

VICTORIA UNIVERSITY OF BANGLADESH

HOSPITALITY FINANCE & COST ACCOUNTANCY

HM 540

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FINAL EXAM

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Question No :01

What are the purposes of a trial balance?

[Answer to the question no: 01](#)

A trial balance is a list of accounts and their balances at a given time. The primary purpose of a trial balance is to prove (check) that the debits equal the credits after posting. A trial balance also facilitates the discovery of errors in journalizing and posting. In addition, it is useful in preparing financial statements. The debit and credit sides of trial balance must be equal to indicate that maintenance of the ledger accounts under the double entry system is accurate. The purposes of a trial balance includes:

Balancing of Books: The ending balances of all accounts of an entity for a given financial period are summarized in the trial balance. To ensure that the balances of the various business accounts are correct, the debit and credit totals must be equal. If this is not the case, then some of the individual accounts are incorrect and hence company must carry out adjustments to address this anomaly.

Identify Errors: Errors can be committed when preparing books of accounts. For example, employees who prepare the accounts may make mistakes in adding the entries. Various errors can be committed when preparing the books of accounts, such as errors of omission and commission. However-, the trial balance mainly detects arithmetical errors. Failure of the debit and credit sides of the trial balance to agree indicates that errors exist in the books of account.

Question No :02

what is accounting? Write down the importance of accounting?

[Answer to the question no: 02](#)

Accounting is the process of identifying, recording and communicating the economic events of an organization to interested users of the information.

Accounting is the systematic and comprehensive recording of financial transactions. pertaining to a business. Accounting also refers to the process of summarizing, analyzing and reporting these transactions.

Accounting is defined by the **American Institute of Certified Public Accountants (AICPA)** as "the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of financial character, and interpreting the results thereof."

Accounting is an information system that provides reports to stakeholders about the economic activities and conditions of a business. -**Warren Reeve Fess.**

Accounting may be best defined as identification, measurement and communication of financial information about economic entities to interested persons. -**Donald Kieso, Jerry Weygandt, Terry Warfield.**

So, Accounting is the system of recording and summarizing business and financial transactions and analyzing, verifying and reporting the results.

The role of accounting in business is to help interested parties, both internal and external, to make business decisions. The importance of accounting in business is as follows:

1. Recording Transactions: A major use of accounting is for the recording of transactions. This function of accounting is also known as bookkeeping. Small business owners use financial accounting to record business activity in the company's ledger. Because financial accounting uses the double-entry system, each transaction affects two accounts, representing the two sides to a transaction. This use of accounting is important to small-business owners because it provides a methodological approach to describing the activities of business.

2. Communicating information -External: Business owners use accounting to communicate information to external parties. People and organizations that use the financial information of a company, but are not part of the company, are known as external users of financial statements. Owners communicate the financial health and well-being of a company to external users through the financial statements, which are the end result of recording financial accounting transactions. External users will examine the financial statements and compare the results to their own expectations, forming an assessment of the company. Common external users include banks, suppliers and leasing companies.

3. Communicating Information- Internal: While managerial accounting is more geared towards internal users, financial accounting is also used for internal information communication. Internal users of financial accounting information include the finance team and employees who may be interested in profit-sharing or stock-based compensation agreements. Small-business owners can use financial accounting information to share company strengths and weaknesses with employees.

4. Analysis and Comparison: Business owners may use accounting information to analyze competitors and evaluate Investment opportunities. Because financial accounting is governed by generally accepted accounting principles, the financial statements of different companies are comparable to one another. This basis for comparability provides a standard method of analysis. Company owners can compute financial ratios using the company's financial statements, and compare the ratios to benchmarks or other competitors.

5. Prevention of fraud and discovery of fraud: Fraud can only be discovered and prevented where there is a good internal control in place. Accounting and accounting information system is the only way of keeping track of all events and help organization to establish a good internal control.

Question No :03

What do you mean by Adjustment entries?

[Answer to the question no: 03](#)

Adjusting entries: Entries made at the end of an accounting period to ensure that companies follow the revenue recognition and matching principles. An entry in financial reporting that occurs at the end of a reporting period to record any unrecognized income or expenses for the period. When a transaction is started in one accounting period and finished in a later period, an adjusting journal entry is required to properly account for the transaction. Adjusting entries are journal entries usually made at the end of an accounting period to allocate income and expenditure to the period in which they actually occurred.

Question No :04

What do you mean by work sheet?

[Answer to the question no: 04](#)

Worksheet A multiple-column form that may be used in making adjusting entries and in preparing financial statements. An accounting worksheet is large table of data which may be prepared by accountants as an optional intermediate step in an accounting cycle. The main purpose of a worksheet is that it reduces the likelihood of forgetting an adjustment and it reveals arithmetic errors. A worksheet acts as a tool for an accountant and it is not usually intended to be used by third parties. It is an informal document.

A typical worksheet consists of a column on the left showing main account titles and 10 more columns of debits and credits showing trial balance, adjustments, adjusted trial balance, incomes statement and balance sheet.

A worksheet or also known as extended trial balance is a business form containing multiple columns that is sometimes prepared in the concluding stages of accounting cycle. It is prepared after unadjusted trial balance is extracted from the ledger's balances. Major purpose of the worksheet is to incorporate adjustments to the closed accounts in a structured manner following a certain format. Worksheets are prepared in situations where adjustments are in large number and it helps in reducing accounting and arithmetic errors in finalizing accounts.

Question No :05

Explain the purpose of work sheet?

[Answer to the question no: 05](#)

The purpose of work sheet

Chart of Accounts: Every company keeps a chart of accounts that lists every account the company has. It is divided into five sections: assets, liabilities, equity, revenue and expenses. Each of these accounts is in the company's general ledger, where balances of each account are maintained. An accounting worksheet begins by listing each account and the balance each account has.

Adjusting Entries: One main purpose of an accounting worksheet is to record adjusting entries. Adjusting entries are made at the end of each period. They are not normal everyday-type entries they only take place at the end of a month or period. Examples of adjusting entries are those adjusting for supplies used, insurance used, revenue earned and interest earned. These entries are recorded on the worksheet.

Trial Balance: After adjusting entries are made, each account is updated on the worksheet. If an account had an adjusting entry, the previous amount in that account needs to be adjusted. If no adjusting entry is made to an account, the same balance transfers over to this column. The worksheet helps to keep the company's ledger in balance.

Closing Entries: The worksheet is a 10- column ledger and is also used to calculate and record closing entries. Books are always closed at the end of every fiscal year, and the worksheet aids the closing process.

Financial Statements: One of the primary uses for a worksheet is for the information it contains. After making adjusting entries and finalizing closing entries, the business can generate financial statements. The worksheet contains all the information needed to prepare these statements. After preparing the financial statements, the company begins a new worksheet for the following year.