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

Semester: Spring 2026 | **Examination: Mid Term**
Time: 1.5 Hours | **Full Marks: 25**
Course Code: 0411-411 | **Course Title: Advanced Financial Accounting**
Section: 64-A | **Teacher's Name: DSFA**

<u>Answer all the questions</u>

<u>Qns.1</u>: 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

<u>Qns.2</u>: 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 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]**

<u>Qns.3</u>: 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*******