

Original

Examination: Basics of Financial Accounting

Semester: Summer 1999

Examiner: Dipl.-Kfm. Jörg Budde

The following aids can be used: Pocket Calculator

Examination questions:

1. Forester Campgrounds rents campsites in a wooded park to campers. The adjusted trial balance for Forester Campgrounds on December 31, 1998 is presented below.

	Debit	Credit
Cash	\$2,000	
Accounts receivable	3,700	
Land	15,000	
Building	45,900	
Accumulated depreciation, Building		\$10,500
Accounts payable		1,300
Wages payable		600
Cynthia Forester, Capital		43,100
Cynthia Forester, Drawing	18,000	
Campsite Rentals		44,100
Wages expense	11,100	
Utility expense	900	
Depreciation expense, Building	3,000	

From the information given, prepare

- a. an income statement
- b. a statement of owner's equity, and
- c. a balance sheet.

Assume that no further investments have been made by Cynthia Forester.

2. The Tricky Trade Company purchased \$10,000 of merchandise, terms 2/10, n/30, on June 10. Give the entries to record purchase and payment under each of the following assumptions:
 - a. Purchases are recorded at net amount, and payment is made June 20.
 - b. Purchases are recorded at net amount, and payment is made July 10.
 - c. Purchases are recorded at gross amount, and payment is made June 20.
 - d. Purchases are recorded at gross amount, and payment is made July 10.
3. Pineapple Computers sold \$200,000 of 12 percent, ten-year bonds at face value plus accrued interest on September 1, 1998. The issue date of the bonds was May 1, 1998.
 - a. Journalize the sale of the bond and the first semiannual interest payment on October 31, 1998.
 - b. The company's fiscal year ends on December 31 and the above is its only bond issue. What is the bond interest expense for the year ending December 31, 1998?

4. Schumacher Transportation purchased a truck for \$90,000 on January 1, 1998. The company expected the truck to last five years or 200,000 miles, with an estimated residual value of \$15,000 at that time. During 1998, the truck was driven 48,000 miles. The company prepares financial statements at the end of each calendar year.
- Compute the depreciation expense for 1998 for each of the following methods: (i) straight-line, (ii) units of production, and (iii) double-declining balance.
 - Prepare the journal entry to record depreciation expense for 1998 and show how the truck would appear on the balance sheet (use the amount computed in (iii) as an example).
5. At the beginning of 1998, the balances for Accounts Receivable and Allowance for Uncollectible Accounts of Seamless Clothing Company were \$900,000 (debit) and \$63,000 (credit), respectively. During 1998, credit sales were \$6,400,000, and collections on accounts were \$5,900,000. Additionally, \$50,000 of uncollectible accounts were written off.
- Using T-accounts, determine year-end balances of Accounts receivable and Allowance for Uncollectible Accounts!
 - Journalize the year-end adjusting entries to record the uncollectible accounts expense under each of the following conditions:
 - Seamless applies the percentage of net sales method. Management estimates the percentage of uncollectible credit sales to be 1.0 percent of total credit sales.
 - Seamless applies the aging method. Based on the aging of accounts receivable, management estimates the end-of-year uncollectible accounts to be \$75,000.
6. Morrison Doors sold 1,000 doors during 1998 at \$160 per item. Its beginning inventory on January 1 was 200 doors at \$56. Purchases during the year were as follows:
- | | | | |
|--------|-----------|---|-------|
| Mar 1 | 250 doors | @ | \$62 |
| June 1 | 700 doors | @ | \$70 |
| Sept 1 | 100 doors | @ | \$68 |
| Dec 1 | 250 doors | @ | \$72. |

The company's selling and administrative costs for the year were \$81,000, and the company uses the periodic inventory system.

- Compute the cost of goods sold for goods sold for each of the following methods: (i) first-in, first-out, (ii) last-in, first out.
- Prepare an income statement (use cost of goods sold under the last-in, first-out assumption as an example).