



(3.5)

Question1: Classify	
A	UR ✓
B	AE ✓
C	PE ✓
D	AR ✓
E	AE ✗
F	AE ✓
G	AE ✓
H	PE ✓

(5)

Question3 : Balance sheet items	
1	a ✓
2	d ✓
3	e ✓
4	c ✓
5	d ✓
6	b ✓
7	f ✓
8	a ✓
9	a ✓
10	c ✓

(6)

Question 5: Multiple Choices	
1	C ✓
2	D ✓
3	C ✓
4	<del>B</del>
5	A ✓
6	B ✓
7	D ✓

Q<sub>2</sub> → 10.5  
Q<sub>u</sub> → 7<sup>1</sup>



**Question #1 (4 Points):**

Classify the following items as: (1) prepaid expense (PE), (2) unearned revenue (UR), (3) accrued expense (AE), or (4) accrued revenue (AR). Cash →

- a) Fees received but not yet earned. ~~AR~~ ~~AR~~ UR earned →
- b) Salaries earned by employees but not paid yet by the company. AE
- c) Supplies purchased for several months in advance. ~~AR~~ PE
- d) Fees earned but not yet billed or received. ~~AR~~ ~~AR~~ AR → Cash
- e) Accumulated depreciation. AE
- f) Accrued interest on a short term note payable. AE
- g) Property tax accrual AE
- h) Advertising costs paid in advance. PE

**Question #2 (14 points):**

A- For each of the following, journalize the necessary adjusting entry: → 18,000 ÷ 12

- (a) On July 1 of the current year, a business receives cash of \$18,000 from a customer in advance, for services to be provided during the coming 4 months (July to October). If services are provided evenly each month, journalize the adjusting entry needed at the end of July. unearned service
- (b) The estimated depreciation on equipment for the month is \$2,000. → Dep Acc-A →
- (c) The balance in the prepaid insurance account before adjustment at the end of the month is \$3,000. Journalize the adjusting entry required if the amount of unexpired insurance applicable to a future period is \$2,700. → Prepaid Insu - Sun - Fri → 3000 - 700 = 2300
- (d) A business pays weekly salaries of \$22,000 on Friday for a previous five-day week (From Monday to Friday) ending on that day. Journalize the necessary adjusting entry at the end of the fiscal period, assuming that the fiscal period ends on Tuesday. 52 W E  
52 W F

No	Accounts	Debit	Credit
A	Dr. Service Revenue 1,500 Cr. Unearned Service Revenue 1,500	\$ 1,500	\$ 1,500
B	Dr. Depreciation Expenses 2,000 Cr. Accumulated Expenses 2,000	\$ 2,000	\$ 2,000
C	Dr. Insurance Expense 300 Cr. Prepaid Insurance 300	300	300
D	Dr. Salaries & wages Expenses 8,800 Cr. Salaries & wages Payable 8,800	8,800	8,800

per day: 4,400  
Friday  
10.5



B- For the year ending June 30, Island Clinical Services mistakenly omitted adjusting entries for (1) \$1,200 of supplies that were used, (2) unearned revenue of \$6,000 that was earned, and (3) insurance of \$5,000 that expired. What is the effect of these errors on (a) revenues, (b) expenses, (c) assets, and (d) liabilities, for the year ending June 30?

(Write: O if overstated, U if understated, NE if not affected)

Entry No.	Revenues (O/U/NE)	Expenses (O/U/NE)	Assets (O/U/NE)	Liabilities (O/U/NE)
1.	O <del>MX</del>	U ✓	O ✓	NE ✓
2.	U ✓	O <del>X</del>	NE ✓	O ✓
3.	<del>O</del> <del>X</del> NE	U ✓	-NE <del>X</del> O	U <del>X</del> NE

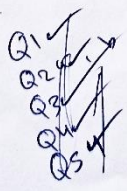
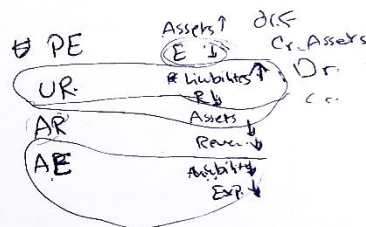
① DE  
② UR  
③ AE

3.5

**Question # 3 (5 Points)**

Indicate whether each of the following would be reported in the Balance sheet as a(n) (a) current asset, (b) Plant, property, and Equipment, (c) Intangible asset, (d) current liability, (e) Long term liability, (f) Owner's equity

- 1- Supplies CA
- 2- Unearned fees revenue CL
- 3- Loan payable (due in 3 years) LTL
- 4- Patent IA
- 5- Salaries payable CL
- 6- Land (used in operations) PPE
- 7- Owner's capital OE
- 8- Prepaid Insurance LEA
- 9- Inventory CA
- 10- Copyright IA





**Question # 4 (10 Points):** Encore Consulting is completing the accounting information processing at the end of the fiscal year, December 31, 2011. The following adjusted trial balance is available.

G. Expenses

Accounts	Adjusted Trial Balance	
	Debits	Credits
Cash	13,000	
Accounts Receivable	1,800	
Prepaid Insurance	200	
Supplies	3,000	
Machines	30,000	
Accumulated Depreciation – Machines		17,500
Wages Payable		900
Unearned Revenue		6,500
John Brown, Capital		24,000
John Brown, Drawing	4,800	
Service Revenue		25,500
Wages Expense	14,900	
Insurance Expense	400	
Supplies Expense	800	
Depreciation Expenses	5,500	
	74,400	74,400

1- Prepare the closing entries for the year.

No	Accounts	Debit	Credit
1	Dr. Service Revenue 25,500 Cr. Income Summary 25,500	25,500	25,500
2	Dr. Income Summary 21,600 Cr. Wages expense 14,900 Cr. Insurance Expense 400 Cr. Supplies Expense 800 Cr. Depreciation expenses 5,500	21,600	21,600
3	Dr. Income Summary 24,000 Cr. Owners Capital 24,000	24,000	24,000
4	Dr. Owners Capital 4,800 Cr. Owners Drawings 4,800	4,800	4,800

Dr.	Cr.
Owners Capital	24,000
4,800	
	19,200



2- What is the owner's ending capital balance, on 31 December, 2011?

Answer: \$19,200

**Question 5 : MULTIPLE CHOICE QUESTIONS (7 POINTS)**

1) On January 1, 2014, Superfuzz Company purchased equipment for \$40,000. The company is depreciating the equipment at the rate of \$800 per month. The book value of the equipment at December 31, 2014 is

- A. \$0.
- B. \$9,600.
- C. \$30,400.
- D. \$40,000.

$$\begin{aligned} \text{Book Value} &= \text{Cost} - \text{Acc. Dep} \\ &= 40,000 - 800 \times 12 \\ &= 30,400 \end{aligned}$$

2) Which accounting assumption assumes that an enterprise will continue in operation long enough to carry out its existing objectives and commitments?

- A. Monetary unit assumption. ?
- B. Economic entity assumption.
- C. Periodicity assumption.
- D. Going concern assumption.

3) Yo La Corporation issued a one-year, 6%, \$100,000 note on August 31, 2014. Interest expense for the year ended December 31, 2014 was

- A. \$6,000.
- B. \$2,500.
- C. \$2,000.
- D. \$1,500.

$$\begin{aligned} 100,000 &\times \frac{6}{100} \times \frac{4}{12} \\ &= 2,000 \end{aligned}$$

4) A post-closing trial balance will show

- A. zero balances for all accounts.
- B. zero balances for balance sheet accounts.
- C. only balance sheet accounts.
- D. only income statement accounts.

5) Trademarks would appear in which balance sheet section:

- A. Intangible Assets.
- B. Long-Term Investments.
- C. Current Assets.
- D. Property, Plant, and Equipment.



- 6) The adjusting entry to record an accrued revenue is:
- A. Increase an expense; increase a liability.
  - B. Increase an asset; increase revenue.
  - C. Decrease a liability; increase revenue.
  - D. Increase an expense; decrease an asset.

AR → Assets → Dr. Acc.  
→ Rev. → Cr. Rev.

- 7) Which of the following is not a current liability?

- A. Salaries & Wages Payable.
- B. Accounts Payable.
- C. Taxes Payable.
- D. Bond Payable.

### Good Luck

بعض المصطلحات ومعناها في السياق:

الكلمة/ المصطلح	المعنى في السياق
Classify	صنف
Applicable to a future period	صالح لفترات مستقبلية / غير مستهلك
evenly	بالتساوي
assumes	يفترض
Carry out	يقوم ب/ يمارس/ ينفذ