CONCORDIA UNIVERSITY **FINANCIAL ACCOUNTING**
DEPARTMENT OF ACCOUNTANCY **COMM 217 ALL SECTIONS**

SOLUTION TO EXAM 2, WINTER 2021

Question A: Accounting for Sales Revenue and Receivables

Req. 1

January 17	Accounts receivable		1,600	
	Sales revenue			1,600
	Cost of sales		800	
	Inventory			800
19	Accounts payable		1,000	
	Inventory	(1,000 x 1%)		10
	Cash			990
21	Sales returns		400	
	Accounts receivable			400
	Inventory	(200 x 99%)	198	
	Cost of sales			198
26	Cash		1,176	
	Sales discount	(1,200 x 2%)	24	
	Accounts receivable			1,200

2. Interest expense for 20 days = $990 x 15% x 20/365 = $8.13

   The company should borrow the money given that the interest expense is lower than the discount of $10.

Question B: Accounting for Selected Transactions (Chapter 9)

Req. 1

Cash	44,296	
Credit Card Discounts [$45,200 x 2%]	904	
Sales Revenue [200 x $200]		40,000
GST Payable [$40,000 x 5%]		2,000
PST Payable [$40,000 x 8%]		3,200
Warranty Expense ($30 × 200 × 0.07)	420	
Estimated Warranty Payable …….		420

Req. 2

a. Payment to employees = $19,500 – (4,200 + 975 + 675 + 448 + 324) = $12,878

b. Total compensation expense = $19,500 + 1.4 x $448 + $975 = $21,102.20

Question C: Multiple-Choice Questions

Calculations for selected MCQs are shown below for clarification.

1. d) 125 (150 – 100 + 50 + 200 – 200 – 50 + 75)

2. a) $192,500 [$75,000 + $27,500 + 150 units x ($120,000 / 200)]

3. b) $79,500 [$49,500 + 50 units x ($120,000 / 200)]

4. a) $193,750 (100 x $500 + 250 x $575)
   WAC_1 = $75,000 / 150 = $500
   WAC_2 = (50 x $500 + $27,500 + $120,000) / (50 + 50 + 200) = $575

5. a) $71,579 (125 x $572.63)
   WAC = ($75,000 + $27,500 + $120,000 + $49,500) / (150 + 50 + 200 + 75) = $572.63

6. a) $27,500 using the FIFO method; $25,000 using the Weighted-average cost method
   GP, FIFO = $140,000 – (50 x $500 + $27,500 + 100 x $600) = $27,500
   GP, WAC = $140,000 – 200 x $575 = $25,000

7. c)

8. d)

9. b) $330,000 ($250,000 + $500,000 – $400,000 – $20,000)

10. c)

11. d) A debit to Bad Debt Expense for $26,500. [$400,000 x 6% – ($17,500 – $20,000)]

12. a)

13. b) $2,500. ($998 – $18 + $1,600 + $80 – $160)

14. d)

15. a) 1.22 [$271,000 / ($188,000 + $257,000) / 2]

16. d) 0.96 $$\frac{(\$740{,}000 - \$55{,}000 - \$74{,}000)}{[(\$125{,}000 + \$575{,}000 - \$57{,}500) + (\$125{,}000 + \$575{,}000 - \$63{,}250)]/2}$$

17. a) 1.53 $\frac{(\$740,000 - \$55,000 - \$74,000)}{[(\$426,000 - \$72,000) + (\$536,000 - \$89,000)]/2}$

18. d)

19. b)

20. b)

21. a) Straight line, $5,000; Units of activity, $2,600
SL: ($42,500 – $2,500) / 8 years; U of A: [($42,500 – $2,500) / 80,000] x 5,200

22. c) $ 85,000 Annual depreciation = $30,000 / 2 years = $15,000; Depreciable cost = $15,000 x 5 years = $75,000; Original cost = $75,000 + $10,000

23. c) $4,000. ($18,000 – $2,000) / 4 years

24. d)

25. b) $85,500 Depreciation for 2020 = $380,000 x 2/8 = $95,000
Depreciation for 2021 = ($380,000 – $95,000) x 2/8 = $71,250
Depreciation for 2022 = ($285,000 – $71,250) x 2/5 = $85,500

26. b)

27. d)

28. b)

29. d) debit to loss on sale of truck for $3,000. (Loss = $10,000 – ($28,000 – $15,000)

30. d)

31. b)

32. d)

33. a)

The last three questions relate to Chapter 9.

34. b) $502,000 ($40,000 + $2,500,000 x 2% – $38,000)

35. b) $104,000 ($120,000 – 8,000 x $2)

36. d)