University of Damietta, Faculty of Commerce English Section Program 1st Level	Model (1) 40 Questions	2024/2025 First Semester Final Exam Principles of Financial Accounting I

1. What is the time period assumption?
   a. Companies should recognize revenue in the accounting period in which it is earned.
   b. Companies should match expenses with revenues.
   c. The economic life of a business can be divided into artificial time periods.
   d. The fiscal year should correspond with the calendar year.

2. Which of the following is a twelve-month reporting cycle that can begin in any month, except January 1, and records financial data for that twelve-month consecutive period?

a.	Fixed year	b.	Interim period	c.	Calendar year	d.	Fiscal year

3. Entries that are made at the end of a period to correct accounts before financial statements are prepared.

a.	Closing entries	b.	Adjusting entries	c.	Reversing entries	d.	Journal entries

Use the following information to answer the next 7 questions

The general ledger of Omar Company, on October 31, 2024, includes next selected accounts before adjusting entries are prepared.

	Debit	Credit
Prepaid Insurance	$ 2,400	
Supplies	3,900	
Equipment	25,000	
Accumulated Depreciation		$5,000
Unearned service Revenue		9,200

4. If the prepaid insurance covers a period of one year from October 1, what is the adjusting entry for October?
   a. Dr. Insurance Expense, $200, Cr. Prepaid Insurance $200.
   b. Dr. Insurance Expense $2,400, Cr. Prepaid Insurance $2,400.
   c. Dr Prepaid Insurance $2,400, Cr. Insurance Expense, $2,400.
   d. Dr. Prepaid Insurance $200, Cr. Prepaid Expense, $200.

5. If Supplies on hand total at end of October is $2,200, what is adjusting entry.
   a. Dr. Supplies $2,200, Credit Supplies Expense $2,200
   b. Dr. Supplies Expense $3,900, Credit Supplies $3,900
   c. Dr. Supplies Expense $1,700, Credit Supplies $1,700
   d. Dr. Supplies $1,700, Credit Supplies Expense $1,700

6. What is the journal entry to recognize equipment depreciation of $200 for October?
   a. Dr. Accumulated Depreciation, $200, Cr. Depreciation Expense, $200
   b. Dr. Depreciation Expense, $200, Cr. Accumulated Depreciation, $200
   c. Dr. Depreciation Expense, $5,200, Cr. Accumulated Depreciation. $5,200
   d. Dr. Accumulated Depreciation, $5,200, Cr. Depreciation Expense, $5,200

7. Depreciation is generated due to

a.	Wear and tear	c.	Decrease in the market value of plant assets
b.	Decrease in capital	d.	Increase in the market value of plant assets

8. How much is the book value of equipment to be reported on the balance sheet on October 31?

a.	$20,000	b.	$30,200	c.	$25,000	d.	$19,800

9. What is the type of accumulated Depreciation?

a.	Asset account	b.	Contra-asset account	c.	Liability account	d.	Equity account

10. What is the adjusting entry for services performed in October for $4,000 of the unearned service revenue reported?
    a. Dr. Unearned Revenue $4,000, Credit Revenue $4,000
    b. Dr. Revenue $4,000, Credit Unearned Revenue $4,000
    c. Dr. Unearned Revenue $5,200, Credit Revenue $5,200
    d. Dr. Revenue $5,200, Credit Unearned Revenue $5,200

11. What is the adjusting entry for the accrued rent expense of $900?
    a. Dr. Rent Payable $900, Credit Rent Expense $900
    b. Dr. Rent Expense $900, Credit Cash $900
    c. Dr. Rent Expense $900, Credit Rent Payable $900
    d. No entry is required.

12. What is the effect on the accounting equation if the adjusting entry of unearned revenue was omitted?
    a. Revenue is understated and liabilities are overstated
    b. Revenue is understated and liabilities are understated
    c. Revenue is understated and liabilities are overstated
    d. Revenue is overstated and liabilities are understated

13. The journal entry to accrue salaries expense is
    a. Dr. Salaries Expenses and Cr. Prepaid Salaries
    b. Dr. Prepaid Salaries and Cr. Salaries Expenses
    c. Dr. Salaries Payable and Cr. Salaries Expenses
    d. Dr. Salaries Expenses and Cr. Salaries Payable

14. On August 1, a company borrowed $30,000 from a local bank on a 15-year mortgage at 10% annual interest rate. How much is the interest expense for August?

a.	$2,000	b.	$45,000t	c.	$250	d.	$3,000

15. What is the adjusting entry for revenue for services performed but unrecorded of $1,100?
    a. Dr. Service Revenue and Cr. Unearned Revenue
    b. Dr. Accounts Receivable, Cr. Service Revenue
    c. Dr. Service Revenue, Cr. Accounts Receivable
    d. Dr. Unearned Revenue, Cr. Service Revenue

16. After the adjusted trial balance is prepared, the next step in the accounting cycle is to:

a.	prepare the financial statements	c.	prepare adjusting entries
b.	prepare the closing entries	d.	post the adjusting entries

17. Accounts with balances that are transferred to future periods are.

a.	Expense accounts	c.	Temporary accounts
b.	Drawings accounts	d.	Permanent accounts

18. The temporary accounts are:

a.	Assets, Liabilities, Capital	c.	Revenue, Expenses, Income Summary, Withdrawals
b.	Revenue, Expenses, Assets, Capital	d.	Revenue, Expenses, Net Income, Withdrawals

19. A post-closing trial balance could include all of the following EXCEPT the _______ account.

a.	Accumulated Depreciation	c.	Owner's Capital
b.	Depreciation Expense	d.	Accounts Receivable

20. Closing entries reduce the Capital balance to zero.
    a. True b. False

21. How do you close a revenue account?

a.	Debit Revenue, Credit Income Summary	c.	Debit Expenses, Credit Revenue
b.	Debit Income, Credit Revenue	d.	Debit Revenue, Credit Expenses,

22. If you have a $5,000 NET LOSS, what would the entry be to CLOSE Income Summary?

a.	Debit Income Summary, Credit Capital	c.	Debit Capital; Credit Income Summary
b.	Debit Assets, Credit liabilities	d.	Debit Revenue, Credit Capital

23. On balance sheet, salaries and tax payable payables are listed under which category?

a.	Current assts	c.	Long-term liabilities
b.	Current Liabilities	d.	Other Liabilities

24. In the current year, the company had cash receipts of $35,000 and cash payments of $20,000. The Cash available at the beginning of the period was company's beginning cash balance at December 31 of the current year was $65,000. What was the company's ending cash balance?

a.	$50,000	b.	$60,000	c.	$85,000	d.	$80,000

25. Under which of the following categories would bonds held as investment for more than a year appear?

a.	Current assets	c.	Long-term investments
b.	Long-term liabilities	d.	Short- term investments

26. In a classified balance sheet, assets are usually classified as:

a. current assets; long-term assets; property, plant, and equipment; and intangible assets.
b. current assets; long-term investments; property, plant, and equipment; and common stock.
c. current assets; long-term investments; tangible assets; and intangible assets.
d. current assets; long-term investments; property, plant, and equipment; and intangible assets.

27. Copyrights and Franchise are

a.	Current assets	c.	Long-term investments
b.	Intangible assets	d.	Property, plant, and equipment

28. In a perpetual inventory system, the return of defective merchandise by a purchaser is recorded by crediting:

a.	Purchases	b.	Purchase Returns	c.	Purchase Allowance	d.	Inventory

29. Both purchase returns and allowances decrease the merchandiser's inventory cost

a. True b. False

30. The cost of goods sold is determined and recorded each time a sale occurs in:

a. perpetual inventory system only.
b. periodic inventory system only.
c. both a periodic and perpetual inventory system.
d. neither a periodic nor perpetual inventory system

31. The current Assets section of the balance sheet should include

a.	Land	c.	Cash and Cash equivalent
b.	Intangible assets	d.	Long-term Notes receivable

32. Purchase of inventory is treated as:

	Under Periodic Inventory system	Under Perpetual Inventory system
a.	Asset	Expense
b.	Expense	Asset
c.	Expense	Expense
d.	Asset	Asset

33. During the current year, merchandise is sold for $300,000 cash and for $625,000 on account. The cost of merchandise sold is $450,000. What is the amount of gross profit?

a.	$475,000	b.	$925,000	c.	$175,000	d.	$450,000

34. Given credit terms of 3/10, n/30 on a sale of $2,000, the amount collected with 10 days will be.

a.	$1,400	b.	$1,100	c.	$1,910	d.	$1,940

35. Pineapple Company began the accounting period with a $5,000 debit balance in its accounts receivable account. During the accounting period Pineapple recorded revenue on account amounting to $17,000. The accounts receivable account at the end of the accounting period contained a $8,000 debit balance. Based on this information alone, the cash collected from accounts receivable during the period is

a.	$22,000	b.	$20,000	c.	$14,000	d.	$17,000

36. If the sale includes the seller paying the freight costs and assuming the responsibility for merchandise until it is received by the buyer, the freight terms are said to be:

a.	FOB shipping point	c.	FOB destination
b.	sales discount	d.	trade discount

37. Ahmed purchased goods from a supplier for $10,000 on credit, term 4/10,n/30. Ahmed discovered some defective goods worth $500. He agreed to keep the defective goods in return of getting an allowance of $200. How much is the amount of cash discount if Ahmed paid within the discount period?

a.	$400	b.	$392	c.	$380	d.	$388

38. In a periodic inventory system, the return of defective merchandise to a supplier is recorded by crediting

a.	Purchase	c.	Accounts Payable.
b.	Purchase Returns and Allowances	d.	Inventory

39. Zain Company had the following amounts related to its Inventory: Beginning inventory, $13,000; Purchases, $42,000; and ending inventory, $9,000. How much is the cost of goods sold,?

a.	$46,000	b.	$38,000	c.	$64,000	d.	$20,000

40. Under a perpetual inventory system, when goods are purchased for resale by a company:

a. purchase returns are debited to Purchase Returns and Allowances.
b. purchases on account are debited to Purchases.
c. freight costs are debited to Freight-Out
d. purchases on account are debited to Inventory