

Assignment I

1. On March 1, 2020, Tahir Muktar, a famous businessman in Addis, opened a business named **"Universal Garage"** which is organized as a sole proprietorship. The business is established to render car repair, maintenance and related services for fees. Below are chart of accounts for and selected transactions completed by Universal Garage in March 2020.

a) Chart of accounts

Universal Garage Chart of Accounts	
100 ASSETS 110 CURRENT ASSETS 111 Cash 112 Accounts Receivable 114 Supplies 116 Prepaid Rent 117 Prepaid Insurance 120 PLANT ASSETS 121 Land 123 Machinery 123.1 Accumulated Depreciation-Machinery 125 Office Equipment 125.1 Accumulated Depreciation-Office Equipment 200 LIABILITIES 210 CURRENT LIABILITIES 211 Account Payable 213 Salaries Payable 216 Interest Payable 220 NON-CURRENT LIABILITIES 221 Long-term Bank Loan	300 OWNER'S EQUITY 301 Tahir, Capital 302 Tahir, Drawings 303 Incomes Summary 400 REVENUES 401 Fees Earned 410 Other Income 500 EXPENSES 501 Salary Expenses 502 Supplies Expenses 503 Rent Expenses 504 Insurance Expenses 505 Depreciation Expenses 506 Interest Expenses 510 Miscellaneous Expenses

b) Transactions

Mar 1 Received the following assets from its owner, Tahir:

Cash..... Br, 8,300

Supplies 2,000

Office Equipment..... 10,000

2 Borrowed Br 5,000 from Dashen Bank

3 Paid Br 1,800 for rent on a building leased for business purposes

3 Purchased welding and other repair machinery for Br 3,600 cash

4 Paid Br 200 for a radio advertisement

8 Sold for Br 200 cash an old office equipment with a recorded cost of

Br 200

13 Paid weekly salary Br 1,200

16 Received Br 4,400 from services rendered on cash

20 Paid weekly salary Br 1,200

20 Received Br500 royalties for idle repair machinery it leased to other businesses

20 Delivered service on credit, Br 6,000
 21 Purchased additional repair machinery on account for Br 2,000 from Sámi-Engineers
 23 Received Br 5,000 additional cash investment from its owner
 24 Repaid Br 1,000 bank loan and paid Br 100 interest on bank loan
 26 Purchased supplies for Br 800 cash
 27 Paid Br 100 for customer entertainment and other items
 27 Paid weekly salary Br 1,200
 31 Paid Br 500 for electricity and other utilities consumed during the month
 31 Received Br 4,200 cash from credit customers
 31 Paid Tahir Br 1,800 for personal uses

Required:

- a)** *Journalize the above transactions in a two-column journal*
 - b)** *Post the journal entries to "T" accounts*
 - c)** *Prepare and complete a worksheet based on the following additional information*
 - i. *Cost of supplies remained unconsumed on Mar 31 is Br 900*
 - ii. *The amount paid on Mar 3 is for a three-month rent*
 - iii. *The amounts of depreciation for machinery and office equipment are estimated to be Br 560 and Br 1,900 respectively*
 - iv. *Universal Garage usually pays Br 1,200 for employee's salary every saturday for a six-day work week ended on that day*
 - v. *Interest on bank loan accrued but not paid on March 31 total Br 100*
 - d)** *Prepare financial statements for the month*
 - e)** *Journalize and post adjusting entries*
 - f)** *Journalize and post closing entries*
 - g)** *Prepare post-closing trial balance*
- 2.** On January 3, 2003, Ale Hab, an ex-manager of the CBE Bole Branch, established his own consultancy business. He named his business "AH Consultancy Services". The objective of the business is to render financial consultancy services to clients on a fee basis. Below are business activities occurred during the first month of operation of the firm (3 to 31 of January, 2003).
- a. Alemu deposited \$20,000 cash in a bank account in the name of his business - AH Consultancy Services (Deposit slip # 1). He has \$250,000 cash in his personal bank account with Dashen Bank and \$50,000 cash in a safe deposit box at home.
 - b. Alemu transferred furniture worth \$30,000 from his home for office uses by AH Consultancy Services (Asset receipt note #1). He also has extra home furniture, residential house and personal car worth \$620,000, \$800,000 and \$360,000, respectively.

- c. Alemu purchased office supplies worth \$5,000 from various suppliers agreeing to pay the sum within two weeks (Purchase invoice #1). Two-fifth of the supplies will be used for personal purposes while the remaining is for use by AH. Three-fifth of the liability is arranged to be settled from business cash sources.
- d. AH received \$20,000 cash for consultancy services it rendered to a cash client (Cash sales invoice #1).
- e. AH paid \$3,000 cash for advertising aired through ETV (Cash payment voucher #1).
- f. AH forecasted that services fees in the next two weeks will amount to \$5,000.
- g. AH received \$10,000 additional cash investment from its owner (Cash receipt note #1).
- h. AH rendered consultancy services worth \$15,000 to clients who promised to pay the sum within a month (Credit sales invoice #1).
- i. AH sold one of the furniture invested by its owner for \$5,000 cash (Cash receipt note #2). The furniture had a recorded value of \$5,000.
- j. AH collected \$5,000 cash from clients who received services in item-8 above (Cash receipt note #3).
- k. AH paid \$2,000 cash to suppliers on credit (Cash payment voucher #2).
- l. AH purchased a used car for business purposes. The business paid \$8,000 cash for the car (Cash payment voucher #3). Brokers estimated that the car currently worth only \$5,000 and the Inland Revenue assessed the car at \$12,000 for property tax purposes.
- m. AH borrowed \$4,000 cash from Dashen Bank (Cash receipt note #4). The loan is repayable over ten months.
- n. AH employed an accountant and a secretary for monthly salary of \$1,200 and \$700, respectively (Employment contract #2 and #4).
- o. AH incurred and paid for the following expenses(Cash payment voucher #4)
 - Wages..... \$6,000
 - Rent..... 4,500
 - Utilities..... 1,200
 - Others..... 800
- p. AH determined that cost of supplies remained on hand at the end of the current month total \$1,300 (Supplies inventory report #1).
- q. AH paid \$450 cash to Dashen Bank consisting of \$400 principal and \$50 one month interest on part of the loan due in January (Cash payment voucher #5).
- r. AH paid its owner \$5,000 cash to pay house utility expenses (Cash payment voucher #6).

Required:

- a) Analyze and record the above events in the financial records of AH Consultancy Services
- b) And prepare financial statements for the business for the month of January 2003.