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

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

Trimester: Summer 2026
Time: 1.5 Hours
Course Code: 0411-411
Section: 65-A/65-B

Answer all the questions

[CLO 1; Level 2] [5*1=5]

Qns.1: Describe briefly the following:

i) Authorized share, ii) P-E ratio, iii) Sales-type lease, iv) IPO, v) Executory cost

Qns.2: On January 1, 2025, Rehan Company signed a lease agreement to lease a machine to Adyan Company on the following terms and conditions:

- The term of the lease is five years. The machine has an estimated economic life of five years.
- At the end of the lease term, the machine should be returned back to the lessor.
- At the beginning of the lease, the machine has a fair value of $3,00,000.
- The lease agreement requires equal annual rental payments of $65,000, beginning on January 1, 2025.
- The lessee is responsible to pay repair expense of $1,000 per year.
- The incremental borrowing rate is 12% per year.

[CLO 2; Level 3]

Requirements:

(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 2025, and 2026. [4]

Qns.3: On January 1, 2025, Malaika Corporation issued $8,00,000 of 12-year, 6% convertible debentures at 105. Interest was payable annually on December 31. Each $800 debenture was convertible into five shares of Malaika Corporation's $100 par value common stock. On January 1, 2026, 20% of the debentures were converted into common stock, when the stock was trading at $108 per share. Subsequently, on February 28, 2026, an additional $40,000 of debentures were converted into common stock, with the market price at $106 per share. Accrued interest at February 28, 2026, had been paid on the same date.

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

(i) January 1, 2025
(ii) December 31, 2025
(iii) January 1, 2026
(iv) February 28, 2026
(v) December 31, 2026