

POKHARA UNIVERSITY

Semester: Spring

Year: 2021

Level: Bachelor
Programme: BBA/BI/TT
Course: Financial Accounting II

Full Marks: 100

Pass Marks: 45

Time: 3 hrs.

Candidates are required to answer in their own words as far as practicable. The figures in the margin indicate full marks.

Section "A"

Very Short Answer Questions

Attempt all the questions. [10×2]

1. Briefly explain the aging schedule of account receivable.
2. Define perpetual inventory system.
3. Define contingent liability with suitable example.
4. Central Mart. recorded net sales of Rs.50,000 during the period, and its cost of goods sold amounted to Rs.30,000. Compute the company's gross profit ratio.
5. Explain the credit term of 5/20 net 35.
6. What do you mean by bond?
7. What do you mean by Intangible Assets?
8. What is cash dividend?
9. What do you mean by lease?
10. What do you mean by stock split?

Section "B"

Descriptive Answer Questions

Attempt any six questions. [6×10]

11. The following information is extracted from book of Super Store, Jawalakhel on 2017

	Units	Unit Cost
Beginning inventory	500	Rs.20
Purchases:		
February 4	2,500	22
April 12	3,500	24
September 10	2,500	26
December 5	1,000	28

During the year, Super Store sold 8,000 units at Rs.50 each. All expenses except cost of goods sold and taxes amounted to Rs.50,000. The tax rate is 20%.

Required:

- a) Compute cost of goods sold and ending inventory under each of the following three methods assuming a periodic inventory system:
(i) weighted average, (ii) FIFO, and (iii) LIFO.

- b) Prepare income statements under each of the three methods.
 - c) Which method do you recommend so that Super Store pays the least amount of taxes during 2017? Explain your answer.
12. At the beginning of 2016, Rosy Supplier Ltd, Account Receivable balance was Rs.200,000 and the balance in the allowance for doubtful accounts was Rs.10,000 (Cr.). Sales in that year were Rs.10,00,000, 80% of which were on credit. Collections on account during the year were Rs.850,000. The Company wrote off Rs.15,000 of uncollectible accounts during the year.

Required:

- a) Journal entries of sales, cash collection and bad debt written off and bad debt recovered.
 - b) Uncollectible amount is expected to be 5% of Year-end Accounts Receivable.
 - c) What is the net realizable value of accounts receivable on December 31, 2016?
13. Manakamana Company purchased factory equipment on January 2012 for Rs. 60000. The equipment has an estimated life of five years and an estimated residual value of Rs. 6000. Manakamana's accountant is considering whether to use the straight-line or the units of production method or double declining balance method to depreciate the asset. The company is produce in year 1, 10000 unit, 15000 unit in year 2, 5000 unit in year 3, 13000 unit in year 4 and 11000 unit in year 5.

Require:

Prepare the depreciation schedule under the following method.

- a) Straight line method
 - b) Double decline balance method
 - c) Units of production method.
14. On November 1, 2016, Central Mart borrowed Rs.273,000 from Kumari Bank by issuing 12-month notes. Bank discounted a note at 9%. The Mart uses calendar year as accounting year.

Required:

- a) Journal entry at the date of issue
 - b) Adjusting entry of Interest
 - c) Journal entry at the date of payment
 - d) Effective interest rate
15. Delta inc. Company sign a 4 years capital lease on January 1, 2010. The lease required an annual payment Rs. 20,000 December 31. Interest rate on lease is 8%. Lease assets are depreciated by using SLM with Rs. 8000 salvage value.

Required:

- a) Journal entry for signing of the lease
- b) Lease amortization table

- c) Payment of lease for the first year.
 - d) Annual depreciation for the leased asset.
 - e) Pass the journal entries of depreciation for the first year.
16. Define depreciation? Where and how depreciation is recorded? What are the method of charging depreciation of fixed asset? Explain.
17. Describe Note Receivable. What are the difference between Account Receivable and Note Receivable? Explain with suitable example.

Section "C"

Case Analysis

18. a) The shareholder equity account of the December 31st 2001, balance sheet of Eldon Company appeared as follows: [16]

Preferred stock, Rs.30 par value, 5000 shares authorized... Shares issued	Rs.120000
Common stock... par 10000 shares authorized,7000 shares issued	Rs.70000
Additional paid in capital-preferred	Rs.6000
Additional paid in capital-Common	Rs.60,000
Additional paid in capital-Treasury stock	<u>Rs.1000</u>
Total contributed capital	Rs.757000
Retained earnings	Rs.40000
Less; Treasury stock, preferred 100 shares	<u>Rs.(3200)</u>
Total shareholder equity	<u>??</u>

Required

- i. The number of shares of preferred stock issued.
 - ii. The number of shares of preferred stock outstanding.
 - iii. The average per share sales price of the preferred stock when issued.
 - iv. The par value of common stock.
 - v. The average per share sales price of common stock when issued.
 - vi. The cost of treasury stock per share
 - vii. The total shareholder equity.
 - viii. The per share book value of common stock, assuming that there are no dividends in arrears and that the preferred stock can be redeemed at its par value.
- b) Define preferred stock. What are the features of preferred stock explain?

[4]