


Course Title: Accounting Principles2
Date: 14 / 01 /2015
No. of Questions: (3)
Time: 2 hour
Using Calculator (Yes)

University of Palestine

Final Exam.
First Semester 2014 - 2015
Total Grade: 60

Instructor Name: Yousef El-Mudallal
Student Name: _____
College Name: _____
Dep. / Specialist: _____
Using Dictionary (No)

Answer the following five questions :


Q.1: True or False **15 marks**

1. Since goodwill is an intangible, it is amortized each year using the straight-line method, the same as other intangibles are amortized ()
2. Under the allowance method of accounting for uncollectible accounts receivable, no attempt is made to estimate bad debts expense ()
3. If land is purchased as a building site, the cost of removing existing structures is not charged to the Land account ()
4. In a limited partnership the general partner has unlimited liability ()
5. The cost of an intangible asset is systematically allocated to depreciation expense over its estimated useful life ()
6. When using the allowance method of accounting for uncollectible accounts, the entry to record the bad debts expense is a debit to Bad Debts Expense and a credit to Accounts Receivable ()
7. Depreciation measures the actual decline in market value of an asset ()
8. When partners invest in a partnership, their capital accounts are credited for the amount invested ()
9. Amortization is the process of allocating the cost of natural resources to periods when they are consumed ()
10. Salary allowances are reported as salaries expense on a partnership income statement ()
11. A promissory note is a written promise to pay a specified amount of money either on demand or at a definite future date ()
12. When using the allowance method of accounting for uncollectible accounts, the entry to record the bad debts expense is a debit to Bad Debts Expense and a credit to Accounts Receivable ()
13. Credit sales are recorded by crediting an Accounts Receivable ().
14. A promissory note is a written promise to pay a specified amount of money either on demand or at a definite future date ()
15. The person that borrows money and signs a promissory note is called the payee ()

Q.2: Choose the correct answer **14 marks**

1. Buehler Company on June 15 sells merchandise on account to Chaz Co. for \$1,000, terms 2/10, n/30. On June 20, Chaz Co. returns merchandise worth \$300 to Buehler Company. On June 24, payment is received from Chaz Co. for the balance due. What is the amount of cash received?
 - a. \$700.
 - b. \$680.
 - c. \$686.
 - d. None of the above.


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2. Accounts and notes receivable are reported in the current assets section of the balance sheet at:
 - a. cash (net) realizable value
 - b. net book value.
 - c. lower-of-cost-or-market value.
 - d. invoice cost
 3. Net sales for the month are \$800,000, and bad debts are expected to be 1.5% of net sales. The company uses the percentage-of-sales basis. If the Allowance for Doubtful Accounts has a credit balance of \$15,000 before adjustment, what is the balance after adjustment?
 - a. \$15,000.
 - b. \$27,000.
 - c. \$23,000.
 - d. \$31,000.
 4. A depreciation method that produces larger depreciation expense during the early years of an asset's life and smaller expense in the later years is a (an):
 - a. Accelerated depreciation method.
 - b. Book value depreciation method.
 - c. Straight-line depreciation method.
 - d. Units-of-production depreciation method.
 5. A company purchased a delivery van for \$23,000 with a salvage value of \$3,000 on September 1, Year 1. It has an estimated useful life of 5 years. Using the straight-line method, how much depreciation expense should the company recognize on December 31, Year 1?
 - a. \$1,000
 - b. \$1,333
 - c. \$1,533
 - d. \$4,000
 6. A company purchased a cash register on January 1 for \$5,400. This register has a useful life of 10 years and a salvage value of \$400. What would be the depreciation expense for the second year of its useful life using the double-declining-balance method?
 - a. \$500
 - b. \$800
 - c. \$864
 - d. \$1,000
 7. A company purchased a tract of land for its natural resources at a cost of \$1,500,000. It expects to mine 2,000,000 tons of ore from this land. The salvage value of the land is expected to be \$250,000. The depletion expense per ton of ore is:
 - a. \$0.75
 - b. \$0.625
 - c. \$0.875
 - d. \$6.00

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Q.3: Answer the following questions

31 marks

1. At December 31, GreenTea Company reports the following results for its calendar-year.
Cash sales \$1,200,000
Credit sales 900,000
Its year-end unadjusted trial balance includes the following items.
Accounts receivable \$195,000 debit
Allowance for doubtful accounts 3,000 *debit*
 - a. Prepare the adjusting entry to record Bad Debts Expense assuming uncollectibles are estimated to be 1.5% of credit sales.
 - b. Prepare the adjusting entry to record Bad Debts Expense assuming uncollectibles are estimated to be 0.5% of total sales.
 - c. Prepare the adjusting entry to record Bad Debts Expense assuming uncollectibles are estimated to be 6% of year-end accounts receivable.

2. Kwon Co. borrows \$150,000 cash on November 1, 2011, by signing a 90-day, 9% note with a face value of \$150,000.
 - a. How much interest expense results from this note in 2011? (Assume a 360-day year.)
 - b. How much interest expense results from this note in 2012? (Assume a 360-day year.)
 - c. Prepare journal entries to record (a) issuance of the note, (b) accrual of interest at the end of 2011, and (c) payment of the note at maturity.

3. The Best Company at December 31 has cash \$20,000, noncash assets \$100,000, liabilities \$55,000, and the following capital balances: Rodriguez \$45,000 and Escobedo \$20,000. The firm is liquidated, and \$110,000 in cash is received for the noncash assets. Rodriguez and Escobedo income ratios are 60% and 40%, respectively.

Instructions

- a. Prepare a schedule of cash payments.
- b. Prepare the entries to record:
 - a. The sale of noncash assets.
 - b. The allocation of the gain or loss on realization to the partners.
 - c. Payment of creditors.
 - d. Distribution of cash to the partners.

Good Luck