

Daffodil International University
Department of Software Engineering
Faculty of Science & Information Technology
Midterm Examination, FALL 2024
Course Code: ITM 101, Course Title: Principles of Accounting
Instructor: DAR

Date:

Time:

Total Marks: 25

Exam instructions:

- A) Answer all the Questions. [at right side the allocated marks and corresponding course outcomes are indicated]
 B) During the exam you are not allowed to leave the exam hall to have water or restroom, but if you finish early, you may leave the hall submitting the script.
 C) Do not keep your mobile phone or digital watch in your bag during the exam and keep all your belongings in a secure place.
 D) Be respectful to the Exam ethics. Use own Stationary.

No	Questions	Marks	CLO Level
1	a) Explain, how does the accounting equation "Assets = Liabilities + Owner's Equity" ($A = L + P$) reflect the fundamental principles of accounting, and what are the key components of each element in this equation?	5	CLO-1 L-1
2	<i>Santa Ana Services was formed on May 1, 2023. The following transactions took place during the first month.</i> Transactions on May 1: 1. Don Humes invested \$40,000 cash in the company, as its sole owner. 2. Hired two employees to work in the warehouse. They will each be paid a salary of \$3,050 per month. 3. Signed a 2-year rental agreement on a warehouse; paid \$24,000. <u>cash in advance</u> for the first year. 4. Purchased furniture and equipment costing \$30,000. A cash payment of \$10,000 was made immediately; the remainder will be paid in 6 months. 5. Paid \$1,800 cash for a one-year insurance policy on the furniture and equipment. 6. Purchased basic office supplies for \$500 cash. 7. Purchased more office supplies for \$1,500 on account. 8. Total revenues earned were \$20,000—\$8,000 cash and \$12,000 on account. 9. Paid \$400 to suppliers for accounts payable due. 10. Received \$3,000 from customers in payment of accounts receivable. 11. Received utility bills in the amount of \$350, to be paid next month. 12. Paid the monthly salaries of the two employees, totalling \$6,100.	10	CLO-1 L-3

Instructions

- (a) Develop the journal entries to record each of the events listed.

2. Peter Nimmer opened a veterinary business in Nashville, Tennessee, on August 1, 2022. On August 31, the balance sheet showed:

10 CLO-1
L-3

Cash \$9,000,
Accounts Receivable \$1,700
Supplies \$600
Equipment \$6,000
Accounts Payable \$3,600
Owner's Capital \$13,700

During September, the following transactions occurred.

1. Paid \$2,900 cash on accounts payable.
2. Collected \$1,300 of accounts receivable.
3. Purchased additional equipment for \$2,100, paying \$800 in cash and the balance on account.
4. Recognized revenue of \$7,800, of which \$2,500 is received in cash and the balance is due in October.
5. Withdrew \$1,100 cash for personal use.
6. Paid salaries \$1,700, rent for September \$900, and advertising expense \$450.
7. Incurred utilities expense for month on account \$170.
8. Received \$10,000 from Capital Bank (money borrowed on a note payable).

Instructions

(a) Construct a tabular analysis of the September transactions beginning with August 31 balances. The column headings should be as follows: Cash, Accounts Receivable, Supplies, Equipment, Notes Payable, Accounts Payable, Owner's Capital, Owner's Drawings, Revenues, Expenses.

(b) Construct an income statement for September, an owner's equity statement for September, and a balance sheet at September 30.