

- g. On January 1 of this year, \$2,400 was paid for six months' fire insurance. Record the adjusting entry for March.

Insurance expense --- 400
 Unexpired Insurance --- 400

2400
 2400
 6

Q No 2: A business purchases building at \$24,000. The building has an estimated life of 6 years and it will be fully depreciated over its life. Assuming that the firm charges an equal amount of depreciation each year (using straight line depreciation method), answer the following questions:

4000

- a) Use straight line depreciation method to determine the amount of depreciation expense charged to the building per month? (05 Marks)

$$\text{dep. exp building / per month} = \frac{24000 - 0}{12 \times 6}$$

$$= \$333.33$$

- b) Write down the adjusting entry to record depreciation on the building at the end of the first month? (05 Marks)

dep. exp building A/c --- \$333.

Accum. dep building A/c --- 333.33

- c) Mention where the accounts involved in the adjusting entry (part b) would appear in financial statements? (05 Marks)

1. Income statement

2. Balance sheet

