

**DEPARTMENT OF COMPUTER SCIENCE, UNIVERSITY OF KARACHI**  
**BSSE (FINAL YEAR) (COMP. ACCOUNTING)**

Name: \_\_\_\_\_

Seat No: \_\_\_\_\_

1- The accounting records of Lane Ginsburg, Architect, include the following unadjusted balances at March 31: Accounts Receivable, \$1,000; Supplies, \$600; Salary Payable, \$0; Unearned Service Revenue, \$400; Service Revenue, \$4,700; Salary Expense, \$1,200; Supplies Expense, \$0. Ginsburg's accountant develops the following data for the March 31 adjusting entries:

- Service revenue accrued, \$650.
- Unearned service revenue that has been earned, \$200.
- Supplies on hand, \$100.
- Salary owed to employee, \$600.

Show each account's adjusted balance. Journal entries are not required.

2. The adjusted trial balance of Signet Repair Company is incomplete. Enter the adjustment amounts directly in the adjustment columns of the text. Service Revenue is the only account affected by more than one adjustment.

SIGNET REPAIR COMPANY Preparation of Adjusted Trial Balance May 31, 20X2						
Account Title	Trial Balance		Adjustments		Adjusted Trial Balance	
	Debit	Credit	Debit	Credit	Debit	Credit
Cash	3,000				3,000	
Accounts receivable	4,500				7,400	
Supplies	1,040				800	
Office furniture	32,300				32,300	
Accumulated depreciation		14,040				14,400
Salary payable						900
Unearned service revenue		900				690
Capital		26,360				26,300
Owner's withdrawals	6,000				6,000	
Service revenue		9,630				12,740
Salary expense	2,690				3,590	
Rent expense	1,400				1,400	
Depreciation expense					360	
Supplies expense					240	
	50,930	50,930			55,090	55,090

Make journal entries for the adjustments that would complete the preparation of the adjusted trial balance. Date the entries and include explanations.

3 A company has outstanding 15,000 shares of \$20 par common stock & 5000 shares of \$30 par, 6% cumulative preferred stock. The company has declared no dividends for past 2 years but it plans to pay \$56,250 this year. Compute the dividend for preferred & common stock.

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- 1 For each of the following independent situations, determine whether the effect of ignoring the required adjusting entry will result in an understatement (U), will result in an overstatement (O), or will have no effect (NE) on net income for the period.

Situation	Effect on Net Income
Example: Taxes owed but not yet paid are ignored.	O
1. A company fails to record depreciation on equipment.	_____
2. Sales made during the last week of the period are not recorded.	_____
3. A company neglects to record the expired portion of a prepaid insurance policy. (Its cost was originally debited to an asset account.)	_____
4. Interest due but not yet paid on a long-term note payable is ignored.	_____
5. Commissions earned by salespeople but not payable until the 10th of the following month are ignored.	_____
6. A landlord receives cash on the date a lease is signed for the rent for the first six months and credits Unearned Rent Revenue. The landlord fails to make any adjustment at the end of the first month.	_____

- 2 Taggart Corp. records adjusting entries each month before preparing monthly financial statements. The following selected account balances are taken from its trial balances on June 30, 2008. The "unadjusted" columns set forth the general ledger balances before the adjusting entries were posted. The "adjusted" columns reflect the month-end adjusting entries.

Account Title	Unadjusted		Adjusted	
	Debit	Credit	Debit	Credit
Prepaid Insurance	\$3,600		\$3,450	
Equipment	9,600		9,600	
Accumulated Depreciation		\$1,280		\$1,360
Notes Payable		9,600		9,600
Interest Payable		2,304		2,448

**Required**

- The company purchased a 36-month insurance policy on June 1, 2007. Reconstruct the adjusting journal entry for insurance on June 30, 2008.
- What was the original cost of the insurance policy? Explain your answer.
- The equipment was purchased on February 1, 2007, for \$9,600. Taggart uses straight-line depreciation and estimates that the equipment will have no salvage value. Reconstruct the adjusting journal entry for depreciation on June 30, 2008.
- What is the equipment's estimated useful life in months? Explain your answer.
- Taggart signed a two-year note payable on February 1, 2007, for the purchase of the equipment. Interest on the note accrues on a monthly basis and will be paid at maturity along with the principal amount of \$9,600. Reconstruct the adjusting journal entry for interest on June 30, 2008.
- What is the monthly interest rate on the loan? Explain your answer.

- 3 The Hudson Company has outstanding 5,000 shares of 6%, \$100 par participating preferred stock & 20,000 shares of common stock. The preferred stock is entitled to equal per share participation with common stock in any dividend distribution that exceed both the regular preferred dividend & \$6 per share common dividend.
- Find the dividend per share on common stock & preferred stock. If net profit is (i) \$110,000 (ii) \$200,000