

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

Semester: Spring 2026

Time: 2 Hours

Course Code: 0411-411

Section: 64-A

Examination: Final

Full Marks: 40

Course Title: Advanced Financial Accounting

Teacher's Name: DSFA

Answer all the questions

Qns.1: Describe briefly the following: [CLO 1; Level 2] [10*1=10]

i) Right share, ii) Lot, iii) Statutory merger, iv) Stock split, v) EPS, vi) BSEC, vii) Direct-financing lease, viii) Retained earnings, ix) BO account, x) Residual value

Qns.2: Arhaan Company acquired all the assets and liabilities of Ramin Company on January 1, 2025, in exchange for 20,000 shares of Arhaan Company's \$30 par value common stock. Balance sheet data for both companies just before the merger are given as follows:

Item	Arhaan Company		Ramin Company	
	Book value	Fair value	Book value	Fair value
Cash	\$2,50,000	\$2,60,000	\$1,60,000	\$60,000
Accounts Receivable	1,00,000	1,50,000	1,40,000	1,20,000
Inventory	2,00,000	3,50,000	2,20,000	3,20,000
Land	3,00,000	2,60,000	90,000	60,000
Buildings and Equipment	10,00,000	10,50,000	7,00,000	7,00,000
Less: Accumulated depreciation	(6,00,000)	-	(2,00,000)	-
Total Assets	\$12,50,000	\$20,70,000	\$11,10,000	\$12,60,000
Accounts Payable	\$2,00,000	\$1,50,000	\$50,000	\$40,000
Bonds payable	4,00,000	4,30,000	4,00,000	4,10,000
Common stock				
\$30 par value	4,50,000			
\$10 par value			3,00,000	
Additional paid in capital	50,000		60,000	
Retained earnings	1,50,000		3,00,000	
Total Liabilities and Equities	\$12,50,000		\$11,10,000	

Arhaan Company's shares were selling for \$180 on the date of acquisition.

Requirements:

[CLO 2; Level 3]

(i) Use the above information in preparing the journal entries to record the acquisition on Arhaan Company's books. [3]

(ii) Use the above information in preparing a balance sheet for the combined company following the business combination. [7]

Qns.3: On January 1, 2024, Manzar Company signed a lease agreement to lease an equipment to Farhan Company on the following terms and conditions:

- The term of the lease is five years. The equipment has an estimated economic life of five years.
- The equipment should be returned back to the lessor at the end of the lease term.
- At the beginning of the lease, the equipment has a fair value of \$4,20,000.
- The lease agreement requires equal annual rental payments of \$97,122, beginning on January 1, 2024.
- The lessee is responsible to pay maintenance expense of \$3,000 per year.
- The incremental borrowing rate is 10% per year.

Requirements: [CLO 2; Level 3]

- (i) Use the above information in preparing an amortization schedule for the lessee for the lease term. [6]
- (ii) Use the information of amortization schedule in preparing the journal entries for the lessee for 2024, and 2025. [4]

Qns. 4: Adyan Company acquired 100 percent of Sunerah Company's stock on December 31, 2024. Balance sheet data for Adyan Company and Sunerah Company on January 1, 2025, are as follows:

	Adyan Company	Sunerah Company
Cash	\$1,50,000	\$60,000
Accounts Receivables	90,000	30,000
Inventory	4,50,000	7,00,000
Buildings (net)	6,15,000	2,40,000
Investment in Sunerah Stock	2,10,000	-
Total Assets	\$15,15,000	\$10,30,000
Current Liabilities	\$3,00,000	\$3,30,000
Long-Term Debt	6,00,000	5,00,000
Common Stock	4,50,000	1,80,000
Retained Earnings	1,65,000	20,000
Total Liabilities and Stockholders' Equity	\$15,15,000	\$10,30,000

At the date of the business combination, Sunerah's accounts receivables had a fair value of \$37,000, inventory had a fair value of \$6,95,000, and buildings had a fair value of \$2,48,000.

Requirements: [CLO 3; Level 4]

- (i) Examine the above information in preparing the elimination entries needed to prepare a consolidated balance sheet on January 1, 2025. [2]
- (ii) Examine the above information in preparing a consolidated balance sheet worksheet. [8]

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