



THE ANSWERS MUST BE ATTEMPTED ON THE ANSWER SHEET PROVIDED

Q.1. Answer the following short questions: (15X2=30)

- i. What is meant by a financial statement? What are the primary financial statements prepared by an enterprise?
- ii. What do we mean by external users of accounting information? Name few of them.
- iii. What do we mean by internal users of accounting information? Name few of them.
- iv. What is Business Entity Principle? Explain with the help of an example.
- v. What do we mean by The Going Concern Assumption?
- vi. What is Double Entry Accounting System?
- vii. What is meant by Matching Principle?
- viii. Why adjusting entries are needed at the end of each accounting period?
- ix. Why closing entries are done at the end of an accounting period?
- x. What closing entries are generally required in the closing process?
- xi. What are Capital Expenditures and Revenue Expenditures? Explain with examples.
- xii. What is a Work Sheet? Is it a formal step in accounting cycle?
- xiii. What is the difference between a Perpetual and a Periodic Inventory System?
- xiv. What do we mean by Ledger?
- xv. What is a Trial Balance?

Answer the following questions: (3X10=30)

Q. No.2: Dr. Mohsin opened a clinic on January 1, 2022. The business transactions for January are shown below: [10]

- Jan. 01 Dr. Mohsin invested \$400,000 cash in the business in exchange for 5,000 shares of capital stock.
- Jan. 04 Land and a building were purchased for \$250,000. Of this amount, \$70,000 applied to the land, and \$180,000 to the building. A cash payment of \$100,000 was made at the time of the purchase, and a note payable was issued for the remaining balance.
- Jan. 09 Medical instruments were purchased for \$130,000 cash.
- Jan. 16 Office fixtures and equipment were purchased for \$50,000. Dr. Mohsin paid \$20,000 at the time of purchase and agreed to pay the entire remaining balance in 15 days.
- Jan. 21 Office supplies expected to last several months were purchased for \$5,000 cash.
- Jan. 24 Dr. Mohsin billed clients \$2,200 for services rendered. Of this amount, \$1,900 was received in cash, and \$300 was billed on account (due in 30 days).
- Jan. 27 A \$400 invoice was received for several TV advertisements aired in January. The entire amount is due on Feb. 5.
- Jan. 28 Received a \$100 payment on the \$300 account receivable recorded on Jan. 24.
- Jan. 31 Paid employees \$2,800 for salaries earned in January.

A partial list of the account titles used by the company includes:

Cash	Notes Payable
Accounts Receivable	Accounts Payable
Office Supplies	Capital Stock
Medical Instruments	Office Fixtures and Equipment
Land	Medical Service Revenue
Building	Salary Expense
Advertising Expense	

Requirement: Prepare journal entries, including explanations, for each transaction.

Q. No. 3: At the end of the year, the following information was obtained from the accounting records of XYZ, Inc. [10]

Sales (all on credit)	\$2,750,000
Cost of goods sold	1,755,000
Average inventory	375,000
Average accounts receivable	290,000
Interest expense	45,000
Income tax expense	84,000
Net income	159,000
Average investment in assets	1,800,000
Average stockholders' equity	895,000

Requirement: Compute the following ratios:

1. Inventory turnover
2. Accounts receivable turnover
3. Gross profit percentage
4. Return on average assets
5. Return on average stockholder's equity

Q. No. 4: Wilderness Guide Services, Inc., performs adjusting entries every month, but closes its accounts only at year-end. The company's year-end adjusted trial balance was: [10]

**WILDERNESS GUIDE SERVICES, INC.
ADJUSTED TRIAL BALANCE
DECEMBER 31, 2021**

Cash	\$ 12,200	
Accounts receivable	31,000	
Camping supplies.....	7,900	
Unexpired insurance policies	2,400	
Equipment	70,000	
Accumulated depreciation: equipment		\$ 60,000
Notes payable		18,000
Accounts payable		9,500
Capital stock		25,000
Retained earnings		15,000
Dividends	1,000	
Guide revenue earned		102,000
Salary expense	87,500	
Camping Supply expense	1,200	
Insurance expense	9,600	
Depreciation expense: equipment	5,000	
Interest expense	1,700	
	<u>\$ 229,500</u>	<u>\$ 229,500</u>

Requirement: Prepare an income statement and statement of retained earnings for the year ended December 31, 2021. Also prepare the company's balance sheet dated December 31, 2021.