Course No: ACC 2303	University of Palestine	Instructor Name:Mr.Tareq Y. Abu Al-Ajeen
Course Title: Intermediate Accounting (II)		Student No.: ________________
Date: 28 / 03 / 2013	Midterm Exam	Student Name: ______________
No. of Questions: 3	Second Semester	College Name: ______________
Time: 1.15 hour	2012/2013	Dep. / Specialist: _____________
Using Calculator :(Yes)	Total Grade: 20	Using Dictionary (No)

- ***Answer all Questions***

First Question: True or false — **No. of Branches (6)** *Answer (4) questions only* — **(/ 2) (5-8 Minutes)**

1- Earned capital consists of additional paid-in capital and retained earnings (….)

2-Companies allocate the proceeds received from a lump-sum sale of securities based on the securities' par values (….)

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- True no-par stock should be carried in the accounts at issue price without any additional paid-in capital reported (….)

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-A zero-interest-bearing note payable that is issued at a discount will not result in any interest expense being recognized (….)

Second Question: Multiple Choice — **No. of Branches (5)** — **(/5) (20-26 Minutes)**

1-Feller Company issues $20,000,000 of 10-year, 9% bonds on March 31, 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? (*Show Computation*)**

a.$19,400,000

b.$20,450,000

c.$19,700,000

d.$19,850,000

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? (*Show Computation*)**

A.$50,000

B.$218,182

C.$250,000

D.$255,000

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? (*Show Computation*)**

A. $2,500,000.

B. $9,500,000.

C. $9,000,000.

D. $10,000,000.

4-**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.

5- On January 1, Patterson Inc. issued $5,000,000, 9% bonds for $4,695,000. The market rate of interest for these bonds is 10%. Interest is payable annually on December 31. Patterson uses the effective-interest method of amortizing bond discount. **At the end of the first year, Patterson should report unamortized bond discount of: (*Show Computation*)**

A.$274,500.

B.$285,500.

C.$258,050.

D.$255,000.

Third Question	**No. of Branches (2)**	**(/13)**

Q3 B1:	**(/ 5) (15-20 Minutes)**

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:

Continue the Answer

Q3 B2: **(/ 8)** **(12-18 Minutes)**

The following are selected 2012 transactions of Darby Corporation.

Sept. 1 Purchased inventory from Orion Company on account for $50,000. Darby uses a periodic inventory system.

Oct. 1 Issued a $50,000, 12-month, 8% note to Orion in payment of account.

Oct. 1 Borrowed $75,000 from the Shore Bank by signing a 12-month, zero-interest-bearing $81,000 note.

Instructions

(a) Prepare journal entries for the selected transactions above.

(b) Prepare adjusting entries at December 31.

The Answer:

End of Questions

Good Luck