International Islamic University Chittagong (IIUC)
Department of Economics and Banking
Final Examination: Spring-2019
Program: B.S.S.(Honor's)

Course Code: ACC-2301 | Course Title: Prin :iples of Accounting
Time: 2.5 Hours | Full M arks: 50

Answer any FIVE of the following questions. All parts of a question must be answered sequei tially. Figures in the right margin indicate full marks.

1. (a) What do you.mean by "Islamic Accounting"? 02
   (b) Describe the dealings of interest from the Islamic view? 04
   (c) What are the differences between Islamic accounting and Conventional accountin? 04

2. MAS Intimates started a new business at January 1, 2019. The trial balance of MAS Intim ites contained the following accounts at June 30, the end of the company's fiscal year.

MAS Intimates
Trial Balance
June 30, 2019

	Debi:	**Credit**
Cash	25,800	
Accounts Receivable	35,700	
Store Equipment	70,000	
Accumulated Depreciation—Store Equipment		20,000
Land	2,00,200	
Delivery Equipment	63,000	
Accumulated Depreciation—Delivery Equipment		6,000
Accounts Payable		45,500
MAS, Capital		2,05,000
MAS, Drawing	12,000	
Sales		7,50,000
Sales Returns and Allowances	8,800	
Rent Expense	16,300	
Advertising Expense	24,800	
Prepaid Insurance	31,100	
Unearned Service Revenue		7,000
Beginning inventory	45,000	
Purchase	6,95,000	
Freight in	3,500	
Freight out	9,500	
Salaries Expense	35,000	
Notes Payable		42,000
Total	**1,075,500**	**1,075,500**

Adjustment data:

1. At the end of June 30, the inventory was on hand of Tk. 30,000.
2. Depreciation is Tk. 11,000 on the store equipment and Tk. 3,000 on the delivery equipment.
3. Insurance expires at the rate of Tk. 2000 per month.
4. Unearned service revenue has been earned of Tk. 4,400 during the year.

Instructions:

(a) Prepare a multiple-step income statement 5
(b) An owner's equity statement for the year 1
(c) A classified balance sheet as of June 30, 2019. 4

6. Write short notes (any four) 2.5×4

(a) Perpetual inventory system Vs periodic inventory system
(b) Financial statement
(c) Bank memoranda
(d) Types of inventory
(e) Cost flow assumptions
(f) Causes of depreciation

7. (a) Stratford Company distributes lightweight chairs. The company's contribution format income statement for the most recent year is given below: 6

	Total	Per unit
Sales (24,000 units)	Tk. 3,60,000	Tk. 15
Less: Variable Expense	1,44,000	Tk. 6
Contribution Margin	2,16,000	Tk. 9
Less: Fixed Expense	1,80,000	
Net operating income	36,000	

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

Required:

i. Compute the company's break-even point in both units and sales Taka.
ii. The company estimates that sales will increase by Tk. 90,000 during the coming year due to increased demand. By how much should net operating income increase?
iii. Assume that next year management wants to earn a minimum profit of Tk. 90,000. How many units will have to be sold to achieve this target profit?
iv. Compute the company's margin of safety in both dollars and percentage form.
v. Compute the company's degree of operating leverage at present level of sales.
vi. Assume that sales increase by 13% next year, by how much will the company's net income increase? Justify your answer preparing a new income statement.

(b) Refer to the original data. Assume that the company sold 25,000 units last year. The sales manager is convinced that 10% reduction in the selling price, combined with a Tk. 70,000 increases in advertising expenditure, would cause annual sales in units to increase by 60%. Prepare two contribution income statements, one showing the results of last year's operation and one showing what the results of operations would be if these changes were made. Would you recommend that the company do as the sales manager suggests? 4

3. (a) Discuss the different factors in computing depreciation. 2

(b) XYZ Company purchases a factory machine at a cost of TK.9, 40,000 on January 1, 2008. The machine is expected to have a salvage value of TK.40, 000 at the end of its 5 years useful life. During its useful life, the machine is expected to be used for 1, 00,000 hours. Actual annual hourly usages were: 30,000 in 2008; 25,000 in 2009; 25,000 in 2010; 10,000 in 2011 and 10,000 in 2012.

Instructions:

Compute the amount of accumulated depreciation on each machine at December 31, 2011.

i. The Straight Line Method 2
ii. Units of Activity Method 3
iii. Double Declining Balance Method. 3

4. (a) Confidence Cement Company sells its products to local customers. On September 30, 2019, the company's cash account per its general ledger showed the balance Tk. 53,287. The bank statement from IBBL on that date showed the balance Tk. 53,332. A comparison of the details on the bank statement with the details in the cash account revealed the following facts.

1. A Tk. 9,000 note receivable was collected by the bank for Confidence Cement Company on September 30 plus Tk. 600 interest. The bank charged a collection fee of Tk. 250. Tk. 200 of interest has been accrued on the note.
2. Included with the cancelled checks was a check issued by Shah Cement Ltd. to Anwar Cement for Tk.4,000 that was incorrectly charged to Confidence Company by the bank.
3. On August 21, the bank statement showed an NSF check of Tk. 5,770 for a check issued by Rahim, a customer, to Confidence Company on account.
4. The statement included a debit memo of Tk.355 for the printing of additional company checks.
5. On September 19, 2018, the company issued check no. 506 for Tk.3,726 to Md. Al-Amin, a supplier. The check, which cleared the bank in September, was incorrectly journalized and posted by Confidence Cement Company for Tk.7,326.
6. Cash sales of Tk.2,890 on September 30 were deposited in the bank. The cash receipts journal entry and the deposit slip were incorrectly made for Tk.2,980. The bank credited Confidence Cement Company for the correct amount.
7. Outstanding checks at August 31 totaled Tk.10,520 and deposits in transit were Tk.13,100.

Instructions:

(a) Prepare the bank reconciliation at September 30, 2019. 08

(b) Prepare the necessary adjusting entries for the Confidence Cement Company at Sept. 30, 2019. 02

5. Global Company has the following data relating to inventory, purchases, and sales data for the month of March, 2019 and records all the transactions under perpetual inventory system. 5×2 =10

Description	Quantity and Selling Price
Inventory: March 1	200 units @ Tk. 4.00
Purchases:	
March 10	500 units @ Tk. 4.50
March 20	400 units @ Tk. 4.75
March 30	300 units @ Tk. 5.00
March 30 Purchase return	20 units @ Tk. 4.75
Sales:	
March 15	500 units @ Tk. 7.5
March 20 Sale return	Sale return 15 @ Tk. 7.5
March 25	400 units @ Tk. 8

Instructions:

Calculate (i) ending inventory, (ii) cost of goods sold and (iii) gross profit under each of the following methods.

(1) LIFO.
(2) FIFO.