



**FOTAMAT**

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## Time Period Assumption

Accounting periods		
Monthly	Quarterly	Yearly

Interim periods

**Calendar year:** January 1 to December 31.

**Fiscal year:** accounting time period which is one-year length.

1-Monthly and quarterly time periods are called

- calendar periods.
- fiscal periods.
- interim periods.**
- quarterly periods.

2-The time period assumption states that

- a transaction can only affect one period of time.
- estimates should **not** be made if a transaction affects more than one time period.
- adjustments to the enterprise's accounts can only be made in the time period when the business terminates its operations.
- the economic life of a business can be divided into artificial time periods.**

3-An accounting time period that is one year in length, but does **not** begin on January 1, is referred to as

- a fiscal year.**
- an interim period.
- the time period assumption.
- a reporting periods.

4-Adjustments would **not** be necessary if financial statements were prepared to reflect net income from

- a. monthly operations.
- b. fiscal year operations.
- c. interim operations.
- d. **lifetime operations.**

5-Management usually desires \_\_\_\_\_ financial statements and the taxing authorities require all businesses to file \_\_\_\_\_ tax returns.

- a. annual, annual
- b. **monthly, annual**
- c. quarterly, monthly
- d. monthly, monthly

6-The time period assumption is also referred to as the

- a. calendar assumption.
- b. cyclicity assumption.
- c. **periodicity assumption.**
- d. fiscal assumption.

7-In general, the shorter the time period, the difficulty of making the proper adjustments to accounts

- a. **is increased.**
- b. is decreased.
- c. is unaffected.
- d. depends on if there is a profit or loss.

8-Which of the following is **not** a common time period chosen by businesses as their accounting period?

- a. **Daily**
- b. Monthly
- c. Quarterly
- d. Annually

9-Which of the following time periods would **not** be referred to as an interim period?

- a. Monthly
- b. Quarterly
- c. Semi-annually
- d. **Annually**

10-The fiscal year of a business is usually determined by

- a. a government agency.
- b. Share holders.
- c. **the business.**
- d. the IASB.

## Accrual basis vs. Cash basis

<b>Revenue recognition principle</b>	نسجل الإيرادات بالفترة الي نستحقها بغض النظر عن وقت استلام الكاش.
<b>Expense recognition principle</b>	نسجل التكاليف بالفترة الي تحل علينا بغض النظر عن وقت الدفع.
<b>Accrual basis Accounting</b>	نسجل إيرادات لمن نستحقها حتى لو ما استلمنا كاش و نسجل تكاليف لمن تحل علينا حتى لو ما دفعنا كاش.
<b>Cash basis Accounting</b>	نسجل إيرادات لمن نستلم كاش و نسجل تكاليف لمن ندفع الكاش.

1-Ron's Hot Rod Shop follows the revenue recognition principle. Ron services a car on July 31. The customer picks up the vehicle on August 1 and mails the payment to Ron on August 5. Ron receives the check in the mail on August 6. When should Ron show that the revenue was earned?

- a. **July 31**
- b. August 1
- c. August 5
- d. August 6

2-A flower shop makes a large sale and provides flowers to a customer for \$1,000 on November 30. The customer is sent a statement on December 5 and a check is received on December 10. The flower shop follows IFRS and applies the revenue recognition principle. When is the \$1,000 considered to be earned?

- a. December 5.
- b. December 10.
- c. **November 30.**
- d. December 1.

3-Which of the following is in accordance with IFRS?

- a. **Accrual basis accounting**
- b. Cash basis accounting
- c. Both accrual basis and cash basis accounting
- d. Neither accrual basis nor cash basis accounting

4-A candy factory's employees work overtime to finish an order that is sold and shipped on February 28. The office sends a statement to the customer in early March and payment is received by mid-March. The overtime wages should be expensed in

- a. **February.**
- b. March.
- c. the period when the workers receive their checks.
- d. either in February or March depending on when the pay period ends.

5-Which one of the following is **not** an application of revenue recognition?

- a. Recording revenue as an adjusting entry on the last day of the accounting period.
- b. **Accepting cash from an established customer for services to be performed over the next three months.**
- c. Billing customers on June 30 for services completed during June.
- d. Receiving cash for services performed.

6-The expense recognition principle matches

- a. customers with businesses.
- b. **expenses with revenues.**
- c. assets with liabilities.
- d. creditors with businesses.

7-The expense recognition principle refers to

- a. recognizing revenue in the period when it is earned.
- b. matching the revenue reported on the income statement with the receivable reported on the statement of financial position.
- c. **letting expenses follow revenues.**
- d. dividing the life of the business into artificial time periods.

8-When companies record transactions in the period in which the events occur, \_\_\_\_\_ is being applied.

- a. **accrual-basis accounting.**
- b. the time period assumption.
- c. the matching of the income statement with the statement of financial position.
- d. the expense recognition principle.

9-Which statement is correct?

- a. As long as a company consistently uses the cash basis of accounting, IFRS allow its use.
- b. The use of the cash basis of accounting violates both the revenue recognition and expense recognition principles.**
- c. The cash basis of accounting is objective because no one can be certain of the amount of revenue until the cash is received.
- d. As long as management is ethical, there are no problems with using the cash basis of accounting.

10-The expense recognition principle states that expenses should be matched with revenues. Another way of stating the principle is to say that

- a. assets should be matched with liabilities.
- b. efforts should be matched with accomplishments.**
- c. dividends to shareholders should be matched with shareholders' investments.
- d. cash payments should be matched with cash receipts.

11-In a service-type business, revenue is considered earned

- a. at the end of the month.
- b. at the end of the year.
- c. when the service is performed.**
- d. when cash is received.

12-The revenue recognition principle dictates that revenue should be recognized in the accounting records

- a. when cash is received.
- b. when the performance obligation is satisfied.**
- c. at the end of the month.
- d. in the period that income taxes are paid.

13-Under International Financial Reporting Standards (IFRS)

- a. the cash-basis method of accounting is accepted.
- b. events are recorded in the period in which the event occurs.**
- c. interim period financial statements are either a calendar year or a fiscal year.
- d. a fiscal year is an accounting time period encompassing less than 12 months.

14-Under accrual-basis accounting

- a. cash must be received before revenue is recognized.
- b. net income is calculated by matching cash outflows against cash inflows.
- c. events that change a company's financial statements are recognized in the period they occur rather than in the period in which cash is paid or received.**
- d. the ledger accounts must be adjusted to reflect a cash basis of accounting before financial statements are prepared under IFRS.

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## E3-3

Conan industries collected \$100,000 from customers in 2011. Of the amount collected, \$25,000 was from revenue earned on account in 2010. In addition, Conan earned \$40,000 of revenue in 2011, which will not be collected until 2012. Conan Industries also paid \$70,000 for expenses in 2011. Of the amount paid, \$30,000 was for expense incurred on account in 2010. In addition, Conan incurred \$42,000 of expenses in 2011, which will not be paid until 2012.

**Instructions:**

- 1-compute 2011 cash-basis net income.
- 2-compute 2011 accrual basis net income.



1-The following is selected information from Alpha-Beta-Gamma Corporation for the fiscal year ending October 31, 2014.

- Cash received from customers is 300,000\$.
- Revenue earned 330,000.
- Cash paid for expenses 170,000.
- Cash paid for computers on November 1, 2013 that will be used for 3 years (annual depreciation is 16,000\$) 48,000\$.
- Expenses incurred, including interest, but excluding any depreciation is 200,000.
- Proceeds from a bank loan, part of which was used to pay the computers is 10,000\$.

Based on the accrual basis of accounting, what is Alpha-Beta-Gamma Corporation's net income for the year ending October 31, 2014?

- a. \$194,000.
- b. \$114,000.**
- c. \$62,000.
- d. \$130,000.

2-An expense is recorded under the cash basis only when

- a. services are performed.
- b. it is earned.
- c. cash is paid.**
- d. it is incurred.

Use the following information for questions 3 and 4.

Ling Company had the following transactions during 2013:

- Sales of ¥18,000 on account
- Collected ¥8,000 for services to be performed in 2014
- Paid ¥2,500 cash in salaries
- Purchased airline tickets for ¥1,000 in December for a trip to take place in 2014

3-What is Ling's 2013 net income using accrual accounting?

- a. ¥15,500.**
- b. ¥23,500.
- c. ¥22,500.
- d. ¥14,500.

4-What is Ling's 2013 net income using cash basis accounting?

- a. ¥23,500.
- b. ¥5,500.
- c. ¥22,500.
- d. ¥4,500.**

5-A small company may be able to justify using a cash basis of accounting if they have

- a. sales under \$1,000,000.
- b. no accountants on staff.
- c. few receivables and payables.**
- d. all sales and purchases on account.

6-Which of the following statements concerning accrual-basis accounting is **incorrect**?

- a. Accrual-basis accounting follows the revenue recognition principle.
- b. Accrual-basis accounting is the method required by IFRS.
- c. Accrual-basis accounting recognizes expenses when they are paid.**
- d. Accrual-basis accounting follows the expense recognition principle.

7-The revenue recognition principle dictates that revenue be recognized in the accounting period

- a. before it is earned.
- b. after it is earned.
- c. in which the performance obligation is satisfied.**
- d. in which it is collected.

8-For prepaid expense adjusting entries

- a. an expense—liability account relationship exists.
- b. prior to adjustment, expenses are overstated and assets are understated.
- c. the adjusting entry results in a debit to an expense account and a credit to an asset account.**
- d. none of these.

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- b. at the end of the year.
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## ADJUSTING

ندفع مقدم **Prepaid expense**: is an asset account.

### Supplies example.

On the first of October starbucks bought supplies that cost 3,000 kd. at the end of the month remaining supplies cost is 1,200 kd. . ( adj. through the passage of time )


**Insurance example.**

On the first of July, company made an insurance for a one year that cost 600 kd. ( adj. through the passage of time )


1-Adjusting entries are required

- a. yearly.
- b. quarterly.
- c. monthly.
- d. **every time financial statements are prepared.**

2-Adjusting entries

- a. ensure that the revenue recognition and expense recognition principles are followed.
- b. are necessary to enable the financial statements to conform to International Financial Reporting Standards (IFRS).
- c. include both accruals and deferrals
- d. **all of these answer choices are correct.**

3-Adjusting entries are required

- a. **because some costs expire with the passage of time and have not yet been journalized.**
- b. when the company's profits are below the budget.
- c. when expenses are recorded in the period in which they are incurred.
- d. when revenues are recorded in the period in which they are earned.

4-A company must make adjusting entries

- a. to ensure that the revenue recognition and expense recognition principles are followed.
- b. each time it prepares an income statement and a statement of financial position.
- c. to account for accruals or deferrals.
- d. **all of these answer choices are correct.**

5-Which one of the following is **not** a justification for adjusting entries?

- a. Adjusting entries are necessary to ensure that revenue recognition principles are followed.
- b. Adjusting entries are necessary to ensure that the expense recognition principle is followed.
- c. Adjusting entries are necessary to enable financial statements to be in conformity with IFRS.
- d. **Adjusting entries are necessary to bring the general ledger accounts in line with the budget.**

6-An adjusting entry

- a. affects two statement of financial position accounts.
- b. affects two income statement accounts.
- c. **affects a statement of financial position account and an income statement account.**
- d. is always a compound entry.

7-Accounts often need to be adjusted because

- a. there are never enough accounts to record all the transactions.
- b. **many transactions affect more than one time period.**
- c. there are always errors made in recording transactions.
- d. management can't decide what they want to report.

8-If a resource has been consumed but a bill has **not** been received at the end of the accounting period, then

- a. an expense should be recorded when the bill is received.
- b. an expense should be recorded when the cash is paid out.
- c. an adjusting entry should be made recognizing the expense.**
- d. it is optional whether to record the expense before the bill is received.

9-The preparation of adjusting entries is

- a. straight forward because the accounts that need adjustment will be out of balance.
- b. often an involved process requiring the skills of a professional.**
- c. only required for accounts that do **not** have a normal balance.
- d. optional when financial statements are prepared.

10-Adjusting entries are

- a. **not** necessary if the accounting system is operating properly.
- b. usually required before financial statements are prepared.**
- c. made whenever management desires to change an account balance.
- d. made to statement of financial position accounts only.

11-Prepaid expenses are

- a. paid and recorded in an asset account before they are used or consumed.**
- b. paid and recorded in an asset account after they are used or consumed.
- c. incurred but **not** yet paid or recorded.
- d. incurred and already paid or recorded.

12-The balance in the supplies account on June 1 was \$5,200, supplies purchased during June were \$3,500, and the supplies on hand at June 30 were \$2,000. The amount to be used for the appropriate adjusting entry is

- a. \$5,500.
- b. \$3,500.
- c. \$10,700.
- d. \$6,700.**

13-A company usually determines the amount of supplies used during a period

- a. adding the supplies on hand to the balance of the Supplies account.
- b. summing the amount of supplies purchased during the period.
- c. taking the difference between the supplies purchased and the supplies paid for during the period.
- d. taking the difference between the balance of the Supplies account and the cost of supplies on hand.**

14-If a company fails to make an adjusting entry to record supplies expense, then

- a. equity will be understated.
- b. expense will be understated.**
- c. assets will be understated.
- d. net income will be understated.

15-What is the proper adjusting entry at June 30, the end of the fiscal year, based on a prepaid insurance account balance before adjustment, €20,500, and unexpired amounts per analysis of policies of €4,000?

- a. Debit Insurance Expense, €4,000; Credit Prepaid Insurance, €4,000.
- b. Debit Insurance Expense, €20,500; Credit Prepaid Insurance, €20,500.
- c. Debit Prepaid Insurance, €16,500; Credit Insurance Expense, €16,500.
- d. **Debit Insurance Expense, €16,500; Credit Prepaid Insurance, €16,500.**

16-At December 31, 2014, before any year-end adjustments, Cable Car Company's Insurance Expense account had a balance of \$1,450 and its Prepaid Insurance account had a balance of \$3,800. It was determined that \$3,200 of the Prepaid Insurance had expired. The adjusted balance for Insurance Expense for the year would be

- a. \$3,200.
- b. \$1,450.
- c. **\$4,650.**
- d. \$2,050.

17-At March 1, 2014, Jupiter Corp. had supplies on hand of \$500. During the month, Jupiter purchased supplies of \$1,200 and used supplies of \$1,000. The March 31 adjusting journal entry should include a

- a. debit to the supplies account for \$1,000.
- b. credit to the supplies account for \$500.
- c. debit to the supplies account for \$1,200.
- d. **credit to the supplies account for \$1,000.**

18-Hardwood Supplies Inc. purchased a 12-month insurance policy on March 1, 2014 for £1,500. At March 31, 2014, the adjusting journal entry to record expiration of this asset will include a

- a. debit to Prepaid Insurance and a credit to Cash for £1,500.
- b. debit to Prepaid Insurance and a credit to Insurance Expense for £150.
- c. **debit to Insurance Expense and a credit to Prepaid Insurance for £125**
- d. debit to Insurance Expense and a credit to Cash for £125.

19-Daly Investments purchased an 18-month insurance policy on May 31, 2014 for \$6,300. The December 31, 2014 statement of financial position would report Prepaid Insurance of

- a. \$0 because Prepaid Insurance is reported on the Income Statement.
- b. \$2,450.
- c. **\$3,850.**
- d. \$6,300.

20-At March 1, Progressive Auto Inc. reported a balance in Supplies of \$200. During March, the company purchased supplies for \$750 and consumed supplies of \$600. If no adjusting entry is made for supplies

- a. **equity will be overstated by \$600.**
- b. expenses will be understated by \$750.
- c. assets will be understated by \$350.
- d. net income will be understated by \$600.

21-Speedy Clean Laundry purchased €6,500 worth of laundry supplies on June 2 and recorded the purchase as an asset. On June 30, an inventory of the laundry supplies indicated only €1,000 on hand. The adjusting entry that should be made by the company on June 30 is

- a. Debit Supplies Expense, €1,000; Credit Supplies, €1,000.
- b. Debit Supplies, €1,000; Credit Supplies Expense, €1,000.
- c. Debit Supplies, €5,500; Credit Supplies Expense, €5,500.
- d. **Debit Supplies Expense, €5,500; Credit Supplies, €5,500.**

22-Niagara Corporation purchased a one-year insurance policy in January 2013 for \$36,000. The insurance policy is in effect from March 2013 through February 2014. If the company neglects to make the proper year-end adjustment for the expired insurance

- a. Net income and assets will be understated by \$30,000.
- b. **Net income and assets will be overstated by \$30,000.**
- c. Net income and assets will be understated by \$6,000.
- d. Net income and assets will be overstated by \$6,000.

23-James Corporation purchased a one-year insurance policy in January 2013 for €36,000. The insurance policy is in effect from May 2013 through April 2014. If the company neglects to make the proper year-end adjustment for the expired insurance

- a. Net income and assets will be understated by €24,000.
- b. **Net income and assets will be overstated by €24,000.**
- c. Net income and assets will be understated by €12,000.
- d. Net income and assets will be overstated by €12,000.

24-Cara, Inc. purchased supplies costing £3,500 on January 1, 2014 and recorded the transaction by increasing assets. At the end of the year £1,300 of the supplies are still on hand. How will the adjusting entry impact Cara, Inc.'s statement of financial position at December 31, 2014?

- a. Decreased Assets £1,300.
- b. Increased Equity £1,300.
- c. Increased Liabilities £2,200.
- d. **Decreased Assets £2,200.**

25-Cara, Inc. purchased supplies costing £3,500 on January 1, 2014 and recorded the transaction by increasing assets. At the end of the year £1,300 of the supplies are still on hand. If Cara, Inc. does **not** make the appropriate adjusting entry, what is the impact on its statement of financial position at December 31, 2014?

- a. **Assets overstated by £ 2,200.**
- b. Equity understated by £ 2,200.
- c. Equity overstated by £ 1,300.
- d. Assets overstated by £ 1,300.



5

### Long lived assets example.

On the first of August company bought a building for 24,000 kd, it's useful life is 10 years. ( adj. end of the period )


### Pre adjusting/Prepaid ex

<b>overstated</b>	<b>understated</b>
Assets	Expense
Net income	
Equity	

1-An asset—expense relationship exists with

- a. liability accounts.
- b. revenue accounts.
- c. prepaid expense adjusting entries.**
- d. accrued expense adjusting entries.

2-Depreciation expense for a period is computed by taking the

- a. original cost of an asset – accumulated depreciation.
- b. depreciable cost ÷ depreciation rate.
- c. cost of the asset ÷ useful life.**
- d. market value of the asset ÷ useful life.

3-Accumulated Depreciation is

- a. an expense account.
- b. an equity account.
- c. a liability account.
- d. a contra asset account.**

4-An accumulated depreciation account

- a. is a contra-liability account.
- b. increases on the debit side.
- c. is offset against total assets on the statement of financial position.
- d. has a normal credit balance.**

5-Depreciation is the process of

- a. valuing an asset at its fair value.
- b. increasing the value of an asset over its useful life in a rational and systematic manner.
- c. allocating the cost of an asset to expense over its useful life in a rational and systematic manner.**
- d. writing down an asset to its real value each accounting period.

6-Hercules Company purchased a computer for \$4,500 on December 1. It is estimated that annual depreciation on the computer will be \$900. If financial statements are to be prepared on December 31, the company should make the following adjusting entry:

- a. Debit Depreciation Expense, \$900; Credit Accumulated Depreciation, \$900.
- b. Debit Depreciation Expense, \$75; Credit Accumulated Depreciation, \$75.**
- c. Debit Depreciation Expense, \$3,600; Credit Accumulated Depreciation, \$3,600.
- d. Debit Office Equipment, \$4,500; Credit Accumulated Depreciation, \$4,500.

7-A new accountant working for Unitas Company records \$800 Depreciation Expense on store equipment as follows:

Depreciation Expense .....	800
Cash .....	800

The effect of this entry is to

- adjust the accounts to their proper amounts on December 31.
- understate total assets on the statement of financial position as of December 31.
- overstate the book value of the depreciable assets at December 31.**
- understate the book value of the depreciable assets as of December 31.

8-The difference between the cost of a depreciable asset and its related accumulated depreciation is referred to as the

- fair value of the asset.
- blue book value of the asset.
- book value of the asset.**
- depreciated difference of the asset.

9-If a business has several types of Non-current assets such as equipment, buildings, and trucks,

- there should be only one accumulated depreciation account.
- there should be a separate accumulated depreciation account for each type of asset.**
- all the long-term asset accounts will be recorded in one general ledger account.
- there won't be a need for an accumulated depreciation account.

10-As prepaid expenses expire with the passage of time, the correct adjusting entry will be a

- debit to an asset account and a credit to an expense account.
- debit to an expense account and a credit to an asset account.**
- debit to an asset account and a credit to an asset account.
- debit to an expense account and a credit to an expense account.

11-From an accounting standpoint, the acquisition of productive facilities can be thought of as a long-term

- accrual of expense.
- accrual of revenue.
- accrual of unearned revenue.
- prepayment for services.**

12-A company spends \$10 million dollars for an office building. Over what period should the cost be written off?

- When the \$10 million is expended in cash.
- All in the first year.
- Over the useful life of the building.**
- After \$10 million in revenue is earned.

## 6

نستلم كاش مقدم **Unearned revenue:** cash received and recorded as liabilities

**example.** On the first of January, fotamat bought a satrbucks card and deposit 20kd in it, fotamat consumed 12kd. ( adj. end of the period )


## Pre adjusting/Prepaid ex

<b>overstated</b>	<b>understated</b>
Liabilities	Revenues
	Net income
	Equity

Deferrals	Accruals
Prepaid expense	Accrued revenue
Unearned revenue	Accrued expense

1-Which of the following adjustments would require decreasing the liabilities reported on the statement of financial position?

- A company uses \$400 worth of supplies during the year.
- A company records \$400 worth of depreciation on equipment.
- A company has earned \$400 of revenue collected at the beginning of the year.**
- A company records \$400 of wages earned by employees that will be paid next year.

2-Adjusting entries can be classified as

- postponements and advances.
- accruals and deferrals.**
- deferrals and postponements.
- accruals and advances.

3-Unearned revenues are

- received and recorded as liabilities before they are earned.**
- earned and recorded as liabilities before they are received.
- earned but **not** yet received or recorded.
- earned and already received and recorded.

4-Unearned revenue is classified as

- an asset account.
- a revenue account.
- a contra-revenue account.
- a liability account.**

5-If business pays rent in advance and debits a Prepaid Rent account, the company receiving the rent payment will credit

- cash.
- prepaid rent.
- unearned rent revenue.**
- accrued rent revenue.

6-A liability—revenue relationship exists with

- a. prepaid expense adjusting entries.
- b. accrued expense adjusting entries.
- c. unearned revenue adjusting entries.**
- d. accrued revenue adjusting entries.

7-Which of the following reflect the balances of prepayment accounts prior to adjustment?

- a. Statement of financial position accounts are understated and income statement accounts are understated.
- b. Statement of financial position accounts are overstated and income statement accounts are overstated.
- c. Statement of financial position accounts are overstated and income statement accounts are understated.**
- d. Statement of financial position accounts are understated and income statement accounts are overstated.

8-A law firm received \$2,000 cash for legal services to be rendered in the future. The full amount was credited to the liability account Unearned Service Revenue. If the legal services have been rendered at the end of the accounting period and no adjusting entry is made, this would cause

- a. expenses to be overstated.
- b. net income to be overstated.
- c. liabilities to be understated.
- d. revenues to be understated.**

9-If an adjustment is needed for unearned revenues, the

- a. liability and related revenue are overstated before adjustment.
- b. liability and related revenue are understated before adjustment.
- c. liability is overstated and the related revenue is understated before adjustment.**
- d. liability is understated and the related revenue is overstated before adjustment.

10-Which of the following would **not** result in unearned revenue?

- a. Rent collected in advance from tenants
- b. Services performed on account**
- c. Sale of season tickets to football games
- d. Sale of two-year magazine subscriptions

11-If a business has received cash in advance of services performed and credits a liability account, the adjusting entry needed after the services are performed will be

- a. debit Unearned Service Revenue and credit Cash.
- b. debit Unearned Service Revenue and credit Service Revenue.**
- c. debit Unearned Service Revenue and credit Prepaid Expense.
- d. debit Unearned Service Revenue and credit Accounts Receivable.

## 7

**Accrued revenues:** revenues earned but not yet received in cash or recorded like interest revenue, rent and advertising.

the entry:

When the revenue is earned		
Account receivable	XX	
Revenue		XX

When cash is received		
Cash	XX	
Account receivable		XX

## Pre adjusting/Accrued Rev

overstated	understated
	Assets
	Revenue
	Net income
	Equity

**Accrued expenses:** expenses incurred but not yet paid in cash or recorded like interest, rent, taxes and salaries

**Note payable example.**

On the first of November company signed a 6000 kd 3-months note payable with 12% annual interest rate. ( adj. end of the period )




### Salaries example.

Company pays salaries for its employee every 2 weeks, it pays 200 kd for 5 working days, last salary paid was on 28 October, Monday, and the next pay date is on the 11 of November. ( adj. end of the period )


### Pre adjusting/Accrued exp

<b>overstated</b>	<b>understated</b>
Net income	Expense
Equity	Liability

1-Accrued revenues are

- a. received and recorded as liabilities before they are earned.
- b. earned and recorded as liabilities before they are received.
- c. earned but not yet received or recorded.**
- d. earned and already received and recorded.

2-Accrued expenses are

- a. paid and recorded in an asset account before they are used or consumed.
- b. paid and recorded in an asset account after they are used or consumed.
- c. incurred but not yet paid or recorded.**
- d. incurred and already paid or recorded.

3-Expenses sometimes make their contribution to revenue in a different period than when they are paid. When wages are incurred in one period and paid in the next period, this often leads to which account appearing on the statement of financial position at the end of the time period?

- a. Due from Employees.
- b. Due to Employer.
- c. Salaries and Wages Payable.**
- d. Salaries and Wages Expense.

4-Expenses incurred but **not** yet paid or recorded are called 107.

- a. prepaid expenses.
- b. accrued expenses.**
- c. interim expenses.
- d. unearned expenses.

5-If an adjusting entry is **not** made for an accrued revenue,

- a. assets will be overstated.
- b. expenses will be understated.
- c. equity will be understated.**
- d. revenues will be overstated.

6-If an adjusting entry is **not** made for an accrued expense,

- a. expenses will be overstated.
- b. liabilities will be understated.**
- c. net income will be understated.
- d. equity will be understated.

7-Expenses paid and recorded as assets before they are used are called

- a. accrued expenses.
- b. interim expenses.
- c. prepaid expenses.**
- d. unearned expenses.

## 8

## E3-7

The ledger of Villa Rental Agency SpA on March 31 of the current year includes the selected accounts, shown below, before adjusting entries have been prepared.

	<u>Debit</u>	<u>Credit</u>
Prepaid Insurance	3,600 €	
Supplies	2,800	
Equipment	25,000	
Accumulated Depreciation—Equipment		€ 8,400
Notes Payable		20,000
Unearned Rent Revenue		9,900
Rent Revenue		60,000
Interest Expense	–0–	
Salaries and Wages Expense	14,000	

An analysis of the accounts shows the following.

1. The equipment depreciates €320 per month.
2. One-third of the unearned rent revenue was earned during the quarter.
3. Interest totaling €500 is accrued on the notes payable for the quarter.
4. Supplies on hand total €840.
5. Insurance expires at the rate of €200 per month.

### ***Instructions***

Prepare the adjusting entries at March 31, assuming that adjusting entries are made **quarterly**. Additional accounts are Depreciation Expense, Insurance Expense, Interest Payable, and Supplies Expense.

Date	ACCOUNT	DR	CR

## E3-8

Kaya Abbas, D.D.S. A.Ş., opened a dental practice on January 1, 2017. During the first month of operations, the following transactions occurred.

1. Performed services for patients who had dental plan insurance. At January 31, 875 of such services were performed but not yet recorded.
2. Utility expenses incurred but not paid prior to January 31 totaled 520.
3. Purchased dental equipment on January 1 for 80,000, paying 20,000 in cash and signing a 60,000, 3-year note payable. The equipment depreciates 400 per month. Interest is 500 per month.
4. Purchased a six-month malpractice insurance policy on January 1 for 18,000.
5. Purchased 1,600 of dental supplies. On January 31, determined that 700 of supplies were on hand.

***Instructions***

Prepare the adjusting entries on January 31. Account titles are Accumulated Depreciation—Equipment, Depreciation Expense, Service Revenue, Accounts Receivable, Insurance Expense, Interest Expense, Interest Payable, Prepaid Insurance, Supplies, Supplies Expense, Utilities Expense, and Utilities Payable.

Date	ACCOUNT	DR	CR

1-On January 1, 2013, Masters and Masters Company purchased equipment for €45,000. The company is depreciating the equipment at the rate of €1,050 per month. The book value of the equipment at December 31, 2013 is

- a. €0.
- b. €12,600.
- c. €32,400.**
- d. €45,000.

Cara, Inc. purchased a building on January 1, 2014 for £800,000. The useful life of the building is 10 years.

2-What impact will the appropriate adjusting entry at December 31, 2014 have on its statement of financial position at December 31, 2014?

- a. Increased Equity £ 80,000.
- b. Increased Liabilities £ 80,000.
- c. Decreased Assets £ 80,000.**
- d. Since the adjusting entry has offsetting debits and credits, there is no impact on the statement of financial position.

3-What was the impact of the adjusting entry recorded by Cara, Inc.?

- a. Decreased Equity £ 80,000.**
- b. Increased Liabilities £ 80,000.
- c. Increased Assets £ 80,000.
- d. All of these answer choices are correct.

4-The balance in the Prepaid Rent account before adjustment at the end of the year is ¥15,000, which represents three months' rent paid on December 1. The adjusting entry required on December 31 is to

- a. debit Rent Expense, ¥5,000; credit Prepaid Rent, ¥5,000.**
- b. debit Rent Expense, ¥10,000; credit Prepaid Rent ¥10,000.
- c. debit Prepaid Rent, ¥5,000; credit Rent Expense, ¥5,000.
- d. debit Prepaid Rent, ¥10,000; credit Rent Expense, ¥10,000.

5-Henry-K Company purchased a computer system for \$3,600 on January 1, 2014. The company expects to use the computer system for 3 years. It has no residual value. Monthly depreciation expense on the asset is

- a. \$0.
- b. \$100.**
- c. \$1,200.
- d. \$3,600.

6-On July 1, Runner's Sports Store paid \$12,000 to Acme Realty for 4 months rent beginning July 1. Prepaid Rent was debited for the full amount. If financial statements are prepared on July 31, the adjusting entry to be made by Runner's Sports Store is

- a. Debit Rent Expense, \$12,000; Credit Prepaid Rent, \$3,000.
- b. Debit Prepaid Rent, \$3,000; Credit Rent Expense, \$3,000.
- c. Debit Rent Expense, \$3,000; Credit Prepaid Rent, \$3,000.**
- d. Debit Rent Expense, \$12,000; Credit Prepaid Rent, \$12,000.

7-Bread Basket provides baking supplies to restaurants and grocery stores. During December 2014, Bread Basket's employees worked 2,400 hours at an average rate of €10 per hour. At December 31, 2014, Bread Basket has paid €14,000 of salary expense. If Bread Basket fails to make the appropriate adjusting entry, which of the following is true regarding its December 31, 2014 statement of financial position?

- a. Equity is overstated by €14,000.
- b. Equity is understated by €10,000.
- c. Liabilities are understated by €10,000.**
- d. Liabilities are overstated by €14,000.

8-Bread Basket provides baking supplies to restaurants and grocery stores. On November 1, 2014, Bread Basket signed a €500,000, 6-month note payable. The note requires Bread Basket to pay interest at an annual rate of 6%. Assuming Bread Basket makes the appropriate adjusting entry, what is the impact on its December 31, 2014 statement of financial position?

- a. An expense of €15,000.
- b. An expense of €5,000.
- c. A liability of €5,000.**
- d. An expense of €15,000 and a liability of €15,000.

9-Bread Basket provides baking supplies to restaurants and grocery stores. On November 1, 2014, Bread Basket signed a €500,000, 6-month note payable. The note requires Bread Basket to pay interest at an annual rate of 6%. Bread Basket's accountant is a recent college graduate who lacks practical experience. Therefore, the appropriate adjusting entry is **not** made. What is the impact on its December 31, 2014 statement of financial position?

- a. Assets are overstated by €15,000.
- b. Equity is overstated by €15,000.
- c. Liabilities are understated by €15,000.
- d. Liabilities are understated by €5,000.**

10-Wave Inn is a resort located in Canada. During December 2014 Spin Jammers held its annual conference at the resort. The charges related to the conference total \$360,000, of which 25% has been paid by Spin Jammers. When Wave Inn makes the appropriate adjusting entry, which of the following is a part of the adjustment made to its December 31, 2014 statement of financial position?

- a. Debit Cash \$270,000.
- b. Credit revenues \$270,000.**
- c. Credit Cash \$270,000.
- d. Debit Cash and credit revenue \$270,000.

11-Which of the following statements is false regarding adjusting entries?

- a. Cash is neither debited nor credited as a result of adjusting entries.
- b. Each adjusting entry affects one statement of financial position account and one income statement account.
- c. Each adjusting entry affects one revenue account and one expense account.**
- d. Adjusting entries involve accruals or deferrals.



12-Failure to prepare an adjusting entry at the end of the period to record an accrued expense would cause

- a. net income to be understated.
- b. an overstatement of assets and an overstatement of liabilities.
- c. an understatement of expenses and an understatement of liabilities.**
- d. an overstatement of expenses and an overstatement of liabilities.

13-Failure to prepare an adjusting entry at the end of a period to record an accrued revenue would cause

- a. net income to be overstated.
- b. an understatement of assets and an understatement of revenues.**
- c. an understatement of revenues and an understatement of liabilities.
- d. an understatement of revenues and an overstatement of liabilities.

14-Betty Carson has performed \$500 of accounting services for a client but has **not** billed the client as of the end of the accounting period. What adjusting entry must Betty make?

- a. Debit Cash and credit Unearned Service Revenue
- b. Debit Accounts Receivable and credit Unearned Service Revenue
- c. Debit Accounts Receivable and credit Service Revenue**
- d. Debit Unearned Service Revenue and credit Service Revenue

15-Betty Carson, an accountant, has billed her clients for services performed. She subsequently receives payments from her clients. What entry will Betty make upon receipt of the payments?

- a. Debit Unearned Service Revenue and credit Service Revenue
- b. Debit Cash and credit Accounts Receivable**
- c. Debit Accounts Receivable and credit Service Revenue
- d. Debit Cash and credit Service Revenue

16-Sherman Air Charter signed a four-month note payable in the amount of \$12,000 on September 1. The note requires interest at an annual rate of 6%. The amount of interest to be accrued at the end of September is

- a. \$240.
- b. \$60.**
- c. \$720.
- d. \$180.

17-A business pays weekly salaries of \$30,000 on Friday for a five-day week ending on that day. The adjusting entry necessary at the end of the fiscal period ending on a Thursday is

- a. debit Salaries and Wages Payable, \$24,000; credit Cash, \$24,000.
- b. debit Salaries and Wages Expense, \$24,000; credit Cash, \$24,000.
- c. debit Salaries and Wages Expense, \$24,000; credit Salaries and Wages Payable, \$24,000.**
- d. debit Salaries and Wages Expense, \$6,000; credit Salaries and Wages Payable, \$6,000.

18-Jenni's Music Store borrowed \$12,000 from the bank signing a 7%, 3-month note on September 1. Principal and interest are payable to the bank on December 1. If the company prepares monthly financial statements, the adjusting entry that the company should make for interest on September 30, would be

- Debit Interest Expense, \$840; Credit Interest Payable, \$840.
- Debit Interest Expense, \$70; Credit Interest Payable, \$70.**
- Debit Note Payable, \$840; Credit Cash, \$840
- Debit Cash, \$210; Credit Interest Payable, \$210.

19-Becki Jean Corporation issued a one-year, 6%, \$300,000 note on April 30, 2014. Interest expense for the year ended December 31, 2014 was

- \$18,000.
- \$13,500.
- \$12,000.**
- \$10,500.

20-RAS Corporation issued a one-year, 6%, €200,000 note on August 31, 2014. Interest expense for the year ended December 31, 2014 was

- €12,000.
- €5,000.
- €4,000.**
- €3,000.

21-Joyce's Gifts signs a three-month note payable to help finance increases in inventory for the Christmas shopping season. The note is signed on November 1 in the amount of \$50,000 with annual interest of 6%. What is the adjusting entry to be made on December 31 for the interest expense accrued to that date, if no entries have been made previously for the interest?

a. Interest Expense .....	500
Interest Payable .....	500
b. Interest Expense .....	7,500
Interest Payable .....	7,500
c. Interest Expense .....	500
Cash .....	500
d. Interest Expense .....	500
Note Payable.....	500

22-Employees at Julian Corporation are paid \$15,000 cash every Friday for working Monday through Friday. The calendar year accounting period ends on Wednesday, December

31. How much salary expense should be recorded two days later on January 2?

- \$15,000
- \$9,000
- None, matching requires the weekly salary to be accrued on December 31.
- \$6,000**

23-Cindi's Candies paid employee wages on and through Friday, January 26, and the next payroll will be paid in February. There are three more working days in January (29–31). Employees work 5 days a week and the company pays \$900 a day in wages. What will be the adjusting entry to accrue wages expense at the end of January?

- Salaries and Wages Expense ..... 900  
    Salaries and Wages Payable ..... 900
- Salaries and Wages Expense ..... 4,500  
    Salaries and Wages Payable ..... 4,500
- Salaries and Wages Expense ..... 2,700**  
    **Salaries and Wages Payable ..... 2,700**
- No adjusting entry is required.

23-A company shows a balance in Salaries and Wages Payable of ¥48,000 at the end of the month. The next payroll amounting to ¥54,000 is to be paid in the following month. What will be the journal entry to record the payment of salaries?

- Salaries and Wages Expense ..... 54,000  
    Salaries and Wages Payable ..... 54,000
- Salaries and Wages Expense ..... 54,000  
    Cash ..... 54,000
- Salaries and Wages Expense ..... 6,000  
    Cash ..... 6,000
- Salaries and Wages Expense ..... 6,000**  
    **Salaries and Wages Payable ..... 48,000**  
    **Cash ..... 54,000**

## E3-13

The trial balances before and after adjustment for Matusiak Company OAO at the end of its fiscal year are presented below.

## MATUSIAK COMPANY OAO

## Trial Balance

August 31, 2017

	<u>Before Adjustment</u>		<u>After Adjustment</u>	
	<u>Dr.</u>	<u>Cr.</u>	<u>Dr.</u>	<u>Cr.</u>
Cash	€10,400		€10,400	
Accounts Receivable	8,800		10,000	
Supplies	2,300		700	
Prepaid Insurance	4,000		2,500	
Equipment	14,000		14,000	
Accumulated Depreciation— Equipment		3,600 €		4,900 €
Accounts Payable		5,800		5,800
Salaries and Wages Payable		–0–		1,100
Unearned Rent Revenue		1,500		800
Share Capital—Ordinary		12,000		12,000
Retained Earnings		3,600		3,600
Service Revenue		34,000		35,200
Rent Revenue		11,000		11,700
Salaries and Wages Expense	17,000		18,100	
Supplies Expense	–0–		1,600	
Rent Expense	15,000		15,000	
Insurance Expense	–0–		1,500	
Depreciation Expense	–0–		1,300	
	<u>€71,500</u>	<u>€71,500</u>	<u>€75,100</u>	<u>€75,100</u>

**Instructions**

Prepare the adjusting entries that were made.

Date	ACCOUNT	DR	CR

1-Turner Company collected \$13,000 in September of 2013 for 5 months of service which would take place from October of 2013 through February of 2014. The revenue reported from this transaction during 2013 would be

- a. \$0.
- b. \$7,800.**
- c. \$13,000.
- d. \$5,200.

2-On January 1, 2013, P.T. Scope Company purchased a computer system for \$4,860. The company expects to use the system for 3 years. The asset has no residual value. The book value of the system at December 31, 2014 is

- a. \$0.
- b. \$1,620.**
- c. \$3,240.
- d. \$4,860

3-Action Real Estate received a check for \$24,000 on July 1 which represents a 6 month advance payment of rent on a building it rents to a client. Unearned Rent Revenue was credited for the full \$24,000. Financial statements will be prepared on July 31. Action Real Estate should make the following adjusting entry on July 31:

- a. Debit Unearned Rent Revenue, \$4,000; Credit Rent Revenue, \$4,000.**
- b. Debit Rent Revenue, \$4,000; Credit Unearned Rent Revenue, \$4,000.
- c. Debit Unearned Rent Revenue, \$24,000; Credit Rent Revenue, \$24,000.
- d. Debit Cash, \$24,000; Credit Rent Revenue, \$24,000.

4-Southwestern City College sold season tickets for the 2014 football season for \$300,000. A total of 8 games will be played during September, October and November. Assuming all the games are played, the Unearned Ticket Revenue balance that will be reported on the December 31 statement of financial position will be

- a. \$0.**
- b. \$112,500.
- c. \$187,500.
- d. \$300,000.

5-Y-B-2 Inc. pays its rent of \$60,000 annually on January 1. If the February 28 monthly adjusting entry for prepaid rent is omitted, which of the following will be true?

- a. Failure to make the adjustment does **not** affect the February financial statements.
- b. Expenses will be overstated by \$5,000 and net income and equity will be understated by \$5,000.
- c. Assets will be overstated by \$10,000 and net income and equity will be understated by \$10,000.
- d. Assets will be overstated by \$5,000 and net income and equity will be overstated by \$5,000.**

6-O.K.C. Company collected \$14,000 in September of 2013 for 4 months of service which would take place from October of 2013 through January of 2014. The revenue reported from this transaction during 2013 would be

- a. 0.
- b. \$10,500.**
- c. \$14,000.
- d. \$3,350.

7-Wave Inn is a resort located in Canada. During December 2013 Wave Inn collects \$150,000 cash related to a conference booked by the Spin Jammers. The conference is scheduled for February 12 and 13, 2014. Which of the following is true regarding how this transaction is reported on the December 31, 2013 statement of financial position?

- a. Spin Jammers reports unearned revenue of \$150,000.
- b. Wave Inn reports a prepaid asset of \$150,000.
- c. Wave Inn reports unearned revenue of \$150,000.**
- d. All of these answer choices are correct.

8-On January 1, 2013, Grills and Grates Inc. purchased equipment for \$60,000. The company is depreciating the equipment at the rate of \$800 per month. At January 31, 2014, the balance in Accumulated Depreciation is

- a. \$800.
- b. \$9,600.
- c. \$10,400.**
- d. \$49,600.

9-Wave Inn is a resort located in Canada. Wave Inn collects cash when guests make a reservation. During December 2013, Wave Inn collected \$75,000 of cash and recorded the receipt by recognizing unearned revenue. By the end of the month Wave Inn had earned one third of this amount, the other two thirds will be earned during January 2014. The adjusting entry required at December 31, 2013 would impact the statement of financial position by

- a. Increased Equity \$50,000.
- b. Decreased Liabilities \$25,000.**
- c. Increased Assets \$75,000.
- d. Decreased Equity \$25,000.

10-Southwestern City College sold season tickets for the 2014 football season for \$300,000. A total of 8 games will be played during September, October and November. In September, three games were played. The adjusting journal entry at September 30

- a. is **not** required. No adjusting entries will be made until the end of the season in November.
- b. will include a debit to Cash and a credit to Ticket Revenue for \$75,000.
- c. will include a debit to Unearned Ticket Revenue and a credit to Ticket Revenue for \$112,500.**
- d. will include a debit to Ticket Revenue and a credit to Unearned Ticket Revenue for \$100,000.

11- In September, two games were played. In October, three games were played. The balance in Unearned Ticket Revenue at October 31 is

- a. \$0.
- b. \$75,000.
- c. \$112,500.**
- d. \$187,500.

QUESTION – was in last course midterm

The following information is available for Joud company on July 31, 2017. At the end of a monthly accounting period. Prepare the journal entry for each transaction below plus the adjusting at the end of July. (NOTE that the appropriate adjusting entries has been recorded for previous months).

**1- Joud co. purchased a 1 year insurance policy on July 1 for 2400\$.**

**2- On January 1st a tenant in an apartment building owned by Joud co. paid Joud 6000\$ as a yearly payment on 2017.**

**3- On July 1 the balance in office supplies was 100\$. During July office supplies costing 600\$ were purchased, a physical count of office supplies at July 31 revealed that there were 300\$ on hand.**



**4- On April 30th, Joud co. purchased a truck for 22000\$, it is estimated to be used for 7 years with a residual value of 1000\$.**

**5- Joud has two office employees who earn 100\$ per day. They are paid every Friday for a 5 days a week begins each Monday, July 31 is a Wednesday.**

**6- On March 31th Joud borrowed 300,000\$ from NBK on a 15 year mortgage, the annual interest rate is 10%.**

**7- Revenue for services performed but not recorded for August totaled 5000\$.**

1-Sail & Surf Cruises purchased a five-year insurance policy for its ships on April 1, 2014 for \$80,000. Assuming that April 1 is the effective date of the policy, the adjusting entry on December 31, 2014 is

a. Prepaid Insurance.....	12,000	
Insurance Expense.....		12,000
<b>b. Insurance Expense .....</b>	<b>12,000</b>	
<b>Prepaid Insurance .....</b>		<b>12,000</b>
c. Insurance Expense.....	16,000	
Prepaid Insurance.....		16,000
d. Insurance Expense.....	4,000	
Prepaid Insurance.....		4,000

2-CHS Company purchased a truck from JLS Corp. by issuing a 6-month, 8% note payable for \$45,000 on November 1. On December 31, the accrued expense adjusting entry is

a. No entry is required.		
b. Interest Expense.....	3,600	
Interest Payable.....		3,600
c. Interest Expense.....	7,200	
Interest Payable.....		7,200
<b>d. Interest Expense .....</b>	<b>600</b>	
<b>Interest Payable .....</b>		<b>600</b>

3-BJ, an employee of Walker Corp., will not receive her paycheck until April 2. Based on services performed from March 16 to March 31, her salary was \$800. The adjusting entry for Walker Corp. on March 31 is

<b>a. Salaries and Wages Expense .....</b>	<b>800</b>	
<b>Salaries and Wages Payable .....</b>		<b>800</b>
b. No entry is required.		
c. Salaries and Wages Expense .....	800	
Cash .....		800
d. Salaries and Wages Payable.....	800	
Cash .....		800

The ledger of Hadi rental agency on March 31 of the current year these selected accounts before adjusting entries have been prepared

	Debits	Credit
Prepaid insurance	3,600	
Supplies	4,000	
Equipment	25,000	
Accumulated depreciation- Equipment		8,400
Notes payable		20,000
Unearned rent revenue		10,200
Rent revenue		60,000
Interest expense	000	
Wage expense	14,000	

Analysis of the accounts shows the following:

- 1- the equipment depreciates KD250 per month.
- 2-One third of the unearned rent revenue was earned during the period.
- 3-Interest of KD250 is accrued on the notes payable.
- 4-supplies on hand total KD850.
- 5- Insurance expires at rate of KD300 per month.

**Instructions:**

Prepare the adjusting entries at March 31, assuming that the adjusting are made quarterly.

## 13

A partial adjusting trial balance of Sila Company at January 31, 2011, shows the following.

Sila company Adjusted Trial Balance January 31, 2011		
	Debit	Credit
Supplies	850	
Prepaid Insurance	2,400	
Salaries payable		800
Unearned Revenue		750
Supplies Expense	950	
Insurance Expense	400	
Salaries Expense	1,800	
Service Revenue		2,000

**Instructions**

Answer the following questions, assuming the year begins January 1.

a- if the amount in supplies expense is the January 31 adjusting entry, and \$500 of supplies was purchased in January, what was the balance in supplies on January 1?

b- If the amount in insurance expense is the January 31 adjusting entry, and the original insurance premium was for one year, what was the total premium and when was the policy purchased?

c- If \$3,500 of salaries was paid in January, what was the balance in salaries payable at December 31, 2010?

d- If \$1,600 was received in January for services performed in January, what was the balance in Unearned revenue at December 31, 2010?

**14**

The blasters, a semi-professional baseball team, prepare financial statements on a monthly basis. their season begins in April, but in March the team engaged in the following transactions:

a- paid \$180,000 to Welshire city as advance rent for use of Welshire City Stadium for the six-month period April 1 through September 30.

b- Collected \$400,000 cash from sales of season tickets for the team's 20 home games. This amount was credited to unearned ticket revenue.

During the month of April, the Blasters played four home games and five road games.

**Instructions**

Prepare the adjusting entries required at April 30 for the transactions above.

1-Can financial statements be prepared directly from the adjusted trial balance?

- a. They cannot. The general ledger must be used.
- b. Yes, adjusting entries have been recorded in the general journal and posted to the ledger accounts.**
- c. No, the adjusted trial balance merely proves the equality of the total debit and total credit balances in the ledger after adjustments are posted. It has no other purpose.
- d. They can because that is the only reason that an adjusted trial balance is prepared.

2-The adjusted trial balance is prepared

- a. after financial statements are prepared.
- b. before the trial balance.
- c. to prove the equality of total assets and total liabilities.
- d. after adjusting entries have been journalized and posted.**

3-An adjusted trial balance

- a. is prepared after the financial statements are completed.
- b. proves the equality of the total debit balances and total credit balances of ledger accounts after all adjustments have been made.**
- c. is a required financial statement under IFRS.
- d. cannot be used to prepare financial statements.

4-Which of the statements below is **not** true?

- a. An adjusted trial balance should show ledger account balances.
- b. An adjusted trial balance can be used to prepare financial statements.
- c. An adjusted trial balance proves the mathematical equality of debits and credits in the ledger.
- d. An adjusted trial balance is prepared before all transactions have been journalized.**

5-A document prepared to prove the equality of debits and credits after all adjustments have been prepared is the

- a. adjusted statement of financial position.
- b. adjusted trial balance.**
- c. adjusted financial statements.
- d. post-closing trial balance.

6-If the adjusting entry for depreciation is **not** made,

- a. assets will be understated.
- b. equity will be understated.
- c. net income will be understated.
- d. expenses will be understated.**

7-Which of the following statements related to the adjusted trial balance is **incorrect**?

- It shows the balances of all accounts at the end of the accounting period.
- It is prepared before adjusting entries have been made.**
- It proves the equality of the total debit balances and the total credit balances in the ledger.
- Financial statements can be prepared directly from the adjusted trial balance.

8-Financial statements are prepared directly from the

- general journal.
- ledger.
- trial balance.
- adjusted trial balance.**

9-Similarities between International Financial Reporting Standards (IFRS) and U.S. GAAP include all of the following **except**

- Cash-basis accounting is **not** in accordance with either IFRS or U.S. GAAP.
- Both IFRS and U.S. GAAP allow revaluation of item such as land and building to fair value.**
- Both IFRS and U.S. GAAP divide the economic life of companies into artificial time periods.
- The form and content of financial statements are very similar under IFRS and U.S. GAAP.

Received \$3,000 in advance from a client for a service, by year end the company had earned and completed 40% of the project  
make adjusting:

unearned Rev		1,200		
service Rev				1,200

$$3000 \times 40\% = 1200$$

بس هذا السن

15

## سؤال وايلي Question:

Alpha's Graphics was organized on January 1,2020, by Gabriel Alpha. At the end of the first 6 months of operations, the trial balance contained the following accounts.

Debits		Credits	
Cash	\$ 8,100	Notes payable	\$ 22,000
Accounts receivable	14,400	Accounts payable	8,800
Equipment	45,000	Share capital – ordinary	21,800
Insurance expense	3000	Service revenue	56,300
Salaries and wages expense	29,700		
Supplies expense	3,700		
Advertising expense	2,100		
Rent expense	1,400		
Utilities expense	1,500		
	\$108,900		\$ 108,900

Analysis reveals the following additional data:

1. The \$3,700 balance in supplies expense represents supplies purchased in January. At June 30, \$1500 of supplies are on hand.
2. The note payable was issued on February 1. It is a 9%, 6-month note.
3. The balance in insurance expense is the premium on a one year policy, dated April 1, 2020.
4. Service revenues are credited to revenue when received. At June 30, services revenue of \$1,100 are unearned.
5. Revenue for services performed but unrecorded at June 30 totals \$ 2,200.
6. Depreciation is \$ 2,100 per year.



Journalize the adjusting entries at June 30, ( Assume adjustments are recorded every 6 months.)

Date	Account title	Dr.	Cr.

**Prepare an adjusted trail balance:**

**Prepare an income statement for the 6 months ended June 30.**

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**Prepare an retained earnings statement for the 6 months ended June 30.**

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Prepare a statement of financial position at June 30,

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## سؤال وايلي Question:

The Larkspur Theater will begin in March. The Larkspur will be unique in that it will show only triple features of sequential theme movies. As of March 1, the ledger showed No.101 cash \$3,300, No.140 Land 26,400, No.145 Buildings (concession stand, projection room, ticket booth and screen) \$11,000, No.157 Equipment \$11,000, No.201 Accounts Payable \$7,700, and No.311 Share capital – Ordinary \$44,000. During the month of March, the following events and transactions occurred.

- March 2 Rented the three Kung Fu Panda movies to be shown for the first 3 weeks of March. The film rental was \$3,850; \$1,650 was paid in cash and \$2,200 will be paid on March 10.
- 3 Ordered three Batman movies to be shown the last 10 days of March. It will cost \$220 per night.
- 9 Received \$4,730 cash from admissions.
- 10 Paid balance due on Kung Fu Panda movies rental and \$2,310 on March 1 accounts payable.
- 11 Larkspur Theater contracted with So Bin to operate the concession stand. Bin is to pay 15% of gross concessions receipts, payable monthly, for the rental of the concession stand.
- 12 Paid advertising expense \$990.
- 20 received \$5,500 cash from customers for admissions.
- 20 Received the Batman movies and paid the rental fee \$2,200.
- 31 Paid salaries of \$3,410.
- 31 Received statement from So Bin showing gross receipts from concessions of \$4,600 and the balance due to Star Theater of \$690 ( $\$4,600 \times 15\%$ ) for March. Bin paid one half the balance due and will remit the remainder on April 5.
- 31 Received \$9,900 cash from customers for admissions.

Date	Account title	

## Adjusting | | Chapter 3

Supplies		
Supplies	XX	لمن نشترتهم
Cash	XX	
لمن نستخدم منهم		
Supplies expense	XX	Beg + Purchased – On hand
Supplies	XX	

Insurance		
Prepaid insurance	XX	
Cash	XX	
لمن يمر وقت على التأمين		
Insurance expense	XX	القيمة   مدة التأمين و نضربها بالمدة الي مرت
Prepaid insurance	XX	

Depreciation expense		
Assets	XX	اول ما نشترى الأصل
Cash	XX	
بنهاية الفترة		
Depreciation expense	XX	(Cost – RV )/ useful life بدها نضرب ب عدد الأشهر على 12
Accumulated depreciation	XX	

Unearned revenues		
Cash	XX	
Unearned revenues		XX
لمن نستحق الأيراد		
Unearned revenues	XX	بالقيمة الي استحقيناها
Revenues		XX

Notes payable		
Cash	XX	
Notes payable		XX
لمن بنسجل الفوائد		
Interest expense	XX	NP * %
Interest payable		بعدها بنضربها بعدد الأشهر على 12

Salaries		
Salaries expense	XX	
Salaries payable		XX
لمن تخلص الفترة و ماحان موعد الدفع نشوف اليومية جم, و نضربها بعدد الأيام		