

Course No: ACC 2303  
Course Title: Intermediate Accounting (II)  
Date: 28 / 03 / 2012  
No. of Questions: 3  
Time: 1.15 hour  
Using Calculator :(Yes)

University of Palestine



Midterm Exam  
Second Semester  
2011/2012  
Total Grade: 20

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

• Answer all Questions

**First Question:** True or false

**No. of Branches (6)**  
*Answer (4) questions only*

( / 2)

- 1- Earned capital consists of additional paid-in capital and retained earnings (....)
- 2- Treasury stock is classified on the balance sheet as an asset (....)
- 3- Bonds with a face value of \$100,000, stated interest rate of 8%, were sold for \$92,278 to yield 10%. Using the effective interest method of amortization, the interest paid for the first six months would be \$4,000 (....)
- 4- Dividends payable in assets of the corporation other than cash are called property dividends or dividends in kind (....)
- 5- Off-balance-sheet financing is an attempt to borrow monies in such a way to minimize the reporting of debt on the balance sheet (....)
- 6- When a stock dividend is less than 20-25 percent of the common stock outstanding, a company is required to transfer the fair value of the stock issued from retained earnings (....)

**Second Question:** Multiple Choice

**No. of Branches (5)**  
*Answer (4) questions only*

( / 6)

1- Feller Company issues \$20,000,000 of 10-year, 9% bonds on March 1, 2010 at 97 plus accrued interest. The bonds are dated January 1, 2010, and pay interest on June 30 and December 31. **What is the total cash received on the issue date?**

- a. \$19,400,000
  - b. \$20,450,000
  - c. \$19,700,000
  - d. \$19,100,000
- 

2- Manning Company issued 10,000 shares of its \$5 par value common stock having a market value of \$25 per share and 15,000 shares of its \$15 par value preferred stock having a market value of \$20 per share for a lump sum of \$480,000. **How much of the proceeds would be allocated to the common stock?**

- A. \$50,000
  - B. \$218,182
  - C. \$250,000
  - D. \$255,000
-

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**Using Dictionary (No)**

3- Electronics4U manufactures high-end whole home electronic systems. The company provides a one-year warranty for all products sold. The company estimates that the warranty cost is \$200 per unit sold and reported a liability for estimated warranty costs \$6,500,000 million at the beginning of this year. If during the current year, the company sold 50,000 units for a total of \$400 million and paid warranty claims of \$6,500,000 on current and prior year sales, **what amount of liability would the company report on its balance sheet at the end of the current year?**

- A. \$2,500,000.
- B. \$9,500,000.
- C. \$9,000,000.
- D. \$10,000,000.

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4- Berry Corporation has 50,000 shares of \$10 par common stock authorized. The following transactions took place during 2010, the first year of the corporation's existence:

- Sold 5,000 shares of common stock for \$18 per share.
- Issued 5,000 shares of common stock in exchange for a patent valued at \$100,000.

**At the end of the Berry's first year, total paid-in capital amounted to**

- A. \$40,000.
- B. \$90,000.
- C. \$100,000.
- D. \$190,000.

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**5-A gain or loss from extinguishment occurs when the reacquisition price differs from the bonds'**

- A. Face value.
- B. Maturity value.
- C. Net carrying value.
- D. Par value.

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**Using Dictionary (No)**

**Third Question**

**No. of Branches (3)**

**(     /12)**

**Q3 B1:**

**(     / 5 )**

Robinson, Inc. had outstanding \$5,000,000 of 11% bonds (interest payable July 31 and January 31) due in 10 years. On July 1, it issued \$7,000,000 of 10%, 15-year bonds (interest payable July 1 and January 1) at 98. A portion of the proceeds was used to call the 11% bonds at 102 on August 1. Unamortized bond discount and issue cost applicable to the 11% bonds were \$120,000 and \$30,000, respectively.

**Instructions**

***Prepare the journal entries necessary to:***

***(a) Record the issuance of the new bonds.***

***(b) Record the redemption of the bonds.***

**The Answer:**

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Using Dictionary (No)

**Q3 B2:**

( \_\_\_\_ / 5 )

The stockholders' equity accounts of Lawrence Company have the following balances on December 31, 2012.

Common stock, \$10 par, 200,000 shares issued and outstanding	\$2,000,000
Paid-in capital in excess of par—common stock	1,200,000
Retained earnings	5,600,000

Shares of Lawrence Company stock are currently selling on the Midwest Stock Exchange at \$37.

**Instructions**

*Prepare the appropriate journal entries for each of the following cases.*

- (a) A stock dividend of 5% is declared and issued.*
- (b) A stock dividend of 100% is declared and issued.*
- (c) A 2-for-1 stock split is declared and issued.*

**The Answer:**

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**Using Dictionary (No)**

**Q3 B3:**

**( \_\_\_\_ /2 \_\_\_\_ )**

Parker Corporation has issued 2,000 shares of common stock and 400 shares of preferred stock for a lump sum of \$72,000 cash.

**Instructions**

*(a)Give the entry for the issuance assuming the par value of the common was \$5 and the market value \$30, and the par value of the preferred was \$40and the preferred stock has no ready market.*

**The Answer:**

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