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42/50

BIRZEIT UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
ACCOUNTING DEPARTMENT

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FIRST SEM. 2013/2014
SECOND HOUR EXAM

ACCT335

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Student #: 1120283 Section Time: T.R at 9:30

Answer Sheet
Multiple Choices

1	b
2	c
3	~~d~~ B
4	~~d~~
5	~~b~~
6	b
7	b
8	b
9	~~b~~
10	b
11	b
12	~~b~~

10.5

Question 4

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

4.5

7
8
19

Jun 3 A/R 3000
Sale 3000
2/10, n/30
Jun 13
Discount = 60

Question 1 (9 points)

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

9

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

Sales Discount = 3000 X 0.02 = $60

Jun 12 Dr. Cash 2940
Sales Discount 60
Cr. A/R 3000

if the freight in cost included

Cash 2850
A/P 90
Sales discount 60
A/R 3000

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

A/R 2940
Sales 2940

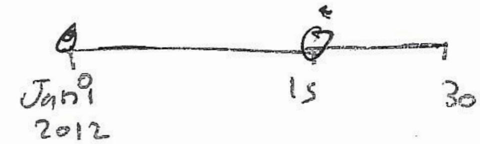
July 3 adj Sales Discount Forfeited 60
A/R 60

Cash 3000
A/R 3000

Cash 3000
A/R 2940
Sales discount forfeited 60

2940 A/R
60
3000

8/8



Question 2 (8 points)

Palestine Mortgage Real Estate Company with 30 employees decided to initiate a pension plan as a part of its compensation plan. The plan will start on January 1, 2012. Each employee covered by the plan is entitled to a pension payment each year after retirement. As required by accounting standards, the controller of the company needs to report the pension liability. On the basis of a discussion with the supervisor of the Personnel Department and an actuary from an insurance company, the controller develops the following related to the pension plan.

Average length of time to retirement	**15 Years**
Expected life duration after retirement	**15 Years**
Total pension payment expected each year after retirement for all employees ***Payment made at the end of the year.**	**$600,000 per year**

PMT

The interest rate to be used is 10%
The following interest factors are provided:

Table Factors For # Periods @ 10%	For 30 periods	For 15 periods
Future Value of 1	17.44940	4.17725
Present Value of 1	.05731	.23939
Future Value of Ordinary Annuity of 1	164.49402	31.77248
Present Value of Ordinary Annuity of 1	9.42691	7.60608
Present Value of Annuity Due of 1	10.36961	8.36669

Required:

Determine the present value of the pension liability

~~PVIF~~ ~~PMT~~ Payment

$600 000

(PVIFA) 30/10% 9.422691

(PVIFA) 15/10% 7.60608

(PVIFA) 15/10% 1.8
15 Payments defered
15 Periods

PV-OA of the payment for 15 periods ~~4563648~~

=4563 648

PV of the amount as a single sum = 1092 491.7

PV-A = $ ~~1092 498~~ ~~1089966.6~~ $1,092 498

= PMT (PVIFA) 15, 10%

12
/
12

Question 3 (12 points)

FMV

In January 1, 2012 Sahem Development Company sold land having a cash sale price of $200,000 to Ramallah Health Spa, Inc. Sahem Development accepted in exchange a five-year having a n = 5 maturity value of $293,866 and no stated interest rate. The market rate of interest for a note of similar risk is 8 percent. The land originally cost Sahem $150,000.

FV Deep discount by 93866 i = 8% Cost = 150 000

Required

(a) Prepare the entry for the sale of the land on Sahem Company's books. **(8 points)**

Dr. N/R 293 866
Notes Receivable

Cr. Land 150 000

Discount on Notes Receivable 93 866

Gain on sale of Land 50 000

* Discount on N/R = Face value − Present value
= 293 866
− 200 000
$93 866

* Gain on Sale of Land = Fair market Value − original Cost (Book Value)
= 200000 − 150 000
$ 50 000

(b) Prepare the entry to record interest revenue at the end of the second year (December 31, 2013) using the effective interest method. **(4 points)**

Year	Cash Received/Paid	Interest Expense/Revenue (market Rate × Carrying amount)	Amortized Discount	Carrying Value
1	0			200 000
2	0	16000	16000	216 000
3	0	~~17300~~ 17280	17300	233 300
4	0	18700	18700	252000
5	0	20200	20200	272200
		~~21800~~		

~~Dec 31, 2013 Interest Revenue~~

17280

Dec 31, 2013 Discount on Notes Receivable 17280

Interest Revenue 17280

1728

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. A
F	(2) Cash Dividends Payable. F
X	(3) Budgeted office supplies for next year. ~~#~~ X
~~R~~ (N)	(4) Deficit. ? (J)
B	(5) Cash Surrender value fund of life insurance. Investment B
(C)	(6) Accumulated Depreciation. (C)
H ~~H~~, N	(7) 3 for 1 Stock split. ? ~~N~~ H
N	(8) Dividends in arrears on preferred stock. N
G	(9) Bonds payable (Due in 7years). G
(G)	(10) Unamortized Discount on bonds payable. (Due in7years). (G)
N, C	(11) Wasting resources-Oil reserves. C
D	(12) Copyrights. D

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. . Historical Cost
   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.

B

2. Fulton Company owns the following investments:

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

Fulton will report investments in its current assets section of
   a) $0.
   b) exactly $60,000. Portion of available for sale
   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) Financing inflow gain on sale of trs
   a) operating activity.
   b) financing activity.
   c) operating and investing.
   d) operating and financing. gain sale

B

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

230 Net Cash Increase 450

What is Keisler's beginning cash balance?
a) $70,000. b) $300,000. c) $150,000. d) none of the above.

A

0 + 450 = 300

Beg. + 450 = 300
− 450 − 450
Beg = −150 000

450 | 150
300

5/7 = 8 Recorded 100,000

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.

c.

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

PMT = 18000 single sum

PV_{OA} = 18000 × 3.9927

PV

18000 18000 18000 18000

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. PV + PV_{OA}

Stated Effective

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

160,000

Cash

~~926,400~~ 771,000

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.

⟹ Short term Investment

14000 + 124000

PVIF 10%/10 2000000 0.3855 771000

PVIF-A 10%/10 160000 6.1446 983136

1754136

37200 34900

A/R

less: Allow. for D/A 50

540

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

Balance per bank statement, 3/31/10	$37,200	Beg Cash per book 34 900
Add: Deposit in transit	10,300	
	47,500	Add: Deposits
Less: Outstanding checks	12,600	Less: Disburs
Balance per books, 3/31/10	$34,900	

Data per bank for the month of April 2010 follow:

Deposits	$46,700	- 3000
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

Beg: 34 900
Add: Deposits
Less: Disbursing outstanding

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

A/R 540 000 | 540 | 90 | 540 + 90 = 630

Bad Debt 90
Allow. for DA 90
Allow. for DA 40
A/R 40
40 | 90 | 50

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?

Cash 1 740 000
Loss (60 000)
Due from 200 000
A/R 2000 000
100 000

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

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.

Cash ~~455000~~ 970 000
Finance Charge ~~45000~~ 30 000
AP 1 000 000

A/R
Less 50
540

Bad Debt Exp. 90
Allow. for DA 90
Allow. for DA 40

| 40
540 |