Accounting 201 - Final Exam Fall 04

Name KEY

Problem I – 20 points

Below is a list of accounts for Dragonfly Enterprises. Prepare a multi-step income statement in good form for 2005. Dragonfly Enterprises is a calendar year company.

			B/S- Balance Sheet RE- Retained Earning Account	a. S
	Account	\$	Account	\$
13/5	Accounts Payable	68,430	Bonds Payable	<u> 189,000</u> -B/S
B/S	Additional Paid in Capital	250,361	T reasury Stock	125,300 B/S
J , -	Miscellaneous Expenses	3,878	Common Stock	522,000 B/S
	Interest Expense	2,600	Gain on Equipment Sale	10,256
	Selling Expense	30,010	Marketing Expense	20,007
RE	Dividends	28,200	Retained Earnings	261,345 BS ₹ RE
	Cost of Goods Sold	316,657	Administrative Expense	70,100
13/5	Prepaid Rent	6,327	Sales Revenue	523,496 _{0./c}
a/s	Cash and Cash Equivalents	118,532	I nventory	48,253 B/S
Other important information				
	Income Tax	35%	Outstanding shares	58,825

DRAGONFly Enterprises

INcome Statement

For the year ended 12/31/05

To the fact crown	
Sales Revenue	\$ 523,496
Cost of Goods Sold	(316,657)
Gross Profit	206,839
Selling Expenses	<30,010>
Marketing Expenses	<20,0077
Administrative Expenses	<70,1007
Misc Expenses	< 3,878>
Operating INCOME	82,844
Gain on Equipment Sale	10,256
Interest Expense	(2,600)
INCOME before taxes	90,500
Income taxes (90,500 x.35)	(31,675)
Net Income	\$ 58,825
EPS (\$58,825/58,825 shares)	\$ 1.00/share

Problem II – 30 points

Hunter Jackson Enterprises issued on January 1, 2005, \$280,000 of 8%, ten year bonds to raise funds to buy some special machinery. The bonds were sold to yield 6% return compounded semi-annually. Hunter Jackson uses the straightline method to amortize bond discounts/premiums.

1. What is the issuance price

1, = .03

price

2. Prepare journal entries to record the issuance and the first bond interest payment 0.55368

Part 1

$$280,000 \left(\frac{1}{(1+.03)^{20}}\right) = ^{8}155,029$$
 proflump
 $\frac{1}{1,200}\left[\frac{1}{1-(1+.03)^{20}}\right] = ^{8}160,628$ prof an annuty
 $\frac{1}{14.87747}$ 8321,657 price

\$ 321,657 CASH Part 2 1/1/05 Premoun on Bonds \$ 41,657

Bonds Payable \$ 280,000

mode: issuance & 10 year bonds

6/30/05 Interest Expense \$9,117

Premoun in Bonds \$2,083

F11,200

Cash

mode: lot indust payment in 10 year bonds

EQUATIONS GIVEN!
PV factor for lump sum and annuity

$$1 - \left(\frac{1}{(1+i)^N}\right)$$

Problem III

Multiple Choice – circle the correct answer – worth 1 point each

- 1. Loss on sale of equipment
 - a. Balance Sheet and asset account
 - b. Balance Sheet and liability account
 - c. Balance Sheet and stockholders' equity account
 - d.) Income Statement
- 2. Depreciation office equipment
 - (a.) Balance Sheet and asset account
 - b. Balance Sheet and liability account
 - c. Balance Sheet and stockholders' equity account
 - d. Income Statement
- 3. Bonds Payable
 - a. Balance Sheet and asset account
 - (b) Balance Sheet and liability account
 - c. Balance Sheet and stockholders' equity account
 - d. Income Statement
- 4. Interest Expense
 - a. Balance Sheet and asset account
 - b. Balance Sheet and liability account
 - c. Balance Sheet and stockholders' equity account
 - (d.) Income Statement
- Cost of Goods Sold
 - a. Balance Sheet and asset account
 - b. Balance Sheet and liability account
 - c. Balance Sheet and stockholders' equity account
 - d.) Income Statement
- 6. Retained Earnings
 - a. Balance Sheet and asset account
 - b. Balance Sheet and liability account
 - (c) Balance Sheet and stockholders' equity account
 - d. Income Statement
- 7. Additional Paid in Capital
 - a. Balance Sheet and asset account
 - b. Balance Sheet and liability account
 - (c.) Balance Sheet and stockholders' equity account
 - d. Income Statement
- 8. Treasury Stock
 - a. Balance Sheet and asset account
 - b. Balance Sheet and liability account
 - (c.) Balance Sheet and stockholders' equity account
 - d. Income Statement

- 9. Allowance for Uncollectibles
 - (a) Balance Sheet and asset account
 - ர். Balance Sheet and liability account
 - c. Balance Sheet and stockholders' equity account
 - d. Income Statement
- 10. Accounts Receivable
 - (a) Balance Sheet and asset account
 - b. Balance Sheet and liability account
 - c. Balance Sheet and stockholders' equity account
 - d. Income Statement

Problem IV

Multiple Choice questions – circle the correct answer – worth 2 points each

Identify the internal control principle related to the question below

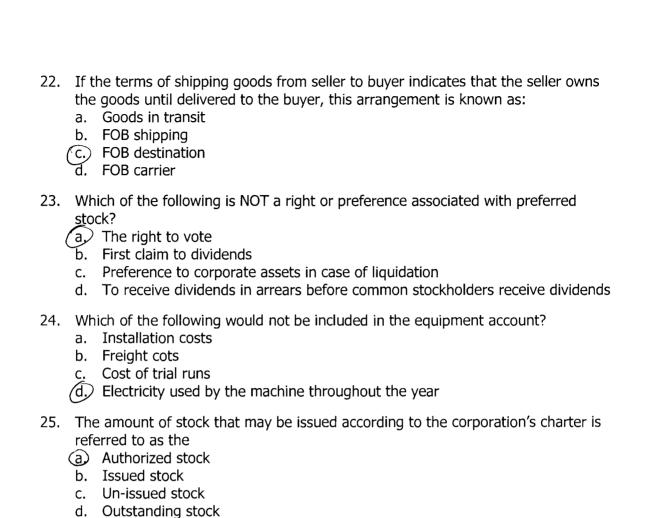
- 11. Cash shortages are not discovered because there are no daily cash counts by supervisors
 - a. Establishment of responsibility
 - b. Segregation of duties
 - c. Physical, mechanical, and electronic control devices
 - d. Documentation procedures
 - (e) Independent internal verification
- 12. Retinal scans to obtain access to secured areas
 - a. Establishment of responsibility
 - b. Segregation of duties
 - (c.) Physical, mechanical, and electronic control devices
 - d. Documentation procedures
 - e. Independent internal verification
- 13. All customers are given receipts for their purchases
 - a. Establishment of responsibility
 - b. Segregation of duties
 - c. Physical, mechanical, and electronic control devices
 - (d.) Documentation procedures
 - e. Independent internal verification
- 14. The person who is authorized to sign the checks approves purchase orders for payment
 - a. Establishment of responsibility
 - (b.) Segregation of duties
 - c. Physical, mechanical, and electronic control devices
 - d. Documentation procedures
 - e. Independent internal verification

- 15. Only one person opens the vault each morning
 - (a.) Establishment of responsibility
 - b. Segregation of duties
 - c. Physical, mechanical, and electronic control devices
 - d. Documentation procedures
 - e. Independent internal verification

Problem V

Multiple choice – circle the best answer – 1.5 points each

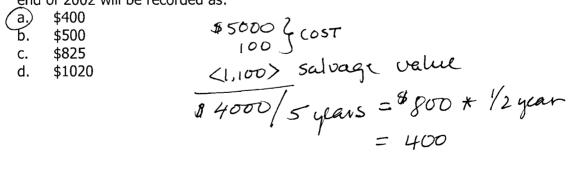
- 16. The factor which determines whether or NOT goods should be included in a physical count of inventory is
 - a. Physical possession
 - (b) Legal title
 - c. Management's judgment
 - d. Whether or not the purchase price has been paid
- 17. An overstatement of ending inventory in one period results in
 - a. No effect on net income of the next period
 - b. An overstatement of net income of the next period
 - (c) An understatement of net income of the next period
 - d. An overstatement of the ending inventory of the next period
- 18. A very small company would have the most difficulty in implementing which of the following internal control activities?
 - (a) Separation of duties
 - b. Limited access to assets
 - c. Periodic independent verification
 - d. Sound personnel procedures
- 19. The entry to record the annual lease payment on a capitalized lease includes a:
 - a. Credit to lease obligation
 - b. Debit to cash
 - c. Credit to depreciation expense
 - (d.) Debit to interest expense
- 20. Depreciation is the process of allocating the cost of a plant asset over its useful life in a(n)
 - a. Equal and equitable manner
 - b. Accelerated and accurate manner
 - (c) Systematic and rational manner
 - d. Conservative market-based manner
- 21. An unearned revenue account is usually considered to be a(n):
 - (a.) Liability
 - b. Asset
 - c. Revenue
 - d. Expense



Problem VI

Multiple choice – circle the best choice – 3 points each

26. Boone Company purchased a piece of machinery on July 1, 2002 by paying \$5,000 cash. In addition to the purchase price, the company incurred \$100 freight charges. The machine has an estimated useful life of 5 years and will require \$125 for insurance over that period. The machinery has a salvage value of \$1,100 at the end of 5 years. Using the straight line method, the Depreciation expense at the end of 2002 will be recorded as:



27.	miles and a salvage value of \$2,000. Ir miles, 2004 a total of 12,000 miles and depreciation expense was recorded in \$2,400 b. \$2,300	5, 2003. The van has a useful life of 150,000 n 2003 the van was driven a total of 10,000
28.	· · · · · · · · · · · · · · · · · · ·	due in 6 years at 9% compounded annually $(1+.09)6 = 15,204.82$ $(1+.09)6 = 15,204.82$
29.	\$5,000 and \$7,000 was spent for demo	o cash. Real estate brokers' commission was olishing an old building on the land before art. Under the cost principle, the cost of land 72,000 Cost 5,000 commission 7,000 get ready to use
30.	the aging Gordie determined that an es	an aging accounts receivable. As a result of stimated \$28,000 of the December 31, 2003, lectible. The adjusting entry required at Uncollectibles Allowance for BD 28,000 20,000 8,000 8,000 28,000 - 12/31/23 28,000 - 28,000 - 28,000