UNIVERSITY OF THE PUNJAB

B.S. 4 Years Program / Fourth Semester – Spring 2023

Roll No. ....

Paper: Financial Accounting (Advanced) **Course Code: BBA-205** **Time: 3 Hrs. Marks: 60**

THE ANSWERS MUST BE ATTEMPTED ON THE ANSWER SHEET PROVIDED

Q.1. Answer the following short questions. (6x5=30)

1. Discuss the relationship among the income statement, the statement of retained earnings, and the balance sheet.
2. Do adjusting entries affect income statement accounts, balance sheet accounts, or both? Explain.
3. How do accrued but unpaid expenses affect the balance sheet?
4. Explain the need for closing entries and describe the process by which temporary owners' equity accounts are closed at year-end.
5. Explain the need for subsidiary ledgers in accounting for merchandising activities.
6. Briefly contrast the accounting procedures in perpetual and periodic inventory systems.

Answer the following long questions. (2x15=30)

Question No. 2 **(15 Marks)**

Mary's TV uses a perpetual inventory system. The following are three recent merchandising transactions:

Mar. 6, Purchased eight TVs from Whose Industries on account. Invoice price, $350 per unit, for a total of $2,800. The terms of purchase were 2/10, n/30.

Mar. 11, Sold two of these televisions for $600 cash.

Mar. 16, Paid the account payable to Whose Industries within the discount period.

Instructions

a) Prepare journal entries to record these transactions assuming that Mary's records purchases of merchandise at:

1. Net cost

2. Gross invoice price

b. Assume that Mary's did not pay Whose Industries within the discount period but instead paid the full invoice price on April 6. Prepare journal entries to record this payment assuming that the original liability had been recorded at:

1. Net cost

2. Gross invoice price

Question NO. 3

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, 2011, appears below. (Bear in mind, the balance shown for Retained Earnings was last updated on December 31, 2010)

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

Instructions

a. Prepare an income statement and statement of retained earnings for the year ended December 31, 2011. Also prepare the studio's balance sheet dated December 31, 2011.