

Accounting (I) (DOM1030)

Final Exam

8 January, 2018

College of Management, National Chiao Tung University

I. Multiple Choice Questions 單選選擇題(20%)

d 1. Depreciation is a process of

- a. asset devaluation.
- b. cost accumulation.
- c. cost allocation.
- d. asset valuation.

a 2. Blosser Company's goods in transit at December 31 include:

sales made

- (1) FOB destination
- (2) FOB shipping point

purchases made 買方

- ☐ (3) FOB destination
- ☒ (4) FOB shipping point

Which items should be included in Blosser's inventory at December 31?

- a. (2) and (3)
- b. (1) and (4)
- c. (1) and (3)
- d. (2) and (4)

b 3. Inventory is reported in the financial statements at

- a. cost.
- b. net realizable value.
- c. the higher-of-cost-or-net realizable value.
- d. the lower-of-cost-or-net realizable value.

c 4. If beginning inventory is understated by \$10,000, the effect of this error in the current period is

Cost of Goods Sold

Net Income

- | | | |
|-------------------------------------|-------------|-------------|
| <input checked="" type="radio"/> a. | Understated | Understated |
| b. | Overstated | Overstated |
| c. | Understated | Overstated |
| <input checked="" type="radio"/> d. | Overstated | Understated |

C 5. The relationship of current assets to current liabilities is used in evaluating a company's

- a. operating cycle.
- b. revenue-producing ability.
- c. short-term debt paying ability.
- d. long-range solvency.

d 6. Reese Company purchased merchandise with an invoice price of \$3,000 and credit terms of 1/10, n/30. Assuming a 360 day year, what is the implied annual interest rate inherent in the credit

$$\frac{1}{10} = \frac{36}{360}$$

terms?

- a. 10%
- b. 12%
- c. 18%
- d. 36%

b 7. Tony's Market recorded the following events involving a recent purchase of merchandise:

Received goods for \$90,000, terms 2/10, n/30.

Returned \$1,800 of the shipment for credit.

Paid \$450 freight on the shipment.

Paid the invoice within the discount period.

As a result of these events, the company's inventory

- a. increased by \$86,436.
- b. increased by \$88,650.
- c. increased by \$86,877.
- d. increased by \$86,886.

a 8. As an incentive for customers to pay their accounts promptly, a business may offer its customers

- a. a sales discount.
- b. free delivery.
- c. a sales allowance.
- d. a sales return.

c 9. During 2017, Yoder Enterprises generated revenues of \$180,000. The company's expenses were as follows: cost of goods sold of \$90,000, operating expenses of \$36,000 and a loss on the sale of equipment of \$6,000.

Yoder's income from operations is

- a. \$180,000.
- b. \$90,000.
- c. \$54,000.
- d. \$36,000.

c 10. Bosio Corporation's computation of cost of goods sold is:

Beginning inventory	€ 160,000
Add: Cost of goods purchased	<u>505,000</u>
Cost of goods available for sale	665,000
Ending inventory	<u>200,000</u>
Cost of goods sold	€ <u>465,000</u>

The average days to sell inventory for Bosio is

- a. 157 days.
- b. 130 days.
- c. 141 days.
- d. 126 days.

$$\frac{465,000}{\frac{160,000 + 200,000}{2}} = \frac{465,000}{180,000} = 2.58\bar{3}$$

2. (25%)

The trial balance columns of the worksheet for Firmament Roofing at March 31, 2017, are as follows.

FIRMAMENT ROOFING, LTD
Worksheet
For the Month Ended March 31, 2017

Account Titles		Trial Balance	
		Dr.	Cr.
CA	Cash	£ 2,720	
CA	Accounts Receivable	2,700	
CA	Supplies	1,500 - 950	
PPE	Equipment	11,000	
PPE	Accumulated Depreciation—Equipment		£ 1,250 + 250
S&W Payable 420	Accounts Payable		2,500
	Unearned Service Revenue		650 - 430
	Share Capital—Ordinary		10,000
	Dividends	1,100	
Supplies Exp. 950	Service Revenue		6,300 + 430
Depre. Exp. 250	Salaries and Wages Expense	1,300 + 420	
	Miscellaneous Expense	380	
		<u>£ 20,700</u>	<u>£ 20,700</u>

Other data:

1. A physical count reveals only £550 of roofing supplies on hand. 消耗 950
2. Depreciation for March is £250.
3. Unearned revenue amounted to £220 at March 31. 减少 430
4. Accrued salaries are £420.

Questions:

- (a) (8%) Journalize the adjusting entries.
- (b) (12%) Prepare an income statement and a retained earnings statement for the month of March and a classified statement of financial position at March 31. Ordinary shares were issued in exchange for £10,000 cash at the beginning of March.
- (c) (5%) Journalize the closing entries.

3. (24%)

The following are three recent merchandising transactions for Mary's TV company:

6 Mar. Purchased eight TVs from CityOne Industries on account. Invoice price, \$3,500 per unit, for a total of \$28,000. The terms of purchase were 2/10, n/30.

11 Mar. Sold two of these TVs. Each is for \$6,000 cash. ⇒ 12,000

13 Mar. Mary's TV returned 1 TV to City One.

16 Mar. Paid the account payable to CityOne Industries within the discount period.

Questions:

- (a) Assuming Mary's TV uses a "perpetual" inventory system, prepare all journal entries to record these transactions. (12%)
- (b) Assuming Mary's TV uses a "periodic" inventory system, prepare all journal entries to record these transactions. (12%)

4. (7%)

Lisbon Company SA lost 70% of its inventory in a fire on March 25, 2017. The accounting records showed the following gross profit data for February and March.

	<u>February</u>	<u>March</u> <u>(to 3/25)</u>
Net sales	300,000	260,000
Net purchases	197,800	191,000
Freight-in	2,900	4,000
Beginning inventory	4,500	25,200
Ending inventory	25,200	?

Lisbon Company is fully insured for fire losses but must prepare a report for the insurance company.

- (a) Compute the gross profit rate for the month of February. (3%)
- (b) Using the gross profit rate for February, determine both the estimated total inventory and inventory lost in the fire in March. (2%, 2%)

5. (6%)

Bamburgh Hardware reported cost of goods sold as follows.

	<u>2016</u>	<u>2017</u>
Beginning inventory	\$ 20,000	\$ 30,000 - 28,000
Cost of goods purchased	150,000	175,000
Cost of goods available for sale	170,000	205,000 - 203,000
Ending inventory	30,000 - 28,000	35,000 - 41,000
Cost of goods sold	\$ 140,000	\$ 170,000

Bamburgh made two errors: (1) 2016 ending inventory was overstated \$ 2,000, and (2) 2017 ending inventory was understated \$ 6,000.

Questions:

Compute the correct cost of goods sold for 2016 and 2017. (3%, 3%)

6. (18%)

Roselle Appliance SA uses a "perpetual" inventory system. For its flat-screen television sets, the January 1 inventory was 3 sets at \$ 600 each. On January 10, Roselle purchased 6 units at \$ 648 each. The company sold 2 units on January 8 and 4 units on January 15.

Questions:

(1) Compute the ending inventory under (a) FIFO (b) moving-average cost ~~(c)~~ LIFO. (Round the unit cost to the nearest cent.) (3%, 3%, 3%)

(2) Assuming Roselle Appliance SA uses a "periodic" inventory system, compute the ending inventory under (a) FIFO (b) average cost ~~(c)~~ LIFO. (Round the unit cost to the nearest cent.) (3%, 3%, 3%) 1944 1896 ~~1800~~

7. Bonus: (extra 5%)

Life19 uses a "periodic" inventory system. At 31 December 2017, the following information is available:

- (1) The inventory on hand at the end of 2016 cost \$ 140,000.
- (2) During 2017, purchases of goods for resale to customers totaled \$ 1,300,000
- (3) After taking a physical count on Dec. 31st, 2017, inventory on hand totaled \$ 120,000.

Questions:

Journalize the adjusting entries for recording ending inventory and the cost of goods sold for 2017.