

College Name: _____

Student Name: _____ Seat No: _____

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KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION DECEMBER 2016; AFFILIATED COLLEGES
FINANCIAL ACCOUNTING; BA (H)-332
BBA – II

Date: December 24, 2016

Max. Time: 2 Hrs

Max. Marks: 60

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. The comparative balance sheet of HBO Company appears below:

HBO COMPANY
Comparative Balance Sheet
December 31, 2007

Assets	2007	2006
Current assets	\$ 340	\$280
Plant assets	675	520
Total assets	<u>\$1,015</u>	<u>\$800</u>
<u>Liabilities and stockholders' equity</u>		
Current liabilities	\$ 180	\$120
Long-term debt	250	160
Common stock	325	320
Retained earnings	<u>260</u>	<u>200</u>
Total liabilities and stockholders' equity	<u>\$1,015</u>	<u>\$800</u>

Instructions

- (a) Using horizontal analysis, show the percentage change for each balance sheet item using 2006 as a base year.
- (b) Using vertical analysis, prepare a common size comparative balance sheet.

Q2. Selected data from the Conner Company are presented below:

Total assets	\$1,500,000
Average assets	1,700,000
Net income	250,000
Net sales	1,400,000
Average common stockholders' equity	1,000,000
Net cash provided by operating activities	275,000
Shares of common stock outstanding	10,000

Instructions

Calculate the profitability ratios that can be computed from the above information.

Q3. Journalize the entries to record the following selected transactions of Owens Co.:

- (a) Purchased \$100,000 of Kelly Co. 8% bonds at 102 plus accrued interest of \$2,000.
- (b) Received first semiannual interest payment.
- (c) Amortized \$40 on the bond investment at the end of the first year.
- (d) Sold the bonds at 97 plus accrued interest of \$1,500. The bonds were carried at \$101,500 at the time of the sale.

Q4. On the basis of the following data for Seller Co. for 2008 and the preceding year ended December 31, 2007, prepare a statement of cash flows. Use the indirect method of reporting cash flows from operating activities. Assume that equipment costing \$125,000 was purchased for cash and equipment costing \$85,000 with accumulated depreciation of \$65,000 was sold for \$15,000; that the stock was issued for cash; and that the only entries in the retained earnings account were net income of \$51,000 and cash dividends declared of \$13,000.

	Year <u>2008</u>	Year <u>2007</u>
Cash	\$90,000	\$ 78,000
Accounts receivable (net)	78,000	85,000
Inventories	106,500	90,000
Equipment	410,000	370,000
Accumulated depreciation	<u>(150,000)</u>	<u>(158,000)</u>
	<u>\$534,500</u>	<u>\$465,000</u>
Accounts payable (merchandise creditors)	\$ 53,500	\$ 55,000
Cash dividends payable	5,000	4,000
Common stock, \$10 par	200,000	170,000
Paid-in capital in excess of par-- common stock	62,000	60,000
Retained earnings	<u>214,000</u>	<u>176,000</u>
	<u>\$534,500</u>	<u>\$465,000</u>

Q5. Beginning inventory, purchases and sales data for tennis rackets are as follows:

Feb 3	Inventory	12 units	@	\$15
11	Purchase	13 units	@	\$17
14	Sale	18 units		
21	Purchase	9 units	@	\$20
25	Sale	10 units		

Assuming the business maintains a *periodic* inventory system, calculate the cost of merchandise sold and ending inventory under the following assumptions:

- (a) First-in, first-out
- (b) Last-in, first-out

END OF EXAM PAPER