

Brac University
Brac Business School
ACT201: Financial Accounting
Final Examination, Fall 2023
Duration: 120 minutes; Marks: 40

Instructions:

- ✓ Write your answers on blank pages using pen only.
- ✓ Write your name, student ID, section and “ACT201 Final Exam” on your first page.
- ✓ Number your pages.
- ✓ Write the question number clearly before starting a new answer.
- ✓ Follow the standard formats in answering problems.
- ✓ You must take photo(s) of your answer and use CamScanner (or any other tool) to upload your answers as one PDF file (image uploads not allowed).

Part-A
(Part A is mandatory)

Question 1

(16 Marks)

The Trial Balance of Miami FC Limited, a merchandising company which sells sports accessories, contained the following accounts at December 31, 2022, the end of the company's financial year.

Particulars	\$	Particulars	\$
4% Notes Payable	40,000	Gain on sale of property	4,000
Accounts Payable	2,500	Land	200,000
Accounts Receivable	9,000	Merchandise Inventory	44,700
Delivery Van	95,900	Preferred Stock	100,000
Accumulated Depreciation-Delivery Van	2,900	Rent Expense	2,100
Auditor's Fee	3,900	Retained Earnings	59,000
Cash	675,910	Salaries Expense	9,400
Common Stock	2,000	Sales Discount	48,000
Cost of Goods Sold	9,900	Sales Revenue	894,000
Freight Out Expense	390	Supplies	5,200

Additional Information:

- \$78,000 cash dividend was declared during the year.
- The company is under 10% tax bracket.
- The interest on the notes payable has not been paid yet.
- \$3,000 of supplies have been used during the year.
- Depreciation on the delivery van is to be charged on a reducing-balance basis at 12%.
- Physical check on December 31, 2022 reveals that inventory actually on hand is \$45,700.

Instructions: Prepare a multiple step income statement for the year ended December 31, 2022, a statement of stockholders' equity for the year ended December 31, 2022 and a classified balance sheet as at December 31, 2022 for Miami FC Limited.

Part-B

(Answer any three questions from **Part B**. Each question carries equal marks.)

[3x8=24]

Question 2

(3.5+4.5=8 Marks)

Axel Company and Rod Company completed the following merchandising transactions in the month of April. Axel Company follows periodic inventory system and Rod Company follows perpetual inventory system. Journalize for the month of April, Axel Company's transactions and Rod Company's transactions.

- April 9 Axel Company sold \$52,000 of merchandise on account to Rod Company, terms FOB shipping point, 1/10, n/30. The cost of the merchandise sold was \$28,500. The appropriate party also paid \$100 for the freight charge.
- April 12 Axel Company granted Rod Company \$4,600 credit for merchandise returned costing \$2,700.
- April 18 Axel Company received the balance due from Rod Company.

Instructions:

- Journalize the above transactions on the books of Axel Company.
- Journalize the above transactions on the books of Rod Company.

Question 3

(4+4=8 Marks)

ABC Ltd. purchased a delivery truck for \$750,000 on February 1, 2019. The truck has an expected salvage value of \$50,000, and is expected to be driven 80,000 miles over its estimated useful life of 4 years. Actual miles driven were 30,000 in 2019 and 19,000 in 2020.

Instructions:

- Compute depreciation expense using the straight-line method and the units-of-activity method for 2019 and 2020. (You must show the calculation for your answer.)
- Compute depreciation expense for 4 years using the double-declining-balance method. (You must show the calculation for your answer.)

Question 4

(2+6=8 Marks)

- State one advantage of a corporation. The stockholder's equity section consists of which two items?
- Journalize the following transactions of Aesthetic Co for May 2023.

May 2 Issued 2,000 shares of \$1 par value common stock to attorneys in payment of a bill for \$5,000 for services performed in helping the company to incorporate.

May 12 Issued 50,000 shares of \$1 par value common stock for cash of \$360,000.

May 13 Issued 2,000 shares of \$100 par value preferred stock for cash at \$120 per share.

May 31 Acquired land by issuing 20,000 shares of its \$8 par value common stock. At the time of the exchange, the land was advertised for sale at \$240,000. The stock is currently trading at \$11 per share.

Question 5

(2+4+2=8 Marks)

- A trial balance proves that the company has recorded all transactions or that the ledger is correct. Do you agree? Justify your answer.
- The ledger of Hercules Company contains the following balances: Owner's Capital \$50,000, Owner's Drawings \$4,000, Service Revenue \$70,000, Salaries and Wages Expenses \$40,000, and Maintenance and Repairs Expenses \$9,000. Prepare the closing entries at December 31.
- The total assets of Birch Company are \$60,000. Owner's capital is \$35,000; owner's drawings are \$7,000; revenues, \$52,000; and expenses, \$35,000. What is the amount of the company's total liabilities?

Good Luck!