

ACCT2003 Principles of Accounting I

Assignment 1

This assignment consists of **TWO** questions; 20 marks are allocated to each of the questions.

Due Date: 17 March 2023 (Friday) afternoon at 4:30 pm.

All students are expected to observe UIC's academic honesty policy. Specifically, you are expected to complete this assignment on your own without copying the work from other student(s) and without allowing other student(s) to copy your work. Plagiarized work will receive zero mark.

To complete the assignment, students are required to have some readings or self-study. Students should not just rely on the PPT.

Instructions to students:

- 1) Type or hand-write answers on A4 size white papers.
- 2) Answers should be supported by workings/ detailed calculations where appropriate.
- 3) Submit a **soft copy** of your completed assignment to iSpace **AND** a **hard copy** of your completed assignment to assistant instructor.
- 4) When submitting soft copy to iSpace, only word or pdf file format is allowed, photos/pictures are **NOT** accepted (Hand-written assignment needs to be scanned and saved as word or pdf file for the online submission). Further, please name your file (soft copy) as "your section number + your name + your student ID".
- 5) Late submission will NOT be accepted, and therefore will NOT be marked.
- 6) Answer all **TWO** questions.
- 7) Show the question number and part number of the question clearly.

Question 1 (Total 20 marks)**Part A (14 marks)**

Jack Harrison commenced his consulting service business named as “Harrison Service Company” (Harrison) on January 1, 2022. The followings were business transactions during January 2022.

Date	Business transactions
Jan. 1	Jack Harrison invested \$40,000 cash and office equipment valued at \$17,000 in his consulting business.
Jan. 1	Harrison paid 3-month rent of \$3,600 in advance covering January to March rental.
Jan. 5	Office supplies of \$3,500 were purchased by cash.
Jan. 10	Consulting service was provided to Leonardo Company at \$8,000. Leonardo Company paid Harrison in cash on the same date.
Jan. 12	An office equipment of \$550 was purchased from Furniture Accessories Company on credit.
Jan. 15	Consulting service was rendered to Kiwi Company (Kiwi), and Kiwi received the bill of \$6,000 for the payment on the same date. Kiwi paid \$2,000 cash at once and the remaining amount to be paid within 10 days.
Jan. 19	Jack Harrison withdrew cash \$2,600 from the business.
Jan. 23	Kiwi paid to Harrison remaining amount of the bill on 15 Jan.
Jan. 27	Harrison settled credit purchase of the equipment on Jan. 12. The payment was made in cash.
Jan. 31	Harrison paid electricity of \$700 for January.

Required:

- Prepare general journal entries to record the above transactions (Explanation of each journal entry is NOT required).
- Draw up a T-account for cash and do the posting for the transactions relevant to cash account only. Show the ending balance in the cash account.

Part B (6 marks)

- Explain the concepts of Accounts Receivable and Revenue.
- What are the differences between Accounts Receivable and Revenue in terms of normal balance?
- Accounts Receivable and Revenue are recorded on which financial statement(s)?
- What is the time period of the financial statement(s) identified in 3) above?

Question 2 (Total 20 marks)**Part A (14 marks)**

Palau Accounting Service has the following balances in selected accounts on December 31, 2022.

Merchandise inventory	\$ 23,500
Accounts Receivable	0
Accumulated Depreciation – Equipment	0
Supplies	680
Prepaid Insurance	2,160
Equipment	6,650
Interest Payable	0
Salaries Payable	0
Notes Payable	10,000
Unearned Service Revenue	16,000

All of the accounts have normal balances. The information below has been gathered at December 31, 2022.

- Palau Accounting Service paid \$2,160 for 18 months of insurance coverage on September 1, 2022.
- Palau Accounting Service performed accounting services for a client in December 2022. The client received the bill of \$6,400 on the same date, and the amount to be paid in 30 days.
- On October 30, 2022, Palau Accounting Services collected \$16,000 from clients for accounting jobs to be performed for 4 months starting from November 1, 2022. (Hint: Service revenue is earned evenly over the 4 months)
- The notes payable required an interest payment to be made every three months. The amount of unrecorded accrued interest at December 31, 2022 was \$860.
- As at December 31, 2022, staff had earned salaries of \$1,580 but unpaid.
- Depreciation expense of machinery for the year is \$4,920.
- The Supplies account had a debit balance \$680 on January 1, 2022. During 2022, \$700 of office supplies were purchased but **not recorded**. A physical count of supplies at December 31, 2022 shows \$500 of supplies available.

Required: (Explanation is NOT required)

Based on the information provided above, prepare the necessary **adjusting entries** at **December 31, 2022**. (Hint: It is not required to prepare journal entries for transactions occurred during the year.)

Part B (6 marks)

The following 4 separate and independent situations require adjusting entries:

- 1) Rent received in advance totaling \$480 has been earned.
- 2) Prepaid insurance of \$500 have been expired.
- 3) Wages of \$900 are unpaid.
- 4) Services provided but not recorded total \$500.

Required:

- a) Please identify the type of adjustment (that is, prepaid expense, unearned revenue, accrued revenue, or accrued expense) for each situation.
- b) Determine whether the Assets or Liabilities on the balance sheet and the Net profit on the income statement before adjustment were “overstated” or “understated” for each situation.

The first situation has been done as example.

a. Type of Adjustment	b. Effects on Financial Statements before Adjustment
1. Unearned Revenue	Liability overstated; Net Profit understated
2.	
3.	
4.	

----- End of Assignment 1 -----