**Question 1: Transactions**

Net Income for the period ended December 31, 2002: 29,000

Question 2: Account Receivable

Beginning Balance = 120

Ending Balance= 270

(b)

Journal Entry:

|  |  |  |
| --- | --- | --- |
|  | Dr. | Cr. |
| Dr. Allowance for Doubtful Accounts | 100 |  |
| Cr. Accounts Receivables |  | 100 |

(c)

ADABB + Bad debt expense – Write-offs = ADAEB

Bad debt expense = 250

Journal Entry:

|  |  |  |
| --- | --- | --- |
|  | Dr. | Cr. |
| Dr. Bad debt expense | 250 |  |
| Cr. Allowance for Doubtful Accounts |  | 250 |

(d)

ARBB + Credit sales – Cash collected – Write-offs = AREB

Cash collection = 900

Question 3: Inventory

A company provides you with the following information about their inventory purchases
and sales:

1. Using the FIFO method, calculate the company’s cost of goods sold for January 2004 and the company’s ending inventory as of Jan. 31, 2004. (6 points)

FIFO COGS= 383.5

FIFO Ending Inventory= 130.5

1. Using the LIFO method, calculate the company’s cost of goods sold for January 2004 and the company’s ending inventory as of Jan. 31, 2004. (6 points)

LIFO COGS = 387.25

LIFO Ending Inventory = 126.75

1. Compute the cumulative amount of taxes that the company would have saved by using the LIFO method. Assume a tax rate of 35%. (3 points)

Tax Saving = (387.25-383.5)\*35%

Question 4: PP&E

Cash Received = -(392,941-365,112+56,925-92,976)=8222

Journal Entry:

|  |  |  |
| --- | --- | --- |
|  | Dr. | Cr. |
| Dr. Cash Accumulated Depreciation | 8222435 |  |
| Cr. PPE |  | 8657 |

Question 5: Time Value of Money

NPV= -6614.37

Question 6: Bond

Bond Price= 112,285.20

Bond issues at Premium

Journal Entry:

|  |  |  |
| --- | --- | --- |
|  | Dr. | Cr. |
| Dr. Cash | 112,285.20 |  |
| Cr. Premium on Bonds PayableBonds payable |  | 12,285.20100,000.00 |

Interest expense= 11,228.52

Total Liability= 112,285.20-(12,000-11,228.52)

Journal Entry:

|  |  |  |
| --- | --- | --- |
|  | Dr. | Cr. |
| Dr. Bond Premium Interest Expense | 12,000-11,228.5211,228.52 |  |
| Cr. Cash |  | 12,000 |

Market value = 111,513.72

Gain (loss) = 11,513.72

Journal Entry:

|  |  |  |
| --- | --- | --- |
|  | Dr. | Cr. |
| Dr. Bonds PayablePremium on Bonds payable | 100,000.0011,513.72 |  |
| Cr. Cash Gain of retirement of bonds |  | 100,000.0011,513.72 |

Question 7: Lease

1. Financial Lease, because “the expected resale value of the car after five year is $0”, which means that the useful life of the car is five years Go Pro Inc. leases the whole useful life of the car.
2. PV of lease payments = $12,462 \* PVOA(12%,5) = $12,462 \* 3.60478 = $44,922.77

1/1/2005: Dr. Leased Assets $44,922.77

Cr. Lease Obligation $44,922.77

12/31/2005: Dr. Interest Expense $5,391 (=$44922.77\*12%)

Lease Obligation $7,071 (=$12,462-$5391)

Cr. Cash $12,462

Dr. Depreciation Expense $8,984.5 (=44,922.77/5)

Cr. Accumulated Depreciation $8,984.5

12/31/2006: Dr. Interest Expense $4,542 (=($44922.77-$7,071)\*12%)

Lease Obligation $7,920 (=$12,462-$4,542)

Cr. Cash $12,462

Dr. Depreciation Expense $8,984.5

Cr. Accumulated Depreciation $8,984.5

1. 12/31/: Dr. Rent Expense $12,462

Cr. Cash $12,462

2nd year: Dr. Rent Expense $12,462

Cr. Cash $12,462

Question 8: Cash Flow

**Net Income 5,641**add: depreciation 4,651
add: other non-cash expenses 1,545

Subtract changes in
Accounts receivables (386)
Inventories (243)
Other operating current assets (575)

Add changes in
Accounts payable 496

**Cash Flow from Operations 11,129**

(b)

-Payment of dividends ($5,641 Net Income - $2,423 Increase in Retained Earnings) (3218)

**Cash Flow from Financing (3218)**

(b)

Net Cash Change 567
-Cash Flow from Operations (11,129)

-Cash Flow from Financing 3,218

=Cash Flow from Investing (7,344)