

College Name: _____

Student Name: _____ Seat No: _____

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KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION, JUNE 2017; AFFILIATED COLLEGES
FINANCIAL ACCOUNTING; BA (H)-332
BS-II

Date: June 12, 2017

Max Time: 2 Hrs

Max Marks: 60

INSTRUCTIONS:

1. Attempt any 4 questions. Do not write anything on the question paper.
2. 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. The selected data taken from the record of M/s Peter Corporation for the year 2015 and 2016 are as follows

Debit Balance (Amount in \$)	2016	2015
Cash	48,000	20,000
Account Receivable	95,000	60,000
Merchandise Inventory	50,000	30,000
Machinery	80,000	60,000
Land	79,000	89,000
Patents	20,000	25,000
Credit Balance (Amount in \$)		
Allowance for Depreciation (Machinery)	35,000	25,000
Account Payable	7,000	18,000
Long Term Bond Payable	105,000	76,000
Share Capital	150,000	120,000
Premium on share	15,000	5,000
Retained Earning	60,000	40,000

During the year the company declared a cash dividend in 2016 of \$ 15,000 and a stock dividend of \$ 20,000

Required:

- Prepare a Cash Flow statement showing operating, investing and financing activities

Q2. 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.

- Q3 a) Explain the importance of Financial ratio in decision making.
- b) The December 31, 2015, balance sheet and income statement for Johnson Company are given; Compute the specific ratios and compare them to the industry average.

Briefly comment on each ratio

Cash	\$17	Account Payable	7
Marketable securities	5	Notes Payable	3
Account receivable	3	Tax Payable	2
Inventory	16	Other accruals	3
Prepaid expenses	6	Total Current Liabilities	15
Total Current assets	47		
Gross Plant and Equipment	126	Long Term debt	35
Less Accumulated Depreciation	(57)	Preferred stock	10
Net Plant and equipment	69	Common stock	20
		Retained Earning	36
Total Assets	116	Total Liabilities & Equity	116

Income Statement

Net Sales	\$1,072
Cost of Good sold	921
Gross Profit	151
Selling expense	86
General and Administrative expense	26
Depreciation	6
Net operating Income	33
Interest Expense	4
Profit before taxes	29
Tax	12
Net Income	17

Ratio to Compute	Industry Average
Current	2.86
Quick	2.31
Debt to equity	0.51
Times interest period	12.36
Average collection period	1.06
Inventory Turnover	95.71
Fixed asset Turnover	16.15
Operating Profit Margin	0.036
Net Profit Margin	0.019
Return on asset	0.192
Return on equity	0.271

- Q4. The records of the Aslam and Company show the following purchases and Sales transaction for the month of September 2016.

September	1 Inventory	5000 units @ Rs 5
	9 Purchase	2500 units @ Rs 6
	14 Sales	2500 units @ Rs 12
	19 Purchase	1600 units @ Rs 7
	21 Sales	2200 units @ Rs 12
	24 Purchases	3000 units @ Rs 8
	29 Sales	2500 units @ Rs 12

Required:

- Calculate the cost of ending inventory and COGS by FIFO and Average method by perpetual inventory system.

- Q5. Following balances were extracted from John Cosway Company from his book on 31 August 2016.

Purchases	\$ 67,600
Sales	121,300
Wages and salaries	23,700
Rent expense	7,350
Insurance expense	1,930
Carriage on purchase	1,260
Rent received	2,210
Account receivable	10,800
Account Payable	7,200
Bank overdraft	1,560
Stock at 1 September 2015	9,650
Capital at 1 September 2015	29,000
Fixture and equipment at cost	10,000
Drawings	18,220
Misc Expense	10,760

Additional Information

Stock at 31 August 2016 was valued at \$11,200

At 31 August 2016 prepaid rent was \$150.

Wages and salaries of \$ 2,350 were accrued at 31 August 2016.

Audit fee of \$ 1,500 for the year are accrued at 31 August 2016.

Fixture and equipment are to be depreciated by \$2,000 for the year.

Required

- Prepare Income statement and classified balance sheet as at 31 August 2016

END OF EXAM PAPER