

Accounting (I)(DOM1030)

Midterm Exam

13 November, 2017

College of Management, National Chiao Tung University

Part 1 and Part 2

I. Multiple Choice Questions 單選選擇題(10%, 1% for each)

- c 1. The accounting process is correctly sequenced as
- a. identification, communication, recording.
 - b. recording, communication, identification.
 - c. identification, recording, communication.
 - d. communication, recording, identification.
- b 2. Hyundai Inc. purchased land for ₩118,000,000 in 2005. At December 31, 2014, an appraisal determined the fair value of the land is ₩136,000,000. If Hyundai follows the cost principle, the land will be reported on the statement of financial position at
- a. ₩100,000,000.
 - b. ₩118,000,000.
 - c. ₩136,000,000.
 - d. ₩154,000,000.
- c 3. The body that has the power to prescribe the accounting practices and standards used by most US companies is the
- a. FASB.
 - b. IASB.
 - c. GAAP.
 - d. IFRS.
- d 4. A trial balance will **not** balance if
- a. a journal entry is posted twice.
 - b. a wrong amount is used in journalizing.
 - c. incorrect account titles are used in journalizing.
 - d. a journal entry is only partially posted.
- d 5. A ledger:
- a contains only asset and liability accounts.
 - b should show accounts in alphabetical order.
 - c is a collection of the entire group of accounts maintained by a company.
 - d is a book of original entry.

- d 6. A basic assumption of accounting that requires activities of an entity be kept separate from the activities of its owner is referred to as the
- a. stand alone concept.
 - ~~b. monetary unit assumption.~~
 - ~~c. corporate form of ownership.~~
 - d. economic entity assumption.

- c 7. A business whose owners enjoy limited liability is a
- a. proprietorship.
 - b. partnership.
 - c. corporation.
 - d. sole proprietorship.

- c 8. When assets are distributed to the shareholders of a corporation, these distributions are termed
- a. depletions.
 - b. consumptions.
 - c. dividends.
 - d. a credit line.

- b 9. Revenues would **not** result from
- a. sale of merchandise.
 - b. issuance of ordinary shares.
 - c. performance of services.
 - d. rental of property.

- d 10. Which of the following accounts does **not** have a normal credit balance?
- a. Share Capital—Ordinary
 - b. Revenue account
 - c. Liability account
 - d. Dividends

II. (8%)

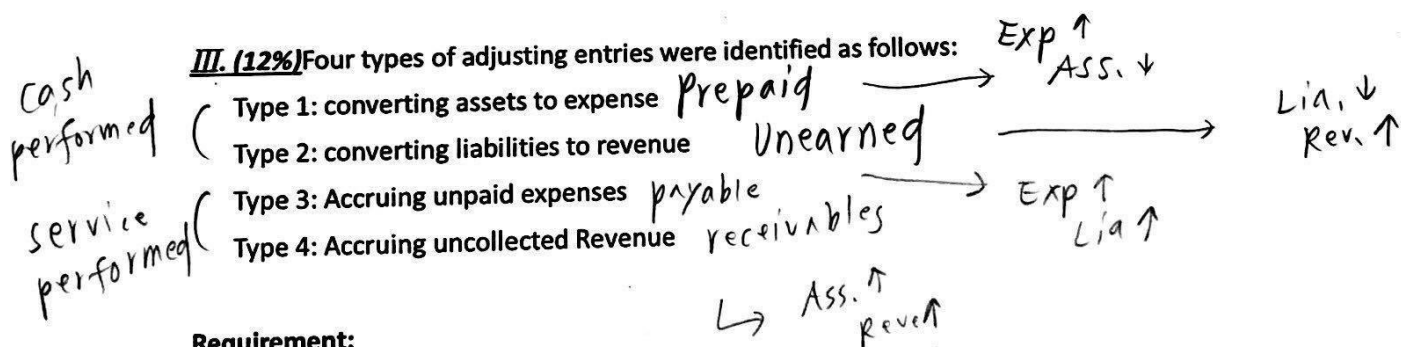
Two items are omitted from each of the following summaries of statement of financial position and income statement data for two companies for the year 2017, Holly Enterprises and Craig Stevens.

	<u>Holly Enterprises</u>	<u>Craig Stevens</u>
Beginning of year:		
Total assets	€ 98,000	€129,000
Total liabilities	70,000	(c) 49,000
Total equity	28,000	80,000
End of year:		
Total assets	160,000	180,000
Total liabilities	120,000	50,000
Total equity	40,000	130,000
Changes during year in equity:		
Additional investment	(b) 2,000	25,000
Dividends	25,000	(d) 10,000
Total revenues	215,000	100,000
Total expenses	180,000	65,000

Requirement:

Determine the missing amount in (a), (b), (c), (d).

III. (12%) Four types of adjusting entries were identified as follows:



Requirement:

Please complete the following table by indicating the effect of each adjusting entry type on the major elements of the income statement and balance sheet. Use the symbols "I" for increase, "D" for decrease, and "NE" for no effect.

Adjustment	Income Statement			Balance Sheet		
	Revenue	Expenses	Profit	Assets	Liabilities	Equity
Type 1	NE	I	D	D	NE	D
Type 2	I	NE	I	NE	D	I
Type 3	NE	I	D	NE	I	D
Type 4	I	NE	I	I	NE	D

IV. (20%)

NCTU offers repair service for local businesses. Some businesses pay in advance for services; others are billed after services have been performed. Advanced payments are credited to an account entitled "Unearned repair service revenue". Adjusting entries are performed on a "monthly basis". The following information is available as a source for preparing adjusting entries **on 31 December**.

1. Accrued but unrecorded repair service revenue earned during December 2017, amount to \$1,800. (3%)
2. \$3,300 of cash receipts on 1 December 2017 is recorded as unearned repair service revenue. It had been earned during December, 2017. (2*2%)
3. The company purchased a six-month insurance policy on 1 December 2017, for \$1,500. (2*2%)
4. The company purchased its building for \$48,000 cash on 1 December. Its estimated remaining useful life is 20 years (240 months). (2*2%)
5. On 1 December 2017, the company borrowed \$12,000 by signing a six-month, 8 percent note payable. The entire note, plus six months' accrued interest, is due on 1 June 2018. (2*2%)

Requirement:

- a. (19%) For each of the numbered paragraphs, prepare all the necessary journal and adjusting entries in December, 2017.
- b. (1%) If the company over-evaluates or overstates its earnings via adjusting entry, is the behavior ethical?

第二部分(50%)

1. Mark Hockenberry owns and manages Byte repair service, which had the following trial balance on December 31, 2013 (the end of its fiscal year).

Byte Repair Service, Inc.
Trial Balance
December 31, 2013

	Debit	Credit
✓ Cash	\$ 8,000	
✓ Accounts Receivable	15,000	
✓ Supplies	13,000	
Prepaid Rent	3,000	
Equipment	22,000	
✓ Accumulated depreciation -Equipment		\$ 1,000
✓ Accounts Payable		19,000
Share Capital—Ordinary		30,000
Retained Earnings		11,000
	\$61,000	\$61,000

For January 2014, Byte Repair Service Incorporation prepares following journal entries to record the January transactions.

Trans.	Account Titles	Debit	Credit
1.	Advertising Expense.....	1,000	
	Cash		1,000
2.	Supplies	4,000	
	Accounts Payable		4,000
3.	Miscellaneous Expense	1,700	
	Cash		1,700
4.	Cash.....	13,000	
	Accounts Receivable		13,000
5.	Accounts Payable	15,000	
	Cash		15,000
6.	Cash.....	5,000	
	Accounts Receivable	9,000	
	Service Revenue		14,000
7.	Salaries and Wages Expense	3,000	
	Cash		3,000
8.	Dividends.....	2,000	
	Cash		2,000
9.	Depreciation Expense	1,000	
	Accumulated depreciation -Equipment		1,000

Instructions

- (a) Post the journal entries to the accounts using T-account. (30 points.)
(b) Prepare a retained earnings statement for January. (4 points.)

2. (8%) Deer Park, a public camping ground near the Lake Mead National Recreation Area, has compiled the following financial information as of December 31, 2011.

Revenues —camping fees	\$140,000	Notes payable	\$ 60,000
Revenues—general store	50,000	Expenses during 2011	150,000
Accounts payable	11,000	Supplies on hand	2,500
Cash on hand	23,000	Share capital -ordinary	20,000
Original cost of equipment	105,500	Retained earnings	<u>34,500</u>
Market value of equipment	140,000		

Instructions:

Prepare a statement of financial position.

⇒ 165,800

3. (8%)

The following information relates to Linda Stanley Co. for the year 2011.

✓ Retained earnings, January 1, 2011	\$96,000	✓ Advertising expense	\$3,600
✓ Dividends during 2011	12,000	✓ Rent expense	20,800
✓ Sales revenue	125,000	✓ Utilities expense	6,200
✓ Salaries expense	60,000		

Instructions

After analyzing the data, prepare an income statement and a retained earnings statement for the year ending December 31, 2011.