

**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD
(Department of Business Administration)**

FINANCIAL ACCOUNTING (9511)

CHECKLIST

SEMESTER: AUTUMN 2013

This packet comprises the following material:

1. Text Book (one)
2. Course Outlines
3. Assignment No. 1, 2
4. Assignment Forms (2 sets)

In this packet, if you find anything missing out of the above mentioned material, please contact at the address given below:

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ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD
(Department of Business Administration)

WARNING

1. **PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
2. **SUBMITTING ASSIGNMENT(S) BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

ASSIGNMENT No. 1

Course: Financial Accounting (9511)

Semester: Autumn 2013

Level: MBA (3 ½ Years) Rural Management

Total Marks: 100

Pass Marks: 50

Q.1 A trial balance and supplementary information needed for adjustments at September 30 are shown for Cinemax stage & Theatre. The company follows a policy of adjusting and closing its accounts at the end of each month.

CINEMAX STAGE & THEATRE		
Trial Balance		
September 30, 1994		
Cash	Rs. 17,500	
Prepaid film rental	65,000	
Land	75,000	
Building	210,000	
Accumulated depreciation building		Rs.6,125
Equipment	90,000	
Accumulated depreciation equipment		7,500
Notes payable		200,000
Accounts payable		8,500
Unearned admission revenue		5,200
Capital		200,925
Drawings	10,500	
Admission revenue		68,750
Salaries expenses	21,250	
Light and power expense	7,750	
	Rs.497,000	Rs.497,000

Other Data:

- a. Film rental expense for the month is Rs.42,275, all of which had been paid in advance.
- b. The building is being depreciated over a period of 10 years.
- c. The equipment is being depreciated over a period of 5 years.

- d. No entry has yet been made to record interest payable of Rs.1,800.
- e. No entry has yet been made to record the admission revenue earned during the month amounting to Rs.3,650.
- f. Salaries earned by the employees but not recorded Rs.3,750.

Prepare adjusting entries, Income Statement and Balance sheet for month ended September 30, 1994. (20)

Q. 2 Texas Wholesale Corporation sold 100 pairs of boots to Boot Hill, a chain of retail stores. The sales price was Rs.5,000 (Rs.50 per pair), with terms of 2/10, n/30. United express charged Rs.162 to deliver this merchandise to Boot Hills stores; these charges were split evenly between the buyer and seller and were paid in cash. Boot Hill returned 10 pairs of these boots to Texas wholesale because they were the wrong style. Texas wholesale agreed to accept this return and credit Boot Hills account for the full invoice price. Boot Hills then paid the remaining balance within the discount period.

Both companies use perpetual inventory system.

Required:

- a. Record these transactions in the books of Texas Wholesale Corporation. The company records sale at the full invoice price; these boots had cost Texas wholesale Rs.32 per pair.
- b. Record these transactions in the books of Boot Hill. The company records purchases of merchandise at net cost and uses transportation in account in recording transportation charges on inbound shipments. (20)

Q. 3 A. Santa Rose Winery maintains a petty cash fund to control small cash payments. The company does not use a voucher system. Show below are the transactions involving the establishment of the fund and its replenishment at September 30, the end of the company's fiscal year:

- Sept 12 A cheque for Rs.500 was issued and cashed to establish a petty cash fund
- Sept 30 A count of the fund showed currency and coin of Rs.104.10 remaining on hand. Petty cash receipts in the fund were as follows:

Office supplies expense	Rs.100.43
Postage expense	43.92
Travel and entertainment expense	183.10
Miscellaneous expenses	66.44
- Sept 30 Although the fund had not been used fully, management wished to replenish the fund before the accounts were closed for the fiscal year. A cheque was therefore issued and cashed on this date in the amount necessary to restore the fund to its Rs.500 balance.

Required:

- (a) Prepare journal entries in general journal form to record the establishment of the fund and then its replenishment.
 - (b) What would have been the effect, if any, on net income for the fiscal year ended September 30 if the company had forgotten to replenish the fund on September 30? Explain
- B. How Accounting Information System is helpful in decision making? (20)

- Q. 4 The credit manager of Olympic Sporting Goods has gathered the following information about the company's accounts receivable and credit losses during the current year:
- | | | |
|---|---------------|--------------|
| Net credit sales for the year | | Rs.3,000,000 |
| Account receivable at year end | | 360,000 |
| Uncollectible accounts receivable | | |
| Actually written off during the year | Rs.43,650 | |
| Estimated portion of year end receivable expected | | |
| To prove uncollectible (per aging schedule) | <u>18,000</u> | 61,650 |

Instructions:

Prepare one journal entry summarizing the recognition of uncollectible accounts expense for the entire year under each of the following independent assumption:

- Uncollectible accounts expense is estimated at an amount equal to 1.5% of net credit sales.
 - Uncollectible accounts expense is recognized by adjusting the balance in the allowance for doubtful accounts to the amount indicated in the year end aging schedule. The balance in the allowance account at the beginning of the current year was 15,000 (consider the effect of the write-offs during the year upon the balance in the allowance for doubtful accounts).
 - The company uses the direct write-off method of accounting for uncollectible accounts. **(20)**
- Q. 5 (a) What are cash equivalents? Provide two examples. Why these items are often combined with cash for the purpose of balance sheet presentation? **(20)**
- (b) what is the difference between accounts receivable and notes receivable?

ASSIGNMENT No. 2

Total Marks: 100
Pass Marks: 50

This assignment is a research-oriented activity. You are required to obtain information relating to any business or commercial organization and prepare a paper of about 10 to 15 pages on the topic allotted to you. The students are required to prepare two copies of Assignment No. 2. Submit one copy to your teacher for evaluation and the second copy for presentation in the classrooms in the presence of your resource persons and classmates, which will be held at the end of the semester prior to final examination.

Include the following main headings in your report:-

- Introduction to the topic
- Important sub-topics
- Practical study of the organization with respect to the topic
- Review of theoretical and practical situations
- Merits, demerits, deficiencies or strengths of the organization with respect to your topic
- Conclusions and recommendations
- Annex, if any

You must use transparencies, charts or any other material for effective presentation. You are also required to select one of the following topics according to the last digit of your roll number. For example, if your roll number is D-3427185 then you will select topic No. 5 (the last digit):-

List of Topics:

0. Inventory Management
1. Accounting Receivable
2. Accounting Information system
3. Accounting for Plant Assets (Acquisition & Disposal)
4. Accounting for Merchandizing Business
5. Partnership Accounting
6. Accounting for Non-profit Organization
7. Accounting for Corporation
8. Accounting for Cash & Short-term Investment
9. Accounting for Long term Liabilities

COURSE OUTLINE

Course: Financial Accounting

Level: MBA (3½ Years) Rural Management

Course Code: 9511

Credit Hours: 03

Unit-1: Introduction to Accounting

- 1.1. Evolution of Accounting
- 1.2. Accounting Theory & Conceptual Framework
- 1.3. Significance of Accounting
- 1.4. Accounting Information System(AIS)
- 1.5. Basic Accounting Model
- 1.6. Financial Statements
- 1.7. Characteristics of Financial Statements
- 1.8. Constraints on Relevant, Reliable Information
- 1.9. Users of Accounting Information
- 1.10. Major Fields of Accounting

Unit-2: Recording, Year-end Adjustments and Financial Statements

- 2.1 Business Events and Business Transactions
- 2.2 Evidence and Authentication of Transactions
- 2.3 Recording Process
- 2.4 Journal and Posting in the Ledger
- 2.5 Balancing the Accounts
- 2.6 Chart of Accounts
- 2.7 Limitations of Trial Balance
- 2.8 Concept of Accruals and Deferrals
- 2.9 Need for Adjusting Entries
- 2.10 Prepaid Expenses
- 2.11 Accrued Expenses
- 2.12 Accrued Incomes
- 2.13 Depreciation
- 2.14 Adjusted Trial Balance
- 2.15 Work Sheet
- 2.16 Closing Entries
- 2.17 Preparation of Financial Statements

Unit-3: Accounting for Trading Organizations

- 3.1 Difference between Manufacturing and Merchandising Organizations
- 3.2 Merchandizing Activities
- 3.3 Accounting for Purchases
- 3.4 Accounting for Sales and Inventory
- 3.5 Returns, Allowances, and Discounts
- 3.6 Merchandise Reporting
- 3.7 Work Sheet for Merchandising Concern
- 3.8 Adjusting Entries
- 3.9 Closing Entries
- 3.10 Cost of Goods Sold Statement, Income Statement and Balance Sheet

Unit-4: Cash, Accounts Receivable, and Temporary Investments

- 4.1 Cash
 - 4.1.1 Cash Management
 - 4.1.2 Internal Control Over Cash
 - 4.1.3 Cash Receipts and Disbursements
 - 4.1.4 Reconciling the Bank Statements
 - 4.1.5 The Impress Petty Cash System
 - 4.1.6 The Statement of Cash Flows
- 4.2 Accounts Receivable
 - 4.2.1 Uncollectible Accounts
 - 4.2.2 Write-off Methods
 - 4.2.3 Estimation of Credit Losses
 - 4.2.4 Management of Accounts Receivable
 - 4.2.5 Techniques to Minimize Credit Losses
 - 4.2.6 Evaluating the Quality of Accounts Receivable
 - 4.2.7 Notes Receivable and Interest Charges
 - 4.2.8 Credit Card Sales
 - 4.2.9 Credit Risk
- 4.3 Short Term Investments
 - 4.3.1 Purchases of Marketable Securities
 - 4.3.2 Recognition of Investment Revenue
 - 4.3.3 Adjusting Marketable Securities to Market Value
 - 4.3.4 Reporting Investment Transaction

Unit-5: Accounting Information System

- 5.1. Forms of Business
- 5.2. Introduction to Accounting Information System (AIS)?
- 5.3. Manual, Computerized, and computer based AIS
- 5.4. Using an AIS to Add Value to Business
- 5.5. Future Role of the AIS
- 5.6. Elements and Procedures of AIS
- 5.7. Development of an Accounting Information System
- 5.8. Special Journals
- 5.9. Subsidiary ledgers
- 5.10. Special journals and Posting Process

Unit-6: Accounting for Inventory & Plant Assets

- 6.1. Inventory Systems
- 6.2. Types of Inventories

- 6.3. Identifiable Costing Method
- 6.4. Cost flow Assumptions (LIFO, FIFO, ...)
- 6.5. Weighted and Moving Average Method
- 6.6. Lower of Cost or Market
- 6.7. Net Realizable Value
- 6.8. Advantages and Disadvantages of LIFO, FIFO and AVCO
- 6.9. Accounting for Property; Plant and Equipment
- 6.10. Property, Plant and Equipment
 - 6.10.1. Cost of Property, Plant and Equipment
 - 6.10.2. Subsequent Expenditure
- 6.11. Depreciation
 - 6.11.1. Depreciation Methods
 - 6.11.2. Acquisition of Plant Assets
 - 6.11.3. Disposal
 - 6.11.4. Trade-in
 - 6.11.5. Intangible assets and amortization
 - 6.11.6. Wasting assets and depletion

Unit-7: Partnerships

- 7.1 Partnerships, Advantages and Disadvantages
- 7.2 Partnership Deed
- 7.3 Accounts of Partnerships
- 7.4 Closing the Partnership Accounts at Year-end
- 7.5 Partnership Profits and Income Taxes
- 7.6 Dividing Partnership Net Income
- 7.7 Dissolution of Partnership
- 7.8 Liquidation of Partnership

Unit-8: Corporations

- 8.1. Corporation, Advantages and Disadvantages
- 8.2 Stockholders' Equity and Dividends.
- 8.3. Rights of Common Stockholders and Preferred Stockholders
- 8.4. Issuance, Face Value, Book Value and Market Value Of Stocks
- 8.5 Donated Capital
- 8.6. Changes in Accounting Policies
- 8.8. Earning Per Share (EPS)
- 8.9. Stock Split and Repurchase
- 8.10. Statement of Stockholders Equity
- 8.11. Statement of Retained Earnings
- 8.12. Statutory Books
- 8.13. Financial Statements

Unit-9: Special Type of Liabilities

- 9.1. Bonds
- 9.2. Bond Interest
- 9.3. Accounting for Bonds Payable
 - 9.3.1 Issue at Par
 - 9.3.2 Discount
 - 9.3.3 Premium
- 9.4. Year-end Adjustments for Bond Interest Expense
- 9.5. Bond Sinking Fund
- 9.6. Investment in Corporate Securities

- 9.7. Short-term and Long-term Investment
- 9.8. Investment in Marketable Securities
- 9.9. Accounting for Marketable Securities
- 9.10. Sale of Investment
- 9.11. Accounts of Holding Companies and Non Profit Accounting
- 9.12. Accounting for Parent, Subsidiary and Affiliates
- 9.13. Recording Inter Company Transactions
- 9.14. Methods of Accounting for Consolidations
 - 9.14.1 Consolidated Balance Sheet
 - 9.14.2 Consolidated Income Statements
 - 9.14.3 Other Consolidated Financial Statements
- 9.15. Accounting of Payroll

Recommended Books:

Williams, J. R., Haka, S. F., Bettner, M. S., Haka, S., & Carcello, J. (2011). *Financial and Managerial Accounting* (16th ed.). New York: McGraw Hills Inc.

Romney, M. B., & Steinbart P. J. (2011). *Accounting Information System* (12th ed.). USA: Pearson Education.

Meigs, M. (2010). *Financial Accounting* (15th ed.). New York: McGraw Hills Inc.

Kaluza, J. (2009). *Accounting: A Systems Approach* (8th ed.). New York: McGraw Hills Inc.

Wallis, K. (2007). *Accounting: A Modern Approach* (8th ed.). New York: McGraw Hills Inc.

