

ISLAMIC UNIVERSITY OF TECHNOLOGY (IUT)  
ORGANISATION OF ISLAMIC COOPERATION (OIC)

## DEPARTMENT OF BUSINESS AND TECHNOLOGY MANAGEMENT

Semester Final Examination

Summer Semester, A. Y. 2022-2023

Course No: Hum 4247

Time : 3 hours

Course Title: Accounting

Full Marks : 150

Answer **all 6 (six)** questions. All questions carry equal marks. Marks of each question and corresponding CO and PO are written in the right margin within brackets.

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1. Alma's Payroll Services Company entered the following transactions during May 2017.
- May: 1 Purchased computers for \$15,000 from Bytes of Data on account.  
May: 2 Paid \$3,000 cash for May rent on storage space.  
May: 6 Received \$12,000 cash from customers for contracts billed in April.  
May: 7 Performed payroll services for Magic Construction Company for \$2,500 cash.  
May: 10 Paid Northern Ohio Power Co. \$7,000 cash for energy usage in May.  
May: 13 Alma invested an additional \$25,000 in the business.  
May: 17 Paid Bytes of Data for the computers purchased in (1) above.  
May: 30 Incurred advertising expense for May of \$900 on account.
- Instructions**
- a) Prepare a tabular summary of the transactions. 15 (CO2)  
(PO11)
- b) Prepare the income statement and balance sheet on May 31, 2017, for Alma's Payroll Services Company. 10 (CO2)  
(PO11)
2. Pargo Company is preparing its master budget for 2017. Relevant data pertaining to its sales, production, and direct materials budgets are as follows. 25 (CO3)  
(PO11)
- Sales:** Sales for the year are expected to total 1,000,000 units. Quarterly sales are 20%, 25%, 25%, and 30%, respectively. The sales price is expected to be \$40 per unit for the first three quarters and \$45 per unit beginning in the fourth quarter. Sales in the first quarter of 2018 are expected to be 20% higher than the budgeted sales for the first quarter of 2017.
- Production:** Management desires to maintain the ending finished goods inventories at 25% of the next quarter's budgeted sales volume.
- Direct materials:** Each unit requires 2 pounds of raw materials at a cost of \$12 per pound. Management desires to maintain raw materials inventories at 10% of the next quarter's production requirements. Assume the production requirements for the first quarter of 2018 are 450,000 pounds.
- Instructions:**
- Prepare the sales, production, and direct materials budgets by quarters for 2017.

3.

Vin Diesel owns the Fredonia Barber Shop. He employs four barbers and pays each a base rate of \$1,250 per month. One of the barbers serves as the manager and receives an extra \$500 per month. In addition to the base rate, each barber also receives a commission of \$4.50 per haircut.

Other costs are as follows:

Advertising	\$200 per month
Rent	\$1,100 per month
Barber Supplies	\$0.30 per haircut
Utilities	\$175 per month plus \$0.20 per haircut
Magazine	\$ 25 per month

Vin currently charges \$10 per haircut.

**Instructions:**

- a) Determine the variable costs per haircut and the total monthly fixed costs. Compute the break-even point in units and dollars. 07 (CO3) (PO11)
- b) Prepare a Cost-Volume-Profit (CVP) graph, assuming a maximum of 1,800 haircuts in a month. Use increments of 300 haircuts on the horizontal axis and \$3,000 on the vertical axis. 13 (CO3) (PO11)
- c) Determine net income, assuming 1,600 haircuts are given in a month. 05 (CO3) (PO11)

4.

Dieker Company applies overhead on the basis of direct labor costs. The company estimates annual overhead costs will be \$760,000 and annual direct labor costs will be \$950,000. During February, Dieker worked two jobs: A16 and B17. Summary data concerning these jobs are as follows.

**Manufacturing Costs Incurred**

Purchased \$54,000 of raw materials on account.

Factory labor \$76,000, plus \$4,000 employer payroll taxes.

Manufacturing overhead exclusive of indirect materials and indirect labor \$59,800

**Assignment of Costs**

Direct materials: Job A16 \$27,000, Job B17 \$21,000

Indirect materials: \$3,000

Direct labor: Job A16 \$52,000, Job B17 \$26,000

Indirect labor: \$2,000

The company completed Job A16 and sold it on account for \$150,000. Job B17 was only partially completed.

**Instructions**

- a) Compute the predetermined overhead rate. 05 (CO3) (PO11)
- b) Journalize the necessary transactions for February (Purchase, Assignment, Completion and Sales) 13 (CO3) (PO11)
- c) What was the amount of under- or overapplied manufacturing overhead? 07 (CO3) (PO11)

5. a) Distinguish between managerial and financial accounting. 08 (CO1)  
(PO1)
- b) Explain different kinds of manufacturing costs with examples. 08 (CO1)  
(PO1)
- b) What are the assumptions of Cost-Volume-Profit (CVP) Analysis? Explain. 09 (CO1)  
(PO1)
6. Mac's Motel opened for business on May 1, 2017. Its trial balance before adjustment on May 31 is as follows.

**Trial Balance**

May 31, 2017

Account titles	Debit	Credit
Cash ✓	\$3,500	
Supplies ✓	2080	
Prepaid Insurance	2400	
Land	12000	
Buildings	60000	
Equipment	15000	
Accounts Payable		\$4800
Unearned Rent Revenue		3300
Mortgage Payable		40000
Owner's Capital		41380
Rent Revenue		10300
Advertising Expense	600	
Salaries and Wages Expense	3300	
Utilities Expense	900	
<b>Total</b>	<b>\$99780</b>	<b>\$99780</b>

**Other data:**

- Prepaid insurance is a 1-year policy starting May 1, 2017.
- A count of supplies shows \$750 of unused supplies on May 31.
- Annual depreciation is \$3,000 on the buildings and \$1,500 on equipment.
- The mortgage interest rate is 12%. (The mortgage was taken out on May 1.)
- Two-thirds of the unearned rent revenue has been earned.
- Salaries of \$750 are accrued and unpaid on May 31.

**Instructions:**

- a) Journalize the adjusting entries on May 31. 10 (CO2)  
(PO11)
- b) Prepare an adjusted trial balance on May 31. 10 (CO2)  
(PO11)
- c) Journalize the closing entries. 05 (CO2)  
(PO11)