

The Final Exam

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	300,000	Accounts payable	50,000
Accounts Rec	100,000	Bond Payable	100,000
Inventory	100,000	Common Stock	200,000
Land	300,000	Retained Earnings	250,000

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?

- A. \$ 450,000
- B. \$ 200,000
- C. \$ 550,000
- D. \$ 207,987
- E. 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:

- A. \$ 4,240.50
- B. \$ 100,000
- C. \$ 38,550
- D. \$ 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

- A. \$ 4,240.50
- B. \$ 3,705.60
- C. \$ 10,000.00
- D. \$ 42,405.00
- E. 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
- E. 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)

- A. \$ 467,753
- B. \$ 46,775
- C. \$ 52,389
- D. \$ 523,893

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?

- A. \$ 7,200
- B. \$ 16,200
- C. \$ 14,400
- D. \$ 7,200
- E. 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:

- A) A debit to bond discount of \$7,212
- B) A debit to cash of \$100,000
- C) A credit to premium on bonds payable of \$ 7,574.60
- D) A credit to bonds payable of \$ 92,788
- E) some other answer

10) For Leon's bonds, if they were issued the first day of 20x1 (10% face priced to yield 12%) and the first years interest was paid on Dec 31 of 20x1, the entry to record that interest would include:

- A) A credit to cash of \$11,134.56
- B) A debit to interest expense of \$10,000
- C) A credit to discount of \$ 7,574.60
- D) A credit to cash for \$10,000
- E) none of these.

11) Still on Leon's bond. The journal entry to record the interest expense for the second year would include

- A) A credit to interest payable of \$ 11,270.71
- B) A debit to interest expense of \$10,000
- C) A credit to bond discount of \$1,270.71
- D) A credit to cash for \$ 11,270.71
- E) none of these.

12) The Brock Company prepares annual financial statements at December 31 of each year. On April 1, 20x2 they borrowed \$100,000 from the bank. The Brock Company must pay interest of 12% plus \$10,000 on April 1 each year.

The journal entry on December 31, 20x2 is:

A. Interest Expense	\$9,000	
Interest Payable		\$9,000
B. Interest Expense	\$12,000	
Cash		\$12,000
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

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		\$12,000
F. Interest Expense	\$3,000	
Note Payable	\$10,000	
Cash		\$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
- C) 100
- D) 160
- 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 fudge 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

17) Still Devlon- the average collection period is:

- A. 7.2 times
- B. 6.00 times
- C. 50.69 days
- D. 60.83 days

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
- D. \$ 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

- A. \$ 8,042
- B. \$ 9,000
- C. \$ 11,191
- D. \$ 7,238
- E. None of these

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

- A. \$ 804.20
- B. \$ 237.42
- C. \$ 723.80
- D. \$ 900.00
- 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:

- A. \$ 4,800
- B. \$ 5,800
- C. \$ 4,600
- D. None of these

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 keystonees all her merchandise when determining the sales price. How much did Samantha lose in the flood?

- A. \$ 1,000,000
- B. \$ 810,000
- C. \$ 310,000
- D. \$ 190,000
- E. Some other number

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..

How much is the debit to tax expense for 20x2?

- A. \$ 300,000
- B. \$ 160,000
- C. \$ 54,000
- D. \$ 120,000
- E. \$ Some other number

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)

- A. \$ 66,000
- B. \$ 128,000
- C. \$ 96,000
- D. \$ 120,000
- E. \$ Some other number

Answer the next six questions using the below data

	Beg Balance	End Balance
Cash	10,000	25,000
Accts Rec	40,000	35,000
Inventory	50,000	60,000
Equipment	200,000	220,000
Accum Deprec	20,000	30,000
Land		100,000
Accts Pay	50,000	60,000
Wage pay	10,000	5,000
Long-term debt	100,000	20,000
Common Stock	50,000	75,000
Retained Earnings	70,000	250,000
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

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

- A. .2073
- B. 1
- C. .5692
- D. 4.823
- E. None of these

31) What was the inventory turn?

- A. 9.09
- B. 40.15
- C. 8.33
- D. 43.82
- E. Some other number

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
Feb 1 bot 8 Thingies @ \$11 each
Mar 1 sold 4 Thingies @ \$22 each
Jun 1 sold 5 Thingies for \$22 each
Sept 1 bot 3 @ \$12 each
Dec 1 sold 2 @ \$24 each

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
- 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 dollar)

36) Current interest rates are 8%

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

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
- E) \$ 62,090

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

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