

**City University of Hong Kong
CB2100 Accounting I
Mid-Term Test
Semester B 2012-2013**

Student Name: _____
Student ID No.: _____
Tutorial Section No.: _____
Venue: _____
Seat No.: _____

Instructions:

1. Put down your Name, Student ID no., Tutorial Section no. , Venue, and Seat no. on question paper, and answer book.
2. Put all your answers on the answer book provided.
3. Answer all questions in **INK**. (**DO NOT use Pencils**). If pencils are used, 10% of the total marks will be deducted
4. Only answers put on the answer book will be marked.
5. This is a closed-book test.
6. Please observe all rules and regulations stipulated in the City University's Student Handbook regarding assessment policies.
7. Budget your time by referring to allocated marks.
8. Answer all questions.
9. Show your supporting calculations wherever appropriate.
10. A total of **1 hour and 45 minutes** will be allowed for you to complete this test.
11. Submit your question paper with your answer book after the test. Answer book without question paper inserted will **NOT** be marked.

This paper has **5** pages. (including this cover page.)

**HAND IN ALL PAGES
NOT TO BE TAKEN AWAY**

Question 1 [Total = 79 marks]

Madison Company completed these transactions during January 2013:

- | | | |
|-----|----|---|
| Jan | 1 | Began a financial services practice by investing \$150,000 cash and office equipment worth \$50,000 in exchange for common stock. |
| | 1 | Paid six months' rent \$6,000 in advance. |
| | 2 | Purchased \$12,000 of office equipment on credit |
| | 3 | Purchased \$3,000 of office supplies on credit |
| | 4 | Completed work for a client and immediately received a payment of \$9,000 cash. |
| | 8 | Completed work for Acme Loan Co. on credit, \$17,000. |
| | 10 | Paid for the supplies purchased on credit on January 3. |
| | 12 | Received \$20,000 from a client for financial services to be rendered in the future. |
| | 14 | Paid for the annual \$9,600 premium on an insurance policy. |
| | 16 | Borrowed \$60,000 from a local bank. A note is signed with principal and 8% interest to be paid on 16 January 2018. |
| | 18 | Received payment in full from Acme Loan Co. for the work completed on January 8. |
| | 22 | Shatner Company requested financial services from Madison which will cost \$5,000. |
| | 31 | Unpaid utilities for January 2013 total \$1,750. |
| | 31 | Paid a \$6,500 cash dividend. |

Required:

- (a) Prepare general journal entries to record the above transactions for January 2013. **[28 marks]**
- (b) Additional information for January 2013:
- (i) An insurance policy examination showed \$1,240 of expired insurance.
 - (ii) An inventory count showed \$210 of unused office supplies still available.
 - (iii) Depreciation expense on office equipment, \$350.
 - (iv) \$8,000 of the financial services which was paid on January 12 was earned by end of January 2013.
 - (v) Employee salaries of \$7,000 for the month of January 2013 will be paid in February 2013.
 - (vi) Half month's interest on the notes payable, \$200, has accrued but is unrecorded.
 - (vii) The balance of Prepaid Rent, \$6,000, represents payment for rent from 1 January 2013 to 30 June 2013.

Based on the above information, prepare the adjusting journal entries for January 2013. **[14 marks]**

- (c) Prepare an income statement for the month ended 31 January 2013. [5 marks]
- (d) Prepare a statement of stockholders' equity for the month ended 31 January 2013. [4 marks]
- (e) Prepare a balance sheet as of 31 January 2013. [9 marks]
- (f) Record closing entries. [12 marks]
- (g) Post closing entries and prepare a post-closing trial balance. [7 marks]

Question 2 [Total = 15 marks]

The bank portion of the bank reconciliation for Dollar Company as at 31 December 2012 was as follows :

Plankton Company
 Bank Reconciliation
 as at 31st December 2012

Cash balance per bank	\$ 12,444
Add: Deposit outstanding	<u>1,530</u>
	13,974

Less : Checks outstanding

<u>Check number</u>	<u>Check amount</u>	
2451	\$ 1,260	
2470	720	
2471	844	
2472	503	
2474	<u>1,050</u>	<u>\$ 4,377</u>
		<u><u>\$ 9,597</u></u>

The adjusted cash balance per bank agreed with the cash balance per books as at 31st December 2012.

The January 2013 bank statement showed the following withdrawals and deposits :

MIDWEST BANK

Withdrawals & Debits				Deposits & Credits		
<u>Date</u>	<u>No.</u>	<u>Amount</u>	<u>Desc.</u>	<u>Date</u>	<u>Amount</u>	<u>Desc.</u>
2/1	2470	720	CHK	2/1	1,530	DEP
3/1	2471	844	CHK	4/1	1,211	DEP
5/1	2474	1,050	CHK	8/1	990	DEP
4/1	2475	1,640	CHK	13/1	2,575	DEP
8/1		1,100	NSF	18/1	1,472	DEP
10/1	2476	600	CHK	21/1	2,945	DEP
15/1	2479	1,750	CHK	25/1	2,567	DEP
18/1		300	DC	28/1	1,500	NOTE
27/1	2477	695	CHK	28/1	150	INT
29/1		750	EFT	30/1	1,186	DEP
30/1	2480	575	CHK	Total	<u>\$16,126</u>	
31/1		50	SF			
Total		<u>\$10,164</u>				

DC – Debit card paid for Supplies

SF – Service Fees

EFT – Electronic funds transfer for Advertising

INT – Interest on Note

The cash records per books for January 2013 showed the following :

Checks				Deposits		
<u>Date</u>	<u>No.</u>	<u>Desc.</u>	<u>Amount</u>	<u>Date</u>	<u>Desc.</u>	<u>Amount</u>
2/1	2475	Salaries	1,640	3/1	Sales receipts	1,211
3/1	2476	Utilities	600	7/1	Sales receipts	990
4/1	2478	Supplies	538	12/1	Sales receipts	2,575
8/1	2479	Equipment	1,570	17/1	Sales receipts	1,472
15/1	2477	Telephone	695	20/1	Sales receipts	2,954
18/1	2481	Supplies	612	24/1	Sales receipts	2,567
20/1	2480	Rent	575	29/1	Sales receipts	1,186
			<u>\$6,230</u>	30/1	Sales receipts	1,338
						<u>\$14,293</u>

As at 31 January 2013, the cash balance per books was \$17,660, and the cash balance per the bank statement was \$18,496. The bank did not make any errors, but two errors were made by Plankton Company.

Required :

(a) Prepare a bank reconciliation as at 31 January 2013 **[7 marks]**

(b) Prepare the adjusting entries based on the reconciliation. **[8 marks]**

Question 3 [Total = 6 marks]

A company uses the following process for its cash receipts. At the end of each day, the secretary places all cash and checks received from customers in a desk drawer. Each Monday, the secretary totals all amounts received, records this in the accounting records, and deposits the money in the bank account. Then, once every three months, the office manager requests information from the bank necessary to prepare a bank reconciliation.

Discuss the company's internal control procedures related to cash receipts. [6 marks]

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