



UNITY UNIVERSITY
FACULTY OF DISTANCE EDUCATION
DEPARTMENT OF ACCOUNTING AND FINANCE
Work sheet for **INTERMEDIATE FINANCIAL**
ACCOUNTING I (ACFN231)

Name: _____

ID No. : _____

Department: _____

Center: _____

This is a work sheet you are expected to do by your own. It carries 25 marks. The work sheet should be completed and submitted to your center coordinator which will be sent to the Head Office of the Faculty of Distance Education for evaluation. Do not try to complete the worksheet until you have covered all the lessons and exercises in the course material.

Any questions in the course that you have not been able to understand should be stated on a separate sheet of paper and attached to this work sheet. Your tutor will clarify for you.

After completing this worksheet, be certain to write your name, Id No and Address on the first page.

In addition to this, *your Name and Id No should be written on each paper of the work sheet.*

N.B: This worksheet has 3 parts and 4pages. Good work!

Part I : True or False

Write true for the correct statements and false for the wrong statements.

- 1 The environment of accounting is unaffected by social – economic-
Legal conditions, restraints, and influences that vary from time to time.
- 2 The purpose of accounting is to provide qualitative financial
information about an economic entity to person interested in activities
of that entity.
- 3 Financial accounting – focuses primarily on internal users of financial
statements.
- 4 If the cost of an item of inventory is lower than its market price, the
lower of cost or market method is used to value inventory.
- 5 Under FOB shipping – the title passes to the buyer when the goods
arrive at their destination.
- 6 If the trade-in allowance received on old asset is greater than the
carrying (book) value of the asset surrendered, there has been a gain.

Part II: Multiple Choice

**Choose the Correct Answer among the Following Alternatives and
write Your answer on the Answer Sheet**

- 1 Unexpired costs are costs that will generate revenues in future
accounting periods and are recognized as:

A. Assets	C. Revenues
B. Expenses	D. None of the above
- 2 IFRS stands for:

A. International Federation of Reporting Services.
B. Independent Financial Reporting Standards.
C. International Financial Reporting Standards.
D. Integrated Financial Reporting Services.
- 3 Chilallo Co. issued a 60-day, 12% note for Br. 40,000, dated
February-12, to Garra Muleta Co. an account. How much will be the
maturity value of the note?

- A. 40000 B. 40800 C. 800
D. 39200

4 A method of accounting for uncollectible receivables, whereby an expense is recognized only when specific accounts are judged to be uncollectible is called:

- A. Aging the receivable C. Uncollectible accounts Expense
B. Allowance method D. Direct write-off

The ending inventory of the Narramore Company is understated in year one by Br. 20, 000. This error is not corrected in year one or in year two. What impact will this error have on total net income for years one and two combined?

- A. No effect on total net income for the two years
B. Overstate total income by Br. 20, 000
C. Understate total income by Br. 20, 000
D. Overstate net income for year one by Br. 20, 000 and year two by Br. 20, 000 for a total overstatement of Br. 40, 000
- 5 An asset is said to be impaired when
- A. Carrying amount is greater than its useful life
B. Carrying amount is greater than its recoverable amount
C. Carrying amount is less than its value in use
D. Carrying amount is greater than its fair value
- 6 With regard to disposing of old plant assets, which one is false?
- A. Loss is always recognized whether in an exchange of similar or dissimilar plant assets.
B. A retirement of partially depreciated plant assets without receiving any proceeds result in a loss.
C. Selling a plant assets for more than its carrying value results in a gain.
D. Recognition of gain through exchange of similar plant assets is not allowed since the earning process has not been completed.
E. None of the above
- 7 Suppose, for example a business enterprise acquires a new computer (office equipment) at a cost of Birr 6000. It is estimated that the computer has an estimated residual value of Birr 1000 at the end of its estimated useful life of 4 years. How much is the third year's annual depreciation under straight line method?

- A. 1500 B. 1250 C.750 D.1200
- 8 Which of the following depreciation methods does not consider estimated useful life in computing the depreciation base of the asset?
- A. Straight-line
B. Sum-of-the-years'-digits
C. Declining balance
D. Units-of-output-method

Part II: Work Out

Do the Following Questions Correctly by Showing the Steps Clearly.

- 1 Stationers Company had 200 calculators on hand on January 1, year 9, and costing Br. 18 each. Purchases and sales of calculators during the month of January, year 9, were as follows:

Date	Purchases	Sales
Jan. 12.....		150@Br. 28
14.....	100@Br. 20	
29.....	100@Br. 22	
30.....		100@Br. 32

A stationer does not maintain perpetual inventory records. According to physical count, 150 calculators were on hand on Jan. 31, year 9. Compute the cost of stationers company's Jan. 31, year 9, inventory of calculators under weighted Average method inventory valuation. Use perpetual inventory system. (3 Pts.)

- 2 M. Alou Inc. has equipment that, due to changes in its use, it reviews for possible impairment. The equipment's carrying amount is \$600,000. Assuming this asset has a fair value of \$525,000, estimate the impairment loss, if any, and pass the necessary journal entry. (3 Pts.)
- 3 Cock Company sells merchandise to Ethio Company at a gross sales price of Br. 1000. Credit terms are 2/10, n/30. Record all the necessary journals using net method by assuming the company paid the due amount within the discount period.(4 Pts.)

ANSWER SHEET

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Part I True/False

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

Part II: Multiple choice

1. _____ 5. _____
2. _____ 6. _____
3. _____ 7. _____
4. _____ 8. _____

➤ **Remark Part III is Work on a separate answer sheets and attached with the work sheet.**