

Bangladesh Open University

BBA Program

Semester: 202 (8th Level)

Course Title: Advanced Accounting

Date: November 25, 2022

Instructions

- Answer all questions in your own handwriting on A4 size white paper.
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Questions

1. (a) Is there any difference between Branches and Departments, from the accounting point of view?
- (b) Explain the distinguishing features between Departmental Accounts and Branch Accounts and the advantages derived from Departmental Accounts.
2. Savay Limited operates its Engineering Department and Electronics Department besides its head office. All purchases, payments are made by head office and the accountant submitted the following balances for the year ended June 30, 2021:

Particulars	Tk. (in lac)	Particulars	Tk. (in lac)
Equity Share Capital	25.00	Rent – Departmental stores	3.60
Performance Share Capital	5.00	Insurance	0.55
General Reserve	13.85	Purchases – Engineering	140.10
Sundry Debtors	36.10	Purchases – Electronics	160.80
Sundry Creditors	2.85	Rates and Taxes	0.25
Sales – Engineering	138.10	Land	3.25
Sales – Electronics	295.00	Buildings	20.00
Stock – Engineering (1.7.2020)	15.20	Furniture and Fixtures	4.50
Stock – Electronics (1.7.2020)	10.40	Accumulated Depreciation Provision:	
		Buildings	5.42
Interest (Cr.)	0.85	Furniture and Fixtures	1.35
Dividends – East Coast Limited (Gross)	0.30	Cash on hand	1.38
		In Current Account - Scheduled Bank	12.35
Investment – 2,000 equity shares of Tk. 100 each of East Coast Limited	2.10	In Fixed Deposit – Scheduled bank	62.00
Tax deducted at source – Dividends	0.09	Advance to Contractors	6.25
Salaries	7.60		
Rent – Engineering godown	1.20		

You are required to prepare the Profit and Loss Account for the respective departments and the Company's Balance Sheet as per Companies Act, 1994 after considering the following particulars:

- (a) Depreciation is to be provided at 10 per cent of the written-down value for Buildings and at 10 per cent on straight line for Furniture and Fixtures.
- (b) Sales of Electronics Department earn at a uniform gross margin of 40 per cent of sales.
- (c) Sales of Engineering Department include, sale of goods transferred at cost, Rs. 27 lacs from Electronics Department and sold at a margin of 20 per cent on cost, all other sales of this department are at a uniform gross margin of 50 per cent of sales.
- (d) All common expenses and income are to be allocated equally to the departments.
- (e) The share capital of the Company is:
 Authorised 10,000 – 8% Preference of Rs. 100 each.
 30,000 – Equity shares of Rs. 100 each.
 Issued 5,000 – 8% Preference shares of Rs. 100 each.
 25,000 – Equity shares of Rs. 100 each.
- (f) Preference shares are redeemable on May 30, 2005.
- (g) Directors proposed dividends on Equity shares at 20 per cent and also on Preference shares.
- (h) Sundry Debtors include Rs. 5.20 lakhs over six months old, Rs. 0.90 lakhs over 12 months and Rs. 0.10 lakhs over 36 months.
- (i) Capital contracts remaining to be executed Rs. 38.80 lakhs excluding advances.
- (j) Shares in East Coast Limited are unquoted and break-up value as per latest accounts is Rs. 145 per Equity share.
- (k) Provide for taxation @50%.

3. (a) What do you understand by an ‘independent branch’? Differentiate between a ‘dependent branch’ and an ‘independent branch’. Explain briefly the system of accounting that you will adopt in each case.
- (b) A business with its head office in Dhaka had a branch in Rajshahi. Goods sent from Dhaka sold in Rajshahi both for cash and on credit terms.

During July, the following transactions were recorded:

Particulars	Tk.
Opening stock at branch (at cost to head office)	20,000
Goods sent to branch (at cost to head office)	61,000
Branch sales: Cash	50,500
Credit	22,000
Closing stock at branch (at cost to head office)	21,000
Branch debtors: Opening	4,300
Closing	5,200
Cash received from branch debtors: by branch	20,600
by head office	300
Discount allowed	200
Branch expenses (various) paid in cash	6,400
Branch cash: Opening	16,900

Closing	9,700
Goods returned to head office by branch (at cost to head office)	2,000
<u>Selling price is cost price plus 50%</u>	

Prepare Branch Account in the books of the head office.

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Questions

1. What do you mean by Royalty? Why the Minimum Rent Account is opened in the books of the lessee?
2. A Mine is taken on lease at a minimum rent of Tk. 10,000 per annum merging into a royalty of Tk. 1.00 per tonne of ore raised with a right to recoup shortworkings during the two years following the one in which shortworkings arose. The raisings for the first five years were 2,000; 3,000; 15,000; 18,000; and 20,000 tonnes. Write-up the ledger Accounts including Minimum Rent Account in the books of the lessee.
3. On 1st January, 2019, Engineer purchased machinery from Marshall on hire purchase system, over a period of three years Tk. 5,000 was payable on delivery on 1st January, 2019 and the balance by following instalments on 31st December in each year: 2019 – Tk. 10,000; 2020 – Tk. 10,000; 2021 – Balance amount.
Marshall charged interest at 10% p.a. on the yearly balances. The cash value of the machinery on delivery was Tk. 30,000. Depreciation at the rate of 20% p.a. on diminishing balances was written off in each year. Engineer paid all the instalments on the due date.
Show the Machinery Account and Marshall's Account in the books of Engineer for the three years to 31st December, 2021.
4. The following is the Balance Sheet of X Ltd. as at 31st December, 2021:

Liabilities	Tk.	Assets	Tk.
10,000 Equity Shares of Tk. 100 each	10,00,000	Land and Building	3,50,000
Reserve	3,70,000	Plant and Machinery	6,70,000

Profit and Loss A/c	30,000	Stock	4,50,000
12% Debentures	1,50,000	Debtors	2,50,000
Creditors	2,10,000	Bank	30,000
		Preliminary Expenses	<u>10,000</u>
	<u>17,60,000</u>		<u>17,60,000</u>

On 1st January, 2022, Y Ltd. Took over the business of X Ltd. In an amalgamation in the nature of merger.. Y Lt. will issue 1,00,000 equity shares of Tk. 10 each at par. Y Ltd, redeemed the debentures at par and paid Tk. 10,000 as expenses of amalgamation. Prepare necessary Ledger Accounts to close the books of X Ltd. Also pass the required journal entries in the books of Y Ltd.

Bangladesh Open University
BBA Program
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Course Title: Advanced Management Accounting

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Questions

1. (a) Explain with examples why ethics is important in business.
(b) Where does the Theory of Constraints recommend that improvement efforts be focused?
2. (a) Distinguish between activity-based costing and absorption costing with examples.
(b) Cixing Company makes two products and uses a traditional costing system in which a single plant-wide predetermined overhead rate is computed based on direct labor hours. Data for the two products for the upcoming year follow:

	A	B
Direct materials cost per unit	\$13.00	\$ 22.00
Direct labor cost per unit	\$ 6.00	\$ 3.00
Direct labor hours per unit	0.40	0.20
Number of units produced	20,000	80,000

These products are customized to some degree for specific customers.

Required:

- (i) The company's manufacturing overhead costs for the year are expected to be \$576,000. Using the company's traditional costing system, compute the unit product costs for the two products.
- (ii) Management is considering an activity-based costing system in which half of the overhead would continue to be allocated on the basis of direct labor hours and a half would be allocated on the basis of engineering design time. This time is expected to be distributed as follows during the upcoming year:

	A	B	Total
Engineering design time (in hours)	3,000	3,000	6,000

Compute the unit product costs for the two products using the proposed ABC system.

(iii) Explain why the product costs differ between the two systems.

3. Vulcan Flyovers offers scenic overflights of Mount St. Helens, the volcano in Washington State that explosively erupted in 1982. Data concerning the company's operations in July appear below:

Vulcan Flyovers Operating Data For the Month Ended July 31			
	Planning Budget	Flexible Budget	Actual Results
Flights (q)	50	48	48
Revenue (\$320.00q)	<u>\$16,000</u>	<u>\$15,360</u>	<u>\$13,650</u>
Expenses:			
Wages and salaries (\$4,000+\$82.00q)	8,100	7,936	8,430
Fuel (\$23.00q)	1,150	1,104	1,260
Airport fees (\$650+\$38.00q)	2,550	2,474	2,350
Aircraft depreciation (\$7.00q)	350	336	336
Office expenses (\$190 + \$2.00q)	<u>290</u>	<u>286</u>	<u>460</u>
Total expense	<u>12,440</u>	<u>12,136</u>	<u>12,836</u>
Net operating income	<u>\$ 3,560</u>	<u>\$ 3,224</u>	<u>\$ 814</u>

The company measures its activity in terms of flights. Customers can buy individual tickets for overflights or hire an entire plane for an overflight at a discount.

Required:

- (i) Prepare a flexible budget performance report for July.
 - (ii) Which of the variances should be of concern to management? Explain.
4. Differentiate between a cost center, a profit center, and an investment center with examples.

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Questions

1. Briefly explain the methods of transfer pricing with their advantages and disadvantages.
2. In each of the cases below, assume that Division X has a product that can be sold either to outside customers or to Division Y of the same company for use in its production process. The managers of the divisions are evaluated based on their divisional profits.

	Case	
	A	B
Division X:		
Capacity in units	200,000	200,000
Number of units being sold to outside customers	200,000	160,000
Selling price per unit to outside customers	\$90	\$75
Variable costs per unit	\$70	\$60
Fixed costs per unit (based on capacity)	\$13	\$8
Division Y:		
Number of units needed for production	40,000	40,000
Purchase price per unit now being paid to an outside supplier	\$86	\$74

Required:

- (i) Refer to the data in case A above. Assume in this case that \$ 3 per unit in variable selling costs can be avoided on intracompany sales. If the managers are free to negotiate and make decisions on their own, will a transfer take place? If so, within what range will the transfer price fall? Explain.

- (ii) Refer to the data in case B above. In this case, there will be no savings in variable selling costs on intracompany sales. If the managers are free to negotiate and make decisions on their own, will a transfer take place? If so, within what range will the transfer price fall? Explain.
3. For many years Futura Company has purchased the starters that it installs in its standard line of farm tractors. Due to a reduction in output, the company has an idle capacity that could be used to produce the starters. The chief engineer has recommended against this move, however, pointing out that the cost to produce the starters would be greater than the current \$8.40 per unit purchase price:

	Per Unit	Total
Direct materials	\$3.10	
Direct labor	2.70	
Supervision	1.50	\$60,000
Depreciation	1.00	\$40,000
Variable manufacturing overhead	0.60	
Rent	<u>0.30</u>	\$12,000
Total production cost	<u>\$9.20</u>	

A supervisor would have to be hired to oversee the production of the starters. However, the company has sufficient idle tools and machinery that no new equipment would have to be purchased. The rent charge above is based on the space utilized in the plant. The total rent on the plant is \$ 80,000 per period. Depreciation is due to obsolescence rather than wear and tear.

Required:

Prepare computations showing how much profits will increase or decrease as a result of making the starters.

4. Shimada Products Corporation of Japan is anxious to enter the electronic calculator market. Management believes that in order to be competitive in world markets, the price of the electronic calculator that the company is developing cannot exceed \$15. Shimada's required rate of return is 12% on all investments. An investment of \$5,000,000 would be required to purchase the equipment needed to produce the 300,000 calculators that management believes can be sold each year at the \$15 price.

Required:

Compute the target cost of one calculator.

5. Distinguish between absolute profitability and relative profitability.

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Semester: 202 (8th Level-AIS)**Course Title: Corporate Financial Reporting****Date: November 25, 2022****Instructions**

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Questions

1. (a) Describe the usefulness of a conceptual framework for financial reporting.
(b) Identify the qualitative characteristics of accounting information.
(c) Describe the impact that constraints have on reporting accounting information.
(d) Identify the objective of financial reporting. Describe some of the challenges facing financial reporting.
2. (a) If you had to explain or define “generally accepted accounting principles or standards,” what essential characteristics would you include in your explanation?
(b) How are financial accountants challenged in their work to make ethical decisions? Is technical mastery of GAAP not sufficient to the practice of financial accounting?
(c) What is balance sheet and why is it prepared? Prepare a consolidated balance sheet showing assets only with imaginary figures.
3. (a) Indicate whether the following statements about the conceptual framework are true or false. If false, provide a brief explanation supporting your position.
 - (i) The fundamental qualitative characteristics that make accounting information useful are relevance and verifiability.
 - (ii) Relevant information only has predictive value, confirmatory value, or both.
 - (iii) Information that is a faithful representation is characterized as having predictive or confirmatory value.
 - (iv) Comparability pertains only to the reporting of information in a similar manner for different companies.
 - (v) Verifiability is solely an enhancing characteristic for faithful representation.
 - (vi) In preparing financial reports, it is assumed that users of the reports have reasonable knowledge of business and economic activities.

- (b) Abid Corp. has 150,000 shares of common stock outstanding. In 2022, the company reports income from continuing operations before income tax of Tk. 1,210,000. Additional transactions not considered in the Tk. 1,210,000 are as follows.
- (i) In 2022, Wade Corp. sold equipment for Tk. 40,000. The machine had originally cost Tk. 80,000 and had accumulated depreciation of Tk. 30,000. The gain or loss is considered ordinary.
 - (ii) The company discontinued operations of one of its subsidiaries during the current year at a loss of Tk. 190,000 before taxes. Assume that this transaction meets the criteria for discontinued operations. The loss from operations of the discontinued subsidiary was Tk. 90,000 before taxes; the loss from disposal of the subsidiary was Tk. 100,000 before taxes.
 - (iii) An internal audit discovered that amortization of intangible assets was understated by Tk. 35,000 (net of tax) in a prior period. The amount was charged against retained earnings.
 - (iv) The company had a gain of Tk. 125,000 on the condemnation of much of its property. The gain is taxed at a total effective rate of 40%. Assume that the transaction meets the requirements of an extraordinary item.

Required

Analyze the above information and prepare an income statement for the year 2022, starting with income from continuing operations before income tax. Compute earnings per share as it should be shown on the face of the income statement. (Assume a total effective tax rate of 35% on all items, unless otherwise indicated.)

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Bangladesh Open University BBA Program Semester: 202 (8th Level-AIS)

Course Title: Corporate Financial Reporting

Date: December 23, 2022

1. (a) What are the four basic assumptions that underlie the financial accounting structure? Define segment reporting.
- (b) Revenues, gains, and investments by owners are all increases in net assets. What are the distinctions among them?
- (c) When is revenue generally recognized? Why has that date been chosen as the point at which to recognize the revenue resulting from the entire producing and selling process?
2. (a) Why are inventories valued at the lower-of-cost-or-market? What are the arguments against the use of the LCM method of valuing inventories?
- (c) Labib Company uses the lower-of-cost-or-market method, on an individual-item basis, in pricing its inventory items. The inventory at December 31, 2019, included product X. Relevant per-unit data for product X appear below.

Estimated selling price	Tk. 50
Cost	40
Replacement cost	38
Estimated selling expense	14
Normal profit	9

There were 1,000 units of product X on hand at December 31, 2019. Product X was incorrectly valued at Tk. 38 per unit for reporting purposes. All 1,000 units were sold in 2020.

Required

Compute the effect of this error on net income for 2019 and the effect on net income for 2020 and indicate the direction of the misstatement for each year.

3. (a) Magilke Industries acquired equipment this year to be used in its operations. The equipment was delivered by the suppliers, installed by Magilke, and placed into operation. Some of it was purchased for cash with discounts available for prompt payment. Some of it was purchased under long-term payment plans for which the interest charges approximated prevailing rates. What costs should Magilke capitalize for the new equipment purchased this year? Explain.
- (b) Otobi Corporation owns machinery that cost Tk. 20,000 when purchased on July 1, 2009. Depreciation has been recorded at a rate of Tk. 2,400 per year, resulting in a balance in accumulated depreciation of Tk. 8,400 at December 31, 2012. The machinery is sold on September 1, 2013, for Tk. 10,500. Prepare journal entries to (a) update depreciation for 2013 and (b) record the sale.
- (c) Hatil Company spent \$190,000 developing a new process, Tk. 45,000 in legal fees to obtain a patent, and Tk. 91,000 to market the process that was patented, all in the year 2020. How should these costs be accounted for in 2020?

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Semester: 202 (8th Level- AIS)

Course Title: Business Research Methods**Date: November 25, 2022****Instructions**

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Questions

1. (a) “The Formulation of the business research problem is often more essential than its solution” Do you agree? Explain.
 - (b) Explain the concept of measurement and describe the characteristics of the four scales of measurement.
 - (c) Identify the type of data (categorical/ numerical) and the level of measurement from the following. Explain reasons of your choices:
 - (i) The average monthly temperature inches in degrees Fahrenheit for the Dhaka city.
 - (ii) The average monthly rainfall in inches for the city of Chattogram.
 - (iii) The performance rating of employees classified as above Expectations, Meets Expectations, or below Expectations.
 - (iv) The Jersey number of each member on Bangladesh Cricket team.
 - (d) What are the characteristics of useful information?
2. (a) Describe the characteristics of scientific research and explain why each of these is important.
 - (b) Compare and contrast deductive logic with inductive logic. Give example of both.
 - (c) Fair Isaac, the company that developed the credit score model used by most lenders today, would like to examine the linear relationship between the age and credit score of an individual. The following table shows the credit scores and age of 10 randomly selected people.

Age	Credit Score	Age	Credit Score
36	675	47	790
24	655	35	720
54	760	59	760
28	615	40	685
31	660	42	610

Required:

- (i) Determine the sample correlation coefficient between a person's age and credit score.
 - (ii) Using the data above and $\alpha = 0.02$, test if the population correlation coefficient between a person's age and credit score is different than zero. What conclusion can you draw?
3. (a) Describe the type of research evidence that allows one to infer causality.
- (b) Define research project and research program. Distinguish between Forward linkage and Backward Linkage.
- (c) As part of a research program for a new cholesterol drug, Johnson Pharmaceuticals would like to investigate the linear relationship between the ages and LDL (low-density lipoprotein) cholesterol levels of men. The following data set shows the ages and LDL cholesterol levels of seven randomly selected men :

Age	Cholesterol	Age	Cholesterol
23	140	42	160
37	177	31	144
26	155	41	210
32	195		

Required:

- (i) Calculate the slope and y- intercept for the linear regression equation for these data.
- (ii) Estimate the average LDE cholesterol level of a 40 year – old man.

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Questions

- 1 (a) What is the difference between descriptive and inferential research?
- (b) Suppose a fast food restaurant wishes to estimate average sales volume for a new menu item, The restaurant has analyzed the sales of the item at a similar outlet and observed the following results :

$\bar{X} = 500$ (mean daily sales)
$s = 100$ (standard deviation of sample)
$n = 25$ (sample size)

The Restaurant Manager wants to know into what range the mean daily sales should fall 95 percent time. Perform this calculations.

- (c) A survey of 500 people, 60 percent responded with agreement to an attitude question. Calculate a confidence interval at 95 percent to get an interval estimate for the proportion.
 - (d) A researcher expects the population proportion of clubs fans in Chicago to be 80 percent. The researcher wishes to have an error of less than 5 percent and to be 95 percent confident of an estimate to be made from email survey. What sample size is required?
- 2 (a) What is the purpose of statistical hypothesis?
 - (b) What is the difference between a significance level and a p- value?
 - (c) The following table shows the U.S market share of smartphone manufacturers in 2020 according to the research firm comScore. The table also shows the frequency of purchases of smartphones by brand for a random sample of customers during 2021.

Brand	Market Share in 2020(%)	Observed Frequency 2021
Apple	36.3	20
Samsung	21.0	14
HTC	10.2	4
Motorola	9.1	3
Other	23.4	9
Total	100	50

Required:

Using $\alpha = 0.05$, perform a chi –square test to determine if the observed frequencies in the table are consistent with the comScore report.

3. (a) “Analysis of variance is a technique used to conduct a hypothesis test to compare three or more population proportions simultaneously”. Do you agree? Explain.
- (b) One area that fast food restaurants compete with one another is with the service time for the drive – through window. The following data show the drive through service times, in minutes, for a random sample of customers at three fast food chains.

McDonald’s	Wendy’s	Burger King
3.1	0.8	2.5
3.7	2.8	3.1
2.3	1.2	3.0
3.6	2.5	2.6
3.3	2.0	3.3
5.0	2.1	2.9

Required:

Perform o one way ANOVA using $\alpha = 0.01$ to determine if a difference exists in the average drive – through service time between in the average drive.

4. (a) Why it is important to think of the research report from a communications perspective?
- (b) Discuss what is included in the body of a research report.
- (c) What are the types of table might be used to describe some of the statistical tests?