

College Name: _____

Student Name: _____ Seat No: _____

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KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION JUNE 2017; AFFILIATED COLLEGES
PRINCIPLES OF ACCOUNTING; BA (H)-331
BBA – I

Date: June 18, 2017

Max Time: 2 Hrs

Max Marks: 60

INSTRUCTIONS:

1. Attempt any 3 questions. Do not write anything on the question paper, **EXCEPT** Initials mentioned above.
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 a) The following transactions were engaged in during the month of march by Michel

- 1) Opened his practice by investing \$50,000 in the business.
- 2) Bought office equipment for \$ 27,000 on account from Medical Products Inc
- 3) Paid \$2000 for various medical supplies for the office.
- 4) Received \$ 11,600 in fees earned during the first month of operations
- 5) Paid office rent for the month \$900
- 6) Paid medical assistant salary for the month \$1800
- 7) Paid medical products Inc \$3000 on account
- 8) Withdrew \$1500 for personal use

Record the effects of each transaction in the accounting equation.

- b) 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

- June 1 Johnson deposited \$60,000 cash in the bank account in the name of the business.
 June 2 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
 June 4 Paid Woodrow airport \$2,500 to rent office and hanger space for the month.
 June 15 Billed Customers \$8320 for crop dusting services rendered during the first half of June
 June 15 Paid \$ 5,880 salaries to employees for services rendered during the first half of June
 June 18 Paid Hannigan's Hangar \$1890 for maintenance and repair services.
 June 25 Collected \$ 4910 of the amounts billed to customers on June 15.
 June 30 Billed customer \$16450 for crop dusting services rendered during the second half of June.
 June 30 Paid \$ 6,000 salaries to employees for services rendered during the second half of June
 June 30 Received a fuel bill from Henry's Feed and Fuel for \$2510 of aircraft fuel purchased during June 30 This amount is due by July 10.
 June 30 Johnson withdrew \$ 2,000 cash from the business for personal use

Prepare Journal entries.

Q2 a) Shown below is the information needed to prepare a bank reconciliation for Data Flow Inc at December 31.

- i. At December 31, cash per bank statement was \$ 15,981 cash per company's record was \$17,445.
- ii. Two debit memoranda accompanied were service charges for December of \$ 24 and \$ 600 cheque drawn by Janes Jones marked NSF
- iii. Cheque receipt of \$ 4353 on December 31 were not deposited until January 4.
- iv. Following cheque had been issued in December but were not included among the paid cheque by the bank no 620 for \$978, no 630 for \$2,052 and no 641 for \$ 483.

Prepare Bank Reconciliation statement and adjusting entries.b) Define **Any Five** of the following:

- | | |
|-------------------------|-------------------------------------|
| i. Current Assets | v. Prepaid Expenses |
| ii. Balance Sheet | vi. Ledger |
| iii. Accrued Expenses | vii. Posting |
| iv. Current Liabilities | viii. Bank Reconciliation Statement |

- Q3. Peter Cinema Corporation adjusts its accounts each month. Peter Cinema Corporation 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
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	
	349,200	349,200

Other Data

- Film rental expense for the month is \$15,200. However the film rental expense for several months had been paid in advance.
- The building is being depreciated over a period of 20 years
- The projection equipment is being depreciated over a period of five years.
- 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.
- Peter Cinema Corporation receives a percentage of revenue earned by Sea trade Corporation, the concessionaire operating the snack bar. For snack bar sale in July Sea trade owes Peter Cinema Corporation \$2,250 payable on August 10. No entry has yet been made to record this revenue.
- Peter Cinema Corporation allow the local MCBA to bring children for a fixed fee of \$ 500 per month. On May 28, the MCBA made \$1500 advance payment covering June, July and August.
- Salaries earned by employees by yet not paid \$1,500. No entry has yet been made.

Prepare Worksheet

- Q4. Below are the account balances as of December 31, 2016 of Mr. Peter owner of a movie theater

Account Payable	\$11,400
Admission Income	34,200
Capital January 1, 2016	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

Prepare (a) an income statement (b) a statement of owner's equity(c) a balance sheet

- Q5. 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

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

- Uncollectible account expense is estimated at the amount equal to 1.5% of net credit sales.
- The company uses the direct write off method of accounting of uncollectible accounts
- 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.

END OF EXAM PAPER