

1. The following balance sheet information (in \$ millions) comes from the Annual Report to Shareholders of President Hotel for 2018 fiscal year. (Certain amounts have been replaced with question marks to test your understanding of balance sheets.) In addition, you're provided with the following information from an analysis of President's financial position at the same date:

Current ratio = 4.78178

Acid-test ratio = 0.96822

Debt-to-equity ratio = 1.35185

President Hotel 2018		
USD in millions		
Assets		
Current assets		
Cash and cash equivalents	347	
Accounts and notes receivable	?	
Inventories	?	
Other current non-liquid assets	1,027	
Total current assets		?
Net property, plant and equipment	147	
Other long-term assets	?	
Total non-current assets		?
Total assets		2,540
Liabilities and stockholders' equity		
Liabilities		
Current liabilities		
Accounts payable	114	
Accrued liabilities	259	
Other payables and accruals	?	
Total current liabilities		472
Long-term debt	?	
Deferred taxes liabilities	79	
Other long-term liabilities	198	
Total long-term liabilities		?
Total liabilities		?
Stockholders' equity		
Common stock	1,000	
Additional paid-in capital	137	
Retained earnings	172	
Treasury stock	-(229)	
Total stockholders' equity		1,080
Total liabilities and stockholders' equity		?

5. Travis Construction Company was the low bidder on a construction project to build an earthen dam for \$1,800,000. The project was begun in 2017 and completed in 2018. Cost and other data are presented below:

	2017	2018
Costs incurred during the year	\$ 450,000	\$ 1,100,000
Estimated costs to complete	1,050,000	0
Billings during the year	400,000	1,400,000
Cash collections during the year	300,000	1,500,000

Assume that Travis recognizes revenue on this contract over time according to percentage of completion. Compute the amount of gross profit recognized during 2017 and 2018.

6. Compute the present value of the following single amounts to be received at the end of the specified period at the given interest rate.

Item	Invested Amount	Interest Rate	Number of Periods
a.	\$40,000	7%	20
b.	\$20,000	6%	25
c.	\$50,000	11%	10

7. Korea Imports sold merchandise to Big-Mart, receiving a six-month, noninterest-bearing note for \$100,000. The implied discount rate on the note is 10% per annum. Korea uses a periodic inventory system, and views the financing component of this transaction to be significant.

- Prepare the journal entry to record the sale.
- Compute the effective rate of interest.

8. On July 5, 2018, a flood destroyed the entire inventory of Bill and John's Food Mart. The following information is available from its accounting records:

Inventory, January 1, 2018	\$211,000
Purchases, Jan. 1–July 5	500,000
Sales, Jan. 1–July 5	900,000
Normal gross margin	30%

Compute the estimated cost of inventory lost in the fire.

- Gilly Corporation exchanged land and \$4,500 cash for material handling equipment. The land had a book value of \$45,000 and a fair value of \$58,000. Assume the exchange has commercial substance. Prepare the journal entry to record the exchange.
 - Gilly Corporation exchanged land and cash of \$6,500 for equipment. The land had a book value of \$45,000 and a fair value of \$34,000. Assume the exchange has commercial substance. Prepare the journal entry to record the exchange.
- On January 1, 2018, Edwards Inc. purchased a spooler at a cost of \$40,000. The equipment is expected to last eight years and have a residual value of \$4,000. During its eight-year life, the equipment is expected to produce 250,000 units of product. In 2018 and 2019, 42,000 and 76,000 units respectively were produced. Compute depreciation for 2018 and 2019 and the book value of the spooler at December 31, 2018 and 2019, assuming the straight-line method is used.