

ACCT230  
Second Form ( Ch 13, 14, 15)

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FACULTY OF BUSINESS AND ECONOMICS  
ACCOUNTING DEPARTMENT

INSTRUCTOR: Karim Bitar Summer Term 2018/2019  
SECOND EXAM Time allowed: 75 minutes  
ACCT 239

Student Name: Rabiatul (ربيعه عيسى) Student #: 1180286

Circle Section Time: 9:20 ♡ 11:00

Q 4: Matching			Question 3		Q 5: Multiple choice			
1	E	✓	1	B	✓	1	C	✓
2	H	✓	2	C	X	2	d	✓
3	J	✓	3	C	✓	3	A	✓
4	F	X	4	B	X	4	A	X
5	C	✓	5	B	✓	5	d	X
6	G	✓	6	A	✓	6	A	X
7	A	X	7	B	✓	7	d	✓
8	B	X	8	B	X	8	C	✓
9	I	✓				9	C	✓
10	D	✓				10	A	✓
Common Shareholders	Non-Cumulative Preferred Shareholders	Cumulative Preferred Shareholders	11			11	d	✓
\$ 106,000	\$ 100,000	\$ 100,000	12			12	b	X

(10.5)      (6)      (5)      (8)

Question 1 (12 points):

A- On 1-1-2019, Ahmad, Rami, and Nizar decided to form a partnership. Ahmad is transferring \$75,000 of personal cash to the partnership. Rami owns land worth \$25,000 and a small building worth \$120,000, which he transfers to the partnership. Nizar transfers to the partnership cash of \$15,000, accounts receivable of \$68,000, and an allowance for doubtful accounts of \$3,000. All figures presented above are agreed upon by partners.

Required: Prepare the journal entry needed to form the ARN partnership. (8 points)

Date	Account title and explanation	Debit	Credit
1-1-19	Cash	90,000	
=	Land	25,000	
=	building	120,000	
=	Accounts Receivable	68,000	
=	allowance for doubtful ac.		3,000
=	Ahmad's capital		75,000
=	Rami's capital		145,000
=	Nizar's capital		80,000

B- At the end of the year, the company had a net income of \$ 90,000. The partnership agreement had not indicated a certain procedure to divide income between partners. Their drawing accounts show \$ 3000 (Ahmad), \$ 1,000 (Rami), and \$ 10,000 (Nizar). Ahmad wants to leave the company by selling his share to Nader, for \$ 120,000 cash.

Required: Prepare the journal entry to record the exit of Ahmad from the company. (4 points).

Date	Account title and explanation	Debit	Credit
	Dr. Ahmad's capital	75,000	
	cr. Nader's capital		75,000

**Question 2: (6 points)**

Star Corporation has:

- 400,000 common shares outstanding (\$ 1 par),  $= 400,000$
- 20,000 preferred Non-Cumulative share outstanding (\$ 50 par, 10% dividend rate)  $= 100,000$
- 8,000 preferred cumulative share outstanding (\$ 100 par, 6% dividend rate)  $= 48,000$

The corporation had not paid any dividends for the years 2015 and 2016. During December 2017, the corporation declared a total of \$350,000 as cash dividends for all shareholders. Show the amount of dividends each class of shareholders will receive.

Year	Common Shareholders	Non-Cumulative Preferred Shareholders	Cumulative Preferred Shareholders
Total dividends	\$ 106,000	\$ 100,000	\$ 144,000

2yr

2yr

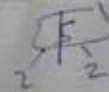
48,000 \* 3

**Question 3 (12 points):**

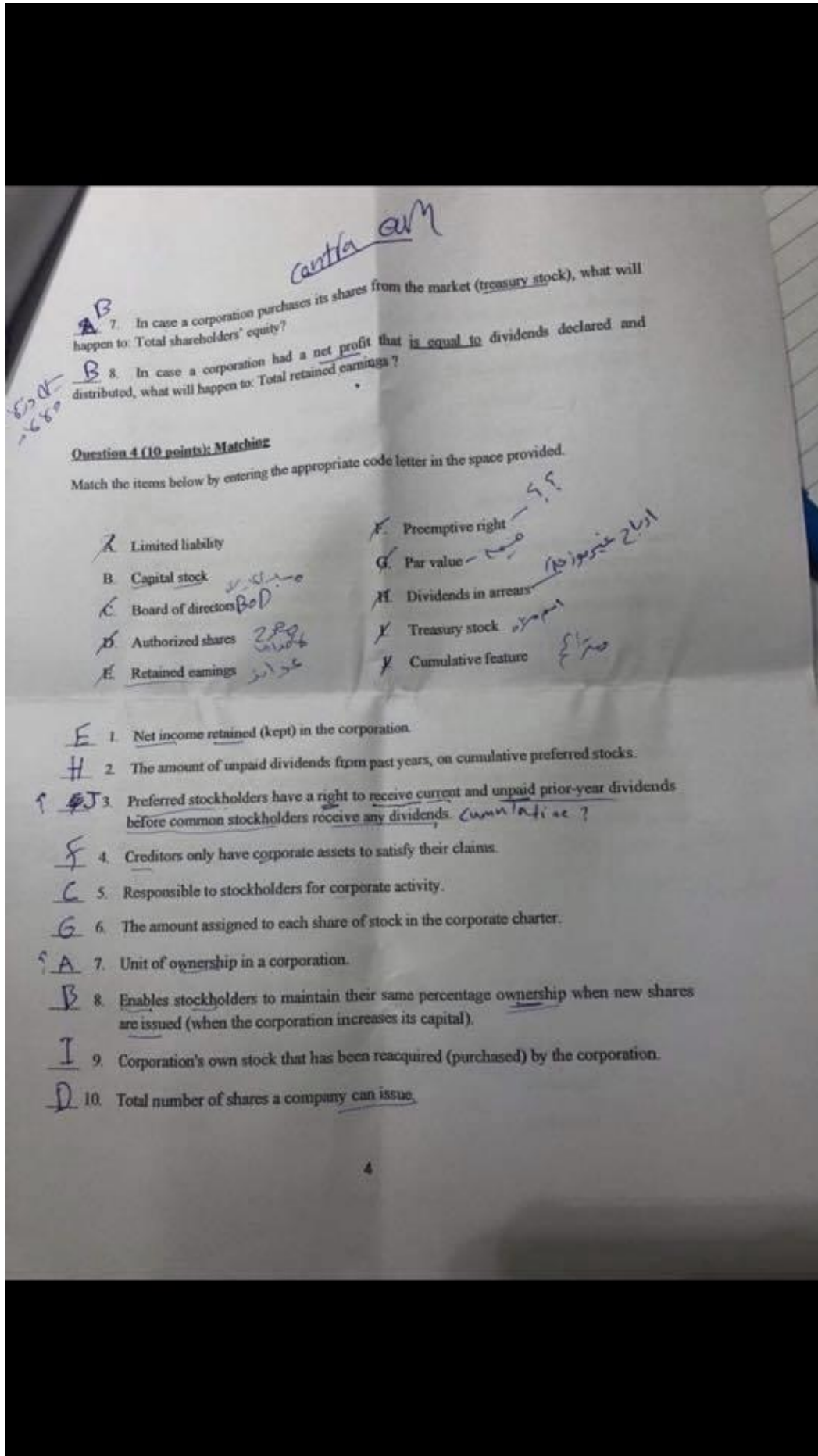
What will happen to the following items, in case of each event below:

Choose the correct letter:

- A. Item increases
- B. Item decreases
- C. Item is unchanged



- B 1. In case of a stock split, what will happen to: Par value per share?
- C 2. In case of a stock dividend, declared and distributed, what will happen to: Total retained earnings?
- C 3. In case a corporation purchases its shares from the market (treasury stock), what will happen to: Number of issued shares?
- B 4. In case prior period adjustment increases last year's net income, what will happen to: Total Stockholders' Equity?
- B C 5. In case of a cash dividend, declared and paid, what will happen to: Total retained earnings?
- A 6. In case of a stock dividend, declared and distributed, what will happen to: Total paid-in capital



**Question 5: Multiple Choices (10 points)**

1. When a partner withdraws from the firm, which of the following reflects the correct partnership effects?

	<u>Selling of Interest</u>	<u>Withdrawal of Company Assets</u>
a. Total Assets	decreased	decreased ✓
b. Total capital	decreased	decreased ✓
c. Total Assets	unchanged ✓	decreased ✓
d. Total capital	unchanged	unchanged

2. Jon Winck started the year with a capital balance of \$135,000. During the year, his share of partnership net income was \$120,000 and he withdrew \$22,500 from the partnership for personal use. He made an additional capital investment of \$37,500 during the year. The amount of Jon Winck's capital balance that will be reported on the year-end balance sheet will be

- a. \$120,000
- b. \$292,500
- c. \$225,000
- d. \$270,000

$$\begin{array}{r}
 135000 \\
 + 120000 \\
 - 22500 \\
 \hline
 232500 \\
 + 37500 \\
 \hline
 270000
 \end{array}$$

3. On November 30, capital balances are Rima \$300,000, Nora \$250,000 and Nawal \$250,000. The income ratios are 20%, 20% and 60%, respectively. Rima decides to retire from the partnership (leave). The partnership pays Rima \$350,000 cash for her partnership interest, from the company's assets. After Rima's retirement, what is the balance of Nora's capital account?

Cap Bal  
Beg = 800,000  
Rima 160,000  
Nora 160,000  
Nawal 480,000

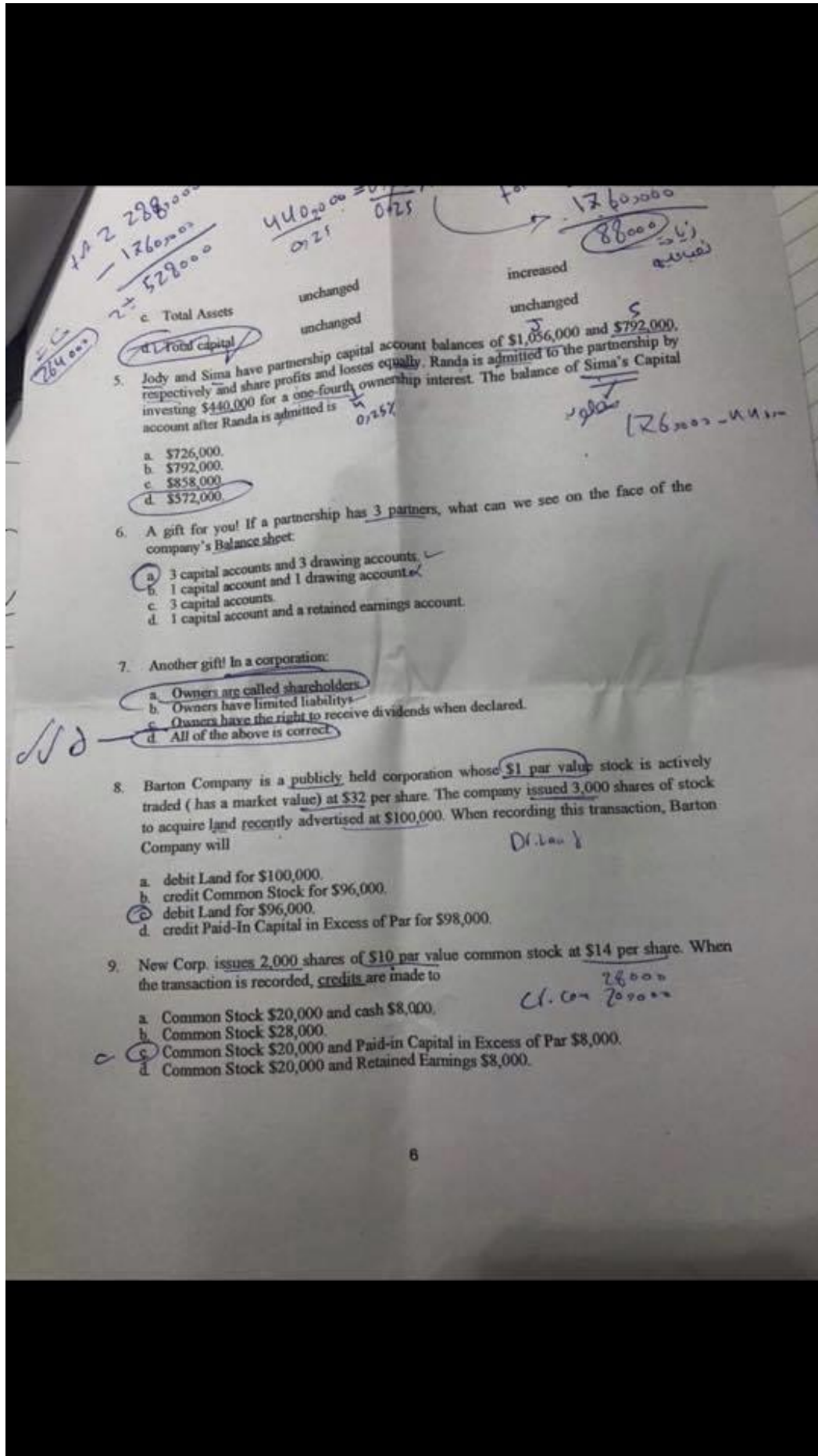
- a. \$237,500
- b. \$240,000
- c. \$250,000
- d. \$325,000

$$\begin{array}{l}
 \text{Nawal} \\
 \text{Tot.} \quad | \quad \text{Nawal} \\
 \frac{0.25}{0.80} \quad | \quad \frac{0.60}{0.80} = 0.75
 \end{array}$$

$$350,000 - 160,000 = 190,000 \text{ lost to old partner}$$

4. Which of the following is correct when admitting a new partner into an existing partnership?

	<u>Purchase of an Interest</u>	<u>Admission by Investment</u>
a. Total Assets	unchanged	unchanged
b. Total capital	increased	unchanged



10. If Keene Company issues 4,500 shares of \$5 par value common stock for \$80,000 cash, the account
- a. Common Stock will be credited for \$22,500.
  - b. Paid-in Capital in Excess of Par will be credited for \$22,500.
  - c. Paid-in Capital in Excess of Par will be credited for \$80,000.
  - d. Cash will be debited for \$57,500.
11. Moore, Inc. had 250,000 shares of common stock outstanding before a stock split occurred, and 750,000 shares outstanding after the stock split. The stock split was
- a. 2-for-5.
  - b. 5-for-1.
  - c. 1-for-5.
  - d. 3-for-1.
12. The partners' income and loss sharing ratio is Cindi 20%, Jenni 30%, and Becki 50% respectively.

Dr. cash 80,000  
 Cr. com 22,500  
 Cr. AIC 57,500

CINDI, JENNI, AND BECKI PARTNERSHIP

Balance Sheet  
 December 31, 2012

Assets		Liabilities and Owners' Equity	
Cash	\$ 90,000	Liabilities	\$300,000
Noncash assets	570,000	Cindi, Capital	120,000
		Jenni, Capital	180,000
		Becki, Capital	60,000
Total	<u>\$660,000</u>	Total	<u>\$660,000</u>

If the Cindi, Jenni, and Becki Partnership is liquidated by selling the noncash assets for \$750,000, and liabilities are paid in full, what is the total amount of cash that Cindi will receive in the distribution of cash to partners at the end?

- a. \$36,000
- b. \$234,000
- c. \$136,000
- d. \$150,000

Cindi

Good Luck

750,000 - 300,000 = 450,000

30,000  
 6000 + 120,000