

BIRZEIT UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
ACCOUNTING DEPARTMENT

LECTURERS: Dr. ZEYAD MUNAWER
 SAMIA SHAMMAS

FIRST SEM. 2013/2014
SECOND HOUR EXAM

ACCT335

Student Name: Abd-alaherf Mar.

Student #: 1120017 Section Time: Zyad

Answer Sheet
Multiple Choices

1	B
2	C
3	B
4	A
5	B
6	D
7	B
8	B
9	B
10	B
11	B
12	A

C ←
 B ←
 A ←

Question 4

1	A
2	F
3	X
4	(D)
5	B
6	(C)
7	N
8	F
9	G
10	(G)
11	C
12	D

14

5.5

1-8.5
 2-8
 3-12

49

[Handwritten signatures]

Question 1 (9 points)

3/6/2013

On June 3, 2013 Almond Company sold to Crispy Company merchandise having a sale price of \$3,000 with terms of 2/10, n/30, F.O.B. shipping point. An invoice totaling \$90, terms n/30, was received by Crispy on June 8 from Al-Petra Transport Service for the freight cost. On June 12, the company received a check for the balance from Crispy Company.

Required

Prepare the necessary entries for Almond Company under the following independent assumptions

- a) On June 12, 2013 the company received a check for the balance due from Crispy Company, assuming the gross method is used.

June 3 Dr. ~~Accounts~~ Accounts Receivable 3,000
cr. Sales Revenue 3,000

June 12 Dr. Cash 2,940
Sales discount 60
cr. A/R 3,000

- b) On July 3, 2013 the company received a check for the balance due from Crispy Company, assuming the net method is used.

June 3 Dr. Accounts Receivable 2,940
cr. Sales Revenue 2,940

June 12 Dr. Cash 2,940
cr. A/R 2,940

Question 4 (6 points)

Wassel Enterprise uses the following headings on its balance sheet.

Balance Sheet Headings	Code Letter
Current assets.	A
Long-term investments.	B
Property, plant, and equipment.	C
Intangible assets.	D
Other assets.	E
Current liabilities.	F
Long-term liabilities.	G
Capital stock.	H
Paid-in-capital in excess of par.	I
Retained earnings	J

Required:

Indicate by using code letter how each of the following usually should be classified. If a contra account, or any amount that is negative or opposite the normal balance, put parentheses () around the letter selected. If an item should appear in a note to the financial statements, use the letter "N" to indicate this fact. If an item need not be reported at all on the balance sheet, use the letter "X"

Code Letter	Items
A	(1) Prepaid Insurance. ✓
F	(2) Cash Dividends Payable. ✓
X	(3) Budgeted office supplies for next year. ✓
(J)	(4) Deficit. ✗
B	(5) Cash Surrender value fund of life insurance. ✓
(C)	(6) Accumulated Depreciation. ✓
H/N	(7) 3 for 1 Stock split. ✗
F	(8) Dividends in arrears on preferred stock. ✗
G	(9) Bonds payable (Due in 7 years). ✓
(G)	(10) Unamortized Discount on bonds payable. (Due in 7 years). ✓
C	(11) Wasting resources-Oil reserves. ✗
D	(12) Copyrights. ✓

PART 2

Multiple Choice Questions (15 points)

1. One criticism not normally aimed at a balance sheet prepared using current accounting and reporting standards is
- a) failure to reflect current value information.
 - b) the extensive use of separate classifications.
 - c) an extensive use of estimates.
 - d) failure to include items of financial value that cannot be recorded objectively.

2. Fulton Company owns the following investments:

Trading securities (<u>fair value</u>)	\$60,000
Available-for-sale securities (<u>fair value</u>)	35,000
Held-to-maturity securities (<u>amortized cost</u>)	47,000

Fulton will report investments in its current assets section of

- a) \$0.
- b) exactly \$60,000.
- c) \$60,000 or an amount greater than \$60,000, depending on the circumstances.
- d) exactly \$95,000.

3. In preparing a statement of cash flows, sale of treasury stock at an amount greater than cost would be classified as a(n)

- a) operating activity.
- b) financing activity.
- c) operating and investing.
- d) operating and financing.

4. Keisler Corporation reports:

Cash provided by operating activities	\$200,000
Cash used by investing activities	110,000
Cash provided by financing activities	140,000
Ending cash balance	300,000

NCF = 230,000
Beg + 30,000
End. 300,000

What is Keisler's beginning cash balance?

- a) \$70,000.
- b) \$300,000.
- c) \$150,000.
- d) none of the above.

5. Which of the following statements about iGAAP and U.S. GAAP accounting and reporting requirements for the balance sheet is not correct?
- a) The presentation formats required by iGAAP and U.S. GAAP for the balance sheet are similar.
 - b) One difference between the reporting requirements under iGAAP and those of U.S. GAAP balance sheet is that an iGAAP balance sheet may list long-term assets first.
 - c) Both iGAAP and U.S. GAAP require that property, plant and equipment be reported at historical cost on the balance sheet.
 - d) Both iGAAP and U.S. GAAP require that comparative information be reported.

6. Jenks Company financed the purchase of a machine by making payments of \$18,000 at the end of each of five years. The appropriate rate of interest was 8%. The future value of one for five periods at 8% is 1.46933. The future value of an ordinary annuity for five periods at 8% is 5.8666. The present value of an ordinary annuity for five periods at 8% is 3.99271. What was the cost of the machine to Jenks?

a) \$26,448 b) \$71,869 c) \$90,000 **d) \$105,600**

Handwritten:
 $PV-A = 3.99271$
 $= 18,000 \times 5.8666$
~~106,744~~
71,869

7. On January 2, 2010, Wine Corporation wishes to issue \$2,000,000 (par value) of its 8% 10-year bonds. The bonds pay interest annually on January 1. The current yield rate on such bonds is 10%. Using the interest factors below, compute the amount that Wine will realize from the sale (issuance) of the bonds.

Present value of 1 at 8% for 10 periods	0.4632
Present value of 1 at 10% for 10 periods	0.3855
Present value of an ordinary annuity at 8% for 10 periods	6.7101
Present value of an ordinary annuity at 10% for 10 periods	6.1446

a) \$2,000,000 **b) \$1,754,136** c) \$2,000,012 d) \$2,212,052

Handwritten:
 Dr. Cash 1,852,419
 Cr. Bond 2,000,000
 Int

8. Consider the following: Cash in Bank – checking account of \$13,500; Cash on hand of \$500; Post-dated checks received totaling \$3,500, and Certificates of deposit totaling \$124,000. How much should be reported as cash in the balance sheet?

a) \$13,500 **b) \$14,000** c) \$17,500 d) \$131,500.

Handwritten:
 $PV = 2,000,000 \times 0.3855$
 $= 771,000$
 $PV-A = 160,000 \times 0.1446$
 $= 23,136$
~~100,000~~
1,081,436

Handwritten:
 a 83, 136

Handwritten:
 Mubarak
 Allah ybarek
 Feeke ya
 Zabarrot albi

9. Tresh, Inc. had the following bank reconciliation at March 31, 2010:

Balance per bank statement, 3/31/10	\$37,200
Add: Deposit in transit	<u>10,300</u>
	47,500
Less: Outstanding checks	<u>12,600</u>
Balance per books, 3/31/10	<u>\$34,900</u>

34,000
 415,700
 -10,600
 -44,700
 x 12,600
 - 6,000
 28,200
 31,900

Data per bank for the month of April 2010 follow:

Deposits	\$46,700
Disbursements	49,700

All reconciling items at March 31, 2010 cleared the bank in April. Outstanding checks at April 30, 2010 totaled \$6,000. There were no deposits in transit at April 30, 2010. What is the cash balance per books at April 30, 2010?

- a) \$28,200 (b) \$31,900 c) \$34,200 d) \$38,500

10. At the close of its first year of operations, December 31, 2010, Ming Company had accounts receivable of \$540,000, after deducting the related allowance for doubtful accounts. During 2010, the company had charges to bad debt expense of \$90,000 and wrote off, as uncollectible, accounts receivable of \$40,000. What should the company report on its balance sheet at December 31, 2010, as accounts receivable before the allowance for doubtful accounts?

- a) \$670,000 (b) \$590,000 c) \$490,000 d) \$440,000

540,000
 + 50,000
 = 590,000

Allow	20,000
90,000 Bad debt	30,000
	50,000

11. Sun Inc. factors \$2,000,000 of its accounts receivables with recourse for a finance charge of 3%. The finance company retains an amount equal to 10% of the accounts receivable for possible adjustments. Sun estimates the fair value of the recourse liability at \$100,000. What would be recorded as a gain (loss) on the transfer of receivables?

- a) Gain of \$60,000. c) Gain of \$360,000.
 (b) Loss of 160,000. d) Loss of \$100,000.

2,000,000
 x 3%
 = 60,000

Dr Cash 1,970,000
 Cr A/R 2,000,000

12. Moon Inc assigns \$1,500,000 of its accounts receivables as collateral for a \$1 million loan with a bank. The bank assesses a 3% finance fee and charges interest on the note at 6%. What would be the journal entry to record this transaction?

- a) Debit Cash for \$970,000, debit Finance Charge for \$30,000, and credit Notes payable for \$1,000,000. ✓
 b) Debit Cash for \$970,000, debit Finance Charge for \$30,000, and credit Accounts Receivable for \$1,000,000. ✗
 c) Debit Cash for \$970,000, debit Finance Charge for \$30,000, debit Due from Bank for \$500,000, and credit Accounts Receivable for \$1,500,000. ✗
 d) Debit Cash for \$910,000, debit Finance Charge for \$90,000, and credit Notes Payable for \$1,000,000. ✓

Dr Cash 970,000
 Fin charge 30,000
 Cr, NP 1,000,000