

**Final Examination Booklet**

# **Financial Accounting**

# Financial Accounting

EXAMINATION NUMBER:

**06169300**

Complete the following exam by answering the questions and compiling your answers into a word-processing document. When you're ready to submit your answers, refer to the instructions at the end of your exam booklet. Be certain to indicate the proper question number before each of your answers. Remember to show your work if an answer requires a mathematical solution.

**Part A: Answer each of the following questions. Each answer is worth 20 points.**

1. The following information was made available from the income statement and balance sheet of Lauren Company.

<b>Item</b>	<b>12/31/10</b>	<b>12/31/09</b>
Accounts Receivable	\$53,400	58,600
Accounts Payable	35,600	32,700
Merchandise Inventory	85,000	79,000
Sales (2010)	243,000	
Interest Revenue (2010)	5,600	
Dividend Revenue (2010)	1,200	
Tax Expense (2010)	12,300	
Salaries Expense (2010)	28,000	
COGS (2010)	65,000	
Interest Expense (2010)	3,600	
Operating Expenses	28,500	

Complete the cash flow from operating activities section for Lauren Company using the direct method for the year ended December 31, 2010.

**Examination**

2. Given the following balance sheet, complete a horizontal analysis. Compute the percentage to the nearest tenth of a percent.

<b>Jill's Bikes Comparative Balance Sheet For Years Ended December 31, 2011 and 2010</b>				
(in thousands)	2011	2010	Difference	Percentage
Assets				
Current Assets				
Cash and Equivalents	\$72	\$94		
Accounts Receivable, net	122	104		
Inventory	<u>288</u>	<u>232</u>		
Total Current Assets	482	430		
Property, Plant and Equipment	<u>638</u>	<u>358</u>		
Total Assets	<u>\$1,120</u>	<u>\$788</u>		
Liabilities				
Current Liabilities				
Accounts Payable	\$242	\$148		
Accrued Liabilities	<u>48</u>	<u>66</u>		
Total Current Liabilities	290	214		
Long-Term Liabilities	<u>346</u>	<u>208</u>		
Total Liabilities	636	422		
Stockholders' Equity				
Common Stock	70	60		
Retained Earnings	414	306		
Total Stockholders' Equity	<u>484</u>	<u>366</u>		
Total Liabilities and Stockholders' Equity	<u>\$1,120</u>	<u>\$788</u>		

**Part B: Answer each of the following questions. Each answer is worth 4 points.**

- Record the following transactions using the accounting equation.

Example:

Assets = Liabilities + Equity  
 XXXX(cash)      XXXX(accounts payable)

- Amanda invests \$17,000 cash into her merchandising business.
  - She buys \$6,500 of office equipment and \$3,000 of office supplies with cash from Office Depot.
  - Additional purchases were supplies for \$35,000 on account from various suppliers.
- Journalize the following transactions and omit the explanations.
    - ABC Corporation purchased \$15,000 of office furniture by putting \$7,000 down in cash and the rest on account on April 8.
    - The corporation paid \$60,000 for a two-year lease on April 19.
    - The corporation had sales of \$45,000, of which \$35,000 were on account on April 20.
    - The corporation borrowed \$25,000 by signing a note payable on April 22.
    - The corporation paid \$1,250 on one of its accounts payable on April 26.
  - Prepare a trial balance from the following information for Learn a New Language, Inc. for December 31, 2012.

Accounts payable	\$5,012
Common stock	\$9,692
Cash	\$3,928
Notes payable	\$1,439
Wages expense	\$777
Marketing expense	\$493
Equipment	\$8,345
Accounts receivable	\$1,142
Inventory	\$8,074
Sales	\$6,616

4. Compute the missing information from this post-closing trial balance.

Cash	\$34,689	
Accounts Receivable	9,467	
Prepaid Rent	5,000	
Prepaid Insurance	(A)	
Supplies	944	
Accounts Payable		\$5,389
Wages Payable		(B)
Common Stock		37,049
Retained Earnings		8,234
	_____	_____
Total	\$52,356	\$52,356

5. Journalize the following transactions using the perpetual inventory method.

- Aug. 6 Purchased \$830 of inventory on account from Johnston with terms of 2/10, n/30.
- Aug. 8 Purchased \$2,611 of inventory for cash from Pillner Company.
- Aug. 15 Paid for August 6 purchase from Johnston.
- Aug. 17 Purchased \$1,743 of merchandise on account from Luis Company with Terms of 3/15, n/45.

6. Given the following information, prepare a balance sheet for Isaiah's Tool Shed for the year ending December 31, 2012.

Cash	\$65,750	Retained Earnings	\$179,319
Common Stock	\$35,000	Equipment	\$27,500
Accounts Receivable	\$11,478	Accounts Payable	\$29,450
Land	\$30,000	Inventory	\$78,311
Prepaid Supplies	\$7,357	Income Taxes Payable	\$4,209
Office Computers	\$11,345	Other PPE	\$31,446
Accum. Depr. (all)	\$23,459	Prepaid Insurance	\$8,250

7. Rick Company's beginning inventory and purchases during the fiscal year ended December 31, 2012, were as follows:  
(*Note:* The company uses a perpetual system of inventory.)

	<b>Units</b>	<b>Unit Price</b>	<b>Total Cost</b>
January 1—Beginning inventory	18	\$24	\$432
March 12—Sold	13		
April 11—Purchase	45	\$29	\$1,305
June 20—Sold	33		
Aug 16—Purchase	35	\$27	\$945
Sept 11—Sold	29		
Total Cost of Inventory			
Ending inventory is 23 units.			\$2,682

What is the cost of goods sold for Rick Company for 2012 using LIFO?

8. Assume that in Year 1, the ending merchandise inventory is overstated by \$30,000. If this is the only error in Years 1 and 2, fill in the items below, indicating which items will be understated, overstated, or correctly stated for Years 1 and 2.

<b>Item</b>	<b>Year 1</b>	<b>Year 2</b>
Ending inventory	_____	_____
Beginning inventory	_____	_____
Cost of goods sold	_____	_____

9. Below is a list of treatments of accounting topics. Place GAAP on the line if the treatment is GAAP-based and place IFRS on the line if the treatment is IFRS-based.
- Interest and dividend income are reported in the investing section of the cash flow statement. \_\_\_\_\_
  - Interest expense is reported in the financing section of the cash flow statement. \_\_\_\_\_
  - The use of LIFO is prohibited. \_\_\_\_\_

10. Record the necessary journal entries from the following bank reconciliation information for July 31, 2011:

Bank Balance, July 31, 2011	\$36,739
Checkbook Balance, July 31, 2011	36,444
Bank collection of note receivable	1,200 + 165 interest
Bank service charge	35
Deposits in transit	2,400
Outstanding checks	1,245
NSF check from customer	330
Correction of book error (check #456 written for \$160, recorded at \$610)—gas expense	

11. Journalize the following transactions for Tammy Company:

Sept. 1 Sold \$3,500 of merchandise to Jim on account  
 Oct. 1 Exchanged Jim's account receivable for a four-month, 8% note for \$3,500  
 Dec. 31 Recorded accrued interest on Jim's note  
 Feb. 1 Jim paid off his note with interest (round to nearest dollar)

12. A truck was purchased on January 2 at a cost of \$60,000. It's expected to be used for five years and to have a residual value of \$5,000 after 120,000 miles of service. The truck was driven for 23,000 miles the first year and 25,000 miles the second year. Calculate the depreciation expense to the nearest dollar for the first and second years.

<b>Method</b>	<b>Year 1</b>	<b>Year 2</b>
Straight-line	_____	_____
Double-declining-balance	_____	_____
Units-of-production	_____	_____

13. Prepare the general journal entries for the following transactions:
- |               |  |
|---------------|--|
| Jan. 2, 2011  | Purchased land with a building on it for \$750,000. The land is worth \$300,000. Paid \$150,000 cash down and signed a mortgage payable for the balance. |
| Dec. 31, 2011 | Depreciation is computed using the straight-line method. The estimated salvage value of the building is \$75,000 and has an estimated life of 20 years.  |
| July 1, 2012  | The building and land are sold for \$825,000 cash.   |
14. Journalize the following treasury stock transactions:
- |        |   |
|--------|---|
| June 3 | Reacquired 350 shares of \$12 par common stock at \$10 per share. |
| June 7 | Sold 180 shares of treasury stock for \$16 per share.             |
| June 8 | Sold 150 shares of treasury stock for \$9 per share.              |
15. Lowry Landscapes had net income of \$50,000 for 2010. Land was sold for \$40,000, of which \$3,000 was a gain. The beginning cash balance was \$53,000, and the ending cash balance was \$151,000. Depreciation expenses were \$11,000. Prepare a statement of cash flows for the year ended December 31, 2010, for Lowry Landscapes using the indirect method.

## SUBMITTING YOUR ASSIGNMENT

You can submit your final exam online:

1. On your computer, save a revised and corrected version of your project. Be sure to include your student number and exam number on your saved documents.
2. Go to **<http://www.takeexamsonline.com>** and log in.
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5. Enter your e-mail address in the box provided. (*Note:* This information is required for online submission.)
6. Attach your file or files as follows:
  - a. Click on the Browse box.
  - b. Locate the file you wish to attach.
  - c. Double-click on the file.
  - d. Click on **Upload File**.
  - e. If you have more than one file to attach, repeat steps a–d.
7. Click on **Submit Files**.

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