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

College Name: ____

Student Name: ______________________ Seat No: ______________________________

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KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION JUNE 2016; AFFILIATED COLLEGES
FINANCIAL ACCOUNTING; BA (M)–522
MBA – II

Date: July 19, 2016 **Max Time: 2 Hrs**
Max Marks: 40

INSTRUCTIONS:

1. **Attempt any 4 questions. Do not write anything on the question paper.**
2. **Mobile phone(s) 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

Shan 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. Shan 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.

Q2 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.

Q3 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.

Q2 Galaxy Company uses a periodic inventory system. The company's records show the beginning inventory of product no.M212 on January 1 and the Purchases of this item during the current year to be as follows:

Jan. 1	Beginning inventory	700	units	@	\$100.
Feb. 23	Purchase	1,400	units	@	\$110.
Apr.20	Purchase	3,800	units	@	\$112.
May.4	Purchase	4,200	units	@	\$116.
Nov.30	Purchase	900	units	@	\$120.

A physical count indicates 1,800 units in inventory at year end. The selling price of each unit was \$ 165. Assume that company uses (a) Average Cost (b) FIFO (c) LIFO

Required:

1. Compute Cost of merchandise inventory ending.
2. Compute cost of Goods Sold.
3. Compute Gross Profit.

Q4 The following data are taken from the record of the Apple Company at the end of the year 2012. Cash \$ 24,000; Marketable Securities 15,000; Ending Inventory 40,000; Accounts Receivable Ending 50,000; Shares Capital 300,000; Retained Earnings 150,000; Purchases (net) 160,000; Sales(net) 270,000; Selling Expenses 34,000, General Expenses 18,000; Unexpired Insurance12,000; Accounts Payable 30,000; Total Assets (net) 750,000; Accrued Expenses 10,000; Debenture Payable 260,000.

Assume that Merchandise Inventory and Account Receivable opening of the year were \$ 25,000 and \$ 60,000 respectively.

Required:

1. Working Capital 2. Acid Test Ratio 3. Current Ratio 4. Equity ratio on Assets.
5. Book value each share 6. Accounts Receivable Turnover 7. Rate of Gross Profit on Sale.
8. Inventory turnover 9. Average days of operating cycles. 10. Debt to Equity Ratio.

Q5 Company reports the following:

Net income	Rs 240,000
Preferred dividends	Rs 10,000
Shares of common stock outstanding	Rs 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