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Daffodil International University
Faculty of Business and Entrepreneurship
Department of Business Administration
Program: BBA

Semester: Spring 2026
Time: 1.5 Hours
Course Code: 0411-411
Section: 64-A

Examination: Mid Term
Full Marks: 25
Course Title: Advanced Financial Accounting
Teacher's Name: DSFA

Answer all the questions

Qns.1: Describe briefly the following: [CLO 1; Level 2] [5*1=5]

i) Outstanding share, ii) Cash dividend, ~~iii) Capital lease,~~ ~~iv) Circuit Breaker,~~ ~~v) Incremental borrowing rate~~

Qns.2: On January 1, 2025, Ehan Finance Limited signed an agreement to lease machine to Rohan Company. The information related to this agreement were as follows:

- ❖ The cost of the asset to the lessor is \$6,00,000, and its fair value as of January 1, 2025, is also \$6,00,000.
- ❖ The lease term is 5 years with ~~no~~ renewable option. The estimated economic life of the machine is 5 years.
- ❖ The appropriate party has to pay repair expense of \$3,000 per year.
- ❖ The agreement requires equal annual rental ~~x~~ payments, beginning on January 1, 2025.
- ~~❖~~ The lessee has committed to make the payments on time, while the lessor has taken the necessary steps to make the asset leasable.
- ❖ The implicit rate is 10% p.a.

Instructions:

[CLO 2; Level 3]

- (i) Use the above information in preparing an amortization schedule for the lessor for the lease term. [6]
- (ii) Use the information of amortization schedule in preparing the journal entries for the lessor for 2025, and 2026. [4]

Qns.3: On January 1, 2024, Mehazabien Company issued \$12,00,000 of 10-year, 8% convertible debentures for \$12,40,000. Interest is to be paid semi-annually on June 30 and December 31. Each \$500 debenture can be converted into three shares of Mehazabien Company \$100 par value common stock. On January 1, 2025, 25% of debentures were converted into common stock, which was then selling at \$105. An additional \$80,000 of debentures were converted on April 30, 2025.

The market price of the common stock was then \$104. Accrued interest at April 30, 2025 had been paid on the next payment date.

Instructions: Examine the above information in preparing journal entries for: [CLO 3; Level 4] [10]

- (i) January 1, 2024
- (ii) June 30, 2024
- (iii) January 1, 2025
- (iv) April 30, 2025
- (v) June 30, 2025

***** All the Best*****