

Course No: ACC 2301  
Course Title: Intermediate  
Accounting 1  
Date: 04 /01 / 2014  
No. of Questions: 6  
Time: 120 Minutes  
Using Calculator (yes)

University of Palestine



Final Exam  
1<sup>st</sup> 2013/2014  
Total Grade: 60

Instructor Name: Ahmad Al-Saqqa  
Student No.: \_\_\_\_\_  
Student Name: \_\_\_\_\_  
College Name: \_\_\_\_\_  
Dep. / Specialist: \_\_\_\_\_  
Using Dictionary, Mobile (No)

**Answer all questions**

First Question: Multiple Choice	No. of Branches (10)	(10/60)												
<p>1- The balance sheet is useful for analyzing all of the following except</p> <ul style="list-style-type: none"><li>a. financial flexibility.</li><li>b. solvency.</li><li>c. profitability.</li><li>d. liquidity.</li></ul> <p>2- A limitation of the balance sheet that is not also a limitation of the income statement is</p> <ul style="list-style-type: none"><li>a. the use of judgments and estimates</li><li>b. omitted items</li><li>c. the numbers are affected by the accounting methods employed</li><li>d. valuation of items at historical cost</li></ul> <p>3- The basis for classifying assets as current or noncurrent is the period of time normally required by the accounting entity to convert cash invested in</p> <ul style="list-style-type: none"><li>a. inventory back into cash, or 12 months, whichever is shorter.</li><li>b. receivables back into cash, or 12 months, whichever is longer.</li><li>c. tangible fixed assets back into cash, or 12 months, whichever is longer.</li><li>d. inventory back into cash, or 12 months, whichever is longer.</li></ul> <p>4- An example of an item which is not an element of working capital is</p> <ul style="list-style-type: none"><li>a. accrued interest on notes receivable.</li><li>b. goodwill.</li><li>c. goods in process.</li><li>d. temporary investments.</li></ul> <p>5- The statement of cash flows reports all of the following except</p> <ul style="list-style-type: none"><li>a. the net change in cash for the period.</li><li>b. the cash effects of operations during the period.</li><li>c. the free cash flows generated during the period.</li><li>d. investing transactions.</li></ul> <p>6- Keisler Corporation reports:</p> <table><tr><td>Cash provided by operating activities</td><td>\$240,000</td></tr><tr><td>Cash used by investing activities</td><td>110,000</td></tr><tr><td>Cash provided by financing activities</td><td>140,000</td></tr><tr><td>Beginning cash balance</td><td>70,000</td></tr></table> <p>What is Keisler's ending cash balance?</p> <ul style="list-style-type: none"><li>a. \$270,000.</li><li>b. \$340,000.</li><li>c. \$490,000.</li><li>d. \$560,000.</li></ul> <p>7- For Grimmett Company, the following information is available:</p> <table><tr><td>Capitalized leases</td><td>\$600,000</td></tr><tr><td>Trademarks</td><td>195,000</td></tr></table>			Cash provided by operating activities	\$240,000	Cash used by investing activities	110,000	Cash provided by financing activities	140,000	Beginning cash balance	70,000	Capitalized leases	\$600,000	Trademarks	195,000
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- Long-term receivables 225,000  
In Grimmett's balance sheet, intangible assets should be reported at  
a. \$195,000.  
b. \$225,000.  
c. \$795,000.  
d. \$825,000.
- 8- If a savings account pays interest at 4% compounded quarterly, then the amount of \$1 left on deposit for 8 years would be found in a table using  
a. 8 periods at 4%.  
b. 8 periods at 1%.  
c. 32 periods at 4%.  
d. 32 periods at 1%.
- 9- Assume BIC Company deposits \$50,000 with First National Bank in an account earning interest at 6% per annum, compounded semi-annually. How much will BIC have in the account after five years if interest is reinvested?  
a. \$67,196.  
b. \$50,000.  
c. \$65,000.  
d. \$66,912.
- 10- What is interest?  
a. Payment for the use of money.  
b. An equity investment.  
c. Return on capital.  
d. Loan.

<b>Second Question: Terminology</b>	<b>No. of Branches (5)</b>	<b>(05/60)</b>
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**In the space provided, write the word or phrase that is defined or indicated**

- ..... is the total amount of cash and other assets paid in to the corporation by stockholders in exchange for capital stock.
- A ..... is an association of two or more persons to carry on as co-owners of a business for profit.

<b>Third Question:</b>	<b>No. of Branches (2)</b>	<b>(10/60)</b>
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- 1- Jill Morris is presently leasing a small business computer from Eller Office Equipment Company. The lease requires 10 annual payments of \$8,000 at the end of each year and provides the lessor (Eller) with an 8% return on its investment. You may use the following 8% interest factors:
- |  | 9 Periods | 10 Periods | 11 Periods |
|--|-----------|------------|------------|
| Future Value of 1                      | 1.99900   | 2.15892    | 2.33164    |
| Present Value of 1                     | 0.50025   | 0.46319    | 0.42888    |
| Future Value of Ordinary Annuity of 1  | 12.48756  | 14.48656   | 16.64549   |
| Present Value of Ordinary Annuity of 1 | 6.24689   | 6.71008    | 7.13896    |

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Present Value of Annuity Due of 1      6.74664      7.24689      7.71008

Instructions

- (a) Assuming the computer has a ten-year life and will have no salvage value at the expiration of the lease, what was the original cost of the computer to Eller?
- (b) What amount would each payment be if the ten annual payments are to be made at the beginning of each period?

2- On the right are six diagrams representing six different present and future value concepts stated on the left. Identify the diagrams with the concepts by writing the identifying letter of the diagram on the blank line at the left. Assume  $n = 4$  and  $i = 8\%$ .

Concept	Diagram of Concept
_____ 1. Future value of 1.	a.
_____ 2. Present value of 1.	b.
_____ 3. Future value of an annuity due of 1.	c.
_____ 4. Future value of an ordinary annuity of 1.	d.
_____ 5. Present value of an ordinary annuity of 1.	e.
_____ 6. Present value of an annuity ? due of 1.	f.

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<b>Forth Question:</b>	<b>No. of Branches (1)</b>	<b>(10/60)</b>
<p>At April 30, partners' capital balances in ALiBABA Company are: Barney \$30,000. Andy \$16,000, and Bea \$15,000. The income-sharing ratios are 5:3:2, respectively. On May 1, the ALiBABA Company is formed by admitting Ellen to the firm as a partner.</p> <p><b>Instructions:</b></p> <p>(a) Journalize the admission of Ellen under each of the following independent assumptions.</p> <ol style="list-style-type: none"> <li>(1) Ellen purchases 50% of Bea's ownership interest by paying Bea \$6,000 in cash.</li> <li>(2) Ellen purchases 50% of Andy's ownership interest by paying Andy \$10,000 in cash.</li> <li>(3) Ellen invests \$29,000 cash in the partnership for a 40% ownership interest that includes a bonus to the new partner.</li> <li>(4) Ellen invests \$24,000 in the partnership for a 20% ownership interest, and bonuses are given to the old partners.</li> </ol>		
<b>Fifth Question:</b>	<b>No. of Branches (1)</b>	<b>(13/60)</b>
<p>Franco Corporation was organized on January 1, 2010. It is authorized to issue 10,000 shares of 8%, \$100 par value preferred stock, and 500,000 shares of no-par common stock with a stated value of \$2 per share. The following stock transactions were completed during the first year.</p> <p>Jan. 10 Issued 80,000 shares of common stock for cash at \$4 per share.</p> <p>Mar. 1 Issued 5,000 shares of preferred stock for cash at \$105 per share.</p> <p>Apr. 1 Issued 24,000 shares of common stock for land. The asking price of the land was \$90,000. The fair market value of the land was \$85,000.</p> <p>May 1 Issued 80,000 shares of common stock for cash at \$4.50 per share.</p> <p>Aug. 1 Issued 10,000 shares of common stock to attorneys in payment of their bill of \$30,000 for services provided in helping the company organize.</p> <p>Sept. 1 Issued 10,000 shares of common stock for cash at \$5 per share.</p> <p>Nov. 1 Issued 1,000 shares of preferred stock for cash at \$109 per share.</p> <p><b>Instructions</b></p> <ol style="list-style-type: none"> <li>a. Journalize the transactions.</li> <li>b. Post to the stockholders' equity accounts.</li> </ol>		

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Sixth Question:	No. of Branches (1)	(12/60)																																																																	
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th colspan="2">Patrick Company</th> <th colspan="2">Samuelson Company</th> </tr> <tr> <th></th> <th>Dr.</th> <th>Cr.</th> <th>Dr.</th> <th>Cr.</th> </tr> </thead> <tbody> <tr> <td>Cash</td> <td>\$ 14,000</td> <td></td> <td>\$12,000</td> <td></td> </tr> <tr> <td>Accounts receivable</td> <td>17,500</td> <td></td> <td></td> <td>26,000</td> </tr> <tr> <td>Allowance for doubtful accounts</td> <td></td> <td>\$ 3,000</td> <td></td> <td>\$ 4,400</td> </tr> <tr> <td>Merchandise inventory</td> <td>26,500</td> <td></td> <td>18,400</td> <td></td> </tr> <tr> <td>Equipment</td> <td>45,000</td> <td></td> <td>29,000</td> <td></td> </tr> <tr> <td>Accumulated depreciation—equipment</td> <td></td> <td>24,000</td> <td></td> <td>11,000</td> </tr> <tr> <td>Notes payable</td> <td></td> <td>18,000</td> <td></td> <td>15,000</td> </tr> <tr> <td>Accounts payable</td> <td></td> <td>22,000</td> <td></td> <td>31,000</td> </tr> <tr> <td>Patrick, Capital</td> <td></td> <td>36,000</td> <td></td> <td></td> </tr> <tr> <td>Samuelson, Capital</td> <td></td> <td></td> <td></td> <td>24,000</td> </tr> <tr> <td></td> <td><b>\$103,000</b></td> <td><b>\$103,000</b></td> <td><b>\$85,400</b></td> <td><b>\$85,400</b></td> </tr> </tbody> </table>				Patrick Company		Samuelson Company			Dr.	Cr.	Dr.	Cr.	Cash	\$ 14,000		\$12,000		Accounts receivable	17,500			26,000	Allowance for doubtful accounts		\$ 3,000		\$ 4,400	Merchandise inventory	26,500		18,400		Equipment	45,000		29,000		Accumulated depreciation—equipment		24,000		11,000	Notes payable		18,000		15,000	Accounts payable		22,000		31,000	Patrick, Capital		36,000			Samuelson, Capital				24,000		<b>\$103,000</b>	<b>\$103,000</b>	<b>\$85,400</b>	<b>\$85,400</b>
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<p>Patrick and Samuelson decide to form a partnership, Pasa Company, with the following agreed upon valuations for noncash assets.</p> <table style="width: 100%;"> <thead> <tr> <th></th> <th style="text-align: center;">Patrick Company</th> <th style="text-align: center;">Samuelson Company</th> </tr> </thead> <tbody> <tr> <td>Accounts receivable</td> <td style="text-align: center;">\$17,500</td> <td style="text-align: center;">\$26,000</td> </tr> <tr> <td>Allowance for doubtful accounts</td> <td style="text-align: center;">4,500</td> <td style="text-align: center;">4,000</td> </tr> <tr> <td>Merchandise inventory</td> <td style="text-align: center;">28,000</td> <td style="text-align: center;">20,000</td> </tr> <tr> <td>Equipment</td> <td style="text-align: center;">23,000</td> <td style="text-align: center;">16,000</td> </tr> </tbody> </table>				Patrick Company	Samuelson Company	Accounts receivable	\$17,500	\$26,000	Allowance for doubtful accounts	4,500	4,000	Merchandise inventory	28,000	20,000	Equipment	23,000	16,000																																																		
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<p>All cash will be transferred to the partnership, and the partnership will assume all the liabilities of the two proprietorships. Further, it is agreed that Patrick will invest an additional \$5,000 in cash, and Samuelson will invest an additional \$19,000 in cash.</p> <p>Instructions</p> <p>(a) Prepare separate journal entries to record the transfer of each proprietorship's assets and liabilities to the partnership.</p> <p>(b) Journalize the additional cash investment by each partner.</p>																																																																			

**End of Questions**  
**Good Luck**