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جامعہ برزیت
BIRZEIT UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
ACCOUNTING DEPARTMENT

(22.5)
Excellent
work!!

LECTURER
Karim Bitar

Summer Term 2021/2022

Test 2

ACCT 130

St. Name: [REDACTED]

Question 3: Answers	
1	C
2	C
3	A
4	B
5	C
6	C
7	A
8	A
9	C
10	C

Question 4: Multiple Choices	
1	c
2	c
3	b
4	a

6

5

1



Question 1 (8 points)

New Slang Pest Control has the following balances in selected accounts on December 31, 2016, **before** adjusting entries are done:

Equipment	6,650
Prepaid Insurance	3,000
Supplies	3,940 - 750

All of the accounts have normal balances. The information below has been gathered at December 31, 2016.

1. Depreciation on the equipment for 2016 is \$1,600.
2. New Slang Pest Control paid \$3,000 for 12 months of insurance coverage on September 1, 2016.
3. New Slang Pest Control performed services for a client in December 2016. The client will be billed \$1,200.
4. A count of supplies on December 31, 2016, indicates that supplies of \$750 are on hand.

Instructions:

Prepare the adjusting entries for the five items listed for New Slang Pest Control. The company has an annual accounting period, and closes its accounts on 31 December of every year.

#	Account	Debit	Credit
1.	Depreciation expense	1600	
	Accumulated Depreciation		1600
2.	Insurance expense	1000	
	Prepaid Insurance		1000
3.	Account Receivable	1200	
	Service Revenue		1200
4.	Supply expense	3190	
	Supplies		3190

Question 2 (3 points): Fill in the blank

1. The Time Period assumption divides the economic life of a business into artificial time periods.
2. An accounting period that is one year in length is referred to as a Fiscal year.



3. In a service company, revenue is recognized when the service is Performed and ^{collected}
4. The Matching principle attempts to match expense with Revenue.
5. Failure to adjust a prepaid expense account for the amount expired will cause expenses to be understated and Income Statement to be overstated.
6. When a company has a loss, the closing entry to close the income summary account will debit Owner's Capital and credit Income Summary.

Question 3 (5 points)

Indicate in which statement the following accounts will appear, by choosing the correct letter for statement:

Account	Letter
Income statement	A
Statement of Owner's equity	B
Balance sheet	C

#	Account	Statement
1	Unearned service revenue	C
2	Land	C
3	Supplies expense	A
4	Owner's drawing	B
5	Accumulated depreciation	C
6	Notes payable	C
7	Salaries expense	A
8	Rent revenue	A
9	Prepaid Rent	C
10	Copyright	C



Question 4 (6 points): Multiple Choice:

1. The balance in the income summary account before it is closed will be equal to
 - a. the ending balance in the owner's capital account.
 - b. the beginning balance in the owner's capital account.
 - c. the net income or loss on the income statement..
 - d. zero.

2. The closing entry process consists of closing
 - a. all asset and liability accounts.
 - b. out the owner's capital account.
 - c. all temporary accounts.
 - d. all permanent accounts.

3. An adjusted trial balance
 - a. is prepared after the financial statements are completed.
 - b. proves the equality of the total debit balances and total credit balances of ledger accounts after all adjustments have been made.
 - c. is a required financial statement under generally accepted accounting principles.
 - d. cannot be used to prepare financial statements.

4. SWC Bus Charter signed a four-month note payable in the amount of \$30,000 on September 1. The note requires interest at an annual rate of 5%. The amount of interest to be accrued at the end of September is
 - a. \$125.
 - b. \$200.
 - c. \$1,500.
 - d. \$500.

$$30000 \times \frac{5}{100} \times \frac{4}{12} = \frac{500}{4} = 125$$

Good luck