Required questions:

A) Prior to the year-end adjustment to record bad debt expense for 2024 the general ledger of Columbus Inc. included the following accounts and balances:

Allowance for Doubtful Accounts	$ 2,000	credit balance
Bad Debt Expense	0	
Accounts Receivable	210,000	

Cash collections on accounts receivable during 2024 amounted to $450,000. Sales revenue during 2024 amounted to $600,000, of which 85% was on credit, and it was estimated that 3% of these credit sales made in 2024 would ultimately become uncollectible.

Required:

1. Calculate the bad debt expense for 2024.
2. Determine the adjusted 2024 year-end balance of the allowance for doubtful accounts.
3. Determine the net realizable value of accounts receivable for the December 31, 2024 balance sheet.

B) Hunter Company reported the following information related to inventory and sales:

	Units	Unit Cost
Beginning inventory	2,000	$ 5
Purchase (1/1)	3,000	7
Purchase (1/13)	1,000	8

Sales—5,000 units at $18 per unit.

Required

Using LIFO, FIFO and Average cost calculate the following (must show all work):

a) Cost of goods sold.
b) Ending Inventory value.
c) Gross Profit.
d) Tax expense (30%) from Gross profit.

C) On January 1, 2024, Sterling started a new professional corporation, Sterling Inc., to practice tax services with an initial investment of $220,000 in exchange for 20,000 shares of $10 par value common stock. On June 30, 2024, the accounting records showed the following amounts:

Accounts Payable	$ 300
Accounts Receivable	$ 23,200
Cash	$ 110,000
Common stock	$?
Additional Paid-in Capital	$?
Office Equipment	$ 90,000
Office Supplies	$ 7,300
Retained Earnings	$ 10,000
Notes Payable	$ 200

Required:

Calculate the amounts for common stock and additional paid-in capital.
Prepare a balance sheet as of June 30, 2024.

Practice for Final Exam

ABC Company purchased a machine on January 1, 2023, by paying cash of $25,000. The machine has an estimated useful life of eight years, is expected to produce 20,000 units, and has an estimated residual value of $5,000.

Required:

1. Calculate depreciation expense to the nearest whole dollar for each year of the machine's useful life under.:
   Straight-line depreciation method.
   Double declining-balance method.
2. What is the book value of the machine after two years using the double declining-balance method?
3. What is the book value of the machinery after two years using the straight-line method?
4. If the machine was used to produce and sell 2,500 units in 2023, what would be the depreciation expense using the units-of-production method?
5. What would be the book value after one year using the units-of-production method?

Borderline Company purchased a machine that cost $105,000. The company signed a $105,000 note payable that specified four equal annual payments (at each year-end), each of which includes a payment on the principal and interest on the unpaid balance at 5% per annum.

Note: Use the appropriate factor(s) from the tables provided. (FV of $1,PV of $1,FVA of $1, and PVA of $1)**Required:**

1. Calculate the amount of each equal payment (round your answer to the nearest whole dollar amount).
2. Prepare the journal entry to record the purchase of the machine.
3. Prepare the journal entry to record the first annual payment on the note (assume no interest has been accrued during the year).
4. Will the interest paid with the first annual payment be more than, or less than, the interest paid with the second annual payment? Explain your answer.

3) On January 1, 2024, Wealth Company issued $300,000 of its twelve-year, 3% bonds payable at $328,000 to yield a market rate of 2%. The bonds were dated January 1, 2023, and interest is paid semi-annually on each June 30 and each December 31. The effective interest method is used for amortization and **no** adjusting journal entries were made during the year.

Required:

1. Prepare the journal entry for the sale of the bonds.
2. Prepare the journal entry to record the first interest payment and include the appropriate date before the entry.
3. Prepare the journal entry to record the second interest payment and include the appropriate date before the entry.

4) Fighter Company was formed on January 1, 2023 by selling and issuing 30,000 shares of common stock at $25 per share. On December 1, 2023 the company declared a cash dividend of $20,000, which will be paid in cash on January 20, 2024.

Required:

1. Prepare the journal entry to record the sale and issuance of the common stock on January 1, 2023 under each of the following independent assumptions: The common stock has a par value of $20 per share. The common stock was no-par with a stated value of $15 per share. The common stock was no-par and had no stated value.
2. Record the declaration and payment of cash dividends.

5) Based on the statement below create the statement of Cash flows:

Consolidated Balance Sheets
(in thousands)

	Dec. 31, Year 2	Dec. 31, Year 1
ASSETS		
Current assets:		
Cash and cash equivalents	$ 92,069	$ 72,634
Accounts receivables, net	55,947	75,492
Inventories	50,784	53,129
Prepaid expenses	12,112	13,057
Total current assets	210,912	214,312
Equipment	145,444	134,312
Less: Accumulated depreciation	(50,515)	(36,689)
Total assets	$305,841	$311,935
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 25,466	$ 34,879
Accrued liabilities	40,574	40,722
Total current liabilities	66,040	75,601
Long-term debt	10,422	10,206
Stockholders' equity:		
Contributed capital	1,662	1,284
Retained earnings	227,717	224,844
Total stockholders' equity	229,379	226,128
Total liabilities and stockholders' equity	$305,841	$311,935

Consolidated Statement of Income
(in thousands)

	Year 2
Net sales	$130,896
Cost of sales	74,040
Gross profit	56,856
Operating expenses:	
Selling, general & administrative expenses	33,211
Depreciation expense	13,826
Total operating expenses	47,037
Operating income	9,819
Interest income	239
Income before income taxes	10,058
Income tax expense	3,621
Net income	$ 6,437

Additional information:

The company did not sell any equipment or repay any borrowings during the year ended December 31, Year 2. The company declared and paid dividends in the amount of $3,564 during the year ended December 31, Year 2.