

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

FINANCIAL ACCOUNTING (182)

CHECK LIST

SEMESTER: AUTUMN 2013

This packet comprises following material:-

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

If you find anything missing, in this packet, out of the above mention material, please contact at the address given below:

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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 ASSIGNMENTS 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 (182)
Level: BBA

Semester: Autumn 2013
Total Marks: 100

Instructions: *(You must answer the questions in your own words. Copying from books is not permissible. Give supporting calculations where necessary.)*

Note: All question carry equal marks.

- Q. 1 Discuss the various stages of developing an effective Accounting Information System.
- Q. 2 (a) A tractor which cost Rs.30,000 had an estimated useful life of 5 years and an estimated salvage value of Rs.10,000. Straight line depreciation was used. Give the journal entry required by each of the following alternative assumptions:
- i. The tractor was sold for cash of Rs.19,500 after 2 years' use.
 - ii. The tractor was traded in after 3 years on another tractor with a fair market value of Rs.37,000. Trade in allowance was Rs.21,000. (Record any implied gain or loss)
 - iii. The tractor was scrapped after 7 years' use. Since scrap dealers was unwilling to pay anything for the tractor, it was given to a scrap dealer for his services in removing it.
- (b) Compare depreciation with depletion.
- Q. 3 Research Consultants has three partners — A, B and C during the current year, their capital balances were:
- A, Rs.180,000; B, Rs.140,000; and C, Rs.80,000.
Partnership agreement provides that partners shall receive salary as follows:
- A, Rs.10,000; B, Rs.50,000; and C, Rs.28,000
Partners shall also be allowed 12% interest annually on their capital balances.

Residual profit or loss is to be divided:
A, one half; B, one third, and C, one sixth.

Prepare separate schedule showing how income will be divided among the three partners in each of the following cases. The figure given in each case is the annual partnership net income or loss to be allocated among the partners.

- a. Income of Rs.526,000
- b. Income of Rs.67,000
- c. Loss of Rs.32,000

- Q. 4 (a) Make a comparative study of preferred stock and common stock.
(b) What is the role of underwriter in Initial Public Offering (IPO)?
- Q. 5 A limited company was registered with an authorized capital of Rs.500,000 divided into 10,000 ordinary shares of Rs.50 each. On 1st November 1994 Company offered 7000 shares in the following manner:
1000 shares to promoters against preliminary expenses
2000 shares to directors for cash
4000 shares to general public.
- On 15th November 1994, company received applications for 6000 shares. Shares were not allotted to applicants of 2000 shares and their application money was refunded.

Record the above information in company's books and show the figures in balance sheet.

ASSIGNMENT No. 2

Total Marks: 100

Note: All questions carry equal marks.

- Q. 1 Write note on the following:
- (a) Donated capital
 - (b) Stock split
 - (c) Continued operations
 - (e) Preferred stock
- Q. 2 Bar Harbor Gas & Electric obtained authorization to issue 90 million face values of 10%, 20 year bonds, dated May 1, 2001. Interest payment dates were November 1, and May 1. Issuance of the bonds did not take place until August 1, 2001. On this date all the bonds were sold at a price of 100 plus three months accrued interest.

Instructions:

Prepare the necessary entries in general Journal form on:

- (a) August 1, 2001, to record the issuance of bonds.
- (b) November 1, 2001, to record the first semiannual interest payment on the bond issue.
- (c) December 1, 2001, to accrue bond interest expense through year end.
- (d) May 1, 2002, to record the second semiannual interest payment.

Q. 3 Income statement data for Star Corporation is as follows:

	2002	2003
Sales	Rs.1400	Rs.1200
Cost of sales	850	730
Selling expenses	205	240
General expenses	140	100
Income tax expense	82	50

Prepare an income statement in comparative form, setting each item for both years as a percent of sales (vertical common size analysis) and comment on the findings.

- Q. 4 (a) What is the importance of Cash Flow Statement?
(b) Operating cash flow per share is better indicator of profitability than is EPS. Do you agree? Explain.
- Q. 5 Describe the various methods of combining the businesses and the accounting procedures followed in this regard.

FINANCIAL ACCOUNTING

Course Outline (BBA-182)

Unit-1: Accounting Information Systems

- 1.1 Forms of business
- 1.2 What is an accounting information system (AIS)?
- 1.3 Manual, computerized, and computer based AIS
- 1.4 Using an AIS to add value to business
- 1.5 The future role of the AIS
- 1.6 Elements and procedures of AIS
- 1.7 Development of an accounting information system
 - 1.7.1 Analysis
 - 1.7.2 Design
 - 1.7.3 Implementation
 - 1.7.4 Follow up
- 1.8 Special Journals
- 1.9 Subsidiary ledgers
- 1.10 Special journals and posting process
 - 1.10.1 Sales journal
 - 1.10.2 Returns inward journal
 - 1.10.3 Cash book
 - 1.10.4 Posting from the cash book
 - 1.10.5 General journal

Unit–2: Accounting for Fixed Assets and Intangibles

- 2.1 Property, plant and equipment
 - 2.1.1 Acquisition of plant assets
 - 2.1.2 Cost of property, plant and equipment
 - 2.1.3 Subsequent expenditure
- 2.2 Depreciation
 - 2.2.1 The concept
 - 2.2.2 Depreciation methods
 - 2.2.3 Straight line depreciation
 - 2.2.4 Units of output method
 - 2.2.5 Reducing balance method
 - 2.2.6 Declining balance method
 - 2.2.7 Sum of the years digits method
- 2.3 Disposal of Fixed assets
- 2.4 Intangibles assets
 - 2.4.1 Identifiable
 - 2.4.2 Unidentifiable
 - 2.4.3 Amortization
- 2.5 Natural Resources
 - 2.5.1 Depletion
 - 2.5.2 Disposal
- 2.6 Deferred charges

Unit–3: Partnerships

- 3.1 Partnerships, advantages and disadvantages
- 3.2 Partnership deed
- 3.3 Accounts of partnerships
- 3.4 Closing the partnership accounts at year-end
- 3.5 Partnership profits and income taxes
- 3.6 Dividing partnership net income
- 3.7 Dissolution of partnership
- 3.8 Liquidation of partnership

Unit–4: Corporation

- 4.1 What is corporation?
- 4.2 Advantages and disadvantages of corporation
- 4.3 Rights of stockholders
- 4.4 Stockholders equity
- 4.5 Cash dividend
- 4.6 What is capital stock, authorized and issued?
- 4.7 Common and preferred stock
- 4.8 Characteristics of preferred stocks
- 4.9 Market price and preferred & common
- 4.10 Role of underwriter
- 4.11 Issuance of stocks other than cash
- 4.12 Issuance of stocks at par, discount, and premium
- 4.13 Subscription to capital stocks
- 4.14 Donated capital
- 4.15 Book value per share of common stock

Unit-5: Corporations: Operations and Additional Stockholders Equity Transactions

- 5.1 Continued and discontinued operation
- 5.2 Changes in accounting principles
- 5.3 E.P.S. (Earning per share)
- 5.4 Primary and fully diluted E.P.S
- 5.5 Cash dividends - (Dates)
- 5.6 Liquidating dividends
- 5.7 Stock dividends
- 5.8 Stock split
- 5.9 Treasury stock
- 5.10 Statement of stock holders' equity
- 5.11 Retained earnings statement

Unit-6: Special Type of Liabilities

- 6.1 What are bonds?
- 6.2 Tax advantage of bonds financing
- 6.3 Bond interest
- 6.4 Accounting for bonds payable
 - 6.4.1 Issue at per
 - 6.4.2 Discount
 - 6.4.3 Premium
- 6.5 Years end adjustments for bond interest expenses
- 6.6 Bond sinking fund
- 6.7 Leases
- 6.8 Payroll
- 6.9 Contingent liabilities

Unit-7: Investment in Corporate Securities

- 7.1 Short-term and Long-term Investment
- 7.2 Investment in marketable securities
- 7.3 Accounting for Equity securities
- 7.4 Accounting for debt securities
 - 7.4.1 Characteristics of bonds Debt
 - 7.4.2 Classification of bonds
 - 7.4.3 Amortization of bond discount and premium
 - 7.4.4 Sale of investment
- 7.5 Reporting and disclosure of long term investments

Unit-8: Accounts of Holding Companies

- 8.1 Methods of combining business
- 8.2 Affiliated corporations
- 8.3 Reasons for holding subsidiaries
- 8.4 Wholly owned subsidiaries
- 8.5 Accounting for parent subsidiary affiliation
- 8.6 Recording intercompany transactions
- 8.7 Combining statements
- 8.8 Methods of accounting for consolidations

- 8.9 Consolidated balance sheet
- 8.10 Consolidated income statements
- 8.11 Other consolidated financial statements

Unit-9: Financial Analysis

- 9.1 Sources of financial information
- 9.2 Financial statements
 - 9.2.1 Multi step income statement
 - 9.2.2 Classified balance sheet
 - 9.2.3 Cash flow statement
- 9.3 Presentation of financial statements
 - 9.3.1 Normal form
 - 9.3.2 Common size
 - 9.3.3 Indexed
- 9.4 Horizontal analysis
- 9.5 Vertical analysis
- 9.6 Ratio analysis
- 9.7 Standards of comparison

Recommended Books:

1. Principles of Financial Accounting by Meigs & Meigs
2. Intermediate Accounting by Welsch, Newman and Zlatkovich
3. Accounting Information System by Rmney, Steinbart

