

RIFT Valley University
SUBMIT YOUR ANSWER WITHIN 24 HOURS
USE email address hussworko@yahoo.com

Try by yourself

Send your answer either in PDF or MS word

NOTICE Make the file name of the answer sheet your own name. **Don't
Forget!!**

Name _____ Id. No. _____ Sec. _____

Part I Multiple choice

1. The accounting cycle starts with the:

- | | |
|-----------------------------------|-------------------------------------|
| A. Preparation of ledger accounts | C. Analysis of business transaction |
| B. Preparation of trial balance | D. Preparation of adjusting entries |

2. The fast company purchases land for \$12,000. The payment is made by issuing 1,200 shares of common stock of \$10 each. The proper journal entry for this transaction would be:

- A. Land 12,000 Dr. & cash 12,000 Cr.
- B. Land 12,000 Dr. & Accounts payable 12,000 Cr.
- C. Common stock 12,000 Dr. & Land 12,000 Cr.
- D. Land 12,000 Dr. & Common stock 12,000 Cr.

3. How would you post the following journal entry to ledger?

Rent expense \$200 Dr.

Cash \$200 Cr.

- A. Cash account would be debited by \$200 and rent expense account would be credited by \$200
- B. Rent expense account would be debited by \$200 and account payable account would be credited by \$200.
- C. Cash account would be debited by \$200 and loss account would be credited by \$200
- D. Rent expense account would be debited by \$200 and cash account would be credited by \$200.

4. The receipt of cash from customers to whom the goods have already been sold on credit would be recorded by a:

- A. Debit to cash account & credit to accounts payable account
- B. Debit to cash account & credit to accounts receivable account

- C. Debit to accounts payable account & credit to cash account
- D. Debit to accounts receivable account and credit to cash account
- 5. The trial balance in which total debits equal total credits provides a proof that:
 - A. The ledger is in balance
 - B. The transactions have been correctly analyzed and recorded in proper accounts
 - C. The correct debit and credit balances have been computed for each account
 - D. No transaction has been completely omitted during the posting process
 - E. All of the above
- 6. The amount of retained earnings at the end of a period is equal to:
 - A. Retained earnings at the beginning of the period + Dividends declared - Net income
 - B. Net income + Dividends declared - Retained earnings at the beginning of the period
 - C. Retained earnings at the beginning of the period + Net income - Dividends declared
 - D. Retained earnings at the beginning of the period + Net income - Operating expenses
- 7. Revenue can be described as which of the following?
 - A. Net income for the accounting period
 - B. Gross increase in owners' equity resulting from operation of the business
 - C. Sales of services less the expenses related to the sales
 - D. All of the above

PART II Matching

1. Presented below are the assumptions, principles, and constraint.

1. Economic entity assumption	5. Historical cost principle	9. Revenue recognition principle
2. Going concern assumption	6. Fair value principle	10. Cost constraint

- 3.Monetary unit assumption 7.Expense recognition principle 11.Full disclosure principle
4.Periodicity assumption 8.Accrual-basis assumption

Instructions

Identify by number the accounting assumption, principle, or constraint that describes each situation below.

- a) Allocates expenses to revenues in the proper period.
- b) Ensures that all relevant financial information is reported.
- c) Generally, records revenue at the point of sale.
- d) Indicates that personal and business record keeping should be separately maintained.
- e) Separates financial information into time periods for reporting purposes.
- f) Permits the use of fair value valuation in certain situations.
- g) Assumes that the yen is the “measuring stick” used to report on financial performance of a Japanese company.

PART III

1. For each cost, indicate whether it would most likely be classified as direct labor, direct materials, manufacturing overhead, selling, or an administrative cost.
 - a. The cost of a hard drive installed in a computer.
 - b. The cost of advertising in the *Puget Sound Computer User* newspaper.
 - c. The wages of employees who assemble computers from components.
 - d. Sales commissions paid to the company’s salespeople.
 - e. The wages of the assembly shop’s supervisor.
 - f. The wages of the company’s accountant.
 - g. Depreciation on equipment used to test assembled computers before release to customers.
 - h. Rent on the facility in the industrial park.
8. Hill Construction Company uses a job-order costing system. The company had three jobs in process at the beginning of the month. The beginning balance in

the Work in Process control account was \$145,400, made up of \$42,400, \$65,100, and \$37,900 shown on the job cost sheets for Jobs 302, 303, and 304, respectively. During the month, Hill added the following materials and labor costs to each job:

Inventory	Materials	Labor
Job 302	\$10,200	\$32,000
Job 303	12,400	18,000
Job 304	16,500	10,000
Total	\$39,100	\$60,000

Overhead cost is applied at the predetermined rate of \$0.60 per direct labor dollar. Actual overhead costs for the month were \$36,800. Hill completed Job 303 and sold it for \$129,000 cash during the month.

Required

- Determine the balance in the Work in Process account at the end of the month.
- Explain how the entry to close the Manufacturing Overhead account would affect the Cost of Goods Sold account.
- Determine the amount of gross margin Hill would report on its income statement for the month.

Answer sheet For Part I	1.	2	3	4	5	6	7
Answer sheet Part II	A.	B	C	D	E	F	G