• Answer all Questions

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

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) (75) (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

	University of Palestine	
Course No: ACC 2303		Instructor Name:Mr.Tareq Y. Abu Al-Ajeen
Course Title: Intermediate Accounting (II)	IIP A	Student No.:
Date: 28 / 03 / 2013	The second second	Student Name:
No. of Questions: 3	Midterm Exam	College Name:
Time: 1.15 hour	Second Semester	Dep. / Specialist:
Using Calculator :(Yes)	2012/2013	Using Dictionary (No)
	Total Grade: 20	cong Dictionary (10)

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.

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Using Calculator :(Yes)	Total Grade: 20	Using Dictionary (No)

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)
<u>Q3 B1:</u>	(/ 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

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<u>Q3 B2:</u>

(/ 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

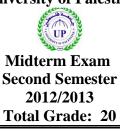
(a) Prepare journal entries for the selected transactions above.

(b) Prepare adjusting entries at December 31.

The Answer:

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End of Questions Good Luck