International Islamic University Chittagong (IIUC)
Department of Economics and Banking
Final Examination: Spring-2018
Program: B.S.S.(Honor's)

Course Code: ACC-2301 Course Title: Principles of Accounting
Time: 2.5 Hours Full Marks: 50

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

1. **(a)** What are the bases of Islamic Accounting? 05
   (b) Discuss the dealings with interest in Islamic Shari'ah. 05

2. The trial balance of Lucky Plaza contained the following accounts at December 31, the end of the company's fiscal year.

Lucky Plaza
Trial Balance
December 31, 2017

	Debit	Credit
Cash	33,400	
Accounts Receivable	37,600	
Merchandise Inventory	62,400	
Land	92,000	
Buildings	197,000	
Accumulated Depreciation-Buildings		54,000
Equipment	83,000	
Accumulated Depreciation-Equipment		42,400
Notes Payable		50,000
Accounts Payable		37,500
Capital		267,800
Drawings	10,000	
Sales		880,000
Sales return and allowances	6,200	
Interest Revenue		6,100
Sales Discounts	4,600	
Cost of goods sold	709,300	
Delivery expense	6,000	
Salaries Expense	69,800	
Utilities Expense	9,400	
Repair Expense	5,900	
Supplies expense	7,200	
Insurance Expense	4,000	
Total	**13,37,800**	**13,37,800**

Adjustment data:
Depreciation is Tk.14, 000 on buildings and Tk.12, 000 on equipment.

Instructions:

(a) Prepare a multiple-step income statement 04
(b) An owner's equity statement for the year 02
(c) A classified balance sheet as of December 31, 2017. 04

3. **(a)** The bank statement for KSRM Steel Company shows a balance per bank of TK.15, 907.45 on April 30, 2018. On this date the balance of cash per books is TK.11, 589.45. Using the four reconciliation steps, KSRM determines the following reconciling items.

1. **Deposits in transit:** April 30 deposit (received by bank on May 1). TK.2201.40.
2. **Outstanding checks:** No. 453, TK.3000.00; no. 457, TK.1401.30; no. 460, TK.1502.70.
3. **Errors:** The manager wrote check no. 443 for TK.1, 226.00 to a supplier and the bank correctly paid that amount. However, KSRM recorded the check as TK.1, 262.00.
4. **Bank memoranda:**
   a. Debit—NSF check from J. R. Baron for TK.425.60
   b. Debit—Charge for printing company checks TK.30.00
   c. Credit—Collection of note receivable for TK.1,000 plus interest earned TK.50, less bank collection fee TK.15.00.

Instructions:

(a) Prepare the bank reconciliation at April 30, 2018. 07

(b) Prepare the necessary adjusting entries for the KSRM Steel Company at April 30, 2018. 03

4. You are provided with the following information for **Amazon.com**. for the month ended June 30, 2018.Global Inc. uses the perpetual method for inventory. $5\times2=10$

Date	Description	Quantity (Units)	Unit Cost or Selling Price (Tk.)
December 31	Ending inventory	150	17
January 2	Purchase	100	21
6	Sale	150	40
9	Sale return	10	40
9	Purchase	75	24
10	Purchase return	15	24
10	Sale	50	45
23	Purchase	100	28
30	Sale	110	50

Instructions:

Calculate (i) ending inventory, (ii) cost of goods sold, and (iii) gross profit under each of the following methods.
(1) LIFO and (2) FIFO.

5. (a) Define depreciation. 1

(b) XYZ Company purchases a factory machine at a cost of TK.9, 40,000 on January 1, 2008. T 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 3
ii. Units of Activity Method 3
iii. Double Declining Balance Method. 3

(a) What is meant by CM ratio? How is this ratio useful in making decision? 3

(b) Samsung Company manufactures and sells a telephone answering machine. The company's contribution format income statement for the most recent year is given below: 7

Sales (20000 units)	$1,200,000	$60
Less: Variable Expense	900,000	45
Contribution Margin	300,000	$15
Less: Fixed Expense	240,000	
Net Income	60000	

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 CM ratio.

ii. Compute the company's break-even point in both units and sales dollars.

iii. Assume that sales increase by $200000 next year, by how much will the company's net income increase?

iv. Assume that next year management wants to earn a minimum profit of $50000. How many units will have to be sold to achieve this target profit?

v. Compute the company's margin of safety in both dollars and percentage form.

vi. Compute the company's degree of operating leverage at present level of sales.

vii. Assume that sales increase by 20% next year, by how much will the company's net income increase?

Write short note (any four) 2.5×4=1(

(a) Perpetual inventory system Vs. Periodical inventory system

(b) Financial statements

(c) Bank memoranda

(d) Constraints of conventional accounting

(e) Causes of depreciation

(f) BEP