



| Code | Subject Title | Cr. Hrs | Semester |
|---------|---------------------------------|---------|----------|
| BBA-205 | Financial Accounting (Advanced) | 3 | IV |
| Year | Discipline | | |
| 2 | Business Administration | | |

This course is designed to give the students an introduction to the concepts, methods & procedures of accounting. The subject matter includes the nature of accounts; recording changes in financial position; measuring business income & completion of accounting cycle. Accounting for merchandising concerns, financial assets, inventories & plant assets; preparation of classified & incorporated income statements are included in this basic course.



UNIVERSITY OF THE PUNJAB

Fourth Semester 2015
Examination: B.S. 4 Years Programme

Roll No.

PAPER: Financial Accounting (Advanced)
Course Code: BBA-205 /

TIME ALLOWED: 2 hrs. & 30 mins.
MAX. MARKS: 50

Attempt this Paper on Separate Answer Sheet provided.

Q.No.2 Define the following Terms:

(20)

- i. Define operating cycle of a merchandising company.
- ii. Define financial assets with example.
- iii. Write down the name of any three liquidity ratios.
- iv. Differentiate between LIFO and FIFO.
- v. Differentiate between journal and journalizing.
- vi. Define Cost Principle.
- vii. Define Bank Reconciliation Statement.
- viii. Define working capital and its formula.
- ix. Define Periodic Inventory system.
- x. Define Retained earnings.

Q.No.3 The cash transaction and cash balances of Dell Inc. for December 2014 where as follow.

- 1) The ledger account for cash showed a balance at December 31 of \$125,568.
- 2) The December bank statement showed a closing balance of \$114,828.
- 3) The cash received on December 31 amounted to \$ 16,000, it was left at the bank on the December statement.
- 4) Also include with the December bank statement was a debit memorandum from the bank for \$ 50 representing service charges for December.
- 5) A credit memorandum enclosed with December bank statement indicated that a non-interest bearing note receivable for \$ 4,000 from Rene Manes, left with the bank for collection, had been collected and the proceeds credited to the account of Dell, Inc.
- 6) Comparison of the paid cheques returned by the bank with the entries in the accounting records revealed that cheque No. 821 for \$ 519, issued December 15 in Payment for office furniture, and had been erroneously entered in Dell's records as \$915.
- 7) Examination of the paid cheques also revealed that three cheques, all issued on December had not yet been paid by the bank: No. 811 for \$314, No. 814 for \$625, No. 823 for \$ 175.
- 8) Included with the December bank statement was a \$ 200 cheque drawn by Charles William, a customer of Dell, Inc. this cheque was marked 'NFS' if had been included in the deposit of December 17, but had been charged back against the company's account on December 31.

Required:

Prepare a Bank Reconciliation Statement as at 2014 (10)

Q.No.4:Modern Consulting service, Inc., adjust its accounts every month. The following is the company's year-end unadjusted trial balance dated December 31, 2014 (Keep in mind that adjusting entries already have been made for the first 11 month of 2014, but have not been made for December)

MODERN CONSULTING SERVICES, INC.

Unadjusted Trail Balance

December 31, 2014

| | <u>DEBIT</u> | <u>CREDIT</u> |
|------------------------------------|-------------------|-------------------|
| Cash | \$ 49,100 | |
| Consulting fees receivable | 23,400 | |
| Prepaid office rent | 6,300 | |
| Prepaid dues and subscription | 300 | |
| Supplies | 600 | |
| Equipment | 36,000 | |
| Accumulated Depreciation Equipment | | \$ 10,200 |
| Notes payable | | 5,000 |
| Income tax payable | | 12,000 |
| Unearned consulting fees | | 5,950 |
| Capital Stock | | 30,000 |
| Retained Earnings | | 32,700 |
| Dividends | 60,000 | |
| Consulting fees Earned | | 257,180 |
| Salaries Expense | 88,820 | |
| Telephone Expense | 2,550 | |
| Rent Expense | 22,000 | |
| Income tax Expense | 51,000 | |
| Dues and Subscription Expense | 560 | |
| Supplies Expense | 1,6000 | |
| Depreciation expense, equipment | 66,000 | |
| Miscellaneous expense | 4,200 | |
| | <u>\$ 353,030</u> | <u>\$ 353,030</u> |

Other Date:

- On December 1, the company signed a new retal agreement and paid three months rent in advance at a rate of \$2,100 per month. This advance payment was debited on the Prepaid Office Rent account.
- Dues and subscription expiring during December amount to \$50.
- Estimated cost of unused supplies was \$450 at December 31.
- The useful life of the equipment has been estimated at five year from date acquisition.
- Accrued interest on notes payable amounted to \$ 100 at year end.
- Consulting service valued \$2850 were rendered during December to clients who had made payment in advance.

- G. It is the custom of firm to bill clients only when consulting work is completed or, in the case of prolonged engagement, at monthly intervals. At December 31, consulting service value at \$ 11,000 had been rendered to clients but not yet billed. No advance payment had been received from these clients.
- H. Salaries earned by employees but not paid as of December 31 amount to \$1,700
- I. Income tax expense for the year is estimate at 56,000. Of this amount,\$51,000 has been recognized as expense in prior months, and \$ 39,000 has been paid to tax department. The company plans to pay the \$ 17,000 reminder of its income tax liability on January 15.

Required:

- 1) Prepare necessary adjusting Journal entries.
- 2) Prepare adjust Trial Balance of year ended December 31, 2014
- 3) Prepare Company Income statement for the period ended December 31,2014 from adjust Trial Balance. (10)

Q. No.5 The Accounting staff of SUMS INC. has assembled the following information for the year ended December 31, 2014

| | |
|--|-----------|
| Cash and cash equivalent Jan. 1 | \$ 35,800 |
| Cash and cash equivalents, Dec. 31 | 74,800 |
| Cash paid to acquire plant assets | 21,000 |
| Proceeds from short term borrowing | 10,000 |
| Loan made to borrowers | 5,000 |
| Collection on Loans (Excluding interest) | 4,000 |
| Interest and Dividends received | 27,000 |
| Cash received from customers | 795,000 |
| Proceeds from sale plan assets | 9,000 |
| Dividends paid | 55,000 |
| Cash paid to Suppliers and Managers | 635,000 |
| Inters paid | 19,000 |
| Income tax paid | 71,000 |

Required:

Prepare a statement of Cash Flow for the year ended December 31, 2014 (10)



UNIVERSITY OF THE PUNJAB

Roll No.

Fourth Semester 2015
Examination: B.S. 4 Years Programme

PAPER: Financial Accounting (Advanced)
Course Code: BBA-205 / 11-11-11

TIME ALLOWED: 30 mins.
MAX. MARKS: 10

Attempt this Paper on this Question Sheet only.

Q.No.1 Encircle the Most Appropriate Answer of the following: (10)

1. Which of the following does not describe accounting?

- (A) Is an end rather than means to an end (B) Is Language of Business
(C) Useful for decision making (D) Use by Business, Govt, Individuals etc.

2. In general term, financial assets appear in the balance sheet at

- (A) Cost Value (B) Face Value
(C) Current Value (D) None of the above

3. Which of the following is not the internal user of Accounting Information?

- (A) Creditor (B) Store manager
(C) Chief Financial Officer (D) CEO

4. A transaction caused an increased of \$25000 in both assets and liabilities are.

- (A) Obtain Bank Loan of \$25000 (B) Repayment of \$25000 Bank Loan
(C) Collection of \$25000 Account Receivable (D) None of the above

5. Payment of Dividend will cause

- (A) Decrease net income (B) Decrease Owner's Equity
(C) Increase Assets (D) None of the above

6. Which of following Financial Statement is prepare first?

- (A) Balance Sheet (B) Statement of Retained Earning
(C) Income Statement (D) Cash Flow statement

7. External users of Accounting information are include all except?

- (A) Investors (B) Labor Union
(C) Line Manager (D) General Public

8. The statement cash flows is designed to assist users in assessing each of the following, except

- (A) The company profitability (B) The traces of major Financing activities
(C) The ability of a company to remain liquid (D) The traces of major investing activities

9. Which of the following is most important as a measure of long-term liquidity?

- (A) Quick Ratio (B) Debt Ratio
(C) Current Ratio (D) All of these

10. Manufacturing overhead cost would include

- (A) Marketing cost related to selling the product (B) The Chief Executive officer Salary
(C) Entertainment cost (D) The salary of Product supervisor



UNIVERSITY OF THE PUNJAB

Roll No.

Fourth Semester - 2017
Examination: B.S. 4 Years Programme

PAPER: Financial Accounting (Advanced)
Course Code: BBA-205 / BUS-22352

TIME ALLOWED: 30 mins.
MAX. MARKS: 10

Attempt this Paper on this Question Sheet only.

Q1. Encircle the most appropriate option.

(10x1=10)

1. Internal users of accounting information include all except:

- a. CFO b. CEO c. Creditors d. Departmental managers

2. Liquidity improves when average debt collection period _____:

- a. Remains unchanged b. Increases
c. Decreases d. None of the above

3. The operating cycle of a manufacturer is _____ that of a merchandising company.

- a. Shorter than b. Longer than c. Equal to d. None of the above

4. In a _____, merchandising transactions are recorded immediately as they occur.

- a. Perpetual inventory system b. Periodic inventory system
c. Cash system d. Accrual system

5. Which of the following statements is produced to determine profitability of the business?

- a. Statement of owner's equity b. Statement of financial position
c. Statement of cash flows d. Income statement

6. Accounts receivables are shown in the balance sheet at _____.

- a. Book value b. Net realizable value c. Historical cost d. None of the above

P.T.O.

7. According to which accounting principle 'Allowance for doubtful debts' is made?

- a. Materiality principle
- b. Matching principle
- c. Consistency principle
- d. Cost principle

8. Under which method, the average cost of all units in inventory is computed after every purchase?

- a. Average-cost method
- b. First-in, First-out method
- c. Last-in, First-out method
- d. Specific identification method

9. A land, a building or a machinery is an example of:

- a. Natural resources
- b. Intangible assets
- c. Tangible plant assets
- d. Current assets

10. Any gain or loss on the disposal of plant assets is computed by comparing the:

- a. Purchase price with sales price
- b. Book value with the amount received from the sale
- c. Purchase price with the book value
- d. None of the above



UNIVERSITY OF THE PUNJAB

Fourth Semester -2017
Examination: B.S. 4 Years Programme

Roll No.

PAPER: Financial Accounting (Advanced)
Course Code: BBA-205 / BUS-22352

TIME ALLOWED: 2 hrs. & 30 mins.
MAX. MARKS: 50

Attempt this Paper on Separate Answer Sheet provided.

Q2. Give short answers.

(10x2=20)

- I. What is a Bank Reconciliation Statement?
- II. Define Financial Assets.
- III. Define Stakeholders.
- IV. Differentiate between a Perpetual and a Periodic Inventory System.
- V. Define Depreciation.
- VI. What is meant by Consistency Principle?
- VII. Define Inventory Turnover Rate.
- VIII. Differentiate between Capital Expenditures and Revenue Expenditures.
- IX. Define Gross Profit Margin and give its Formula.
- X. Define Retained Earnings.

Q3. On April 1, 2010, Bestway Industries purchased new equipment at a cost of \$325,000. The useful life of this equipment was estimated at 5 years, with a residual value of \$25,000.

Requirement:

- a. Compute the annual depreciation expense for each year until this equipment becomes fully depreciated under each method listed below. Because you will record depreciation for only a fraction of a year in 2010, depreciation will extend through 2015 for both methods. Show supporting computations.
 - i) Straight-line, with depreciation for fractional years rounded to the nearest whole month.
 - ii) Diminishing balance method using 40% rate of depreciation with half-year convention. Limit depreciation in 2015 to an amount that reduces the undepreciated cost to the estimated residual value.
- b. Assume that the equipment is sold at the end of Dec. 2012 for \$ 176,250 cash. Record the necessary gain or loss resulting from the sale under the straight-line method.

(10)



UNIVERSITY OF THE PUNJAB

Fourth Semester - 2018

Examination: B.S. 4 Years Programme

Roll No.

PAPER: Financial Accounting (Advanced)

TIME ALLOWED: 15 Mints.

Course Code: BBA-205 / BUS-22352 Part – I (Compulsory)

MAX. MARKS: 10

Attempt this Paper on this Question Sheet only.

Please encircle the correct option. Each MCQ carries 1 Mark. This Paper will be collected back after expiry of time limit mentioned above.

Q1. 1. The difference between revenue from sales and the cost of goods sold is called: (10x1=10)

- a. operating profit b. gross profit c. net profit d. none of the above

2. _____ refers to unrecorded decrease in inventory resulting from such factors as breakage, spoilage, employee theft, and shoplifting.

- a. perpetual inventory b. periodic inventory
c. inventory surplus d. inventory shrinkage

3. The term _____ describes not just cash, but also those assets easily and directly convertible into known amounts of cash.

- a. financial assets b. plant assets c. fictitious assets d. tangible assets

4. Accounts receivable turnover ratio is computed by _____.

- a. multiplying annual net credit sales by average accounts receivable
b. dividing annual net credit sales by average accounts receivable
c. multiplying annual net credit purchases by average accounts receivable
d. dividing annual average accounts payable by net credit sales

5. Which of the following statements is produced to determine profitability of the business?

- a. Statement of owner's equity b. Statement of financial position
c. Statement of cash flows d. Income statement

6. _____ is an account showing the portion of the receivables estimated to be uncollectible.

- a. aging the accounts receivable b. allowance for doubtful accounts
c. bank reconciliation d. None of the above

7. _____ means allocating the cost of a natural resource to the units removed as the resource is mined, pumped, cut, or otherwise consumed.

- a. depreciation b. amortization
c. capitalization d. depletion

8. _____ are the assets that are used in the operation of a business but that have no physical substance and are non-current.

- a. plant assets b. tangible assets
c. intangible assets d. current assets

9. Under _____, inventory is comprised of the most recent purchases.

- a. FIFO b. LIFO
c. average cost d. none of the above

10. Cash flow from _____ activities are the cash effects of purchasing and selling long-term assets such as plant and equipment.

- a. operating b. investing
c. financing d. none of the above



UNIVERSITY OF THE PUNJAB

Fourth Semester - 2018

Examination: B.S. 4 Years Programme

Roll No.

PAPER: Financial Accounting (Advanced)

Course Code: BBA-205 / BUS-22352 Part – II

TIME ALLOWED: 2 Hrs. & 45 Mints.

MAX. MARKS: 50

Attempt this Paper on Separate Answer Sheet provided.

Q2. Give short answers.

(10x2=20)

- I. What is meant by JIT Inventory System?
- II. Define Plant Assets.
- III. Define Stockholders.
- IV. What is Conservatism Concept?
- V. Define Depletion.
- VI. What is meant by Operating Cycle?
- VII. Define Factoring.
- VIII. Define Capital Expenditures.
- IX. Define Net Profit Margin and give its Formula.
- X. Define Inventory Turnover Rate.

Q3. Explorer Scopes sells state-of-the-art telescopes to individuals and organizations interested in studying the solar system. At December 31 last year, the company's inventory amounted to \$120,000. During the first week of January this year, the company made only one purchase and one sale. These transactions were as follows:

Jan. 2 Sold one telescope costing \$37,200 to Central State University for cash, \$62,000.

Jan. 5 Purchased merchandise on account from Lunar Optics, \$80,000. Terms, net 30 days.

Instructions:

- a. Prepare journal entries to record these transactions assuming that Explorer Scopes uses the perpetual inventory system. Use separate entries to record the sales revenue and the cost of goods sold for the sale on January 2.
- b. Compute the balance of the inventory account on January 7.
- c. Prepare journal entries to record the two transactions, assuming that Explorer Scopes uses the periodic inventory system.
- d. Compute the cost of goods sold for the first week of January assuming use of a periodic inventory system. Use your answer to part 'b' as the ending inventory.

(10)

- Q4.** Public Image, a firm specializing in marketing and publicity services, uses the balance sheet approach to estimate uncollectible accounts expense. At year-end and aging of the accounts receivable produced the following classification:

| | |
|-----------------------------|------------------|
| Not yet due | \$333,000 |
| 1-30 days past due | 135,000 |
| 31-60 days past due | 58,500 |
| 61-90 days past due | 13,500 |
| Over 90 days past due | 22,500 |
| | <hr/> |
| | \$562,500 |

On the basis of past experience, the company estimated the percentages probably uncollectible for the above five age groups to be as follows: Group 1, 1%; Group 2, 3%; Group 3, 10%; Group 4, 20%; Group 5, 50%.

The allowance for doubtful accounts before adjustment at December 31 showed a credit balance of \$8,100.

Instructions:

- Compute the estimated amount of uncollectible accounts based on the above classification by age groups.
- Prepare the adjusting entry needed to bring the Allowance for Doubtful Accounts to the proper amount.
- Show how accounts receivable would appear in the company's balance sheet at December 31.
- Assume that on January 10 of the following year, Public Image learned that an accounts receivable that had originated on September 1 in the amount of \$8,550 was worthless because of the bankruptcy of the customer, Cranston Manufacturing. Prepare the journal entry required on January 10 to write off this account.

(10)

- Q5. Internet Consulting Service, Inc., adjusts its accounts every month. The following is the company's year-end unadjusted trial balance dated December 31, 2017. (Bear in mind that adjusting entries already have been made for the first 11 months of 2017, but have not been made for December.)

Internet Consulting Service, Inc.

Unadjusted Trial Balance

December 31, 2017

| | <u>Debit</u> | <u>Credit</u> |
|---|-----------------|-----------------------|
| Cash | \$ 49,100 | |
| Consulting fees receivable | 23,400 | |
| Prepaid office rent | 6,300 | |
| Prepaid dues and subscriptions..... | 300 | |
| Supplies | 600 | |
| Equipment | 36,000 | |
| Accumulated depreciation: equipment | | \$ 10,200 |
| Notes payable | | 5,000 |
| Income taxes payable | | 12,000 |
| Unearned consulting fees..... | | 5,950 |
| Capital stock | | 30,000 |
| Retained earnings | | 32,700 |
| Dividends | 60,000 | |
| Consulting fees earned | | 257,180 |
| Salary expense | 88,820 | |
| Telephone expense | 2,550 | |
| Rent expense | 22,000 | |
| Income taxes expense | 51,000 | |
| Dues and subscriptions expense | 560 | |
| Depreciation expense: equipment | 6,600 | |
| Supplies expense | 1,600 | |
| Miscellaneous expenses | 4,200 | |
| | <hr/> \$353,030 | <hr/> \$353,030 <hr/> |

Other Data:

1. On December 1, the company signed a new rental agreement and paid three months' rent in advance at a rate of \$2,100 per month. This advance payment was debited to the **Prepaid Office Rent** account.
2. Dues and subscriptions expiring during December amounted to \$50.
3. An estimate of supplies on hand was made at December 31; the estimated cost of the unused supplies was \$450.
4. The useful life of the equipment has been estimated at five years (60 months) from date of acquisition.
5. Accrued interest on notes payable amounted to \$100 at year-end. (Set up accounts for **Interest Expense** and for **Interest Payable**.)
6. Consulting services valued at \$2,850 were rendered during December to clients who had made payment in advance.
7. It is the custom of the firm to bill clients only when consulting work is completed, or in the case of prolonged engagements, at monthly intervals. At December 31, consulting services valued at \$11,000 had been rendered to clients but not yet billed. No advance payments had been received from these clients.
8. Salaries earned by employees but not paid as of December 31 amount to \$1,700.
9. Income taxes expense for the year is estimated at \$56,000. Of this amount, \$51,000 has been recognized as expense in prior months, and \$39,000 has been paid to tax authorities. The company plans to pay the \$17,000 remainder of its income tax liability on January 15.

Instructions:

- a. Prepare the necessary adjusting journal entries on December 31, 2017.
- b. Prepare adjusted trial balance on December 31, 2017.
- c. Prepare income statement for the year ended December 31, 2017. (10)



UNIVERSITY OF THE PUNJAB

B.S. 4 Years Program / Fourth Semester – 2019

Paper: Financial Accounting (Advanced)

Course Code: BBA-205 / BUS-22352 Part – I (Compulsory) Time: 15 Min. Marks: 10

Roll No. in Fig.

Roll No. in Words.

Signature of Supdt.:

ATTEMPT THIS PAPER ON THIS QUESTION SHEET ONLY.

Division of marks is given in front of each question.

This Paper will be collected back after expiry of time limit mentioned above.

Q.1. Encircle the right answer cutting and overwriting is not allowed. (10x1=10)

1. A general ledger account that summarizes the content of a specific subsidiary ledger, is called as:

- a. contra account b. subsidiary account c. controlling account d. joint account

2. _____ refers to the repeating sequence of transactions by which a business generates its revenue and cash receipts from customers.

- a. accounting cycle b. operating cycle
c. profit cycle d. sales cycle

3. The systematic allocation of the cost of a tangible asset to expense during the period of its useful life, is called:

- a. depreciation b. amortization c. depletion d. shrinkage

4. _____ is an obligation to deliver goods or render services in the future, stemming from the receipt of advance payment.

- a. prepaid expense b. accrued expense c. accrued revenue d. unearned revenue

5. Which of the following statements is produced to determine financial position of the business?

- a. Statement of owner's equity b. Statement of financial position
c. Statement of cash flows d. Income statement

6. Planning, controlling, and accounting for cash transactions and cash balances, is called:

- a. bank reconciliation b. cash book c. cash cycle d. cash management

7. Cash and assets convertible directly into known amounts of cash, are known as:

- a. plant assets b. financial assets c. tangible assets d. intangible assets

P.T.O.

8. _____ is a method of valuing all units in inventory at the same average per-unit cost, which is recomputed after every purchase.

- | | |
|----------------------------|-------------------------------|
| a. average-cost method | b. last-in, first-out method |
| c. specific identification | d. first-in, first-out method |

9. Journal entries made at the end of the period for the purpose of closing temporary accounts and transferring balances to the Retained Earnings account, are called:

- | | |
|-----------------------|----------------------|
| a. closing entries | b. adjusting entries |
| c. rectifying entries | d. reverse entries |

10. _____ is a generally accepted accounting principle that determines when expenses should be recorded in the accounting records.

- | | |
|--------------------------|--------------------------|
| a. materiality principle | b. realization principle |
| c. cost principle | d. matching principle |



UNIVERSITY OF THE PUNJAB
B.S. 4 Years Program / Fourth Semester – 2019

Roll No.

Paper: Financial Accounting (Advanced)
Course Code: BBA-205 / BUS-22352 Part – II

Time: 2 Hrs. 45 Min. Marks: 50

ATTEMPT THIS (SUBJECTIVE) ON THE SEPARATE ANSWER SHEET PROVIDED

Q2. Give short answers.

(10×2=20)

- I. What is meant by **Lower-of-cost-or-market (LCM)**?
- II. Define **Intangible Assets**.
- III. Define **Residual value**.
- IV. What is **Net realizable value**?
- V. Define **Marketable securities**.
- VI. What is meant by **Aging the accounts receivable**?
- VII. Define **Straight-line depreciation**.
- VIII. Define **Bank reconciliation**.
- IX. Define **Amortization**.
- X. Define **Periodic inventory system**.

Q3. Lamprino Appliance uses a perpetual inventory system. The following are three recent merchandising transactions:

June 10 Purchased 10 televisions from Mitsu Industries on account. Invoice price \$300 per unit, for a total of \$3,000. The terms of purchase were 2/10, n/30.

June 15 Sold one of these televisions for \$450 cash.

June 20 Paid the account payable to Mitsu Industries within the discount period.

Instructions:

- a. Prepare journal entries to record these transactions assuming that Lamprino records purchases of merchandise at:
 1. Net cost
 2. Gross invoice price
- b. Assume that Lamprino did not pay Mitsu Industries within the discount period but instead paid the full invoice price on July 10. Prepare journal entries to record this payment assuming that the original liability had been recorded at:
 1. Net cost
 2. Gross invoice price

(10)

Q4. The Audiophile sells high-performance stereo equipment. Massachusetts Acoustic recently introduced the Carnegie-440, a state-of-the-art speaker system. During the current year, The Audiophile purchased nine of these speaker systems at the following dates and acquisition costs:

| Date | Units Purchased | Unit Cost | Total Cost |
|------------------------------------|--------------------|--------------|---------------|
| Oct. 1 | 2 | \$3,000 | \$6,000 |
| Nov. 17 | 3 | 3,200 | 9,600 |
| Dec. 1 | 4 | 3,250 | 13,000 |
| Available for sale during the year | 9 | | \$28,600 |

On November 21, The Audiophile sold four of these speaker systems to the Boston Symphony. The other five Carnegie-440s remained at December 31.

Instructions:

Assume that The Audiophile uses a perpetual inventory system. Compute:

- (1) the cost of goods sold relating to the sale of Carnegie-440 speakers to the Boston Symphony and
- (2) the ending inventory of these speakers at December 31, using each of the following flow assumptions:
 - a. Average cost
 - b. First-in, first-out (FIFO)
 - c. Last-in, first-out (LIFO)

Show the number of units and the unit costs of the cost layers comprising the cost of goods sold and the ending inventory. (10)

- Q5.** Mystic Masters, Inc., provides fortunetelling services over the internet. In recent years the company has experienced severe financial difficulty. Its accountant prepares adjusting entries on a monthly basis, and closing entries on an annual basis, at December 31. An adjusted trial balance dated December 31, 2018, follows:

MYSTIC MASTERS

Adjusted Trial Balance

December 31, 2018

| | Debits | Credits |
|--|-----------------|-----------------|
| Cash | \$960 | |
| Accounts receivable | 300 | |
| Unexpired insurance | 2,000 | |
| Prepaid rent | 1,500 | |
| Supplies | 200 | |
| Furniture and fixtures | 8,400 | |
| Accumulated depreciation: furniture and fixtures | | \$5,200 |
| Accounts payable | | 6,500 |
| Notes payable | | 24,000 |
| Salaries payable | | 1,700 |
| Interest payable | | 360 |
| Unearned client revenue | | 200 |
| Capital stock | | 4,000 |
| Retained earnings | | 2,600 |
| Client revenue earned | | 52,000 |
| Insurance expense | 6,000 | |
| Office rent expense | 9,000 | |
| Supplies expense | 440 | |
| Salary expense | 48,000 | |
| Depreciation expense: furniture and fixtures | 1,400 | |
| Office and telephone expense | 3,000 | |
| Internet service expense | 4,900 | |
| Legal expense | 1,500 | |
| Interest expense | 4,000 | |
| Miscellaneous expense | 5,000 | |
| | <u>\$96,600</u> | <u>\$96,600</u> |

Instructions:

- a. Prepare an income statement and statement of retained earnings for the year ended Dec. 31, 2018. Also prepare the studio's balance sheet dated Dec. 31, 2018.
- b. Prepare the necessary closing entries at Dec. 31, 2018.
- c. Prepare an after-closing trial balance dated Dec. 31, 2018.

(10)



UNIVERSITY OF THE PUNJAB

B.S. 4 Years Program / Fourth Semester – 2020

Paper: Financial Accounting (Advanced)

Course Code: BBA-205 / BUS-22352 Part – I (Compulsory) Time: 15 Min. Marks: 10

Roll No. in Fig.

Roll No. in Words.

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.....
Signature of Supdt.:

Q.1. Encircle the right answer cutting and overwriting is not allowed. (10x1=10)

1. If the journal entry to record an accrued liability were accidentally recorded twice, it would
 - a. Understate income for the year
 - b. Overstate income for the year
 - c. Have no effect on income for the year
 - d. Understate accrued liabilities at the end of the year
2. Which of the following items is an intangible asset?
 - a. Patents
 - b. Copyrights
 - c. Franchises
 - d. All of the above
3. If an inventory turnover rate is 10, inventory turnover period will be
 - a. 10 days
 - b. 36.5 days
 - c. 365 days
 - d. 100 days
4. Gross profit is
 - a. Excess of sales over cost of goods sold
 - b. Sales less purchases
 - c. Cost of goods sold + opening inventory
 - d. Net profit less expenses for the period
5. A debit balance of \$100 in a cash account shows that
 - a. There was \$100 cash in hand
 - b. Cash has been overspent by \$100
 - c. \$100 was the total of cash paid out
 - d. The total of cash received was less than \$100
6. Depreciation is
 - a. The amount spent to buy a non-current asset
 - b. The salvage value of a non-current asset
 - c. The part of the cost of the non-current asset consumed during its period of use
 - d. The amount of money spent replacing non-current assets
7. An allowance for doubtful debts is created
 - a. When debtors become bankrupt
 - b. When debtors cease to be in business
 - c. To provide for possible bad debts
 - d. To write-off bad debts

8. A bank reconciliation statement is a statement
 - a. Sent by the bank when the account is overdrawn
 - b. Drawn up by us to verify our cash book balance with the bank statement balance
 - c. Drawn up by the bank to verify the cash book
 - d. Sent by the bank when we have made an error
9. A cheque paid by you, but not yet passed through the banking system, is
 - a. A standing order
 - b. A dishonored cheque
 - c. A credit transfer
 - d. An unpresented cheque
10. Given opening debtors of \$11,500, sales \$48,000 and receipts from debtors \$45,000, the closing debtors should be
 - a. \$8,500
 - b. \$14,500
 - c. \$83,500
 - d. \$18,500

**ATTEMPT THIS (SUBJECTIVE) ON THE SEPARATE ANSWER SHEET PROVIDED****Q2. Write briefly on the following:****[20]**

- I. Working capital
- II. Financial Assets
- III. Cash book
- IV. Materiality principle
- V. Amortization
- VI. Operating Cycle
- VII. Inventory Subsidiary Ledger
- VIII. Revenue Expenditures
- IX. Debt-equity ratio
- X. Straight line method of depreciation

Q3. During the current year, Ramirez Developers disposed of plant assets in the following transactions:**[10]**

- Feb. 10** Office equipment costing \$26,000 was given to a scrap dealer at no charge. At the date of disposal, accumulated depreciation on the office equipment amounted to \$25,800.
- Apr. 1** Ramirez sold land and a building to Claypool Associates for \$900,000, receiving \$100,000 cash and a five-year, 9 percent note receivable for the remaining balance. Ramirez's records showed the following amounts: Land, \$50,000; Building, \$550,000; Accumulated Depreciation: Building (at the date of disposal), \$250,000.
- Aug. 15** Ramirez traded in an old truck for a new one. The old truck had cost \$26,000, and its accumulated depreciation amounted to \$18,000. The list price of the new truck was \$39,000, but Ramirez received a \$10,000 trade-in allowance for the old truck and paid only \$29,000 in cash. Ramirez includes trucks in its Vehicles account.
- Oct. 1** Ramirez traded in its old computer system as part of the purchase of a new system. The old system had cost \$15,000, and its accumulated depreciation amounted to \$11,000. The new computer's list price was \$8,000. Ramirez accepted a trade-in allowance of \$500 for the old computer system, paying \$1,500 down in cash and issuing a one-year, 8 percent note payable for the \$6,000 balance owed.

Prepare journal entries to record each of the disposal transactions. Assume that depreciation expense on each asset has been recorded up to the date of disposal. Thus, you need not update the accumulated depreciation figures stated in the problem.

- Q4. Jan's Dance Studio, Inc., performs adjusting entries every month, but closes its accounts only at year-end. The studio's year-end adjusted trial balance dated December 31, 2019, appears below. [10]

**JAN'S DANCE STUDIO, INC.
ADJUSTED TRIAL BALANCE
DECEMBER 31, 2019**

| | | |
|---|-------------------|-------------------|
| Cash | \$ 171,100 | |
| Accounts receivable | 9,400 | |
| Prepaid studio rent | 3,000 | |
| Unexpired insurance | 7,200 | |
| Supplies | 500 | |
| Equipment | 18,000 | |
| Accumulated depreciation: equipment | | \$ 7,200 |
| Notes payable | | 10,000 |
| Accounts payable | | 3,200 |
| Salaries payable | | 4,000 |
| Income taxes payable | | 6,000 |
| Unearned studio revenue | | 8,800 |
| Capital stock | | 100,000 |
| Retained earnings | | 40,000 |
| Dividends | 6,000 | |
| Studio revenue earned | | 165,000 |
| Salary expense | 85,000 | |
| Supply expense | 3,900 | |
| Rent expense | 12,000 | |
| Insurance expense | 1,900 | |
| Advertising expense | 500 | |
| Depreciation expense: equipment | 1,800 | |
| Interest expense | 900 | |
| Income taxes expense | 23,000 | |
| | <u>\$ 344,200</u> | <u>\$ 344,200</u> |

- a. Prepare an income statement for the year ended December 31, 2019.
b. Prepare statement of retained earnings for the year ended December 31, 2019.
c. Prepare the studio's balance sheet dated December 31, 2019.
- Q5. On January 22, 2020, Dome, Inc., sold 700 toner cartridges to Maxine Supplies. Immediately prior to this sale, Dome's perpetual inventory records for these units included the following cost layers: [10]

| Purchase Date | Quantity | Unit Cost | Total Cost |
|---------------|----------|-----------|------------|
| Dec. 12, 2019 | 400 | \$20 | \$ 8,000 |
| Jan. 16, 2020 | 1,200 | 22 | 26,400 |
| Total on hand | 1,600 | | \$ 34,400 |

- a. Complete a subsidiary ledger record for the toner cartridges using each of the three inventory valuation methods listed below. Your inventory records should show both purchases of this product, the sale on January 22, and the balance on hand at December 12, January 16, and January 22.
- b. Prepare a separate journal entry to record the cost of goods sold relating to the January 22 sale of 700 toner cartridges, assuming that Dome uses:
1. Average cost
 2. FIFO
 3. LIFO



THE ANSWERS MUST BE ATTEMPTED ON THE ANSWER SHEET PROVIDED

Q.1. Answer the following short questions.

(6x5=30)

1. In general terms, what are revenues and expenses? How are they related in the determination of an enterprise's net income or net loss?
2. What is the basic accounting equation? Briefly define the three primary elements in the equation.
3. Discuss the relationship among the income statement, the statement of retained earnings, and the balance sheet.
4. Do adjusting entries affect income statement accounts, balance sheet accounts, or both? Explain.
5. Briefly explain the concept of *materiality*. If an item is not material, how is the item treated for financial reporting purposes?
6. Discuss the relationship among the income statement, the statement of retained earnings, and the balance sheet.

Answer the following long questions.

(2x15=30)

Question NO. 2

(15 Marks)

The cash transactions and cash balances of Dodge, Inc., for November were as follows:

1. The ledger account for Cash showed a balance at November 30 of \$6,750.
2. The November bank statement showed a closing balance of \$4,710.
3. The cash received on November 30 amounted to \$3,850. It was left at the bank in the night depository chute after banking hours on November 30 and therefore was not recorded by the bank on the November statement.
4. Also included with the November bank statement was a debit memorandum from the bank for \$15 representing service charges for November.
5. A credit memorandum enclosed with the November bank statement indicated that a noninterest-bearing note receivable for \$4,000 from Wright Sisters, left with the bank for collection, had been collected and the proceeds credited to the account of Dodge, Inc.
6. Comparison of the paid checks returned by the bank with the entries in the accounting records revealed that check no. 810 for \$430, issued November 15 in payment for computer equipment, had been erroneously entered in Dodge's records as \$340.
7. Examination of the paid checks also revealed that three checks, all issued in November, had not yet been paid by the bank: no. 814 for \$115; no. 816 for \$170; no. 830 for \$530.
8. Included with the November bank statement was a \$2,900 check drawn by Steve Dial, a customer of Dodge, Inc. This check was marked "NSF." It had been included in the deposit of November 27 but had been charged back against the company's account on November 30.

Instructions

- a. Prepare a bank reconciliation for Dodge, Inc., at November 30.

Question NO. 3**(15 Marks)**

Mystic Masters, Inc., provides fortune-telling services over the Internet. In recent years the company has experienced severe financial difficulty. Its accountant prepares adjusting entries on a *monthly* basis, and closing entries on an *annual* basis, at December 31. An *adjusted* trial balance dated December 31, 2011, follows.

| | <u>Debits</u> | <u>Credits</u> |
|--|-----------------|-----------------|
| Cash | \$ 960 | |
| Accounts receivable | 300 | |
| Unexpired insurance | 2,000 | |
| Prepaid rent | 1,500 | |
| Supplies | 200 | |
| Furniture and fixtures | 8,400 | |
| Accumulated depreciation: furniture and fixtures | | \$ 5,200 |
| Accounts payable | | 6,540 |
| Notes payable | | 24,000 |
| Salaries payable | | 1,700 |
| Interest payable | | 360 |
| Unearned client revenue | | 200 |
| Capital stock | | 4,000 |
| Retained earnings | | 2,600 |
| Client revenue earned | | 52,000 |
| Insurance expense | 6,000 | |
| Office rent expense | 9,000 | |
| Supplies expense | 440 | |
| Salary expense | 48,000 | |
| Depreciation expense: furniture and fixtures | 1,400 | |
| Office and telephone expense | 3,000 | |
| Internet service expense | 4,900 | |
| Legal expense | 1,500 | |
| Interest expense | 4,000 | |
| Miscellaneous expense | 5,000 | |
| | <u>\$96,600</u> | <u>\$96,600</u> |

Instructions

- a. Prepare an income statement and statement of retained earnings for the year ended December 31, 2011. Also prepare the company's balance sheet dated December 31, 2011. (Hint: The company incurred no income taxes expense in 2011.)