

**East West University**  
**Department of Business Administration**  
**Semester: Fall 2021**  
**Course: Financial Accounting**  
**Course code: ACT 101, Section: 8**  
**Final exam**

**Time: 75 minutes**

**Submission time: 10 minutes**

**Total 85 Minutes**

**Marks: 30 (will be converted to 20)**

**(Answer all the following questions)**

The figures in the right margin indicate full marks for the respective question.

**All parts of each question must be answered sequentially**

1. The comparative statements of Villa Tool Company are presented
- Villa Tool Company**  
**Income Statement**  
**For the Year Ended December 31**

	<b>2016</b>	<b>2015</b>
Net sales	1,818,500	1,750,500
Cost of goods sold	1,011,500	96,000
Gross profit	807,000	754,500
Selling and administration expense	516,000	479 ,000
Income from operations	291,000	275,500
Other Expenses and losses:		
Interest Expense	18,000	14,000
Income before income taxes	273,000	261,500
Income tax expense	81,000	77,000
Net Income	192,000	184,500

**Villa Tool Company**  
**Balance Sheets December 31**

	2016	2015
<b>Assets</b>		
Current Assets		
Cash	60,100	64,200
Short term investment	69,000	50,000
Accounts Receivables	117,800	102,800
Inventory	123,000	115,500
Total current assets	369,900	332,500
Plant assets (net)	600,300	520,300
Total assets	<b><u>970,200</u></b>	<b><u>852,800</u></b>
<b>Liabilities and Stockholder's Equity</b>		
Current Liabilities		
Account payable	160,000	145,400
Income taxes payable	43,500	42,000
Total current liabilities	203,500	187,400
Bonds payable	200,000	200,000
Total liabilities	403,500	387,400
Shareholder's equity		
Common stock (Tk5 par)	280,000	300,000
Retained Earnings	286,700	165,400
Total stockholder's equity	566,700	465,400
Total liabilities and stockholder's equity	<b><u>970,200</u></b>	<b><u>852,800</u></b>

All sales were on account .The allowance for doubtful accounts was Tk 3200 on December 31, 2016, and Tk 3000 on December 31, 2015

**Instructions:**

- i. Compute the following ratios for 2016, (Weighted average common shares in 2016 were 57,000): **APPLY**
- a) Price earnings ratio
  - b) Return on common stockholders
  - c) Return on assets
  - d) Acid-test
  - e) Receivables turnover
  - f) Inventory turnover
  - g) Assets Turnover
- ii. Depending on the calculated ratio, name the ratios useful in assessing liquidity position of the company. **REMEMBER**
- iii. What are the different ways of expressing the relationship of two amounts through ratio analysis? **UNDERSTAND (7+2+1)=10 marks**
2. (a) Distinguish among the three types of activities reported in the statement of cash flows. **(3) Evaluate**  
(b) Condensed financial data of Cheng Inc. follow.

**CHENG INC.**  
**Income Statement**  
**For the Year Ended December 31, 2017**

Sales revenue	\$392,780
Less:	
Cost of goods sold	\$135,460
Operating expenses, excluding depreciation	12,410
Depreciation expense	46,500
Income tax expense	27,280
Interest expense	4,730
Loss on disposal of plant assets	7,500
	(233,880)
Net income	<u>\$158,900</u>

**CHENG INC.**  
**Comparative Balance Sheets**  
**December 31**

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Cash \$	80,800	\$ 48,400
Accounts receivable	92,800	33,000
Inventory	117,500	102,850
Prepaid expenses	28,400	26,000
Investments	143,000	114,000
Equipment	270,000	242,500
Accumulated depreciation—equipment	(50,000)	(52,000)
Total	<b><u>\$682,500</u></b>	<b><u>\$514,750</u></b>
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable		
Accrued expenses payable	\$112,000	\$ 67,300
Bonds payable	16,500	17,000
Common stock	110,000	150,000
Retained earnings	220,000	175,000
Total	224,000	105,450
	<b><u>\$682,500</u></b>	<b><u>\$514,750</u></b>

**Additional information:**

1. New equipment costing \$85,000 was purchased for cash during the year.
2. Old equipment having a book value of 9000 taka was sold for \$1,500 cash.
3. Redemption of bond 40000
4. A cash dividend of \$40,350 was declared and paid during the year.

**Instructions**

Prepare a statement of cash flows using the indirect method. **(9) APPLY**

**3. Write down correct entry, incorrect entry and correcting entry for the following transaction:**

- The purchase of Store equipment on account for \$1570 was recorded as a debit to store supplies \$1750 and a credit to Accounts payable \$1750.
  - A cash payment of repair expense on equipment for \$95 was recorded as a debit to Equipment \$59 and a credit to cash \$59.
  - A collection on account from a customer for \$780 was recorded as a debit to Cash \$788 and a credit to Service revenue \$788. **(3) APPLY**
4. (a) The bank statement for Laird company shows a balance per bank of \$15907.45 on April 30,2015. On this date the balance of cash per books is \$11589.45. From the foregoing steps the followings reconciling items are determined.
1. Deposits in transit:April 30 deposit (received by bank on may 1) 2201.40
  2. Outstanding Checks: No. 453, \$3000.00; no.457, \$1401.30; no,460, \$1502.70.

3.Errors: Check no.443 was correctly written by laird for \$1262.00 and was correctly paid by the bank. However, it was recorded for \$1226.00 by Laird company.

4.Bank memoranda:

- a. Debit – NSF check from J.R.Baron for \$425.60
- b. Debit- Printing company cheque charge \$30.00
- c. Credit – Collection of note receivable for \$1000 plus interest earned \$50,less bank collection fee \$15.00.

**Instruction:**

- Prepare Bank reconciliation statement for April 30.
- Pass necessary journal entries. **(5) APPLY**