ACCOUNTING

Time allowed -2 hours
Total marks - 100

[N.B. –The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

Marks

1. a. Define the following with example: 6
(i) Accrual Basis of accounting.
(ii) Revenue recognition principle.
(iii) Matching principle.

b. The Accountant of Zunaid Company, a consulting firm, prepared Trial Balance at 31 December 2013 showing total debit balance Tk. 250,000 and total credit balance Tk. 237,500 and placed the difference, Tk.12,500 in suspense account. On the basis of draft Trial Balance, the Accountant prepared the Income Statement for year ended 31 December 2013 as follows:

Account Title	**Taka**	**Taka**
Revenue:		
From service		75,000
Operating expenses:		
Salaries	22,200	
Supplies	16,500	
Depreciation	5,250	
Bad debt	8,200	
Total expenses		**(52,150)**
Net income		**22,850**

The following additional information were available subsequently:
(i) Services provided to customers on credit for Tk. 19,000 was posted to servicerevenue for Tk.9,000.
(ii) Supplies expense, Tk.500 was paid to supplier in excess erroneously. Supplier refunded the excesspayment and posted to bank account only.
(iii) Accounts receivable, Tk. 6,200 was considered uncollectable and written off. However, bad debt charge was debited for Tk.8,200 and accounts receivable was credited for Tk.6,200.
(iv) Computer costing Tk. 5,000 was purchased on 01 July 2013 for Zunaid's personal use and was posted to office equipment. Depreciation @ 10% is charged on office equipment.
(v) Bank statement showed that Tk.3,500 was deposited by customer on 20 December 2013 in settlement of account receivable written-off in earlier years. No entry was passed in the books of accounts.

Requirements:
(i) Prepare correction entries to give effect of the above in the books of accounts. 5
(ii) Prepare correct income statement for the year ended 31 December 2013. 10

2. a. At 01 January 2013, ABC company reported the following information on its financial position.

Account Title	**Taka**
Accounts receivable	895,000
Less: Allowances for doubtful accounts	(45,000)
	850,000

During 2013, the company had the following transactions related to receivables:
(i) Sales on credit: Tk. 2,500,000.
(ii) Collections of accounts receivable in cash: Tk. 400,000.
(iii) Write-off of (a) accounts receivable deemed uncollectable for which no allowance for doubtful account was provided for: Tk. 20,000 and (b) accounts receivable deemed uncollectable for which allowance for doubtful account was provided for: Tk. 5,000.
(iv) Recovery from accounts receivable written-off in previous years: Tk. 4,000.

An analysis of accounts receivable indicates that estimated allowances for doubtful accounts to be maintained at 1% of sales on credit.

Requirement:
You are required to show the presentation of accounts receivable infinancial position at 31 December 2013 12

b. The total of the list of balance in Valley's payables ledger was Tk.438,900 at 30 June 2014. This balance did not agree to Valley's payables ledger control account balance. The following errors were discovered:
(i) A contra entry of Tk.980 was recorded in the payables ledger control account, but not in the payables ledger.
(ii) The total of the purchase returns daybook was undercast by Tk.1,000.
(iii) An invoice for Tk.4,344 was posted to the supplier's account as Tk.4,434.

Requirement:
What amount should Valley report in its statement of financial position for accounts payable at 30 June 2014? 8

3. a. Write down the components of financial statements as set out in BAS-1. 6

b. Following is the Balance Sheet of Sohan& Co.as on 01 January 2013:

Account Title	Taka	Taka
Non- current assets:		
Motor Vehicle	250,000	
Office equipment	215,000	465,000
Current assets:		
Inventories	75,000	
Cash at bank	20,500	
Accounts receivable	70,000	165,500
Total assets		**630,500**
Capital		290,500
Current liabilities		
Bank overdraft	182,000	
Trade payables	155,000	
Salaries payable	3,000	340,000
Total liabilities		**630,500**

During the year ended 31 December 2013, business had made the following transactions:

(i) Goods were purchased on credit at a list price of Tk. 30,000. A 10% trade discount was negotiated together with 5% cash discount if payment was made within 14 days. Company made the payment withincredit period.

(ii) Goods costing Tk. 2,000 were withdrawn for personal use and goods costing Tk.21,000 were held in inventory at 31 December 2013 with an estimated net realizable value of Tk. 19,000.

(iii) All sales were on credit and amounted to Tk. 220,000.

(iv) Cash payments were made in respect of the following:

a. Salaries: Tk. 47,000
b. Electricity: 11,000
c. Office rent: Tk. 22,000

(v) At 31 December 2013, following expenses were outstanding:

a. Salaries: Tk. 4,000
b. Electricity: Tk. 1,000
c. Office rent: Tk. 2,000

(vi) Outstanding overdraft balance at 31 December 2013 was paid-off. Interest charges and bank charges amounted to Tk. 800. Depreciation @ 5% is charged on fixed assets.

You are required to prepare:

(i) Income statement for the year ended 31 December 2013. 10

(ii) Changes in owners' equity statement for the year ended 31 December 2013. 6

4. Goodnight Company has the following inventory, purchases and sales data for the month of March.

Inventory: March 1		200 units @Tk.4.00	Tk.800
Purchases:			
	March 10	500 units @Tk.4.50	2,250
	March 20	400 units @Tk.4.75	1,900
	March 30	300 units @Tk.5.00	1,500
Sales:			
	March 15	500 units	
	March 25	400 units	

The physical inventory count on March 31 shows 500 units on hand.

Requirement:

Under a periodic inventory system, determine the cost of inventory on hand at March 31 and the cost of goods sold for March under the (a) FIFO, (b) LIFO and (c) average cost method. 15

5. a. Sandip Ltd. has a machine with an original cost of Tk.240,000, an estimated useful life of 12 years and an estimated residual value of Tk.nil. Company charges depreciation on straight line method. In the fifth year, as a result of changes in market conditions the company decided that the remaining useful life will be only four years. Based on circumstances, answer the following questions:

(i) Calculate depreciation on machine for sixth year. 6

(ii) Do you think depreciation for earlier years needs to be restated?

(iii) Show logic in favour of your answer.

b. On 31 December 2013, Sami's cash book showed an overdraft of Tk. 4,500 on his current account. A bank statement at 31 December 2013 showed that Sami was in credit with the bank by Tk. 4,000.

On checking the cash book with the bank statement, the following are detected:

(i) Cheque drawn amounting to Tk. 1,000, entered in the cash book but not yet presented.

(ii) The bank had transferred interest received on savings account of Tk.1,500 to current account, recording the transfer on 20 January 2014. This amount had been entered in cash book on 30 December 2013.

(iii) The payments side of cash book had been undercast by Tk.1,000.

(iv) A cheque for Tk. 5,000 drawn on savings account had been shown in the cash book as drawn on current account.

(v) A cheque issued to Namira for Tk. 2,500 was replaced being out of date. It was credited again in the cash book. Both cheques were included as the un-presented cheque.

Requirements:

(i) Rewrite the cash book for December 2013. 8

(ii) Prepare a statement reconciling the revised balance in the cash book with the balance as per bank statement as at 31 December 2013. 8