

**Bangladesh Open University**  
**MBA Program**  
**Semester: 162 (4<sup>th</sup> Level)**

Course: Accounting for Governmental and Non-Profit Organizations

Due on: October 20, 2017

**Instructions**

- Answer all the questions in your own handwriting on A4 size white paper.
- The assignment must be submitted on the assigned date to the Coordinator of the study center you are attached with.
- Spiral binding is strictly prohibited. Instead, transparent folder or file cover or any other soft binding may be used.

**Questions**

1. (a) How does the modified accrual basis of accounting differ from the accrual basis?  
 (b) “Governmental and not-for-profit organizations do not differ significantly from for-profit organizations and therefore should follow for-profit accounting and reporting standards.” Do you agree or disagree with this statement? Why or why not?
2. (a) Describe the business-type activities of a state or local government and explain how and why accounting and financial reporting for business-type activities differ from those for governmental activities  
 (b) The Village of Nassau issued a 3-year, 6 percent note in the amount of \$100,000 to finance the purchase of vehicles for the Public Works Department.

**Required :**

- (i) Record the issuance of the \$100,000 note in the General Fund and the governmental activities general journals.
  - (ii) Record the purchase of vehicles in the amount of \$100,000 in the General Fund and governmental activities general journals.
  - (iii) Explain why the accounting treatment is different in the General Fund and governmental activities general journals.
3. (a) In what ways does the government-wide statement of net assets differ from the balance sheet for governmental funds?  
 (b) The Village of Baxter uses the purchases method of accounting for its inventories of supplies in the General Fund. GASB standards, however, require that the consumption method be used for the government-wide financial statements. Because its computer system is very limited, the Village uses a periodic inventory system, adjusting inventory balances based on a physical inventory of supplies at year-end. When supplies are received during the year, the Village records expenditures and expenses in the general journals of the General Fund and governmental activities, respectively. The Village’s inventory records showed the following information for the fiscal year ending December 31, 2016:

Balance of inventory, December 31, 2016	\$140,000
Purchases of inventory during 2016	720,000
Balance of inventory, December 31, 2016	155,000

**Required :**

- (i) Provide the required adjusting entries at the end of 2016, assuming that the December 31, 2016, balance of Inventory of Supplies has been confirmed by physical count. Make entries in the general journals of both the General Fund (omitting subsidiary detail) and governmental activities at the government-wide level.
- (ii) Assume that the General Fund uses the consumption method for reporting inventories of supplies rather than the purchases method. Make the required adjusting entries for the General Fund and governmental activities at the government-wide level.

**Note: Submit your assignment to the Coordinator of the Study Center you are attached with.**

## Bangladesh Open University

### MBA Program Semester: 162 (4<sup>th</sup> Level)

Course: Accounting for Governmental and Non-Profit Organizations Due on: December 15, 2017

(Assignment is to be presented in own handwriting on A4 size white pages)

1. (a) How are general long-term liabilities distinguished from other long-term liabilities of the government? How does the financial reporting of general long-term liabilities differ from the financial reporting of other long-term liabilities?
- (b) The City of Jamestown has agreed to acquire a new city maintenance building under a capital lease agreement. At the inception of the lease, a payment of \$100,000 is to be made; nine annual lease payments, each in the amount of \$100,000, are to be made at the end of each year after the inception of the lease. The total amount to be paid under this lease, therefore, is \$1,000,000. The town could borrow this amount for nine years at the annual rate of 8 percent; therefore, the present value of the lease at inception, including the initial payment, is \$724,689. Assume that the fair value of the building at the inception of the lease is \$750,000.

**Required:**

- (i) Show the entry that should be made in a capital projects fund at the inception of the lease after the initial payment has been made.
  - (ii) Show the entry that should be made at the inception of the lease in the government activities journal.
  - (iii) Show the entry that should be made in the debt service fund and governmental activities journal to record the second lease payment.
2. (a) Explain the distinction(s) between agency funds and trust funds.
  - (b) The Village of Dover administers a defined benefit pension plan for its police and fire personnel. Employees are not required to contribute to the plan. The village received from the actuary and other sources the following information about the Public Safety Employees' Pension Fund as of December 31, 2016.

<u>Item</u>	<u>Amount</u>
Annual required contribution	\$ 606,700
Net pension obligation, 1/1/2016	535,700
Present value of net pension obligation as of 1/1/2016	268,920
Interest rate applicable to beginning net pension obligation	7%

**Required:**

Assuming that the Village of Dover contributes \$385,000 cash to the plan on December 31, 2016, calculate the employer's

- (i) Annual pension cost.
- (ii) Net pension obligation, as of December 31, 2016.

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3. (a) What are the three levels of audit to which a government or not-for-profit entity may be subject? Who is responsible for setting the standards or requirements for each of the three levels identified?

- (b) Elizabeth College, a small private college, had the following transactions in fiscal year 2016.
1. Billings for tuition and fees totaled \$5,600,000. Tuition waivers and scholarships of \$61,500 were granted. Students received tuition refunds of \$101,670.
  2. During the year the college received \$1,891,000 cash in unrestricted private gifts, \$575,200 cash in temporarily restricted grants, and \$1,000,000 in securities for an endowment.
  3. A pledge campaign generated \$626,000 in unrestricted pledges, payable in fiscal year 2017.
  4. Auxiliary enterprises provided goods and services that generated \$94,370 in cash.
  5. Collections of tuition receivable totaled \$5,380,000.
  6. Unrestricted cash of \$1,000,000 was invested.
  7. The college purchased computer equipment at a cost of \$10,580.
  8. During the year the following expenses were paid:

Instruction	\$3,866,040
Academic support	1,987,000
Student services	87,980
Institutional support	501,130
Auxiliary enterprises	92,410

9. Instruction provided \$450,000 in services related to the temporarily restricted grant recorded in transaction 2.
10. At year-end, the allowance for uncollectible tuition and fees was increased by \$7,200. The fair value of investments had increased \$11,540; of this amount, \$3,040 was allocated to permanently restricted net assets, the remainder was allocated to unrestricted net assets. Depreciation on plant and equipment was allocated \$34,750 to instruction, \$41,000 to auxiliary enterprises, and \$12,450 to academic support.
11. All nominal accounts were closed.

**Required:**

- (i) Prepare journal entries in good form to record the foregoing transactions for the fiscal year ended June 30, 2016.
- (ii) Prepare a statement of activities for the year ended June 30, 2016. Assume beginning net asset amounts of \$7,518,000 unrestricted, \$200,000 temporarily restricted, and \$5,000,000 permanently restricted.

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