



Q # 1 Give Short answers of the following questions:

(15×2=30)

1. What is Accounting Cycle?
2. Define Materiality Concept.
3. Write down the rules for debit and credit.
4. What is Accounting Equation?
5. Define Matching Principle.
6. Define Income summary Account.
7. Define Depreciation.
8. Define Financial Accounting.
9. Define statement of Retained Earning.
10. Define the Adjusting Entries.
11. Define book value of an Asset.
12. Define Perpetual and Periodic Inventory System?
13. Describe the meaning of Unearned Revenue.
14. What is Accrual System of Accounting?
15. Describe the term General Journal.

Answer the following questions.

Q.2 PC connection is a leading mail order retailer of personal computers. A recent financial report issued by the company revealed the following information:

(10)

Details	Amount
Merchandise inventory (beginning of the year)	\$ 69,000,000
Merchandise inventory (end of the year)	\$ 57,000,000
Net sales for the year	\$ 1,200,000,000
Gross profit margin	11%

Required:

- a. Compute the company’s cost of goods sold for the year.
- b. Approximately how much inventory did PC connection purchased during the year?
- c. What factors might contribute to the company’s low gross profit margin?
- d. Discuss reasons why PC connection uses a perpetual inventory system.

Q.3 Alpine Expeditions operates a mountain Climbing School in COLORADO. Some clients pay in advance for the services. Others are billed after having been performed. Advance payments are credited to an account entitled unearned client revenue. Adjusting entries are prepared on a monthly basis. An unadjusted trial balance dated December 31, 2018, follows.

(20)

UNADJUSTED TRIAL BALANCE DECEMBER 31, 2018

Cash	13,900	
Accounts Receivable	78,000	
Unexpired Insurance	18,000	
Prepaid Advertising	2,200	
Climbing Supplies	4,900	
Climbing Equipment	57,600	
Accumulated Depreciation Climbing Equipment		38,400