

FINAL TERM EXAMINATION		Marks: 60
SPRING 2006		Time: 120min
MGT101 - FINANCIAL ACCOUNTING (Session - 1 )		
StudentID/LoginID:	<input type="text"/>	
Student Name:	<input type="text"/>	
Center Name/Code:	<input type="text"/>	
Exam Date:	Monday, August 21, 2006	
<b>INSTRUCTIONS:</b> <b>Please read the following instructions carefully before attempting any question:</b>  All questions are compulsory. This exam consists of <b>15</b> Multiple Choice Questions (MCQ's), <b>5</b> fill in the blanks, <b>5</b> true false, <b>5</b> short questions carry <b>3</b> marks each and <b>2</b> descriptive questions carry <b>10</b> marks each. You should try to complete MCQ's in 15 - 25 minutes in order to give yourself 120 - 125 minutes for descriptive questions. For each MCQ question, read the choices available and select the choice which you consider is the correct answer, by clicking on the appropriate check box. Save your answer before proceeding to the next question. Do not click the <b>"Finish button"</b> while solving your paper. Once you clicked the "Finish" button, you will not be able to access your paper again. Click it at the end of your paper. That means you have submitted your complete paper.  <b>A clock is given in the exam software. Software will automatically be closed after due time.</b>  Remember not to spend too much time on any one MCQ. Since all MCQ's carry equal marks, it is important to manage your time and responses to test questions effectively.		

Use of calculator is allowed.

Failure to comply with the Supervisor's directions will result in your test being cancelled. Please comply with supervisor's directions to avoid any unpleasant event.

For Teacher's use only											
Question Marks	1	2	3	4	5	6	7	8	9	10	Total
Question Marks	11	12	13	14	15	16	17	18	19	20	
Question Marks	21	22	23	24	25	26	27	28	29	30	
Question Marks	31	32									

**Question No: 1 ( Marks: 1 ) - Please choose one**

\_\_\_\_\_ is used to record transactions that do not affect cash or bank.

- ▶ Payment voucher
- ▶ Receipt voucher
- ▶ Journal voucher
- ▶ All of the given options

**Question No: 2 ( Marks: 1 ) - Please choose one**

Which one of the following item will appear on the balance sheet of a company as current assets?

- ▶ Prepaid expenses
- ▶ Outstanding expenses
- ▶ Furniture and equipment
- ▶ Provision for depreciation

Question No: 3 ( Marks: 1 ) - Please choose one

If bank statement shows a credit balance, it means \_\_\_\_\_ balance for bank book.

- ▶ Favorable
- ▶ Unfavorable
- ▶ Overdraft
- ▶ None of the given options

Question No: 4 ( Marks: 1 ) - Please choose one

Formula for Earning per Share is \_\_\_\_\_

- ▶  $\text{Market value per share} / \text{Earning per share}$

- ▶ Net profit after tax before appropriation / Number of shares
- ▶ Operating Profit before financial charges / Financial charges
- ▶ None of the given options

Question No: 5 ( Marks: 1 ) - Please choose one

Liquidity is defined as:

- ▶ The amount of cash to liquidate
- ▶ The funds available for use
- ▶ The ability of business to receive its cash
- ▶ The ability of a business to pay its debts in time

Question No: 6 ( Marks: 1 ) - Please choose one

Cash flow from operating activities is generated from:

- ▶ The cash receipts and payments that arise from Fixed and Long Term assets of the organization.
- ▶ Cash generated from daily operations of organization

- ▶ The cash receipts and payments that arise from Owners of the business and other long term liabilities of the organization
- ▶ None of the given options

Question No: 7 ( Marks: 1 ) - Please choose one

Accumulated Profit & Loss is an example of:

- ▶ Distributable reserves
- ▶ Non distributable reserves
- ▶ Both Distributive and non distributive reserve
- ▶ None of the given options

Question No: 8 ( Marks: 1 ) - Please choose one

According to \_\_\_\_\_, Fixed assets revaluation reserve is included in the statement of changes in equity.

- ▶ International Accounting Standards
- ▶ Companies Ordinance

▶ International Standards of Auditing

▶ None of the given options

Question No: 9 ( Marks: 1 ) - Please choose one

Share premium can be utilized:

▶ To create non distributive reserves

▶ To issue bonus shares

▶ To increase the Owners Capital

▶ To meet unexpected losses

Question No: 10 ( Marks: 1 ) - Please choose one

Notes to the accounts explain which of the followings:

▶ Nature of business of the company

▶ Accounting Policies of the company

▶ Details and explanation of items given in the Profit and Loss Account and Balance Sheet

▶ All of the given options

Question No: 11 ( Marks: 1 ) - Please choose one

Mark up ratio is better for:

- ▶ Bankers
- ▶ Debtors
- ▶ Creditors
- ▶ Owners

Question No: 12 ( Marks: 1 ) - Please choose one

Debentures are a company's :

- ▶ Assets
- ▶ Liability
- ▶ Expenses
- ▶ Investments

Question No: 13 ( Marks: 1 ) - Please choose one

Subscribers / Sponsors are the persons who sign:

- ▶ Articles of Association

- ▶ Memorandum of the company
- ▶ Contribute in the initial share capital of the company.
- ▶ All of the given options

Question No: 14 ( Marks: 1 ) - Please choose one

All expenses incurred up to the stage of incorporation of the company are called:

- ▶ Preliminary Expenses
- ▶ Installation expenses
- ▶ Accrued expenses
- ▶ Deferred expenses

Question No: 15 ( Marks: 1 ) - Please choose one

The head of board of directors is called:

- ▶ Chief executive

- ▶ Manager
- ▶ Subscriber
- ▶ Shareholder

Question No: 16 ( Marks: 1 )

The account through which surplus or deficit of a Non Trading Institution is ascertained, is called \_\_\_\_\_account.

Question No: 17 ( Marks: 1 )

Any money taken away by the Owner for his personal use is called \_\_\_\_\_

Question No: 18 ( Marks: 1 )

Creditors, accruals and provisions are shown under \_\_\_\_\_in the balance sheet.

Question No: 19 ( Marks: 1 )

If the gross profit is Rs.5000 and the net profit is 25% of the gross profit, the expenses must be Rs. \_\_\_\_\_

Question No: 20 ( Marks: 1 )

There are two types of capital accounts in partnership; Fixed capital and \_\_\_\_\_

Question No: 21 ( Marks: 1 ) - Please choose one

Article of association is a document that contains all the policies and other matters which are necessary to run the business of the company.

- ▶ True
- ▶ False

Question No: 22 ( Marks: 1 ) - Please choose one

Revaluation Reserve is created when an asset is re-valued from market value to cost price.

- ▶ True
- ▶ False

Question No: 23 ( Marks: 1 ) - Please choose one

Cash Flows from Investing Activities shows the investment trends of the business.

- ▶ True
- ▶ False

Question No: 24 ( Marks: 1 ) - Please choose one

Net Profit ratio helps the management of the company to know about cost of production of the company.

- ▶ True
- ▶ False

Question No: 25 ( Marks: 1 ) - Please choose one

Factory utilities, supervisor salaries, equipment repairs etc. are example of factory overheads.

- ▶ True
- ▶ False

Question No: 26 ( Marks: 3 )

**Why Cost of good sold statement is prepared?**

Question No: 27 ( Marks: 3 )

**Write down the formula for debtor's turnover ratio:**

- Calculate on the basis of number of days
- Calculate on the basis of number of times

Question No: 28 ( Marks: 3 )

**What is the importance of cash flow statement?**

Question No: 29 ( Marks: 3 )

**List down any three benefits of Subsidiary Ledgers.**

Question No: 30 ( Marks: 3 )

**How statement of changes in equity is prepared?**

Question No: 31 ( Marks: 10 )

**Rectify the following errors:**

1. Salaries paid Rs. 13,000 was wrongly recorded as Rs. 1,300.
2. Purchase of goods from Mr. B worth of Rs. 5,500 was recorded at Rs. 4,500.
3. Cash sale to Mr. C worth of Rs. 10,000 was debited to sale account and credited to cash account.
4. Cost of repair Rs. 500 has been charged to Machinery account.
5. A sale of Rs. 3,000 to A was wrongly debited to the account of B.

Question No: 32 ( Marks: 10 )

The following Trial Balance is taken out from the books of Khalil & sons as on 31<sup>st</sup> December, 2005.

	<b>Dr Rs.</b>	<b>Cr Rs.</b>
Plant and Machinery	100,000	

Opening Stock	60,000	
Purchases	160,000	
Building	170,000	
Carriage Inward	3,400	
Carriage Outward	5,000	
Wages	32,000	
Sundry Debtors	100,000	
Salaries	24,000	
Furniture	36,000	
Trade Expenses	12,000	
Discount on sales	1,900	
Advertisement	5,000	
Bad Debts	1,800	
Drawings	10,000	
Bills Receivable	50,000	
Insurance	4,400	
Bank Balances	20,000	
Sales		480,000
Interest Received		2,000
Sundry Creditors		40,000
Bank Loan		100,000
Discount on Purchases		2,000
Capital		171,500
	795,500	795,500

Closing stock is valued at Rs.90, 000.

**Prepare :**

- ≡ Cost of good sold Statement
- ≡ Income statement of the business for the year ended on December 31, 2005 and a Balance Sheet as on that date.