**Assignment (1)**

**Instructions – PLEASE READ THEM CAREFULLY**

* The Assignment must be submitted on Blackboard (**WORD format only**) via allocated folder.
* Assignments submitted through email will not be accepted.
* Students are advised to make their work clear and well presented, marks may be reduced for poor presentation. **This includes filling your information on the cover page.**
* Students must mention question number clearly in their answer.
* Late submission will **NOT** be accepted.
* Avoid plagiarism, **the work should be in your own words**, copying from students or other resources without proper referencing will result in **ZERO** marks. No exceptions.
* All answers must be typed using **Times New Roman (size 12, double-spaced)** font. No pictures containing text will be accepted and will be considered plagiarism.
* Submissions without this cover page will NOT be accepted.

**Assignment Question(s): (Marks 30)**

Q1. Discuss the following accounting principles and assumption and give proper numerical example for each one of the:

1. Cost principle.
2. Revenue recognition principle.
3. Matching concept.
4. Business entity assumption.
5. On-going assumption.

(5 Mark)

**ANSWER:**

Q2. Give financial transactions details that would reflect the following cases (for your convenience, an example is provided). Do not forget to give full information (i.e. date, name of the business, amount of the transaction. etc.) Saudi Local business is a mast.

1. A transaction that would increase assets and increase equity.
2. A transaction that would decrease assets and decrease equity.
3. A transaction that would increase assets and decrease Liabilities.
4. A transaction that would decrease assets and increase Liabilities.
5. A transaction that would increase assets and decrease assets.

Example: A transaction that would decrease assets and decrease equity.

(possible solution: On May 6th Alfa company paid wages salaries for $24,000 cash)

(5 Mark)

**ANSWER:**

Q3. Bello Co. is an event organizer business. Bello was established in 2018. You are provided with the following financial statement with some missing values for the years 2018, 2019 and 2020. You are requested to complete those statements. In order to solve the question you have to start with 2018 statements and work forward to subsequent years. Remember that Bello was established in 2018, thus the beginning balance for retained earnings in 2018 is zero.

Bello Co. Income statement For the year ended December 31 20XX

(5 Mark)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Bello Co.**  **Income statement**  **For the year ended December 31 20XX** | | | | | | |
|  | **2020** | | **2019** | | **2018** | |
| **Revenues** |  | 100,000 |  | ? |  | 50,000 |
| **Expenses:** |  |  |  |  |  |  |
| Rent | ? |  | 58,500 |  | ? |  |
| Salaries | 1,500 | ? | 1,500 | ? | 2,500 | ? |
| **Net Income** |  | ? |  | 20,000 |  | ? |

|  |  |  |  |
| --- | --- | --- | --- |
| **Bello Co.**  **Retained Earnings statement**  **For the year ended December 31 20XX** | | | |
|  | **2020** | **2019** | **2018** |
| Beginning retained earnings | ? | ? | 0 |
| Plus: Net income | ? | 20,000 | ? |
|  | ? | ? | 12,500 |
| Less: Dividends | 15,000 | ? | ? |
| Ending retained earnings | 30,000 | ? | ? |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Bello Co.**  **Balance Sheet**  **As of December 31 20XX** | | | | | | |
|  | **2020** | | **2019** | | **2018** | |
| **Assets:** |  |  |  |  |  |  |
| Cash |  | ? |  | ? |  | 25,000 |
| A/R |  | 32,500 |  | 25,000 |  | ? |
| Building |  | 90,000 |  | 90,000 |  | 90,000 |
| Total Assets |  | ? |  | 144,500 |  | ? |
|  |  |  |  |  |  |  |
| **Liabilities:** |  |  |  |  |  |  |
| A/P | ? |  | 500 |  | 1,000 |  |
| Notes payable | 5,000 |  | ? |  | ? |  |
| Total Liabilities |  | 5,500 |  | 15,500 |  | ? |
| **Equity:** |  |  |  |  |  |  |
| Common stock | ? |  | ? |  | 114,000 |  |
| Retained earnings | ? |  | 15,000 |  | ? |  |
| **Total Equity** |  | ? |  | ? |  | 119,000 |
| **Total Equity and Liabilities** |  | 149,500 |  | ? |  | 150,000 |

Q4. Flypeople a local air carrier and SEU an educational institution, both are Saudi companies which exchange services with one another all the time. Both companies prepare their financial reports on monthly basis and were engaged in the following transactions during May 2024:

1. SEU purchased 2 flight tickets for SR2,400 paying cash. The flights are scheduled for November 2024.
2. Flypeople has a fleet of vehicles worth SR11,900,000. The average useful life for those vehicles is 11 years with salvage value of SR125,000. Flypeople uses straight-line depreciation method.
3. SEU as a governmental institution, it credits employees salaries on the 27th of each month. Due to some system failure in May, salaries payment was postponed to June 3rd. Total salaries due is SR13,000,000.
4. During May Flypeople had a balance of SR9,500 for cargo services provided to SEU but not yet billed to them.

Required: prepare adjusting entries for both Flypeople and SEU whenever applicable for the month of May 2024.

(5 Mark)

**ANSWER:**

Q5. The Accounting Cycle constitute of 10 sequel steps. List those steps and discuss the meaning and importance of each one of them.

(5 Mark)

**ANSWER:**

Q6. Differentiate between periodic inventory system and perpetual inventory system.

(5 Mark)

**ANSWER:**