



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December 2021

Course: BUSINESS ACCOUNTING
Program: BBA(FT+OG)
Course code: FINC1001
Instructions: Attempt all questions

Semester: 1ST
Time: 03 Hours
Max. Marks: 100

SECTION A **(20 Marks)**
Multiple choice questions

		Marks	CO
Q.1.	1. Cost of goods sold is a. Operating Expense b. Also called gross margin c. Also known as profit margin d. None of the above 2. Merchandise Inventory is a. Not a current asset b. A current liability c. An Equity Item d. None of the above 3. 3/10, n/30 is interpreted as a. 3% cash discount if the whole amount is paid within 10 days, the balance is due in 30 days b. 30% discount if paid within 2 days c. 2% discount if paid within 30 days d. Customer doesn't need to pay 4. Another name for income summary accounts is a. Accrued accounts b. Contra accounts c. Balance column accounts d. Temporary account 5. Accounts that are used to describe assets, liabilities, and equity, that are not closed as long as the company continues to own the assets, owe the liabilities, or have equity, and whose balances appear on the balance sheet are called a. Summary accounts b. Contra accounts. c. Accrued accounts d. None of the above 6. Which statement is <i>incorrect</i> ? a. Withdrawals are closed to Income Summary. b. Withdrawals are closed to Capital c. Expense accounts are closed to Income Summary. d. None of the above 7. Current Liabilities a. Are listed in order of liquidity b. Are listed in the order in which they are to be paid, with the first one listed to be paid first c. Are due to be settled within the shorter of one year or the operating cycle d. None of the above	2 X 10 = 20	CO1

	<p>8. The ending balance of owner's capital is calculated as</p> <ol style="list-style-type: none"> Assets plus liabilities Profit minus the withdrawals account balance Owner's capital account balance minus loss plus the withdrawals account balance None of the above <p>9. The current ratio</p> <ol style="list-style-type: none"> Is used to measure a company's profitability Is used to evaluate a company's ability to pay its short-term obligations Measures the effect of operating income on profit Is used to measure the relationship between assets and long-term debt <p>10. Which of the following is true?</p> <ol style="list-style-type: none"> Assets x Liabilities = Equity Assets/Liabilities = Equity Assets – Equity = Liabilities Assets x Equity = Liabilities 		
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SECTION B (20 Marks)

<p>Q.2.</p>	<p>During February, a company that uses a perpetual inventory system had beginning inventory, purchases, and sales as follows: Calculate the cost of goods sold and ending inventory using the moving weighted average method of costing rounding calculations to two decimals.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 25%;"></th> <th style="width: 15%; text-align: center;">Units</th> <th style="width: 45%; text-align: center;">Cost per unit</th> </tr> </thead> <tbody> <tr> <td></td> <td style="text-align: center;">Begin Inventory</td> <td style="text-align: center;">100</td> <td style="text-align: center;">12</td> </tr> <tr> <td style="text-align: center;">Feb 5</td> <td style="text-align: center;">Sale</td> <td style="text-align: center;">50</td> <td></td> </tr> <tr> <td style="text-align: center;">10</td> <td style="text-align: center;">Purchase</td> <td style="text-align: center;">70</td> <td style="text-align: center;">16</td> </tr> <tr> <td style="text-align: center;">15</td> <td style="text-align: center;">Sale</td> <td style="text-align: center;">25</td> <td></td> </tr> <tr> <td style="text-align: center;">25</td> <td style="text-align: center;">Sale</td> <td style="text-align: center;">35</td> <td></td> </tr> </tbody> </table>			Units	Cost per unit		Begin Inventory	100	12	Feb 5	Sale	50		10	Purchase	70	16	15	Sale	25		25	Sale	35		5	CO2
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<p>Q.3.</p>	<p>Evaluate each inventory error and determine whether it overstates or understates each item.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%; text-align: left;">Inventory Error</th> <th style="width: 20%; text-align: center;">Cost of Goods Sold</th> <th style="width: 40%; text-align: center;">Net Income</th> </tr> </thead> <tbody> <tr> <td>Understate beginning inventory</td> <td></td> <td></td> </tr> <tr> <td>Understate ending inventory</td> <td></td> <td></td> </tr> <tr> <td>Overstate beginning inventory</td> <td></td> <td></td> </tr> <tr> <td>Overstate ending inventory</td> <td></td> <td></td> </tr> </tbody> </table>	Inventory Error	Cost of Goods Sold	Net Income	Understate beginning inventory			Understate ending inventory			Overstate beginning inventory			Overstate ending inventory			5	CO2									
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<p>Q.4.</p>	<p>Star Company made the following merchandise purchases during the current year:</p> <p>There was no beginning inventory, but ending inventory consisted of 105 units. If Star uses the weighted-average cost method and the periodic inventory system, calculate the cost of the ending inventory and cost of goods sold?</p>	5	CO2																								

Feb	1 Purchase	380	10
	8 Purchase	270	9
	10 Purchase	300	13
	12 Purchase	250	13

Q.5.	Moon Company reported the following data:			5	CO3	
	Instructions: (1) Calculate Moon Company's merchandise turnover for each year to two decimal places. (2) Comment on the company's efficiency in managing its inventory.					
		YR 1	YR 2			YR 3
	Cost of goods sold	\$347,600	\$379,650			\$443,900
	Average inventory	\$85,000	\$91,050			\$98,350
FILL YOUR ANSWERS HERE						

SECTION-C

(30 Marks)

Q.6.	The following information was available for Computer Company for the month ended May 31, 2020. Use the template provided to do the bank reconciliation.			10	CO3
	(a) The book balance at May 31, 2020 was \$6,890.22.				
	(b) The bank balance at May 31, 2020 was \$8,660.22.				
	(c) Outstanding cheques amounted to \$6,310.				
	(d) The May 31st cash receipts of \$5,600 were deposited but have not yet appeared on the bank statement.				
	(e) A \$50 debit memorandum for cheques printed by the bank was included with the cancelled cheques.				
	(f) A customer's note for \$1,000 was collected by the bank. In addition, interest on the note was \$110.				

Q.7.				10	CO3
	B+	Bank balance increased			
	B-	Bank balance decreased			

G+	General ledger (book) balance increased
G-	General ledger (book) balance decreased
NE	No effect on the bank reconciliation

Identify how each of the following items would be treated on a bank reconciliation by entering one of the following

codes in the space provided:

1.	Outstanding cheques.
2.	Deposits in transit.
3.	Cheque #32, subtracted from the bank balance on last month's bank reconciliation, was returned with this month's statement.
4.	Included with the bank statement was a debit memo for bank service charges.
5.	Cash receipts placed in the bank's night depository after banking hours were not included on the bank statement prepared on the same date.
6.	Cheque #47 was written and recorded by the bank as \$753. The business recorded the cheque as \$735.
7.	A cheque listed as outstanding on last month's bank reconciliation was not returned with the current month's cancelled cheques.
8.	A deposit listed as outstanding on last month's bank reconciliation appeared as a deposit on the current month's bank statement.
9.	A credit memo enclosed with the bank statement shows that the bank collected a note on behalf of the account holder.
10.	A debit memo enclosed with the bank statement shows that the bank paid a note on behalf of the account holder.

Q.8. a) On October 12, 2020, Golf Co. received from one of its customers, Ping Co., a \$30,500, 8% 90 day note receivable in granting a time extension on Ping's past due account receivable. Golf Co. has a December 31 year end. Ping Co. honoured the note at maturity. Prepare the entries for the issuance of the note, the end of year interest adjustment and the collection of the note at maturity.

Date	Accounts	Debit	Credit

	Appraised Cost	Percent Total	Apportioned Cost.
(a) Land			
(b) Land Improvements			

10

CO4

(c) Building

OR

Cloud Company paid \$870,000 plus \$10,000 in legal costs for a parcel of real estate. This included land appraised at \$450,000; land improvements appraised at \$170,000; and a building appraised at \$380,000. The plan is to use the building as a manufacturing plant. Determine the amounts that should be debited to:

SECTION-D

(30 Marks)

Q.9.

Best Company. purchased a machine on January 1, 2019, for \$2,500,000. Using the table below, calculate the annual depreciation expense for each year of the machine's life (estimated at 5 years or 50,000 hours with a residual value of \$150,000). During the machine's life, it was used 15,000; 14,000; 10,000; 9,000; and 6,000 hours.

	(a)	(b)	(c)
Year	Straight Line	Units of Production	Declining Balance
2019			
2020			
2021			
2022			
2023			
Totals			

15

CO4

Q.10.

S & R Company uses the aging of accounts receivable approach to estimate bad debt expense. On December 31, 2020, an analysis of accounts receivable revealed the following:

Calculate the amount of allowance for doubtful accounts that should be reported on the balance sheet at December 31, 2020. You can go ahead and input that in the column above.

Schedule of Accounts Receivable by Age

December 31, 2020 Accounts Receivable	Age of Accounts Receivable	Expected Percentage Uncollectible	Allowance for doubtful accounts
140,000	Not yet due	0.75%	
60,000	1-30 days past due	4%	

15

CO4

	19,000	31-60 days past due	10%		
	5,000	61-90 days past due	60%		
	7,000	Over 90 days past due	90%		

