

**International Islamic University Chittagong**  
Faculty of Business Studies  
Department of Business Administration  
BBA Program, Mid-Term Examination, Autumn-2022  
Course Code: ACC-1202 Course Title: Financial Accounting

Full Marks: 30

Time: 1.5 Hours

[Answer any three of the following questions. Figures in the right-hand margin indicate marks]

(03+03+04=10)

**Question-1:**

- a) "Conceptual Framework is a coherent system of interrelated objectives and fundamentals that can lead to consistent standards and that prescribes the nature, function, and limits of financial accounting and financial statements." Do you agree with this statement? Make a comprehensive discussion based on this statement by addressing the issues- need for conceptual framework and development of conceptual framework.
- b) Show in diagram the conceptual framework underlying financial accounting. Discuss the qualitative characteristics of accounting information.
- c) "An important aspect of developing any theoretical structure is the body of basic elements". What are the elements of financial statements? Describe four basic assumptions underlie the financial accounting structure.

(06+04=10)

**Question-2:**

- a) D'illusion Textile organized on May 15, 2015, and was authorized to issue 250,000 of no-par common stock, stated value Tk.20, and 10,000 share of 12% preferred stock, par value Tk.50. The following were the company's capital stock transaction through September 15, 2015:
- June 1: Issued 55,000 shares of common stock to an investment group at Tk. 25.
- June 15: Assets were obtained from Yellow Tex. in exchange for 75,000 shares of common stock. The assets were appraised as follows: Merchandise Inventory-Tk. 450,000; Furniture and Fixtures-Tk. 100,000; Machinery and Equipment-Tk. 575, 000; Land-Tk. 475, 000.
- July 1: Subscription were received for 120,000 shares of common stock at Tk.30 and for 5,000 shares of preferred 12% stock at Tk.55; each class of stock is to be paid for in two instalments, 25% on the date of subscription and 75% within 90 days.
- Sept 15: The second instalment on the common stock and preferred stock were paid in full and the stock was issued.
- Instruction: Give the journal entries to record the preceding transaction.

- b) At the time of formation, the Deal Corporation was authorized to issue 35,000 shares of common stock. Pruett later received cash from the issuance of 20,000 shares at tk. 12 per share. Record the entries for the authorization and issuance of the common stock under each of the following assumption.

- (a) Stock has a par value of Tk. 10 per share.  
(b) Stock has a stated value of Tk. 8 per share with no par value.  
(c) Stock has no par or stated value.

**Question-3:****(06+04=10)**

a) The dividend declarations and distributions by the Prefeex Company over a three-year period are listed below. Give the entry required in each case.

Year-2017:

July-1: Declared a 20% stock dividend on 1,000,000 Shares of Stock, Par Value \$15. The stock was originally sold at \$18, and Retained Earnings is to be debited for the stock dividend for an amount equal to the original stock issuance price.

July-15: Distributed the Stock Dividend declared which included fractional warrants for 2100 shares.

Sept-1: 1,400 shares were issued for fractional warrants, remaining fractional warrants expired.

Year-2019:

July-1: Declared a dividend of 1 shares of Pathao Co. Common Stock on every share of Prefeex Company Stock owned. Pathao Co. Common Stock is carried on the books of the Prefeex Company at a cost of \$1.80 per share and the market price is \$ 2 per share.

July-15: Distributed Pathao Co. Common Stock to shareholders.

b) Mutif Interior Design Co. distributed the following dividends to its stockholder:

i. Investment of 400,000 shares of Design Smith Corporation stock, carrying value \$1,200,000, fair value \$ 2,200,000.

ii. Investments of 230,000 shares of EMAAR Company stock, a closely held corporation. The shares were purchased three years ago at \$5.60 per share and the market price is \$ 5.80 per share. Give the journal entries to account for the declaration and the payment of the above dividends.

**Question-4:****(02+04+04=10)**

a) Define Par Value Stock, No-Par Stock, Stated Value Stock, Stock Dividend, Property Dividend.

b) The BM Corporation is organized with authorized capital as follow: 15,000 shares of no par common and 2,000 share of 8% preferred, par Tk.200. Give the entries required for each of the following transaction:

(i) Assets formerly owned by Aniline Corp. are accepted as payment for 10,000 shares for common stock. Assets are recorded at values as follow: Land, Tk.20,000; Building, Tk.40,000; Inventories, Tk.80,000.

(ii) Remaining common stock is sold at Tk.20.

(iii) Subscriptions are received for 1250 shares for preferred stock at Tk.206. A 60% down payment is made on preferred.

(iv) One subscriber for 250 shares for preferred defaults and the down payments is retained pending sales of this lot.

c) The Capital Accounts for Netflix Inc. on June 30, 2022 follow:

Capital stock, \$20 par 60,000 Shares	\$1,200,000
Premium on Capital Stock	435,000
Retained Earnings	216,000

Shares of the Company's stock are selling at this time at \$36. What entries would you make in each case below?

- i. A stock dividend of 20% is declared and issued.
- ii. A stock dividend of 100% is declared and issued.
- iii. A 3 for 1 stock split is declared and issued.