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Daffodil International University

Department of Computer Science and Engineering
Faculty of Science & Information Technology
Final Examination, Fall-2025
Course Code: ACT327, Course Title: Financial and Managerial Accounting
Level: 3 Term: 1 Batch: 65

Time: 2 Hours **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?"**	[3]	CO1
	b)	**"Give an example of a transaction that would be recorded in the accrual basis but ignored in the cash basis at the same time. Why?"**	[3]	
2.		'The Collins Limq' was started on October 1 by Collins. The following events and transactions occurred during the month of October: October 1 Collins invested Tk. 2,50,000 in cash and Equipment worth Tk. 1,00,000 in the business. 4 Purchased Land for Tk. 50,000 in cash and Tk. 20,000 on account 8 Incurred Rent expenses of Tk. 5,000 on account. 11 Service performed for Tk. 90,000 & billed the customer for Tk. 7,000. 12 Hired a Park manager at a salary of Tk. 40,000 per month, effective from November 1. 17 Drawn Tk. 3,000 cash for personal use. 30 Paid Tk. 1,500 for Rent incurred on October 8.		CO3
	a)	**Demonstrate** the above transactions by journalizing them.	[3]	
	b)	**Show** the ledger account for Accounts Payable.	[1]	
3.		At the end of its first month of operations, Maisha Answering Service has the following unadjusted trial balance.		CO4

MAISHA ANSWERING SERVICE
May 31, 2025
Trial Balance

	Debit (TK.)	Credit (TK.)
Cash	50,000	
Prepaid Insurance	3,800	
Account Receivable	7,500	
Supplies	14,000	
Accumulated Depreciation- Equipment		2,200
Equipment	45,000	
Unearned Service Revenue		5,800
Account Payable		2,500
Mortgage Payable		45,000
Rent Expense	10,000	
Owner's Capital		66,000
Owner's Drawings	4,000	
Service Revenue		17,800
Salaries and Wages Expense	3,500	
Miscellaneous Expense	1,500	
Total	**1,39,300**	**1,39,300**

Other Data:

1. **Equipment has 2-year life time with no salvage value.**
2. **Supplies TK.5000 is on hand at the end of the month.**
3. **Tk. 2,000 of unearned service revenue has been earned at the end of the month.**
4. **The insurance policy is for 30 months.**
5. **Rent expense accrued Tk. 2,000 but not paid yet.**

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Instructions:
Develop a Worksheet. [10]

4. Neptune Company manufactures basketballs. The company has a ball that sells for $25. At present, the ball is manufactured in a small plant that relies heavily on direct labor workers. Thus, variable expenses are high, totaling $15 per ball, of which 60% is direct labor cost. Last year, the company sold 30,000 of these balls, with the following results: CO4

Sales (30,000 balls)	$ 750,000
Variable expenses	450,000
Contribution margin	300,000
Fixed expenses	210,000
Net operating income	$ 90,000

Required:

a. Compute last year's break-even point in balls, Margin of Safety, and degree of operating leverage. **3**

b. Due to an increase in labor rates, the company estimates that next year's variable expenses will increase by $3 per ball. If this change takes place and the selling price per ball remains constant at $25, what will be next year's CM ratio and the break-even point in balls? **2**

c. Refer to the data in (b) above. If the expected change in variable expenses takes place, how many balls will have to be sold next year to earn the same net operating income, $90,000, as last year? **2**

d. Refer to the original data. The company is discussing the construction of a new, automated manufacturing plant. The new plant would slash variable expenses per ball by 40%, but it would cause fixed expenses per year to double. If the new plant is built, what would be the company's New Contribution Margin Format Income Statement? **3**

5. **The following selected account balances for the year ended December 31 are provided for ABC Company:** CO4

Sales	TK 20,00,000
Freight in	2,000
Freight out	2,500
Purchase discounts	10,000
Sales discounts	15,000
Purchase returns & allowances	6,000
Sales returns & allowances	17,000
Clearing supplies (factory)	8,000
Depreciation (factory equipment)	1,20,000
Plant Managers' Salaries	40,000
Administrative salaries	45,000
Maintenance factory	74,000
Direct labor	8,40,000
Purchases of raw materials	2,60,000
Depreciation (office- 80%, Sales-20%)	50,000
Advertising expense	20,000
Insurance, factory equipment	8,000
Rent expense (factory-75%)	90,000
Utilities expense (Administrative-30%)	52,000
Sales commissions	35,000

Inventory balances at the beginning and end of the year were as follows:

	January 1, 2023	December 31, 2023
Raw materials	Tk. 80,000	Tk. 20,000
Work in process	30,000	20,000
Finished goods	20,000	15,000

Instruction:
Build a schedule of cost of goods sold and an income statement for the year ended. [7] [3]