**Final exam**

**Accaunting**

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**Group 1082**

1. Long term liabilities
2. Notes Payable
3. Bonds – key elements of bonds
4. Bad debts
5. Account receivables
6. Unearned revenue
7. Briefly describe the key differences between unearned revenue and prepayment
8. the main differences between FIFO and LIFO methods
9. the measurement of an item of property, plant and equipment
10. What are the elements of financial statements?
11. Describe the differences between non - current assets and current assets
12. Find loses

|  |  |
| --- | --- |
| Revenue = $x | Ordinary expenses = $x |
| Other income = $x | Other expense = $x |
| Gains = $x | Net income = $x |

1. Find revenue

|  |  |
| --- | --- |
| Net income = $x | Ordinary expenses = $x |
| Other income = $x | Other expense = $x |
| Gains = $x | Losses = $x |

1. Find net income:

|  |  |
| --- | --- |
| Revenue = $x | Ordinary expenses = $x |
| Other income = $x | Other expense = $x |
| Gains = $x | Losses = $x |

1. A)Using the basic accounting equation identify the missing item.  
   Assets = x **Liabilities =?** Capital = x Retained Earnings = x

b) Using the basic accounting equation identify the missing item.  
Assets = x Liabilities = x Capital = x Retained Earnings =?

c) During x.x.20X7, the business made the following transaction:

* Made $x sales, half for cash, half for credit

Show the correct adjustments to be made on trial balance:

1. At 1 December 2011 Carter, a sole trader, had net assets of £x, and on 30 November 2012 the following amounts were extracted from his trial balance

Equipment:

Cost x

Depreciation x

Receivables x

Inventory x

Cash x

Accounts payable x

Long-term loan x

Drawings during the year x

There was no increase in capital during the period.

What was the profit for the year?

a) £x

b) £x

c) £x

d) £x

17. Paul and Robert are in partnership sharing profits and losses in the ratio 5:3 after allowing for partner salaries of £x and £x respectively. On 1 November 2011 Paul lent the partnership £x at 8% interest per annum. The net profit for the year ended 30 April 2012, before loan interest, is £x.

How much profit will be credited to Robert’s current account?

18. When preparing the trial balance, the bookkeeper of Chapman Ltd discovered it disagreed by £x, the credit side exceeding the debit side. She posted this difference to the suspense account and then investigated the situation. On investigating the accounting records, she discovered the following:

1. A cheque for £x for heating was entered in the cash book but not posted to the ledger.

2. The debit side of the wages account was overcast by £x.

3. There was a debit in the rates account of £x which should have been £x.

4. The purchase of equipment for £x has been posted to the debit side of the purchases account.

5. A cheque received from A. McConville for £x has been credited to A. McMahon’s account.

6. An amount of £x paid for postage has been entered in the carriage outwards account.

7. A credit sale to D. Donata of £x was entered in the sales day book as £x.

8. Bank charges of £x entered in the cash book have not been posted to the bank charges account.

1. Evelyn Easter commenced business on 1 July 2008, and at the end of each financial year she adjusts the allowance for doubtful debts. The actual percentage rate used is adjusted in accordance with the prevailing economic conditions at the time. The following details are available for the three years ended 30 June 2009, 2010 and 2011.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Bad debts written off  Year to 30 June | Accounts receivable at 30 June after bad debts written-off | Percentage allowance for doubtful debts |
| X | X | X | 2 |
| X | X | X | 5 |
| X | x | X | 4 |

Prepare the bad debts accounts and allowance for doubtful debts accounts for each of the three years 2009 to 2011.

(b) Show the extracts from the statement of financial position as at 30 June 2009, 2010 and 2011.

c) On 1 January 2011, Portland Bay owed Evelyn Easter £x. On 15 March 2011 Portland Bay was declared bankrupt. A payment of 40 pence in the pound was received in full settlement. The remaining balance was written off as a bad debt. Write up the account of Portland Bay in Evelyn Easter’s ledger.

(d) Distinguish between ‘capital’ and ‘revenue’ expenditure

20. Petty cash payments recorded in the books included amounts totalling £x, for which the bookkeeper had no vouchers or explanations. No debit entries have yet been included for these cash payments.

Requirement

(a) Prepare the journal entries necessary to correct the above errors and show the suspense account.

(b) Briefly describe the two main uses of a suspense account.

21.A firm issues a $x bond with a 6% coupon rate, 4-year maturity, and annual interest payments when market interest rates are 7%. Find:

1. Annnual coupon payments
2. Total of all cash payments to the bondholders
3. Interest expense of the first period

22. CC Corporation reported the following inventory transactions (in chronological order) for the year:

|  |  |
| --- | --- |
| Purchase | Sales |
| 40 units at $x | 13 units at $x |
| 20 units at $x | 35 units at $x |
| 90 units at $x | 60 units at $x |

Assuming inventory at the beginning of the year was zero, calculate the year-end inventory using FIFO and LIFO.

23. Given the following data calculate the total assets at the year-end.

|  |  |
| --- | --- |
| Beginning retained earnings | $x million |
| Net income | $x million |
| Dividends paid | $x million |
| Contributed capital | $x million |
| Liabilities | $x million |

Current assets made x% of total assets. Please show the absolute number for current assets and long-lived assets.

24.

Given the following data calculate the total liabilities at the year-end.

|  |  |
| --- | --- |
| Beginning retained earnings | $x million |
| Revenues | $x million |
| Expenses | $x million |
| Dividends paid | $x million |
| Contributed capital | $x million |
| Long-lived assets | $x million |
| Current assets | $x million |

Current liabilities made 32% of total liabilities. Please show the absolute number for current liabilities and non-current liabilities.

25. During the year, a firm’s inventory purchases were as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Quarter | Units Purchased | Cost per Unit | Total |
| 1 | X | $x | $x |
| 2 | X | X | X |
| 3 | X | X | X |
| 4 | X | X | X |
|  | X | X | $x |

The firm uses a periodic inventory system and calculates inventory and COGS at the end of the year

Beginning inventory was x units at $3 per unit = $x

Sales for the year were x units

Compute COGS for the year under FIFO and LIFO.

1. Given the following information calculate CFO

|  |  |
| --- | --- |
| Net income | $000 |
| Depreciation | 000 |
| Increase in accounts receivable | 00 |
| Decrease in accounts payable | 00 |
| Unrealized gain from trading securities | $000 |

1. $500
2. $400
3. $650
4. Given the following information calculate cash paid to suppliers for ABC company:

|  |  |
| --- | --- |
| Sales | $000 |
| COGS | 000 |
| Decrease in inventory | 00 |
| Increase in accounts payable | 00 |

1. Assuming IFRS calculate CFF. Please explain your calculations. (3 points)

|  |  |
| --- | --- |
| Taxes paid | 0 |
| Interest paid | 0 |
| Dividends paid | 0 |
| Sale of preferred stock | 0 |
| Repurchase of common stock | 0 |
| Issuance of bonds | 0 |
| Debt retired through issuance of common stock | 0 |
| Paid off long-term bank borrowings | 0 |
| Profit on sale of building | 0 |
|  | 0 |

1. A) Using the basic accounting equation identify the missing item.  
   Assets = 0000 Liabilities = 00000 Capital = 0000 **Retained Earnings =?**

B) Under IFRS (IAS 18) this is NOT one of revenue recognition criteria for sale of goods:

1. Significant risks and rewards of ownership did not transfer from seller to buyer
2. Seller can reliably measure costs of the transaction
3. Managerial control and involvement over asset being transferred has passed from seller to buyer
4. During 31.3.20X7, the business made the following transaction:

* Made $0,000 sales, $000 of which was for credit

Show the correct adjustments to be made on trial balance:

a) Dr Cash at bank $000, Dr Trade accounts receivable $000, Cr Sales $0,000

b) Dr Cash at bank $0,000, Cr Sales $0,000, Cr Trade accounts payable $000

c) Dr Sales $0,000 , Cr Trade accounts payable $000 , Cr Cash at bank $0,000

E)Which of these is change in accounting policy?

1. Change in measurement base (e.g. from fair value to cost model)
2. Change in bad debt amounts (e.g. lowering the amount of bad debts)
3. Change in useful life of an asset (e.g. from 5 to 4 years)
4. ABC company made the following transactions during current year:

* Converted $00,000 worth of preferred shares to common shares.
* Received cash dividends of $00,000. Paid cash dividends of $00,000.
* Repaid mortgage principal of $00,000.

Calculate the CFF of ABC Company for the current year.

1. -$00,000
2. -$00,000
3. -$00,000
4. At the beginning of the year, Triple W Corporation purchased a new piece of equipment to be used in its manufacturing operation. The cost of the equipment was $00,000. The equipment is expected to be used for 4 years and then sold for $0,000. Find the depreciation expense to be reported for the second year using the double-declining-balance method.
5. Compass Company purchased a new truck at the beginning of this year for $00,000. The truck has a useful life of 10 years or 000,000 miles, and an estimated salvage value of $0,000. If the truck is driven 00,000 miles this year, how much depreciation will Compass report during the first year under the double declining balance (DDB) method
6. What is a matching principles
7. The effect of double declining depreciation methods on entity
8. Cinnamon Corp. started business in 2007 and uses the weighted average cost method. During 2007, it purchased 00.000 units of inventory at $00 each and sold 00,000 units for $00 each. In 2008, it purchased another 00,000 units at $00 each and sold 00,000 units for $00 each. Its 2008 cost of sales ($ thousands) was *closest* to:
9. Zimt AG started business in 2007 and uses the FIFO method. During 2007, it purchased 00,000 units of inventory at $00 each and sold 00,000 units for $00 each. In 2008, it purchased another 00,000 units at $00 each and sold 00,000 units for $00 each. Its 2008 ending inventory balance ($ thousands) was *closest* to:
10. the main differences of CFS calculated by US GAAP or IFRS methods
11. a) Using the basic accounting equation identify the missing item.

Assets = 0000 Liabilities = 000 **Capital =?** Retained Earnings = 000

b)Increase in expense is:

1. Debit
2. Credit
3. Both
4. A) During 31.3.20X7, the business made the following transaction:

* Bought materials for $800, half for cash and half on credit

Show the correct adjustments to be made on trial balance:

a) Dr Cash at bank $000, Cr Purchases $000, Cr Trade accounts receivable $000

b) Cr Purchases $000 , Dr Cash at bank $000, Dr Trade accounts payable $000

c) Dr Purchases $000 , Cr Cash at bank $000, Cr Trade accounts payable $000

B)Fill in the gap:

When entries are made in the cash book (payments received), or in the sales returns day book, they are also made in the **\_\_\_\_\_\_\_\_\_\_\_** of the relevant customer account.

1. Which type of business entity has only one owner?
2. Which if these is NOT included in fair representation:
3. What is value in use?
4. A business issues 5,000 shares at 1.00 par value, which account is credited?
5. Using the basic accounting equation identify the missing item.  
   Assets = 0000 Liabilities =0000 **Capital =?** Retained Earnings = -0000
6. Purchasing $300 worth of inventory on credit results in:

42. a) Choose the disadvantage of Limited Liability Companies:

B) What is consistency?

C)What is replacement cost?

D)The business pays salaries of 6,000, is the entry to the salaries account a debit or a credit?

E)Using the basic accounting equation identify the missing item.  
Assets = 0000 Liabilities = 0000 **Capital =?** Retained Earnings = 0000

F)Decrease in asset is:

43. A During 31.3.20X7, the business made the following transaction:

* Bought $000 inventory for credit

Show the correct adjustments to be made on trial balance:

1. Fill in the gap:

The **\_\_\_\_\_\_\_\_\_\_\_** is a ledger for suppliers' personal accounts

44. Acme Corp. purchased a new stamping machine for 100000$ paid 10000$ for shipping, and paid 5000$ to have it installed in their plant. Based on an estimated salvage value 25 000 $ and an economic life of six years the difference between straight line depreciation and double declining balance depreciation in the second year of the asset’s life is closest to: ?

45.

Net sales 00000

Cas expenses 0000

Cash inputs 0000

Cash taxes 0000

Increase in receivables 000

Depreciation expense 0000

Cash flow from investing - 0000

Cash flow from financing - 0000

If the cash balance increased 00000 $ over the year cash flow from operating (CFO) is closest to:

46. asset valuation methods

47. depreciation methods

48. the effect of double declining methods to net income

49. the plant property equipment

50. the effect of different cost flow methods of inventory to the financial statements

1. A business acquires a machine costing £30,000. The machine is expected to last for 5 years and have a residual value of £2,000. The business uses the straight line depreciation method. The machine was sold for £8,000 at the start of year 4. The loss on sale would be :
2. The following is an extract of balances for a company for the year:

£ Heat and light paid 22,000

Rent paid 27,000

Non-current assets (at cost) 80,000

Gross profit has already been calculated as being £85,000. Accumulated depreciation on the non-current assets at the start of the year was £20,000. Depreciation is to be calculated at 25% on the reducing balance method. At the end of the year, heat and light accrued is £4,000, and rent prepaid is £2,500. The correct net profit for the year is:

1. Income statement for the year ended 31 December 2017

Turnover 400

Cost of sales (175)

Gross profit 225

Profit on sale of non-current asset 80

Expenses (35)

Depreciation (40)

Net profit 230

Statement of financial position as at 31 December 2016 2017

Inventories + receivables – current liabilities 50 65

What figure would appear in the cash flow statement of Barbara Ltd for the year ended 31 December 2017 in respect of cash generated from operations?

1. A company had net assets as at 1 January 2016 of £123m. The net profit for the year ended 31 December 2016 was £25m. The Company had paid an equity dividend of £5m during 2016. During 2016 the Company had issued 20 million £1 equity shares at a premium of 50p each and had borrowed £18m from its bank. The amount to be shown as Equity in the Statement of Financial Position as at 31 December 2016 is:
2. For the year ended 31 December 2016 a company earned a profit after interest and tax of £480,000. The company’s share price is £12 per share. The following are extracts from the company’s Statement of financial position at 31 December 2016:

Ordinary share capital (50p shares) £200,000

Retained earnings £380,000

Revaluation reserve £80,000

Long-term 10% Bank loan £48,000

The company’s price earnings (PE) number and return on equity for the period were:

1. A company has sales of £900,000 for the year. The asset (capital) turnover for the year was 3 times and the return on capital employed was 6%. What was the net profit before interest and tax for the year?
2. The follow information is taken from a set of accounts:-

Non-current assets 100

Current assets 60

Net current assets (working capital) 10

Long term loans 40

What are the correct figures for the two missing numbers; current liabilities and equity (shareholders’ funds)?

1. The equity of a company at the start of a period was £600,000. During the period the follow transactions occur: • Cash received from accounts receivable (debtors) of £55,000. • Sale of inventory (stock) for £90,000 on credit, the inventory had cost £75,000. • A 5 year bank loan of £50,000 is arranged and the cash received. • An unexpected bad debt of £5,000 is written off.

The figure for equity at the end of the period is: ?

1. XD plc prepares its financial statements for the year ended 31 December. XD charges depreciation straight line basis. XD acquired a machine on 1 January, 2014 for £70,000 , it is expected that the machine will last until 31 December 2020 when it will be sold for £14,000. What will be the net book value (cost less accumulated depreciation) of the machine on 31 December, 2018?
2. The following information for 2016 has been extracted from the accounts of a company:

Total Assets at 1 January 2016 £300,000

Total Liabilities (including Debt) at 1 January 2016 £150,000

Total Equity Capital at 31 December 2016 £210,000

Dividends paid in 2016 £25,000

New Equity Capital paid in during 2016 £50,000

Repayment of Debt during 2016 £30,000

Which of the following was the net profit for 2016 ?

1. The following are extracts from the financial statements of a company for the two years ended 31 December 2015 and 2016.

Statement of financial position as at 31 December

|  |  |  |
| --- | --- | --- |
| Years | 2015 | 2016 |
| Inventory | 490 | 365 |
| Trade receivbles | 375 | 525 |
| Current asset investment | 300 | 340 |
| Cash and bank balances | 25 | 76 |
| Bank overdraft | 200 | 450 |
| Trade payables | 1418 | 910 |
| Non current assets | 1536 | 2728 |
| Non current liabilities | 0 | 300 |
| Issued 1$ Ordinary share | 5000 | 5500 |

The current asset investments are highly liquid and are payable on demand. The ordinary shares were issued at nominal value. The income statement for the year ended 31 December 2016 shows an operating profit of £2,500,000 after charging depreciation of £750,000 and a profit on disposal of a non-current asset of £32,000.

The change in the company’s cash and cash equivalents for the year ended 31 December 2016 was:?

1. The following are extracts from the financial statements of a company for the two years ended 31 December 2015 and 2016.

Statement of financial position as at 31 December

|  |  |  |
| --- | --- | --- |
| Years | 2015 | 2016 |
| Inventory | 490 | 365 |
| Trade receivbles | 375 | 525 |
| Current asset investment | 300 | 340 |
| Cash and bank balances | 25 | 76 |
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The current asset investments are highly liquid and are payable on demand. The ordinary shares were issued at nominal value. The income statement for the year ended 31 December 2016 shows an operating profit of £2,500,000 after charging depreciation of £750,000 and a profit on disposal of a non-current asset of £32,000.

Find The cash flow from operations of the company for the year ended 31 December 2016 was: ?

1. During the year ended 31 December 2016, a company paid a total of £60,000 for rent, covering the 18 month period from 1 October 2015 to 31 March 2017. What figures should appear in the financial statements of the company for the year ended 31 December 2016?
2. The financial statements of a company for the year ended 31 December 2016 revealed a profit before interest and tax of £300,000 and the following accounting ratios:

Asset (Capital) Turnover – 2.5 times

Return on Capital Employed – 15%

What were the sales for the year ended 31 December 2016?

1. Lysander Ltd is preparing its financial statements for the year ended 31 December 2015. At 31 December 2014 it had computer equipment that cost £1,004,408, all of which had been purchased on 1 January 2013, and had accumulated depreciation at 31 December 2014 of £697,600. Computer equipment is depreciated on a straight line basis with no residual value over four years and is charged on a monthly basis. A computer system, costing £6,800, was sold on 1 January 2015 for £1,800. On 1st April 2015 Lysander part exchanged a computer which had cost £24,000, for a new computer, costing £34,600, paying a cheque in final settlement of £18,000.

Show how the computer equipment of Lysander Ltd will be shown in the:

i. Income statement for the year ended 31 December 2015, and

ii. Statement of financial position as at 31 December 2015.

1. The selling price of inventory of Company M at 28 February is $72,000. The company marks up its goods by 44%. One quarter of the inventory has been damaged in a fire and will be sold for $9,800. Which of the following will be the correct value for closing inventory at 28 February in the statement of financial position?
2. At 1 February2017, trade receivables of Company X are $123,690. In February, cash received from customers was $788,110 and discounts allowed were $2,990. Bad debts written off in the month were $17,400. A sales ledger/purchase ledger contra of $5,400 was agreed with James & Co, a company which is both a customer of and a supplier to Company X At 28.2.17, trade receivables are $138,004.

What were the sales during February?

1. Lee opened his new business on 1.January 2016. On that date, the only asset was a bank balance of $10,000. During the year, Lee’d drawings from the business totalled $35,000. On 31 December 2016, the assets and liabilities of the business were as follows: Computers and furniture $60,000, inventory of raw materials $16,500, finished goods, at cost $7,400, bank overdraft $11,600, trade payables, $5,500, prepayments $1,500, trade receivables $4,500, the provision for bad debts $2,000, bank loan $39,000, interest payable $500, accrued expenses, $2,600. What is the profit of the business in the year ended 31 December 2016?
2. Extracts from the most recent accounts of Company B are given below:

|  |  |  |
| --- | --- | --- |
|  | 2015 | 2014 |
| Sales | 425 | 368 |
| Cost of sales | 342 | 302 |
| Gross profit | 83 | 66 |
| Inventory | 61 | 58 |
| Trade Receivables | 85 | 60 |
| Trade Payables | 65 | 52 |
|  |  |  |

Calculate the following ratios for 2015 and 2014: (i) gross margin (ii) inventory period (iii) trade receivables period (iv) trade payables period ?

1. Calculate the Ending Inventory using FIFO Method (show calculation)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Number of units | Unit Cost | Sale price |
| January 1 | Inventory | 10000 | $3.00 |  |
| January 10 | Purchase | 4000 | $3.50 |  |
| January 1-March 31 | Sales | 8000 |  | $5.00 |
| April 25 | Purchase | 10000 | $4.00 |  |
| April 1 - June 30 | Sales | 11000 |  | $5.50 |
| July 10 | Purchase | 6000 | $4.50 |  |
| July 1- September 30 | Sales | 3000 |  | $6.00 |
| October 15 | Purchase | 8000 | $5.00 |  |
| October 1- December | Sales | 9000 |  | $6.50 |

1. How inventory valuation methods affect income statement?
2. The following information is available for ASEU Co.

Net Income $5,000   
Depreciation expense 2,500   
Increase in deferred tax liabilities 500   
Decrease in accounts receivable 2,000   
Increase in inventories 9,000   
Decrease in accounts payable 5,000   
Increase in accrued liabilities 1,000   
Increase in property and equipment 14,000   
Increase in short-term notes payable 19,000   
Decrease in long-term notes payable 4,000

What is the net cash flow from the operating activities? Show solution

1. Explain the objective of published financial statements and identify the two principal characteristics of financial statements which contribute to achieving this objective.
2. explain what factors would be taken into consideration, by the directors, in determining the company’s dividend policy
3. The following information is extract from company in 2016

Interest expense 70

Administrative expenses 100

Sales 700

Advertising and marketing 50

Tax rate 50%

Cost of goods sold 350

Calculate gross profit, net income and operating profit ?