



Financial Accounting and Reporting (MGT 430)



Registration No _____

Quiz No. 1

Instructions

Please read the following instructions carefully before attempting any question:

- Write your student Registration No. and Signature; Failure to do so will result in paper cancellation.
- All questions are compulsory. This exam consists of **20 marks for Objective Type Questions, Equation 15 marks** and time allowed is 40 minutes.
- For each OTQ statement, read the choices available carefully and **“Encircle” (don’t tick mark)** one which you consider is the most suitable answer. Zero marks will be given if more than one option is **“Encircled”**.
- Cutting and overwriting in objective type questions is not allowed; if done so, that particular question will be marked Zero.
- Remember not to spend too much time on Objective type questions. It is important to manage your time and response to test questions effectively.
- Do not ask any questions about the contents of this examination from anyone.
- If you believe that some essential piece of information is missing, make an appropriate assumption and use it to solve the problem and will discuss in paper debate.
- Students are advised to solve paper in blue & black ink and do not use red, green ink and pencil.
- Writing irrelevant/immoral material will be severely penalized.
- This examination is closed book, closed notes, closed neighbors.
- Use of **mobile phones** is strictly prohibited; switch it off if it is in your custody.
- Failure to comply with the Teacher’s directions will result in your exam paper being cancelled.

(Not to Turn the Title Page Prior to Instructions)

OTQ

/ 20

Equation

/ 15

Total =

/ 35

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A. Multiple choice Questions*(Marks 10)*

1. An example of an external user of an entity's accounting reports could be?
(a) **An employee of the company** (b) the entity's financial manager
(c) The entity's general manager (d) All of the above
2. Residual interest in the net asset of an entity that remains after deducting its liabilities is?
(a) **Owner Equity** (b) Liabilities (c) Asset (d) Expense
3. Which one of the following statement completely and correctly describes accounting?
(a) **Recording, classifying and summarizing economic activities in systematic way**
(b) Recording, classifying and summarizing all activities in useful manner
(c) Accounting is the systematic process of recording social activities only
(d) Recording, classifying and summarizing economic activities in informal manner
4. The controller's responsibilities are primarily in nature, while the treasurer's responsibilities are primarily related to?
(a) Operational; Financial accounting (b) **Accounting; Financial management**
(c) Financial management; Operations (d) Financial management; Accounting
5. What is the meaning of the word 'limited' in the name of a limited company?
(a) The number of shareholders is limited to 50
(b) The liability of the company for its own debts is limited
(c) **The liability of shareholders for the company's debts is limited**
(d) There is a limit on the amount of debts that the company can contract
6. A large organization with separate legal status is known as?
(a) Sole proprietorship (b) Partnership (c) **Joint stock company** (d) None
7. All of following are Assets except?
(a) Prepaid Rent (b) Goods (c) Unearned Income (d) **b and c**
8. A _____ business is one in which income is generated by the resale of produced product?
(a) Manufacturing (b) **Merchandising** (c) Sole Proprietorship (d) Partnership
9. Which of the following accounts will be used in equation, if the goods are sold on credit to Mr. Mahmood?
(a) Cash account and Owner's equity (b) **Account Receivable and Owner's equity**
(c) Cash and Account Receivable (d) Account Payable and Owner's Equity
10. The amount received in respect of debtor's account?
(a) Increase liabilities (b) Decrease in expenses
(c) Decrease liabilities (d) **Conversion in assets side**

B. True False Statements*(Marks 5)*

1. Management Accounting communicates financial information about a business to both internal and external users?
(a) True (b) False
2. The hiring of a new company president is an economic event recorded by financial information system?
(a) True (b) False
3. A share provides evidence of ownership of a partner's share in a partnership?
(a) True (b) False
4. The form of business organization that is the easiest to raise capital for is the limited liability company because it is able to continue operations uninterrupted even though the ownership changes?
(a) True (b) False
5. A company reports the following amounts: loans payable Rs. 230, trade accounts payable Rs. 1,170, inventories Rs. 500, contributed capital Rs. 100, land Rs. 2,500. Total liabilities are Rs. 4,500?
(a) True (b) False

C. Identify which of the users of financial statement information listed in A through E would most likely desire and/or benefit from the economic aspects listed in items 1 through 5 below

(5 Marks)

Users

- A. Bankers
- B. Potential investors
- C. Government agencies
- D. Customers
- E. Managers

- B. Potential investors
- A. Bankers
- C. Government agencies
- D. Customers
- E. Managers

1. Want to choose a company to earn returns potentially higher than fixed income instruments
2. Need to predict future cash flows necessary for repayment
3. Want to determine how much tax a company must pay
4. Want the best product possible for the money
5. Want to maintain a level of compensation

Q # 2: Following Transactions are related to Brother Corporation. You are required to make Equation?

(Marks = 15)

Opening Balances

Inventory..... 23,000	Furniture 10,000	Marketable Securities ... 5,000	Bank 25,000
Cash 40,000	Account Payable 30,000	Debtors17,000	O.E 90,000

1. Received dividend on marketable securities by bank of Rs. 500 and sold marketable securities of Rs. 1,000 by cash
2. Defective inventory returned to vendor of Rs. 7,000 who reduced account payable and paid carriage expense of Rs. 2,000
3. Obtained a bank loan of Rs. 13,000 by cash and paid Rs. 5,000 to creditor by bank
4. Paid Rent for 2 years of worth Rs. 6,000 by cash and received commission of worth Rs. 500 by bank
5. Payment made for furniture purchased for owner domestic use for Rs. 3,000 by bank
6. Goods return by cash customer of Rs. 2,500 which cost Rs. 2,100
7. Sold goods on account of Rs. 7,500 and by cash Rs. 2,500 which cost was Rs. 8,000

Brother Corporation

Accounting Equation

S. No	Assets							Equities		
	Cash	A/C Rec	Stock	Furniture	P. Rent	Bank	M. Sec	Creditors	B. Loan	Capital
Bal	40,000	17,000	23,000	10,000		25,000	5,000	30,000		90,000
1	1,000					500	(1,000)			500
Bal	41,000	17,000	23,000	10,000		25,500	4,000	30,000		90,500
2	(2,000)		(7,000)					(7,000)		(2,000)
Bal	39,000	17,000	16,000	10,000		25,500	4,000	23,000		88,500
3	13,000					(5,000)		(5,000)	13,000	
Bal	52,000	17,000	16,000	10,000		20,500	4,000	18,000	13,000	88,500
4	(6,000)				6,000	500				500
Bal	46,000	17,000	16,000	10,000	6,000	21,000	4,000	18,000	13,000	89,000
5						(3,000)				(3,000)
Bal	46,000	17,000	16,000	10,000	6,000	18,000	4,000	18,000	13,000	86,000
6	(2,500)		2,100							(400)
Bal	43,500	17,000	18,100	10,000	6,000	18,000	4,000	18,000	13,000	85,600
7	2,500	7,500	(8,000)							2,000
Bal	46,000	24,500	10,100	10,000	6,000	18,000	4,000	18,000	13,000	87,600
Total	Rs. 118,600							Rs. 118,600		