SIR ARTHUR LEWIS COMMUNITY COLLEGE
ACADEMIC YEAR (2024/2025) – SEMESTER TWO
END OF SEMESTER EXAMINATION

COURSE CODE	: **ACC113**
COURSE TITLE	: **PRINCIPLES OF FINANCIAL ACCOUNTING I**
LECTURER(S)	: **F. M-CLOVIS, H. MALCOLM, U. JOSEPH, M. POPO**
DATE	: **May 5, 2025**
TIME	: **9 a.m.**
DURATION	: **1 ½ HRS**
STUDENT ID #	: ____________________

GENERAL INFORMATION AND INSTRUCTIONS

- Students must sign **IN** and **OUT** on the examination class list.
- Write your ID number on the question paper.

- Read <u>**all**</u> questions and instructions carefully.
- This examination contains **TWO (2) sections.**

Section I

- Compulsory question- students are required to do THIS complete question. **25 marks**

Section II

- There are **two (2)** questions in this section. Students are required to answer <u>**any one complete**</u> question. Each question is worth **20 marks**.

- Borrowing or lending is **prohibited**. **All cell phones must be turned off and placed in bags at front of room.**

- **Remove all calculator covers and place in bags at front of room.**

<u>**DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO**</u>

SECTION I (COMPULSORY)

Instruction: Answer this complete question.

QUESTION 1

The following represents the account balances for Just Us Inc.

Just Us Inc.
Account Balances for year ended March 31, 2025

ACCOUNT TITLES	BALANCES
	$
Cash	21,600
Insurance	7,000
Supplies	4,300
Land	30,000
Account Receivable	10,000
Building	100,000
Furniture	25,000
Bank overdraft	10,500
Purchases	40,000
Accounts payable	36,000
Unearned revenue	12,400
Mortgage payable	78,000
Common Shares	105,000
Revenue	80,000
Repair expense	5,600
Salaries expense	60,000
Utilities expense	18,400

Additional Information:

1. Closing Inventory on March 31, 2025, $4,000
2. Expenses owed: Utilities $1,000; repair $400
3. Expenses prepaid: Insurance $2,000; Salaries $4,000
4. The building depreciated by 12% and furniture is expected to last for 150 months.
5. The Accounts receivable paid a cheque of $4,600.
6. Issued shares for $18,000. This was deposited into the bank.
7. The Accounts Payable were paid $1,000 cash.

Required: Use the information above to prepare the worksheet on the form provided for Just Us Inc. **(25 marks)**

JUST Us Inc
Worksheet

ACCOUNT TITLES	UNADJUSTED TRIAL BALANCE		ADJUSTMENTS		ADJUSTED TRIAL BALANCE		PROFIT AND LOSS ACCOUNT		BALANCE SHEET	
	DR ($)	CR ($)	DR ($)	CR ($)	DR ($)	CR ($)	DR ($)	CR ($)	DR ($)	CR ($)

SECTION II

Instruction: Answer **ANY** one complete question.

QUESTION 2

A. State whether each of the statements below is TRUE or FALSE.

1. Adjusting entries are usually made at the end of the accounting period before the preparation of financial statements.

2. Prepaid expenses require an adjusting entry to recognize the portion that has not been used up during the next period.

3. Adjusting entries are not necessary when preparing financial statements on a cash basis.

4. Unearned revenue requires an adjusting entry to recognize the revenue that has not been earned during the period.

5. Adjusting entries do not always involve cash transactions.

6. The adjusting entry for accrued expenses involves a debit to an expense account and a credit to a liability account.

7. Adjusting entries are necessary for accrual basis accounting, not cash basis accounting.

8. An adjusting entry for depreciation expense will decrease the asset account (Accumulated Depreciation) and equity account (Retained Earnings or directly Depreciation Expense).

9. Prepaid expenses are initially recorded as assets and are gradually expensed through adjusting entries as they are used.

10. Adjusting entries for accrued revenues always involve a debit to an asset account (Accounts Receivable) and a credit to a revenue account.

(5 marks)

B. The RK Inc. Bookstore sells religious literature and purchases their merchandise from the LOGOS. Review the following transactions and prepare the journal entry or entries if RK Inc. uses:

i. the perpetual inventory system **(7.5 Marks)**

ii. the periodic inventory system **(7.5 Marks)**

April 4	RK Inc. purchases 88 children bibles on credit at a purchase price of $15 per bible. The terms of the purchase are 5/15, n/30, with an invoice date of June 4.
12	RK Inc. returns 20 bibles to the LOGOS for a full refund.
19	RK Inc. pays in full for the remaining bibles, less the return.

QUESTION 3

A. Define ‘liquidity ratios. Provide one example of a liquidity ratio and the formula to calculate it

(4 marks)

B. State whether each of the statements below is TRUE or FALSE.

1. Under the perpetual inventory method, the cost of goods sold is determined at the time of each sale, not at the end of the accounting period.
2. The periodic inventory method calculates the cost of goods sold at the end of the accounting period.
3. The perpetual inventory method provides real-time inventory levels.
4. Under the periodic inventory method, inventory records are updated at the end of the accounting period, not continuously.
5. The perpetual inventory method generally does not require a physical inventory count to determine the ending inventory balance, but physical counts are often performed periodically to verify accuracy.

6. A physical inventory count is required at the end of the accounting period when using the periodic inventory method.
7. The perpetual inventory method may still require adjustments at the end of the accounting period for discrepancies and shrinkage.

8. The periodic inventory method does not provide real-time inventory levels.

9. The perpetual inventory method is more suitable for businesses with higher-value items and those needing real-time inventory tracking.

10. The periodic inventory method updates inventory records at the end of the accounting period based on physical counts.

(5 marks)

C. The following are the Adjusted Balances of TeaSpray Ltd at April 30th, 2025.

Account	$
Cash	39,750
Prepaid insurance	5,500
Equipment	36,000
Notes payable	33,000
Common stock	15,000
Retained earnings	18,325
Dividends	23,000
Sales revenue	201,000
Rent expense	25,575

Insurance expense	19,000
Salaries expense	111,000
Supplies expense	7,500

Required:

Prepare the closing entries in the Journal at April 30th. **(11 marks)**

END OF EXAMINATION