Daffodil International University

Faculty of Business and Entrepreneurship

Department of Business Administration

Program: BBA

Semester: Fall, 2025 | Examination: Midterm

Time: 1 hour 30 Mins | Full Marks – 25

Course Code: 325 | Course Title: Intermediate Accounting

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Answer all the ~~follow~~ questions

Question: 1

(a) **Summarize** the main idea of the Revenue Recognition Principle.

(b) **Explain** the meaning of accounts receivable and notes receivable.

(c) **Describe** the factors involved in the Depreciation Computation.

(CLO-1, L-2)[2+1+2= 5]

Question: 2

Silverpeak Mining Company's books show a cash balance at the Denver National Bank on November 30 of $15,840. The bank statement for November shows an ending balance of $17,600. From examination of the company's records and the November bank statement, the following items were identified:

a. *A deposit of $2,450 that* Silverpeak mailed on November 30 does not appear on the bank *statement.*

b. *Checks written in* November but not yet charged by the bank are:

- *Check #8450* — $1,200
- *Check #8472* — $2,300
- *Check #8473* — $124

c. The bank collected interest on Silverpeak's securities $420, which Silverpeak has not yet recorded.

d. Bank service charges of $25 have not yet been recorded on Silverpeak's books.

e. The bank returned one of Silverpeak's customer's checks for $310 marked "NSF"; the bank treated it as a disbursement. Silverpeak has not yet recorded this NSF.

f. Silverpeak discovered it recorded check #8448 (written for $256) payment of an account payable, had been incorrectly recorded in its books as $562.

g. A check for Baker Co. in the amount of $195 that had been incorrectly charged to Silverpeak accompanied the bank statement.

Required: Prepare a bank reconciliation statement as of November 30, 2024. (CLO-2, L-3) [5]

Question: 3

On January 1, 2025, BlueRock Construction Ltd. purchased a bulldozer to support its new site operations. The following information is available for the bulldozer:

Cost of bulldozer	$180,000
Estimated useful life	5 years
Estimated residual value	$15,000
Estimated productive life	25,000 operating hours
Actual hours used in Year 1	5,000 hours

Required: Compute the depreciation expense for Year 1 using the following methods:

a) Activity (units-of-production) method

b) Straight-line method

c) Sum-of-the-years'-digits method

(CLO-2,L-3) [1+2+2=5]

Question: 4

(a) On June 5, Highland Metals, Inc. sold merchandise to Riverside Co. having a sales price of $3,500 with terms 3/15, n/60. An invoice totaling $120, terms n/30, was received by Riverside on June 6 from BlueLine Transport for the freight cost. On June 14, Highland Metals received a check for the balance due from Riverside.

Instructions: Required

(i). Prepare journal entries on Highland Metals' books to record the sale and the cash collection for all events above under each of the following bases:

1. Sales and receivables are entered at the gross selling price.

2. Sales and receivables are entered at the net of cash discounts.

(ii). Prepare the journal entry under basis (a)(2) (net method), assuming Riverside did not get payment until July 22.

(b) Manilow Corporation operates in an industry that has a high rate of bad debts. Before any year-end adjustments, the balance in Manilow's Accounts Receivable was $620,000 and Allowance for Doubtful Accounts had a credit balance of $25,000. The year-end balance reported in the statement of financial position for Allowance for Doubtful Accounts will be based on the following aging schedule.

Days Account Outstanding	Amount	Probability of Collection
Less than 16 days	340000	.98
16-30 days	120000	.90
31-45 days	90000	.85
46-60 days	45000	.80
61-75 days	20000	.55
Over 75 days	5000	.00

Instructions: Required

a. What is the appropriate balance for Allowance for Doubtful Accounts at year-end?
b. Show how accounts receivable would be presented on the statement of financial position.

(CLO-3, L-4)[5+5=10]