

Assignment example

Finance



Assignment, Finance and Accounting Question A. Why Juma disagrees with this accounting method. Juma and 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 <https://assignbuster.com/assignment-example-essay-samples-2/>

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.