The Final Exam

ANSWERS ARE AT 5.29

Students;

The final exam is multiple choice. This is due to a number of factors: 1) We do not have the graduate students available to help with the grading, and two, we only have a limited time after the exam to get the grades in. Fall quarter of 2002 was the first multiple choice Accounting 101 final based on the Map. The students did worse than we expected and we curved the grades on the exam about 15 points. We felt this was because the students did not know what to expect and therefore did not know how to study. The following is one of the versions of that exam. You do now know what to expect and there will be no curve on the final.

Where necessary, all answers are rounded to two digits.

1) Babs Corporation is buying all the assets and assuming all the liabilities of Zexler. The following information is available for Zexler at the day of the purchase.

Cash	200 000		50,000	100,000 × 1006 = 10,000
Casii	300,000	Accounts payable	50,000	10,000 x 3,9927 = 39,927
Accounts Rec	100,000	Bond Payable	1111111111	
Inventory	100,000	Common Stock	200,000	100,000 4.6806 = 68,060
Land	300,000	Retained Earnings	250,000	107,987

The inventory is worth \$50,000 and the land is worth \$500,000. Additionally, the Bond Payable debt is payable interest only at 10% per year for the next 5 years and then the principal is due. Current interest rates for similar are debt is 8%. Babs will pay \$1,000,000 for Zexler. How much of the purchase price will Babs debit to goodwill? 300,000

1,000,000 100,000 **A**. \$ 450,000 50,000 В. \$200,000 500,000 C. \$ 550,000 450,000> \$ 207,987 (107.987) Some other number which is not here

2) A 10 year, \$100,000 zero coupon bond is priced to yield 10%. The amount the issuing company will receive when it is issued is:

- \$ 4,240.50
- 100,000 K . 3855 = 38,550
- B. \$ 100,000
- \$ 38,550
- \$ 42,405
- E. \$385,000

3) If the above zero bond was sold on Jan 1 of 2002, the interest expense for 2003 (the second year) would be

\$ 4,240.50

38550 × 108 - 3855

\$ 3,705.60

43,405 × 108 = 4240 50

- C. \$10,000.00
- D. \$42,405.00
- Some other number

4)	A capital	lease is really:
	(A)	A purchase of the asset

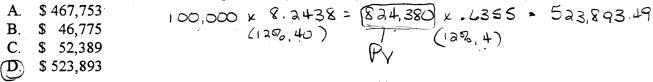
B. A "u-haul" it or temporary lease

C. A better lease than an non-capital lease

D. A current asset

Some other thing

5) Sally wants to retire in five years. She wants to live on \$100,000 per year and she will stay retired for 40 years. She thinks that her retirement funds can earn 12% per year. If she takes her first annual check in exactly five years, how much does she need to deposit today to accomplish her goal? (Rounded to the nearest dollar)



6) The term "seasoned" when referring to a loan means

(a) the payments on the loan have been made when due.

b. the payments on the loan have not been made when due.

c. the interest payments on the loan have not been made when due.

d. the loan has been sold.

e. the loan has been paid.

7) Suzie bought a new pickup for \$40,000 for use in her gymnastics business. She estimates the truck will be useful to her for 5 years and then will be worth \$4,000. During its useful life, she estimates it will travel 200,000 for business. If she uses the activity based depreciation method, and she drove 50,000 miles in the first year and 40,000 miles in the second year, how much would her accumulated depreciation account have in it at the end of the second year?

Some other number

8) According to the Article "Why Johnny Can't Invest" losing feels

(A) Twice as bad as winning feels good

B. Three times as bad winning feels good

C. We feel about the same level of intensity psychology when we win as when we lose.

D. The article didn't really talk about the level of feelings between winning and losing

9) Leon's Paving Company issuing 5 year, \$100,000 face, 10% coupon rate bonds to yield 12%. The journal entry to record the issuance of the bonds would include: 127 = 100,000 x 10% = 10,000

(A) A debit to bond discount of \$7,212

B) A debit to cash of \$100,000

10.000 x 3.6048 = 34.048

C) A credit to premium on bonds payable of \$7,574.60

100,000 x . 5674 > 56,740

D) A credit to bonds payable of \$ 92,788

E) some other answer

CASH 92,788 DISCT 7,212 BODDS PAY 100,000

10,000 11.136.56 (11345) 93,3772.57

years interest was paid on Dec 31 of	of 20x1, the en	try to recor	d that in	iterest would include	:
A) A credit to cash of \$11,	134.56	9	2,788 x 125=	11,134.56	
B) A debit to interest exper	se of \$10,000			Ē	
C) A credit to discount of \$			121	Exp 11,134.50	.
(D) A credit to cash for \$10.				DISCT	1134.56
E) none of these.	,000			CASH	10,000 00
L) holle of these.				C # 3 H	(O)000
11) Still on Leion's bond. The jou	•			•	-
A) A credit to interest paya			44,	188 + 1134.56 =	
B) A debit to interest expen					× 12%
(C) A credit to bond discoun			1	ELP 11, 27071	11,270,71
D) A credit to cash for \$ 11	,270.71		1 44	1.60	1270.71
E) none of these.				DISCT	10,000
12) The Brock Company prepares	annual financia	al statement	s at Dec	ember 31 of each ye	ar. On April 1, 20x2
they borrowed \$100,000 from the b	ank. The Broo	k Company	must p	ay interest of 12% p	lus \$10,000 on April
1 each year.			•	•	
The journal entry on Decen	mber 31, 20x2	is:	100	100,000 K	282= 12 000
(A) Interest Expense	\$9,000		-		
Interest Payable	Ψ>,000	\$9,000			4 9/12 9,000
interest i ayabie	•	\$2,000			9,000
B. Interest Expense	\$12,000				
	\$12,000	#10 000			
Cash		\$12,000			
C. I. to work Francisco	#10 000				
C Interest Expense	\$12,000				
Note Payable	\$10,000				
Cash		\$22,000			
D. Interest Expense	\$12,000				
Interest Payable		\$12,000			
•		•			
E. Interest Payable	\$9,000				
Interest Expense	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	\$9,000			
111101 OST 211pondo		Ψ>,000			
Port INT PRIN	ᅠ				
INT INT PRIN		-			
	92	,788			
10,000 11,13456	1134 5 93	3922.54			

10) For Leon's bonds, if they were issued the first day of 20x1 (10% face priced to yield 12%) and the first

13) Still Brock, The journal entry on April 1, 20x3 is:

A. Interest Expense	\$9,000	
Interest Payable	•	\$3,000
Note Payable	\$10,000	
Cash		\$22,000
B. Interest Expense	\$3,000	
Interest Payable	\$9,000	
Note Payable	\$10,000	
Cash		\$22,000
C. Interest Expense	\$12,000	
Note Payable		\$10,000
Cash		\$22,000
D. Interest Payable	\$12,000	
Cash	ŕ	\$12,000
F. Interest Expense	\$3,000	
Note Payable	\$10,000	
Čash	,	\$13,000

14) You plan to sell books for \$50 each. The books cost \$10 each, your rent is \$1,500 and all other fixed expenses are \$500. How many books do you need to sell to make \$2,000 each month?

A)	40

B) 50

© 100 D) 160

50

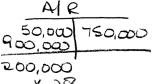
E) Need more information

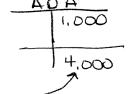
15) Devlon Corp has a beginning balance (1/1/x1))in Accounts Receivable of \$50,000 and beginning credit balance in the Allowance for Doubtful Accounts of \$1,000. During 20x1 they sold \$900,000 of goods on credit and collected \$750,000. If Devlon estimates that 2% of its ending accounting receivable will eventually not be collected, its adjusting journal entry for the bad debt expense will include a credit to allowance for doubtful accounts of:

A. \$4,000

B. \$3,900 C. \$4,100

D. \$3,000





16) If Devlon had written off \$500 of accounts receivable during 20x1, the debit to bad debt expense would have been:

A. \$4,000

B. \$3,490 C. \$3,500

D. \$3,990

50,000 750,000 7 900,000 500

BAO DEBT EXP 3440

99,500 x 200 3990 3990

17) Still Devlon- the average of	collection period is:	365
A. 7.2 times	AIR TURN 900,000 = 7.21	$\frac{365}{7.21} = 50.62$
B. 6.00 times	50,000 + 199.500	
© 50.69 days	2	
D. 60.83 days	(124750)	

18) Slick Bob will sell you a Thingie for \$10,000. The deal is you pay for the Thingie in five equal annual payments that include interest at 2%. You called the bank and they said that they would charge you 10% for a similar loan..

How much are the payments if you take Slick Bob's deal?

A. \$ 2,374.17

B. \$ 2,637.97

C. \$ 2,000.00

$$\bigcirc$$
 \$ 2,121.57

E. None of these

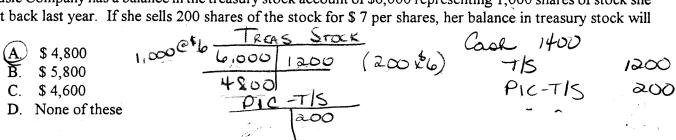
19) How much, to the nearest dollar, are you really paying for the Thingie under Slick Bob's deal?

	are jou really paying for the Time
A \$ 8,042	2121.57
B. \$ 9,000	
C. \$11,191	x3.7908 (10%,5)
D. \$ 7,238	8042.43
E. None of these	

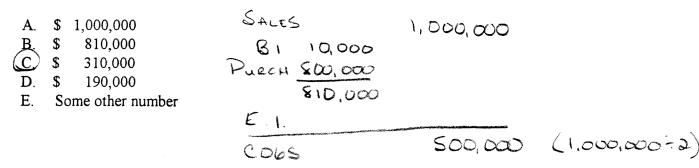
20) If you amortize the Slick Bob deal properly, the interest for the first year would be

	 	or even property, the miterest
(A)	\$ 804.20	8042.42
B.	\$ 237.42	×100
C.	\$ 723.80	A CONTRACTOR OF THE PARTY OF TH
D.	\$ 900.00	804.24
E.	\$ none of these	

21) Susie Company has a balance in the treasury stock account of \$6,000 representing 1,000 shares of stock she bought back last year. If she sells 200 shares of the stock for \$ 7 per shares, her balance in treasury stock will be:



22) Samantha had a flood. Her ending inventory last year was \$10,000. To the day of the flood she had purchased \$800,000 in goods. Her sales to the date of the flood were \$1,000,000. She keystones all her merchandise when determining the sales price. How much did Samantha lose in the flood?



23) Chris's Company had net income for 20x2 before tax and depreciation of \$500,000. The corporate tax rate is 30%. Chris's has \$1,000,000 in fixed assets. Assume that the fixed assets are depreciated using the straight line method for reporting purposes over 10 years with no salvage value. All of the property is 5 year property for tax (MACRS) purposes. The five year percentages are 20.00, 32.00, 19.20, 11.52, 11.52, 5.76. The equipment was all purchased at the beginning of 20x1. Assume this is the company's second year of operation and no assets, other than the \$1,000,000 which the company purchased on the day it opened, have been bought or sold since the company opened.

1.6	•	Book	T ASX	
How much is the debit to	tax expense for 20x2?	500,000	500,000	1,000,000
A. \$ 300,000 B. \$ 160,000	11000,000 Dage	100,000	320,000	320,000
C. \$ 54,000	10	400,000	180,006	320,000
D \$ 120,000		<u> </u>	x 30°g	
E. \$ Some oth	er number	120,000	54,000	

24) Still Chris's Company-- How much is the credit to deferred taxes in the 20x2 journal entry to record taxes?

A. \$ 300,000

B \$ 66,000

C. \$ 54,000

D. \$ 120,000

E. \$ Some other number

25) Still Chris's- What is the balance in the deferred tax account after the 20x2 journal entry for taxes? (Assume the company had the same net income before tax and depreciation for 20x1 as it did for 20x2)

ompar	iy hac	the same	net inc	ome before tax	and d	lepreciation for 2	Ox1 as it did for 20x2)	
A.	\$	66,000				Book	TAX	
B .	\$	128,000					A X	
(C)	\$	96,000				500,000	500,000	०००,००० ४३७%
D.	\$	120,000				700,000	200,000	And the second s
E.	\$	Some oth	ner num	ber		400,000	300,000	₹00,000
λ			DEF	30,000 66,000	7 YR	x 30° 120,000 #2	×308 90,000	
And the second second	ナ	Tax	E40	120,00	<i>ò</i>			

Tox Exp 120,000

Toxes Pary 54

Deffered Toxes 66

Answer the next six questions using the below data

	Beg	End
	Balance	Balance
Cash	10.000	25 000
Cash	10,000	25,000
Accts Rec	40,000	35,000
Inventory	50,000	60,000
Equipment	200,000	220,000 %O.000
Accum Deprec	20,000	30,000
Land		100,000 100,000
Accts Pay	50,000	60,000 85,000
Wage pay	10,000	2 (100)
Long-term debt	100,000	20,000 (90,000)
Common Stock	50,000	325 575,000 25,000 DIV
Retained Earnings	70,000	325 (250,000 20,000 DIV
Sales		1,000,000
Cost of goods sold		500,000
Other expenses		300,000

Last year the company had sales of \$1,000,000, and earned \$200,000 after taxes. The land was purchased for cash, the equipment was acquired by exchanging common stock worth \$20,000. The company did not sell any equipment during the year. The retained earnings balance for both years is after all closing entries have been made.

- 26) What was the cash Flow from Operations for the Year?
 - A. \$ 200,000
 - (B) \$ 210,000
 - C. \$ 240,000
 - D. \$ 15,000
- 27) What was The cash Flow from Investing for the year?
 - A. (\$120,000)
 - (B) (\$100,000)
 - C. (\$ 80,000)
 - D. Some other number
- 28) What was The cash Flow from Financing for the year? (Be careful!!)
 - A. \$-0-
 - B. (\$80,000)
 - C. (\$75,000)
 - (D) (\$ 95,000)
- 29) How much in dividends did the company pay during the year?
 - A. \$-0-
 - B. \$ 10,000
 - (C) \$ 20,000
 - D. \$ 200,000
 - E. Unable to determine from information given



(100) LANG

30) What was the debt to equity ratio at the end of the year?

.2073 B

C.

1 .5692

D. 4.823

E. None of these

.2073

(410)

31) What was the inventory turn?

40.15

C. 8.33

D. 43.82

E. Some other number

$$\frac{500,000}{60.000+100000} = 9.09$$

For the next four questions, use the following data:

On January 1, 20x1 John F's Company had 8 Thingies which cost you \$10 each in your inventory. During the year, the following transactions occurred

Jan 1 Sold 3 Thingies for \$20 each 60 Feb 1 bot 8 Thingies @ \$11 each

88 Mar 1 sold 4 Thingies @ \$22 each

Jun 1 sold 5 Thingies for \$22 each 110 Sept 1 bot 3 @ \$12 each

Dec 1 sold 2 @ \$24 each

	1 Ny -	FIFO	
8@ \$11 3@ \$11	36 88 36	30 40 54	3@\$10 4@\$10 \$1@\$10 \$1@\$11
	204	146	2@\$11

28

32) Cost of Goods Sold Under FIFO would be:

(A) \$146

B) \$152

C) \$160

D) \$154

E) none of these

33) Cost of Goods Sold Under LIFO would be

A) \$146

(B) \$152

C) \$160

D) \$154

E) none of these

34) Gross Margin using FIFO

A) \$146

B) \$152

C) \$160 D) \$154 306

E) none of these

35) Ending Inventory using LIFO

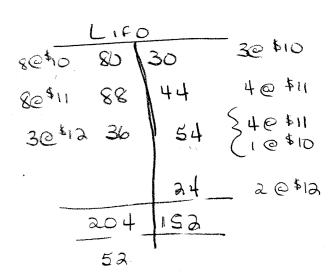
A) \$ 47

(B)\\$ 52

C) 4@ \$10

D) \$154

E) none of these



Brutus wants to buy from Debbie a Lucky Company 10%, \$100,000 bond that was issued 5 years ago. The bond pays interest annually. The bonds currently have exactly five years to maturity. Figure out the price Brutus should pay Debbie under each of the following scenarios. (Answer to the nearest \$5)

INT: 100,000 x 100 = 10,000 36) Current interest rates are 8%

- (A)) \$ 107,987
- B) \$ 100,000
- C) \$ 74,730
- D) \$ 92,818
- E) \$ 62,090

10,000 x 3,9927 = 39,927

100,000 x ,6806 68,060 107,987

37) Current interest rates are 10%

- A) \$ 107,787
- **(B)** \$ 100,000
- C) \$ 74,730
- D) \$ 68,060
- E) \$ 62,090

38) Current Interest rates are 12%

- A) \$ 107,787
- B) \$ 100,000
- C) \$ 74,730
- (D)) \$ 92,788
- 62,090

10,000 x 3.6048 = 36,048

100,000 x .5674 = 56,740 92,788

39) Freeland Company had wages payable at the beginning of the year of \$4,000. During the year her company paid cash wages of \$80,000 and at the end of the year she owed wages of \$10,000. Her income statement for the year will show wage expense of:

- A) \$ 80,000
- B) \$ 84,000
- C) \$ 94,000
- D) \$ 90,000

(E) \$ 86,000

WASE

WAGES Pay WAGE EXP 76,000 CASH

40) Still on Freeland Company, her wages payable on the balance sheet at the end of the year will be:

- (A) \$ 10,000
- B) \$ 14,000
- C) \$84,000
- D) \$ 94,000
- E) \$86,000

41) If Susie Co issues 2,000 shares of \$1 par value stock for \$60,000, the credit to "paid in capital in excess of par" would be

- **A**. \$60,000
- (B.) \$ 58,000
- C. \$ 2,000
- D. None of these
- CASH 60,000 CS 2,000 A00'L 58,000

58,000