



Faculty of Business Studies

B124: Fundamentals of Accounting

Fall 2019-2020

Mid-term Exam – V.1 **MG**

Tuesday 05/11/2019

Number of Exam Pages: 6 (including this cover sheet)	Time Allowed: Two Hours
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Instructions:

- This examination contains **Four** compulsory questions. All questions in total are marked out of 100 and are worth 30% of the overall assessment component.
- Use the Answer Booklet provided to you to answer the questions, and do not forget to write your name, your ID number, and section number in the specified space on the cover of the Answer Booklet.
- Read each question carefully and make sure that you understand it before you begin answering.
- In questions that require calculations, credit will be given for showing your detailed workings.
- Programmable calculators are not permitted or to share, or to pass them between each other in an examination. Also, you are not permitted to use calculators with word processing capabilities.
- Keep in mind that any form of cheating will not be tolerated and will subject you to AOU Cheating Policy.

Question 1 (20 marks)

A- Fill in the Missing Words (only write the missing word(s) in your answer sheet):

1. _____, _____, and _____ have debit normal account balances whereas _____, _____, and _____ have credit normal account balances.
2. The four subdivisions of owner's equity are: _____, _____, _____, and _____
3. Amounts earned from delivering goods or services to customers are called _____.
4. The accounting process of transferring a transaction from the journal to the ledger is called _____.

(6 Marks)

Answer

(12 * 1/2 = 6 Marks)

1. Assets, expenses, owner's drawings - owner's capital, liabilities, revenues
2. capital, drawings, revenues, expenses
3. Revenues
4. Posting

B- Indicate the effect of the following transactions on the accounting equation of Ahmed Company (asset, liability, equity): Increase/Decrease/No effect

Transaction	Assets	Liabilities	Equity
1- Opens a law office, investing \$25,000 in cash			
2- Buying office supplies for \$500 on account			

(6 Marks)

Answer

Each effect 1 (6*1 = 6 marks)

Transaction	Assets	Liabilities	Equity
1- Opens a law office, investing \$25,000 in cash	+	No effect	+
2- Buying office supplies for \$500 on account	+	+	No effect

C- Under a double-entry system, show how the entry in each statement is entered in the ledger by using debit or credit to indicate the increase or decrease in the affected account.

	Debit/Credit
1- An increase in Salaries and Wages Expense.	
2- A decrease in Accounts Payable.	
3- An increase in Owner's Capital.	
4- A decrease in Office Supplies	
5- An increase in Owner's Drawings	

6- An increase in Service Revenue	
7- An increase in Store Equipment	
8- An increase in Notes Payable.	

(8 Marks)

Answer

(1 mark for each item)

	Dr./Cr.
An increase in Salaries and Wages Expense.	Dr.
A decrease in Accounts Payable.	Dr.
An increase in Owner's Capital.	Cr.
A decrease in Office Supplies	Cr.
An increase in Owner's Drawings	Dr.
An increase in Service Revenue	Cr.
An increase in Store Equipment	Dr.
An increase in Notes Payable.	Cr.

Question 2 (30 marks)

Transactions for Youssef Company for the month of October are presented below:

1. Invested \$40,000 cash in the business.
2. Purchased land costing \$28,000 for cash.
3. Purchased equipment costing \$12,000 for \$3,000 cash and the remainder on credit.
4. Purchased supplies on account for \$800.
5. Received \$3,000 cash for services performed.
6. Received \$4,000 for services previously performed on account.
7. Paid wages to employees for \$2,000.
8. Youssef withdrew \$1,000 cash from the business for personal use.

Required:

1. Prepare journal entries for the above transactions. You may omit journal explanations. (24 marks)
2. Post transactions and balance off the Cash ledger account, State is it debit or credit (6 marks)

Answer

√ 1 mark each. (20 × 1.2= 24 marks)

1. Cash√.....	40,000	
Owner's Capital√.....		40,000
2. Land√.....	28,000	
Cash√.....		28,000
3. Equipment√.....	12,000√	
Cash√.....		3,000√
Accounts Payable√.....		9,000√

4. Supplies ✓	.....	800	
Accounts Payable ✓	.....		800
5. Cash ✓	.....	3,000	
Service Revenue ✓	.....		3,000
6. Cash ✓	.....	4,000	
Accounts Receivable ✓	.....		4,000
7. Wages Expense ✓	.....	2,000	
Cash ✓	.....		2,000
8. Drawings ✓	.....	1,000	
Cash ✓	.....		1,000

✓ .5 mark each. (12 × .5 = 6 marks)

Cash

	Debit		Credit
	40,000 ✓		28,000 ✓
	3,000 ✓		3,000 ✓
	4,000 ✓		2,000 ✓
			1,000 ✓
		Balance c/d	<u>13,000 ✓✓</u>
Balance b/d	<u>47,000 ✓</u>		<u>47,000</u>
	13,000 ✓		

Cash balance: 13,000 Debit ✓

Question 3 (24 marks)

Nour Company has the following accounts information at the end of 2019:

Salaries payables	\$ 25,000	Bank loan	\$ 70,000
Trade receivables	\$ 13,000	Cash	\$ 17,000
Plant and equipment	\$ 140,000	Van	\$ 65,000
Property	\$215,000	Inventories	\$ 55,000
Trade payables	\$ 37,000		

Required: Calculate the following:

1. Current assets
2. Non-current assets
3. Current liabilities
4. Non-current liabilities
5. Equity of Nour Company at the end of 2019.

Answer

√ 1 mark each. (24 × 1) = 24 marks

1. Current assets = Inventories√ + cash√ + trade receivables√ = 55,000 + 17,000 + 13,000 = \$85,000√√√
2. Non-current assets = Van√ + Plant & Equipment√ + Property√ = 65,000 + 140,000 + 215,000 = \$420,000√√√
3. current liabilities = Trade payable√ + salaries payable√ = 37,000 + 25,000 = \$62,000√√
4. non-current liabilities = Bank loan = \$70,000√√
5. Equity = Assets – liabilities = (85,000 + 420,000) – (62,000 + 70,000) = 505,000√ – 132,000√ = \$373,000√√√√

Question 4 (26 marks)

Habiba Company uses FIFO inventory costing method. The following information is available for the month of May:

May 1	Beginning inventory	20 units @ \$5
10	Purchase	20 units @ \$8
15	Sales	15 units
18	Purchase	10 units @ \$9
21	Sales	15 units

Requirements

1. Calculate the cost of closing inventory and cost of goods sold using FIFO method. (23.4 marks)

Answer

FIFO inventory costing method.

Date	Purchases			Cost of Goods Sold			Inventory on Hand		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
May 1	20✓	5✓	100✓				20✓	5✓	100✓
10	20✓	8✓	160✓				20✓ 20✓	5✓ 8✓	100✓ 160✓
15				15✓	5✓	75✓	5✓ 20✓	5✓ 8✓	25✓ 160✓
18	10✓	9✓	90✓				5✓ 20✓ 10✓	5✓ 8✓ 9✓	25✓ 160✓ 90✓
21				5✓ 10✓	5✓ 8✓	25✓ 80✓	10✓ 10✓	8✓ 9✓	80✓ 90✓
				Cost of goods sold		\$180✓✓	Cost of ending inventory		\$170✓✓

✓ .45 mark each. (.45 × 52) = 23.4 marks

2. Calculate the gross profit under this method. The sales price per unit is \$10 (2.6 marks)

	FIFO	
Sale [30×10]	✓ 300	1 mark
(-) C.O.G.S	✓ 180	.6 mark
Gross Profit	✓ 120	1 mark

[END OF MG]