cash dividend on preferred stock Rs.17500, (ii) Cash dividend on common stock Rs.55300, (iii) Stock dividend Rs.140,000.

Required:

Prepare a statement of Retained Earnings for the year ended Dec. 31, 2006.

(b). Al-Habib Ltd. concluded the following transactions during Nov. 2007.

Nov.01. Issued 20,000 shares of common stock of Rs.10 par at Rs.25 each for cash.

Nov.08. Issued 10000 shares of common stock of Rs.10 par at Rs.30 each in exchange for land.

Nov.15. Repurchased 500 outstanding shares of its common stock of Rs.10 par at a price of Rs.40 per share.

Nov.25. Reissued 200 shares of treasury stock which cost Rs.8000, at a price of Rs.50 per share.

Required:

Record the above transactions in the general journal giving narration below each entry.

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UNIVERSITY OF KARACHI

Final Examination, June – 2007 : Affiliated Colleges
Financial Accounting : BA (P) – 322
BBA – II (Pass)

Time ; 3 Hours **Marks : 60**
Date : July 05, 2007

Instructions : Attempt any FIVE questions. All questions carry equal marks.

Q.No.1. Explain and illustrate the following:
(i) The double entry system of accounting.
(ii) The accrual basis accounting.
(iii) The depreciation accounting.
(iv) The amortization accounting.

Q.No.2. Distinguish between the following:
a) Income Statement and Balance Sheet
b) Cash Flow Statement and Retained Earnings Statement
c) Cash Dividend and Stock Dividend

Q.No.3 The following are the selected adjusted account balances except merchandise inventory beginning on year ended December 31, 2006, taken from the ledger of the Dewan Traders:

	Debit	Credit
Prepaid Insurance	8000	
Merchandise Inventory on January 1, 2006	35000	
Unearned Commission Income		6000
Purchases	95000	
Sales		200000
Sales Discount	5000	
Commission Income		4500
Salaries Expense	15000	
Rent Expense	20000	
Merchandise Inventory on December 31, 2006		

Required
(i) Give closing general journal entries on December 31, 2006.
(ii) Determine the cost of goods available for sale.
(iii) Determine gross profit on sales.
(iv) Adjusting entry to record merchandise inventory at December 31, 2006.

Q.No.4(a). Talib Co. issued a 6%, 60-day note for Rs. 6000 on November 15, 2006 as evidence of borrowing from a local bank. The accounting year of the Co. ends on December 31.

Required
(i) Give entry to record issuance of note.
(ii) Give adjusting entry to record accrued interest on note payable on December 31, 2006.
(iii) Give entry to record payment of the note on due date assuming that no reversing entries are made.

(b). Fahad Co. issued on January 1, 2007, 800, 12% bonds of Rs. 100 par for cash at Rs. 98 per bond, redeemable after 5 years.

Required
(i) Pass entry to record issuance of bonds.
(i) Show how the liability, bonds payable will appear on the balance sheet of January 1, 2007, at its book value or carrying value.

(9)

(64)

Q.No.5. The following data are adapted from an annual report of Tata Ltd., (rupe amounts are stated in millions) at year ended June 30, 2007:

	Rs.		Rs.
Net sales	5000	Quick Assets	4000
Gross Profit	2000	Current Assets	8000
Operating Income	1000	Current Liabilities	4000
Net Income	800		

Required

(i) Compute the following for the year ended June 30, 2007:

(a)	Quick Ratio	(b)	Current Ratio
(c)	Working Capital	(d)	Operating Income Rate
(e)	Net Income Rate	(f)	Cost of Goods Sold Rate

(ii) Which of the above are profitability measures? Comment on the Co.'s profitability.

Q.No.6. A machine which cost Rs. 55000 had an estimated useful life of 5 years and salvage value of Rs. 5000. Straight Line Method of depreciation was used. Give entry in general journal required by each of the following alternative assumptions:

a. The machine was sold for Rs. 35000 after two years' use.

b. The machine was exchanged after three years' use with a new machine costing Rs. 60,000. The trade-in-allowance for the old machine was agreed at Rs. 30,000.

Q.No.7. Al-Habib Ltd. performed following transactions of issuance of stock and dividend deceleration during 2006:

1. Issued 10000 shares of common stock of Rs. 10 par value for cash at a price of Rs. 10 a share.
2. Issued 2000 10% preferred stock of Rs. 100 par for cash at a price of Rs. 150 per share.
3. Issued 10000 shares of common stock of Rs. 10 par in exchange for land costing Rs. 150000.
4. The Co. reacquired 1500 shares of its own Rs. 10 par common stock at a price Rs. 100 per share.
5. The Co. reissued 1000 shares out of the 1500 treasury shares at a price of Rs. 115 per share.

Required

(i) Prepare entries in general journal to record the above transactions.

(ii) Show by what amount the retained earnings be restricted in respect of the treasury stock.

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KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI

Final Examination, June – 2007 : Affiliated Colleges
Financial Accounting : BA (P) – 322
BBA – II (Pass)

Time ; 3 Hours **Marks : 60**
Date : June 26, 2007

Instructions : Attempt any FIVE questions. All questions carry equal marks.

Q.No.1(a). Distinguish between the following terms giving two examples of each:
(i) Capital Expenditures and Revenue Expenditures
(ii) Tangible Assets and Intangible Assets
(iii) Current Liabilities and Long-term Liabilities

(b). What do you understand by the permanent proprietorship accounts and in which financial statements they are reported?

Q.No.1(a). Give two examples of cash receipts and two examples of cash payments which fall into following classification:
a) Operating Activities
b) Investing Activities
c) Financing Activities

(b). During the current year, the Huma Stores made cash sales of Rs. 105000 and credit of Rs. 280000. During the year, the accounts receivable decreased by Rs. 80000. Compute for the current year the amount of:
(i) Net Sales
(ii) Cash receipts from collecting account receivables.
(iii) Explain briefly why the total amount of cash collection from customers differs from net sales.

Q.No.3(a). The following are the selected adjusted account balances on year ended December 31, 2006, taken from the ledger of the Dewan Traders: (The firm uses the Perpetual Inventory System.)

	Debit	Credit
Prepaid Salaries Expense	8000	
Merchandise Inventory	35000	
Unearned Commission Income		6000
Cost of Goods Sold	95000	
Sales		200000
Sales Discount	5000	
Commission Income		4500
Salaries Expense	15000	
Rent Expense	20000	

Required
(i) Give closing general journal entries on December 31, 2006.
(ii) Determine the cost of goods available for sale.
(iii) Determine gross profit on sales.

(b). The Moon Co. paid office rent in advance for six (6) months Rs. 12000 on May 1, 2006 which initially and alternatively recorded as:
(i) Prepaid Office Rent.
(ii) Office Rent Expense.

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Assuming that Co.'s accounting year ends on June 30, 2006, make adjusting entries needed for the alternate recording of rent prepayment.

Q.No.4(a). Taha Co. issued a 10%, 60-day note for Rs. 8000 on November 15, 2006 in settlement of a past due accounts payable. The accounting year of the Co. ends on December 31.

Required

(i) Give entry to record issuance of note.

(ii) Give adjusting entry to record accrued interest on note payable on December 31, 2006.

(iii) Give entry to record payment of the note on due date assuming that no reversing entries are made.

(b). Fahad Co. issued January 1, 2007, 500, 12% bonds of Rs. 100 for cash at a discount of Rs. 2 per bond, redeemable after 5 years.

Required

(i) Pass entry to record issuance of bonds.

(iii) Show how the liability, bonds payable will appear on the balance sheet of January 1, 2007, at its book value or carrying value.

Q.No.5. The following are adopted from an annual report of Faran Ltd., (rupee amounts are stated in millions) at year ended June 30, 2007:

	Rs.		Rs.
Net sales	3676	Quick Assets	574
Gross Profit	616	Current Assets	866
Operating Income	249	Current Liabilities	525
Net Income	173	Average Stock Holders' Equity	466
		Average Total Assets	950
		Average Inventory	150
		Average Accounts Receivable	120

Required

(i) Compute the following for the year ended June 30, 2007:

(a) Quick Ratio (b) Current Ratio

(c) Inventory Turn Over (d) Account Receivable Turn Over

(e) Return on Assets (f) Return on Stockholders' Equity

(ii) Which of the above are liquidity measures? Comment on the Co.'s liquidity.

Q.No.6. A machine which cost Rs. 25000 had an estimated useful life of 5 years and salvage value of Rs. 4000. 40% Declining Balance Method of depreciation was used. Give entry in general journal required by each of the following alternative assumptions:

a. The machine was sold for Rs. 12000 after two years' use.

b. The machine was scrapped after three years' use. Since scrap dealers were unwilling to pay anything for the machine, it was given to a scrap dealer for his services in removing it.

Q.No.7. Al-Haseeb Ltd. Performed following transactions of issuance of stock and dividend decceleration during 2006:

1. Issued 10000 shares of common stock of Rs. 10 par value for cash at a price of Rs. 15 a share.
2. Issued 2000 10% preferred stock of Rs. 100 par for cash at a price of Rs. 125.
3. Issued 10000 shares of common stock of Rs. 10 par in exchange for land costing Rs. 180000.
4. Declared cash dividend on preferred stock Rs. 50000 and cash dividend on common stock Rs. 150000.

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Required

(i) Prepare entries in general journal to record the above transactions.

(ii) Assuming that the Retained Earnings Account showed a credit balance of Rs. 250000 on January 1, 2006 and the Income Summary Account also showed a Credit balance of Rs. 158000 on December

KARACHI UNIVERSTIY BUSINESS SCHOOL
UNIVERSITY OF KARACHI

FINAL EXAMINATION : AFFILITATED COLLEGES

FINANCIAL ACCOUNTING : BA (P) – 332

BA – II (PASS)

Time : 3 Hours **Max Marks : 60**
Date : December 21, 2006

Instructions: Attempt any five questions, All questions carry equal marks.

Q.No.1(a). Why are debit and credit rules for increasing and decreasing accounts reversed on opposite side of the accounting equation?

Q.No.1(b). Why are revenue expense and owner withdrawals accounts called temporary account?

QNo.2(a). Distinguish between:
i) Fiscal Year and Calendar Year
ii) Cash Discount and Trade Discount
iii) Annual Report and Interim Report
iv) Depletion and Amortization
v) Periodic and Perpetual Inventory System

Q.No.2(b). During the month, the Pakistan Corporation fees totaled Rs. 10,000, Rs. 8,000 of which was collected in the current month and Rs. 2,000 of which will be collected in the next month. The firm also collected Rs. 1,000 during the current month from last month's fees. How much revenue is recognized using the accrual basis? How much using the cash basis?

Q.No.2(c). What is discount on note payable and how does it arise?

Q.No.3(a). An adjusted trial balance for the Raheem Company at April 30 follows.

Raheem COMPANY Adjusted Trial Balance			
A/c #	**Account**	**Debit**	**Credit**
111	Cash	450	
112	Accounts Receivable	1,200	
211	Accounts payable		750
311	J. Rocker, Capital		2,000
312	J. Rocker, Withdrawals	800	
411	Fees Earned		3,000
511	Rent Expense	1,100	
512	Laundry Expense	700	
513	Salary Expense	1,500	
		5,750	5,750

Required:
1) Prepare closing entries at April 30.
2) Prepare a post-closing trial balance for the Raheem Company at April 30, assuming that the closing entries have been posted to ledger accounts.

Q.No.3(b). On March 1, 2006, Mobile Company received Rs. 3,600 in advance as payment Servicing for Merkel Company's garbage trucks each month for the next year. Make the adjusting entry on December 31, 2006, assuming that the Bookkeeper recorded the March 1 collection as :

a. Service Revenue
b. Unearned Service Revenue

Q.No.3(c). Arranged the following procedures in the order in which they are usually performed during the accounting cycle.

Prepare work sheet
Post to ledger
Make closing entries
Prepare statements
Post adjusting and closing entries
Journalize transactions
Make adjusting entries

Q.No.4(a). During 1987 Baker's Department Store had total sales of Rs. 750,000, of which 65% were on credit. During the year Rs. 421,500 was collected on credit sales. Management uses the allowance method and estimates that Rs. 15,750 of accounts receivable will be uncollectible.

Prepare the journal entries to record :

a. Sales during the year.
b. Cash collected on account.
c. The establishment of the account Allowance for Uncollectible Accounts.

Q.No.4(b). On March 2006 the Griffith Company received a 90-day note receivable for Rs. 30,000, with a stated interest rate of 15%. Determine the following amounts or items:

a. The principal of the note.
b. The interest revenue computed on a 360-day year.
c. The maturity value of the note.

The date the note is due.

Instructions

1. Prepare general journal entries to record these transactions.
2. Compute the amount of retained earnings that should be restricted because of the treasury stock still owned at December 31.

Q.No.5(a) Fine Company adjusts and closes its accounts on December 31. On November 30, 2004, Venture Company signed a note payable and borrowed Rs.12,000 from a bank for a period of six months at an annual interest rate of 10%.

a. How much is the total interest expense over the life of the note? How much is the monthly interest expense? (Assume equal amounts of interest expense each month.)
b. In the company's annual balance sheet at December 31, 2004, what is the amount of the liability to the Bank?
c. Prepare the journal entry to record issuance of the note payable on November 30, 2004.

Q.No.5(b) Cachet, Inc., engaged in the following transactions involving treasury stock:

Feb 10	Purchased for cash 14,500 shares of treasury stock at a price of Rs. 83 per share.
June 4	Reissued 6,000 shares of treasury stock at a price of RS. 33 per share.
Dec. 22	Reissued 4,000 shares of treasury stock at a price of RS 28 per share.

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Q.No.6 You have obtained the following data for the Marigold Company for the year ended December 31, 2005. (Some income statement items are missing.)

Cost of goods sold	Rs. 390,000
General and administrative expense	55,000
Interest expense	5,000
Net income	66,000
Sales	600,000

Answer each of the following questions :

a. What is the gross margin on sales?
b. What is the amount of income from operations?
c. What is the amount of selling expenses?
d. What is the gross margin percentage on sales?
e. If the return on total Assets is 2.5% what was the average of Assets during 2005.
f. If the return on owner's Equity is 5% what was the amount of average Owner's Equity.
g. What does the Net Profit percentage on Sales.

Q.No.7. On July 1, 2006 National, Co. traded a machine used in the production of bottle caps for a newer model. National received a trade-in allowance of RS 10,000 on the new machine, which had a list price of RS 65,000. The old machine was purchased 7 years and 3 months ago at a price of RS 42,000. It had an estimated useful life of 10 years and a salvage value of RS 3,000. straight-line depreciation was used.

Required:

a. How much cash did National have to pay for the new machine?
b. Make the necessary journal entry to record the acquisition of the new machine.
c. What is the cost basis for the new machine for tax purposes? Explain why it is different from the accounting basis.

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI

FINAL EXAMINATION, SPRING-2006 : AFFILIATED COLLEGES

FINANCIAL ACCOUNTING : BA (P) – 322
BA – II (PASS)

Time : 3 Hours — **Date : June 20, 2006**
Max. Marks : 60

INSTRUCTIONS

Attempt any SIX questions. All questions carry equal marks.

Q.No.1.(a). Define "Financial Statements".

(b). What are the quantitative characteristics of the financial statements? Explain each of them briefly.

Q.No.2. The Sunshine Co.'s balance sheet data at December 31, 2005, are shown below:

	Dr. Balances		Cr. Balances
Account Receivable	Rs. 1600	Notes Payable (due in 30 days)	Rs. 58000
Buildings	104000	Accounts Payable	28000
Cash	18400	Salaries Payable	6000
Land	136000	Capital Stock (20000 shares @10 Par of common stock)	200000
Machinery	130000	Retained Earning	?
Supplies	800		

Required

a) Prepare a classified balance sheet at December 31, 2005.
b) Explain briefly the financial position of the company.
c) How would an income statement and a cash flow statement help you to better answer to part b.

Q.No.3. The time Traders' balance sheet at December 31, 2004 shows as under:

Account Receivable	Rs. 180000
Less : Allowance for doubtful accounts	10000
	170000

During 2005, the following transactions were entered into:

1. Total sales of merchandise on credit Rs. 850000, and cash sales Rs. 480000.
2. Sales returns and allowances against credit sales amounted Rs. 12500.
3. Account receivable proved uncollectible were written off Rs. 25000.
4. Account receivable that had been written off previously were recovered Rs. 6600.
5. Collected Rs. 744800 from account receivable after discount deduction of Rs. 15200.
6. The policy of the business is to provide for doubtful accounts at 5% of the account receivable at the year end.

Required

a) Give necessary entries general journal to record the above transaction's including an adjusting entry to record uncollectible accounts expense in accordance with the policy.
b) Setup T-Account for account receivable and allowance for uncollectible accounts and make posting of relevant entries in the accounts, foot and balance the accounts.

Q.No.4 (a). Explain briefly the following terms:
(a) Depreciation, (2) Depletion, (3) Amortization

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(b). The Baba Corp. acquired a machine on July 6, 2004 at a cost of Rs. 45000. The machine was estimated to have an operating life of 4 years and residual value of Rs. 5000.

Required

i) Calculate depreciation of the machine using the following methods for the year ended December 31, 2004 and 2005.
a) Straight Line b) Double Declining Balance c) Sum of Years Digits

Q.No.6 You have obtained the following data for the Marigold Company for the year ended December 31, 2005. (Some income statement items are missing.)

Cost of goods sold	Rs. 390,000
General and administrative expense	55,000
Interest expense	5,000
Net income	66,000
Sales	600,000

Answer each of the following questions :

a. What is the gross margin on sales?
b. What is the amount of income from operations?
c. What is the amount of selling expenses?
d. What is the gross margin percentage on sales?
e. If the return on total Assets is 2.5% what was the average of Assets during 2005.
f. If the return on owner's Equity is 5% what was the amount of average Owner's Equity.
g. What does the Net Profit percentage on Sales.

Q.No.7. On July 1, 2006 National, Co. traded a machine used in the production of bottle caps for a newer model. National received a trade-in allowance of RS 10,000 on the new machine, which had a list price of RS 65,000. The old machine was purchased 7 years and 3 months ago at a price of RS 42,000. It had an estimated useful life of 10 years and a salvage value of RS 3,000. straight-line depreciation was used.

Required:

a. How much cash did National have to pay for the new machine?
b. Make the necessary journal entry to record the acquisition of the new machine.
c. What is the cost basis for the new machine for tax purposes? Explain why it is different from the accounting basis.