**ACCT2003 Principles of Accounting I**

**Assignment 2**

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| This assignment consists of **TWO** questions; 20 marks are allocated to each of the questions.  Due Date: 10 April 2023 (Monday) 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)**

The following is the adjusted trial balance of Yadi Business Consultingat the end of 2022.

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| --- | --- | --- | --- |
| **Yadi Business Consulting**  **Adjusted Trial Balance**  **December 31, 2022** | | | |
|  | **Debit** | **Credit** |
| Cash | $ 19,200 |  |
| Accounts Receivable | 26,500 |  |
| Prepaid Expenses | 5,500 |  |
| Equipment | 85,800 |  |
| Accumulated Depreciation |  | $ 21,400 |
| Accounts Payable |  | 25,200 |
| Notes Payable |  | 3,000 |
| Owner’s Capital |  | 73,900 |
| Owner’s Withdrawals | 3,850 |  |
| Consulting Fees Earned |  | 92,600 |
| Rental Income |  | 6,000 |
| Salaries Expense | 45,800 |  |
| Insurance Expense | 20,000 |  |
| Depreciation Expense | 13,500 |  |
| Miscellaneous Expense | 1,950 |  |
| **Totals** | **$ 222,100** | **$ 222,100** |

**Required:**

1. Prepare closing entries for Yadi Business Consulting (No explanation is required).
2. Prepare a post-closing trial balance at December 31, 2022.

**Part B (6 marks)**

1. Explain why closing entries are a necessary step in the accounting cycle.
2. Discuss the purpose of a post-closing trial balance.

**Question 2 (Total 20 marks)**

**Part A (14 marks)**

The following were selected from among the transactions completed by Essex Company during July of the current year:

|  |  |
| --- | --- |
| July 5 | Purchased merchandise on account from Kester Ltd for $33,450, under the terms of 2/10, n/30, FOB shipping point, invoice dated July 5. |
| 6 | Sold merchandise on account to Parsley Ltd for $36,000, under the terms of 1/15, n/45, FOB destination, invoice dated July 6. The cost of the merchandise sold was $25,000. |
| 7 | Paid $1,000 cash for shipping charges on the purchase of July 5. |
| 8 | Paid $1,200 cash for shipping charges related to the sale to Parsley Ltd on July 6. |
| 10 | Returned $6,850 of merchandise purchased on July 5 from Kester Ltd. |
| 15 | Paid Kester Ltd on account for purchase of July 5, less return of July 10. |
| 20 | Received cash on account from sale of July 6 to Parsley Ltd. |
| 21 | Purchased merchandise on account from Delta Ltd for $91,200, under the terms of 2/10, n/30, FOB destination, invoiced dated July 30. |
| 22 | Upon the request of Delta Ltd, Essex Company paid $1,500 for shipping charges on the purchases on July 21, reducing the amount owned to Delta Ltd. |
| 25 | Paid Parsley Ltd a cash refund of $7,150 for returned merchandise from sale of July 6. The returned merchandise is not defective, and its cost was $4,250. |
| 27 | After negotiations with Delta Ltd regarding problems with the purchases on July 21, Essex Company received a price reduction from Delta Ltd of $5,000 off the $91,200 of merchandise purchased. |

**Required:** (Explanation is NOT required)

Prepare journal entries for the above merchandising transactions of Essex Company, assuming it uses

a perpetual inventory system and the gross method.

**Part B (6 marks)**

1. Identify and explain the components of income for a merchandising company.
2. Discuss the differences between the periodic and perpetual inventory systems.

**----------- End of Assignment 2 ----------**