**ACCT2003 Principles of Accounting I**

**Assignment 1**

**Question 1 (20 marks)**

**Part A (14 marks)**

a).

|  |  |  |  |
| --- | --- | --- | --- |
| Jan. 1 | Cash | 40,000 |  |
|  | Notebook | 17,000 |  |
|  | Jack Harrison’s Capital/Investment |  | 57,000 |

|  |  |  |  |
| --- | --- | --- | --- |
| Jan. 1 | Prepaid rent | 3,600 |  |
|  | Cash |  | 3,600 |

|  |  |  |  |
| --- | --- | --- | --- |
| Jan. 5 | Office supplies | 3,500 |  |
|  | Cash |  | 3,500 |

|  |  |  |  |
| --- | --- | --- | --- |
| Jan. 10 | Cash | 8,000 |  |
|  | Consulting/ Services revenue |  | 8,000 |

|  |  |  |  |
| --- | --- | --- | --- |
| Jan. 12 | Equipment | 550 |  |
|  | Accounts payable – Furniture Accessories Company |  | 550 |

|  |  |  |  |
| --- | --- | --- | --- |
| Jan. 15 | Cash | 2,000 |  |
|  | Accounts receivable - Kiwi | 4,000 |  |
|  | Consulting/ Services revenue |  | 6,000 |

|  |  |  |  |
| --- | --- | --- | --- |
| Jan. 19 | Jack Harrison’s withdrawal | 2,600 |  |
|  | Cash |  | 2,600 |

|  |  |  |  |
| --- | --- | --- | --- |
| Jan. 23 | Cash | 4,000 |  |
|  | Accounts receivable - Kiwi |  | 4,000 |
| Jan. 27 | Accounts payable – Furniture Accessories Company | 550 |  |
|  | Cash |  | 550 |

|  |  |  |  |
| --- | --- | --- | --- |
| Jan. 31 | Electricity expense | 700 |  |
|  | Cash |  | 700 |

b).

|  |  |  |  |
| --- | --- | --- | --- |
| Cash | | | |
| Jan. 1 | $40,000 | Jan. 1 | $3,600 |
| Jan. 10 | 8,000 | Jan. 5 | 3,500 |
| Jan. 15 | 2,000 | Jan. 19 | 2,600 |
| Jan. 23 | 4,000 | Jan. 27 | 550 |
|  |  | Jan. 31 | 700 |
| Balance | $43,050 |  |  |
|  |  |  |  |

**Part B (6 marks)**

1. When a company sells goods and/or service to its customer in exchange for cash, it records revenue. However, if the customer does not pay cash when purchasing the goods and/or service, the company records accounts receivable, instead of cash.
2. Normal balance of accounts receivable is on debit side, whilst revenue account’s normal balance is on credit side.
3. Accounts receivable is reported on balance sheet, whilst revenue is reported on income statement.
4. Balance sheet shows a company’s financial position at a specific point in time, whilst income statement shows a company’s financial performance over a period of time.

**Question 2 (20 marks)**

**Part A (14 marks)**

|  |  |  |  |
| --- | --- | --- | --- |
| *(All adjusting entries dated December 31, 2022)* | | Dr | Cr |
|  |  |  |  |
| (a) | Insurance Expense ($2,160÷18 × 4 months) | 480 |  |
|  | Prepaid Insurance |  | 480 |
|  |  |  |  |
| (b) | Accounts Receivable | 6,400 |  |
|  | Accounting Service Revenue |  | 6,400 |
|  |  |  |  |
|  | Alternative answer: No adjusting entries required\* |  |  |
|  |  |  |  |
| (c) | Unearned Service Revenue ($16,000 ÷ 4 × 2 months) | 8,000 |  |
|  | Accounting Service Revenue |  | 8,000 |
|  |  |  |  |
| (d) | Interest Expense | 860 |  |
|  | Interest Payable |  | 860 |
|  |  |  |  |
| (e) | Salaries Expense | 1,580 |  |
|  | Salaries Payable |  | 1,580 |
|  |  |  |  |
| (f) | Depreciation Expense | 4,920 |  |
|  | Accumulated Depreciation— Equipment |  | 4,920 |
|  |  |  |  |
| (g) | Supplies Expense ($680 + $700 - $500) | 880 |  |
|  | Supplies |  | 880 |

**Part B (6 marks)**

|  |  |
| --- | --- |
| **a. Type of Adjustment** | **b. Effects on Financial Statements before Adjustment** |
| 1. Unearned Revenue | Liability overstated; Net Profit understated |
| 2. Prepaid Expense | Asset overstated; Net Profit overstated |
| 3. Accrued Expense | Liability understated; Net Profit overstated |
| 4. Accrued Revenue | Asset understated; Net Profit understated |