

**CMA DECEMBER, 2020 EXAMINATION  
 FOUNDATION LEVEL  
 SUBJECT: 001. PRINCIPLES OF ACCOUNTING**

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

**Q. No. 1**

The trial balance of Universal Company contained the following accounts on June 30, 2020 the end of the company's fiscal year.

<b>Universal Company</b>		
<b>Trial Balance</b>		
<b>June 30, 2020</b>		
	<b>(Figures in Taka)</b>	
	<b><u>Debit</u></b>	<b><u>Credit</u></b>
Cash	1,25,400	
Accounts Receivable	1,37,600	
Merchandise Inventory	2,90,000	
Land	1,92,000	
Building	9,97,000	
Accumulated Depreciation – Building		1,54,000
Equipment	2,83,500	
Accumulated Depreciation – Equipment		1,42,400
Notes Payable		70,000
Accounts Payable		1,39,000
Capital		10,57,800
Sales Discount	6,100	
Sales		19,04,100
Cost of Goods Sold	11,09,900	
Salaries Expenses	1,69,800	
Utilities Expenses	1,19,400	
Repair Expenses	15,900	
Gas and Oil Expenses	7,200	
Insurance Expenses	13,500	
<b>Totals</b>	<b>34,67,300</b>	<b>34,67,300</b>

**Adjustment Data:**

- (a) Depreciation is Tk. 20,000 on Building and Tk. 9,000 on Equipment (Both are administrative expenses).
- (b) Interest of Tk. 5,000 is due and unpaid on notes payable on June 30.
- (c) Merchandise inventory actually on hand is Tk. 1,38,900.

**Other Data:**

- (a) Salaries are 80% selling and 20% administrative.
- (b) Utilities expenses, repair expenses, and insurance expenses are 100% administrative.
- (c) Tk. 10,000 of the notes payable is payable to next year.
- (d) Gas and oil expenses are selling expenses.

**Required:**

Prepare a multiple-step income statement and a classified balance sheet on June 30, 2020.

**[Marks: (10+10) = 20]**

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**Q. No. 2**

- (a) Explain Prepaid expenses and Unearned revenues.  
 (b) The bank statement of Universal Company having account with AB Bank shows: -

	Tk.	Tk.
Balance on June 30, 2019		1,40,000
Deposit during July, 2019		50,000
		1,90,000
Less: Cheque cleared	60,000	
Service charge for July, 2019	100	
		1,29,900

- (1) Balance per ledger account as of July 31, Tk. 1,24,084.
- (2) A Credit memorandum included with the Cancelled cheques returned indicates the collection of a note by the bank for the Universal Company Tk. 2,000.
- (3) An NSF cheque for the amount of Tk. 920 is returned by the bank and included in the total of cheques deducted / cleared on the bank statement.
- (4) Deposit in transit as of July 31, Tk. 5,000 and as of June 30, Tk. 2,400.
- (5) Cheques outstanding as of June 30, all of which cleared by the bank in July Tk. 3,400. Cheques outstanding as of July 31, Tk. 8,200.
- (6) Deposit of Universe Company credited to Universal Company account by the bank Tk. 2,000.
- (7) Cheque of Universe Company charged against Universal Company account by the bank Tk. 400.
- (8) Deposit of July 21, recorded by the company as Tk. 1,637 but actual amount was Tk. 1,673. The receipts for the day were from collection on account.

**Required:**

- (i) Prepared a Bank Reconciliation Statement as of July 31, 2019 for the Universal Company.
- (ii) Prepare adjusting Journals needed in July 31, 2019.

**[Marks: (5+10+5) = 20]**

**Q. No. 3**

- (a) What do you mean by Earning per share and how it is calculated?
- (b) Differentiate between stock split and reverse stock split. Explain.
- (c) On January 01, 2019 Universal Company had the following stock holder's equity section.

	<u>Taka</u>
Common stock (Tk. 10 per share value)	52,00,000
Retained earnings	6,40,000

During the year the following transactions took places.

- April 01, 2019..... declared 15% cash dividend to stockholders which records on April 15, payable in May 01.
- May 01, 2019..... paid the dividend declared in April 01.
- August 01, 2019..... declared 10% stock dividend to stock holders which record on August 15, credits on August 31.
- August 31, 2019..... Issued the stocks for the stock dividend.
- December 01, 2019.. declared 15% cash dividend to stockholders which records on December 31, payable on January 05, 2020.
- December 31, 2019.. determined that Net Income for the year was Tk. 12,00,000.

**Required:**

Journalize the transactions and the closing entry for the new income.

**[Marks: (5+5+10) = 20]**

**Q. No. 4**

The management of Sunshine Group is reevaluating the appropriateness of using its present inventory cost flow method. They request your help in determining the results of operations for 2020 if either the FIFO method or the average cost method had been used. For 2020, the accounting records show these data:

Inventories		Purchase and Sales	
Beginning (10,000 units)	Tk. 22,800	Total net sales (2,25,000 units)	Tk.8,65,000
Ending (15,000 units)		Total cost of goods purchased (2,30,000 units)	5,78,500

Purchases were made quarterly as follows.

Quarter	Units	Unit Cost	Total Cost
1	60,000	Tk. 2.30	Tk. 138,000
2	50,000	2.50	125,000
3	50,000	2.60	130,000
4	70,000	2.65	185,000
	2,30,000		Tk. 5,78,500

Operating expenses were Tk. 147,000, and the company's income tax rate is 40%.

**Required:**

- (a) Prepare comparative condensed income statements for 2020 under FIFO and average-cost (Show Computations of ending inventory)
- (b) Answer the following questions for management.
  - (i) Which cost flow method (FIFO or average-cost) produces the more meaningful inventory amount for the statement of financial position? Why?
  - (ii) Which cost flow method (FIFO or average-cost) is more likely to approximate actual physical flow of the goods? Why?
  - (iii) How much additional cash will be available for management under average-cost than under FIFO? Why?

[Marks: {(6+6)+(2.5+2.5+3)} = 20]

**Q. No. 5**

Differentiate between:

- (a) Accrual vs. Cash Basis of Accounting.
- (b) Natural Resources vs. Intangible assets.
- (c) Closing entries vs. Reversing entries.
- (d) Straight-Line method vs. Declining-Balance method.

[Marks: (4 x 5) = 20]

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