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Daffodil International University

Department of Computer Science and Engineering
Faculty of Science & Information Technology
Final Examination, Spring-2025
Course Code: ACT327, Course Title: Financial and Managerial Accounting
Level: 3 Term: 1 Batch: 64

Time: 2 Hour **Marks: 40**

Answer ALL Questions

[The figures in the right margin indicate the full marks and corresponding course outcomes. All portions of each question must be answered sequentially.]

1.	a)	"In making a short-term production decision, why is it important to distinguish between fixed and variable costs, and how do opportunity costs and sunk costs influence rational decision-making in this context?"	[4]	CO1
	b)	"Why is the accounting equation considered the foundation of the double-entry accounting system, and how does it ensure the accuracy and integrity of financial records?"	[4]	
2.		The Adventure Firm was started on July 1. The following events and transactions occurred during the month of July: July 1 Firm invested Tk. 70,000 cash and Equipment Tk. 30,000 in the business. 9 Incurred Rent expenses of Tk. 6,500 on account. 11 Service performed for cash Tk. 30,000 & billed to the customer for Tk. 15,000. 12 Hired park manager at a salary of Tk. 20,000 per month effective from August 1. 13 Paid Tk.1, 500 cash for a one year insurance policy. 17 Received Tk. 10,000 in for service performed. 30 Paid Tk. 1,500 for Advertising Bill incurred at July 9		CO3
	a)	**Demonstrate** the above transactions by journalizing them.	[3]	
	b)	**Show** ledger accounts for Cash account	[2]	
3.		At the end of its First month of operations Rupa Answering Service has the following unadjusted trial balance.		CO4

RUPA ANSWERING SERVICE
July 31, 2024
Trial Balance

	Debit (TK.)	Credit (TK.)
Cash	50,000	
Prepaid Insurance	5,800	
Account Receivable	8,300	
Supplies	12,500	
Accumulated Depreciation- Equipment		1,300
Furnitue	35,000	
Unearned Service Revenue		5,800
Account Payable		2,500
Mortgage Payable		45,000
Rent Expense	13,000	
Owner's Capital		63,000
Owner's Drawings	5,100	
Service Revenue		22,800
Salaries and Wages Expense	8,300	
Miscellaneous Expense	2,400	

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		Total	**1,40,400**	**140,400**

Other Data:

1. A Physical count reveals only Tk. 8,500 of Supplies is unused at the end of the month.
2. Tk. 2,500 of unearned service revenue has been remain unearned at the end of the month.
3. The insurance policy is for 4 years.
4. Salaries and Wages expense accrued Tk. 4,500 but not paid yet.
5. The mortgage interest rate is 5%.

Instructions:

Develop a Worksheet for the month of July. [10]

4. **Faria 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:** CO4

	Total	Per unit
Sales	18,00,000	60
Less Variable expense	?	40
Contribution Margin	?	20
Less Fixed expense	4,00,000	
Net income	?	

a) **Select** the breakeven point in units and sales? How many units have to be sold to earn a minimum target profit of 80,000? [2]

b) Without resorting to computation **construct** the contribution margin at break-even point? **Identify** the degree of operating leverage? If in the next year sales increase by 15% then **Select** the expected percentage increase in net operating income? (use degree of operating leverage) [5]

5. **The following selected account balances Delta Tools Ltd. for the year ended December 31, 2024:** CO4

	January 1, 2024	December 31, 2024
Raw Materials	Tk. 55,000	Tk. 35,000
Work in Process	Tk. 20,000	Tk. 15,000
Finished Goods	Tk. 38,000	Tk. 20,000

Other Account Balances:

- Direct labor: Tk. 4,20,000
- Raw materials purchased: Tk. 1,80,000
- Freight-in: Tk. 4,500
- Purchase returns and allowances: Tk. 6,000
- Factory rent: Tk. 60,000
- Indirect materials : Tk. 8,000
- Factory equipment depreciation: Tk. 88,000
- Factory utilities: Tk. 40,000
- Factory insurance: Tk. 10,000
- Administrative salaries: Tk. 62,000
- Office utilities: Tk. 12,000
- Sales revenue: Tk. 31,00,000
- Sales commissions: Tk. 50,000
- Advertising expense: Tk. 18,000
- Delivery expense (freight-out): Tk. 6,000
- Sales returns and allowances: Tk. 10,000
- Sales discounts: Tk. 9,000

Instruction:

Build a schedule of **Cost of goods sold and Income statement** for the year ended. [10]