

International Islamic University Chittagong

Department of Business Administration

MBA 1st Semester – summer, 2022

ACC-4101: Principles of Accounting

Mid-term Examination

Time: 2 Hours

Full Marks: 30

Instructions:

- Answer any **Three (3)** of the following questions.
- One set of question must be completed before starting another set.

Question No .1

(03+04+03= 10)

- A) Demonstrate the importance of accounting for the stakeholder?
- B) Briefly explain the cycle of accounting.
- C) What are the specialized fields of accounting? Explain at least five fields.

Question No.2

(07+03= 10)

Mustafa Traders owns and operates an interior design studio called “**Mustafa Interiors**”. The following amounts summarize the financial position of her business on May 31, 2022:

<u>Assets</u>				=	<u>Liabilities</u>	+	<u>Owner's Equity</u>
Cash	Δ / R	Supplies	Land	Δ / P		Mustafa's Capital	
BAL. 15,250	3,500	1000	17,000	4,100		31,750	

During May 2022, the following transactions occurred:

- 1) Mustafa's additional investment \$21,500 in the business.
- 2) Carry out services for a client and received cash of \$15,000.
- 3) Compensated off the beginning balance of Accounts Payable as final settlement.
- 4) Acquired supplies on account, \$500.
- 5) Cash collected on account, \$5,000 and allowed them \$200 as discount.
- 6) Consulted on the interior design of a major office building and billed the client for the service rendered, \$3,500.
- 7) Recorded the following business expenses for the month:
 - i) Paid Bonus \$1000, ii) Rent expense -\$400, iii) Paid commission \$800.
- 8) Sold supplies to another business for \$ 200 cash, cost of which was \$190.
- 9) Purchased a Land for \$5,000; cash paid \$2,000 and the balance being paid using credit card.
- 10) Withdraw cash of \$1,000 for personal use.

Required: a) Analyze the effects of the above transactions on the accounting equation.
b) Prepare an Income Statement.

Question No. 3

(03+04+03=10)

RX Company started an Internet service organization in 2020. During the first week of operations incurred the following selected transactions:

- Jan. 1 RX began the business with an investment of \$150,000 cash and Furniture worth \$50,000.
 „ 3 initial expenses for equipment \$50,000, cash paid 25000 and remaining on account.
 „ 5 Accrued Rent expenses \$650.
 „ 7 Service performed for customers, cash received \$5,000 and 1500 on account.
 „ 9 Borrowed \$10,000 from the bank signing a note payable.

Required:

- Journalize the above transactions.
- Post the Journal entries to the ledger.
- Prepare a Trial Balance.

Question No. 4

(10)

The Trial Balance of **Himalaya Traders** at March 31 of the current year and the data needed for the month-end adjustments follow:

Himalaya Traders
 Unadjusted Trial Balance
 March 31, 2022

Cash.....	Tk. 37,800	-
Accounts Receivable.....	4,250	-
Supplies.....	700	-
Prepaid Rent.....	3,000	-
Furniture.....	23,500	-
Accumulated Depreciation.....	-	Tk.12,000
Note Payable-Long Term.....	-	5,000
Accounts Payable.....	-	8,100
Unearned Service Revenue.....	-	450
Capital.....	-	41,250
Withdrawal.....	4,200	-
Service Revenue.....	-	9,000
Salary Expense.....	1,950	-
Utilities Expense.....	400	-
Total.....	Tk. 75,800	Tk.75,800

Information for adjustments:

- Depreciation on furniture Tk. 1,200.
- Accrued salary expense Tk. 1,300.
- Advance commission expenses Tk.800
- Accrued service revenue Tk. 1500.
- Supplies used Tk. 400.
- Prepaid rent in force Tk. 1900.

Required:

- Prepare a worksheet.