

AddisAbaba MEDICAL AND BUSINESS COLLEGE
Department of Accounting & Finance
Fundamentals of Accounting II Assignment

Q1. SELAM COMPANY beginning merchandise inventory, purchases and sales during the first year ended December 31, Year 4 was as follows:

Beginning inventory and purchases data:

Date	Description	Units	Per unit cost	Total cost
January 1	Inventory	1,180	100	118,000
January 10	Purchases	1,600	105	168,000
February 18	Purchases	2,400	108	259,200
April 3	Purchases	800	110	88,000
June 15	Purchases	1,500	115	172,500
August 4	Purchases	900	120	108,000
October 31	Purchases	1,700	120	204,000
November 5	Purchases	2,100	122	256,200
December 17	Purchases	800	130	104,000
	Total	12,980		1,477,900

Sales Data:

Date	Units	Selling price	Total
February 12	800	Br. 140	Br. 112,000
March 5	1,200	135	162,000
April 18	1,400	130	182,000
June 22	500	150	75,000
July 1	900	155	139,500
September 26	1,800	145	261,000
December 11	1,300	150	195,000
Total	7,900		1,126,500

Reviewing the accounting records two errors were committed:

The total unit purchased on October 31 was overstated by 200 units.

The total unit sold on June 22 was understated by 300 units

□ INSTRUCTIONS:

Answer the following questions accordingly.

A, Using the periodic inventory system; determine the cost of the inventory on December 31, year 4, under the following inventory costing methods:

- i) First - In - First out
- ii) Average cost

B. Determine the gross profit for the year under each of the above methods asked in A (i) & A (ii).

C. Using the perpetual inventory system ; determine the cost of the inventory on December 31, 2003, under the following inventory costing methods:

i) First - In - First out

ii) Average cost

D. Determine the gross profit for the year under each of the above methods asked in C (i) & C (ii).

Q2. On April 1, 2020, Irish co. a machine tool manufacturer, acquires a piece of new industrial equipment for Br. 1,000,000. The new equipment has a useful life of four years and the salvage value is estimated to be Br. 100,000. Irish estimates that the new equipment can produce a total of 36,000 units. During 2020 the machine produce 12,000 units, then estimated to decline 2000 unit per year.

□ Instructions:

Compute the depreciation expense for each of years using:

1. Straight - line method
2. Declining balance method
3. Units of activity method

