

# [Assignment example](https://assignbuster.com/assignment-example-essay-samples-2/)

[Finance](https://assignbuster.com/essay-subjects/finance/)

Assignment, Finance and Accounting Question A. Why Juma disagrees with this accounting method. Jumaand Jivraj disagree on the following transactions for a variety of reasons all which will be discussed in the section below.
Transaction #1:
Jivraj believes that the gain from the sale is to be recorded whereas Juma believes that he would not have to record the difference from the sale price and the actual price since the value is not accrued, and the fact that Jivraj forgets to account for the depreciation of the computers purchased by the organization.
Transaction #2:
According to Juma, the transaction should not have been recorded in the accounts on gains by land, but rather a general recording of the appreciation in the land account, by crediting it would have sufficed the best approach to record this transaction. The value is to be recorded as $215, 000 on the debit side, whereas $90, 000 is to be credited.
Transaction #3:
The deferred depreciation cannot be easily ignored but rather should be recorded as an asset before the depreciation is accounted for and credited in the organization.
Transaction #4:
According to Jivraj, the customized computer should have been recorded as a miscellaneous expense, but the product, whether with resale value or not is an asset and thus a crediting of the assets account (computers) should have been emphasized by Juma. Additionally, depreciation was to be recorded by division of the total value by six years, as a straight line method was used to evaluate the value of the transaction.
Transaction #5:
The value of the building should not be recorded both in terms of lower costs and fair value, but rather should be recorded as appreciation or depreciation in the capital gains account. Juma and Jivraj have widely varying ways to record these transactions.
Transaction #6:
The transaction does not involve the exchange of cash and thus should not be recorded as three separate expenses which will be credited thrice. However, the total value is to be recorded in both accounts as $60, 000. It can only be recorded in the accounts receivable accounts. Additionally, the amount should not be recorded as an amount received as Jivraj proposes, but rather a different approach should be recorded, such as the inclusion of the expense and recording it in the accounts payable as well.
Transaction #7:
The written sales order should not be recorded according to Juma because there has been no exchange of cash. However, this transaction can be recorded as inventory for the computers. However, another approach that can be used is recording these transactions in the accounts receivables bracket. The main reason this is the case is due to the fact that the amount of cash has not exchanged hands and Jivraj records the amount as if it has already happened.
B. Correct Journal Entry
Transaction #1
Debit
Credit
Equipment
60, 000
Cash
60, 000
Transaction #2
Debit
Credit
Land
215, 000
Land
90, 000
Transaction #3
Debit
Credit
Current assets
18, 000
Capital gains
18, 000
Transaction #4
Debit
Credit
Fixed assets
54, 000
Cash
54, 000
Capital gains
9, 000
Cash
9, 000
Transaction #5
Debit
Credit
(Fixed Assets) Building
15, 000
Capital Gains
15, 000
Transaction #6
Debit
Credit
Accounts payable
60, 000
Advertising Expense
60, 000
Transaction #7
Debit
Credit
Inventory
103, 000
Accounts receivables
103, 000
Cost of Goods
53, 000
Inventory
53, 000
References
Weil, R., Schipper, K. & Francis, J. (2012). Financial Accounting: An Introduction to Concepts, Methods and Uses. San Diego, CA: Cengage Learning.