



## Past exam

### Med term 2

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Ch 6.

1 - adj

2 - closing

3 - balance

إعداد

هبة محمد أحمد



No Adjusting.  
Principles.

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$exp \rightarrow 4$

$Prof \rightarrow 0$

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$L \rightarrow 4$

$Exp \rightarrow 4$

$Prof \rightarrow 0$

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$L \rightarrow 0$

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$Prof \rightarrow 4$

No Adj  
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$A \rightarrow 4$

$Re \rightarrow 4$

$Prof \rightarrow 4$



































































# Past exam

## Med term 2

إعداد

هبة محمد أحمد

## Chapter 4

### ❖ Exercise 1:

Ledger accounts of a company include the following accounts before adjusting entries have been recorded.

### Trial Balance (partial listing of selected accounts)

September 1, 2023

	<u>Debit</u>	<u>Credit</u>
Supplies	\$ 2,500	
Prepaid Insurance	2,400	
Equipment	30,000	
Unearned Rent Revenue		10,000
Note Payable		20,000

An analysis of the account balances provided the following information:

1. The prepaid insurance is a one-year fire insurance policy that was purchased on September 1, 2023.
2. A physical count of office supplies revealed that all supplies were used by the end of September, 2023.
3. Office equipment depreciates \$6,000 per year.
4. The unearned rent revenue covers 10 months starting from September 1, 2023.
5. On September 1, the company borrowed \$20,000 from a local bank on a 1-year note. The annual interest rate is 9%.
6. On September 30th, the company owed its employees \$1,000 in salaries that will be paid on Oct 15.



❖ **Instruction:**

Using the information above, record the adjusting entries that should be made by this company for September month only.

	Accounts titles	Debit	Credit



❖ **Exercise 2:**

1. Depreciation on equipment is \$800 for the accounting period.
2. There was no beginning balance of supplies and \$528 of supplies were purchased during the period. At the end of the period \$123 of supplies were on hand.
3. Prepaid rent had a \$840 normal balance prior to adjustment. By year end \$354 was unexpired.

Prepare adjusting entries for the above transactions.



❖ **Exercise 3:**

Prepare adjusting entries for the following transactions.

1. Depreciation on equipment is \$1,342 for the accounting period.
2. Interest owed on a loan but not paid or recorded is \$280.
3. There was no beginning balance of supplies and \$550 of office supplies were purchased during the period. At the end of the period \$100 of supplies were on hand.
4. Prepaid rent had a \$1,000 normal balance prior to adjustment. By year end \$700 had expired.
5. Salaries incurred by year-end but not yet paid or recorded amounted to \$900.

❖ **Exercise 4:**

Given the following account balances for a company: Adjusted Trial Balance

(December 31, 2022)

Calculate the following (write only the final answers):

a. Total Non-Current Assets: \_\_\_\_\_

b. Total Equity: \_\_\_\_\_

The closing entry for expenses and revenues accounts only.

Account	Debit (\$)	Credit (\$)
Cash	3,000	
Accounts Receivable	2,000	
Inventory	1,000	
Equipment	10,500	
Accumulated Depreciation		2,000
Goodwill	5,000	
Accounts Payable		4,000
Unearned Service Revenue		1,900
Long-term Loan (Bank)		5,000
Common Stock		8,000
Retained Earnings (1/1/2022)		3,100
Dividends	2,000	
Service Revenue		3,000
Supplies Expense	600	
Depreciation Expense	2,900	
<b>Total</b>	<b>27,000</b>	<b>27,000</b>



❖ MCQ:

Choose the correct answer from the following:

1. Expenses paid and recorded before they are used or consumed are called:

- a. Rent expenses
- b. Unearned revenues
- c. Prepaid expenses
- d. Accounts receivables

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2. Revenue received and recorded as a liability before it is earned is referred to as:

- a. Unearned revenues
- b. Prepaid expenses
- c. Accounts payable
- d. Notes payable

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3. A1 Auto Shop follows the revenue recognition principle. Al services a car on August 31.

The customer picks up the vehicle on September 1 and mails the payment to Al on September 5. Al receives the check in the mail on September 6. When should Al show that the revenue was recognized?

- a. September 5
- b. August 31
- c. August 1
- d. September 6

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4. A company had the following transactions during 2024:

- Sales of \$9,180 on account
- Collected \$4,080 for services to be performed in 2025
- Paid \$3,830 cash in salaries for 2024
- Purchased airline tickets for \$510 in December for a trip to take place in 2025

What is the company's 2024 net income using accrual basis accounting?

- a. \$9,940
- b. \$9,430
- c. \$5,860
- d. \$5,350

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5. An architecture firm collected \$2,200 for architecture services to be provided in the future and recorded it as a liability. No entry was made at the time the service was provided. If no adjusting entry is made, this would cause:

- a. revenues to be overstated.
- b. net income to be overstated.
- c. liabilities to be understated.
- d. revenues to be understated.

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6. Which one of the following is true as it relates to the Accumulated Depreciation account?

- a. It is an operating expense.
- b. It is offset against an asset account on the income statement.
- c. It represents the portion of the cost of a long-lived asset that has been allocated as a cost during the current accounting period.
- d. It is a contra account.

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7. Tamkeen Industries borrows **\$18,000** at a **5% annual interest rate** for six months on **October 1, 2025**.

If Tamkeen has a **December 31, 2025, year-end**, which is the correct entry to accrue interest?

- a. Interest Expense **225**  
Interest Payable **225**
- b. Interest Expense **900**  
Notes Payable **900**
- c. Interest Expense **900**  
Interest Payable **900**
- d. Interest Expense **225**  
Notes Payable **225**

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## ❖ Chapter 5 ❖

### ❖ Exercise 1 :

Both Tim Company and SmSa company are furniture retailers and use the perpetual inventory system:

- On June 14<sup>th</sup>, Tim purchased merchandise inventory at a total cost of \$4,500 from SmSa company. Credit terms were 5/10/30, FOB shipping point.
- On June 15<sup>th</sup>, The transportation costs for this merchandise inventory by \$300 was paid in cash.
- On June 18<sup>th</sup>, damaged inventory costing \$500 were returned to the seller (SmSa) for a credit reduction.
- On June 21<sup>th</sup>, Tim paid full due amount that was payable to SmSa.

### ❖ Instruction:

- a. Prepare journal entries to record these transactions into SmSa company books on June 14<sup>th</sup> only.

### Solution:

Account titles	Debit	Credit

❖ **Exercise 2:**

Sheridan Company is a furniture retailer and uses the perpetual inventory system. On January 14, 2025, Sheridan purchased merchandise inventory for \$49,000. Credit terms were 2/10, n/30. The inventory was sold on account for \$50,500 on January 21, 2025. Credit terms were 1/10, n/30.

The accounts payable was settled on January 23, 2025,  
and the accounts receivables were settled on January 30, 2025.

❖ **Solution:**

❖ **Exercise 3:**

On September 4, Blossom Knickknacks buys merchandise on account from Novak Supply Company. The selling price of the goods is \$2,000 and the cost of goods is \$1,400. Both companies use the perpetual inventory systems.

❖ **Solution:**



❖ **Exercise 4 :**

Swiftly and Company sold \$2600 of merchandise on account to Ayayai, Inc. on March 1 with credit terms of 2/10, n/30. Ayayai returned \$740 of the merchandise due to poor quality on March 3. If Ayayai pays for the purchase on March 11, what entry does Swiftly make to record receipt of the payment?

❖ **Solution:**

❖ **Exercise5:**

A company buys \$100 of merchandise on March 1, with credit terms 3/15, n/30. If the company pays on March 10, what is the cost of this purchase?

❖ **Solution:**

❖ **Exercise 6 :**

The adjusted trial balance of a company included the following selected accounts:

Sales Revenue		5631,000
Sales Returns & Allowances	\$55,000	
Sales Discounts	9,500	
Cost of Goods Sold	407,000	
Advertising Expense	16,000	
Interest Expense	21,500	
Salaries and Wages Expense	82,000	
Utilities Expense	23,000	
Depreciation Expense	3,500	
Interest Revenue		23,500

❖ **Required:**

Use the above information to prepare a multiple-step income statement for the year ended December 31. The company has a tax rate of 20%.



❖ **Exercise 7:**

The adjusted trial balance of a company included the following selected accounts:

Sales Revenue: \$100,000

Sales Returns and Allowances: \$5,000

Sales Discounts: \$2,000

Land: \$1,000,000

Cost of Goods Sold (COGS): \$50,000

Salaries and Wages Expense: \$15,000

Utilities Expense: \$5,000

Depreciation Expense: \$1,000

Interest Revenue: \$5,000

Interest Expense: \$3,000

Tax Rate: 5%

❖ **Instructions**

Use the above information to prepare a multiple-step income statement for the year ended December 31.



❖ **Exercise 8:**

If beginning inventory is \$60,100, cost of goods purchased is \$381,400, sales revenue is \$800,900 and ending inventory is \$51,300, how much is cost of goods sold under a periodic system?

❖ **Exercise 9 :**

The following information is available for Sheffield Produce Market:

Sales	\$231000	Freight-in	\$13000
Ending merchandise inventory	28000	Purchase returns and allowances	5200
Sales discounts	1000	Depreciation expense	8800
Purchases	126000	Beginning merchandise inventory	38400

How much is Sheffield's cost of goods sold?



❖ **Exercise 10 :**

The following information is available for Jarir company:

Sales = \$100

Ending Inventory = \$10

Purchase Returns = \$2

Purchases = \$50

Freight-in = 4

Sales discounts= \$10

Depreciation expense 20

Beginning Inventory = \$8

How much is Jarir's cost of goods sold?

❖ **Solution:**



1. Brian Company purchases \$4,490 of merchandise on March 1, with credit terms of 3/10, n/30. If Brian pays on March 10, what is the cost of this purchase?

- a. \$4,041
- b. \$4,490
- c. \$4,355
- d. \$4,131

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2. The following information is available for Flint Produce Market:

Sales	\$237,000	Transportation expense	\$9,400
Ending merchandise inventory	30,500	Purchase returns and allowances	1,800
Sales discounts	2,400	Depreciation expense	2,000
Purchases	127,000	Beginning merchandise inventory	35,800

How much is Flint's cost of goods sold?

- a. \$159,900.
- b. \$139,900.
- c. \$134,100.
- d. None of these answer choices are correct.

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3. Under a perpetual inventory system:

- a. accounting records continuously disclose the amount of inventory.
- b. increases in inventory resulting from purchases are debited to Purchases.
- c. there is no need for a year-end physical count.
- d. the account Purchase Returns and Allowances is credited when goods are returned to vendors.

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4. An error in the physical count of goods on hand at the end of a period resulted in a \$10,400 overstatement of the ending inventory. The effect of this error in the current period is

Cost of Goods Sold	Net Income
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Select answer from the options below

- a. Understated                      Understated
- b. Overstated                      Overstated
- c. Understated                      Overstated
- d. Overstated                      Understated

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## Chapter 6

### ❖ Exercise 1:

A Company used the periodic inventory method and had the following inventory information available

		Units	Unit Cost	Total Cost
1/1	Beginning Inventory	15	\$8,00	\$120
2/20	Purchase	60	\$8,50	510
7/25	Purchase	30	\$9,00	270
10/20	Purchase	45	\$10,00	450
		150		\$1,350

A physical count of inventory on December 31 revealed that there were 75 units still on hand.

### ❖ Instruction:

Answer the following independent questions (write the final answer only):

1. Assume that the company uses the LIFO method. The value of the cost of goods sold at December 31 is \$.....
2. Assume that the company uses the Average cost method. The value of the ending inventory at December 31 is \$.....

❖ **Exercise 2:**

A company uses the periodic inventory method and has the following inventory details:

Date	Description	Units	Unit Cost	Total Cost
1/1	Beginning Inventory	10	\$5.00	\$50
3/15	Purchase	40	\$6.00	\$240
6/20	Purchase	20	\$7.00	\$140
9/10	Purchase	30	\$6.00	\$180
	<b>Total</b>	100		\$610

At the end of the year (December 31), a physical count shows **40 units** are still on hand.

**Required: Write only the final answer for each of the following:**

1. If the company uses **FIFO**, the **cost of goods sold (COGS)** at December 31 is  
\$\_\_\_\_\_.
2. If the company uses **Average Cost**, the **ending inventory** at December 31 is  
\$\_\_\_\_\_.

❖ **Exercise 3:**

A company used the periodic inventory method and had the following inventory information available:

Date	Units	Unit Cost	Total Cost
1/1 (Beginning Inventory)	10	\$2.00	\$20
3/10 (Purchase)	20	\$3.00	\$60
6/15 (Purchase)	10	\$4.00	\$40
9/25 (Purchase)	10	\$3.00	\$30
<b>Total Inventory</b>	<b>50</b>		<b>\$150</b>

A physical count of inventory on December 31 revealed that there were 20 units still on hand.

❖ **Instructions**

**Answer the following independent questions (write the final answer only):**

1. Assume that the company uses the FIFO method. The value of the cost of goods sold at December 31 is \$\_\_\_\_\_.
2. Assume that the company uses the Average cost method. The value of the ending inventory at December 31 is \$\_\_\_\_\_.

❖ **MCQ:**

1. Salam Company counted its inventory on December 31, 2025, and found it to be \$100.

However, the following items were not included in the count:

A store has currently goods with a cost of \$20 on its sales floor that belong to Salam Company but are being sold on consignment by the store.

Salam Company purchased \$10 of goods that were shipped on December 27, FOB destination, that will be received by Salam Company on January 3.

What is the correct total inventory amount for Salam Company on December 31, 2025?

- a. \$100
- b. \$120
- c. \$110
- d. \$130

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2. An error in the physical count of goods on hand at the end of a period resulted in a \$10000 overstatement of the ending inventory. The effect of this error in the current period is

Cost of Goods Sold

Net Income

**Select answer from the options below**

- a. Understated                      Understated
- b. Overstated                        Overstated
- c. Understated                      Overstated
- d. Overstated                        Understated

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3. As a result of a thorough physical inventory Concord Company determined that it had inventory of \$162,000 at December 31, 2025. This count did not determine that it had the following transactions:
- Flounder Consignment store currently has goods with a cost of \$31,500 on its sales floor that belong to Concord but are being sold on consignment by Flounder.
  - Concord purchased \$11,700 of goods that were shipped on December 27, FOB destination, that will be received by Concord on January 3.

Determine the correct amount of inventory that Concord should report.

- a. \$207,000
- b. \$193,500
- c. \$205,200
- d. \$173,700

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