



Arab Open University

Faculty of Business Studies

B124: Fundamentals of Accounting

Fall 2019-2020

Mid-term Exam – (Makeup) **MG**

Tuesday xx/xx/2019

Number of Exam Pages: 7 (including this cover sheet)	Time Allowed: Two Hours
--	--------------------------------

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 (17 marks)

A- Complete the following table for each element: (7 Marks)

(.25 mark for each item) (.25 × 28 items)

	Asset(A) /Liability (L) /Equity (E)	Normal Balance Dr/Cr	When increased Dr/Cr	When Decreased Dr/Cr
Withdrawals	E	Dr.	Dr.	Cr.
Equipment	A	Dr.	Dr.	Cr.
Capital	E	Cr.	Cr.	Dr.
Bank Loan	L	Cr.	Cr.	Dr.
Supplies Expense	E	Dr.	Dr.	Cr.
Service Revenue	E	Cr.	Cr.	Dr.
Supplies	A	Dr.	Dr.	Cr.

B- Choose the correct answer for the following items. (10 marks, 1 mark each)

1) The accounting process of transferring a transaction from the journal to the ledger is called _____.

- A) journalizing
- B) posting
- C) compounding
- D) sourcing

2) Which of the following statements is true of a corporation?

- A) Corporations pay the same variety of taxes as other forms of business.
- B) Although a corporation is a separate legal entity, it cannot be sued.
- C) Any stockholder of a corporation can commit the corporation to a binding contract.
- D) The owners of a corporation are called stockholders.

3) As per the _____, the entity will remain in operation for the foreseeable future.

- A) economic entity concept
- B) monetary unit assumption
- C) going concern assumption
- D) cost principle

4) The equity of Autumn Company is \$170,000 and the total liabilities are \$80,000. The total assets are _____.

- A) \$90,000
- B) \$250,000
- C) \$110,000
- D) \$170,000

5) Which of the following is a non-current liability account?

- A) Accounts Payable
- B) Prepaid Expense
- C) Bank Loan
- D) Service Revenue

- 6) Which of the following is an external user of a business's financial information?
 A) customers
 B) cost accountant
 C) company manager
 D) the board of directors
- 7) GAAP refer to guidelines for accounting information in the United States. The acronym GAAP in this statement refers to _____.
 A) Globally Accepted and Accurate Policies
 B) Global Accommodation Accounting Principles
 C) Generally Accredited Accounting Policies
 D) Generally Accepted Accounting Principles
- 8) Which one of the following account groups normally has a credit balance?
 A) assets and expenses
 B) revenues and expenses
 C) liabilities and revenues
 D) assets and liabilities
- 9) Transactions are first recorded in a _____.
 A) journal
 B) trial balance
 C) chart of accounts
 D) ledger
- 10) Which of the following is a current asset account?
 A) Buildings
 B) Land
 C) Accounts Payable
 D) Accounts Receivable

Answer:

1	2	3	4	5	6	7	8	9	10
B	D	C	B	C	A	D	C	A	D

(10 Marks)

Question 2 (28 marks)

On July 1, Youssef established a car repairing company called EgyCar. To start the business, Youssef deposits \$25,000 in a bank account in the name of EgyCar on July 2.

During July the following transactions occurred:

- Jul.5 Purchased equipment for \$30,000, paying \$20,000 in cash and the remaining amount will be paid after two weeks..
 10 Purchased supplies on account for \$1,350.
 11 Paid Creditors on account \$400.
 18 Received \$7,500 for services provided to customers for cash.
 30 Paid expenses as follows: wages, \$3,000 and rent, \$650.
 30 Purchased furniture for \$550 cash.
 30 Youssef withdrew \$3,000 cash for personal use.

Question 3 (31 marks)

A- Habiba prepares her business accounts for the year ending 31 March each year. At 31 March 2019 the following general ledger balances were available:

Trial balance	Debit	Credit
Furniture	150,000	
Truck	340,000	
Inventory at 31 March 2019	160,000	
Receivables	46,000	
Bank	241,000	
payables		37,000
Short-term borrowings		30,000
Bank loan		100,000
Capital balance at 1 April 2018		326,000
Capital introduced		50,000
Drawings	12,000	
Net profit		406,000
	949,000	949,000

Required: Prepare a classified balance sheet for Habiba as at 31 March 2019. (21 Marks)

✓ 1 mark each. 21 × 1 = 21 marks

Habiba Company
Balance sheet as at 31 March 2019 ✓

	£	£
Non-current assets		
Furniture	150,000 ✓	
Truck	<u>340,000 ✓</u>	
		490,000 ✓
Current assets		
Inventory	160,000 ✓	
Receivables	46,000 ✓	
Bank	<u>241,000 ✓</u>	
		<u>447,000 ✓</u>
Total assets		<u>937,000 ✓ ✓</u>
Capital		
Opening balance		326,000 ✓
Add: Capital introduced		50,000 ✓
Net profit		<u>406,000 ✓</u>
Less: Drawings		<u>(12,000) ✓</u>
		770,000 ✓
Non-current liabilities		
Bank loan		100,000 ✓
Current liabilities		
Payables	37,000 ✓	
Short-term Borrowings	<u>30,000 ✓</u>	
		<u>67,000 ✓</u>
Total capital and liabilities		<u>937,000 ✓ ✓</u>

B- Nour prepares her business accounts for the year ending 31 March each year. At 31 March 2018 the following general ledger balances were available:

Furniture 78,800- - Cash 20,200 – Notes payable 12,000 - Capital 280,000 - Drawings 1,000 – Supplies 12,000 - Revenues ??? - Salaries expense 8,000 - Rent expense 2,000- Building 190,000 -

Required: Prepare a trial balance at March 31, 2018, and calculate the balance of Revenues (10 Marks)

Answer

√ .625 mark each (16 * .625 = 10 Marks)

**Nour Company
Trial Balance at March 31, 2018√**

Account Name	Debit	Credit
Building	190,000√	
Furniture	78,800√	
Supplies	12,000√	
Cash	20,200√	
Notes payable		12,000√
Capital		280,000√
Drawings	1,000√	
Revenues		20,000√√
Salaries Expense	8,000√	
Rent Expense	2,000√	
	312,000√√	312,000√√

Revenues = 312,000 – (12,000 + 280,000) = 20,000

Question 4 (24 marks)

(A) Calculate the cost of closing inventory and cost of goods sold from the following figures using: AVCO method. (21 marks)

2017	Purchases	2017	Sales (At Selling Price)
April	60 at £15 each	July	76 at £31 each
June	36 at £17 each	December	50 at £33 each
November	68 at £19 each		

AVCO inventory costing method

✓ .7 marks each. $30 \times .7 = 21$ marks

Date	Purchases			Costs of goods sold			Inventory on hand		
	Quantity	Cost/Unit	Total Cost	Quantity	Cost/Unit	Total Cost	Quantity	Average cost	Total Cost
April	60✓	\$15	\$900✓				60✓	\$15	\$900✓
June	36✓	\$17	\$612✓				60✓ 36✓ 96	\$15.75✓ ✓	\$900✓ \$612✓ \$1512
July				76✓	\$15.75	\$1197✓	20✓	\$15.75	\$315✓
November	68✓	\$19	\$1292✓				20✓ 68✓ 88	\$18.26✓ ✓	\$315✓ \$ 1292✓ \$1607
December				50✓	\$18.26	\$913✓	38✓	\$18.26	\$694✓
Balance				Cost of goods sold✓ 2,110			Cost of ending inventory✓ 694		

(B) Calculate the gross profit under this method. (3 marks)

	AVCO	
Sale [76×31] + [50×33]	✓ 4,006	1.25 marks
(-) C.O.G.S	✓ 2,110	.5 marks
Gross Profit	✓ 1896	1.25 marks

[END OF MG]