Student Name: _____

Matrikelnummer: _____

Please hand in the question paper together with your answer sheet!

Problem 1 (10 points):

For each item listed below, enter the correct letter to the right to show the type of expenditures.

Type of Expenditure: A – Capital expenditures
B – Revenue expenditures
C – Neither

Use the following:

Transaction	A, B or C
(1) Paid $400 for ordinary repairs.	_____
(2) Paid $6,000 for a betterment.	_____
(3) Addition to old building; paid cash, $ 20,000.	_____
(4) Routine maintenance; cost, $200; on credit.	_____
(5) Purchased a machine; $7,000; gave notes receivable.	_____
(6) Paid $2,000 for organization costs.	_____
(7) Paid insurance for a car; cost, $900; on credit.	_____
(8) Purchased a patent, $4,300 cash.	_____
(9) Paid $10,000 for monthly salaries.	_____
(10) Paid cash dividends, $20,000.	_____

Problem 2 (30 points):

All Star Company uses a periodic inventory system. At the end of the annual accounting period, December 31, 19X2, the accounting records provided the following information for product "Lucy":

Transactions	Units	Unit cost
1. Inventory, December 31, 19X1	3,000	$10

For the year 19X2:

Transactions	Units	Unit cost
2. Purchase, April 11	9,000	$12
3. Sale, May 1 (@ $40 each)	5,000	
4. Purchase, June 1	8,000	$13
5. Sale, July 3 (@ $40 each)	6,000	
6. Operating expenses $195,000		

— See overleaf —

Required:

Prepare a separate income statement that details cost of good sold for:
   a.) Case A – annual weighted average.
   b.) Case B – FIFO.
   c.) Case C – LIFO.
   d.) Case D – specific identification assuming two fifths of the first sale was selected from the beginning inventory and three fifths was selected from the items purchased on April 11, 19X2. The second sale was selected from the purchase of June 1, 19X2.

For each case, show the computing of the ending inventory and compare the net income as well as the ending inventory amounts. Please explain the similarities and differences in **short**.

Problem 3 (20 points):
During 19X2, Martin's Camera Shop had sales revenue of $170,000, of which $85,000 was on credit. At the start of 19X2, Accounts Receivable shows a $10,000 debit balance, and the Allowance for Doubtful Accounts shows an $800 credit balance. Collections of accounts receivable during 19X2 amounted to $68,000.

Data during 19X2:

   (a) On December 31, 19X2, an account receivable (J. Doe) of $1,500 from a prior year was determined to be uncollectible; therefore, it was written off immediately.
   (b) On December 31, 19X2, on the basis of experience, a decision was made to continue the accounting policy of basing estimated bad debt losses on 2% of credit sales for the year.

Required:

   (1)   Give the required journal entries for the two items on December 31, 19X2 (end of the accounting period).
   (2)   Show how the amounts related to accounts receivable and bad debt expense would be reported on the income statement and balance sheet 19X2. Disregard income tax considerations.