

College Name: \_\_\_\_\_

Student Name: \_\_\_\_\_ Seat No: \_\_\_\_\_

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**KARACHI UNIVERSITY BUSINESS SCHOOL**  
**UNIVERSITY OF KARACHI**  
**FINAL EXAMINATION, DECEMBER 2016; AFFILIATED COLLEGES**  
**PRINCIPLES OF ACCOUNTING; BA (H)-331**  
**BBA – I**

Date: December 31, 2016

Max Time: 2 Hrs

**INSTRUCTIONS:**

Max Marks: 60

1. Attempt 4 questions, where Q5 is compulsory.
2. Do not write anything on the question paper.
3. 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 In June 2001, Johnson organized a corporation to provide crop dusting services. The company called Johnson Crop Dusting. Transaction during the month of June were as follows

<b>June 01</b>	Johnson deposited \$60,000 cash in the bank account in the name of the business.
<b>June 02</b>	Purchased a crop dusting aircraft from Utility Aircraft for \$ 220,000. Made a \$40,000 cash down payment and issued note payable for \$180,000
<b>June 04</b>	Paid Woodrow airport \$2,500 to rent office and hanger space for the month.
<b>June 15</b>	Billed Customers \$8320 for crop dusting services rendered during the first half of June
<b>June 15</b>	Paid \$ 5,880 salaries to employees for services rendered during the first half of June
<b>June 18</b>	Paid Hannigan's Hangar \$1890 for maintenance and repair services.
<b>June 25</b>	Collected \$4910 of the amounts billed to customers on June 15.
<b>June 30</b>	Billed customer \$16450 for crop dusting services rendered during the second half of June.
<b>June 30</b>	Paid \$6,000 salaries to employees for services rendered during the second half of June
<b>June 30</b>	Received a fuel bill from Henry's Feed and Fuel for \$2510 of aircraft fuel purchased during June. This amount is due by July 10.
<b>June 30</b>	Johnson withdrew \$ 2,000 cash from the business for personal use

**Required:** Prepare Journal entries and General Ledger Accounts.

Q2 Kent Cinema adjusts its accounts each month. Kent Cinema closes its accounts at the end of each quarter and has a fiscal year ending December 31. At July 31, the trial balance and other information were available for adjusting the accounts.

Cash	\$20,000	
Prepaid Film Rental	31,200	
Land	80,000	
Building	168,000	
Accumulated Depreciation – Building		10,500
Projection Equipment	36,000	
Accumulated Depreciation – Projection Equip		3,000
Notes Payable		190,000
Account Payable		4,400
Li Trong Capital		103,400
Drawing	3,500	
Admission Revenue		36,900
Unearned admission Revenue		1,000
Salaries Expense	8,700	
Light and Power Expense	1,800	
	<b>349,200</b>	<b>349,200</b>

**Other Data**

1. Film rental expense for the month is \$15,200. However the film rental expense for several months had been paid in advance.
2. The building is being depreciated over a period of 20 years
3. The projection equipment is being depreciated over a period of five years.
4. At July 31, accrued interest payable on note payable amounts to \$ 1,650. No entry has yet been made to record interest expense for the month of July.

5. Kent Cinema receives a percentage of revenue earned by Tastie Corporation, the concessionaire operating the snack bar. For snack bar sale in July Tastie owes Kent Cinema \$2,250 payable on August 10. No entry has yet been made to record this revenue.
6. Kent Cinema allow the local YMCA to bring children for a fixed fee of \$ 500 per month. On May 28, the YMCA made \$1500 advance payment covering June, July and August.
7. Salaries earned by employees by yet not paid \$1,500. No entry has yet been made.

**Required:** Prepare a 10 column Worksheet.

- Q3 a) Hill Company adjusts its account at the end of each month. Prepare the adjusting entries required at December 31 based on the following information.
1. A Bank loan had been obtained on December 1. Accrued interest on the loan at December 31 amounts to \$ 1050. No interest expense has yet been recorded.
  2. Depreciation of office equipment is based on an estimated life of five years. The balance in the office equipment account is \$24,000, no change has occurred in the account during the year.
  3. Interest revenue earned on United States government bonds during December amounts to \$750. This accrued interest revenue has not been recorded or received as of December 31.
  4. On December 31, an agreement was signed to lease a truck for 12 months beginning January 1 at a rate of 35 cents a mile. Usage is expected to be 2,000 miles per month, and the contract specifies a minimum payment equivalent to 18,000 miles a year.
  5. The company's policy is to pay all employees up to date each Friday. Since December 31 fell on Monday, there was a liability to employees at December 31 for one day's pay amounting to \$2,800
- b) United Distribution Company acquired a machine at a cost of \$ 160,000 as on January 2010. The machine was depreciated under straight line method with the assumption of a five year life and no salvage value. After four years on January 2014 the machine was traded in with a new model machine priced at \$ 200,000. The Trade in allowance was of \$ 48,000.

**Required:** Show computation and record the exchange.

- Q4 The credit manager of Olympic Sporting Goods has gathered the following information about the company accounts receivable and credit losses during the current year

Net Credit Sales	\$3,000,000
Account Receivable at year end	360,000
Uncollectible account receivable:	
Actually written off during the year	43,650
Estimated portion of year end receivable expected to prove uncollectible	18,000

**Required:**

Prepare one journal entry summarizing the recognition of uncollectible accounts expense for the entire year under each of the following independent assumptions.

- a. Uncollectible account expense is estimated at the amount equal to 1.5% of net credit sales.
  - b. The company uses the direct write off method of accounting of uncollectible accounts
  - c. Uncollectible accounts expense is recognized by adjusting the balance in the Allowance for Doubtful Accounts. The balance in the allowance account at the beginning of the current year was 15,000.
- Q5 a) Define any 5 of the following:
- |                        |                     |
|------------------------|---------------------|
| a. Capital Expenditure | e. Accrued Expenses |
| b. Depreciation        | f. Prepaid Expenses |
| c. Current Assets      | g. Posting          |
| d. Balance Sheet       |                     |

- b) Below are the account balances as of December 31, 19X8 of Mr. Peter owner of a movie theater

Account Payable	\$11,400
Admission Income	34,200
Capital January 1, 19X8	16,000
Cash	7,500
Drawing	5,400
Equipment	18,500
Film Rental Expense	6,000
Miscellaneous Expense	4,000
Notes Payable	1,000
Rent Expense	10,000
Salaries Expense	7,000
Supplies	4,200

**Required:** Prepare a) an income statement      b) a statement of owner's equity  
c) a balance sheet

**END OF EXAM PAPER**