

**ACCT 2101**  
**Exam 1 -- SOLUTION**  
**Summer Semester, 2014**

Name Solution  
(please print clearly)

Pledge:

**On my honor, I have neither given nor received any unauthorized help on this exam.**

\_\_\_\_\_  
(signed)

Instructions:

1. **You may not ask questions during the exam.** However, all notes you write to the instructor will be read and considered during the grading process.
2. You may use your ACCT 2101 Course Binder during the exam, but all papers must be secured in the binder rings. No other help is authorized.
3. You must use one of the authorized calculators – you may not use your own.
4. You must write legibly or your answers will not be graded.
5. Make sure you have **10** numbered pages including the cover sheet.
7. Good luck!

**Point Allocation:**

Problem 1:	10	
Problem 2:	18	
Problem 3:	32	(This is Practice Problem E3-8.)
Problem 4:	28	(This is Practice Problem E4-6.)
Problem 5:	12	(This is Practice Problem E6-24.)
Extra Credit Question	<u>3</u>	

**TOTAL AVAILABLE POINTS =**     103 points

1 point for each  
question a-j.

**PROBLEM 1. Questions from the Course Syllabus.**

a. Identify five violations of classroom etiquette that will require you to leave the classroom.

- (1) Talking in class.
- (2) Sleeping or putting your head down during class.
- (3) Use of electronic devices during class.
- (4) Working on something other than ACCT 2101 during class.
- (5) Letting your cell phone ring.

b. What is the (1) day, (2) date, and (3) time of your final exam?

Friday, 6/20/14, at 12:05 (12:00) p.m.

c. If you miss a class, how do you obtain hard copies of the handouts that were distributed in your absence?

In the Handouts Box next to the file bin.

d. What is the procedure (three steps) to request a re-grade of a quiz or other graded item?

- (1) Jot a note on the item to be reviewed.
- (2) Attach a copy of the solution for that part.
- (3) Submit the item to your professor.

e. How many Class Exercises will be dropped in computing your Class Exercise average?

One (1)

f. What is the course policy regarding makeup exams?

There are NO makeup exams allowed unless required by the Registrar.

g. Where will you be able to check that your grades have been recorded correctly? Please provide a very specific answer.

Grades will be posted in the "PostEm" section of T-Square.

**PROBLEM 1 – continued.**

- h. How many Short Quizzes will be dropped in computing your Short Quiz average?

One (1)

- i. Where will you be able to find the solutions to the exams you take (available on the day the graded exams are returned to your file folder)?

Solutions to the Exams are posted in the “Current Exams” folder on T-Square.

- j. When are you allowed to use your laptop in class?

NEVER

**EXTRA CREDIT QUESTION:** (Total of 3 points)

What was the unique thing about Professor Turner that she shared with you in class? Please provide a complete answer.

She has never had a sip of beer, sip of coffee, or a puff of a cigarette.

①

②

③

**PROBLEM 2. Concept Questions.**

- a. What is a 10-K? How does a 10-K differ from a 10-Q?

A 10-K is the annual report that a company files with the SEC.

A 10-Q is the quarterly report that a company files with the SEC.

} 3

**PROBLEM 2 – continued.**

b. Review the annual reports in your binder and answer the following questions:

(1) There are various names that may be used for the Income Statement. What name does each of these companies use for that statement?

- (a) Intel: Statement of Income
- (b) AMD: Statement of Operations
- (c) Home Depot: Statement of Earnings
- (d) Lowe's: Statement of Earnings

} 6

(2) The *Auditor's Report* is important to the evaluation of financial statements.

(a) On what page can you find Intel's auditor's report? 107

} 1

(b) Why is this report important?

This report provides reasonable assurance to the users of the financial statements that they can rely on the statements to present fairly the financial position and results of operations in all material respects.

} 2

(3) Compute the Current Ratio for Home Depot. Show your work.

As of 2/2/14:  $\$15,279 / \$10,749 = 1.42$   
As of 2/3/13:  $\$15,372 / \$11,462 = 1.42$  (not required)

} 2

c. What alternative name may be used for the Statement of Cash Flows?

There are no alternative names for the Statement of Cash Flows.

} 1

d. What is periodicity? Why is it important in financial reporting?

Periodicity is the idea that an entity's life can be subdivided into time periods for reporting.

} 1

Since an entity's life is deemed to be unlimited, this allows financial reports to be prepared for periods shorter than the entity's life.

} 2

**PROBLEM 3.** Using the information below, prepare the journal entries required in good form.

**PLEASE PROVIDE YOUR ANSWERS ON THE FOLLOWING PAGE.**

Vail Resorts, Inc., owns and operates five premier year-round ski resort properties (Vail Mountain, Beaver Creek Resort, Breckenridge Mountain, and Keystone Resort, all located in the Colorado Rocky Mountains, and Heavenly Valley Mountain Resort, located in the Lake Tahoe area of California/Nevada). The company also owns a collection of luxury hotels, resorts, and lodging properties. The company sells lift tickets, ski lessons, and ski equipment.

- a. Borrowed \$2,500,000 from the bank on December 1, signing a note payable due in six months.
- b. Purchased a new snowplow for \$95,000 cash on December 31.
- c. Purchased ski equipment inventory for \$40,000 on account to sell in the ski shops.
- d. Incurred \$62,000 in routine maintenance expenses for the chairlifts; paid cash.
- e. Sold \$372,000 of January through March season passes and received cash.
- f. Sold a pair of skis from a ski shop to a customer for \$750 on account. (The cost of the skis was \$450.)
- g. Sold daily lift passes in December for a total of \$270,000 in cash.
- h. Received a \$3,200 deposit on a townhouse to be rented for five days in January.
- i. Paid half the charges incurred on account in (c).
- j. Received \$400 on account from the customer in (j).
- k. Paid \$258,000 in wages to employees for the month of December.

**PROBLEM 3 SOLUTION. (Practice Problem E3-8)**

Each journal entry is worth 2.5 points with partial credit available.

a.	Cash .....	2,500,000	
	Note Payable .....		2,500,000
b.	Equipment .....	95,000	
	Cash .....		95,000
c.	Inventory .....	40,000	
	Accounts Payable .....		40,000
d.	Maintenance Expense .....	62,000	
	Cash .....		62,000
e.	Cash .....	372,000	
	Unearned Revenue .....		372,000
f.	Two transactions occur:		
	(1) Accounts Receivable .....	750	
	Sales Revenue .....		750
	(2) Cost of Goods Sold .....	450	
	Inventory .....		450
g.	Cash .....	270,000	
	Sales Revenue .....		270,000
h.	Cash .....	3,200	
	Unearned Revenue .....		3,200
i.	Accounts Payable .....	20,000	
	Cash .....		20,000
j.	Cash .....	400	
	Accounts Receivable (–A).....		400
k.	Wages Expense .....	258,000	
	Cash .....		258,000

2 free points

**PROBLEM 4.** Using the information below, prepare the adjusting journal entries required in good form.

**PLEASE PROVIDE YOUR ANSWERS ON THE FOLLOWING PAGE.**

Dittman's Variety Store is completing the accounting process for the year just ended, December 31, 2011. The transactions during 2011 have been journalized and posted. The following data with respect to adjusting entries are available:

- a. Wages earned by employees during December 2011, unpaid and unrecorded at December 31, 2011, amounted to \$2,700. The last payroll was December 28; the next payroll will be January 6, 2012.
- b. Office supplies on hand at January 1, 2011, totaled \$450. Office supplies purchased and debited to Office Supplies during the year amounted to \$500. The year-end count showed \$275 of supplies on hand.
- c. One-fourth of the basement space is rented to Heald's Specialty Shop for \$560 per month, payable monthly. On December 31, 2011, the rent for November and December 2011 had not been collected or recorded. Collection is expected January 10, 2012.
- d. The store used delivery equipment that cost \$60,500; \$12,100 was the estimated depreciation for 2011.
- e. On July 1, 2011, a two-year insurance premium amounting to \$2,400 was paid in cash and debited in full to Prepaid Insurance. Coverage began on July 1, 2011.
- f. The remaining basement of the store is rented for \$1,600 per month to another merchant, M. Carlos, Inc. Carlos sells compatible, but not competitive, merchandise. On November 1, 2011, the store collected six months' rent in the amount of \$9,600 in advance from Carlos; it was credited in full to Unearned Rent Revenue when collected.
- g. Dittman's Variety Store operates a repair shop to meet its own needs. The shop also does repairs for M. Carlos. At the end of December 31, 2011, Carlos had not paid \$800 for completed repairs. This amount has not yet been recorded as Repair Shop Revenue. Collection is expected during January 2012.

Each adjusting entry is worth 4 points with partial credit available.

**PROBLEM 4 SOLUTION. (Practice Problem E4-6)**

a. Wages Expense ..... 2,700  
       Wages Payable ..... 2,700

b. Office Supplies Expense ..... 675  
       Office supplies ..... 675

( $\$450 + \$500 - \$275 = \$675$  used)

c. Rent Receivable ..... 1,120  
       Rent Revenue ..... 1,120

( $\$560 \times 2 \text{ months} = \$1,120$  earned)

d. Depreciation Expense ..... 12,100  
       Accumulated Depreciation ..... 12,100

e. Insurance Expense ..... 600  
       Prepaid Insurance ..... 600

( $\$2,400 \div 24 \text{ months} = \$100$  per month  
 $\times 6 \text{ months} = \$600$  used)

f. Unearned Rent Revenue ..... 3,200  
       Rent Revenue ..... 3,200

( $\$9,600 \times \frac{2}{6} = \$3,200$  earned)

g. Repair Accounts Receivable ..... 800  
       Repair Shop Revenue ..... 800



**PROBLEM 5.** Using the information below:

- (1) Prepare a bank reconciliation in good form.
- (2) Record any adjusting entries required based on your bank reconciliation.

**PLEASE PROVIDE YOUR ANSWERS ON THE FOLLOWING PAGE.**

The September 30, 2011, bank statement for Bennett Company and the September ledger accounts for cash are summarized here:

BANK STATEMENT			
	Checks	Deposits	Balance
Balance, September 1, 2011			\$ 6,500
Deposits recorded during September		\$26,900	33,400
Checks cleared during September	\$27,400		6,000
NSF checks—Betty Brown	170		5,830
Bank service charges	60		5,770
Balance, September 30, 2011			5,770

Sept. 1	Balance	6,500	Sept. Checks written	28,900
Sept.	Deposits	28,100		

No outstanding checks and no deposits in transit were carried over from August; however, there are deposits in transit and checks outstanding at the end of September.

**PROBLEM 5 SOLUTION. (Practice Problem E6-24)**

Partial credit is available.

- (1) **Bank Reconciliation:** (This format is not required — the format we used in class is good.)

**BENNETT COMPANY**  
**Bank Reconciliation, September 30, 2011**

<div style="display: flex; align-items: center;"> <span style="font-size: 3em; margin-right: 10px;">{</span> <div> <p><b>Company's Books</b></p> <p>Ending balance per Cash account..... \$5,700</p> <p><b>Additions:</b></p> <p>None</p> <p><b>Deductions:</b></p> <p>Bank service charges ... \$ 60</p> <p>NSF check – Betty Brown..... <u>170</u>      <u>230</u></p> <p>Correct cash balance ..... <u>\$5,470</u></p> </div> </div>		<div style="display: flex; align-items: center;"> <span style="font-size: 3em; margin-right: 10px;">{</span> <div> <p><b>Bank Statement</b></p> <p>Ending balance per bank statement..... \$5,770</p> <p><b>Additions:</b></p> <p>Deposit in transit* ..... <u>1,200*</u></p> <p style="text-align: right;">6,970</p> <p><b>Deductions:</b></p> <p>Outstanding checks (\$28,900 – \$27,400).... <u>1,500</u></p> <p>Correct cash balance ..... <u>\$5,470</u></p> </div> </div>	
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\*\$28,100 - \$26,900 = \$1,200.

**(2) Adjusting Entries:**

- (1) Bank Service Charge Expense ..... 60

Cash ..... 60

To record bank service charges deducted from bank balance.

} 2
- (2) Accounts Receivable (Betty Brown) ..... 170

Cash ..... 170

To record customer check returned due to insufficient funds.

} 2