

Instructions:

- ✓ Write your answers on blank pages using pen only.
- ✓ Write your name, student ID, section and "ACT201 Final Exam" on your first page.
- ✓ Number your pages.
- ✓ Write the question number clearly before starting a new answer.
- ✓ Follow the standard formats in answering problems.
- ✓ You must take photo(s) of your answer and use CamScanner (or any other tool) to upload your answers as one PDF file (image uploads not allowed).

Part-A
(Part A is mandatory)

Question 1 **(16 Marks)**

The Trial Balance of Miami FC Limited, a merchandising company which sells sports accessories, contained the following accounts at December 31, 2022, the end of the company's financial year.

Particulars	\$	Particulars	\$
3% Notes Payable	6,000	Goodwill	14,330
Accounts Payable	90,240	Merchandise Inventory	44,700
Accumulated Depreciation-Building	9,000	Preferred Stock	10,000
Advertising Expense	400	Prepaid Insurance	8,200
Building	99,000	Rent Expense	400
Cash	45,010	Retained Earnings	4,000
Common Stock	38,000	Salaries Expense	400
Cost of Goods Sold	10,900	Sales Discount	444,000
Dividend Revenue	10,000	Sales Revenue	504,000
Electricity Expense	700	Supplies	3,200

Additional Information:

- Depreciation on the building is to be charged on a straight-line basis at 9%.
- Physical check on December 31, 2022 reveals that inventory actually on hand is \$50,000.
- \$10,000 cash dividend was declared during the year.
- The company is under 30% tax bracket.
- \$300 of the prepaid insurance remained on hand at the end of the year.
- The interest on the notes payable has not been paid yet.

Instructions: Prepare a multiple step income statement for the year ended December 31, 2022, a statement of stockholders' equity for the year ended December 31, 2022 and a classified balance sheet as at December 31, 2022 for Miami FC Limited.

Part – B

(Answer any three questions from Part B. Each question carries equal marks.)

[3x8=24]

Question 2

(2+6=8 Marks)

- a. Outline the difference between common stock and preferred stock. What is retained earnings?
- b. Midland Corporation is authorized to issue 1,000,000 shares of \$4 par value common stock. In its first year, the company has the following stock transactions. Journalize the following transactions for March 2023.

Mar 1 Issued 400,000 shares of stock at \$9 per share.

Mar 15 Issued 100,000 shares of stock for land. The land had an asking price of \$900,000. The stock is currently trading at \$8.25 per share.

Mar 20 Issued 400,000 shares of stock at \$4 per share.

Mar 31 Issued 2,000 shares of stock to attorneys in payment of a bill for \$16,000 for services performed in helping the company to incorporate.

Question 3

(4.5+3.5=8 Marks)

Axel Company and Rod Company completed the following merchandising transactions in the month of April. Axel Company follows periodic inventory system and Rod Company follows perpetual inventory system. Journalize for the month of April, Axel Company's transactions and Rod Company's transactions.

- April 9 Axel Company sold \$65,000 of merchandise on account to Rod Company, terms FOB destination, 2/10, n/30. The cost of the merchandise sold was \$37,500. The appropriate party also paid \$100 for the freight charge.
- April 12 Axel Company granted Rod Company \$5,800 credit for merchandise returned costing \$3,400.
- April 18 Axel Company received the balance due from Rod Company.

Instructions:

- a. Journalize the above transactions on the books of Axel Company.
- b. Journalize the above transactions on the books of Rod Company.

Question 4

(2+4+2=8 Marks)

- a. A trial balance proves that the company has recorded all transactions or that the ledger is correct. Do you agree? Justify your answer.
- b. The ledger of Quintana Company contains the following balances: Owner's Capital \$80,000, Owner's Drawings \$10,000, Service Revenue \$95,000, Salaries and Wages Expenses \$65,000, and Maintenance and Repairs Expenses \$15,000. Prepare the closing entries on December 31.
- c. The total assets of ABC Company are \$900,000, and the owner's equity is equal to one-third of its total assets. What is the amount of the company's total liabilities?

Question 5

(4+4=8 Marks)

ABC Ltd. purchased a delivery truck for \$650,000 on November 1, 2019. The truck has an expected salvage value of \$20,000, and is expected to be driven 70,000 miles over its estimated useful life of 4 years. Actual miles driven were 30,000 in 2019 and 19,000 in 2020.

Instructions:

- a. Compute depreciation expense using the straight-line method and the units-of-activity method for 2019 and 2020. (You must show the calculation for your answer.)
- b. Compute depreciation expense for 4 years using the double-declining-balance method. (You must show the calculation for your answer.)