

Principles of Accounting

ACC 202

Final - Examination

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Section: 3

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Answer

A. Prepare Journal entries to record the following four separate issuances of stock.

Journal entries			
Date	Account Title	Dr	Cr
Mar 1	Cash Common Stock, \$4 par value Paid-in capital in excess of par-value, common stock # issue common stock, \$4 par value	\$ 255,000	\$ 178,000 \$ 77,000
Apr 1	Cash Common stock, no par value # issue common stock, no par value in cash.	\$ 50,000	\$ 50,000
Apr	Inventory Machinery Note Payable Common stock, \$20 par value Paid-in capital in excess of par-value, Common stock	\$ 35,000 \$ 135,000 \$ 85,000 \$ 50,000 \$ 35,000	

May 3	Treasury stock Cash	\$125,000	\$125,000
Nov 4	Cash Treasury stock Paid-in capital, treasury stock	\$71,000 \$6,250 \$850	

B. Prepare the Journal entry to record Corporation's.

Journal entries			
Date	Account title	Dr	Cy
11.	Cash Preferred stock, \$50 par value Paid-in capital in excess of par-value, common stock	\$1900,000 \$600,000 \$1300,000	
21.	Organization expense Common stock, \$1 par value Paid-in capital in excess of par-value, common stock	\$12,000 \$24,000 \$9,600	

C. Determine the amount of dividends paid each year to each of the two classes of stock holders : Preferred & Common.

$$\text{Preferred stock} = 15 \times 7.5 \times 35,000 = \$39,375$$

Year		Preferred	Common
2015 - (\$10,000)		\$10,000	\$0
2016 - (\$25,000)	Arrears in 2015	\$25,000	\$0
	Current year 2016	\$0	
2017. (\$100,000)	Arrears in 2016	\$43,750	
	Current year 2017	\$39,375	
	Common shares		\$16,875
2018 (\$153,000)	Current Dividend	\$39,375	
	Common Shareholders		<u>\$155,625</u>
<u>Total:</u>		<u>\$157,500</u>	<u>\$172,500</u>

Total:

D.

XYZ Company
Statement of Cash Flows
For the year ended December 31, 2019

Cash flows from operating activities

Net income	\$ 201,000
Adjustments to accurate basis net income	
Net cash provided by operating activities	
Depreciation expense	\$ 54,000
Increase in accounts receivable	(-\$ 12,000)
Increase in Merchandise inventory	(-\$ 75,000)
Decrease in account payable	(\$ 27,000)
Increase in income taxes payable	<u>\$ 3000</u>
	<u>\$ 164,000</u>

Cash flows from investing activities:

Cash paid for equipments	(\$ 38,000)
Net cash used in investing activities	(\$ 38,000)

Cash flows from financing activities

Cash paid for dividends (\$ 28,000)

Cash received from issuing 12000 shares
for \$ 55 cash per share \$ 660,000

Net cash used in financing activities \$ 632,000

Net Increase in Cash \$ 738,000

Cash balance in prior year-end

\$ 117,000

Cash balance at current year-end

\$ 855,000

E. Complete the following

1). Current Ratio = $\frac{\text{Current asset} - 5000 + 7400 + 28200 + 3500 + 31150 + 1650}{\text{Current liability} \quad 16500 + 2200 + 2300}$

$$= \frac{80900}{21000}$$

Current Ratio = 3.85 : 1

2). Acid-test Ratio = $\frac{\text{Quick Asset}}{\text{Current liability}} = \frac{5000 + 7400 + 28200 + 3500}{21000}$

$$= \frac{168100}{21000}$$

Acid-test Ratio = 2.29 : 1

3). Day's sales uncollected = $\frac{\text{Account Receivable}}{\text{Net Sales}} \times 365$

$$= \frac{28200}{348600} \times 365$$

Day's sales uncollected = 29.53 days

4). Inventory turnover = $\frac{\text{Cost of Goods Sold} \times 2}{\text{Average Inventory}}$

Inventory turnover = 7.21 times

5). Debt-to-equity ratio = $\frac{\text{Total Liability}}{\text{Total Equity}} = \frac{831400}{149800}$

Debt-to-equity ratio = 0.56 : 1 = 56%

6). Time interest earned = $\frac{\text{Income before Interest Expense and Income tax}}{\text{Interest expense}}$

$$= \frac{66950}{3100}$$

Time interest earned = 21.6 times

7). Profit margin ratio = $\frac{\text{Net Income}}{\text{Net Sales}}$: $\frac{48050}{348600}$

Profit margin ratio = 0.14 : 1

8). Total asset turnover = $\frac{\text{Net Sales}}{\text{Average total Asset}}$ = $\frac{\text{Net Sales} \times 2}{\text{Total Asset (2018)} + \text{Total Asset (2019)}}$

$$= \frac{348600 \times 2}{182400 + 233200} = \frac{697200}{415600}$$

Total asset turnover = 1.68 times

9). Return on total asset = $\frac{\text{Net Income}}{\text{Average total asset}}$ = $\frac{48050}{207800}$

Return on total asset = 23.1%

10). Return on common stockholders' equity = $\frac{\text{Net Income} - \text{Preferred Dividend}}{\text{Average total common stockholder Equity}}$

$$= \frac{48050 - 0}{149800 + 121300} = \frac{48050}{13550}$$

Return on common stockholders' equity = 35.45%