**Accounting Assignment (100)**

1. Ms. Anna started her business (“Anna Car Repairing Shop”) on January 1, 2018. During the first month of its operations, the business engaged in the following transactions:

|  |  |
| --- | --- |
| **Date** | **Transactions** |
| Jan 1  Jan 2 | Anna invested cash $100,000 as initial capital to start the business.  An amount of $36,000 was paid as advance rent for three months. |
| Jan 3 | Paid $60,000 cash on the purchase of equipment costing $80,000. The remaining amount was recognized as note payable. |
| Jan 4 | Purchased office supplies costing $17,600 on account. |
| Jan 13 | Provided services to its customers and received $28,500 in cash. |
| Jan 13 | Paid the accounts payable on the office supplies purchased on January 4. |
| Jan 14 | Paid wages to its employees for the month of January, aggregating $19,100. |
| Jan 18 | Provided $54,100 worth of services to its customers. They paid $32,900 and promised to pay the remaining amount in the next month. |
| Jan 23 | Received $15,300 from customers for the services provided on January 18. |
| Jan 25 | Received $4,000 as an advance payment from customers. |
| Jan 26 | Purchased office supplies costing $5,200 on account. |
| Jan 28 | Paid water bill of $19,000 for January |
| Jan 31 | Paid $5,000 advertising expense. |
| Jan 31 | Received electricity bill of $2,470 for January. |
| Jan 31 | Received telephone bill of $1,494 for January. |
| Jan 31 | Miscellaneous expenses paid during the month totaled $3,470. |

Instructions:

1. Journalize the transactions with explanations (Ignore the reference numbers). (16)
2. Post the transactions in the ledger account. (16)
3. Prepare a Trial Balance for Jan 31, 2018. (10)
4. Prepare an Income Statement and a classified Balance for Jan 31, 2018 based on the information available in the trial balance. (10)
5. Write short notes on the following accounting principles with proper example: (18)
6. Cost Principle
7. Economic Entity Assumption
8. Monetary Unit Assumption
9. Going Concern
10. Periodicity
11. Revenue Recognition Principle
12. Matching Concept
13. Accrual Basis of Accounting
14. Dual Aspect of Accounting
15. Baker Corporation provided the following Statements for 2014-15 –

**Balance Sheet** **2015 2014**

***Assets***  $ $

Cash 40,000 70,000

Accounts Receivable 320,000 350,000

Inventory 460,000 320,000

***Total Current Asset*** **820,000 740,000**

Gross Fixed Assets 560,000 520,000

Accumulated Depreciation 180,000 150,000

Net Fixed Asset 380,000 370,000

***Total Asset*** **1,200,000 1,110,000**

***Liabilities & Stockholders’ Equity***

***Current Liabilities***

Accounts Payable 390,000 320,000

Notes Payable 110,000 90,000

Accrued Expense 20,000 20,000

***Total Current Liabilities* 520,000 430,000**

Long Term Debt 320,000 350,000

***Total Liabilities*  840,000 780,000**

***Stockholders’ Equity***

Common Stock at par 100,000 100,000

Share Premium Reserve 150,000 150,000

Retained Earnings 110,000 80,000

***Total Liabilities & Stockholders’ Equity* 1,200,000 1,110,000**

**Income Statement 2015**

**$**

Sales 2,200,000

Cogs 1,420,000

**Gross Profit 780,000**

Operating Expenses 600,000

**Operating Income (EBIT) 180,000**

Interest 29,000

**Earnings before Tax (EBT) 151,000**

Tax (30%) 45,000

**Earnings after Tax (Net Income) 106,000**

***Additional Information:***

1. ***Purchased equipments paying $40,000 cash.***
2. ***Annual depreciation expense was $30,000.***
3. ***Paid cash dividend of $76,000.***
4. ***No sale of fixed asset.***

**Required**

* 1. Prepare a **Cash Flow Statement** for the year 2015. (12)
  2. Calculate the following **Ratios** for the year 2015 and also indicate the

significance of each ratio – (18)

*Current Ratio, Quick Ratio, Accounts Receivable Turnover, Profit Margin, Asset*

*Turnover, ROA, Return on Common Stockholders’ Equity, Debt to Asset, Times*

*Interest Earned ratio.*