APPEARANCE OF MOBILE PHONE(S) / SMART DEVICE(S) SUBJECT TO CONSIDERED AS AN ACT OF CHEATING

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Student Name: ______________________ Seat No: ______________________________

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KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION; AFFILIATED COLLEGE JUNE 2015
FUNDAMENTALS OF ACCOUNTING; BA (M)–521 (PART B)
MBA – I

Date: June 26, 2015 **Max. Time: 100 Mins**
Max. Marks: 30

INSTRUCTIONS:

1. **Attempt 3 questions where Q1 is compulsory. Do not write anything on the question paper.**
2. **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.**

Q1 Adjusting and Reversing Entries.
The following list of accounts and their balances represents the unadjusted trial balance of Asif Company at December 31, 2012:

Cash	Rs 29,090	
Equity Investments (trading)	60,000	
Accounts Receivable	69,000	
Allowance for Doubtful Accounts		Rs 500
Inventory	54,720	
Prepaid Rent	36,000	
Plant Assets	160,000	
Accumulated Depreciation-Plant Assets		14,740
Accounts Payable		11,370
Bonds Payable		90,000
Common Stock		170,000
Retained Earnings		97,180
Sales Revenue		214,800
Cost of Goods Sold	154,400	
Freight-Out	11,000	
Salaries and Wages Expense	32,000	
Interest Expense	2,040	
Rent Revenue		21,600
Miscellaneous Expense	890	
Insurance Expense	11,050	
	Rs 620,190	Rs 620,190

Additional Data:

1. The balance in the Insurance Expense account contains the premium costs of three policies:
   a. Policy 1, remaining cost of Rs 2,550, 1-yr. term, taken out on May 1, 2011;
   b. Policy 2, original cost of Rs 7,200, 3-yr. term, taken out on Oct. 1, 2012;
   c. Policy 3, original cost of Rs 1,300, 1-yr. term, taken out on Jan. 1, 2012.
2. On September 30, 2012, Asif received Rs 21,600 rent from its lessee for an eighteen month lease beginning on that date.
3. The regular rate of depreciation is 10% per year. Acquisitions and retirements during a year are depreciated at half this rate. There were no purchases during the year. On December 31, 2011, the balance of the Plant and Equipment account was Rs 240,000.
4. On December 28, 2012, the bookkeeper incorrectly credited Sales for a receipt on account in the amount of Rs 10,000.
5. At December 31, 2012, salaries and wages accrued but unpaid were Rs 4,200.
6. Asif estimates that 1% of sales will become uncollectible.
7. On August 1, 2012, Asif purchased, as a short-term investment, 60 Rs 1,000, 7% bonds of Allen Corp. at par. The bonds mature on August 1, 2013. Interest payment dates are July 31 and January 31.
8. On April 30, 2012, Asif rented a warehouse for Rs 3,000 per month, paying Rs 36,000 in advance.

Required:

a) Record the necessary correcting and adjusting entries.
b) Indicate which of the adjusting entries may be reversed at the beginning of the next accounting period.

Q2 Naveed Boat Company's bank statement for the month of September showed a balance per bank of Rs 7,000. The company's Cash account in the general ledger had a balance of Rs 4,667 at September 30. Other information is as follows:

1) Cash receipts for September 30 recorded on the company's books were Rs 4,200 but this amount Deens not appear on the bank statement.
2) The bank statement shows a debit memorandum for Rs 40 for check printing charges.
3) Check No. 119 payable to Laiq Company was recorded in the cash payments journal and cleared the bank for Rs 248. A review of the accounts payable subsidiary ledger shows a Rs 36 credit balance in the account of Laiq Company and that the payment to them should have been for Rs 284.
4) The total amount of checks still outstanding at September 30 amounted to Rs 5,800.
5) Check No. 138 was correctly written and paid by the bank for Rs 429. The cash payment journal reflects an entry for Check No. 138 as a debit to Accounts Payable and a credit to Cash in Bank for Rs 492.
6) The bank returned an NSF check from a customer for Rs 550.
7) The bank included a credit memorandum for Rs 1,260 which represents collection of a customer's note by the bank for the company; principal amount of the note was Rs 1,200 and interest was Rs 60. Interest has not been accrued.

Required:

(a) Prepare bank reconciliation for Naveed Boat Company at September 30.
(b) Prepare any adjusting entries necessary as a result of the bank reconciliation.

Q3 For a business that makes advance provision for uncollectible receivables

(a) Journalize the entries to record the following:
   (1) Record the adjusting entry at December 31, the end of the fiscal year, to provide for doubtful accounts. The accounts receivable account has a balance of Rs 800,000, and the contra asset account before adjustment has a debit balance of Rs 600. Analysis of the receivables indicates doubtful accounts of Rs 20,000.
   (2) In March of the following fiscal year, the Rs 550 owed by Faiz Co. on account is written off as uncollectible.
   (3) Eight months later, Rs 200 of the Faiz Co. account is reinstated and payment of that amount is received.
   (4) In October, Rs 400 is received on the Rs 600 owed by Deen Co. and the remainder is written off as uncollectible.
(b) Based on the data in (a) (1) above, what is the net realizable value of the accounts receivable as reported on the balance sheet as of December 31?
(c) Assuming that the business had been following the direct write-off procedure in accounting for uncollectible receivables, journalize the entries to record the following:
   (1) Recorded the write-off of account of Faiz Co. [(a) (2) above].
   (2) Reinstated account of Faiz Co. for Rs 200 and recorded payment of that amount received [(a) (3) above].
   (3) Recorded the receipt of Rs 400 from Deen Co. in (a) (4) above and wrote off the remainder owed as uncollectible.

Q4 On December 31, 2011 Basit 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). Basit 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 Basit at a manufactured cost of Rs 310,000.

Required:

a) Prepare the journal entries to record the transaction on the books of Basit Corporation at December 31, 2011. (Assume that the effective interest method is used. Use the interest tables below and round to the nearest dollar.)
b) Make all appropriate entries for 2012 on the books of Basit Corporation.
c) Make all appropriate entries for 2013 on the books of Basit Corporation.

END OF SUBJECTIVE PAPER