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Fənnin adı: Financial Accounting

Qrupun nömrəsi: 1062

**Mövzu 1: Business Decisions and Financial Accounting**

1. Please describe the main organizational forms of business and explain advantages and disadvantages of each of them.
2. What is included in basic set of financial statements? Please describe each of components
3. Please explain what is retained earnings and how it changes
4. Please explain each type of activities presented in the statement of cash flows.
5. Complete the following table by entering either the word debit or credit in each column.

**Mövzu 2: Balance Sheet**

1. [Please explain the basic accounting equation and explain each of the components](https://en.wikipedia.org/wiki/Francis_Fukuyama)
2. Please explain the duality effect

**Mövzu 3: Income Statement**

1. Please explain the accrual basis of accounting
2. Please explain the matching principle
3. XYZ company paid June wages of $000 in cash on June 27. What will be the journal entry to recognize transaction on June 27?
4. ABC Company paid in advance $000 for one year of prepaid insurance, which started on April 1. What is the adjusting entry on December 31 of that year?
5. In July Bill paid $000 for the June electricity bill and received the July bill for $000, which will be paid in August. What amount of electricity expenses are to be recognized for July month? Please write the respective journal entry.
6. During the accounting period the assets increased by $000 , the equity decreased by $000 . How did liability change?
7. On December 31, assets, liability, revenues and expenses were:

Please calculate total assets amount.

**Mövzu 4: Inventories**

1. In which cases inventories can be written off/down and the reason for doing so?
2. Opening balance of inventories are $00k. During the period inventory costing $00k has been used by the company. If the closing balance of inventories is $00k, calculate the amount of purchased inventories during the period.
3. Give your reasons why LIFO cannot be used under IFRS standards.
4. What are the inventory valuation methods and which can be used?
5. Company A purchased inventories costing $00k. Company A incurred the following costs regarding its inventories:
   * Bringing the inventory to its base: $00k
   * Making special trollies which are needed to store only these inventories and will be discarded afterwards: $00k
   * Total storage cost: $00k
   * Spoiled inventories after the purchase: $00k

Calculate the inventory cost of Company A accounted in its financial statements.

**Mövzu 5: Trade receivables/Trade payables/Accrued expense/Prepaid expenses**

1. What is the main difference between accrued expenses and trade payables and why they are needed to be shown separately?
2. How can companies control the risks of purchasing and selling goods on credit?
3. On October 1, 2003, one of the customers of Company A declared itself unable to pay its bill of $00k. Company A made according accounting adjustments to its accounts. However, on May 1, 2004 that client reimbursed full amount of the debt. Make double entries of these transactions for each year.
4. Company A abides 00% allowance for receivables rule in its accounting policies. Total allowance for receivables for the year 2003 was $00k. Total trade receivables of Company A at January 1, 2004 is $005m. Calculate the trade receivables and bad debt expenses of Company A for the year 2004.
5. Why companies need to make allowance for receivables?

**Mövzu 6: Financial Reporting and Analysis**

1. What is fraud triangle? Please explain each component.

**Mövzu 1: Tangible non-current assets (tangible NCAs)**

1. In the year 31 December 2016, Company recorded some capital expenditure as revenue expenditure. What affect had this error on Company’s profit for the year 31 December 2016 and its net assets at that date?
2. Define what kind of expenses (capital or revenue) are the following:
   1. the repair of a machinery currently used in the production process that has broken down
   2. the cost of an extension to a factory building, which doubles the size of the production area
   3. the cost of installing a new machine in a factory
   4. training the staff who will be employing the new machinery in the factory
3. The Company had the following recording on their non-current assets at 01.01.2016:
   1. Balance - \_\_\_\_\_\_\_\_\_\_$
   2. Accumulated depreciation – \_\_\_\_\_\_\_$
   3. Depreciation policy – x% per year on reducing balance

Calculate depreciation charge for the year 2016, and net book value of non-current assets at the year-end 2016.

1. At 31.12.2014, the Company owned a building that it had purchased x years ago for \_\_\_\_\_\_$. It was being depreciated at x% per year on the straight line basis. On 01.01.2015 a revaluation to \_\_\_\_\_\_$ was recognized. At this date the building had a remaining useful life of x years. What is the depreciation charge for the year ended 31.12.2015 and recognized revaluation surplus at 01.01.2015?
2. The following information is given regarding to the non-current assets:

Carrying amount at 01.01.16 ---- \_\_\_\_\_$

Carrying amount at 31.12.16 ---- \_\_\_\_$

Carrying amount of NCAs disposed during 2016 ---- \_\_\_\_$

Depreciation charge for the year ended 31.12.16 -----\_\_\_$

Loss arising on disposal of NCAs during 2016 -------\_\_\_$

In the **statement of cash flows** for the year ended 31.12.16, what will be figures for disposals of and additions to NCAs?

1. At 01.01.2013 a Company bought a NCA for \_\_\_$ with residual value of \_\_\_$ and expected useful life of x years. Company used straight line depreciation method. On 01.01.2016 the estimated useful life of a NCA is shortened to a total of x years. Calculate the appropriate depreciation charge for the year 2016.
2. Company bought an asset for \_\_\_\_$ at 01.01.2013. It had expected useful life of x years. On 01.01.2014 it was revalued to \_\_\_\_$. On 31.12.2014, the asset was sold for \_\_\_\_$. Account for the disposal of the asset and show the double entries.
3. Explain the difference between depreciation on straight line basis and reduced balance basis. Give the advantages and drawbacks of each method.

**Mövzu 2: Intangible non-current assets (Intangible NCAs)**

1. What is the difference between research and development?
2. The Company has incurred development expenditure of \_\_\_\_\_$ and research expenditure of \_\_\_\_\_$ in the year ended 31 December 2016. The development expenditure has been capitalized in accordance with IAS38. The company’s policy is to amortize the development expenditure over x years. What balances relating to R&D would appear in the financial statements of the Company for the year 31 December 2016?
3. Explain the IAS38 development capitalization criteria.
4. Explain what impairment of an asset is and how it is measured.
5. An intangible asset held at historic cost has been impaired in value. The fair value of the intangible asset is \_\_\_\_\_\_$, the cost of selling is \_\_\_$. The value in use of an intangible asset is estimated to be \_\_\_\_\_$. The carrying amount of the intangible asset is \_\_\_\_\_$. Calculate the **impairment loss** and decide **at which value** intangible non-current will be shown on **which** financial statement.
6. Explain the concept of **goodwill** and why it is required.
7. What is the difference between tangible and intangible non-current assets and why there is a need to take into account intangible assets.

**Mövzu 3: Provisions and contingencies**

1. Explain what constructive obligation is and give one example.
2. Explain the difference between provisions and liability.
3. The Company sells the goods which are covered under the warranty. The company expects the following pattern of likely repairs:

|  |  |  |
| --- | --- | --- |
| % of good sold | Defects | Cost of repairs |
|  |  |  |
|  |  |  |
|  |  |  |

Calculate the warranty provision and give the required double entry due to warranty.

1. Explain the disclosure requirements of provisions, contingent liabilities and contingent assets in the financial statements.
2. The Company is in court against the client. Lawyers are sure that the client has good case against the company and probably will win the court despite them trying to minimize the damage. Probable fine is going to be around \_\_\_\_\_$. Legal fees are currently at \_\_\_\_\_$ and further expected fees are around \_\_\_\_\_\_$. How should the company treat the given numbers?

**Mövzu 4. Equity**

1. The company has issued \_\_\_\_\_\_ shares at a nominal price of x$. The market price of the shares were x$. Give the double entries of the transaction and show the extract from the balance sheet for this issuance.
2. Explain the differences between authorized, issued, called-up and paid-up capital.
3. Explain the difference between provisions and reserves.
4. The following information is given about the Company:
   1. Ordinary shares -- \_\_\_\_\_ each 1$
   2. Preference shares –x%, \_\_\_\_\_\_ each x$
   3. Retained earnings at the beginning of the year– \_\_\_\_\_\_$
   4. Net profit after tax for the year – \_\_\_\_\_\_$

The board has decided to pay x% of the year’s profit as dividends.

What is the end year retained earnings?

1. Why there is a need to distinguish between equity and liability in the statement of financial position (balance sheet)?

**Mövzu : Financial statements and Interpretation of financial statements**

1. Explain the purpose of using accounting ratios.
2. Why there is a need for interpretation of financial statements of the entities?
3. Explain different types of accounting ratios.
4. Who are the main users of company’s financial statements?
5. What are the limitations of using accounting ratios for interpretation of financial statements?
6. Extract of a Company’s financial statement is as following:

|  |
| --- |
|  |

Calculate ROCE and ROE and give explanations between these two ratios.

1. Profit margin for the year was \_\_% while asset turnover was \_ times. What is a Company’s ROCE? Explain the interrelationship between these three ratios.
2. What kind of profit margin ratios are there and why there is a need to distinguish between them?
3. Why the company needs to keep separate Cash flow statement?
4. Explain the difference between liquidity and solvency.
5. Extract from a Company’s financial statement is as following:

|  |
| --- |
|  |

Analyze a Company’s indebting situation.

1. Explain what is cash cycle of a company.
2. Extract from a Company’s financial statement is as following:

|  |
| --- |
|  |

Analyze a Company’s liquidity position.

1. Extract from a Company’s financial statement is as following:

|  |
| --- |
|  |

Explain how well does a Company manage its receivables and payables.

1. The following information is given regarding two companies:

|  |  |
| --- | --- |
| **Company A** | **Company B** |
|  |  |

Explain the financial situation of the companies.

1. The following information is given regarding two companies:

|  |  |
| --- | --- |
| **Company A** | **Company B** |
|  |  |

Explain the performance situation of the companies.

1. Which of the following should appear in a company's statement of changes in equity and why?

* profit for the financial year
* dividends proposed during the year
* surplus on revaluation of non-current assets

1. Describe the cash flow statements structure and why it is structured that way.
2. A company has a current ratio of \_\_, a quick ratio of \_\_ and a positive cash balance. If it purchases inventory on credit, what is the effect on these ratios?
3. What are the main financial statements of a company and what are their purposes?
4. Work in progress (WIP), finished goods (FG), inventory and operating expenses. Describe the interrelationship between these items through double entries.
5. Why the companies need to distinguish the expenses into operating and non-operating expenses?
6. Why the notes needed for the financial statements?
7. The following information is given regarding two companies:

|  |  |
| --- | --- |
| **Company A** | **Company B** |
|  |  |

Explain financing priorities of these two companies.

1. Why Profit before interest and taxes (PBIT) is mainly used for the ratio analysis?