

**ISLAMIC UNIVERSITY OF TECHNOLOGY (IUT)**  
**ORGANISATION OF ISLAMIC COOPERATION (OIC)**  
**Department of Computer Science and Engineering (CSE)**

**SEMESTER FINAL EXAMINATION****SUMMER SEMESTER, 2018-2019****DURATION: 3 Hours****FULL MARKS: 150****Hum 4247: Accounting****Programmable calculators are not allowed. Do not write anything on the question paper.**There are **8 (eight)** questions. Answer any **6 (six)** of them.

Figures in the right margin indicate marks.

1. a) What is the criterion to identify whether a business event is a transaction or not? 2
- b) What is profitability ratio? Write the formula and purpose of Asset Turnover ratio and Profit Margin. 5
- c) Yellow Corporation's comparative balance sheets are presented below: 18

YELLOW CORPORATION		
Balance Sheet		
December 31		
	2018	2017
Cash	\$ 4300	\$ 3700
Accounts receivable	21200	23400
Inventory	10000	7000
Land	20000	26000
Building	70000	70000
Accumulated depreciation	(15000)	(10000)
Total	<u>\$110500</u>	<u>\$120100</u>
Accounts payable	\$ 12370	\$ 31100
Common stock	75000	69000
Retained earnings	23130	20000
Total	<u>\$110500</u>	<u>\$120100</u>

Yellow's 2018 **income statement** included net sales of \$100,000, cost of goods sold of \$60,000, and net income of \$15,000.

**Required:**Compute the following ratios for **2018**.

- i. Current ratio.
- ii. Acid-test ratio.
- iii. Receivables Turnover
- iv. Inventory turnover.
- v. Profit margin.
- vi. Asset turnover.
- vii. Return on assets.
- viii. Return on common stockholder's equity.
- ix. Debt to total assets ratio.

2. a) Shayan Ahmed, a beginning accounting student, believes that double-entry system means each transaction must be recorded twice. Is Shayan correct? Explain. 5
- b) Maya Hasan is a licensed dentist. During the first month of the operation of her business, the following events and transactions occurred. 20

**April 1:** Invested \$40,000 cash.

**April 1:** Hired a secretary-receptionist at a salary of \$600 per week payable monthly.

**April 2:** Paid office rent for the month \$1,000.

**April 3:** Purchased dental supplies on account from Smile Company \$4,000.

**April 10:** Provided dental services and billed insurance companies \$5,100.

**April 11:** Received \$1,000 cash advance from Trudy Borke for an implant.

**April 20:** Received \$2,100 cash for services completed and delivered to John Stanley.

**April 30:** Paid secretary-receptionist for the month \$2,400.

**April 30:** Paid \$1,600 to Smile Company for accounts payable due.

Maya uses the following chart of accounts: No. 101 Cash, No. 112 Accounts Receivable, No. 126 Supplies, No. 201 Accounts Payable, No. 205 Unearned Revenue, No. 301 Maya Hasan, Capital; No. 400 Service Revenue, No. 726 Salaries Expense, and No. 729 Rent Expense.

**Required:**

- i. Journalize the transactions.
- ii. Post to the ledger accounts.
- iii. Prepare a trial balance on May 31, 2018.

3. a) "Efforts should be matched with accomplishments"-this statement indicates a principle of accounting. Explain the statement. 5
- b) Ken Ham started his own consulting firm, Hambone Company, on June 1, 2018. The trial balance at June 30 is shown below. 20

**HAMBONE COMPANY**

**Trial Balance**

**June 30, 2018**

Accounts Title	Debit	Credit
Cash	\$ 7,150	
Accounts Receivable	6,000	
Supplies	2,000	
Prepaid Insurance	3,000	
Office Equipment	15,000	
Accounts Payable		\$ 4,500
Unearned Service Revenue		4,000
K. Ham, Capital		21,750
Service Revenue		7,900
Salaries Expense	4,000	
Rent Expense	1,000	
	<u>\$38,150</u>	<u>\$38,150</u>



In addition to those accounts listed on the trial balance, the chart of accounts for Hambone Company also contains the following accounts and account numbers: No. 158 Accumulated Depreciation—Office Equipment, No. 212 Salaries Payable, No. 244 Utilities Payable, No. 631 Supplies Expense, No. 711 Depreciation Expense, No. 722 Insurance Expense, and No. 732 Utilities Expense.

**Other data:**

- i. Supplies on hand at June 30 are \$600.
- ii. A utility bill for \$150 has not been recorded and will not be paid until next month.
- iii. The insurance policy is for a year.
- iv. \$2,500 of unearned service revenue has been earned at the end of the month.
- v. Salaries of \$2,000 are accrued at June 30.
- vi. The office equipment has a 5-year life with no salvage value. It is being depreciated at \$250 per month for 60 months.
- vii. Invoices representing \$1,000 of services performed during the month have not been recorded as of June 30.

**Required 1:** Prepare the adjusting entries for the month of June, 2018.

**Required 2:** Prepare an adjusted trial balance at June 30, 2018.

4. a) Draw the Accounting Cycle. 4
- b) Using the following data from the comparative balance sheet of Rodenbeck Company, 3  
prepare a schedule showing the **Horizontal Analysis**.

	December 31, 2018	December 31, 2017
Accounts receivable	\$ 520,000	\$ 400,000
Inventory	\$ 840,000	\$ 600,000
Total assets	\$ 3,000,000	\$2,500,000

- c) An inexperienced bookkeeper prepared the following trial balance. Prepare a **correct trial balance**, assuming all account balances are normal. 8

**KWUN COMPANY**

**Trial Balance**

December 31, 2018

Accounts Title	Debit	Credit
Cash	\$14,800	
Prepaid Insurance		\$3,500
Accounts Payable		3,000
Unearned Revenue	2,200	
P. Kwun, Capital		13,000
P. Kwun, Drawing		4,500
Service Revenue		25,600
Salaries Expense	18,600	
Rent Expense		2,400
	<u>\$35,600</u>	<u>\$52,000</u>

- d) The following information is related to the sole proprietorship of Leonard Mac, attorney. 10

Legal service revenue, 2018	\$350,000
Total expenses, 2018	211,000
Assets, January 1, 2018	85,000
Liabilities, January 1, 2018	62,000
Assets, December 31, 2018	168,000
Liabilities, December 31, 2018	85,000
Drawings—2018	?

**Required:**

Prepare the 2018 **Owner's Equity Statement** for Leonard Mac's legal practice assuming that there is "Leonard Mac, Drawings" in 2018.

5. a) Define Cost Sheet? What is the importance of Cost Sheet? 5

b) 20

Opening stock of raw material	12,500
Purchases of raw material	1,36,000
Closing stock of raw material	8,500
Direct wages	54,000
Direct expenses	12,000
Factory overheads	100% of direct wages
Office and administrative overheads	20% of works cost
Selling and distribution overheads	26,000
Cost of opening stock of finished goods	12,000
Cost of Closing stock of finished goods	15,000
Profit on Selling Price	20%

**Required:**

From the above information, prepare a Cost Sheet for the period ended on 31st March, 2018.

6. a) What is Flexible Budget? 5
- b) Delicious House is a family-owned restaurant that specializes in Scandinavian-style seafood. Data concerning the restaurant's monthly revenues and costs appear below (q refers to the number of meals served): 20

	Formula
Revenue	\$16.50q
Cost of ingredients	\$6.25q
Wages and salaries	\$10,400
Utilities	\$800 + \$0.20q
Rent	\$2,200
Miscellaneous	\$600 + \$0.80q



**Required:**

- i. Prepare the restaurant's planning budget for April assuming that 1,800 meals are served.
- ii. Assume that 1,700 meals were actually served in April. Prepare a flexible budget for this level of activity.
- iii. The actual results for April appear below. Prepare a flexible budget performance report for the restaurant for April.

Revenue	\$27,920
Cost of ingredients	\$11,110
Wages and salaries	\$10,130
Utilities	\$1,080
Rent	\$2,200
Miscellaneous	\$2,240

7. a) Write short notes of the following with example: 8
  - i. Indirect Cost
  - ii. Sunk Cost
  - iii. Selling and Distribution Cost
  - iv. Conversion Cost
- b) What are the differences between Financial Accounting & Cost Accounting? 7
- c) Describe Per Unit Variable Cost. Is per unit variable cost always remains same? Give your explanation with graphical example. 10
8. a) Write two assumptions of CVP analysis. 5
- b) Max Company manufactures and sells a specialized cordless telephone for high electromagnetic radiation environments. The company's contribution format income statement for the most recent year is given below: 20

	Total	Per Unit
Sales (20,000 units)	\$1,200,000	\$60
Less: Variable expenses	<u>900,000</u>	<u>45</u>
Contribution margin	300,000	<u>\$15</u>
Fixed expenses	<u>240,000</u>	
Net operating income	<u>\$ 60,000</u>	

Management is willing to increase the company's profit and has asked for an analysis of a number of items.

**Required:**

- i. Compute the company's break-even point in both units and sales dollars.[Use the Formula Method]
- ii. Refer to the original data. Assume that next year management wants the company to earn a profit of at least \$90,000. How many units will have to be sold to meet this target profit? [Use the Equation Method]
- iii. Refer to the original data. Compute the company's margin of safety in dollar.
- iv. Compute the company's degree of operating leverage at the present level of sales.

- v. Assume that through a more intense effort by the sales staff, the company's sales increase by 8% next year. By what percentage would you expect net operating income to increase?
- vi. In an effort to increase sales and profits, management is considering the use of a higher quality speaker. The higher-quality speaker would increase variable costs by \$3 per unit, but management could eliminate one quality inspector who is paid a salary of \$30,000 per year. The sales manager estimates that the higher-quality speaker would increase annual sales by at least 20%.
- Assuming that changes are made as described above, prepare a projected contribution format income statement for the next year.
  - Compute the company's new break-even point in dollars of sales. [Use the formula method]
  - Would you recommend that the changes be made?