

UNRWA - GAZA FIELD OFFICE
WRITTEN TEST FOR ASST. ACCOUNTS CONTROL OFFICER, FINANCE DEPARTMENT
12 MARCH 1996

Instructions: You will be given 2 hours to answer the 3 problems below. Submit your answers clearly and separate them from your supporting computations. This will facilitate checking your answers. These problems are meant to test your knowledge of basic accounting as well as your analytical skills. Good luck.

PROBLEM 1

You have been given an incomplete set of balance sheet and income statement for ABC Company as at 31 December 1995 as follows:

ABC Company
Balance Sheet
As At 31 December 1995 and 1994

ASSETS	1995	1994	LIABILITIES & SHAREHOLDERS' EQUITY	1995	1994
Current Assets			Current Liabilities		
Cash	4,000	53,500	Bank loans	74,000	85,000
Accounts receivable	33,000	95,000	Accounts payable	50,000	35,000
Inventory	-----	75,000	Accrued expenses	-----	12,000
Prepaid expenses	-----	0	Total Current Liab.	-----	132,000
Total Current Assets	-----	223,500			
Fixed Assets			Shareholders' Equity		
Land	150,000	150,000	Capital stock	300,000	300,000
Building	60,000	60,000	Retained earnings	20,000	16,500
Equipment	40,000	40,000	Net income for the year	-----	3,500
Total	250,000	250,000	Total S. Equity	-----	320,000
Less: acc. depreciation	-----	21,500			
Fixed Assets - Net	-----	228,500			
Total Assets	-----	452,000	Total Liabilities & S. Equity	-----	452,000

ABC Company
Income Statement
For the Years Ended 31 December 1995 and 1994

	1995	1994
Sales	1,650,000	540,000
Cost of Goods Sold:		
Beginning inventory		25,000
Add: Purchases	1,330,200	450,000
Total available		475,000
Less: Ending inventory		75,000
Cost of Goods Sold		400,000
Gross Profit		140,000
Operating Expenses:		
Salaries & wages	223,000	80,000
Rent	150,000	25,000
Depreciation		11,000
Advertisement	10,000	4,200
Water & electricity	15,000	5,000
Telephone charges	22,000	3,500
Gas & fuel	11,000	1,500
Bank interest	4,500	5,000
Insurance expense	1,300	800
Miscellaneous	1,000	500
Total Operating Expenses		136,500
Net Income for the Year		3,500

After reviewing the records, you discovered the following:

1. Depreciation for Fixed Assets is calculated monthly based on the following policies:
 Building - 10%, no residual value, completed on 31 March 1992
 Equipment - estimated useful life is 4 years, no residual value, purchased on 30 June 1994
2. Insurance premiums amounting to \$500 paid in advance were actually applicable for 1996.
3. Water and electricity expenses for the whole year of 1995 are estimates only and not yet paid. No invoices were received.
4. On 31 December 1995, a physical inventory of all stocks on hand was taken. After the Accounting Clerk summarized the quantities and the costs, the total amount of stocks on hand turned out to be \$220,000.

REQUIRED:

Fill in the blanks and complete the financial statements given the above information.

PROBLEM 2

Ahmad Company and Mahmoud Company are two businesses operating in Gaza. Ahmad provides repairs and maintenance services to the vehicles of Mahmoud while Mahmoud provides radio communications equipment to Ahmad.

As the Accountant of Ahmad, you noticed that Mahmoud has not been paying his accounts as of 29 February 1996 amounting to \$2,700 as follows:

Month	Description	Amount
Oct 1995	Maintenance of 2 Volvo trucks	800
Nov 1995	Maintenance of 3 Peugeot cars	300
Dec 1995	Repair of 1 Subaru car	80
Jan 1996	Repair of 2 Peugeot cars	320
Feb 1996	Major repair of 1 Volvo truck	1,200
	Total	2,700

On the other hand, you received a statement of account from Mahmoud for radio equipment and accessories amounting to \$3,600 as follows:

Month	Description	Quantity	Unit Price	Amount
Dec 1995	Motorola radios	5	650	3,250
	Batteries	6	25	150
	Battery chargers	5	50	250
Jan 1996	Antennae - satellite dish	2	325	650
Feb 1996	Antennae - for cars	2	50	100
	Total			4,400
	Less: Maintenance of 2 Volvo trucks (Oct 1995 bill)			800
	Balance as at 29 February 1996			3,600

Upon reviewing the receiving reports for the above items, you found out that the 6 batteries and the 5 battery chargers were not yet delivered by Mahmoud. All the other items are in order.

REQUIRED:

1. As the Accountant of Ahmad, how much should you pay Mahmoud?
2. Give the accounting entry or entries for the payment.

PROBLEM 3

Upon inspecting the books and records for Ibrahim Printing Company, for the year ended 31. December 1995, you find the following data:

1. A receivable of \$380 from Suheil Realty is determined to be uncollectible. The company maintains no allowance for such losses.
2. A creditor, A. Naami Company, has just been awarded damages of \$2,200 as a result of breach of contract during the current year by Ibrahim Printing Company. Nothing appears on the books in connection with this matter.
3. A fire destroyed part of the office. Furniture and fixtures that cost \$10,200 and had a book value of \$7,800 at the time of the fire were completely destroyed. The insurance company has agreed to pay \$6,500 under the provisions of the fire insurance policy.
4. Advances of \$1,150 to certain employees were recorded as salaries.
5. Machinery at the end of the year shows a balance of \$18,460. It is discovered that additions to this account during the year totaled \$4,460, but of this amount \$800 should have been recorded as repairs. Depreciation for the year is not yet recorded and is computed at 10% on machinery owned during the year, but at one half this rate on machinery purchased or sold during the year.

REQUIRED:

Show the entries that are necessary to bring the accounts up to date.

to 7200

Accrd 2400

مطابق الامتحان
1996

ANSWER SHEET

WRITTEN TEST FOR ASST. ACCOUNTS CONTROL OFFICER, FINANCE DEPARTMENT
12 MARCH 1996

PROBLEM 1

ABC Company
Balance Sheet

As At 31 December 1995 and 1994

	1995	1994		1995	1994
ASSETS			LIABILITIES & SHAREHOLDERS' EQUITY		
<u>Current Assets</u>			<u>Current Liabilities</u>		
Cash	4,000	53,500	Bank loans	74,000	85,000
Accounts receivable	33,000	95,000	Accounts payable	50,000	35,000
Inventory	220,000	75,000	Accrued expenses	15,000	12,000
Prepaid expenses	500	0	<u>Total Current Liab.</u>	<u>139,000</u>	<u>132,000</u>
<u>Total Current Assets</u>	<u>257,500</u>	<u>223,500</u>	<u>Shareholders' Equity</u>		
<u>Fixed Assets</u>			<u>Capital stock</u>		
Land	150,000	150,000	Capital stock	300,000	300,000
Building	60,000	60,000	Retained earnings	20,000	16,500
Equipment	40,000	40,000	Net income for the year	11,000	3,500
<u>Total</u>	<u>250,000</u>	<u>250,000</u>	<u>Total S. Equity</u>	<u>331,000</u>	<u>320,000</u>
Less: acc. depreciation	37,500	21,500			
<u>Fixed Assets - Net</u>	<u>212,500</u>	<u>228,500</u>			
<u>Total Assets</u>	<u>470,000</u>	<u>452,000</u>	<u>Total Liabilities & S. Equity</u>		
				<u>470,000</u>	<u>452,000</u>

ABC Company
Income Statement
For the Years Ended 31 December 19

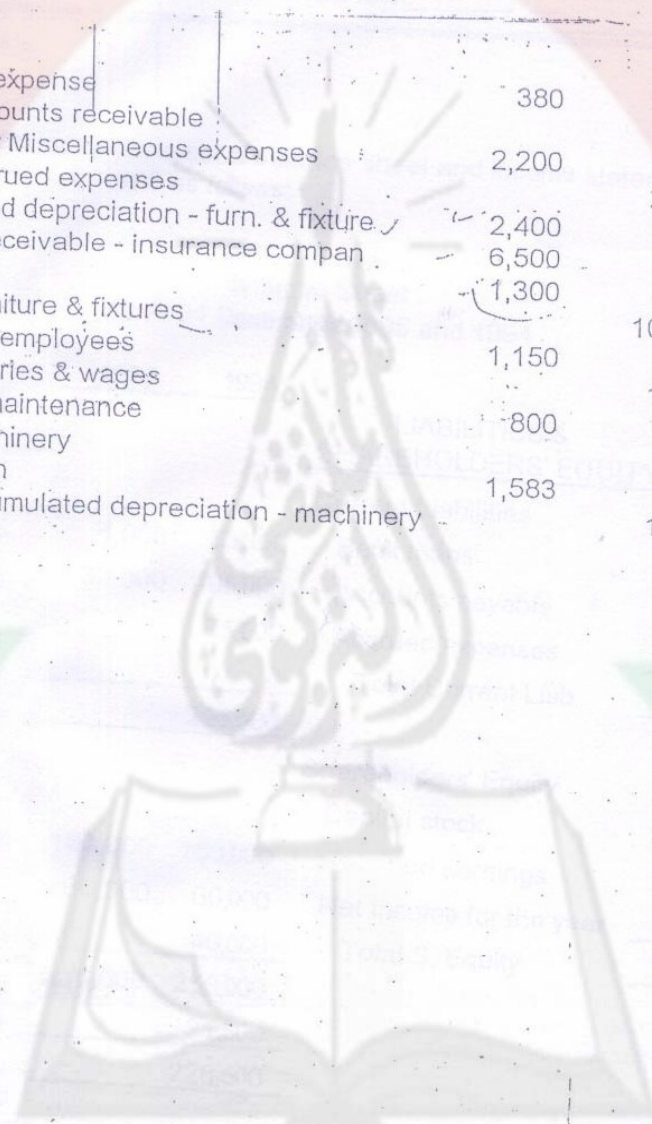
	1995	1994
Sales	1,650,000	540,000
Cost of Goods Sold:		
Beginning inventory	75,000	25,000
Add: Purchases	1,330,200	450,000
<u>Total available</u>	<u>1,405,200</u>	<u>475,000</u>
Less: Ending inventory	220,000	75,000
<u>Cost of Goods Sold</u>	<u>1,185,200</u>	<u>400,000</u>
Gross Profit	464,800	140,000
Operating Expenses:		
Salaries & wages	223,000	80,000
Rent	150,000	25,000
Depreciation	16,000	11,000
Advertisement	10,000	4,200
Water & electricity	15,000	5,000
Telephone charges	22,000	3,500
Gas & fuel	11,000	1,500
Bank interest	4,500	5,000

PROBLEM 2

- 1. \$1,300
- 2. dr. Communications equipment 4,000
- cr. Accounts receivable - Mahmoud Co. 2,700
- cr. Cash 1,300

PROBLEM 3

- 1. dr. Bad debts expense 380
- cr. Accounts receivable 380
- 2. dr. Damages or Miscellaneous expenses 2,200
- cr. Accrued expenses 2,200
- 3. dr. Accumulated depreciation - furn. & fixture 2,400
- dr. Accounts receivable - insurance compan 6,500
- dr. Fire loss 1,300
- cr. Furniture & fixtures 10,200
- 4. dr. Advances - employees 1,150
- cr. Salaries & wages 1,150
- 5. dr. Repairs & maintenance 800
- cr. Machinery 300
- dr. Depreciation 1,583
- cr. Accumulated depreciation - machinery 1,583



4.000

DU 2000

700

287