Course Title: Accounting Principles 1	**University of Palestine**	**Instructor Name: Yousef El-Mudallal**
Date:29/11/2016		**Student Name: _____**
No. of Questions: (3)	**2nd MidtermExam.**	**College Name: IT**
Time:1 hours	**1st Semester2016**	**Dep. / Specialist: _____**
Using Calculator (Yes)	**Total Grade: 15**	**Using Dictionary (No)**

Answer the following questions:

Q.1: Choose the correct answer **5 marks**

1. The matching principle matches
   a. customers with businesses.
   b. expenses with revenues.
   c. assets with liabilities.
   d. creditors with businesses.

2. Adjusting entries are required
   a. yearly.
   b. quarterly.
   c. monthly.
   d. every time financial statements are prepared.

3. Accrued expenses are
   a. paid and recorded in an asset account before they are used or consumed.
   b. paid and recorded in an asset account after they are used or consumed.
   c. incurred but not yet paid or recorded.
   d. incurred and already paid or recorded.

4. An adjusting entry
   a. affects two balance sheet accounts.
   b. affects two income statement accounts.
   c. affects a balance sheet account and an income statement account.
   d. is always a compound entry.

5. The time period assumption states that
   a. a transaction can only affect one period of time.
   b. estimates should not be made if a transaction affects more than one time period.
   c. adjustments to the enterprise's accounts can only be made in the time period whenthe business terminates its operations.
   d. the economic life of a business can be divided into artificial time periods.

Q.2:Answer thefollowingquestion **5marks**

The ledger of Piper Rental Agency on March 31 of the current year includes the following selected accounts before adjusting entries have been prepared.

	Debit	**Credit**
Prepaid Insurance	$ 3,600	
Supplies	2,800	
Equipment	25,000	
Accumulated Depreciation—Equipment	$ 8,400	
Notes Payable		20,000
Unearned Rent Revenue		9,900
Rent Revenue		60,000
Interest Expense	–0–	

Wages Expense 14,000

An analysis of the accounts shows the following.

1. The equipment depreciates $400 per month.
2. One-third of the unearned rent revenue was earned during the quarter.
3. Interest of $500 is accrued on the notes payable.
4. Supplies on hand total $700.
5. Insurance expires at the rate of $200 per month.

Instructions

Prepare the adjusting entries at March 31, assuming that adjusting entries are made quarterly. Additional accounts are: Depreciation Expense, Insurance Expense, Interest Payable, and Supplies Expense.

Q.2:Answer the followingquestion **5 marks**

The adjusted trial balance of Party Piano Tuning Service, Inc., at fiscal year-endDecember 31, 2017, follows:

Adjusted Trial Balance December 31, 2017		
Account Title	**Debit**	**Credit**
Cash	$ 12,600	
Accounts receivable	10,800	
Supplies	1,900	
Equipment	25,900	
Accumulated depreciation – Equipment		$ 12,500
Accounts payable		3,300
Unearned service revenue		4,700
Salary payable		800
Note payable		14,000
Common stock		1,800
Retained earnings		11,800
Dividends	38,000	
Service revenue		65,000
Depreciation expense	5,600	
Salary expense	9,600	
Utilities expense	3,900	
Insurance expense	3,700	
Supplies expense	1,900	
Total	$113,900	$113,900

Requirements

1. Prepare Party's 2017 income statement.
2. Prepare the statement of retained earnings for the year.
3. Prepare the year-end financial position (balance sheet).