University of Asia Pacific
Department of Civil Engineering
Final Examination (Spring 2013)
Program: B.Sc. Engg ((3rd year 1st semester)

Course Title: Principles of Accounting **Credit Hours: 2.0** **Course: ACN 301**
Time : 2 hrs **Full marks: 50**

(Answer any four questions taking two questions from each part)

Part-A

Q.1.a. SMEC BD Ltd began business on January 2012. The company provides real estate service to customers. The adjusted trial balance of the company for the year 2012 is as follows: (all figures are in '000BDT)

SMEC BD LTD.
Trial Balance (Adjusted)
December 31, 2012

	Debit	Credit
Cash	14,500	
Accounts Receivable	23,600	
Prepaid Insurance	1,600	
Land	56,000	
Building	106,000	
Equipment	48,000	
Accounts Payable		10,400
Unearned Rent Revenue		1,800
Mortgage Payable (Long term)		100,000
Smec, Capital		120,000
Smec, Drawing	20,000	
Service Revenue		75,600
Rent Revenue		26,200
Salaries Expense	30,000	
Advertising Expense	17,000	
Utilities Expense	15,800	
Insurance Expense	1,500	
Depreciation Expense- Building	2,500	
Accumulated depreciation-Building		2,500
Depreciation Expense- Equipment	3,900	
Accumulated depreciation-Equipment		3,900
Interest Expense	10,000	
Interest Payable		10,000
Total	**350,400**	**350,400**

Instructions:
Prepare a classified balance sheet at December 31, 2012. *(Balance of Owner's equity statement at December 31 is 121,100. No need to prepare Income Statement or Owner's Equity Statement.)* **(9.0)**

Q.1.b. Explain with example why a prepaid expense is classified as an asset on a balance sheet. **(3.5)**

Q.2.Financial information for Walnut Company is presented below.

WALNUT COMPANY
Balance Sheets
December 31, 2012

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	70,000	65,000
Short-term Investment	45,000	40,000
Accounts receivable (net)	94,000	90,000
Inventories	130,000	125,000
Prepaid expenses and other current assets	25,000	23,000
Total current assets	**364,000**	**343,000**
Property, plant, and equipment (net)		
Land	130,000	130,000
Building and Equipment	200,000	175,000
Total assets	**$694,000**	**$648,000**
Liabilities and Stockholders' equity		
Current liabilities	185,000	182,000
Long-term liabilities	150,000	150,000
Stockholders' equity – common stock	200,000	200,000
Retained Earnings	159,000	116,000
Total liabilities and stockholders' equity	**$694,000**	**$648,000**

WALNUT COMPANY
Income Statement
For the Years Ended December 31 2012

	2012	2011
Sales	850,000	790,000
Less: Cost of goods sold	620,000	575,000
Gross profit	230,000	215,000
Less: Operating expenses	194,000	180,000
Net income	$ 36,000	$ 35,000

Additional information:

- Inventory at the beginning of 2011 was ~~BD~~ $ T115,000.
- Receivables (net) at the beginning of 2011 were ~~BD~~ $ T88,000.
- Total assets at the beginning of 2011 were ~~BD~~ $ T610,000.

Compute the following ratios for 2012 and 2011 and make comments.

a. Current Ratio
b. Asset turnover
c. Profit margin ratio.
d. Debt to total assets ratio. **(4X2.5=10+2.5)**

Q.3. **a)** John Devon opened a consultancy firm on March 1. During March the following transactions were completed:

Mar 1: Invested BDT 2,50,000 cash in business.
Mar 1: Purchased equipment for BDT 60,000, paying BDT 40,000 cash and balance on account.
Mar 2: Purchased supplies for BDT 8,000 cash.
Mar 3: Paid BDT 12,000 cash on **one year prepaid insurance policy** effective March 1.

Mar 5: Billed customers BDT 480,000 for consultancy service provided.
Mar 18: Paid BDT 15,000 cash on account payable for equipment purchase. (March1)
Mar 28: Paid BDT 12,000 cash for employee salaries.
Mar 28: Received cash from customer billed on Mar 5.
Mar 31: Withdrew BDT 7000 cash for personal use.

Adjustment data consist of:

1. Salary accrued but not paid BDT 5000.
2. Depreciation of equipment for the month is BDT 1000.
3. Prepaid insurance expired for 1 month.

Instructions:

a. Journalize March transaction.
b. Prepare adjusting journal. (4+3+.5)

Part-B

Q.4. Joyeeta Habib is the advertising manager for Crown Cement Ltd. She is currently working on a major promotional campaign. Her ideas include the installation of a new lighting system and increased display space that will add $51,000 in fixed costs to the $204,000 currently spent. In addition, Joyeeta is proposing that a 6.67% price decrease (from $30 to $28) will produce an increase in sales volume from 16,000 to 21,000 units. Variable costs will remain at $13 per pair of shoes. Management is impressed with Joyeeta's ideas but concerned about the effects that the changes will have on the break-even point and the margin of safety.

Instructions

a. Compute the current break-even point in units, and compare it to the break-even point in units if Joyeeta's ideas are used.
b. Compute the margin of safety ratio for current operations and after Joyeeta's changes are introduced.
c. Forget about Joyeeta's proposal. In current scenario if the company has a target net income of $221,000 for the following year, what should be the required sales in dollars for the company to meet its target? **(5+5+2.5)**

Q.5. San Antonio Inc. manufactures basketballs for the National Basketball Association (NBA). For the first 6 months of 2011, the company reported the following operating results while operating at 90% of plant capacity.

	Amount	Per Unit
Sales (90,000units)	$4,500,000	$50
Cost of Goods Sold	$3,600,000	$40
Gross Profit	$ 900,000	
Operating Expense	$ 360,000	
Net Profit	$ 540,000	

Fixed costs for the period were: Cost of goods sold $ 900,000 and selling and administrative expenses $225,000. In July, normally a slack manufacturing month, San Antonio receives a special order for 6,000 basketballs at $35 each from the Italian Basketball Association (IBA). Acceptance of the order would increase variable selling and administrative expenses $0.50 per unit because of shipping costs but would not increase fixed costs and expenses.

Instructions:

a. Prepare an incremental analysis for the special order.
b. Should San Antonio Inc. accept the special order? **(10+2.5)**

Q.6. GPH Ispat Ltd. specializes in manufacturing steel. The product is well accepted by consumers, and the company has a large number of orders to keep the factory production at 10,000 ton per month. GPH's monthly manufacturing cost and other expense data are as follows:

Factory manager's salary	BDT 50,000
Maintenance costs on factory building	3000
Advertising for motorcycles	100,000
Sales commissions	50,000
Depreciation on factory building	7000
Rent on factory equipment	50,000
Insurance on factory building	30,000
Raw materials	200,000
Utility costs for factory	8000
Supplies for general office	2000
Wages for assembly line workers	320,000
Depreciation on office equipment	5000
Miscellaneous materials (lubricants, solders, etc.)	7000

Instructions

(a) Prepare an answer sheet with the following column headings:

	Product Costs					
Cost Item	Direct Materials	Direct Labor	Manufacturing Overhead	Period Costs	Prime Costs	Conversion Costs

Enter each cost item on your answer sheet, placing the ~~dollar~~ BDT amount under the appropriate headings. Total the ~~dollar~~ BDT amounts in each of the columns.

(b) Compute the cost to produce one ton of steel. (use all amount classified under product cost)

(10+2.5)