

ACCT130
Second Exam

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Question # 3 Multiple Choice	Answer
1	C ✓
2	C ✓
3	B ✓
4	B ✓
5	C ✓

5

Question # 1 (20 points)

The ledger accounts given below, with an identification number for each, are used by **Tune Toys Company**, which uses a **Perpetual inventory system**.
Instructions: Prepare appropriate entries in the books of **Tune Toys Co.**, for the month of August by placing the appropriate identification number(s) in the debit and credit columns provided and the dollar amounts pertaining to each account in the adjoining columns.

Perpetual

- | | | |
|------------------------|---------------------------------|-----------------------|
| 1. Sales Discounts | 5. Purchases | 9. Inventory |
| 2. Notes Receivable | 6. Sales Returns and Allowances | 10. Sales Revenue |
| 3. Cash | 7. Accounts Payable | 11. Purchase Discount |
| 4. Accounts Receivable | 8. Cost of Goods Sold | 12. Freight-Out |

DATE	Account(s) Entry Information	Account(s) Debited	Account(s) Credited	Amount \$
August 2	Tune Toys Co. purchased merchandise from Kiser Co. on account for \$4,000; terms 1/10, n/30. <i>Inventory 4000 a/P 4000</i>	9	7	4000
August 6	Tune Toys co. sold merchandise to H. Jones on account for \$1,400, terms 1/10, n/30. H. Jones will pay \$50 freight costs to the freight company. The merchandise sold cost \$700. <i>Freight in Br the buyer.</i>	4	10	1400
		8	9	700
August 8	H. Jones returned defective merchandise to Tune Toys Co. for \$200. The returned merchandise cost Tune Toys Co. \$100. <i>Sales R. & AH A/R</i>	6	4	200
		8	9	100
August 12	Tune Toys Co. paid freight of \$300 on the shipment it purchased from Kiser Co. per the shipping terms. <i>cash</i>	9	3	300
August 15	Tune Toys Co. received payment in full from H. Jones. <i>(No discount)</i>	3, 1	4	1200

$1400 - 200 - 12$
 $1200 - 12$
 1188

~~4000~~

1188
12

Question # 2 (15 points)

Star Company is a merchandising company established early 2017. The company prepares financial statements every month. Given below are merchandising transactions undertaken by the company in the month of April 2017. The company uses the periodic inventory system.

Date	Explanation	# of Units	Cost per Unit (\$)	Total Cost (\$)
1/4/2017	Beginning Inventory	300	5.00	1500
4/4/2017	Purchase	400	5.25	2100
15/4/2017	Purchase	600	5.50	3300
23/4/2017	Purchase	250	6.5	1625

(units) ending inventory
~~8525~~
 1550 - 950
 600 unit

Cost of goods available for sale

During the month of April, the company sold 950 units. number of units available for sale 1550 8525

Instructions

Answer the following independent questions and show computations supporting your answers.

- Cost of goods available for sale is \$ 8525.
- Average cost per unit is \$ 5.5 → $\frac{\text{Cost of goods available for sale}}{\# \text{ of units available for sale}}$
- Assume that the company uses the **FIFO** method. The ending inventory amount is \$ 3550.
 $250(6.5) + 350(5.5) = 1625 + 1925$
- Assume that the company uses the **LIFO** method. The ending inventory amount is \$ 3075.
 $300(5) + 300(5.25) = 1500 + 1575$
- Assume that the company uses the **FIFO** method. The cost of goods sold amount is \$ 4,975.
 $\text{Cost of goods available for sale} - \text{ending inventory} = 8525 - 3550 =$
- Assume that the company uses the **LIFO** method. The cost of goods sold amount is \$ 5,450.
 $8525 - 3075 =$
- Assume that the company uses the **Average Cost** method. The value of the ending inventory is \$ 3,300.
 $600(5.5) = 3300$
 $950(5.5) = 5225$
 $8525 - 5225 = 3300$

QUESTION # 3 – MC (5 points)

Operating profit
= Gross Profit - operating exp.

1. A positive Income from operations will always result if
 - a. the cost of goods sold exceeds operating expenses.
 - b. revenues exceed cost of goods sold.
 - c. gross profit exceeds operating expenses.
 - d. revenues exceed operating expenses.

2. Under a periodic inventory system, acquisition of merchandise is debited to the
 - a. Inventory account.
 - b. Cost of Goods Sold account.
 - c. Purchases account.
 - d. Accounts Payable account.

3. Tebough Company reported the following balances at January 31, 2016:

Sales Revenue	\$16,900
Sales Returns and Allowances	350
Sales Discounts	300
Cost of Goods Sold	9,200

How much is net sales for January? $\text{Sales} - \text{Sales R\&A} - \text{Sales Disc.}$
 $16900 - 350 - 300 = 16250$

 - a. \$16,600.
 - b. \$16,250.
 - c. \$16,070.
 - d. \$7,050.

4. The Sales Returns and Allowances account is classified as a(n)
 - a. asset account.
 - b. contra revenue account.
 - c. expense account.
 - d. contra asset account.

5. Net purchases plus freight-in determines
 - a. cost of goods sold.
 - b. cost of goods available for sale.
 - c. cost of goods purchased.
 - d. total goods available for sale.

GOOD LUCK