**ACCT2003 Principles of Accounting I**

**Assignment 3**

|  |
| --- |
| This assignment consists of **TWO** questions; 20 marks are allocated to each of the questions.  Due Date: 8 May 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)**

Julie Company reported its October purchases and sales data as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Activities** | **Units Acquired at Cost** | **Units Sold at Retail** |
| Oct. 1 | Beginning Inventory | 150 units @ $12.00 |  |
| 7 | Purchase | 240 units @ $10.00 |  |
| 8 | Sales |  | 200 units @ $30.00 |
| 14 | Purchase | 100 units @ $18.00 |  |
| 20 | Purchase | 60 units @ $20.00 |  |
| 25 | Sales |  | 300 units @ $40.00 |

Assume that the company uses a perpetual inventory system and all purchases and sales in October were made on credit.

**Required:**

1. Set up a table with column headings as shown below and determine the cost assigned to ending inventory and cost of goods sold using:
2. Frist in first out (FIFO);
3. Weight Average (Round per unit costs to three decimals, but inventory balances to the dollar).

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Purchases | | | Cost of goods sold | | | Balance | | |
| Date | Units | Unit cost | Total | Units | Unit cost | Total | Units | Unit cost | Total |

1. Prepare journal entries to record the October 7 credit purchase and October 8 credit sale transactions under Weighted Average method.

**Part B (6 marks)**

Given the following two inventory costing methods – FIFO and Weight Average, when inventory costs are increasing, explain which method would result in higher ending inventory balance and higher gross profit.

**Question 2 (Total 20 marks)**

**Part A (14 marks)**

The following information is available for Topper Company in the month of August.

1. On August 31, after all transactions have been recorded, the balance in the company's Cash account has a balance of $17,200.
2. The company's bank statement shows a balance on August 31 of $19,229.
3. Outstanding checks at August 31 total $2,904.
4. The bank collected $740 on a note receivable that is not yet recorded by Topper Company.
5. The bank charged Topper Company account for a $500 check; but this check was found among the cancelled checks returned with the bank statement.
6. A $60 NSF check from a customer, Jack Motson, is shown on the bank statement but not yet recorded by Topper Company.
7. A deposit placed in the bank's night depository on August 31 totaling $1,125 did not appear on the bank statement.
8. Comparing the checks on the bank statement with the entries in the accounting records reveals that check #3345 for the payment of an account payable was correctly written for $2,450, but was recorded in the accounting records as $2,540.
9. Included with the bank statement was a bank service charge in the amount of $20. It has not been recorded on the company's books.

**Required:**

1. Prepare the August bank reconciliation for Topper Company.
2. Prepare the general journal entries to bring the company's book balance of cash into conformity with the reconciled balance as of August 31.

**Part B (6 marks)**

Identify four cash management principles that are essential for effective cash management.

**----------- End of Assignment 3 ----------**