

College Name: _____

Seat No: _____ Student's Name: _____

Copy No: _____

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION DECEMBER 2017; AFFILIATED COLLEGES
PRINCIPLES OF ACCOUNTING; BA (BS)–452
BBA – IV

Date: December 28, 2017**Max Time: 100 Mins**
Max Marks: 40**INSTRUCTIONS:**

- 1. Attempt any 4 questions. Do not write anything on the question paper. EXCEPT the 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 At the end of each month, Sarah prepares a bank reconciliation statement for her business bank account. At 31 May 2017 her ledger balance was \$2,759 (credit) and her bank statement showed that she had funds of \$131 at the bank. She has the following information:

- (i) The bank debited Sarah's account with charges of \$129 during May. Sarah has not recorded these charges.
- (ii) Sarah arranged for \$2,500 to be transferred from her personal bank account into the business bank account. The bank made the transfer on 30 May, but Sarah has not made any entry for it in her records.
- (iii) On 22 May, Sarah withdrew \$100 cash which she did not record.
- (iv) Cheque number 543987, which Sarah issued to a supplier, appears on the bank statement as \$650. Sarah incorrectly recorded the cheque as \$560.
- (v) On 31 May, Sarah lodged \$457. On the bank statement, this amount is dated 3 June.
- (vi) Sarah was advised by the bank that she earned \$52 interest for the period in May that her account was in credit. Sarah recorded this in May, but the bank did not credit her account until June.
- (vii) Three of the cheques issued in May, with a total value of \$942, were not debited on the bank statement until after 31 May.
- (viii) A cheque for \$276, issued to a supplier, was cancelled but Sarah has not recorded the cancellation of the cheque.

Required:

- Prepare bank reconciliation statement. Also prepare adjusting entries.

Q2 Below is a partial listing of the adjusted account balances of Murray Department Store at year end on December 31, 2016.

Accounts Receivable	\$19,000
Cost of Goods Sold	255,000
Selling Expenses (includes depreciation)	35,000
Interest Expense	1,000
Accumulated Depreciation—Building	10,000
Sales Discounts	22,000
Merchandise Inventory	45,000
Administrative Expenses (includes depreciation)	15,000
Sales	330,000
Accounts Payable	14,000
Interest Revenue	800

Required:

- Using appropriate data, prepare a multiple-step income statement for Murray Department Store for the year ended December 31, 2016.

Q3 The following information for Nelsen Company is available on June 30, 2017, the end of a monthly accounting period. You are to prepare the necessary adjusting journal entries for Nelsen Company for the month of June for each situation given. Appropriate adjusting entries had been recorded in previous months. You may omit journal entry explanations.

- (i) Nelsen Company purchased a 2-year insurance policy on February 1, 2017 and debited Prepaid Insurance for \$1,800.
- (ii) On January 1, 2017, a tenant in an apartment building owned by Nelsen Company paid \$5,700 which represents six months' rent in advance. The amount received was credited to the Unearned Rent account.
- (iii) On June 1, 2017, the balance in the Office Supplies account was \$200. During June, office supplies costing \$480 were purchased. A physical count of office supplies at June 30 revealed that there was \$240 still on hand.
- (iv) On March 31, 2017, Nelsen Company purchased a delivery van for \$42,000. It is estimated that the annual depreciation will be \$6,000.
- (v) Nelsen Company has two employees who earn \$80 and \$120 per day, respectively. They are paid each Friday for a five-day work week that begins each Monday. Assume June 30 is a Wednesday.

Q4 At the beginning of 2016, Chang Company's accounts receivable balance was \$105,000 and the balance in Allowance for doubtful accounts was \$1,950. Chang's sales in 2016 were \$787,500, 80% of which were on credit. Collections on accounts during the year were \$502,500. The company wrote off \$3000 of uncollectible accounts during the year.

Required:

- (a) Prepare summary journal entries related to the sales, collections, and write-offs of accounts receivable.
- (b) Prepare journal entries to recognize bad debts assuming (a) bad debt expense is 3% of credit sales and (b) amounts expected to be uncollectible are 6% of the year-end accounts receivable.

Q5 Richard Wong is a sole trader. The following information was extracted from his balance sheet as at 31 December 2014.

Fixed Assets	Cost (\$)	Accumulated depreciation (\$)	Net book value (\$)
Land and buildings	100,000	—	100,000
Machinery	10,000	2,000	8,000

Wong purchased machinery on 1 January 2013. Using the straight-line method, he estimated that it would have a working life of 10 years with no scrap value.

On 1 April 2015, he purchased a motor lorry \$25,000 by cheque. The depreciation is calculated using the reducing balance method at a rate of 40% per annum.

Assets acquired during the year were depreciated from the date of purchase.

Required:

- (a) In the books of Richard Wong, prepare the following accounts for the three financial years ended 31 December 2014, 2015 and 2016, and balance the accounts at the end of each year:
 - (i) Machinery
 - (ii) Provision for depreciation of machinery
 - (iii) Motor lorry
 - (iv) Provision for depreciation of motor lorry

END OF SUBJECTIVE PAPER