

2005 Summer

I. Multiple Choice (each 2 points)

1. c 2. c 3. a 4. a 5. c 6. b 7. d
8. a 9. a 10.a 11. d 12..b 13. a 14. b

5.. Calculation: $\$1,000,000/\$897,000 = 1.11$

11. Calculation: $\$18,000/\$6,000 = 3.0$ times

II. Bank Reconciliation (12 pts)

1.			
Balance per bank statement	6,804.6 (1 pt)	Balance per books	6,781.5 (1 pt)
Add:		Add:	
Deposit in transit	936.15 (1 pt)	Collection of a note*	2,060(1 pt)
Error by bank	600 (1 pt)		
Less:		Less:	
Outstanding checks	(276.25) (1 pt)	Error in the deposit slip	(10) (1 pt)
		Error in the journal entry	(27) (1 pt)
		NSF check	(700) (1 pt)
		Check printing charge	(40) (1 pt)
Adjusted balance per bank	8,064.5	Adjusted balance per books	8,064.5

2. A.R 700 (1 pt for each line)
 . Cash 700

*or Add: collection of a note \$ 2080 and Less: bank service charge \$20 (1pt)

III. Petty cash (8 pts; 1pt per line)

Oct. 15	Merchandise Inventory.....	39	
	Delivery Expense	138	
	Repairs Expense	47	
	Postage Expense.....	114	
	Entertainment Expense.....	53	
	Cash Over and Short		3
	Cash.....		388
	 Petty Cash.....	600	
	Cash.....		600

OR

Oct. 15	Merchandise Inventory.....	39	
	Delivery Expense	138	
	Repairs Expense	47	
	Postage Expense.....	114	
	Entertainment Expense.....	53	
	Petty Cash.....	600	
	Cash Over and Short		3
	Cash.....		988

IV. Account Receivables (23 pts)

12/31/2005 (1 pt for each line) (1 pt correct amount)	Bad Debts Expense Allowance for Doubtful Accounts $(\$160,000 - \$7,000 - \$3,000) \times .015 = \$2,250$	2,250 2,250	
12/31/2005 (1 pt for each line)	Interest Receivable* Interest Revenue* $\$12,000 \times .08 \times (18/360) = \48	48 48	
3/13/2006 (1 pt for each line) (1 pts for the date)	Cash* Notes Receivable Interest Receivable* Interest Revenue* $\$12,000 \times .08 \times (72/360) = \192	12,240 12,000 48 192	
4/5/2006 (1 pt for each line)	Allowance for Doubtful Accounts Accounts Receivable	3,500 3,500	
7/9/2006 (1 pt for each line)	Allowance for Doubtful Accounts Accounts Receivable	1,450 1,450	
9/5/2006 (1 pt for each line)	Accounts Receivable Allowance for Doubtful Accounts	1,450 1,450	
	Cash Accounts Receivable	1,450 1,450	
12/6/2006 (1 pt for each line)	Notes Receivable Accounts Receivable	1,350 1,350	
12/31/2006 (1 pt for each line) (1 pt correct amount)	Bad Debts Expense Allowance for Doubtful Accounts	4,385 4,385	

* partial point

Accounts Receivable balance	
1/1/2006	81,000
4/5/2006	77,500
7/9/2006	76,050
9/5/2006	76,050
12/6/2006	74,700
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5%	3,735

Allowance	Balance
1/1/2006	2,850
4/5/2006	(650)
7/9/2006	(2,100)
9/5/2006	(650)
Adjustment	4,385

V. Plant Assets

1. Straight-line

	\$
Annual depreciation $(\$26,100 - \$900) \div 4$ (1pt)	6,300
	\$
2006 depreciation expense $\$6,300 \times (7/12)$ (1pt)	3,675
	\$
2007 depreciation expense (1pt)	6,300
	\$
12/31/07 book value $\$26,100 - \$3,675 - \$6,300$ (1pt)	16,125

2. Units-of-production

	\$
Depreciation per hour $(\$26,100 - \$900) \div 5,000$ (1pt)	5.04
	\$
2006 depreciation expense $\$5.04 \times 1,400$ (1pt)	7,056
2007 depreciation expense $\$5.04 \times 2,000$ (1pt)	10080
	\$
12/31/07 book value $\$26,100 - \$7,056 - \$10,080$ (1pt)	8,964

3. Double-declining balance method

Rate of depreciation $(100\% \div 4) \times 2$ (1pt)	50%
	\$
2006 depreciation expense $\$26,100 \times 50\% \times (7/12)$ (1pt)	7,612.5
	\$
2007 depreciation expense $(26,100 - \$7,612.5) \times 50\%$ (1pt)	9,243.75
	\$
12/31/07 book value (1pt) $\$26,100 - \$7,612.5 - \$9,243.75$	9,243.75

4. Sale on 8/31/2008 for \$6,200 cash

2008 depreciation expense $\$5.04 \times 1,600$	8064
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Journal entry

Depreciation Expense	8064	
Accumulated Depreciation		8064
(0.5 pt per account, 1 pt correct amount)		
Cash	6,200	
Accumulated Depreciation	25,200	
Gain		5,300
Machine		26,100
(1pt per line)		

V $\frac{1}{2}$

Jan. 31	Sales Salaries Expense (5 x \$4,000).....	20,000.00	
	FICA-Social Security Taxes Payable (\$20,000 x .062)		1,240
	FICA-Medicare Taxes Payable (\$20,000 x .0145)		290
	Employee Federal Income Taxes Payable (20,000 x .16)		3,200
	Employee Medical Insurance Payable (5 x 110).....		550
	Accrued Payroll Payable *		14,720
Jan. 31	Payroll Taxes Expense*	2,490	
	FICA-Social Security Taxes Payable**		1,240
	FICA-Medicare Taxes Payable**		290
	State Unemployment Taxes Payable (20,000 x .04)		800
	Federal Unemployment Taxes Payable (20,000 x .008)		160

(0.5 pt per account, 0.5 pt correct amount)

*carry through, no deduction

**no deduction, if the same amount with the FICA of salaries expense