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KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION JUNE 2015; AFFILIATED COLLEGES
FINANCIAL ACCOUNTING; BA (H)–332
BBA – II

Date: June 6, 2015 **Max Time: 2 Hrs**
Max Marks: 30

INSTRUCTIONS:

1. **Attempt any 4 questions. Do not write anything on the question paper.**
2. **Use of mobile phones or any other communicating device will not be allowed in the examination room. Students will have to remove the batteries of these devices before entering the examination hall.**

Q.1

Sharp Company
Comparative Balance Sheet

	December 31	
	2013	**2012**
Cash	Rs 54,000	Rs 36,000
Accounts receivable, net	53,000	57,000
Inventory	161,000	123,000
Land	180,000	285,000
Building	300,000	300,000
Accumulated depreciation	(75,000)	(60,000)
Equipment	1,565,000	900,000
Accumulated depreciation	(177,000)	(141,000)
	Rs2,061,000	Rs1,500,000
Accounts payable	Rs 202,000	Rs 150,000
Bonds payable	450,000	-0-
Capital stock, Rs 10 par	1,125,000	1,125,000
Retained earnings	284,000	225,000
	Rs2,061,000	Rs1,500,000

Additional Data:

1. Net income for the year amounted to Rs 104,000.
2. Cash dividends were paid amounting to 4% of par value.
3. Land was sold for Rs 120,000.
4. Sharp sold equipment, which cost Rs 225,000 and had accumulated depreciation of Rs 90,000, for Rs 105,000.

Required: Prepare a statement of cash flows using the indirect method.

Q.2 On December 31, 2011 Berry Corporation sold some of its product to Flynn Company, accepting a 3%, four-year promissory note having a maturity value of Rs 500,000 (interest payable annually on December 31). Berry Corporation pays 6% for its borrowed funds. Flynn Company, however, pays 8% for its borrowed funds. The product sold is carried on the books of Berry at a manufactured cost of Rs 310,000. Assume Berry uses a perpetual inventory system.

Required:

(a) Prepare the journal entries to record the transaction on the books of Berry Corporation at December 31, 2011.

(b) Make all appropriate entries for 2012 on the books of Berry Corporation.

(c) Make all appropriate entries for 2013 on the books of Berry Corporation.

Q.3 Jones Company was formed on December 1, 2011. The following information is available from Jones's inventory record for Product X.

	Units	Unit Cost
January 1, 2012 (beginning inventory)	1,600	Rs 18.00
Purchases:		
January 5, 2012	2,600	Rs 20.00
January 25, 2012	2,400	Rs 21.00
February 16, 2012	1,000	Rs 22.00
March 15, 2012	1,800	Rs 23.00

A physical inventory on March 31, 2012, shows 2,200 units on hand.

Required: Prepare schedules to compute the ending inventory at March 31, 2012, under each of the following inventory methods:

(a) FIFO.
(b) LIFO.
(c) Weighted-average.

Show supporting computations in good form.

Q.4 The information below relates to Milton Company's trading securities in 2012 and 2013.

(a) Prepare the journal entries for the following transactions.

January 1, 2012	Purchased Rs 300,000 par value of GLF Company bonds at 97 plus accrued interest. The bonds pay interest annually at 9% each December 31. Broker's commission was Rs 3,000.
September 1, 2012	Sold Rs 150,000 par value of GLF Company bonds at 94 plus accrued interest. Broker's commission, taxes, and fees were Rs 1,500.
September 5, 2012	Purchased 5,000 shares of Hayes, Inc. common stock for Rs 30 per share. The broker's commission on the purchase amounted to Rs 2,000.
December 31, 2012	Make the appropriate entry for the GLF Company bonds.
December 31, 2012	The market prices of the trading securities at December 31 were: Hayes, Inc. common stock, Rs 31 per share; and GLF Company bonds, 99. Make the appropriate entry.
July 1, 2013	Milton sold 1/2 of the Hayes, Inc. common stock at Rs 32 per share. Broker's commissions, taxes, and fees were Rs 1,000.
December 1, 2013	Milton purchased 600 shares of Ramirez, Inc. common stock at Rs 45 per share. Broker's commission was Rs 500.
December 31, 2013	Make the appropriate entry for the GLF Company bonds.
December 31, 2013	The market prices of the trading securities at December 31 were: Hayes, Inc. common stock, Rs 34 per share; GLF Company bonds, 98; and Ramirez, Inc. common stock, Rs 47 per share. Make the appropriate entry.

(b) Present the financial statement disclosure (balance sheet and income statement) of Milton Company's transactions in trading securities for *each* of the years 2012 and 2013. Appropriate financial statement subheadings must be disclosed.

Q.5 Described below are certain transactions of Larson Company for 2012:

1. On May 10, the company purchased goods from Fry Company for Rs 75,000, terms 2/10, n/30. Purchases and accounts payable are recorded at net amounts. The invoice was paid on May 18.
2. On June 1, the company purchased equipment for Rs 90,000 from Raney Company, paying Rs 30,000 in cash and giving a one-year, 9% note for the balance.
3. On September 30, the company discounted at 10% its Rs 200,000, one-year zero-interest-bearing note at First State Bank.

Required:

(a) Prepare the journal entries necessary to record the transactions above using appropriate dates.
(b) Prepare the adjusting entries necessary at December 31, 2012 in order to properly report interest expense related to the above transactions. Assume straight-line amortization of discounts.
(c) Indicate the manner in which the above transactions should be reflected in the Current Liabilities section of Larson Company's December 31, 2012 balance sheet.

END OF SUBJECTIVE PAPER