


Course No: BUS 1302
Course Title: Principles of
Accounting 1
Date: 27/05/2014
No. of Questions: (5)
Time: 2hours
Using Calculator (Yes)

University of Palestine

Final Exam
2nd Semester 2013/2014
Total Grade:

Instructor Name: Laila Aldoor
Student No.: _____
Student Name: _____
College Name: Business and Finance
Dep. / Specialist: Accounting-English
Using Dictionary (No)

Question One:

(10 Marks)

Multiple Choice Questions:

1- The closing process involves separate entries to close (1) expenses, (2) drawings, (3) revenues, and (4) income summary. The correct sequencing of the entries is:

- a. (4), (3), (2), (1) b. (3), (1), (4), (2) c. (1), (2), (3), (4) d. (3), (2), (1), (4)

2- In the unadjusted trial balance of its worksheet for the year ended December 31, 2012, Taitum Company reported Equipment of \$120,000. The year-end adjusting entries require an adjustment of \$15,000 for depreciation expense for the equipment. After adjustment, the following adjusted amount should be reported:

- a. A debit of \$105,000 for Equipment in the balance sheet column.
b. A credit of \$15,000 for Depreciation Expense— Equipment in the income statement column.
c. A debit of \$120,000 for Equipment in the balance sheet column.
d. A debit of \$15,000 for Accumulated Depreciation— Equipment in the balance sheet column.

3- An account that will have a zero balance after closing entries have been journalized and posted is:

- a. Service Revenue. c. Prepaid Insurance b. Supplies. d. Accumulated Depreciation—Equipment.

4- The proper order of the following steps in the accounting cycle is:

- a. prepare unadjusted trial balance, journalize transactions, post to ledger accounts, journalize and post adjusting entries.
b. journalize transactions, prepare unadjusted trial balance, post to ledger accounts, journalize and post adjusting entries.
c. journalize transactions, post to ledger accounts, prepare unadjusted trial balance, journalize and post adjusting entries.
d. prepare unadjusted trial balance, journalize and post adjusting entries, journalize transactions, post to ledger accounts.

5- Under a perpetual inventory system, when goods are purchased for resale by a company:

- a. purchases on account are debited to Inventory.
b. purchases on account are debited to Purchases.
c. purchase returns are debited to Purchase Returns and Allowances.
d. freight costs are debited to Freight-out.

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6- If sales revenues are \$400,000, cost of goods sold is \$310,000, and operating expenses are \$60,000, the gross profit is:

- a. \$30,000. c. \$340,000. b. \$90,000. d. \$400,000.

7- If beginning inventory is \$60,000, cost of goods purchased is \$380,000, and ending inventory is \$50,000, cost of goods sold is:

- a. \$390,000. c. \$330,000. b. \$370,000. d. \$420,000.

8- To record the sale of goods for cash in a perpetual inventory system:

- a. only one journal entry is necessary to record cost of goods sold and reduction of inventory.
b. only one journal entry is necessary to record the receipt of cash and the sales revenue.
c. Two journal entries are necessary: one to record the receipt of cash and sales revenue, and one to record the cost of goods sold and reduction of inventory.
d. Two journal entries are necessary: one to record the receipt of cash and reduction of inventory, and one to record the cost of goods sold and sales revenue.

9- A credit sale of \$750 is made on June 13, terms 2/10, net/30. A return of \$50 is granted on June 16. The amount received as payment in full on June 23 is:

- a. \$700. c. \$685. b. \$686. d. \$650.

10- The sales accounts that normally have a debit balance are:

- a. Sales Discounts. b. Sales Returns and Allowances.
c. Both (a) and (b). d. Neither (a) nor (b).

11- In periods of rising prices, LIFO will produce:

- a. higher net income than FIFO. b. the same net income as FIFO.
c. lower net income than FIFO. d. higher net income than average costing.

12- Atlantis Company's ending inventory is understated \$4,000. The effects of this error on the current year's cost of goods sold and net income, respectively, are:

- a. understated, overstated. b. overstated, understated.
c. overstated, overstated. d. understated, understated.

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13- Rickety Company purchased 1,000 widgets and has 200 widgets in its ending inventory at a cost of \$91 each and a current market price of \$80 each. The ending inventory under lower-of-cost-or-market is:

- a. \$91,000. b. \$80,000. c. \$18,200. d. \$16,000.

14- Cost of goods available for sale consists of two elements: beginning inventory and

- a. ending inventory. b. cost of goods purchased. c. cost of goods sold. d. All of the above.

15- Which of the following should *not* be included in the physical inventory of a company?


- a. Goods held on consignment from another company.
 b. Goods shipped on consignment to another company.
 c. Goods in transit from another company shipped FOB shipping point.
 d. None of the above.

Question Two: (15 Marks)

The trial balance columns of the worksheet for Tinoisamoa Company at June 30, 2012, are as follows.

TINOISAMOA COMPANY		
Worksheet For the Month Ended June 30, 2012 Trial Balance		
<i>Account Titles</i>	<i>Dr.</i>	<i>Cr.</i>
<i>Cash</i>	<i>\$2,320</i>	
<i>Accounts Receivable</i>	<i>2,440</i>	
<i>Supplies</i>	<i>1,880</i>	
<i>Accounts Payable</i>		<i>\$1,120</i>
<i>Unearned Service Revenue</i>		<i>240</i>
<i>Owner's Capital</i>		<i>3,600</i>
<i>Service Revenue</i>		<i>2,400</i>
<i>Salaries and Wages Expense</i>	<i>560</i>	
<i>Miscellaneous Expense</i>	<i>160</i>	
<i>Total</i>	<i>\$7,360</i>	<i>\$7,360</i>

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Other data:

1. A physical count reveals \$500 of supplies on hand.
2. \$100 of the unearned revenue is still unearned at month-end.
3. Accrued salaries are \$210.
4. A bill for customer services of 200\$, was debited to AR for 20\$ and credited for service revenue of 20\$.

Required:

- (a) Prepare the adjusting entries, adjusted trial balance and closing entries.
- (b) Prepare income statement for the month ended June 30, 2012.

Question Three:

(5 Marks)

The following information is available for Karr Bowling Alley at December 31, 2012.

Buildings \$128,800, Accumulated Depreciation—Buildings 42,600, Owner's Capital \$115,000, Accounts Receivable 14,520, Prepaid Insurance 4,680, Accounts Payable 12,300, Equipment 62,400, Accumulated Depreciation—Equipment 18,720, Cash 18,040, Notes Payable 97,780, Land 64,000, Interest Payable 2,600, Insurance Expense 780, Bowling Revenues 14,180, Depreciation Expense 7,360, Interest Expense 2,600.

Required: Prepare a classified statement of financial position; assume that \$13,900 of the notes payable will be paid in 2013.

Question Four:

(15 Marks)

Gacis Company had a beginning inventory on January 1 of 150 units of Product XYZ at a cost of \$20 per unit. During the year, the following purchases were made.

Mar. 15 400 units at \$23

Sept. 4 350 units at \$26

July 20 250 units at \$24


Dec. 2 100 units at \$29

Note: 1,000 units were sold. Gacis Company uses a periodic inventory system.

Required:

- (a) Determine the cost of goods available for sale.
- (b) Determine (1) the ending inventory and (2) the cost of goods sold under each of the assumed cost flow methods (FIFO, LIFO, and average-cost).

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Question Five:

(15 Marks)

O'Quinn Co. distributes suitcases to retail stores and extends credit terms of 1/10, n/30 to all of its customers. At the end of June, O'Quinn's inventory consisted of suitcases costing \$1,200. During the month of July, the following merchandising transactions occurred:

- July 1 Purchased suitcases on account for \$1,800 from Emerson Manufacturers, FOB destination, terms 2/10, n/30. The appropriate party also made cash payment of \$100 for freight on this date.
- July 3 Sold suitcases on account to Straume Satchels for \$2,000. The cost of suitcases sold is \$1,200.
- July 9 Paid Emerson Manufacturers in full.
- July 12 Received payment in full from Straume Satchels.
- July 17 Sold suitcases on account to The Going Concern for \$1,800. The cost of the suitcases sold was \$1,080.
- July 18 Purchased suitcases on account for \$1,900 from Hume Manufacturers, FOB shipping point, terms 1/10, n/30. The appropriate party also made a cash payment of \$125 for freight on this date.
- July 20 Received \$300 credit (including freight) for suitcases returned to Hume Manufacturers.
- July 21 Received payments in full from The Going Concern.
- July 22 Sold suitcases on account to Desmond's for \$2,250. The cost of suitcases sold was \$1,350.
- July 30 Paid Hume Manufacturers in full.
- July 31 Granted Desmond's \$200 credit for suitcases returned costing \$120.

Required:

Journalize the transactions for the month of July for O'Quinn using a perpetual inventory system.

End of Questions
Good Luck