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Daffodil International University

Department of Computer Science and Engineering
Faculty of Science and Information Technology
Final Examination, Semester: Summer- 2019
Course Code: ACT-301 Course Title: Financial and Managerial Accounting
Level & Term: L3T3 Section: all
Course Teacher (with Initial): All

Time: 2 hours **Marks: 40**

Part - A
(Answer any Two questions) [2*2=4]

1. Describe the Accounting equation with the changes of owner's equity.
2. Write Down the differences between Cash Basis Accounting and Accrual Basis Accounting.
3. Write down about Monetary unit assumption and Revenue recognition principle.
4. Write short note: Direct Cost, Indirect Cost and Opportunity Cost.

Part – B
(Must Answer Question No. 1)

1. Max Management Services began business on January 1, 2019, with a capital investment of Tk. 150,000. The trial balance and adjusted trial balance columns of the worksheet at the end of the first year are as follows.

MAX MANAGEMENT SERVICES
Worksheet
For the Year Ended December 31, 2019

	Unadjusted		Adjusted	
	Dr.	Cr.	Dr.	Cr.
Cash	15,800		15,800	
Accounts Receivable	28,300		28,300	
Prepaid Insurance	3,600		2,400	
Land	75,000		75,000	
Building	137,000		137,000	
Equipment	68,000		68,000	
Accounts Payable		12,500		12,500
Unearned Rent Revenue		6,000		1,500
Mortgage Payable		150,000		150,000
Owner's Capital		144,000		144,000
Owner's Drawings	21,000		21,000	
Service Revenue		90,700		90,700
Rent Revenue		29,000		33,500
Salaries and Wages Expense	43,000		43,000	
Advertising Expense	20,500		20,500	
Utilities Expense	20,000		20,000	
Totals	432,200	432,200		
Insurance Expense			1,200	
Depreciation Expense			6,600	
Accumulated Depreciation-Buildings				3,000
Accumulated Depreciation-Equipment				3,600
Interest Expense			10,000	
Interest Payable				10,000

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Totals	448,800	448,800

Instructions

(a) Prepare a complete worksheet. [9+4+2]

(b) Prepare a classified balance sheet. (Note: Tk. 30,000 of the mortgage note payable is due for payment next year.)

(c) Journalize the closing entries.

(Answer any THREE questions) [7*3=21]

2. XYZ 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:

	Total	Per Unit	Percent of Sales
Sales (20,000 Units)	16,00,000	80	100 %
Variable Expenses	13,00,000	65	? %
Contribution Margin	3,00,000	15	? %
Fixed Expenses	2,30,000		
Net Operating Income	70,000		

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

Required:

1. Compute the company's CM ratio and variable expense ratio.
2. Compute the company's break-even point in units and sales dollars.
3. Assume that sales increase by Tk. 450,000 next year. If cost behavior patterns remain unchanged, by how much will the company's net operating income increase? Use the CM ratio to compute your answer.
4. Refer to the original data. Assume that next year management wants the company to earn a profit of at least Tk. 80,000. How many units will have to be sold to meet this target profit?
5. Refer to the original data. Compute the company's margin of safety in both dollar and percentage form.
6. a. Compute the company's degree of operating leverage at the present level of sales.

b. Assume that through a more intense effort by the sales staff, the company's sales increase by 9% next year. By what percentage would you expect net operating income to increase? Use the degree of operating leverage to obtain your answer.

c. Verify your answer to (b) by preparing a new contribution format income statement showing an 10% increase in sales.

3. The Heritex Park was started on May 1 by Jessy. The following events and transactions occurred during the May:

May 1	Jessy invested Tk. 60,000 cash in the business.
4	Purchase a Building for Tk.50,000 of which only Tk 30,000 paid in cash and the remaining amount is due.
8	Incurred advertising expenses of Tk. 1,800 which will not be paid until next month.
11	Paid Tk. 1,500 for advertising expense.
13	Made an insurance policy for 3 years Tk. 5000.
17	Withdrew Tk. 600 cash for personal use.
20	Earned Tk. 5,700 for admission fees but not yet received.
25	Sold 100 coupon books for Tk. 20.00 each. Each book contains 10 coupons that

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entitled the holder to one admission to the Park.

25. Service provided Tk 10000 of which only Tk 2000 received in cash and remaining is due.

31 Cash paid to creditor Tk 5000 which was payable previously.

Requirement:

a. Journalize the transactions for May.

b. Post the journal entries to ledger [Control Ledger Account **Cash**]

4. Jacob Krause started her own consulting firm, Krause Consulting, on May 1, 2019. The trial balance at July 31 is as follows.

KRAUSE CONSULTING
Trial Balance
July 31, 2017

Account Number		Debit	Credit
101	Cash	4,500	
112	Accounts Receivable	6,000	
126	Supplies	1,900	
130	Prepaid Insurance	3,600	
149	Equipment	11,400	
201	Accounts Payable		4,500
209	Unearned Service Revenue		2,000
301	Owner's Capital		18,700
400	Service Revenue		9,500
726	Salaries and Wages Expense	6,400	
729	Rent Expense	900	
		34,700	34,700

In addition to those accounts listed on the trial balance, the chart of accounts for Krause Consulting also contains the following accounts and account numbers: No. 150 Accumulated Depreciation—Equipment, No. 212 Salaries and Wages Payable, No. 631 Supplies Expense, No. 717 Depreciation Expense, No. 722 Insurance Expense, and No. 732 Utilities Expense.

Other data:

1. Tk.800 of supplies have been used during the month.
2. Utilities expense incurred but not paid on July 31, 2019, Tk.550.
3. The insurance policy is for 2 years.
4. Tk.600 of the balance in the unearned service revenue account remains unearned at the end of the month.
5. July 31 is a Wednesday, and employees are paid on Fridays. Krause Consulting has two employees, who are paid Tk.820 each for a 5-day work week.
6. The office furniture has a 5-year life with no salvage value. It is being depreciated at Tk.290 per month for 60 months.
7. Invoices representing Tk.1, 500 of services performed during the month have not been recorded as of July 31.

Instructions

(a) Prepare the adjusting entries for the month of July.

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5. The following information has been taken from the records of Matrix Company:

Inventories	January 1	December 31
Finished Goods	6,000	8,000
Work in process	14,000	7,000
Materials	10,000	12,000

Materials Purchased	1,00,000
Direct Labor	2,00,000
Freight in	3,000
Sales Salaries and Expenses	25,000
Other factory expenses	4,000
Freight out	2,000
Factory insurance	12,500
Depreciation- Machinery	40,000
Purchase returns and allowances	6,000
Sales	3,50,000
Purchase discounts	900
Sales discounts	2,000

Required:

Prepare a Cost of Goods Manufactured, cost of goods sold statement and Income Statement for the year ended December 31.