

ISC PARIS

Write your name in the box :

Academic year: 2011-2012
Professor: André Cabannes

Books and class notes forbidden
Computers forbidden
Hand held calculators allowed
(including scientific ones)

Financial Accounting
FINAL EXAMINATION
1st semester 2011-2012

Write your answers in the blank space below each question.

Question 1: Explain why single-entry accounting is insufficient to keep the accounting records of a firm.

Question 2: What is the type of commercial transaction which triggered the invention of double-entry accounting?

Question 3: In the management of firms, what does the acronym MIS stand for? Give several examples of MIS.

Question 4: Here is the journal of the first year of Joe's business

Joe's business journal			
	Date	Transaction	Amount (€)
1	01-janv.	Joe puts initial cash into his business	10 000
2	03-janv.	Takes cash to bank	8 000
3	06-janv.	Buys a delivery van on credit from Jules (supplier of van)	3 000
4	09-janv.	Rents premises. Pays one quarter by cheque	1 000
5	12-janv.	Purchases goods on credit from Deirdre (supplier of goods)	4 000
6	15-janv.	Pays shop expenses by cheque	1 500
7	18-janv.	Sells goods to Sally on credit	3 000
8	21-janv.	Settles Jules account by cheque	3 000
9	23-janv.	Receives partial payment from Sally (cash)	2 000
10	24-janv.	Takes Sally's cash to bank	2 000
11	25-janv.	Sent cheque to Deirdre	1 500
12	26-janv.	Purchases goods on credit from Deirdre	3 000
13	26-janv.	Cash sales	3 000
14	27-janv.	Cash sales	1 000
15	27-janv.	Purchase of machinery from James on credit (supplier of machinery)	5 000
16	28-janv.	Joe's business gets a long term loan from a lending bank	2 000
17	28-janv.	Pays James by cheque	5 000
18	29-janv.	Take cash to bank	5 000
19	31-janv.	Pays salaries	2 500

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Question 5: Prepare the Trial Balance of Joe's business.

Question 6: Explain the difference between “Revenue accounts” and “Capital accounts”.

Question 7: Explain why we need to make year-end adjustments to the Trial Balance. Give several examples.

Question 8: Suppose at the end of the cycle there remain 4200 euros worth of stocks. Explain the year-end transaction to take this into account. Which account is debited, which account is credited?

Question 9: Suppose we also pass 1000 euros of non cash charges of amortization. Explain the year-end transaction to take this into account. Which account is debited, which account is credited?

Question 10: Prepare the Income Statement of Joe's business.

Question 11: Prepare the balance sheet of Joe's business.

Question 12: In the accounting guidelines, explain the “Entity rule”. Give an example of what would be a violation of the Entity rule.

Question 13: Explain the “Prudence rule”.

Question 14: Explain the concept of “liquidity”. Give examples of liquid assets and of illiquid assets.

Question 15: Can we say that the sum of the assets, net of the sum of external liabilities, is the value of the firm? Explain.