

St. Mary's University
College of Open and Distance Learning
Principles of Accounting I
Assignment

(2011- III)

Student's Name: _____

ID. No: _____

Department: _____

Term: _____

Center: _____

Program: Deg ☐

Instruction

- ◆ **This is the only assignment of this course.**
- ◆ **This assignment is to be completed and submitted to the office of your center. Do not attempt the assignment until you are certain that you have understood the units it covers and have revised your self-test exercises and learning activities, and other necessary references.**
- ◆ **If you have any question about the units and activities, state the item/s clearly on a separate sheet of paper and attach to your assignment paper.**
- ◆ **Due Date: This assignment must be submitted to the office of your center ON OR BEFORE THE TUTORIAL PROGRAM. Please strictly follow the deadline indicated.**

Part I: True or False (0.5 pts. each)

Write “True” if the statement is correct and “False” if it is incorrect in the space provided.

- _____ 1. Revenues are outflows or the using up of assets from providing products and service to customers.
- _____ 2. Retained earnings refer to the amounts that have been earned and retained by the corporation.
- _____ 3. An accrual is an expense that has not been paid or revenue that has not been received.
- _____ 4. Internal transactions are exchanges within the organization.
- _____ 5. The journal provides a chronological record of all the events in the life of a business.
- _____ 6. For accounting purpose a sole proprietorship is an entity separate from its owner.
- _____ 7. The amounts in the balance sheet are measured as of the business on specific month.
- _____ 8. A trial balance is a listing of the accounts in the ledger and their balances as of a certain date.
- _____ 9. Financial accounting deals with cost - profit - volume relationships.
- _____ 10. Purchase discounts and trade discounts are computed on the cost of the inventory and the freight charges.

Part II: Multiple Choice (1 pts. each)

Choose the correct answer among the given choices and Write the letter of your choice in the space provided.

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business during the year. What was the net income for the year?

- A. birr 220,000
- B. birr 175,000
- C. birr 265,000
- D. birr 545,000

_____ 7. The fundamental accounting equation states that _____.

- A. $\text{Assets} = \text{Liabilities} + \text{Net income} - \text{Owner's equity}$
- B. $\text{Assets} = \text{Liabilities} - \text{Owner's equity}$
- C. $\text{Assets} = \text{Liabilities} + \text{Owner's equity}$
- D. $\text{Assets} = \text{Liabilities} - \text{Net income}$

_____ 8. If the beginning and ending merchandise inventory are birr 5,000 and birr 6,280 respectively and the cost of goods sold is birr 3,400. The net purchase will be _____.

- A. birr 4,680
- B. birr 11,280
- C. birr 7,880
- D. Birr 2,120

_____ 9. Assume that, a company had sales of birr 652,000 and cost of goods sold of 40% company's sale. What is the gross profit?

- A. birr 391,200
- B. birr 417,000
- C. birr 652,000
- D. birr 260,000

_____ 10. In preparing bank reconciliation, the amount of deposit in transit check would be _____.

- A. Added to the book balance
- B. deducted from the bank balance
- C. deduct from the book balance
- D. Added to the bank balance

Part III: Short Answer (3 pts.)

Given a short and precise answer to the following question in the space provided.

1. List at least four advantages of using a journal (1 pts.)

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2. Discuss the full disclosure, consistency and conservation principles (2 pts.)

Part IV: Work Out (3 pts. each)

1. Assume that the prepaid insurance account has a balance of Birr 50,000 at the beginning of the year. Assume further that birr 23,000 of insurance premiums have been expired during the year.

⇒ Record the adjusting entry, If its.

A. Initially recorded as an asset (3 pts.)

B. Initially recorded as an expense (3 pts.)

2. Assume that on June 1, a business rents a portion of its building for a period of one year, receiving birr 44,000 in payment for the entire term of the lease.

⇒ Record the adjusting entry, if its

A. Initially recorded as a liability (3 pts.)

B. Initially recorded as a revenue (3 pts.)