

KARACHI UNIVERSITY BUSINESS SCHOOL
University of Karachi
FINAL EXAMINATION JULY 2010: AFFILIATED COLLEGES
FUNDAMENTAL OF ACCOUNTING

Date: July 5, 2010

Max Time 3 Hours

Max Marks: 60

Attempt All Questions. All Question Carry Equal Marks

1. Pak-Water Landscaping was organized on September 1 of the current year and had following account balances at December 31, listed in tabular form.

Assets					=	Liabilities		+	Equity	
Cash	+ Land	+ Building	+ Equipment	=	Office	Notes	Payable	+	Accounts Payable	+ Ahmad's Capital
Balances Rs. 14,800	50,000	45,000	Rs. 22500	=	Rs. 22500	Rs. 32,000	Rs. 25,300	+	75,000	

Early in January, the company carried out the following transactions:

- a. The owner Mr. Ahmed deposited Rs. 20,000 in personal funds into the bank of the business.
- b. Purchase land and a small office building for a total [rice of Rs. 80,000, of which Rs. 30,000 was the value of the land and Rs. 50,000 was the value of the building. Paid Rs. 20,000 in cash and signed a note payable for the remaining balance Rs. 60,000.
- c. Bought a Xeror copying machine on credit for Rs. 9,500 (30-day open account).
- d. Obtained a loan from United Bank in the amount of Rs. 18,000. Signed a note payable.
- e. Paid the Rs. 9,500 account payable originating in transaction 'c'.

Instructions:

- i. List the December 31 balances of assets, liabilities, and owner's equity in tabular form as shown above.
- ii. Record the effects of each of the six transactions in the tabular arrangement illustrated above. Show the totals for all columns after cash transaction.

2. The balance sheet of Haroon Inc., at end of last year included the following items:

Notes receivable from customers-----	Rs. 270,000
Accrued interest on notes receivable-----	5,400
Accounts receivable-----	1,134,000
Less: Allowance for doubtful accounts-----	27,000

Instructions:

You are to record the following events of the current year in general journal entries:

- a. Accounts receivables of Rs. 25,920 are written off as uncollectible.
- b. A customer's note for Rs. 7,425, on which interest of Rs. 405 has been accrued in the accounts, is deemed uncollectable, and both balances are written off against the Allowance for Accounts.
- c. An accounts receivable for Rs. 3,510 previously written off is collected.

3. (a) At September 30, the Cash account of Kamal Canvas, a sole proprietorship, showed a balance of Rs. 72,900. The bank statement, however, showed a balance of Rs87,400 at the same date. The only reconciling items consisted of Rs. 4,800 deposited in transit, a credit for interest eared of Rs. 200 and 30 outstanding checks.

Instructions:

- i. Compute the amount of cash which should appear in the company's balance sheet at September 30
 - ii. Compute the total of the outstanding checks.
- (b) On September 1, a six month, 15% note receivable is acquired from Saif Ahmed, a customer, in settlement of his Rs. 12,000 account receivable.

Instructions:

Prepare journal entries to record:

- i. The receipt of the note on September
 - ii. The adjustment to record accrued interest revenue on December 31.
 - iii. Collection of the principal and interest on February 28.
4. When Zaheer Ahmed arrived at his store on the morning of January 29, found empty shelves and display racks, thieves had broken in during then night and stolen the entire inventory. Zaheer's accounting records showed that he has Rs. 55,000 inventory on January 1 (cost value). From January 1 to January 29, he had made net sales of Rs. 200,000 and purchases of Rs. 141,800. The gross profit during the last several years had consistently average 30% of net sales. Saif wishes to file an insurance claim for the theft loss. You are to use gross profit method to estimate the cost of his inventory at the theft. Show computations.
5. Hilal Circuit Company purchased new equipment on September 4, 2010, at a cost of Rs. 80,000 Useful life of this equipment was estimated at 4 year, with an estimated residual value of Rs. 5,000. For income tax purposes, this equipment is classified as "3-year property".

Instructions;

Compute the annual depreciation expense for each year until this equipment becomes fully depreciated under each of the depreciation methods listed below. (Because you will record depreciation for only a fraction of a year 2006, depreciation will extend through 2010 in all methods except MACRS.). Show supporting computations.

- i. Straight line, with depreciation for fractional years rounded to the nearest whole month
- ii. Sum of the year's digit, with half year convention.
- iii. 200%-declining-balance, with the half year convention. (Limited depreciation in 2010 to an amount which reduces the undepreciated cost to the estimated residual value.)

Q.No.6

For each of the situations described below, indicate the generally accepted accounting principle that is being violated. Choose from the following principles:

Matching
Cost
Objectivity

Materiality
Realization
Adequate disclosure

If you do not believe that the practice violates any of these principles, answer "None" and explain.

- a. The financial statements include non mention of a large lawsuit filed against the company, because the suit has not been settled as of year-end.
- b. The bookkeeper of a large metropolitan auto dealership depreciated the Rs. 7.20 cost of metal wastebasket over a period of 10 years.
- c. A small commuter airline recognizes no depreciation expense on its aircraft because the planes are maintained in "as good as new" condition.
- d. Plan Beach Hotel recognizes room rental revenue on the date that a reservation is received. For the winter season, many guests make reservations as much as a year in advance.

KARACHI UNIVERSITY BUSINESS SCHOOL
University of Karachi
FINAL EXAMINATION, DECEMBER 2010: AFFILIATED COLLEGES
FUNDAMENTAL OF ACCOUNTING
MBA - I

Date: December 12, 2010

Max Time: 3 Hours

Max Marks: 60

Q#1 Show below is the information needed to prepare bank reconciliation for Ahmad Enterprises at December 31:

- 1) At December 31 cash per bank statement was Rs. 15981, cash per the company's record was Rs. 17,445.
- 2) Two debit memoranda accompanied the bank statement: Service charges for December of Rs 24 and Rs 600 cheque draw by Bashir marked "NSF".
- 3) Cash receipt of Rs. 4,353 on December 31 were not deposited until January 4.
- 4) The following cheques had been issued in December but were not included among the pain cheques returned by the bank no 620 for Rs 978, no 630 for Rs 2,052 and no. 641 for Rs 483.

Required

- a) Prepare bank reconciliation at December 31.
- b) Prepare the necessary journal entry.

Q#2 Akber Ali operates a investigating business called Akber Ali investigations. Some clients are required to pay in advance for the company's services, while others are billed after the services have been rendered. Advance payments are credited to an account entitled unearned retainer fees, which represents unearned revenue. The business adjusts its account each month and closes its account at the end of each quarter. At March 31, the end of the first quarter, the trial balance appeared as follows.

Akber Ali Investigation
Trial Balance
March 31, 2008

Cash	Rs 17,150	
Fees Receivable	Rs 37,800	
Unexpired Insurance	Rs 1,600	
Prepaid Rent	Rs 5,400	
Office Supplies	Rs 1,050	
Office Equipment	Rs 17,100	
Accumulated Depreciation: office Equipment		Rs 5,700
Account payable		Rs 3,900
Unearned Retainer fees		Rs 24,000
Akber Ali, Capital		Rs 45,000
Akber Ali, Drawing	Rs 3,200	
Fees Earned		Rs 33,320
Depreciation Expense	Rs 570	
Rent Expense	Rs 3,000	
Office Supplies Expense	Rs 450	
Insurance Expense	Rs 800	
Telephone Expense	Rs 1,200	
Travel Expense	Rs 3,400	
Salaries Expense	Rs 19,500	
	Rs 112,220	Rs 112,220

Other Data

- 1 The useful life of the office equipment was estimated at five years.
- 2 Fees of Rs 8,400 were earned during the month from services performed for clients who had Paid in advance
- 3 Salaries earned by employees during the month but not recorded or paid amount to Rs 1,665.

- 4 On March 1, the business moved into a new office and paid the first three months rent in advance
- 5 Investigative services rendered during the month but not yet collected or billed to clients amounted
To Rs 3,900
- 6 On January 1, Rs 2,400 was paid as the premium for six months Liability insurance

Required:

- a) Prepaid the adjusting entries required ay March 31.
- b) Determine the amount of net income to be reported in the company's income statement for the quarter ended March 31, 2008

Q#3 Prepare a worksheet from the following trial balance of Raheel Real Estate Agency as on month Ending December 31, 2008

**Raheel Real Estate Agency
Trial Balance
December 31, 2008**

Cash	Rs 20,000	
Prepaid Rent	Rs 1,800	
Unexpired Insurance	Rs 510	
Unexpired advertising	Rs 1,180	
Supplies Unused	Rs 1,260	
Office Furniture	Rs 23,400	
Accumulated depreciation – Furniture		Rs 2,080
Notes payable		Rs 16,000
Unearned Revenue		Rs 2,400
Raheel Capital		Rs 25,330
Raheel Drawing	Rs 3,000	
Revenue from services		Rs 9,270
Salaries Expense	Rs 3,930	
	Rs. 55,080	Rs. 55,080

Adjustments:

a) Monthly rent for the month		Rs 600
b) Monthly advertising expense		Rs 300
c) Supplies Consumed during the month		Rs 480
d) _Unpaid salaries		Rs 350
e) Prepaid insurance at the end		Rs 480
f) Depreciation expense furniture for the period		Rs 260
g) Unearned revenue earned		Rs 400

Q#4. Sheraz Enterprises operates several miniature golf courses, all of which are located on rented land within city parks. Shown below is the company's adjusted trial balance at December 31, 2008 company closes its accounts at the end of each calendar year.

**Sheraz Enterprises
Adjusted Trial Balance
December 31, 2008**

Cash	Rs 41,100	
Account Receivable	Rs 7,800	
Buildings	Rs 180,000	
Accumulated Depreciation: Buildings		Rs 36,000
Golf Course Structures	Rs 270,000	
Accumulated depreciation: Golf Course Structures		Rs 90,000
Accounts payable		Rs 23,100
Salaries payable		Rs 6,900
Ahmed Capital (December 31, 2008)		Rs331,560
Ahmed Drawing	Rs 75,000	

Admission Revenue		Rs 576,000
Advertising Expense	Rs 45,000	
Rent Expense	Rs 108,000	
Repair Expense	Rs 15,600	
Salaries Expense	Rs 237,000	
Light & Power Expense	Rs 13,500	
Depreciation Expense: Building	Rs 18,000	
Depreciation Expense: Golf Course structures	Rs 45,000	
Insurance Expense	Rs 7,560	

Rs. 1,063,560

Rs. 1,063,560

Required:

- a) Prepare an income statement and a statement of owner's equity for the year ended December 31, 2008
- b) Prepare balance sheet as of December 31, 2008

Q# 5 Audio shop is use a periodic inventory system. One of the most popular items carried in stock by Audio Shop is an eight-inch speaker unit. The inventory quantities, purchases, and sales of this unit for the most recent year as follows:

	Number of units	Cost per Unit	Total Cost
Inventory, January I	2,700	Rs 30	Rs 81,000
First purchase (May 12)	3,540	Rs 30.60	Rs 108,324
Second purchase (July 9)	2,400	Rs 31.05	Rs 74,520
Third purchase (October 4)	1,860	Rs 32.10	Rs 59,706
Fourth purchase (December 18)	<u>3,000</u>	Rs 32.55	<u>Rs 97,650</u>
Goods available for sale	13,500		<u>Rs 421,200</u>
Unit sold during the year	<u>10,400</u>		
Inventory December 31	<u>3,100</u>		

Required:

- a) Using periodic costing procedures, compute the cost of December 31 inventory and the cost of goods sold for the eight – inch speaker units during the year under each of the following cost flow assumptions.
 - 1) First – in First – out
 - 2) Last – in, First – out
 - 3) Average cost
- b) Which of the three inventory pricing methods provides the most realistic balance sheet valuation of inventory in light of the current replacement cost of the speaker unit?

**KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION: AFFILIATED COLLEGES
FUNDAMENTAL OF ACCOUNTING
MBA - I**

Date: JUNE 30, 2009

Max Time 3 Hours
Max Marks: 60

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

- Q.No.1 Luqman decides to open a duplicating center. He organizes the business on the first of April and entered into the following transactions during the month. The center is called Luqman printing Center.
- April 1: Luqman took all his cash out of the bank and invested in the business as the sole owner. He invested Rs. 100,000
- April 2: Luqman found a store to buy. The previous owner had closed the store several months ago. The purchase price of Rs. 120,000 was allocated as follows:
- | | |
|----------------|------------|
| Land | Rs. 40,000 |
| Building | Rs. 60,000 |
| Store fixtures | Rs. 20,000 |
- A 20% down payment was made and the remainder was financed through a bank loan.
- April 4: The firm purchased 5 new self-service copy machines at a total price of Rs. 10,000 cash.
- April 10: The firm placed an order for a high-speed copy machine costing Rs. 15,000 to be delivered in 10 days. A 20% payment is due 10 days after delivery, the remainder in 30 days.
- April 13: A 2-year insurance policy was purchased for Rs 2,400 cash
- April 16: one of the self service copy machine purchased on the fourth did not work properly. The firm returned and received a refund.
- April 20: The high-speed copy machine purchased on the tenth was delivered from the warehouse. The 20% payment is due in 10 days.
- April 24: Luqman realized that the firm would need a additional funds. One of his close friends lent the firm Rs 10,000 in exchange for a note.
- April 30: The firm paid the 20% due on the high-speed copy machine.
- April 30: The firm purchased a used delivery truck for Rs 3,500.

Required

- (i) Make the required journal entries for April.
- (ii) Post these entries to ledger accounts using the running balance type.
- (iii) Prepare a trial balance sheet at April 30.

- Q.No.2 (a) Some of the following journal entries are incorrect or contain missing data. Make the complete correct journal entry for each item where appropriate. (Note: Dr. =debit, Cr. =credit)

(i) Dr. Cr. Account Receivable 4,327

To record payment received from customer on account.

(ii) Prepaid Rent 2,639

Cash 2,639

To record prepayment of rent

(iii) Cash 50

Office Supplies 50

To record purchase of office supplies for cash

(iv) Land 15,000

Bank loan payable 10,000

Cash 5,000

To record purchase of land costing Rs 15,000. Rs. 5,000 paid in cash, the remainder borrowed from bank.

- (b) Which of the following posting errors would cause the debit and credit columns of the trial balance not to balance? Briefly explain your reasoning.
- (i) A receipt of cash from a payment on account was posted by debiting Cash for Rs 2,500 and crediting Account Receivable for Rs. 25,000.
 - (ii) A purchase of equipment on account was posted by debiting Equipment for Rs. 1,000 and crediting Cash for Rs. 1,000.

Q.No.3 The balance sheet of Ahmed's Ceramic shop at December 31, 2008 is as follows:

Ahmed's Ceramic Shop			
Balance Sheet			
December 31, 2008			
<u>Assets</u>		<u>Liabilities and Owner's Equity</u>	
Cash	Rs. 12,000	Account Payable	Rs. 15,000
Accounts Receivable	25,000	Notes Payable	5,000
Loans Receivable	5,000	Tax Payable	4,000
Membership Dues	1,000	Ahmed, Capital	149,000
Inventory	25,000		
Land and Building	95,000		
Equipment	10,000		
	<u>Rs. 173,000</u>		<u>Rs. 173,000</u>

Additional Information:

- The membership dues were paid several years ago to join the local chamber of commerce for one year. The membership has since expired.
- The equipment is a one-of-a-kind oven pottery making purposes. It was purchased several years ago for Rs 4,200. Ahmed recently received an offer of Rs. 10,000 for the oven.
- Included in the inventory is Rs. 5,000 of goods owned by Karim, a pottery maker. Ahmed agreed to display them in his store. If they are sold, Ahmed will receive a commission of Rs. 20 per item.
- The note payable is Ahmed's personal note on his own automobile.

Required:

- Indicate what effect, if any each of the these items would have on the balance sheet .
- Prepare a corrected balance sheet to reflect any of the changes you think should be made.

Q.No.4 From the following data prepare the bank reconciliation for the S.M. Sameer Company as of April 30, 2008: balance per bank statement April 30, Rs. 1,150.25; balance per books April 30, Rs. 1,048.34; outstanding cheques, Rs. 342.85; interest income earned on average balance, 12.40; deposit in transit, Rs. 246.34; cheques printing charge, Rs. 7.00. In addition, prepare any necessary journal entries.

Q.No.5 The following data were taken from the unadjusted trial balance of the Yaqoob Company:

	Debit	Credit
Account Receivable	Rs. 200,000	
Allowance for uncollectible accounts		Rs. 1,950
<u>Total Sales – 40% for cash</u>		<u>Rs. 642,000</u>

Actual uncollectible accounts written off during the year amounted Rs. 2,300.

Required:

If the uses the allowance method to record uncollectible accounts, compute uncollectible accounts expense under each of the following assumptions.

- 2% of total sales.
- 3% of credit sales.
- The Allowance for uncollectible Accounts is increased to 5% of the ending receivable balance.

Q.No.6 (a) On September 1, 2007, Bilal, Inc. paid Rs. 9,600 for a liability insurance policy covering a period of one year from the date of payment. The records are adjusted only at year-end. Make the adjusting entry on December 31, 2007, the end of the fiscal year, assuming that the bookkeeper recorded the September 1 payments as:

- Prepaid insurance
- Insurance Expense

(b) Refer to part b of the previous exercise and assume that Bilal, Inc. follows the practice of shifting prepaid exercises to expense accounts on the first day of each new period. Make the required reversing entry on January 1, 2008.

(c) On March 1, 2007, Mobin Company received Rs. 3,600 in advance as payment for servicing Mubarak Company's garbage trucks each month for the next year. Make the adjusting entry on December 31, 2007, assuming that the bookkeeper recorded the March 1 collection as:

- Service Revenue
- Unearned Service Revenue

**KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION: AFFILIATED COLLEGES
FUNDAMENTAL OF ACCOUNTING
MBA - I**

Date: January 22, 2009

Max Time 3 Hours
Max Marks:: 60

Instructions: Attempt all questions

- Q.No.1 (a) State whether each of the following statements is true or false; if false, explains your answer.
- i. In order for an item to be considered an asset of an enterprise, the enterprise must have legal title to it.
 - ii. The historical cost convention requires that when an asset is acquired it is recorded as its historical cost. However, when subsequent balance sheet are prepared, the asset is adjusted to reflect its current value.
 - iii. One of the main reasons for employing the historical cost convention is that historical cost is objective.
 - iv. The utmost Corporation has had several terrible years and decided to sell of its assets and go out of business within the next few months. If a balance sheet is prepared immediately after this decision is made, but before liquidation, the firm's assets should be listed at their historical cost.
- (b) You have obtained the following data from the Yasir Company as of December 31, 2008. However, certain figures were smeared by the duplicating machine and you are to determine the missing figures.

YASIR COMPANY	
Account Payable	Rs. 15,630
Accounts Receivable	?
Bank Loan Payable	6,000
Buildings	15,000
Cash	28,725
Investment in Ford Company	14,800
Land	5,000
Licenses	225
Office Supplies	1,280
Other Assets	200
Prepaid insurance	2,400
Store Furniture and Fixture	13,800
Total Assets	91,630
Total Liabilities	?
Total Owner's Equity	?

- Q.No.2 (a) which of the following posting errors would cost the debit and credit column of the trial balance not to balance? Briefly explain your reasoning.
- i. A receipt of cash from a payment of an account was posted by debiting Cash for Rs. 2,500/-and Crediting Account Receivable for Rs. 25,000.
 - ii. A purchase of equipment on account was posted by debiting Equipment for Rs. 1,000/- and Crediting Cash for Rs. 1,000.
 - iii. When the following general entries was posted the debit to accounts Payable was left out by mistake:

Account Payable	1,200	
Cash		1,200
 - iv. The purchase of supplies for cash was posted as a debit to Cash and credit to supplies for Rs. 500, respectively.
 - v. When the following general was posted, the debit to Cash was actually posted as a credit.

Cash	10,000	
Capital		10,000
- (b) The Ghulam Ahmed Company, a consulting firm to major sports figures, entered into the following the transactions during November:
- November 16: Paid October utility bill of Rs. 750/-. This bill was recorded as a payable at the end of October.

- November 30: Fees earned during the month amounted to Rs. 60,000/-, of which Rs. 40,000/- was for cash.
- November 30: November's utility bills of Rs. 850/- was received. It will be paid in early December.

Required

Prepare the necessary general entries for the month of November.

Q.No.3 (a) The following data are available for three consecutive years of the Noman Corporation:

	Year 1	Year 2	Year 3
Noman, Capital (Beginning Balance)	Rs. 85,000	Rs. 90,000	?
Net Income	?	?	Rs. 20,000
Withdrawal by Owner	<u>10,000</u>	<u>12,000</u>	<u>?</u>
Noman, Capital (Ending Balance)	<u>?</u>	<u>Rs. 92,000</u>	<u>Rs. 90,000</u>

Required

Complete the chart by filling in the missing accounts.

- (b) The Ahmed Realty Company entered into the following transactions in July:
- Commissions earned and received in July Rs. 7,100/-
 - Commissions earned in July but not yet received Rs. 2,125/-
 - Commissions received in advance on sale to close to August Rs. 500/-
 - Cash collected on commissions from May A Realty sales Rs. 1,000/-
 - Payment of June's utility and telephone bills Rs. 425/-
 - Payment of rent for six months, July through December Rs. 3,600/-
 - July's salaries paid in August Rs. 2,400/-
 - Received bill from plumber for services performed in July, To be paid in August Rs. 50/-
- (c) Match the following statement from Salman, owner of XYZ Painting Services, Inc, to the relevant underlying accounting concepts. There may be more than one answer for each question.
- Time period assumptions.
 - Matching concept.
 - Accrual versus cash basis accounting.
- "I want to know how you can tell me we had income of Rs. 3,200/-, and the bank says we are over drawn."
 - "Well, I don't care..... how about not reporting income this year?"

Q.No.4 The Babar Company opened a news service on January 2 of the current year. The firm's year-end is December 31, and it makes adjusting entries once a year at the time. For each of the following items, make the initial entry, where appropriate to record the transaction and, if necessary, the adjusting entry December 31:

- On March 31, the Babar Company rented a new office. Before it could move it had to prepay a year's rent of Rs. 18,000/- cash.
- On January 31, the firm borrowed Rs. 100,000/- from a local bank at 12%. The principal and interest on the loan are due in one year, but no interest payments have yet been made.
- On March 15, the firm purchased Rs. 500/- of supplies for cash. On September 14, it made another cash purchase of Rs. 900/-. The firm's accountant determined that Rs. 1,100/- of supplies had been used during the current year.
- The firm charges its customer in advance for subscribing to its news service. During the year the firm received Rs. 1,20,000/- cash from its customers the firm's accountant determined that 50% of that had not yet been earned.
- Before closing its books the Babar Company found a bill Rs. 1,200/- from a local newspaper for an advertisement that was placed in the November paper.
- Wages accrued but unpaid at December 31 totaled Rs. 1,400/-.

Q.No.5

You have determined the following balance sheet data for the Aleem Company:

	January 1, 2008	December 31, 2008
Account Receivable	Rs. 150,000	Rs. 210,000
Supplies	8,000	9,200
Salaries Payable	17,000	15,000
Unearned Rent Revenue	8,200	7,000

The income statement data for the year showed the following data:

Sales – all credit	Rs. 570,000/-
Supplies	Rs. 10,000/-
Salaries expenses	Rs. 42,000/-
Rent Revenue	Rs. 23,000/-

Required:

You are to calculate the following information:

- i. Cash received on account.
- ii. Cash paid for supplies – all supplies purchased for cash.
- iii. Salaries paid in cash.
- iv. Cash collected for rent.

Q.No.6 (a)

Prepare general journal entries to record the following transactions:

August 14	Sold goods on account to Akram Rs. 3,900/-
December 2	Received a Rs. 3,900/-, 180-days, 10% note from Akram in satisfaction of his past-due account receivable.
December	Sold the Akram note by discounting it to a bank at 15%. (Use a 360-days year, and round accounts to the nearest rupees.)

Required:

Write the note to disclose the contingent liability at December 31.

- (b) ABC General Store is the largest retailer in the Pakistan. Recently, ABC reported these figures in million of rupees:

	2007	2006
Net Sales	Rs. 43,887	Rs. 32,602
Receivable at end of year	419	305

The ABC General Store financial statements include no uncollectible-account expense or allowance for uncollectible.

Required:

1. Compute ABC's average collection period on receivables during 2007.
2. How can ABC have Rs. 419 million of receivables at January 31, 2007, and no significant allowance for uncollectible?

Q.No.7 (a)

Carol Miller's cheque book lists the following:

Date	Cheque No	Item	Cheque	Deposit	Balance
9/1					Rs.525
9/4	622	Bon Jour Bakery	Rs. 19		506
9/9		Dividends		Rs. 116	622
9/13	623	General Tire Co.	43		579
9/14	624	Exxon Oil Co.	58		521
9/18	625	Cash	50		471
9/26	626	St. Alban's Lutheran Church	25		446
9/28	627	Bent Tree Apartments	275		171
9/30		Pay cheque		2,000	2171

The September bank statement shows:

Balance.....		Rs. 525
Add: Deposits.....		116
Deduct cheques: No.	<u>Amount</u>	
622.....	Rs. 19	
623.....	43	
624.....	68	
625.....	<u>50</u>	(180)
Other charges:		
Printing cheques.....	Rs. 8	
Service cheque.....	<u>12</u>	(20)
Balance.....		<u>Rs. 441</u>

Required:

Prepare Miller's bank reconciliation at September 30.

(b) What purpose does bank reconciliation serve?

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FINAL EXAMINATION JULY 2008: AFFILIATED COLLEGES
FUNDAMENTAL OF ACCOUNTING
MBA - I**

Date: July 3, 2008

Max Time: 3 Hours

Max Marks: 60

Instructions: Attempt any five questions.

- Q.1 (a) Does the term debit mean increase and the term credit mean decrease? Explain (03)
(b) Listed below are nine technical accounting terms introduced in this chapter: (09)

Ledger	Account	Data base
Posting	Credit	Double-entry
Trial Balance	Debit	Journal

Each of the following statements may (or may not) describe one of these technical terms. For each statement, indicate the accounting term described, or answer "None" if the statement does not correctly describe any of the terms.

- a. The system of accounting in which all transactions are recorded both in journal and in the ledger.
- b. An entry on the left-hand side of a ledger account.
- c. The process of transferring information from a journal to the ledger.
- d. The accounting record in which transactions are initially recorded in a manual accounting system.
- e. Information stored in a computer-based accounting system which can be arranged into any desired format.
- f. A device that proves the equality of debits and credits posted to the ledger.
- g. The accounting record from which a trial balance is prepared.

- Q.2 Ann Ryan, a licensed real estate broker, on October 1 began the organization of her own business, to be known as Ryan Land Company. The following events occurred in October. (12)

Oct. 2 Ann Ryan opened a bank account in the name of the business by depositing personal savings of \$35,000.

Oct. 6 Purchased land and a small office building at a total price of \$98,500, of which \$64,000 was applicable to land and \$34,500 to the building. The terms of the purchase required a cash payment of \$29,500 and the issuance of a note payable for \$69,000.

Oct. 15 Sold one-quarter of the land at its cost of \$16,000 to neighboring business, Village Medical Clinic, which wanted to expand its parking lot. No down payment was required; Village Medical Clinic issued a note promising payment of the \$16,000 in a series of five monthly installments of \$3,200 each, beginning October 30 (ignore interest).

Oct. 20 Purchased office equipment on credit from Buffington Company in the amount of \$5,280.

Oct. 30 Paid \$3,440 as partial settlement on the liability to Buffington Company.

Oct. 31 Received the first \$3,200 monthly installment on the note receivable from Village Medical Clinic.

Required:

- a) Prepare journal entries for the month of October.
- b) Post to ledger accounts of the three-column running balance form.
- c) Prepare a trial balance at October 31, 2007.

Q.3 (a) Briefly contrast the accounting procedures in perpetual and periodic inventory system. (03)

(b) Micro Measurements uses a perpetual inventory system. On January 1, the Inventory account had balance of \$ 124,600. During the first few days of January the following transactions occurred.

Jan 4. Purchased merchandise on credit from Laser Pen, Inc for \$23,900. Inventory account had balance of \$ 124,600. During the first few day of January the following transactions occurred.

Jan 4. Purchased merchandise on credit from Laser Pen, Inc, for \$23,900.

Jan 9. Sold merchandise on account to Soho. Graphics for a retail price of \$36,800. This merchandise had cost Micro Measurements \$27,200.

Required:

- a. Prepare entries in general journal from a record the above transactions.
- b. What was the balance of the Inventory account at the close of business January 9?
- c. Why is the purchase of merchandise intended for resale not charged directly to an expense account?

Q.4 Following is the trial balance of Nick Charles Investigations:

NICK CHARLES INVESTIGATIONS

Trial balance

May 31, 2007

Cash.....	\$17,150	
Fees Receivable.....	37,800	
Unexpired insurance.....	2,000	
Prepaid rent.....	5,400	
Office supplies.....	1,050	
Office equipment.....	17,100	
Accumulated depreciation: office Equipment.....		\$5,700
Account payable.....		3,900
Unearned retainer fees.....		24,000
Nick Charles Capital.....		48,000
Nick Charles, drawing.....	2,400	
Fees Earned.....		24,800
Telephone Expense.....	1,200	
Travel Expense.....	3,400	
Salaries Expense.....	19,500	
	<u>\$107,000</u>	<u>\$107,000</u>

OTHER DATA:

- a. The useful life of the office equipment was estimated at five years.
- b. Fees of \$6,400 were earned during the month by performing services for clients who had paid in advance.
- c. Salaries earned by employees during the month but not yet recorded or paid amounted to \$1,700.
- d. On May 1, the business moved into a new office and paid first three months' rent in advance.
- e. Investigative Services rendered during the month but not yet collected or billed to client amounted to \$2,900.
- f. Office supplies on hand May 31 amounted to \$600.
- g. On April 1, \$2,400 was paid as the premium for six months' liability insurance.

Required:

- a. Prepare the adjusting entries required at May 31, 2007.
- b. Determine the amount of revenue that should appear in the Company's income statement for the month ended May 31, 2007.

Q.5

The following information was available to reconcile Kramer Company's book cash balance with its bank statement balance as of March 31, 2007.

- a. The March 31 cash balance according to the accounting records was \$24,789, and the bank statement balance for that date was 434,686.
- b. Cheque No. 573 for \$834 and Cheque No. 582 for \$300, both written and entered in the accounting records in March, were not among the canceled checks returned. Two checks, No. 531 for \$1,761 and No. 542 for \$285, were outstanding on February 28 when the bank and the book statement balances were last reconciled. Check No. 531 was returned with the March canceled checks but check No. 542 was not.
- c. When the March checks were compared with entries in the accounting records, it was found that Check No. 567 had been correctly drawn for \$1,925 to pay for office supplies but was erroneously entered in the accounting records as though it were drawn for \$1,952.
- d. Two debit memoranda were included with the returned checks and were unrecorded at the time of the reconciliation. One of the debit memoranda was for \$570 and dealt with an NSF check for \$555 that had been received from a customer, Barbara White, in payment of her account. It also assessed a \$15 FEE for processing. The second debit memorandum covered check printing and was for \$67. These transactions were not by Kramer before receiving statement.
- e. A credit memorandum indicated that the bank had collected a \$15,000 note receivable for the Company, deducted a \$15 collection fee, and credited the balance to the company's account. This transaction was not recorded by Kramer before receiving the statement.
- f. The March 31 cash receipts, \$5,897, had been placed in the bank's night depository after banking hours on that date and did not appear on the bank statement.

Required:

1. Prepare bank reconciliation for the company as of March 31, 2007.
2. Prepare the general journal entries necessary to bring the company's book balance of cash into conformity with the reconciled balance.

Q.6 (a)

Explain the relationship between the **matching principle** and the need to estimate the uncollectible accounts receivable.

(03)

(b)

At May 31, the accounts receivable of Biway Central amounted in total to \$705,600. The company uses the balance sheet approach to estimate bad debts and has prepared an aging schedule of accounts receivable at May 31 which indicates an expected loss of \$17,568. You are to prepare as of May 31 the adjusting entry required under each of the following independent assumptions. The explanation portion of each entry should appropriate supporting computations, and amounts should be rounded to the nearest dollar.

- a. The allowance for Doubtful Accounts has a credit balance of \$12,672.
- b. The Allowance for Doubtful Accounts has a debit balance of \$4,262.

(09)

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION JANUARY 2008: AFFILIATED COLLEGES
FUNDAMENTAL OF ACCOUNTING
MBA - I

Date: January 23, 2008

Max Time: 3 Hours
 Max Marks: 60

Instructions: Attempt any five questions.

Q.No.1 (a) For each of the situations described below, indicate the generally accepted accounting principles that is being violated. Choose from the following principles:

- | | |
|--------------------|----------------------------|
| Matching | Materiality |
| Cost | Realization |
| Objectivity | Adequate disclosure |

If you do not believe that the practice violates any of these principles, answer “none” and explain.

- a. The financial statements include no mention of a large lawsuit filed against the company because the suit has not been settled as of year-end.
 - b. The bookkeeper of a large metropolitan auto dealership depreciates that \$7.20 cost of metal wastebaskets over a period of 10 years.
 - c. A small commuter airline recognizes no depreciation expense on its aircraft because the planes are maintained in “as good as new” condition.
 - d. Palm beach Hotel recognizes room rental revenue on the date that a reservation is received. For the winter season, many guests make reservations as much as a year in advance.
- (b). Seven transactions were posted to these T-accounts, Prepare general journal entries and provide a short description of each transaction.

Cash	Truck
(a) 3,500 (e) 1,200	(a) 5,500
(b) 1,800 (c) 300 (f) 1,200 (g) 350	
Plumbing Supplies	Accounts Payable
(c) 300 (d) 100	(f) 1,200 (d) 4,800
Prepaid Insurance	Vinnie Doran, Capital
(b) 1,800	(a) 11,800
Plumbing Fees Earned	Plumbing Equipment
(e) 1,250	(a) 2,800 (d) 4,700
Gas and Oil Expense	
(g) 350	

Q.No.2 Show below are the trial balance and Adjusted Trial Balance columns of the worksheet prepared for Fisher Insurance Agency for the month ended January 31, 2001.

	Trial Balance		Adjusted Trial Balance	
	Dr	Cr.	Dr.	Cr.
Balance Sheet Account				
Cash	\$ 4,980		\$ 4,980	
Commissions Receivable	3,000		3,850	
Office Supplies	600		240	
Office equipment	6,600		6,600	
Accumulated Depreciation: Office Equipment		\$ 2,420		2,420
Account Payable		1,660		1,660
Salaries Payable				550
Unearned commissions		400		190
Pat Fisher, Capital		12,300		12,300
Pat Fisher, Drawing	1,000		1,000	
Income statement Accounts:				
Commission Earned		6,900		7,960
Salaries Expense	6,000		6550	
Rent Expense	1,500		1,500	
Office Supplies Expense			360	
Depreciation Expense			110	
Depreciation Expense; office Equipment				
	<u>\$ 23,680</u>	<u>\$ 23,680</u>	<u>\$ 25, 190</u>	<u>\$ 25,190</u>

Required

- (a) By comparing two trial balances shown above prepare Adjusting Entries.
- (b) Prepare income statement.
- (c) Prepare Balance Sheet.

Q.No.3

The cash transactions and cash balance of Norfleet Farm for July were as follows:

- 1) The ledger account for cash showed a balance at July 31 of \$ 16,766.95.
- 2) The July bank statement showed a closing balance of \$ 18,928.12.
- 3) The Cash received on July 31 amounted to \$ 4,017.15. it was left at the bank in the night depository chute after banking hours on July 31, and therefore was not recorded by the bank on the July statement.
- 4) Also included with July bank statement was a debit memorandum from the bank for \$ 7.65 representing service charges for July.
- 5) A credit memorandum enclosed with the July statement indicated that a noninterest bearing note receivable for \$ 4,545 from Rene Manes, left with the bank for collection, had been collected and the proceeds credited to the account of Norfleet Farm.
- 6) Comparison of the paid checks returned by the bank with entries in the accounting records revealed that cheks no. 821 for \$ 835.02, issued July 15 in payment for office equipment, had been erroneously entered in Norfleet's record as \$ 853.02.
- 7) Examination of the paid cheks also revealed that three cheks, all issued in July, had not yet been paid by the bank: no. 811 for \$ 861.12; no. 814 for \$ 640.80; no. 823 for \$ 301.05.
- 8) Included with the July bank statement was a \$ 180 cheks drawn by Howard Williams, a customer of Norfleet Farm. This cheks was marked "NSF". It had been included in the deposit of July 27 but had been charge back against company's account on July 31.

Required

- a. Prepare a bank reconciliation statement for Norfleet Farm at July 31.
- b. Prepare journal entries (in general journal form) to adjust the accounts at July 31 assume that the accounts have not been closed.
- c. State the amount of cash that should be included in the balance sheet at July 31.
- d. Explain why the balance per the company's bank statement is often larger than the balance shown in its accounting records.

Q.No.4

Public image, a firm specializing in marketing and publicity service, uses the balance sheet approach to estimate uncollectible expense. At year-end aging of the accounts receivable produced the following classification:

Not yet due	\$ 333,000
1 – 30 days past due	135,000
31 – 60 days past due	58,500
61 – 90 days past due	13,500
Over 90 days past due	22,500

On the basis of past experience, the company estimated the percentages probably uncollectible for the above five age groups to be as follows: Group 1, 1% Group 2, 3% Group 3, 10% Group 4, 20 % Group 5, 50 %.

The allowance for Doubtful accounts before adjustment at December 31 showed a credit balance of \$ 8,100.

Instructions

- Compute the estimated amount of uncollectible accounts based on the above classification by age groups.
- Prepare the adjusting entries need to bring the Allowance for Doubtful Accounts to the proper amount.
- Assume that on January 10 of the following year, Public Image learned that an account receivable that had originated on September 1 in the amount of \$ 8,550 was worthless because of the bankruptcy of the customer, Cranston Manufacturing. Prepare the journal entry on January 10 to write off this account.
- The company is considering the adoption of a policy whereby customers whose outstanding accounts become more than 60 days pasts due will be required to sign an interest bearing note for the full amount of their outstanding balance. What advantages would such a policy offer?

Q.No.5

Audio Shop uses a periodic inventory system. One of the mot popular items carried in stock by Audio Shop is an eight-inch speaker unit. The inventory quantities, purchases, and sales of this unit for the most recent year are as follows:

	Number of Units	Cost per Unit	Total Cost
Inventory, Jan.1	2,700	\$ 30.00	\$ 81,100
First Purchase (May 12)	3,540	30.60	108,324
Second purchase (July 9)	2,400	31.05	74,520
Third purchases (Dec. 4)	1,860	32.10	59,706
Fourth purchase (Dec.18)	<u>3,000</u>	32.55	<u>97,650</u>
Goods available for sale	13,500		<u>\$ 421,200</u>
Units sold during the year	<u>10,400</u>		
Inventory, Dec.31	<u>3,100</u>		

Required

- Using periodic costing procedures, compute the cost of the December 31 inventory and the cost of the goods sold for the eight-inch speaker units during the year under each of the following cost flow assumptions:
 - First-in, first-out
 - Last-in, first-out
 - Average cost
- Which of the three inventory presiding methods provides the most realistic balance sheet valuation of inventory in the light of current replacement cost of the speaker units? Does this same method also produce the most realistic measure of income in the light of the costs being incurred by Audio Shop to replace the speakers when they are sold? Explain

Q.No.6 (a)

Each of the five lines represents a separate set of information. You are to copy the table and fill in the missing amounts. A net loss in the right-hand column is to be indicated by placing brackets around the amount, as for example, in line e (25,000).

	Net Sales	Beginning Inventory	Net Purchase	Ending Inventory	Cost of Goods Sold	Gross Profit	Expenses	Net Income or (Lose)
a.	300,000	95,000	130,000	44,000	?	119,000	90,000	?
b.	600,000	90,000	340,000	?	330,000	?	?	25,000
c.	700,000	230,000	?	185,000	490,000	210,000	165,000	?
d.	900,000	?	500,000	150,000	?	260,000	300,000	?
e.	?	260,000	?	255,000	660,000	225,000	?	(25,000)

- (b). Listed below are eight typical merchandising transactions of Everyday Auto Parts, a retail auto supply store.
- Purchased merchandise from Acne Wholesales on account.
 - Paid an account payable to the supplier.
 - Sold merchandise for cash.
 - Sold merchandise on account.
 - Collected an account receivable from a customer.
 - Returned merchandise to a supplier, receiving credit against the amount owned.
 - Gave a cash refund to a customer who returned merchandise.
 - Reduced the account receivable from a credit customer who returned merchandise.

Among the accounting records of Everyday Auto parts are subsidiary ledger for inventory, accounts receivable, and accounts payable. For each of the eight transactions, you are to indicate any subsidiary ledger (or ledgers) to which the transaction would be posted. Use the following codes:

Inv = Inventory ledger
 AR = Account receivable subsidiary ledger
 AP = Account Payable subsidiary ledger

Also indicate whether each posting causes the balance in the subsidiary ledger account to increase or decrease. Organize your answer in tabular form as illustrate below. The answer for transaction a is provided as an example.

Transaction	Subsidiary Ledger	Effect of subsidiary Account Balance
a	Inv	Increase
	AP	Increase

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION SPRING - 2006: AFFILIATED COLLEGES
FUNDAMENTAL OF ACCOUNTING: BA (M) - 521
MBA - I

Date: July 03, 2006
Max Marks: 60

Max Time: 3 Hours

Instructions: Attempt any SIX (06) questions. All questions carry equal marks.

- Q.No.1 (a) If different group use financial statement for different purposes, why are general purpose financial statement prepared?
 (b) Name two groups with claims on a firm's assets. Which has the primary claim? Why?
 (c) Define the following terms regarding notes receivable:
- | | |
|---------------------|--------------------|
| i. Payee | ii. Maker |
| iii. Face Value | iv. Maturity Value |
| v. Duration of Note | vi. Interest Rate |

Q.No.2 The unadjusted trial balance for Certified Answering Services appears as follows on December 31, 2005.

Certified Answering Service		
Trial Balance		
December 31, 2005		
Cash	Rs. 2,160	
Account Receivable	1,250	
Office Supplies	180	
Prepaid Insurance	240	
Office Equipment	3,400	
Accumulated Depreciation, office equipment		Rs. 600
Account Payable		700
Revenue receivable in Advance		460
Jameel, Capital		4,470
Answering Service Revenue		2,900
Wages Expense	1,500	
Rent Expense	400	
	Rs. 9,130	Rs. 9,130

The following information is also available:

- a) Insurance that expired during December amounted to Rs. 40
- b) Office supplies on hand at the end of December totaled Rs. 75.
- c) Depreciation for the month of December totaled Rs. 100.
- d) Accrued wages at the end of December totaled Rs. 120.
- e) Revenues, earned for services performed but not yet billed on December 31, totaled Rs. 300.
- f) Revenues, earned for services performed that were paid in advance totaled Rs. 160.

Instructions:

- (i) Prepare T account for the accounts in the trial balance.
- (ii) Determine the required adjusting entries, and record them directly in the T accounts.
- (iii) Prepare an adjusted trial balance.

- Q.No.3 (a) State whether each of the following statements is true or false; if false, explains your answer.
- a) In order for the item to be considered an asset of an enterprise, the enterprise must have legal title to it.
 - b) The historical cost convention requires that when an asset is acquired it is recorded at its historical cost. However, when asset subsequent balance sheets are prepared, the asset is adjusted to reflect its current value.
 - c) One of the main reasons for employing the historical cost convention is that

- d) The Almost Corporation has had several terrible years and has decided to sell of its assets and go out of business within the next few months. If a balance sheet is prepared, immediately after this decision is made, but before liquidation, the firm's asset should be listed at their historical cost.
- (b) The following accounts, in random order, have been taken from the balance sheet of Haseen Foods Corporation (in thousands):

Property, plant and equipment	Rs. 539,914
Account Payable	110,582
Income tax Payable	85,165
Cash and Short-term investment	17,820
Inventories	178,585
Owner's Equity	532,495
Prepaid assets	3,411
Note payable (due within 12 months)	19,579
Notes payable (due after 12 months)	140,250
Investment and other assets	73,212
Account Receivable	65,129

Required

- (i) Prepare a balance sheet of Haseen Foods at December 31.
- (ii) Describe what each account represents.
- Q.No.4 (a) The Salman motors Inn has just completed its busy summer season. Taking the following facts into consideration, construct an income statement for the month ending September 30, 2005.
- Salary and wages equaled 30% of sales.
 - Interest expense equaled 12 % of sales.
 - Insurance expense equaled 12 % of sales.
 - Miscellaneous expenses equaled 1% of sales and wages.
 - Advertising and promotion expense expenses totaled 5% of sales but were estimated to have attracted 45% of the current month's sales.
- (b) Why adjusting entries are necessary? Is there any difference between adjusting and closing entries? Explain.

- Q.No.5 As the accountant for National Communication Co, you are preparing the bank reconciliation as of September 30, 2005. You have obtained the following data:
- The bank statement showed an ending balance as of 30-09-2005 of Rs. 3,785. the general ledger cash account showed a balance of Rs. 5,303 of that date.
 - Deposits of Rs. 760 and Rs. 338 representing cash receipts of 28-09-2005 and 30-09-2005 were not posted by the bank.
 - The following items were returned with the bank statement:
 - A credit memo in the amount of Rs. 17 for interest earned in September.
 - A debit memo for Rs. 176 for a NSF cheque was written by ABC Company.
 - A debit memo for Rs. 1,300 for an automatic repayment of a bank loan. The interest portion is Rs. 1,245.
 - A debit memo for Rs. 5 for monthly service charge.
 - The following cheques were written by National Communication Co. but not yet paid by the bank: no. 3479 for Rs. 126; no. 3480 for Rs. 374; no. 3483 for Rs. 29; no. 3485 for Rs. 273; no. 3487 for Rs. 137; no. 3488 for Rs. 114.

Required

Prepare a Bank Reconciliation Statement at September 30, 2005.

Q.No.6

The following data relates to the beginning inventory and purchases of the Good Company:

Date	Purchase		Sale	Balance
	Units	Cost	Units	Units
Beginning Inventory	400	Rs. 19.50		400
January 3	100	Rs. 20.00		500
January 10	200	Rs. 21.00		700
January 15			250	350
January 20	450	Rs. 21.60		800
January 31			300	500

Required

Assuming that the Good Co. uses a periodic inventory system, calculate the ending inventory and cost of goods sold as of January 31, based on the following methods:

- a) FIFO b) LIFO c) Average Cost

Q.No.7 (a)

What is the purpose of a voucher system? Should every firm established such a system?

- (b) On May 1 the Grace Company decided to establish a Rs. 200,000 petty cash fund. At May 31, the ends of its fiscal year, the following items were in the fund:

Cash and currency	Rs. 163.25
Expenses vouchers	
Donations	5.00
Salary advance to employee	20.00
Office Supplies	<u>11.75</u>
Total	<u>Rs. 200.00</u>

Required

- a. There is currently Rs. 163.25 in the fund. Why is it necessary to replenish the fund at May 31?
 b. Prepare the entry to replenish the fund.

Q.No.8 (a)

The Capital, Withdrawal, and income summary accounts for Waheed's Shop for the year ended December 31, after recording of closing entries, are presented in T account form below.

Waheed, Capital				Waheed, Withdrawal			
31/12	12,000	1/1	26,000	1/4	4,000	31/12	12,000
		31/12	13,000	1/7	4,000		
		Bal	27,000	1/10	4,000		
				Bal	--		
Income Summary							
31/12	39,000	31/12	52,000				
31/12	13,000	Bal	--				

Instruction:

Prepare statement of owner's equity for Waheed Shop.

- (b) Which of the following accounts will not have a balance after closing entries are prepared and posted?
 Insurance Expense; Accounts Receivable; Commission Revenue; Prepaid Insurance; Withdrawal; Supplies; Supplies Expense.