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

**SOLUTION TO FINAL EXAM (REGULAR) - WINTER 2021**

**Question 1: Statement of Cash Flows**

**NIAKWA INDUSTRIES**
**Statement of Cash Flows—Indirect Method**
**For the Year Ended December 31, 2020**

| | |
|---|---|
| Operating activities | |
| Net earnings | $165,200 |
| Add (deduct) items not affecting cash: | |
| Depreciation—property, plant and equipment | 200,000 |
| Amortization—patents | 27,000 |
| Loss on sale of land | 100,000 |
| Changes in non-cash working capital items: | |
| Decrease in accounts receivable | 170,000 |
| Increase in accounts payable | 124,000 |
| Increase in inventory | (246,000) |
| Decrease in income taxes payable | (15,000) |
| Decrease in accrued payables | (80,000) |
| Net Cash flows from operating activities | $445,200 |
| | |
| Investing activities | |
| Proceeds from sale of land | 220,000 |
| Purchase of investments | (140,000) |
| Purchase of equipment | (400,000) |
| Net Cash flows from (used for) investing activities | (320,000) |
| | |
| Financing activities | |
| Proceeds from issuance of bonds payable | 500,000 |
| Payment on notes payable | (380,000) |
| Payment of cash dividends | (40,000) |
| Net Cash flows from financing activities | 80,000 |
| | |
| Net change in cash | 205,200 |
| Cash balance, January 1, 2020 | 200,000 |
| Cash balance, December 31, 2020 | $405,200 |

**Question 2: Journal Entries**

1. The 40,000 was for an advance payment for services not rendered, they should have been recorded as a liability (in unearned revenues) until the services are delivered.

   The gym provided services (i.e. earned revenues) for 6 months, hence the remaining 6 months' worth of membership should be in deferred (or unearned) revenues.

   Dr. Membership fee (service) revenue 20 000
   Cr. Deferred (or unearned) Revenue 20 000
   *Calculation: 40,000 x 6/12*

2.

| | | |
|---|---|---|
| Dr. Cash | 1,000,000 | |
| Cr. Sales revenue | | 1,000,000 |
| Dr. Cost of Sales | 350,000 | |
| Cr. Inventory | | 350,000 |
| Dr. Warranty expense | 30 000 | |
| Cr. Provision for warranties | | 30 000 |
| *Calculation: 500 x 2000 x 3%* | | |
| Dr. Provision for warranties | 20,000 | |
| Cr. Cash | | 20,000 |
| *Calculation: 10 x 2000* | | |
| Dr. Accounts receivable (or payable*) | 7,000 | |
| Cr. Cost of sales | | 7,000 |
| *Calculation: 10 x 700* | | |

   *Accounts payable can be used instead of Accounts receivable assuming the company has an ongoing relationship with the manufacturer.

**Question 3: Multiple Choice**

1. A 2.39 [($1430 – 857) / $240]

2. B 1.38 [($52 + 80 + 198) / 240]

3. A 4.00 [$800 / (160 + 240)/2]

4. A 21.86% [($270 + 24 x (1 – 100/370)] / [($1,200 + 1,430) /2]

5. D 16.42 [($270 + 24 + 100) / 24]

6. A 11.00 $33 / [($270,000 / (84,000 + 6,000)]

7. A 6.06% ($180,000/90,000) /$33; Change in SE = $150 = $60 + 270 – DIV → DIV = $180K

8. A $5,000 Change in PPE, net = $4 = $55 – 40 – Carrying value of eqpt sold → CV = $11
   Loss on sale = –$6 = Cash received – CV → Cash received = $11 – 6 = 5K

9. B
10. D
11. B
12. C
13. A
14. B
15. A
16. B $237,716 [$250,000 x 0.705 p$1$_{(i=6, n=6)}$ + $250,000 x 5% x 4.9173 P$1$_{(i=6, n=6)}$]
17. A
18. B S14,263 [$237,716 x 0.06]
19. A $9,579 [($237,716 + 14,263 – 12,500) x 0.06 x 4/6]
20. B $87,284 [$12,500 x 6 + 250,000 – 237,716]
21. B
22. B
23. C
24. D $18,000 [$30,000 – 2,000 x $25 x .06 x 4 years]
25. A
26. C
27. B
28. D
29. A
30. B