

College Name: _____

Student Name: _____ Father's Name: _____

Copy No: _____

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION AFFILIATED COLLEGES; JUNE 2016
FINANCIAL ACCOUNTING BA(BS) – 501 (PART B)
BBA – V

Date: July 23, 2016

Max Time: 2 Hrs

Max Marks: 40

INSTRUCTIONS:

1. Attempt ANY 4 questions. Do not write anything on the question paper.
2. Return question paper with your answer script. Without question paper your answer script will not be assessed.
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 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 *perpetual* inventory system, calculate the cost of merchandise sold and ending inventory under First-in, first-out:

Q2

Accounts payable	\$ 30,000
Accounts receivable	65,000
Accrued liabilities	7,000
Cash	20,000
Intangible assets	40,000
Inventory	72,000
Long-term investments	100,000
Long-term liabilities	75,000
Marketable securities	36,000
Notes payable (short-term)	20,000
Property, plant, and equipment	625,000
Prepaid expenses	2,000

Required

1. Based on the above data, what is the amount of quick assets?
2. Based on the above data, what is the amount of working capital?
3. Based on the above data, what is the quick ratio, rounded to one decimal point?

- Q3 On October 1, Reynolds Co. signed a \$90,000, 60-day discounted note at the bank. The discount rate was 6%, and the note was paid on November 30.
- Journalize the entries for October 1 and November 30.
 - Assume that Reynolds Co. signed a 6% note. Journalize the entries for October 1 and November 30.
 - Which of the two options is more favorable and why?
- Q4 On the basis of the following data for Teller Co. for 2008 and the preceding year ended December 31, 2008, 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	\$100,000	\$ 78,000
Accounts receivable (net)	78,000	85,000
Inventories	101,500	90,000
Equipment	410,000	370,000
Accumulated depreciation	<u>(150,000)</u>	<u>(158,000)</u>
	<u>\$539,500</u>	<u>\$465,000</u>
Accounts payable (merchandise creditors)	\$ 58,500	\$ 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>\$539,500</u>	<u>\$465,000</u>

Required: Prepare Cash Flow Statement

- Q5 Explain any two of the following:
- Why do many firms no longer use a general journal? What has taken its place?
 - What are the major exposures in the general ledger/financial reporting system?
 - Why is the audit trail necessary?
 - Define materiality with example.

END OF SUBJECTIVE PAPER