

THE ISLAMIA UNIVERSITY OF BAHAWALPUR

Department of Computer Sciences (Mid Exam)

Subject: Introduction to Accounting
Marks: 30
Time: 1 Hour

Class: BS (CS), BS (IT) (2nd & 3rd semester)
Course Instructors: Sheraz Hameed
Mid Term Exams

NOTE: All the questions must be attempted. You must answer the question in accordance to allocation of assessment weightage. Asking any question to instructor during the exam is not allowed.

Q. No 01: Define & Explain the following. **(Marks 5*2=10)**

- | | |
|---------------------|-------------------|
| a. Accounting Cycle | d. Debit & Credit |
| b. Income Statement | e. Accounting |
| c. Balance Sheet | |

Q. No 02: Give three examples of uncertainties faced by the business. **(Marks =2)**

Q. No 03: Define GAAP. Why GAAP is so important? **(Marks =3)**

Q. No 04: Mike Gomez owns a music store called Mike's Music and More. The store has inventory that includes pianos, guitars, and other musical instruments. Mike rents the building in which his store is located, but owns the equipment and fixtures inside it. Last week, Mike's Music made sales of \$3,000. Some of the sales were made in cash. Some were made to customers who have an account with Mike's music & are billed at the end of the month. Last month, Mike's Music borrowed \$ 10,000 from a – local bank to expand. **(Marks =5)**

Which of the following is not an asset owned by Mike's Music?

- A. The inventory of musical instruments.
- B. The building in which the store is located.
- C. The amount owed to Mike's Music by its customers.
- D. The equipment and fixtures in the store.

Which of the following is a liability to Mike's Music?

- a. The loan amount that must be repaid to the bank
- b. The amount owed to Mike's Music by its customers
- c. The sales Mike's Music made last week
- d. The cash collected from customers on the sales made last week

Which of the following is a true statement?

- a. Mike's Music is too small for anyone to care about its financial information.
- b. The sales Mike's Music made last week are considered revenue.
- c. The intent of Mike's Music to expand is an asset.
- d. The sales Mike's Music made on credit last week cannot be considered revenue.

Q. No 05: Mark each of the following with an (A) to indicate it is an asset, an (L) to indicate it is a liability, an (R) to indicate it is revenue, or an (E) to indicate it is an expense. **(Marks =10)**

- a. ____ Cash
- b. ____ Building
- c. ____ Loan due to the bank
- d. ____ Inventory
- e. ____ Salary expense
- f. ____ Rent expense

- g. ____ Amounts owed to employees for work done
- h. ____ Equipment
- i. ____ Amounts owed to suppliers
- j. ____ Sales

BEST OF LUCK