**An-Najah national university
Accounting department
First semester 2024/2025
Accounting principle 1 - 10861111**

**Midterm exam – 35% Date: 24. Dec .2024**

**Student number: Class time:**

**Student name: Exam time: 1.5 hours**

**Question 1 (11 points): Choose the correct answer and fill your answers in the table (USE CAPITAL LETTERS)**

1. The accounting includes three activities (in order)
2. Identification, communication, recording.
3. Recording, identification, communication.
4. Economic entity, recording, communication.
5. Identification, recording, communication.
6. The accountant of Sanad company made the following error: a $400 credit posting to Accounts receivable was made to account payable. Thus:
7. The trial balance will balance.
8. The trial balance will not balance, the debit column will be larger than the Credit column by 400.
9. The trial balance will not balance, the credit column will be larger than the debit column by 400.
10. The Trial balance will not balance, the credit column will be larger than the debit column by 800.
11. The balance sheet is a statement that reports
12. Revenues and expenses for a specific period of time.
13. Assets, liabilities and equity at a specific date.
14. Changes in retained earnings for a specific period of time.
15. Sources and uses of cash for a specific period of time.
16. Managerial accounting provides reports for external users like managers.
17. True
18. False
19. Journalizing is the process of recording entries.
20. True.
21. False.
22. The accountant of XYZ company made the following error: A 200 purchase of equipment on account was posted to equipment twice. Thus:
23. The trial balance will balance.
24. The trial balance will not balance, the debit column will be larger than the credit column by 200
25. The trial balance will not balance, the credit column will be larger than the debit column by 200.
26. The Trial balance will not balance, the credit column will be larger than the debit column by 400.
27. The Fair value principle states Assets should be initially recorded at cost and adjusted when the fair value changes.
28. True
29. False
30. The economic entity assumption states that the entity and its owners are the same.
31. True
32. False
33. Which of the following statements is True regarding the corporation:
34. Ownership is divided into transferable shares.
35. It has limited life.
36. Each shareholder has unlimited liability towards the company’s debts.
37. the business is not considered as a separate legal entity under the jurisdiction of corporation law.
38. A Chart of accounts contains all the company’s accounts and their balances.
39. True.
40. False.
41. In 2023, Hadara co. received $92,000 cash from customers. Of that amount $12,000 were related to services provided in 2022. In addition, Hadara provided $5,000 services on account in 2023. Thus, revenue for 2023 would be:
42. According to cash basis $92,000; According to accrual basis $85,000.
43. According to cash basis $85,000; According to accrual basis $92,000.
44. According to cash basis $80,000; According to accrual basis $85,000.
45. According to cash basis $92,000; According to accrual basis $80,000.

 **Question 2 (10 points): you are given the following information regarding sbitany company**

|  | Year 2022 | Year 2023 |
| --- | --- | --- |
| **Beginning of the year**  |  |  |
|  Assets  | 35,000 | ??  |
|  Liability  | 10,000 | 15,000 |
|  Equity  | **(A)** | ??  |
| **End of the year**  |  |  |
|  Assets  | **(B)** | 66,000 |
|  Liability  | 15,000 | 6,000 |
|  Equity  | **(C)** | 60,000 |
| **Changes during the year**  |  |  |
|  Assets  | 15,000 | ?? |
|  Liability  | 5,000 | ?? |
|  Equity  | **(D)**  | ?? |
|  Additional investments  | **-** | 5,000 |
|  Revenue  | **-** | 124,000 |
|  Expense  | **-** | **(E)** |
|  Dividends  | **-** | 4,000 |

**Required:**

1. **Find the missing amounts**
2. **Calculate the net income for the year 2023**
3. **Prepare the Retained earnings statement for the year 2023 (assume RE on dec.31.2022 equals 2,000)**

**Question 3 (5 points):** The trial balance of Azziza co. on 30.Sep.2024 reported the following: Prepaid insurance expense: 2,400, supplies: 1,900, Equipment: 38,000, Accumulated depreciation – equipment : 8,000, unearned revenue: 12,000.

If you knew that:

1. The insurance policy covers one year starting from 1.Sep.2024
2. On 30.sep.2024, supplies on hand was $900.
3. The equipment depreciates $600 annually.
4. on 30.sep.2024, $2000 of unearned revenue remained unearned.

**Required:**

1. **If you knew that Azziza Company prepares quarterly financial statement. Record the adjusting entries on 30.sep.2024**
2. **Calculate the book value of equipment that will appear in Azziza co. balance sheet on 30.sep.2024**

**Question 4 (9 points): Paltel company had the following transactions during November.2024.**

November 1. Shareholders invested $10,000 in exchange for ordinary shares

November 10. The company purchased $1,790 supplies on account from sha’ban co.

November 15. The company provided $25,000 services and received 40% of the amount in cash. The balance remained on account.

November 20. The company paid salaries and wages expense for November $16,000.

November 25. The company paid sha’ban $500 of the balance due

November 29. The company received $5,000 from customers who were billed in November 15.

November 30. The company declared and paid dividends $2,000.

**Required:**

1. **Journalize the previous transactions in Paltel books.**
2. **If you knew that the account receivable balance on Oct.31.2024 was $9,100. Post the previous transactions to The account receivable account. (use standard column account)**

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| **Question 1 Answers** |
| --- |
| **Item** | **Answer** | **Item** | **Answer** |
| **1** | **D** | **7** | **A** |
| **2** | **A** | **8** | **B** |
| **3** | **B** | **9** | **A** |
| **4** | **B** | **10** | **B** |
| **5** | **A** | **11** | **A** |
| **6** | **B** |  |

| **Question 2.A Answers** |
| --- |
| **A** | **B** | **C** | **D** | **E** |
| **25,000**  | **50,000** | **35,000** | **10,000** | **100,000** |
| **Question 2.B Answer** |
| **Net income = REV - EXP  = 24,000**  |

| **Question 2.C answerRetained earnings statement** |
| --- |
| **RE (Beg) 2,000 Add: NI 24,000 LESS: div (4,000)RE (End) 22,000**  |

| **Question 3.A answer Adjusting entries**  |
| --- |
| **30.Sep. Dr Ins exp 200  Cr prepaid ins exp 200   Dr supplies exp 1,000  Cr supplies 1,000   Dr Dep exp 150  Cr Acc-Dep- equip. 150   Dr unearned rev 10,000  Cr service rev 10,000**  |
| **Question 3.B answer** |
| **Book value = Cost - acc dep  = 29,850**  |

| **Question 4.A answerJournal**  |
| --- |
| **Nov 1. Dr cash 10,000  Cr S.C.O 10,000** **Nov 10. Dr supplies 1,790  Cr acc pay 1,790 Nov 15. Dr cash 10,000  Dr acc rec 15,000  Cr service rev 25,000** **Nov 20. Dr S & W exp 16,000  Cr cash 16,000Nov 29. Dr acc pay 500  Cr cash 500 Nov 29. Dr cash 5,000  Cr acc rec 5,000 Nov 30. Dr Div 2,000  Cr cash 2,000**  |
| **Question 4.B answerPostingAcc rec**  |
| **Date**  | **Explanation** | **ref** | **Dr**  | **Cr**  | **Balance** |
|  | **Beg bal**  |  |  |  | **9,100 Dr**  |
| **Nov 20**  |  |  | **15,000**  |  | **24,100 Dr**  |
| **Nov 25**  |  |  |  | **5,000**  | **19,100 Dr**  |