



UNIVERSITY OF THE PUNJAB

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

Roll No. in Fig.

Roll No. in Words.

Paper: Financial Accounting (Advanced)

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

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.

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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	
	\$ 344,200	\$ 344,200

- 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