

**International Islamic University Chittagong**  
**Department of Computer Science and Engineering**

Mid-term Examination, Spring-2019	Program: B.Sc. Engg. (CSE)
Course Code: ACC-2401	Course Title: Financial and Managerial Accounting
Time: 1 hour 30 minutes	Full Marks: 30

[Answer any three questions from the followings; figures in the right margin indicate full marks.]

1(a).	Who are the users of accounting information? Discuss.	4
1(b).	What are the differences between proprietorship business and corporation?	2
1(c).	Write about the rules of debit and credit.	4

2(a).

Lisa Reed owns and operates an interior design studio called Reed Interiors. The following amounts summarize the financial position of her business on August 31, 19X2:

Assets				=	Liabilities	+	Owner's Equity
Cash	+ A. Rec.	+ Supplies	+ Land	=	A. Payable	+	Capital
Bl. 1,250	1,500		12,000		8,000		6,750

During September 19X2 the following events occurred:

- Reed inherited \$15,000 and deposited the cash in the business bank account.
- Performed services for a client and received cash of \$700.
- Paid off the beginning balance of accounts payable.
- Purchased supplies on account, \$500.
- Collected cash from a customer on account, \$1,000.
- Invested personal cash of \$1,000 in the business.
- Consulted on the interior design of a major office building and billed the client for services rendered, \$2,400.
- Recorded the following business expenses for the month:
  - Paid office rent - \$900
  - Paid advertising - \$100.
- Sold supplies to another business for \$150 cash, this was the cost of the supplies.
- Withdrew cash of \$1,800 for personal use.

Required

- Analyze the effects of the above transactions on the accounting equation of Reed Interiors up to September 30, 19X2.
- Prepare the income statement of Reed Interiors for the month ended September 30, 19X2.

3.	Prepare Trial Balance from the following balances of Mr. Akhtar as on 31.12.2016:	10
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Capital 420000	Cash in hand 25000	Building 115000
Cash at bank 84700	Machinery 60000	Sundry Creditors 68000
Furniture 11000	Rent expense 48000	Car 68000
Commission 86000	Commission expense 1400	Rates and Taxes 2600

Purchases 94000

Insurance expense 2400

Reserve for doubtful debts 7300

Unearned Revenue 16000

Bad debts 3200

General Expenses 800

Interest received 5000

Sales 196000

Sundry debtors 16200

Salaries 94000

4(π).

Oliver Goldsmith opened a law office on September, 3 of the current year. During the first month of operations, the business completed the following transactions:

Sep.3- Goldsmith transferred \$20,000 cash from his personal bank account to a business account entitled Oliver Goldsmith, Attorney.

Sep.4- Purchased supplies, \$200, and furniture, \$1,800, on account.

Sep.6- Performed legal services for a client and received \$1,000 cash.

Sep.7- Paid \$15,000 cash to acquire land for a future office site.

Sep.10- Defended a client in court, billed the client \$900.

Sep.13- Paid for the furniture purchased September 4 on account.

Sep.15- Paid secretary salaries, \$600.

Sep.17- Paid the telephone bill, \$120.

Sep.23- Received partial payment from client on account, \$700.

Sep.24- Prepared legal documents for a client on account, \$800.

Sep.26- Paid the water and electricity bills, \$110.

Sep.27- Received \$1,500 cash for helping a client sell real estate

Sep.28- Paid secretary salaries, \$600.

Sep.28- Paid rent expenses, \$500

Sep.30- Withdraw \$2,000 for personal use.

Required:

1) Post the transaction to the ledger with label the balance of each account.

2) Prepare the trial balance of Oliver Goldsmith, Attorney.

### Ans to the Q/No 1(a)

#### **Users of Accounting Information:**

In general, Users of accounting information fall into three categories.

1. **Internal managers**, who use the information for **short term planning and controlling routine operations**;
2. **Internal managers**, who use the information for making **nonroutine decisions** (for example, investing in equipment, pricing products and services, choosing which products to emphasize or de-emphasize) and formulating overall policies and long range plans.
3. **External parties**, such as-
  - Investors
  - Lenders
  - Suppliers and other trade creditors
  - Customers
  - Government and their agencies
  - Taxing authorities
  - Public
  - Nonprofit organizations

**Ans to the Q/No 1(b)**

**Accounting concepts and principles:**

**Accounting Concepts**

Assumptions	Principles	Constrains
1.Economic entity 2.Going concern 3.Monetary unit 4.Periodicity	1.Historical cost 2.Revenue recognition 3.Matching 4.Full discloser	1.Cost benefit 2.Materiality 3.Industry practice 4.Conservatism

Ans to the Q/No 1(c)

**Rules for determining Debit and Credit:**

**Assets:**      Increase...Debit  
                     Decrease.....Credit.

**Expenses:**    Increase...Debit  
                     Decrease.....Credit

**Liabilities:**    Decrease ...Debit  
                     Increase .....Credit

**Capital:**        Decrease ...Debit  
                     Increase .....Credit

**Revenues:**     Decrease ...Debit  
                     Increase .....Credit

# Ans to the Q/N 2

Description	Assets				Liabilities	Owner's Eq
	Cash	A. Rec	Supplies	Land	Acc. Payable	Capital
Beginning Balance	1250	1500	-	12000	8000	6750
a) Investment	15000	-	-	-	-	15000
b) Service revenue	700	-	-	-	-	700
c) Paid off account payable	-8000	-	-	-	- 8000	-
d) Purchased supplies on acc.	-	-	+500	-	+ 500	
e) Collected on account	1,000	-1,000	-	-	-	-
f) Investment	1,000	-	-	-	-	1000
g) Services on account	-	2,400	-	-	-	2,400
h) Rent Exp	-500	-	-	-	-	-1000
Adverst. Exp	-100	-	-	-	-	
i) Sold supplies for cash	+150	-	-150	-	-	-
j) withdrawals	-1800	-	-	-	-	-1800
Total	8300	2900	350	12000	500	23050
Grand total		23550				23550

# Income Statement

for the month ended September 30, 19x2

Description	Amount	Amount
<u>Revenues</u>		
Services revenue (700 + 2400)		3100
Expenses:		
Paid rent	- 900	
Paid advert.	- 100	
	- 1000	1000
Net Income		4100



# Ans to the Q/NO 3

Mr Akhtar

## Trial Balance

NO	Account	Rs	Debit	Credit
1	Capital			4,20,000
2	Cash in hand		25,000	
3	Building		1,15,000	
4	Cash at bank		84,700	
5	Machinery		60,000	
6	Sundry Creditors			68,000
7	Furniture		11,000	
8	Rent Expense		48,000	
9	Car		68,000	
10	Opening stock		86,000	
11	Commission exp.		1,400	
12	Rates and Taxes		2,600	
13	Purchases		54,000	
14	Bad debts		3,200	
15	Sales			1,56,000
16	Insurance expense		2,400	
17	General		800	
18	Sundry debtors		16,200	
19	Reserve for doubtful			7,300
20	Salaries		54,000	
21	Unearned Revenue			16,000
22	Interest received			5,000
Total			7,12,300	7,12,300



Ans to the Q1 NO 4

Oliver Goldsmith

Ledger Accounts

Cash Accounts

Date	Accounts	Ref	Debit	Credit	Balance	
					Debit	Credit
3.	Capital account		20000	-	20000	
6.	Service revenue		1000		21000	
7.	Land account			15000	6000	
13.	Account payable			1800	4200	
15.	Exp. Account			600	3600	
17.	" "			120	3480	
23.	Account Receivable		700		4180	
26.	Exp Account			110	4070	
27.	Service revenue		1500		5570	
28.	Exp Account			600	4970	
28	" "			500	4470	
30	" "			2000	2470	

Sp Supplies Account

Date	Account	Ref	Debit	Credit	Balance	
					Debit	Credit
9	Account Payable		200		200	

### Account Receivable Account

Date	Accounts	Ref.	Debit	Credit	Balance	
					Debit	Credit
10/9	Service revenue account		900		900	
23/9	Cash account			700	200	
24/9	Service revenue account		800		1000	

### Expenses Account

Date	Accounts	Ref.	Debit	Credit	Balance	
					Debit	Credit
15/9	Cash account		600		600	
17/9	" "		120		720	
26/9	" "		110		830	
28/9	" "		600		1430	
28/9	" "		500		1930	
30/9	" "		2000		3930	

### Capital Account

Date	Accounts	Ref.	Debit	Credit	Balance	
					Debit	Credit
3/9	Cash account			20000		20000



### Account Receivable Account

Date	Accounts	Ref.	Debit	Credit	Balance	
					Debit	Credit
10/9	Service revenue account		900		900	
23/9	Cash account			700	200	
24/9	Service revenue account		800		1000	

### Expenses Account

Date	Accounts	Ref.	Debit	Credit	Balance	
					Debit	Credit
15/9	Cash account		600		600	
17/9	" "		120		720	
26/9	" "		110		830	
28/9	" "		600		1430	
28/9	" "		500		1930	
30/9	" "		2000		3930	

### Capital Account

Date	Accounts	Ref.	Debit	Credit	Balance	
					Debit	Credit
3/9	Cash account			20000		20000

## Oliver's Trial Balance

Date	Account	Ref	Debit	Credit
1	Cash account		2470	
2.	Supplies "		200	
3.	Furniture "		1800	
4.	Account payable			200
5.	Service revenue			4200
6.	Land account		15000	
7.	Account receivable		1000	
8.	Expenses account		3930	
9.	Capital "			20000