

ISLAMIC UNIVERSITY OF TECHNOLOGY (IUT)
ORGANISATION OF ISLAMIC COOPERATION (OIC)
DEPARTMENT OF BUSINESS AND TECHNOLOGY MANAGEMENT

Mid-Semester Examination

Summer Semester, A. Y. 2021-2022

Course Code : BTM 4201

Time : 1.5 hours

Course Title: Financial Accounting II

Full Marks : 75

Answer **all the 3 (Three)** questions. All questions carry equal marks. Marks of each question and corresponding CO and PO are written in the right margin with brackets.

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|----|--|----|----------------|
| 1. | a) Why is an accurate valuation of inventory important? Explain with examples. | 05 | (CO1)
(PO1) |
| | b) The beginning inventory, purchase, and sales of product F 75 for April are presented below: | 20 | (CO1)
(PO1) |

April 1	Beginning inventory	400 units @ \$.50
5	Purchases	350 units @\$\$.55
8	Sales	500 units
12	Purchases	800 units @ \$.66
15	Purchases	300 units @ \$.58
20	Sales	1,000 units
25	Purchases	750 units @ \$.62
30	Sales	800 units

Required:

Ascertain the quantity of ending inventory as of April 30, and state what will be its value (in each case) if issues are made under the following methods:

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|-------|----------------------------|--|--|
| (i) | Specific Identification | | |
| (ii) | First-in, First-out (FIFO) | | |
| (iii) | Last-in, First-out (LIFO) | | |
| (iv) | Average cost | | |
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- | | | | |
|----|--|----|----------------|
| 2. | a) Distinguish between capital expenditure and revenue expenditure. | 05 | (CO1)
(PO1) |
| | b) ABC Manufacturing Company acquires land for \$500,000. The land contains an old go down that is removed at a cost of \$20,000 (\$50,000 in cost less \$30,000 proceeds from salvage materials). Other expenditures are deed registration fees \$7,000, attorney's fees \$3,000, | 10 | (CO2)
(PO1) |

clearing and grading \$2,000 and real estate broker's commission \$3,000.
What cost should be assigned to land?

- c) On January 2, the first day of business of the current year, Ferrari Company sold a sports car that cost \$47,50,000 and on which \$30,40,000 of accumulated depreciation had been recorded. 10 (CO4)
(PO2)

Required:

For each of the following assumptions, prepare the journal entry (without explanation) for the disposal:

- (i) The car was sold for \$17,10,000 cash.
- (ii) The car was sold for \$15,00,000 cash.
- (iii) The car was sold for \$20,00,000 cash.

3. a) Rafin Company purchases a factory machine at a cost of \$18,00,000 on January 1, 2014. Rafin expects the machine to have a salvage value of \$2,00,000 at the end of its 4-year useful life. During its useful life, the machine is expected to be used 1,60,000 hours. Actual annual hourly use was: 2014, 40,000; 2015, 60,000; 2016, 35,000; and 2017, 25,000. 15 (CO1)
(PO1)

Required:

Prepare depreciation schedules for the following methods and compare them: (i) straight-line, (ii) units of- activity, and (iii) declining-balance using double straight-line rate.

- b) Metro Corporation purchased a piece of equipment for \$36,00,000. It estimated a 6-year life and \$6,00,000 salvage value. Thus, straight-line depreciation was \$5,00,000 per year $\{(\$36,00,000 - \$6,00,000) \div 6\}$. At the end of year three (before the depreciation adjustment), it estimated the new total life to be 10 years and the new salvage value to be \$2,00,000. Compute the revised depreciation. 10 (CO4)
(PO2)