**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 balance sheet is a statement that reports
2. Revenues and expenses for a specific period of time.
3. Assets, liabilities and equity at a specific date.
4. Changes in retained earnings for a specific period of time.
5. Sources and uses of cash for a specific period of time.
6. The accountant of Sanad company made the following error: a $400 credit posting to Accounts receivable was omitted. 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 accounting includes three activities (in order)
12. Identification, communication, recording.
13. Recording, identification, communication.
14. Economic entity, recording, communication.
15. Identification, recording, communication.
16. Financial accounting provides reports for external users like investors.
17. True
18. False
19. Posting is the process of recording entries.
20. True.
21. False.
22. A Chart of accounts contains all the company’s accounts and their balances.
23. True.
24. False.
25. The accountant of XYZ company made the following error: A 200 purchase of equipment on account was debited to supplies 200. Thus:
26. The trial balance will balance.
27. The trial balance will not balance, the debit column will be larger than the credit column by 200
28. The trial balance will not balance, the credit column will be larger than the debit column by 200.
29. The Trial balance will not balance, the credit column will be larger than the debit column by 400.
30. The historical cost principle states Assets should be initially recorded at cost and adjusted when the fair value changes.
31. True
32. False
33. The monetary unit assumption states that only financial transactions that can be measured in money are recorded.
34. True
35. False
36. Which of the following statements is False regarding the corporation:
37. Ownership is divided into transferable shares.
38. It has unlimited life.
39. Each shareholder has unlimited liability towards the company’s debts.
40. A business is organized as a separate legal entity under the jurisdiction of corporation law.
41. In 2023, Hadara co. paid $94,000 cash for expense. Of that amount $12,000 were related to expense incurred in 2022. In addition, Hadara incurred $5,000 expense on account in 2023. Thus, Expense for 2023 would be:
42. According to cash basis $87,000; According to accrual basis $94,000.
43. According to cash basis $82,000; According to accrual basis $87,000.
44. According to cash basis $94,000; According to accrual basis $82,000.
45. According to cash basis $94,000; According to accrual basis $87,000.

**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  | 11,000 | 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  | 13,000 | ?? |
|  Liability  | 4,000 | ?? |
|  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 1,000)**

**Question 3 (5 points):** The trial balance of Azziza co. on 30. Sep.2024 reported the following: Prepaid insurance expense: 4,800, supplies: 1,500, Equipment: 38,000, Accumulated depreciation – equipment: 8,000, unearned revenue: 10,000.

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 $720 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. The company purchased $1,300 supplies on account from sha’ban co.

November 10. Shareholders invested $8,000 in exchange for ordinary shares

November 15. The company paid salaries and wages expense for November $14,000.

November 20. The company provided $24,000 services and received 50% of the amount in cash. The balance remained on account.

November 25. The company received $4,000 from customers who were billed in November 15.

November 29. The company paid sha’ban $600 of the balance due

November 30. The company declared and paid dividends $2,300.

**Required:**

1. **Journalize the previous transactions in Paltel books.**
2. **If you knew that the account receivable balance on Oct.31.2024 was $8,100. 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** | **B** | **7** | **A** |
| **2** | **B** | **8** | **B** |
| **3** | **D** | **9** | **A** |
| **4** | **A** | **10** | **C** |
| **5** | **B** | **11** | **D** |
| **6** | **B** |  |

| **Question 2.A Answers** |
| --- |
| **A** | **B** | **C** | **D** | **E** |
| **24,000** | **48,000** | **33,000** | **9,000** | **98,000** |
| **Question 2.B Answer** |
| **Net income = REV - EXP = 26,000** |

| **Question 2.C answerRetained earnings statement** |
| --- |
| **RE (Beg) 1,000 Add: NI 26,000 LESS: div (4,000)RE (End) 23,000**  |

| **Question 3.A answer Adjusting entries**  |
| --- |
| **30.Sep. Dr Ins exp 400  Cr prepaid ins exp 400   Dr supplies exp 600  Cr supplies 600   Dr Dep exp 180  Cr Acc-Dep- equip. 180   Dr unearned rev 8,000  Cr service rev 8,000**  |
| **Question 3.B answer** |
| **Book value = Cost - Acc dep equip  = 38,000 - 8,180 = 29,820**  |

| **Question 4.A answerJournal**  |
| --- |
| **Nov 1. Dr supplies 1,300  Cr acc pay 1,300 Nov 10. Dr cash 8,000  Cr S.C.O 8,000** **Nov 15. Dr S & W exp 14,000 Cr cash 14,000 Nov 20. Dr cash 12,000  Dr acc rec 12,000  Cr service rev 24,000 Nov 25. Dr cash 4,000  Cr acc rec 4,000 Nov 29. Dr acc pay 600  Cr cash 600 Nov 30. Dr Div 2,300  Cr cash 2,300**  |
| **Question 4.B answerPostingAcc rec**  |
| **Date**  | **Explanation** | **ref** | **Dr**  | **Cr**  | **Balance** |
|  | **Beg bal**  |  |  |  | **8,100 Dr**  |
| **Nov 20**  |  |  | **12,000**  |  | **20,100 Dr**  |
| **Nov 25**  |  |  |  | **4,000**  | **16,100 Dr**  |