

**Bangladesh Open University**  
BBA Program  
Semester: 221 (1<sup>st</sup> Level)

**Course Title: Financial Accounting-I**

**Date: 24 May 2024**

**Instructions**

- Answer all questions in your own handwriting on A4 size white paper.
- Fill-in the cover page of your assignment with care.
- Enclose the photocopy of your ID Card with the assignment (next to the cover page).
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- Submit the assignment to the respective course tutor and ensure his/her signature on your Assignment Acknowledgement Form (see page#4 of Semester Calendar).

**Questions**

1. (a) In February 2024, Alfred invested an additional \$70,000 in Romania plc. Romania's accountant, Julia, recorded this receipt as an increase in cash and revenues. Is this treatment appropriate? Why or why not?
- (b) Ariba is the owner of a successful printing shop. Recently, her business has been increasing, and Ariba has been thinking about changing the organization of her business from a proprietorship to a corporation. Discuss some of the advantages Ariba would enjoy if she were to incorporate her business.
- (c) Use the accounting equation to answer each of the following questions.
  - (i) The liabilities of Alim Company Ltd. are \$1, 80,000. Share capital—ordinary is \$300,000; dividends are \$80,000; revenues, \$900,000; and expenses, \$640,000. What is the amount of Alim Company Ltd.'s total assets?
  - (ii) The total assets of Rashid Company Ltd. are \$114,000. Share capital—ordinary is \$46,000; dividends are \$14,000; revenues, \$100,000; and expenses, \$70,000. What is the amount of the company's total liabilities?
  - (iii) The total assets of Ribon Co. Ltd. are \$12, 00,000 and its liabilities are equal to two-thirds of its total assets. What is the amount of Ribon Co. Ltd.'s equity?

- (d) Two items are omitted from each of the following summaries of statement of financial position and income statement data for two companies for the year 2017, Arfin Ltd. and Up Enterprises Ltd

	Arfin Ltd.	Up Enterprises Ltd
Beginning of year:		
Total assets	\$194, 000	\$2, 58, 000
Total liabilities	126, 000	(c)
Total equity	(a)	150, 000
Ending of year:		
Total assets	320, 000	360, 000
Total liabilities	200, 000	100, 000
Total equity	120, 000	260, 000
Changes during year in equity:		
Additional investment	(b)	50, 000
Dividends	88, 000	(d)
Total revenues	430, 000	200, 000
Total expenses	310, 000	110, 000

Determine the missing amounts.

2. Urbi is a licensed accountant. During the first month of operations of her business, Urbi, AG, the following events and transactions occurred.

- May 1 Shareholders invested \$40,000 cash in exchange for ordinary shares.
- 2 Hired a secretary-receptionist at a salary of \$4,000 per month
- 3 Purchased \$3,000 of supplies on account from Arit Supply Company.
- 7 Paid office rent of \$1, 800 cash for the month.
- 11 Completed a tax assignment and billed client \$5,600 for services performed.
- 12 Received \$7,000 advance on a management consulting engagement.
- 17 Received cash of \$2,400 for services performed for Rubi Co.
- 31 Paid secretary-receptionist \$4,000 salary for the month.
- 31 Paid 40% of balance due Arit Supply Company.

Urbi uses the following chart of accounts: No. 101 Cash, No. 112 Accounts Receivable, No. 126 Supplies, No. 201 Accounts Payable, No. 209 Unearned Service Revenue, No. 311 Share Capital—Ordinary, No. 400 Service Revenue, No. 726 Salaries and Wages Expense, and No. 729 Rent Expense.

**Required:**

- (i) Journalize the transactions.
- (ii) Post to the ledger accounts.
- (iii) Prepare a trial balance on May 31, 2024.

3. Arpit started his own consulting firm, Arpit Company SpA on June 1, 2024. The trial balance at June 30 is shown below:

**Arpit Company SpA  
Trial Balance  
June 30, 2024**

Account No		Debit	Credit
101	Cash	\$18,600	
112	Accounts Receivable	18,000	
126	Supplies	4,800	
130	Prepaid Insurance	9,000	
157	Equipment	43,200	
201	Accounts Payable		\$14,100
209	Unearned Service Revenue		12,000
311	Share Capital—Ordinary		60,000
400	Service Revenue		23,700
726	Salaries and Wages Expense	13,200	
729	Rent Expense	3,000	

In addition to those accounts listed on the trial balance, the chart of accounts for Arpit Company SpA also contains the following accounts and account numbers: No. 158 Accumulated Depreciation—Equipment, No. 212 Salaries and Wages Payable, No. 631 Supplies Expense, No. 711 Depreciation Expense, No. 722 Insurance Expense, and No. 732 Utilities Expense.

Other data:

1. Supplies on hand at June 30 are \$1,020.
2. A utility bill for \$555 has not been recorded and will not be paid until next month.
3. The insurance policy is for a year.
4. \$7,500 of unearned service revenue is recorded for services performed at the end of the month.
5. Salaries of \$4,800 are accrued at June 30.
6. The equipment has a 4-year life with no residual value. It is being depreciated at \$900 per month for 48 months.
7. Invoices representing \$7,200 of services performed during the month have not been recorded as of June 30.

**Required:**

- (a) Prepare the adjusting entries for the month of June.
- (b) Enter the totals from the trial balance as beginning account balances and place a check mark in the posting reference column. Post the adjusting entries to the ledger accounts.
- (c) Prepare an adjusted trial balance at June 30, 2024.
- (d) Prepare the income statement, the statement of owner's equity and the classified balance sheet in report form.
- (e) Prepare the closing entries and post to the ledger – accounts.
- (f) Prepare a post-closing trial balance.

## Bangladesh Open University

BBA Program

Semester: 221 (1<sup>st</sup> Level)

Course Title: Financial Accounting-I

Date: 12 July 2024

Instructions

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Questions

1. (a) Why is the normal operating cycle for a merchandising company likely to be longer than for a service company?
- (b) Afrid believes revenues from credit sales may be recorded before they are collected in cash. Do you agree? Explain
- (c) At the beginning of the current season, the ledger of Arafat Tennis Shop AG showed Cash \$5,000, Inventory \$3,400, and Share Capital—Ordinary \$8,400. The following transactions were completed during April.
 

April	Purchased racquets and balls from Riti Co. \$1, 720, terms 3/10,
4	n/30.
6	Paid freight on Riti Co. purchase \$148
8	Sold merchandise to members \$1, 800, terms n/30.
10	Received credit of \$120 from Riti Co. for a racquet that was returned
11	Purchased tennis shoes from Arup Sports for cash \$600.
13	Paid Hingis Co. in full.
14	Purchased tennis shirts and shorts from Anu Sportswear \$1, 400, terms 2/10, n/60
15	Received cash refund of \$180 from Arup Sports for damaged merchandise that was returned.
17	Paid freight on Anu Sportswear purchase \$50.
20	Sold merchandise to members \$2, 400, terms n/30.
21	Received \$1, 000 in cash from members in settlement of their accounts.
27	Paid Anu Sportswear in full.
30	Granted an allowance of \$50 to members for tennis clothing that did not fit properly.
30	Received cash payments on account from members \$1, 260.

The chart of accounts for the tennis shop includes Cash, Accounts Receivable, Inventory, Accounts Payable, Share Capital—Ordinary, Sales Revenue, Sales Returns and Allowances, Purchases, Purchase Returns and Allowances, Purchase Discounts, and Freight-In.

**Required:** Journalize the April transactions using a perpetual inventory system

2. (a) Mini believes that the allocation of inventoriable costs should be based on the actual physical flow of the goods. Explain to Mini why this may be both impractical and inappropriate.
- (b) You are provided with the following information for Rina Ltd. for the month ended October 31, 2024. Rina uses a periodic method for inventory.

Date	Description	Units	Unit Cost or selling price
October 1	Beginning inventory	120	48
October 9	Purchase	240	52
October 11	Sale	200	70
October 17	Purchase	140	54
October 22	Sale	130	80
October 25	Purchase	160	56
October 29	Sale	240	80

**Required:**

Calculate (i) ending inventory, (ii) cost of goods sold, (iii) gross profit, and (iv) gross profit rate under each of the following methods.

- (1) FIFO.
- (2) Average-cost.

3. (a) Rocky Company Ltd. purchased a delivery truck. The total cash payment was \$57,440 including the following items:

Negotiated purchase price	\$ 48,000
Installation of special shelving	3,400
Painting and lettering	1,560
Motor vehicle license	280
Annual insurance policy	1,600
Sales tax	2,600
Total paid	\$ 57,440

Explain how each of these costs would be accounted for.

- (b) On March 1, 2024, Arfin Company acquired real estate on which it planned to construct a small office building. The company paid \$1,72,000 in cash. An old warehouse on the property was razed at a cost of \$18,800; the salvaged materials were sold for \$3,400. Additional expenditures before construction began included \$2,200 attorney's fee for work concerning the land purchase, \$10,200 real estate broker's fee, \$1,600 architect's fee, and \$25,400 to put in driveways and a parking lot.

**Required:**

- (i) Determine the amount to be reported as the cost of the land.
  - (ii) For each cost not used in part (a), indicate the account to be debited.
- (c) In recent years, Adit Transportation purchased three used buses. Because of frequent turnover in the accounting department, a different accountant selected the depreciation method for each bus, and various methods were selected. Information concerning the buses is summarized below.

<b>Bus</b>	<b>Acquired</b>	<b>Cost</b>	<b>Residual value</b>	<b>Useful life in years</b>	<b>Depreciation method</b>
1	1/1/21	\$1, 92, 000	12, 000	10	Straight line
2	1/1/21	2, 80, 000	20, 000	8	Declining balance
3	1/1/22	1, 84, 000	16, 000	10	Units-of-activity

For the declining-balance method, the company uses the double-declining rate. For the units-of-activity method, total miles are expected to be 2, 40,000. Actual miles of use in the first 3 years were 2022, 48,000; 2023, 72,000; and 2024, 62,000.

**Required:**

Compute the amount of accumulated depreciation on each bus at December 31, 2023.