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

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KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION JUNE 2015; AFFILIATED COLLEGES
FINANCIAL ACCOUNTING; BA (M)–522 (PART B)
MBA – II

Date: June 23, 2015 **Max Time: 2 Hrs**
Max Marks: 30

INSTRUCTIONS:
1. **Attempt 4 questions where Q1 is compulsory.**
2. **Do not write anything on the question paper.**
3. **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 On the basis of the following data for Teller Co. for 2008 and the preceding year ended December 31, 2008, prepare a statement of cash flows. Use the indirect method of reporting cash flows from operating activities. Assume that equipment costing Rs 125,000 was purchased for cash and equipment costing Rs 85,000 with accumulated depreciation of Rs 65,000 was sold for Rs 15,000; that the stock was issued for cash; and that the only entries in the retained earnings account were net income of Rs 51,000 and cash dividends declared of Rs 13,000.

	Year 2008	Year 2007
Cash	Rs 100,000	Rs 78,000
Accounts receivable (net)	78,000	85,000
Inventories	101,500	90,000
Equipment	410,000	370,000
Accumulated depreciation	(150,000)	(158,000)
	Rs 539,500	Rs 465,000
Accounts payable (merchandise creditors)	Rs 58,500	Rs 55,000
Cash dividends payable	5,000	4,000
Common stock, Rs 10 par	200,000	170,000
Paid-in capital in excess of par-- common stock	62,000	60,000
Retained earnings	214,000	176,000
	Rs 539,500	Rs 465,000

Q.2. 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 Flake Co. on account is written off as uncollectible.
  (3) Eight months later, Rs 200 of the Flake Co. account is reinstated and payment of that amount is received.
  (4) In October, Rs 400 is received on the Rs 600 owed by Doe 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 Flake Co. [(a) (2) above].
  (2) Reinstated account of Flake Co. for Rs 200 and recorded payment of that amount received [(a) (3) above].
  (3) Recorded the receipt of Rs 400 from Doe Co. in (a) (4) above and wrote off the remainder owed as uncollectible.

Q.3 a) Journalize the following entries on the books of the borrower and creditor. Label accordingly.

Jun. 1	Roberts Co. purchased merchandise on account from Wright Co., Rs 60,000, terms n/30.
Jun. 30	Roberts Co. issued a 60-day, 5% note for Rs 60,000 on account.
Aug. 29	Roberts Co. paid the amount due.

b) On the first day of the current fiscal year, Rs 1,000,000 of 10-year, 7% bonds, with interest payable semiannually, were sold for Rs 1,050,000. Present entries to record the following transactions for the current fiscal year:

(a) Issuance of the bonds.
(b) First semiannual interest payment.
(c) Amortization of bond premium for the year, using the straight-line method of amortization.

Q.4 Equipment acquired at a cost of Rs 126,000 and a book value of Rs 42,000. Journalize the disposal of the equipment under the following independent assumptions.
(a) The equipment had no market value and was discarded.
(b) The equipment is sold for Rs 53,000.
(c) The equipment is sold for Rs 27,000.
(d) The equipment is traded-in for a similar asset. The list price of the new equipment is Rs63,000.

Q.5 Company reports the following:

Net income	Rs 240,000
Preferred dividends	Rs 10,000
Shares of common stock outstanding	20,000
Market price per share of common stock	Rs 35.00

Determine the company's price-earnings ratio. Round your answer to one digit after the decimal place.

END OF SUBJECTIVE PAPER