

31

University of Asia Pacific
Department of Civil
Final Examination (Fall 2012)
Program: B.Sc. Engg ((3rd year 1st semester)

Course Title : Principles of Accounting
 Full marks : 50

Credit Hours: 2.0

Course : ACN 301
 Time : 2 hrs

(Answer any two from each part. Total number of ques. answered should be four)

Part-A

Q.1. At the end of its first month of operations, Darth Vader PI has the following adjusted trial balance on December 31, 2011. (in '000BDT)

	<u>Debit</u>	<u>Credit</u>
Cash	11,400	
Accounts Receivable	6,370	
Prepaid Insurance	1,950	
Supplies	750	
Equipment	30,000	
Notes Payable		10,000
Accounts Payable		12,350
Darth Vader, Capital		20,000
Darth Vader, Drawing	600	
Service Revenue		14,370
Salaries Expense	2,200	
Travel Expense	1,300	
Rent Expense	1,200	
Misc. Expense	200	
Supplies Expense	300	
Depreciation Expense	500	
Accumulated depreciation-Equipment		500
Interest Expense	300	
Interest Payable		300
Insurance Expense	450	
Total	57520	57520

Instructions:

- (a) Prepare an income statement (8.0)
 (b) Prepare an owner's equity statement. (4.5)

Q.2. a) Give correcting journal of the following:

Incorrect entry: A collection of 780 on account from a customer (account receivable) was recorded as a debit to Cash and a credit to Service Revenue for Tk780. (4.5)

b) A list of transactions appears below:

- August 01 : Sanchita Khan invested Tk.200,000 cash in her new business, DreamWorks.
 August 02 : Purchased equipment for Tk.90,000 cash.
 August 10 : Rented a vehicle for the month and paid Tk.20,000.
 August 15 : Purchased a 2-year insurance policy (prepayment) for Tk. 22,000.
 August 17 : Received Tk. 25,000 cash advance from customers for future service to be provided.

- August 20 : Sold services for Tk.40,000 on account.
- August 22 : Paid Tk.7,000 wages for an assistant's work.
- August 24 : Withdrew Tk.10,000 for personal use.

Instruction:

Journalize the transactions.

(8.0)

Q.3. a) The following information pertains to Family Video Company.

- Cash balance per bank, July 31, \$7,263.
- Cash balance per books, July 31, \$7,284.
- July bank service charge not recorded by the depositor \$28.
- Deposits in transit, July 31, \$1,500.
- Bank collected \$900 note for Family in July, plus interest \$36, less fee \$20. The collection has not been recorded by Family, and no interest has been accrued.
- Outstanding checks, July 31, \$591.

Instructions:

Prepare a bank reconciliation statement at July 31.

(10.0)

b) What are the limitations of a trial balance?

(2.5)

Part-B

Q.4. Carver Construction Company is under contract to build a condominium at a contract price of \$2,000,000. The building will take 18 months to complete at an estimated cost of \$1,400,000. Construction began in November 2004, and was finished in April 2006. Actual construction costs incurred in each year were: 2004, \$140,000; 2005, \$910,000; and 2006, \$350,000.

Compute the gross profit to be recognized in each year.

(12.5)

Q.5. a) Write down the components of prime cost and conversion cost?

(4.0)

b) Holcim Cement Ltd. has seen noticeable fluctuation in its shipping expense from month to month, as shown below:

Month	Units Shipped	Total Shipping expense
January	4	2200
February	7	3100
March	5	2600
April	2	1500
May	3	2200
June	6	3000
July	8	3600

Required:

- A. Using High-low method, estimate the cost formula for shipping expense.**
- B. Using the cost formula you have derived above, what shipping expense would you expect to incur during a month in which 12 units are shipped?**

(6.5+2)

Q.6. KSRM Ltd. has been manufacturing its own shades for its table lamps. The company is currently operating at 100% of capacity. Variable manufacturing overhead is charged to production at the rate of 50%

of direct labor cost. The direct materials and direct labor cost per unit to make the lamp shades are \$4.00 and \$6.00, respectively. Normal production is 60,000 table lamps per year.

A supplier offers to make the lamp shades at a price of \$13.50 per unit. If KSRM Ltd. accepts the supplier's offer, all variable manufacturing costs will be eliminated, but the \$50,000 of fixed manufacturing overhead currently being charged to the lamp shades will have to be absorbed by other products and will remain in cost structure.

Instructions:

- a) Prepare the incremental analysis for the decision to make or buy the lamp shades.
- b) Should KSRM Ltd. buy the lamp shades?
- c) Would your answer be different in (b) if the productive capacity released by not making the lamp shades could be used to produce income of \$40,000? (12.5)