B.Sc. Engg. CSE 6th Semester **16 February, 2022 (Afternoon)**

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

MID-SEMESTER EXAMINATION **SUMMER SEMESTER, 2020-2021**

DURATION: 1 Hour 30 Minutes **FULL MARKS: 75**

HUM 4641: Accounting

Programmable calculators are not allowed. Do not write anything on the question paper.

Answer **all 3 (three)** questions. Marks of each question and corresponding CO and PO are written in the right margin with brackets.

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1. a) Zubayer Ahmed, a beginning accounting student, believes that double-entry system means each transaction must be recorded twice. Is Zubayer correct? Explain. 5 (CO1) (PO1)

   b) The trial balance of Syed Moiz Co. shown in table-1 does not balance. 20 (CO2, CO3) (PO2, PO4)

SYED MOIZ CO.
Trial Balance
June 30, 2010

Account Titles	Debit	Credit
Cash		$ 3,340
Accounts Receivable	$ 2,731	
Supplies	1,200	
Equipment	2,600	
Accounts Payable		3,666
Unearned Revenue	1,100	
S. Moiz, Capital		8,000
S. Moiz, Drawing	800	
Service Revenue		2,480
Salaries Expense	3,200	
Office Expense		810
Total	**$12,441**	**$17,486**

Table-1

Each of the listed accounts has a **normal balance** per the general ledger. An examination of the ledger and journal reveals the following errors.

i) Cash received from a customer in payment of its account was debited for $480, and Accounts Receivable was credited for the same amount. The actual collection was for $840.

ii) The purchase of a computer on account for $620 was recorded as a debit to Supplies for $620 and a credit to Accounts Payable for $620.

iii) Services were performed on account for a client for $890. Accounts Receivable was debited for $890, and Service Revenue was credited for $89.

iv) A debit posting to Salaries Expense of $700 was omitted.

v) A payment of a balance due for $306 was credited to Cash for $306 and credited to Accounts Payable for $360.

vi) The withdrawal of $600 cash for Moiz's personal use was debited to Salaries Expense for $600 and credited to Cash for $600.

Required:

Prepare a **Correct Trial Balance**. (*Hint:* It helps to prepare the correct journal entry for the transaction described and compare it to the mistake made).

2. a) A cloth store makes a sale of clothes for $1,000 on November 30. The customer is sent a statement on December 5 and a cheque is received on December 10. The cloth store follows Revenue Recognition Principle. When is the $1,000 considered to be earned? Explain the reason. 5 (CO1) (PO1)

b) The worksheet for Hancock Company shows the following table-2 in the financial statement columns: 5 (CO2) (PO2)

R. Hancock, Drawing	$15,000
R. Hancock, Capital	$42,000
Net Loss	$8,000

Table-2

Required:

Prepare the closing entries at December 31 that affect owner's capital.

c) Givens Graphics Company was organized on January 1, 2010, by Sue Givens. At the end of the first 6 months of operations, the trial balance contained the accounts in table-3: 15 (CO3) (PO4)

Debits	
Cash	$ 9,500
Accounts Receivable	14,000
Equipment	45,000
Insurance Expense	1,800
Salaries Expense	30,000
Supplies Expense	3,700
Advertising Expense	1,900
Rent Expense	1,500
Utilities Expense	1,700
Total	$109,100

Credits	
Notes Payable	$20,000
Accounts Payable	9,000
Sue Givens, Capital	22,000
Graphic Revenue	52,100
Consulting Revenue	6,000
Total	$109,100

Table-3

Analysis reveals the following additional data:

i) The $3,700 balance in Supplies Expense represents supplies purchased in January. At June 30, $1,300 of supplies was on hand.

ii) The note payable was issued on February 1. It is a 9%, 6-month note.

iii) The balance in Insurance Expense is the premium on a one-year policy, dated March 1, 2010.

iv) Consulting fees are credited to revenue when received. At June 30, consulting fees of $1,500 are unearned.

v) Graphic revenue earned but unrecorded at June 30 totals $2,000.

vi) Depreciation is $2,000 per year.

Required 1: Journalize the adjusting entries at June 30. (Assume adjustments are recorded every 6 months.)

Required 2: Prepare an adjusted trial balance.

3. a) Navid, a beginning accounting student, believes that the Criterion for which a business event become a transaction is "The company's cash must be affected". Is Navid Correct? Explain the reason. 5 (CO1) (PO1)

b) Rees Corporation experienced a fire on December 31, 2011, in which its financial records were partially destroyed. It has been able to salvage some of the records and has ascertained the following balances in table-4: 12 (CO2) (PO2)

	December 31, 2011	December 31, 2010
Cash	$ 30,000	$ 10,000
Receivables (net)	72,500	126,000
Inventory	200,000	180,000
Accounts payable	50,000	90,000
Notes payable	30,000	60,000
Common stock, $100 par	400,000	400,000
Retained earnings	113,500	101,000

Table-4

Additional information:

- The inventory turnover is 3.5 times.
- The return on common stockholders' equity is 24%. The company had no additional paid-in capital.
- The receivables turnover is 8.8 times.
- The return on assets is 20%.
- Total assets at December 31, 2010, were $605,000.

Required:

Compute the following for Rees Corporation.

i) Cost of goods sold for 2011.

ii) Net sales (credit) for 2011.

iii) Net income for 2011.

iv) Total assets at December 31, 2011.

c) Selected comparative statement data for Best Products Company are presented in table-5. All balance sheet data are as of December 31. 8 (CO3) (PO4)

	2018	2017
Net sales	$660,000	$620,000
Cost of goods sold	380,000	340,000
Interest expense	7,000	5,000
Net income	50,000	35,000
Accounts receivable	120,000	100,000
Inventory	95,000	85,000

Total assets	530,000	415,000
Accounts Payable	60,000	40,000
Bonds Payable	40,000	50,000
Common Stock	400,000	300,000
Retained Earnings	30,000	25,000
Cash Dividends	20,000	10,000

Table-5

<u>Required:</u>

Compute the following ratios for 2018.

(i) Inventory turnover.

(ii) Return on common stockholders' equity.

(iii) Payout Ratio.

(iv) Debt to Total Assets Ratio.