

Course No: BGGC1291
Course Title: Accounting Principles (II)
Date: 21 /05/ 2010
No. of Questions: 5
Time: 120 Minutes
Using Calculator :(Yes)

University of Palestine



Final Exam
Second Semester
2010/2011
Total Grade: 60

Instructor Name: Mr. Tareq Abu Al-Ajeen
Student No.: _____
Student Name: _____
College Name: _____
Dep. / Specialist: _____
Using Dictionary (No)

• Answer all Questions

First Question: True and false

No. of Branches (9)
Answer (6) questions only

(/06)

- 1- The cost of land includes closing costs such as title and attorney's fees (.....)
- 2- Notes Payable due for payment within one year of the balance sheet date are usually classified as current liabilities (.....)
- 3- Accounts receivable are the result of cash and credit sales (.....)
- 4- A note receivable is a written promise by the maker to the payee to pay a specified amount of money at a definite time (.....)
- 5- Under the double-declining-balance method, the depreciation rate used each year remains constant (.....)
- 6- Working capital is current assets divided by current liabilities (.....)
- 7- A \$15,000, 8%, 9-month note payable requires an interest payment of \$900 at maturity (.....)
- 8- The payment of interest on bonds payable is classified as a cash outflow from operating activities (.....)
- 9- A loss on sale of equipment is added to net income in determining cash provided by operations under the indirect method (.....)

Second Question: Multiple Choice

No. of Branches (8)
Answer (7) questions only

(/14)

1. Factors that affect the computation of depreciation include all of the following except:
 - A. Cost.
 - B. Book value.
 - C. Salvage value.
 - D. Useful life.

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2- Lane Company uses the percentage of sales method for recording bad debts expense. For the year, cash sales are \$500,000 and credit sales are \$2,000,000. Management estimates that 1% is the sales percentage to use. **What adjusting entry will Lane Company make to record the bad debts expense?**

- | | | |
|---------------------------------|--------|--------|
| A. Bad Debts Expense | 25,000 | |
| Allowance for Doubtful Accounts | | 25,000 |
| B. Bad Debts Expense | 20,000 | |
| Allowance for Doubtful Accounts | | 20,000 |
| C. Bad Debts Expense | 20,000 | |
| Accounts Receivable | | 20,000 |
| D. Bad Debts Expense | 25,000 | |
| Accounts Receivable | | 25,000 |
-

3. To be classified as a current liability, a debt must be expected to be paid:

- A. Out of existing current assets.
 - B. By creating other current liabilities.
 - C. Within 2 years.
 - D. Both (a) and (b).
-

4. Canady Company borrows \$90,000 on May. 1, 2007, from Sandwich State Bank by signing a \$90,000, 10%, one-year note. **What is the accrued interest at Oct. 30, 2007?**

- A. \$9,000.
 - B. \$3,540.
 - C. \$4,425.
 - D. Some other amount.
-

5- The book value of an asset is equal to the

- A. asset's market value less its historical cost.
 - B. blue book value relied on by secondary markets.
 - C. replacement cost of the asset.
 - D. asset's cost less accumulated depreciation.
-

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6- A truck was purchased for \$60,000 and it was estimated to have a \$12,000 salvage value at the end of its useful life. Monthly depreciation expense of \$1,000 was recorded using the straight-line method. **The annual depreciation rate is:**

- A. 20%.
- B. 2%.
- C. 8%.
- D. 25%.

7- Mary's Boutique has total receipts for the month of \$16,170 including sales taxes. If the sales tax rate is 5%, **what are Mary's sales for the month?**

- A. \$15,362.
- B. \$15,400.
- C. \$16,170.
- D. cannot be determined.

8- A company purchased land for \$80,000 cash. Real estate brokers' commission was \$5,000 and \$7,000 was spent for demolishing an old building on the land before construction of a new building could start. Under the cost principle, **the cost of land would be recorded at**

- A. \$87,000.
- B. \$80,000.
- C. \$85,000.
- D. \$92,000.

The Third Question	No. of Branches (2)	(/09)
<u>Q3 B1</u>		<u>(/05)</u>

Tamer Company decides to exchange its old delivery equipment plus cash of \$3,000 for new delivery equipment. The book value of the old delivery equipment is \$12,000 (cost \$40,000 less accumulated depreciation of \$28,000), and the fair market value of the old equipment is \$19,000.

Instructions:

1-Prepare the journal entry to record the exchange.

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The Answer:

Q3 B2

(/04)

On October 1, 2009, Ellis Company places a new asset into service. The cost of the asset is \$20,000 with an estimated 5-year life and \$5,000 salvage value at the end of its useful life.

Instructions

1- What is the book value of the plant asset on the balance sheet at December 31, 2010, assuming that Ellis Company uses the double-declining-balance method of depreciation?

The Answer:

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The Fourth Question

No. of Branches (1)

(/17)

The comparative balance sheets for Lang Company appear below:

LANG COMPANY
Comparative Balance Sheet

	<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>
<u>Assets</u>		
Cash	\$ 27,000	\$12,000
Accounts receivable	18,000	14,000
Prepaid expenses	6,000	9,000
Inventory	27,000	18,000
Long-term investments	-0-	18,000
Equipment	62,000	30,000
Accumulated depreciation—equipment	<u>(20,000)</u>	<u>(14,000)</u>
Total assets	<u>\$120,000</u>	<u>\$87,000</u>
<u>Liabilities and Stockholders' Equity</u>		
Accounts payable	\$ 19,000	\$ 9,000
Bonds payable	35,000	43,000
Common stock	40,000	25,000
Retained earnings	<u>26,000</u>	<u>10,000</u>
Total liabilities and stockholders' equity	<u>\$120,000</u>	<u>\$87,000</u>

Additional information:

1. Net income for the year ending December 31, 2011 was \$40,000.
2. Cash dividends of \$24,000 were declared and paid during the year.
3. Long-term investments that had a cost of \$18,000 were sold for \$14,000.

Instructions

1. *Prepare a statement of cash flows for the year ended December 31, 2011, using the indirect method.*

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The Fifth Question	No. of Branches (1)	(/14)
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Amr Company had the following selected transactions.

- On May 01 Sells merchandise on account to Polo Company for \$10,000 terms 2/10, n/45.
- On May 03 Polo Company returns merchandise worth \$ 2000.
- On May 11 Amr Company receives payment from Polo company for the balance due.
- On May 18 Accepts from Harry Company \$7500 a 5-month, 10% interest note. To settle an open account.
- On Jun 10 Issues a \$25,500, 3-month, 7%-interest-bearing note payable to Southern Company and receives the amounts in cash.
- On Jun 30 If Amr Company prepares its financial statements semiannually, what is an adjusting entry required to recognize interest expense.
- On Sep 10 Paid the face value and interest of note to Southern Company.

Instruction:

1- Prepare the journal entries for the transactions.

The Answer:

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Continue the Answer:

End of Questions
Good Luck