



UNIVERSITY OF BARISHAL
FINAL EXAMINATION

Final Examination-2023

Course Code: HUM 3109. Course Name: Financial and Management Accounting

Time: 3 Hours. Full Marks: 60

Answer any Four Question

1.	a)	Define Accounting. Who are the users of accounting information?	5																																																																								
	b)	What are the importance of financial accounting?	5																																																																								
	c)	Distinguish between financial accounting and management accounting.	5																																																																								
2.	a)	What are the steps in the recording process?	3																																																																								
	b)	Big box store is located in midtown Madison. During the past several years, net income has been declining because of suburban shopping centers. At the end of the company's fiscal year on November 30, 2017, the following accounts appeared in two of its trail balances.																																																																									
		<table><tr><th>Account titles</th><th>Unadjusted</th><th>Adjusted</th><th>Account Titles</th><th>Unadjusted</th><th>Adjusted</th></tr><tr><td>Accounts payable</td><td>25,200</td><td>25,200</td><td>Notes payable</td><td>37,000</td><td>37,000</td></tr><tr><td>Accounts receivable</td><td>30,500</td><td>30,500</td><td>Owner's capital</td><td>1,01,700</td><td>1,01,700</td></tr><tr><td>Accumulated dep- equipment</td><td>34,000</td><td>45,000</td><td>Owner's drawing</td><td>10,000</td><td>10,000</td></tr><tr><td>Cash</td><td>26,000</td><td>26,000</td><td>Prepaid insurance</td><td>10,500</td><td>10,500</td></tr><tr><td>Cost of goods sold</td><td>5,18,000</td><td>5,18,000</td><td>Property taxes exp.</td><td></td><td>2,500</td></tr><tr><td>Freight-out</td><td>6,500</td><td>6,500</td><td>Property tax payable</td><td></td><td>2,500</td></tr><tr><td>Insurance expense</td><td></td><td>7,000</td><td>Sales revenue</td><td>7,20,000</td><td>7,20,000</td></tr><tr><td>Interest expense</td><td>6,400</td><td>6,400</td><td>Sales commission exp.</td><td>6,500</td><td>11,000</td></tr><tr><td>Interest revenue</td><td>2,000</td><td>2,000</td><td>Sales commission payable</td><td></td><td>4,500</td></tr><tr><td>Inventory</td><td>32,000</td><td>32,000</td><td>Sales return and allowance</td><td>8,000</td><td>8,000</td></tr><tr><td></td><td></td><td></td><td>Utilities expense</td><td>8,500</td><td>8,500</td></tr></table>	Account titles	Unadjusted	Adjusted	Account Titles	Unadjusted	Adjusted	Accounts payable	25,200	25,200	Notes payable	37,000	37,000	Accounts receivable	30,500	30,500	Owner's capital	1,01,700	1,01,700	Accumulated dep- equipment	34,000	45,000	Owner's drawing	10,000	10,000	Cash	26,000	26,000	Prepaid insurance	10,500	10,500	Cost of goods sold	5,18,000	5,18,000	Property taxes exp.		2,500	Freight-out	6,500	6,500	Property tax payable		2,500	Insurance expense		7,000	Sales revenue	7,20,000	7,20,000	Interest expense	6,400	6,400	Sales commission exp.	6,500	11,000	Interest revenue	2,000	2,000	Sales commission payable		4,500	Inventory	32,000	32,000	Sales return and allowance	8,000	8,000				Utilities expense	8,500	8,500	
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		Instructions :																																																																									
		a) Prepare a multiple-step income statement, an owner's equity statement, and a classified balance sheet, Notes payable are due in 2020.																																																																									
		b) Journalize the adjusting entries that were made.																																																																									
		c) Journalize the closing entries that are necessary.	12																																																																								
3.	a)	Define cost. What are the different types of costs?	3																																																																								
	b)	The following information has been taken from the records of M Co.:	12																																																																								
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		Purchase returns and allowances	5,000																												
		Sales	350,000																												
		Purchase discounts	800																												
		Sales discounts	2,000																												
		Required:																													
		Prepare a cost statement for the year ended 31 December 2021.																													
4.	a)	Distinguish between break-even point and margin of safety?		3																											
	b)	<p>Voltar Co. manufactures and sells a specialized cordless telephone for high electromagnetic radiation environment. The company's contribution format income statement for the most recent year is given below:</p> <table border="1"> <tr> <th></th><th>Total (Tk.)</th><th>Per Unit (Tk.)</th></tr> <tr> <td>Sales (20,000 units)</td><td>1,200,000</td><td>60</td></tr> <tr> <td>Variable expenses</td><td>900,000</td><td>45</td></tr> <tr> <td>Contribution margin</td><td>300,000</td><td>15</td></tr> <tr> <td>Fixed Expenses</td><td>240,000</td><td></td></tr> <tr> <td>Net Operating income</td><td>60,000</td><td></td></tr> </table> <p>Management is anxious to increase the company's profit and has asked for an analysis of a number of items.</p> <p>Required:</p> <ol style="list-style-type: none"> 1. Compute the company's CM ratio and variable expense ratio. 2. Compute the company's break-even point in both unit sales and tk. sales. 3. Assume sales increase by tk. 400,000 next year. If cost behavior pattern remain unchanged, by how much will the company's net operating income increase? 4. Refer to the original data. Assume that next year management wants the company to earn a profit of at least tk. 90,000. How many units will have to be sold to meet this target profit? 5. Refer to the original data. Compute company's margin of safety in both tk. and percentage form. 6. <ol style="list-style-type: none"> a. Compute the company's degree of operating leverage at the present level of sales. b. Assume that through a more intense effort by the sales staff, the company's sales increase by 8% next year. By what percentage would you expect net operating income to increase? Use the degree of operating leverage to obtain your answer. c. Verify your answer to (b) by preparing a new contribution format income statement showing an 8% increase in sales. 7. In an effort to increase sales and profits, management is considering the use of a higher-quality speaker. The higher-quality speaker would increase variable costs by \$3 per unit, but management could eliminate one quality inspector who is paid a salary of \$30,000 per year. The sales manager estimates that the higher-quality speaker would increase annual sales by at least 20%. <ol style="list-style-type: none"> a. Assuming that changes are made as described above, prepare a projected contribution format income statement for next year. Show data on a total, per unit, and percentage basis. b. Compute the company's new break-even point in both units and dollars of sales. Use the formula method. c. Would you recommend that the changes be made? 				Total (Tk.)	Per Unit (Tk.)	Sales (20,000 units)	1,200,000	60	Variable expenses	900,000	45	Contribution margin	300,000	15	Fixed Expenses	240,000		Net Operating income	60,000		12								
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5.	a)	What is the basic difference between process costing and job-order costing?		3																											
	b)	<p>Old company Link Inc. produces sausages in three production department – Mixing, Casting and Curing and Packaging. In the Mixing department, meats are prepared and ground and then mixed with spices. The spiced meat mixture is then transferred to the Casting and Curing Department, with spices. The spiced meat mixture is then transferred to the Casting and Curing department, where the mixture is force-fed into casting and then hung and cured in climate-controlled smoking chambers. In the packaging department, the cured sausages are sorted, packed and labeled. The company uses the weighted average method in its process costing system. Data for September for Casting and Curing Department follow:</p> <table border="1"> <tr> <th rowspan="2"></th><th rowspan="2">Units</th><th colspan="3">Percent Completed</th></tr> <tr> <th>Mixing</th><th>Material</th><th>Conversion</th></tr> <tr> <td>Work-in-process Inventory, September 1</td><td>1</td><td>100%</td><td>90%</td><td>80%</td></tr> <tr> <td>Work-in-process inventory, September 30</td><td>1</td><td>100%</td><td>80%</td><td>70%</td></tr> </table> <table border="1"> <tr> <th></th><th>Mixing</th><th>Material</th><th>Conversion</th></tr> <tr> <td>Work-in-process Inventory, September 1</td><td>Tk. 1,670</td><td>Tk. 90</td><td>Tk. 605</td></tr> </table>				Units	Percent Completed			Mixing	Material	Conversion	Work-in-process Inventory, September 1	1	100%	90%	80%	Work-in-process inventory, September 30	1	100%	80%	70%		Mixing	Material	Conversion	Work-in-process Inventory, September 1	Tk. 1,670	Tk. 90	Tk. 605	12
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Cost added during September	Tk. 81,460	Tk. 6006	Tk. 42,490
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Mixing cost represents the cost of the spiced meat mixture transferred in from the Mixing Department. The spiced meat mixture is processed in the Casting and Curing department in batches; each unit in the above table is a batch and one batch of spiced meat mixture produces a set amount of sausages that are passed on to the Packaging Department. During September, 50 batches (i.e., units) were completed and transferred to the packaging department.

Required:

1. Determine the equivalent units for September for mixing, material and conversion.
2. Compute the cost per equivalent unit for September for mixing, material and conversion.
3. Determine the total cost of ending work in process inventory and the total cost of units transferred to the packaging department in September.
4. Prepare a cost reconciliation report for the casting and curing department for September.

6. a) What is NPV? Can it ever be negative? Explain.

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b) L Co. is considering a project that would have a five year life and require a tk. 2,400,000 investment in equipment. At the end of the 5 years, the project would terminate and the equipment would have no salvage value. The project would provide net operating income each year as follows:

	Tk.
Sales	3,200,000
Variable expenses	1,800,000
Contribution margin	1,400,000
Fixed expenses	
Advertising, salaries and other fixed out of pocket costs	tk. 700,000
Depreciation	tk. 300,000
Total fixed expenses	1000,000
Net operating income	400,000

The company's discount rate is 12%

Required:

1. Compute annual net cash inflow from the project
2. Compute the project's net present value. Is the project acceptable.
3. Find the project's internal rate of return to the nearest whole percent.
4. Compute the project's payback period.
5. Compute the project's simple rate of return.

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