

Course No:
Course Title: Accounting
Principal 1
Date: 23 / 5/ 2015
No. of Questions: 5
Time: 2 hour

University of Palestine



Final Exam
2^{ed} quadmester 2015
Total Grade: 60

Instructor Name: Ibrahim

Sammour

Student No.: _____

Student Name: _____

College Name: _____

Dep. / Specialist: _____

First Question

(10/60)

Chose the best alternative:

- 1. Payment of an account payable affects the components of the accounting equation in the following way.**
 - a. Decreases owner's equity and decreases liabilities.
 - b. Increases assets and decreases liabilities.
 - c. Decreases assets and increases owner's equity.
 - d. Decreases assets and decreases liabilities.
- 2. Accounts that normally have debit balances are:**
 - a. assets, expenses, and revenues.
 - b. assets, expenses, and owner's capital.
 - c. assets, liabilities, and owner's drawings.
 - d. assets, owner's drawings, and expenses.
- 3. The time period assumption states that:**
 - a. revenue should be recognized in the accounting period in which it is earned.
 - b. expenses should be matched with revenues.
 - c. the economic life of a business can be divided into artificial time periods.
 - d. the fiscal year should correspond with the calendar year.
- 4. Adjustments for prepaid expenses:**
 - a. decrease assets and increase revenues.
 - b. decrease expenses and increase assets.
 - c. decrease assets and increase expenses.
 - d. decrease revenues and increase assets.
- 5. Adjustments for unearned revenues:**
 - a. decrease liabilities and increase revenues.
 - b. have an assets and revenues account relationship.
 - c. increase assets and increase revenues.
 - d. decrease revenues and decrease assets.
- 6. Accumulated Depreciation is:**
 - a. a contra asset account.
 - b. an expense account.
 - c. an owner's equity account.
 - d. a liability account.
- 7. In a worksheet, net income is entered in the following columns:**
 - a. income statement (Dr) and balance sheet (Dr).
 - b. income statement (Cr) and balance sheet (Dr).
 - c. income statement (Dr) and balance sheet (Cr).
 - d. income statement (Cr) and balance sheet (Cr).

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8. An account that will have a zero balance after closing entries have been journalized and posted is:
- Service Revenue.
 - Supplies.
 - Prepaid Insurance.
 - Accumulated Depreciation—Equipment.
9. When a net loss has occurred, Income Summary is:
- debited and Owner's Capital is credited.
 - credited and Owner's Capital is debited.
 - debited and Owner's Drawings is credited.
 - credited and Owner's Drawings is debited.
10. When Alexander Company purchased supplies worth \$500, it incorrectly recorded a credit to Supplies for \$5,000 and a debit to Cash for \$5,000. Before correcting this error:
- Cash is overstated and Supplies is overstated.
 - Cash is understated and Supplies is understated.
 - Cash is understated and Supplies is overstated.
 - Cash is overstated and Supplies is understated.

Second Question

(10/60)

Willow Turenne Company had the following adjusted trial balance For the Month Ended June 30, 2012 .Cash \$ 3,712 -Accounts Receivable 3,904 -Supplies 480 -Accounts Payable \$ 1,556- Unearned Service Revenue 160- Owner's Capital 5,760 -Owner's Drawings 628 -Service Revenue 4,300 -Salaries and Wages Expense 1,344 -Miscellaneous Expense 256 -Supplies Expense 1,900- Salaries and Wages Payable 448.

Instructions

- Prepare closing entries at June 30, 2012.
- Prepare a post-closing trial balance.

Question No3

(10/60)

J'Morcus Webb Company discovered the following errors made in January 2012.

- A payment of Salaries and Wages Expense of \$700 was debited to Equipment and credited to Cash, both for \$700.
- A collection of \$1,000 from a client on account was debited to Cash \$100 and credited to Service Revenue \$100.
- The purchase of equipment on account for \$760 was debited to Equipment \$670 and credited to Accounts Payable \$670.

Instructions

- Correct the errors.

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Question No4

(15/60)

Terry Thomas opens the Green Thumb Lawn Care Company on April 1. At April 30, the trial balance shows the following balances for selected accounts.

Prepaid Insurance	3,600
Equipment	28,000
Notes Payable	20,000
Unearned Revenue	4,200
Service Revenue	1,800

Analysis reveals the following additional data.

1. Prepaid insurance is the cost of a 2-year insurance policy, effective April
2. Depreciation on the equipment is \$500 per month.
3. The note payable is dated April 1. It is a 6-month, 12% note.
4. Seven customers paid for the company's 6 months lawn service package of \$600 beginning in April. These customers were serviced in April.
5. Lawn services provided other customers but not recorded at April 30 totaled \$1,500

Instructions

Prepare the adjusting entries for the month of April.

Question No5

(15/60)

The ledger of Danieal Rental Agency on March 31 of the current year includes the selected accounts, shown down, before adjusting entries have been prepared.

Prepaid Insurance	\$ 3,600
Supplies	2,800
Equipment	25,000
Accumulated Depreciation—Equipment	\$ 8,400
Notes Payable	20,000
Unearned Rent Revenue	10,200
Rent Revenue	60,000
Salaries and 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 \$900.
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.