KARACHI UNIVERSITY BUSINESS SCHOOL
University of Karachi
FINAL EXAMINATION, JUNE 2010: AFFILIATED COLLEGES
Financial Accounting: BA (II) – 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 Accrual Basis of Accounting.

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

Net Sales for the year: ........................................ Rs. 45,000
Accounts Receivable on Dec 31, 2009: ......................... 7,000
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 uncollectible accounts must be 5% of the Accounts Receivable at end,
  b. Uncollectible 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:

<table>
<thead>
<tr>
<th>Date</th>
<th>Units Sold</th>
<th>Units Purchased</th>
<th>Unit Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>May-01</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>9</td>
<td>Rs 225</td>
</tr>
<tr>
<td>18</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>7</td>
<td></td>
<td>Rs 240</td>
</tr>
<tr>
<td>29</td>
<td>6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Required:
* Calculate cost of ending inventory and cost of goods sold using perpetual LIFO.

Q4 (a) Jinn 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 the liability for the bonds at the issue date?
(iv) What is the nature of discount on bonds?

Q4 (b) Al-Farooq Ltd. Borrowed 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) Tarig 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 2,000
- 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.

<table>
<thead>
<tr>
<th>For 2009</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>Rs 48,576</td>
<td>Stockholders' equity</td>
<td>Rs 52,180</td>
</tr>
<tr>
<td>Total Assets</td>
<td>67,646</td>
<td>Sales</td>
<td>28,365</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>12,744</td>
<td>Net Income</td>
<td>7,829</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>15,466</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Required:**
- Calculate
  - (i) Debt Rate
  - (ii) Current Ratio
  - (iii) Return on Sales
  - (iv) Return on equity
  - (v) Asset turnover
KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI

FINAL EXAMINATION - AFFILIATED COLLEGES
FINANCIAL ACCOUNTING - BA (H) - 332
RS-II

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

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, 15% 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
(ii) Maker
(iii) Face Value
(iv) Maturity
(v) Duration of note
(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:

<table>
<thead>
<tr>
<th>Number of Units</th>
<th>Cost per Unit</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 1</td>
<td>100</td>
<td>Rs.13.50</td>
</tr>
<tr>
<td>March 3</td>
<td>Sale</td>
<td>75</td>
</tr>
<tr>
<td>March 15</td>
<td>Purchase</td>
<td>250</td>
</tr>
<tr>
<td>March 20</td>
<td>Sale</td>
<td>125</td>
</tr>
<tr>
<td>March 29</td>
<td>Purchase</td>
<td>150</td>
</tr>
<tr>
<td>March 30</td>
<td>Sale</td>
<td>110</td>
</tr>
</tbody>
</table>

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 for 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: Rs.420,000
- Collection on account receivable: Rs.1,910,000
- Cash transferred from the money-market fund to the general bank account: Rs.180,000
- Interest and dividends received: Rs.40,000
- Purchases (all in account): Rs.1,950,000
- Payments on accounts payable to merchandise suppliers: Rs.2,016,000
- Cash payments for operating expenses: Rs.822,000
- Interest paid: Rs.99,000
- Income taxes paid: Rs.140,000
- Loans made to borrowers: Rs.220,000
- Collections on loans (excluding receipt of interest): Rs.142,600
- Cash paid to acquire plant assets: Rs.1,640,000
- Book value of plant assets held: Rs.70,000
- Gain on sales of plant assets: Rs.35,000
- Proceeds from issuing capital stock: Rs.3,550,000
- Dividends paid: Rs.180,000
- Cash and cash equivalents, beginning of year: Rs.297,000
- Cash and cash equivalents, end of year: Rs.297,000

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 compute 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 Tirnavo 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 Wastin in the amount of Rs.700 is determined to be uncollectible and is written off against Allowance for Doubtful Accounts.

June 17
Made a loan of Rs.120,000 to a supplier, Kashif Inc., in exchange for a three-year 5% 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 Hajiya in full payment of her account. The Rs.200 account receivable from Hajiya had previously been written off as uncollectible.

Date for Adjusting Entries
1. An aging of accounts receivable indicates probable uncollectible accounts totaling Rs.5,000. At the end of May, the allowance for Doubtful Accounts had a credit balance of Rs.5,710.
2. In addition to the notes from Tirnavo Company and from Kashif Inc., Gulf Corporation held other notes receivable totaling Rs.37,000 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.
Dunwood 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. (Company on full year’s depreciation in each year.)

a. Straight Line
b. Sum of the Years’ Digits
KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION, DECEMBER 2008: AFFILIATED COLLEGES
FINANCIAL ACCOUNTING: BA (H) – 332
BS - II

Date: December 30, 2008
Instruction: Attempt all questions.
Time allowed: 3 Hours

Q1. Following are the extract from the financial records of Alpha Corporation. Company closed its books of accounts on 31 December.

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
<td>2005</td>
</tr>
<tr>
<td>Cash</td>
<td>$180,000</td>
<td>$190,000</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>$480,000</td>
<td>$240,000</td>
</tr>
<tr>
<td>Merchandise</td>
<td>$550,000</td>
<td>$510,000</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>$60,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>Supplies</td>
<td>$20,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>Furniture &amp; fixtures</td>
<td>$19,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>$210,000</td>
<td>$190,000</td>
</tr>
<tr>
<td>Machinery</td>
<td>$300,000</td>
<td>$300,000</td>
</tr>
<tr>
<td>Building</td>
<td>$600,000</td>
<td>$600,000</td>
</tr>
<tr>
<td>Plant</td>
<td>$75,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>Goodwill</td>
<td>$22,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Total</td>
<td>$2,567,000</td>
<td>$2,567,000</td>
</tr>
</tbody>
</table>

For the year ended 2006
Sales: $1,229,000
Cost of Goods Sold: $650,000
Gross Profit: $579,000
Operating Expenses: $350,000
Operating Income: $150,000
Add: Gain on sale of Equipment: $10,000
Less: Loss on sale of Machinery: $20,000
Net Profit: $149,000

1. During the year company declared cash dividend and Stock Dividend $25,000 and $20,000 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, investing 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.

<table>
<thead>
<tr>
<th></th>
<th>Jan. 1 Inventory</th>
<th>3 Purchased</th>
<th>5 Sold</th>
<th>6 Purchased</th>
<th>18 Sold</th>
<th>27 Sold</th>
<th>31 Purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>80 units @ $15</td>
<td>300 units @ 16</td>
<td>200 units @ 25</td>
<td>10 units @ 15</td>
<td>50 units @ 25</td>
<td>70 units @ 25</td>
<td>100 units @ 20</td>
</tr>
</tbody>
</table>

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. Bakken Co. Ltd. completed the following transactions. The par value of Company's shares 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 furnitures,
4. Issued 5000 shares at $10 each for equipment purchased worth $28,000,
5. Declared a 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 $ 18 each. The market value of the shares was $12 per share.

Required:
Give the necessary Journal entries to record the above transactions in the books of the Company.

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

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities &amp; Stockholder's Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$55,000</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>$155,000</td>
</tr>
<tr>
<td>Inventory</td>
<td>$270,000</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>$60,000</td>
</tr>
<tr>
<td>Plant &amp; equipment (net)</td>
<td>$570,000</td>
</tr>
<tr>
<td>Other assets</td>
<td>$90,000</td>
</tr>
<tr>
<td>Total</td>
<td>$1,200,000</td>
</tr>
</tbody>
</table>

During the year the company earned a gross profit of $1,116,000 on sales of $2,200,000. Accounts receivable, inventory and plant assets remained almost constant in amount throughout the year. Retained earning opening balance 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 shareholding equity  
10. Return on Assets

Q5. The following data are of Noble 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 at end of year, advance payment: $12,400
- Customer accounts written off during the year: $2,700
- 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.
KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINANCIAL ACCOUNTING: BA (P) - 332

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.

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 (ignore 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 are the inventory and receivable turnover ratio measures?

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

<table>
<thead>
<tr>
<th>Current Year</th>
<th>Preceeding Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance Sheet:</td>
<td></td>
</tr>
<tr>
<td>Cash: Rs. 17,000</td>
<td>Rs. 22,000</td>
</tr>
<tr>
<td>Short-term investments:</td>
<td>11,000</td>
</tr>
<tr>
<td>Net receivables: 64,000</td>
<td>73,000</td>
</tr>
<tr>
<td>Inventory: 87,000</td>
<td>71,000</td>
</tr>
<tr>
<td>Prepaid expenses: -9,000</td>
<td>-8,000</td>
</tr>
<tr>
<td>Total current assets: 121,000</td>
<td>91,000</td>
</tr>
<tr>
<td>Income statement:</td>
<td></td>
</tr>
<tr>
<td>Net credit sales: Rs. 454,000</td>
<td></td>
</tr>
<tr>
<td>Cost of goods sold: 257,000</td>
<td></td>
</tr>
</tbody>
</table>

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

Cash received from interest: 4,600
Cash received from borrowing: 2,500

Paid to bank for interest: 7,200
Paid a bank loan: 10,000
Paid for taxes: 21500
Paid for operating expenses: 128100
Paid for equipment: 15000
Question # 4.
The accounting records of Benfain Corporation reveal the following:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash sales</td>
<td>Rs. 2,000</td>
</tr>
<tr>
<td>Loss on sale of land</td>
<td>5,000</td>
</tr>
<tr>
<td>Acquisition of land</td>
<td>17,000</td>
</tr>
<tr>
<td>Collection of dividend revenue</td>
<td>2,000</td>
</tr>
<tr>
<td>Payment of interest</td>
<td>16,000</td>
</tr>
<tr>
<td>Increase in current assets</td>
<td></td>
</tr>
<tr>
<td>Other than cash</td>
<td>12,000</td>
</tr>
<tr>
<td>Payment of dividends</td>
<td>7,000</td>
</tr>
<tr>
<td>Payment of accounts payable</td>
<td>Rs. 48,300</td>
</tr>
<tr>
<td>Net income</td>
<td>21,000</td>
</tr>
<tr>
<td>Payment of income tax</td>
<td>13,000</td>
</tr>
<tr>
<td>Collection of accounts receivable</td>
<td>Rs. 91,000</td>
</tr>
<tr>
<td>Payment of salaries and wages</td>
<td>34,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>12,000</td>
</tr>
<tr>
<td>Decrease in current liabilities</td>
<td>23,000</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Stockholders' Equity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock, Rs. 10 par, 100,000 shares authorized</td>
<td></td>
</tr>
<tr>
<td>50,000 shares issued</td>
<td></td>
</tr>
<tr>
<td>Paid-in capital in excess of par common</td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
</tr>
<tr>
<td>Total stockholders' equity</td>
<td>Rs. 500,000</td>
</tr>
</tbody>
</table>

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 31 and reports stock dividend
payable in 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.
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 for 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 4160
- Delivery Expense 355
- Packaging Expense 480
- Salaries Expense 18350
- Supplies Expense 8410
- Earning per share (EPS) Rs.3.45


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

(b). The following information for Highsons Company is provided:
- Current assets Rs.145,000
- Long-term assets 75,000
- Current liabilities 145,000
- Long-term liabilities 300,000
- Owners' equity 520,000

Required: Compute the working capital, current ratio, debt ratio, return on sales, return on equity, asset turnover, and price-earning ratio.

Q4. Almcoger 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 received from issuance of shares Rs.50,000
- Cash received from customers 252,000
- Cash received from interest 4600
- Cash received from borrowing 25000

Cash payments:
- Cash paid for salaries Rs.124600
- Paid cash dividend 5500
- Paid to bank for interest 7200
- Paid a bank loan 10000
- 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 operating, 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.7,900. The company uses straight-line depreciation.

Required: 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).
V-1urn Corporation issued 10,000, 9%, 30-year bonds of Rs.100 par at Rs.98 to an underwriter.

Required:
- Prepare a journal to record issuance of bonds.
- What is the face value of the bonds?
- What is the net liability for bonds payable at the date of issue?
- 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-Share Corporation:
- Retained Earnings, Dec. 31, 2005: Rs.600,000
- Net Income for 2006: Rs.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:

(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.
UNIVERSITY OF KARACHI

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

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

Q.No.1. Explain and illustrate the following:
(i) The cash basis 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 Drawn Traders:

<table>
<thead>
<tr>
<th>Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid Insurance</td>
<td>8000</td>
<td></td>
</tr>
<tr>
<td>Merchandise Inventory on Jan 1</td>
<td>35000</td>
<td>0</td>
</tr>
<tr>
<td>Unearned Commission Income</td>
<td></td>
<td>6000</td>
</tr>
<tr>
<td>Purchases</td>
<td>95000</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td>200000</td>
</tr>
<tr>
<td>Sales Discount</td>
<td>5000</td>
<td></td>
</tr>
<tr>
<td>Commission Income</td>
<td></td>
<td>4500</td>
</tr>
<tr>
<td>Sales Expense</td>
<td>15000</td>
<td></td>
</tr>
<tr>
<td>Rent Expense</td>
<td></td>
<td>20000</td>
</tr>
<tr>
<td>Merchandise Inventory on Dec 31</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Required:
(i) Pass entry to record issuance of bonds.
(ii) Show how the liability, bonds payable will appear on the balance sheet of January 1, 2017, at its book value or carrying value.
Q.No.5. The following data are adapted from an annual report of Tata Ltd., (all amounts are stated in millions) at year ended June 30, 2007:

<table>
<thead>
<tr>
<th>Item</th>
<th>Rs.</th>
<th>Item</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>5000</td>
<td>Quick Assets</td>
<td>4000</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>2000</td>
<td>Current Assets</td>
<td>8000</td>
</tr>
<tr>
<td>Operating Income</td>
<td>1000</td>
<td>Current Liabilities</td>
<td>4000</td>
</tr>
<tr>
<td>Net Income</td>
<td>800</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Required**

1. 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

2. Which of the above are profitability measures? Comment on the Co.'s profitability.

Q.No.6. A machine which cost Rs. 55,000 had an estimated useful life of 5 years and salvage value of Rs. 5,000. 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. 35,000 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 approved at Rs. 30,000.

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

1. Issued 10,000 shares of common stock of Rs. 10 par value for cash at a price of Rs. 10 per share.
2. Issued 2,000 10% preferred stock of Rs. 100 par for cash at a price of Rs. 150 per share.
3. Issued 10,000 shares of common stock of Rs. 10 par in exchange for land costing Rs. 75,000.
4. The Co. reacquired 1,500 shares of its own Rs. 10 par common stock at a price of Rs. 100 per share.
5. The Co. reissued 1,000 shares out of the 1,500 treasury shares at a price of Rs. 115 per share.

**Required**

1. Prepare entries in general journal to record the above transactions.
2. Show by what amount the retained earnings be restricted in respect of the treasury stock.
KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI

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

Time: 3 Hours
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 Expenditure and Revenue Expenditure
(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.2(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 Hanna Store made cash sales of Rs. 10500 and credit of Rs. 28000. During the year, the accounts receivable decreased by Rs. 8000. Compute for the current year:
(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 as on year ended December 31, 2006, taken from the ledger of the Rehan Traders (The firm uses the Perpetual Inventory System)

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid Salaries Expense</td>
<td>8000</td>
</tr>
<tr>
<td>Merchandise Inventory</td>
<td>35000</td>
</tr>
<tr>
<td>Unrealized Commission Income</td>
<td>6000</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>91000</td>
</tr>
<tr>
<td>Sales</td>
<td>200000</td>
</tr>
<tr>
<td>Sales Discount</td>
<td>5000</td>
</tr>
<tr>
<td>Commission Income</td>
<td>4500</td>
</tr>
<tr>
<td>Salaries Expense</td>
<td>12000</td>
</tr>
<tr>
<td>Rent Expense</td>
<td>20000</td>
</tr>
</tbody>
</table>

Q.No.3(b): The Noon Co. paid office rent in advance for six (6) months Rs. 12000 on May 1, 2006 which initially and alternately recorded as:
(i) Prepaid Office Rent,
(ii) Office Rent Expense.

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)

Tata Co. issued a 10%, 60-day note for Rs. 6000 on November 15, 2006 in settlement of 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) Faisal Co. issued January 1, 2007, 25%, 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.
(ii) 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 Fane Ltd., hence amounts are stated in millions at year end June 30, 2007:

<table>
<thead>
<tr>
<th></th>
<th>Rs.</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>3676</td>
<td>574</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>616</td>
<td>865</td>
</tr>
<tr>
<td>Operating Income</td>
<td>244</td>
<td>523</td>
</tr>
<tr>
<td>Net Income</td>
<td>173</td>
<td>466</td>
</tr>
<tr>
<td>Average Stockholders' Equity</td>
<td></td>
<td>950</td>
</tr>
<tr>
<td>Average Total Assets</td>
<td></td>
<td>1390</td>
</tr>
<tr>
<td>Average Inventory</td>
<td></td>
<td>120</td>
</tr>
<tr>
<td>Average Accounts Receivable</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Which of the above are quality 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 declaration during 2006:
1. Issued 16000 shares at a par value for cash at a price of Rs. 15 per share.
2. Issued 2000 10% preferred shares of Rs. 100 par for cash at a price of Rs. 125.
3. Declared 10% dividend on preferred stock.
4. Declared cash dividend on common stock.

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 UNIVERSITY BUSINESS SCHOOL  
UNIVERSITY OF KARACHI  
FINAL EXAMINATION : AFFILIATED COLLEGES  
FINANCIAL ACCOUNTING : BA (P) - 302  
BA - II (PASS)  

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

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 sides of the accounting equation?

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

Q.No.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 Raheel Company at April 30 follows.

<table>
<thead>
<tr>
<th>Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>450</td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td></td>
<td>1,200</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td></td>
<td>750</td>
</tr>
<tr>
<td>J. Recker, Capital</td>
<td></td>
<td>2,000</td>
</tr>
<tr>
<td>J. Recker, Withdrawals</td>
<td></td>
<td>800</td>
</tr>
<tr>
<td>Fees Earned</td>
<td>1,100</td>
<td></td>
</tr>
<tr>
<td>Rent Expense</td>
<td>700</td>
<td></td>
</tr>
<tr>
<td>Laundry Expense</td>
<td>1,500</td>
<td></td>
</tr>
<tr>
<td>Salary Expense</td>
<td>5,750</td>
<td>5,750</td>
</tr>
</tbody>
</table>

Required:  
1) Prepare closing entries at April 30.  
2) Prepare a post-closing trial balance for the Raheel 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 for services for the next year. Make the adjusting entry on December 31, 2006, assuming that the Bookkeeper recorded the March 1 collection as:  

- Service Revenue  
- 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 B&Iker'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.
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.)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of goods sold</td>
<td>Rs. 390,000</td>
</tr>
<tr>
<td>General andadministrative expense</td>
<td>55,000</td>
</tr>
<tr>
<td>Interest expense</td>
<td>5,000</td>
</tr>
<tr>
<td>Net income</td>
<td>66,000</td>
</tr>
<tr>
<td>Sales</td>
<td>600,000</td>
</tr>
</tbody>
</table>

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 (PASA)  

Time : 3 Hours  
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:  

<table>
<thead>
<tr>
<th>Account Receivable</th>
<th>Notes Payable (due in 30 days)</th>
<th>C. Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings 104000</td>
<td>18400 Salaries Payable</td>
<td>Rs. 50000</td>
</tr>
<tr>
<td>Cash 18400</td>
<td>Accounts Payable 28000</td>
<td></td>
</tr>
<tr>
<td>Land 136000 Capital Stock (20000 shares @10 Par of common stock) 20000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery 13000 Retained Earnings ?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies 800</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 trades' balance sheet at December 31, 2004 shows as under:  

<table>
<thead>
<tr>
<th>Account Receivable</th>
<th>Rs. 180000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less : Allowance for doubtful accounts 10000</td>
<td></td>
</tr>
</tbody>
</table>

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. 74480 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 transactions 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) Depreciation,  
(3) Amortization.  

(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.