

QUESTION ONE:**MODEL ANSWERS**

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Choose the correct answer:

1- Supplies used are classified as:

- (a) Assets.
- (b) Liabilities.
- (c) Revenues.
- ✓ (d) **Expenses.**

2- Which of the following is example of an asset?

- ✓ (a) **Debtors.**
- (b) Commission Income.
- (c) Rent.
- (d) Loan.

3- If a company has liabilities of BD51500 and owner's equity of BD77000, total Assets will be:

- ✓ (a) **BD128500.**
- (b) BD25500.
- (c) BD12850.
- (d) BD2550.

4- Which of the following accounts **increases** capital balance?

- (a) Rent Expense.
- (b) Withdrawals.
- (c) Account Receivable.
- ✓ (d) **Fees Earned.**

5- Selling goods on account affects:

- (a) Cash and Sales.
- ✓ (b) **Account Receivable and Sales.**
- (c) Account Payable and Sales.
- (d) Account Receivable and Expenses.

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QUESTION TWO:

(18 × 0.5)

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On 1st July 2015 Ibrahim Shaker started his business (Shaker Cleaning Services). During July, he completed the following transactions:

Date	Transactions
July 01	Invested BD60000 in the business.
08	Purchased office equipment for BD1200 on account.
15	Performed services for BD450 cash.
19	Paid BD1200 to creditors.
23	Paid Rent expense BD800.
27	Bought supplies BD100 cash.
30	Withdrew BD750 for personal use.

Required:

Show the effect of the above transactions on the basic accounting equation:

Date	Assets			=	Liabilities	+	Owner's Equity	Remarks
	Cash	Equipment	Supplies		Account Payable		Capital	
July 01	+60000 /						+60000 /	Investment /
08		+1200 /			+1200 /			
15	+450 /						+450 /	Service revenue /
19	-1200 /				-1200 /			
23	-800 /						-800 /	Rent expense /
27	-100 /		+100 /					
30	-750 /						-750 /	Drawings /
Bal.	57600	1200	100		0		58900	
	58900			=			58900	

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QUESTION THREE:

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(A) Determine the effect of the following transactions on Cash Account using (✓) in the appropriate column:

No.	Transaction	Increase	Decrease	No Effect
1.	Investing truck in the business.			✓
2.	Paying creditors.		✓	
3.	Receiving from Accounts Receivable.	✓		
4.	Taking cash for personal use.		✓	
5.	Paying electricity bill.		✓	

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(B) Place (✓) for transactions that should be recorded in the general journal and (×) for those that should not be recorded.

No.	Statements	Sign
1.	Bought office Supplies for BD700.	✓
2.	Ordered new Printer for BD120.	×
3.	Paid Rent for BD300.	✓
4.	Decided to rent a new flat for BD400.	×

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QUESTION FOUR:

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Complete the following entries in General Journal of Jaber Establishment, during the month of June 2015, following the explanation provided:

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General Journal

Date	Explanation	Debit (BD)	Credit (BD)
June 01	Cash	25000	
	<u>Capital</u> /		<u>25000</u> /
	Invested cash in the business.		
05	<u>Accounts Receivable</u> /	<u>550</u> /	
	<u>Sales</u> /		<u>550</u> /
	Sold goods on account, BD550.		
15	<u>Cash</u> /	<u>970</u> /	
	<u>Credit card expense</u> /	<u>30</u> /	
	Sales		1000
	Sold goods to Nooh Company by using Visa card and service charge is 3%.		
21	<u>Salaries expense</u> /	<u>5000</u> /	
	<u>Cash</u> /		<u>5000</u> /
	Paid salaries expense for BD5000.		
27	<u>Cash</u> /	800	
	<u>Equipment</u> /		<u>800</u> /
	Sold equipment for cash.		

"End of Exam Question"

Good Luck

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