



Please circle the Name of your instructor

Matching Answers		Multiple choice answers	
1	D ✓	1	D ✓
2	A ✓	2	C ✓
3	E ✓	3	D ✓
4	H ✓	4	D ✓
5	B ✓	5	A ✓
6	C ✓	6	D ✓
7	J ✓	7	B ✓
8	F ✓	8	A ✓
9	G ✓		
10	I ✓		

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10



13/13

Question 1 (13 points)

Target Company purchased a piece of equipment for \$30,000 on March 1, 2022. The equipment was assigned an estimated useful life of 5 years and has a residual value of \$3,000. Answer the following cases:

Case A- Compute depreciation expense using the straight line method for the years 2022 and 2023.

For the year 2022 $\rightarrow \frac{\text{cost} - \text{sv}}{\text{useful life}} = \text{Annual depreciation expense} = \$4,800$
 For 2022 depreciation exp = 14,500 (10 months only)
 For 2023 depreciation exp = 5,400

Case B- Compute depreciation expense using the double-declining-balance method for the years 2022 and 2023. rate = $2 \times \text{SL rate} = 27\frac{1}{2} = 0.4$

Year	Book Value	Depreciation Exp	Accumulated Depreciation	Book Value (End)
2022	30,000	10,000	10,000	20,000
2023	20,000	8,000	18,000	12,000

Case C- Assume the figures you have from Case A above. On 1/1/2025, the equipment was sold for \$ 13,000 cash. Prepare the needed journal entry for this transaction.

Account	Debit	Credit
Cash	13,000 ✓	
Loss of selling asset	1,700 ✓	
Accumulated depreciation	15,300 ✓	
Equipment		30,000 ✓

Case D- Assume the figures you have in Case A above. On 1/1/2025, the equipment was exchanged for new equipment. The fair market value for the old truck was \$ 17,000. Cash of \$ 18,000 was paid to get the new equipment. Prepare the needed journal entry for this transaction.



Account	Debit	Credit
Accumulated depreciation ✓	15,300 ✓	
old new equipment ✓	35,000 ✓	18,000 ✓
Cash ✓		30,000 ✓
old equipment ✓		2300 ✓
gain on exchange ✓		

6/6

Question 2 (6 points)

A. LaLa Company sells televisions with a 2-year warranty. Past experience indicates that 5% of the units sold will be returned during the warranty period for repairs. The average cost of repairs under warranty is estimated to be \$75 per unit. During 2022, the company sold 15,000 units for an average price of \$400 per unit. During the year, repairs were made on 65 units. Prepare the journal entry to record the estimated warranty expense for the year.

Date	Account title	Debit	Credit
	warranty expense ✓	56,250 ✓	
	warranty liability ✓		56,250 ✓

B. In September, 2022, Sali sport Company sold 800 tickets for FIFA world Cup Qatar 2022. Each ticket was for \$1,200. The tickets permitted their holder to attend all 3 matches in the first round for Qatar's National team. Qatar played their first match on 20 November 2022, and lost 0-2 to Ecuador. Prepare the journal entry the company must record on that day.

Date	Account title	Debit	Credit
	unearned revenue ticket ✓	320,000 ✓	
	ticket revenue ✓		320,000 ✓



Question 3 (9 points):

Ahmad, Sami, and Barhoom formed a partnership named ASB House improvement Center on 1/1/2017. They had:

- Capital accounts at the January 1, 2017 of \$40,000 for Ahmad, \$50,000 for Sami, and \$80,000 for Barhoom.
- Partnership net income for year ended December 31, 2017 was \$55,000.

The partnership agreement provides that:

- A salary of \$30,000 to Ahmed and \$30,000 to Barhoom. No salary for Sami.
- All partners are to receive interest of 10% on beginning capital balances.
- Any remaining income or loss is to be divided 25% to Ahmed; 25% to Sami; and 50% to Barhoom.

Prepare the table to divide net income for 2017, between the 3 partners, by filling the following:

Item	Ahmed	Sami	Barhoom	Total
Net Income to be divided				55,000
Salaries	30,000 ✓	—	30,000	60,000
Interest of 10% of capital	4,000 ✓	5,000 ✓	8,000 ✓	17,000
Remaining loss to be divided				(22,000)
Remaining Fixed Ratio	(5,500) ✓	(5,500) ✓	(11,000) ✓	(22,000)
Total	28,500 ✓	(500) ✓	27,000 ✓	55,000

9/9

Question 4 (10 Points): Matching

Match the following concepts with the statements given below them:

A	Declining balance method	F	Trademarks
B	Customer advances	G	Copyrights
C	Accounting estimates	H	Oil wells
D	Contingent liabilities	I	Units of production method
E	Fair values or agreed upon values	J	Current portion of a long term debt

- 1- Should be recorded and disclosed only when they are probable. **D**
- 2- Usually allocates higher depreciation values in early years of asset's life. **A**
- 3- Are used when noncash assets are invested into a partnership. **E**
- 4- Are considered natural resources. **H**
- 5- Are also called unearned revenues. **B**
- 6- These values can be revised. **C**
- 7- Are considered current liabilities. **J**



- 8. Are intangible assets that should not be amortized. F
- 9. Are intangible assets that are amortized. C
- 10. Calculates depreciation based on the usage intensity of the asset. I

Question 5 (12 Points): Multiple Choice

Choose the correct answer for the followings:

- 1. Land acquired so it can be resold in the future is listed in the balance sheet as a(n)
 - a. fixed asset X
 - b. current asset
 - c. intangible asset X
 - d. investment
- 2. Accumulated Depreciation
 - a. is used to show the amount of cost expiration of intangibles
 - b. is the same as Depreciation Expense X
 - c. is a contra asset account ✓
 - d. is used to show the amount of cost expiration of natural resources
- 3. When a \$30,000, 3 months, 5% interest-bearing note payable matures, total payment will amount to:
 - a. \$31,500
 - b. \$1,500
 - c. \$375
 - d. \$30,375
- 4. The Crafter Company had the following assets and liabilities as of December 31, 2012:

<u>ASSETS</u>	
Cash	\$35,000
Accounts receivable	15,000
Inventory	30,000
Equipment	50,000

<u>LIABILITIES</u>	
Current portion of long-term debt	10,000
Accounts payable	2,000
Long-term debt	25,000

Determine the current ratio for the end of the year (rounded to one decimal point).

- a. 3.5
- b. 13.0
- c. 4.2



④ 6.7

5. A capital expenditure results in a debit to
a. an asset account ✓
b. a capital account
c. a liability account
d. an expense account

6. Cash collected from customers at AL-Huda Gaz station during January 2017, was \$ 315,000 which includes a sales tax of 5%. What is the amount of sales taxes payable?

- a. \$300,000
- b. \$315,000
- c. \$15,750
- ④ d. \$15,000

7. Pinar Company purchases a new delivery truck for \$45,000. The sales taxes are \$2,000. The logo of the company is painted on the side of the truck for \$1,200. The truck license is \$120. The truck undergoes safety testing for \$220. What does Pinar record as the cost of the new truck?

- a. \$48,540.
- ④ b. \$48,420.
- c. \$47,000.
- d. \$46,420.

8. An asset was purchased for \$120,000 on January 1, 2010 and originally estimated to have a useful life of 10 years with a residual value of \$10,000. At the beginning of 2012, it was determined that the remaining useful life of the asset was only 4 years with a residual value of \$2,000. Calculate the 2012 depreciation expense using the revised amounts and straight line method.

- ④ a. \$24,000
- b. \$11,000
- c. \$25,000
- d. \$24,500

Good Luck