

TEST 1

ACCOUNTING 325

NAME: _____

EACH CHAPTER HAS A PROBLEM ASSIGNED FOR THE TEST. EACH PROBLEM IS WORTH 12.5 POINTS. DO EACH PROBLEM WITH EXCEL SPREADSHEET OR WELL WRITTEN JOURNALS OR CLEARLY WRITTEN EXERCISES. THIS IS DUE ON OCTOBER 1st. YOU CAN TURN IT IN EARLY IF YOU WANT.

CHAPTER 1

PAGE 41 P1-1B

Remember the Tabular Analysis is the Accounting Equations titles like we did on the chalk board

CHAPTER 2

PAGE 89 P2-3B

Do Instructions A & B only

CHAPTER 3

PAGE 144 P3-1A

USE EXCEL SPREADSHEET

CHAPTER 4

PAGE 199 P4-1A

Reminder: closing entries are the Income Summary temporary account. Think "T" Accounts

CHAPTER 5

PAGE 255 E5-9

CHAPTER 6

PAGE 313 P6-3A

CHAPTER 7

PAGE 356 E7-7 USE EXCEL

CHAPTER 8

PAGE 412 E8-11

- 17 Paid \$2,500 for employee salaries.
- 20 Paid for the supplies purchased on account on May 3.
- 23 Received a cash payment of \$4,000 for services performed on account on May 15.
- 26 Borrowed \$5,000 from the bank on a note payable.
- 29 Purchased equipment for \$4,200 on account.
- 30 Paid \$275 for utilities.

Instructions

(a) Show the effects of the previous transactions on the accounting equation using the following format. (a) Total assets \$20,800

Assets				Liabilities		Owner's Equity				
Accounts				Notes	Accounts	Owner's	Owner's			
Date	Cash	+ Receivable	+ Supplies	+ Equipment	= Payable	+ Payable	+ Capital	- Drawings	+ Revenues	- Expenses

(b) Prepare an income statement for the month of May.

(b) Net income \$5,600

(c) Prepare a balance sheet at May 31, 2014.

(c) Cash \$14,600

P1-5A Financial statement information about four different companies is as follows.

Determine financial statement amounts and prepare owner's equity statement.

	Farrell Company	Prasad Company	Thao Company	Zinda Company
January 1, 2014				
Assets	\$ 80,000	\$ 90,000	(g)	\$150,000
Liabilities	48,000	(d)	80,000	(j)
Owner's equity	(a)	40,000	49,000	90,000
December 31, 2014				
Assets	(b)	112,000	180,000	(k)
Liabilities	60,000	72,000	(h)	100,000
Owner's equity	50,000	(e)	82,000	151,000
Owner's equity changes in year				
Additional investment	(c)	8,000	10,000	15,000
Drawings	15,000	(f)	12,000	10,000
Total revenues	350,000	410,000	(i)	500,000
Total expenses	333,000	385,000	350,000	(l)

(LO 6, 8)

Instructions

- (a) Determine the missing amounts. (Hint: For example, to solve for (a), Assets - Liabilities = Owner's equity = \$32,000.)
- (b) Prepare the owner's equity statement for Farrell Company.
- (c) Write a memorandum explaining the sequence for preparing financial statements and the interrelationship of the owner's equity statement to the income statement and balance sheet.

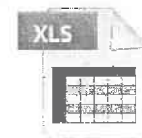
PROBLEMS: SET B

P1-1B Solki's Repair Shop was started on May 1 by Solki Lee. A summary of May transactions is presented below.

Analyze transactions and compute net income.

(LO 6, 7)

- 1. Invested \$10,000 cash to start the repair shop.
- 2. Purchased equipment for \$5,000 cash.
- 3. Paid \$400 cash for May office rent.
- 4. Paid \$500 cash for supplies.
- 5. Incurred \$250 of advertising costs in the *Beacon News* on account.
- 6. Received \$6,100 in cash from customers for repair service.
- 7. Withdrew \$1,000 cash for personal use.
- 8. Paid part-time employee salaries \$2,000.
- 9. Paid utility bills \$170.
- 10. Performed repair services worth \$750 on account.
- 11. Collected cash of \$120 for services billed in transaction (10).



Iris uses the following chart of accounts: No. 101 Cash, No. 112 Accounts Receivable, No. 126 Supplies, No. 201 Accounts Payable, No. 209 Unearned Service Revenue, No. 301 Owner's Capital, No. 400 Service Revenue, No. 726 Salaries and Wages Expense, and No. 729 Rent Expense.

Instructions

- (a) Journalize the transactions.
- (b) Post to the ledger accounts.
- (c) Prepare a trial balance on May 31, 2014.

(c) Trial balance totals \$28,900

P2-3B Tony Vian owns and manages a computer repair service, which had the following trial balance on December 31, 2013 (the end of its fiscal year).

Journalize transactions, post, and prepare a trial balance.

(LO 2, 4, 6, 7)

VIAN REPAIR SERVICE

Trial Balance
December 31, 2013

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 8,000	
Accounts Receivable	15,000	
Supplies	13,000	
Prepaid Rent	3,000	
Equipment	20,000	
Accounts Payable		\$19,000
Owner's Capital		40,000
	<u>\$59,000</u>	<u>\$59,000</u>

Summarized transactions for January 2014 were as follows.

1. Advertising costs, paid in cash, \$1,000.
2. Additional supplies acquired on account \$4,200.
3. Miscellaneous expenses, paid in cash, \$2,000.
4. Cash collected from customers in payment of accounts receivable \$14,000.
5. Cash paid to creditors for accounts payable due \$15,000.
6. Repair services performed during January: for cash \$6,000; on account \$9,000.
7. Wages for January, paid in cash, \$3,500.
8. Tony's drawings during January were \$3,000.

Instructions

- (a) Open T-accounts for each of the accounts listed in the trial balance, and enter the opening balances for 2014.
- (b) Prepare journal entries to record each of the January transactions. (Omit explanations.)
- (c) Post the journal entries to the accounts in the ledger. (Add accounts as needed.)
- (d) Prepare a trial balance as of January 31, 2014.

(d) Trial balance totals \$63,200

P2-4B The trial balance of the Sean Devine Company shown below does not balance.

Prepare a correct trial balance.

(LO 7)

SEAN DEVINE COMPANY

Trial Balance
May 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 5,850	
Accounts Receivable		\$ 2,750
Prepaid Insurance	700	
Equipment	8,000	
Accounts Payable		4,500
Unearned Service Revenue	650	
Owner's Capital		11,700
Service Revenue	6,690	
Salaries and Wages Expense	4,200	
Advertising Expense		1,100
Utilities Expense	890	
	<u>\$26,980</u>	<u>\$20,050</u>



Comment on the objective and qualitative characteristics of financial reporting.
(LO 8)

***E3-22** A friend of yours, Ana Gehrig, recently completed an undergraduate degree in science and has just started working with a biotechnology company. Ana tells you that the owners of the business are trying to secure new sources of financing which are needed in order for the company to proceed with development of a new health-care product. Ana said that her boss told her that the company must put together a report to present to potential investors.

Ana thought that the company should include in this package the detailed scientific findings related to the Phase I clinical trials for this product. She said, "I know that the biotech industry sometimes has only a 10% success rate with new products, but if we report all the scientific findings, everyone will see what a sure success this is going to be! The president was talking about the importance of following some set of accounting principles. Why do we need to look at some accounting rules? What they need to realize is that we have scientific results that are quite encouraging, some of the most talented employees around, and the start of some really great customer relationships. We haven't made any sales yet, but we will. We just need the funds to get through all the clinical testing and get government approval for our product. Then these investors will be quite happy that they bought in to our company early!"

Instructions

- (a) What is accounting information?
- (b) Comment on how Ana's suggestions for what should be reported to prospective investors conforms to the qualitative characteristics of accounting information. Do you think that the things that Ana wants to include in the information for investors will conform to financial reporting guidelines?

**EXERCISES: SET B AND
CHALLENGE EXERCISES**

Visit the book's companion website, at www.wiley.com/college/weygandt, and choose the Student Companion site to access Exercise Set B and Challenge Exercises.

PROBLEMS: SET A

Prepare adjusting entries, post to ledger accounts, and prepare an adjusted trial balance.

(LO 4, 5, 6)

P3-1A Deanna Nardelli started her own consulting firm, Nardelli Consulting, on May 1, 2014. The trial balance at May 31 is as follows.

NARDELLI CONSULTING				
Trial Balance				
May 31, 2014				
<u>Account Number</u>		<u>Debit</u>		<u>Credit</u>
101	Cash	\$ 4,500		
112	Accounts Receivable	6,000		
126	Supplies	1,900		
130	Prepaid Insurance	3,600		
149	Equipment	11,400		
201	Accounts Payable			\$ 4,500
209	Unearned Service Revenue			2,000
301	Owner's Capital			17,700
400	Service Revenue			7,500
726	Salaries and Wages Expense	3,400		
729	Rent Expense	900		
		<u>\$31,700</u>		<u>\$31,700</u>

Credit
 \$115,000
 42,600
 12,300
 97,780
 18,720
 2,600
 17,180
106,180

***E4-18** Reblin Company pays salaries of \$12,000 every Monday for the preceding 5-day week (Monday through Friday). Assume December 31 falls on a Tuesday, so Reblin's employees have worked 2 days without being paid.

Use reversing entries.
 (LO 7)

Instructions

- (a) Assume the company does not use reversing entries. Prepare the December 31 adjusting entry and the entry on Monday, January 6, when Reblin pays the payroll.
- (b) Assume the company does use reversing entries. Prepare the December 31 adjusting entry, the January 1 reversing entry, and the entry on Monday, January 6, when Reblin pays the payroll.

***E4-19** On December 31, the adjusted trial balance of Cisneros Employment Agency shows the following selected data.

Prepare closing and reversing entries.
 (LO 2, 4, 7)

Accounts Receivable	\$24,500	Service Revenue	\$92,500
Interest Expense	8,300	Interest Payable	2,000

Analysis shows that adjusting entries were made to (1) accrue \$5,000 of service revenue and (2) accrue \$2,000 interest expense.

Instructions

- (a) Prepare the closing entries for the temporary accounts shown above at December 31.
- (b) Prepare the reversing entries on January 1.
- (c) Post the entries in (a) and (b). Underline and balance the accounts. (Use T-accounts.)
- (d) Prepare the entries to record (1) the collection of the accrued revenue on January 10 and (2) the payment of all interest due (\$3,000) on January 15.
- (e) Post the entries in (d) to the temporary accounts.

EXERCISES: SET B AND CHALLENGE EXERCISES

Visit the book's companion website, at www.wiley.com/college/wegandt, and choose the Student Companion site to access Exercise Set B and Challenge Exercises.

PROBLEMS: SET A

P4-1A The trial balance columns of the worksheet for Lampert Roofing at March 31, 2014, are as follows.

Prepare a worksheet, financial statements, and adjusting and closing entries.
 (LO 1, 2, 3, 6)

LAMPERT ROOFING
 Worksheet
 For the Month Ended March 31, 2014

Account Titles	Trial Balance	
	Dr.	Cr.
Cash	4,500	
Accounts Receivable	3,200	
Supplies	2,000	
Equipment	11,000	
Accumulated Depreciation—Equipment		1,250
Accounts Payable		2,500
Unearned Service Revenue		550
Owner's Capital		12,900
Owner's Drawings	1,100	
Service Revenue		6,300
Salaries and Wages Expense	1,300	
Miscellaneous Expense	400	
	<u>23,500</u>	<u>23,500</u>



Instructions

- (a) Prepare the necessary adjusting entry for inventory.
- (b) Prepare the necessary closing entries.

E5-9 Presented below is information for Furlow Company for the month of March 2014.

Cost of goods sold	\$212,000	Rent expense	\$ 32,000
Freight-out	7,000	Sales discounts	8,000
Insurance expense	6,000	Sales returns and allowances	13,000
Salaries and wages expense	58,000	Sales revenue	380,000

Prepare multiple-step income statement.
(LO 5)

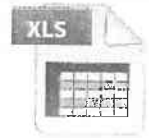
Instructions

- (a) Prepare a multiple-step income statement.
- (b) Compute the gross profit rate.

E5-10 In its income statement for the year ended December 31, 2014, Lemere Company reported the following condensed data.

Operating expenses	\$ 725,000	Interest revenue	\$ 28,000
Cost of goods sold	1,289,000	Loss on disposal of plant assets	17,000
Interest expense	70,000	Net sales	2,200,000

Prepare multiple-step and single-step income statements.
(LO 5)



Instructions

- (a) Prepare a multiple-step income statement.
- (b) Prepare a single-step income statement.

E5-11 An inexperienced accountant for Huang Company made the following errors in recording merchandising transactions.

1. A \$195 refund to a customer for faulty merchandise was debited to Sales Revenue \$195 and credited to Cash \$195.
2. A \$180 credit purchase of supplies was debited to Inventory \$180 and credited to Cash \$180.
3. A \$215 sales discount was debited to Sales Revenue.
4. A cash payment of \$20 for freight on merchandise purchases was debited to Freight-Out \$200 and credited to Cash \$200.

Prepare correcting entries for sales and purchases.
(LO 2, 3)

Instructions

Prepare separate correcting entries for each error, assuming that the incorrect entry is not reversed. (Omit explanations.)

E5-12 In 2014, Matt Cruz Company had net sales of \$900,000 and cost of goods sold of \$522,000. Operating expenses were \$225,000, and interest expense was \$11,000. Cruz prepares a multiple-step income statement.

Compute various income measures.
(LO 5)

Instructions

- (a) Compute Cruz's gross profit.
- (b) Compute the gross profit rate. Why is this rate computed by financial statement users?
- (c) What is Cruz's income from operations and net income?
- (d) If Cruz prepared a single-step income statement, what amount would it report for net income?
- (e) In what section of its classified balance sheet should Cruz report merchandise inventory?

E5-13 Presented below is financial information for two different companies.

	<u>May Company</u>	<u>Reed Company</u>
Sales revenue	\$90,000	(d)
Sales returns	(a)	\$ 5,000
Net sales	87,000	102,000
Cost of goods sold	56,000	(e)
Gross profit	(b)	41,500
Operating expenses	15,000	(f)
Net income	(c)	15,000

Compute missing amounts and compute gross profit rate.
(LO 5)

Instructions

- (a) Determine the missing amounts.
- (b) Determine the gross profit rates. (Round to one decimal place.)

- (d) Also included in Austin's warehouse is \$700 of inventory that Ryhn Producers shipped to Austin on consignment.
- (e) On February 26, Austin issued a purchase order to acquire goods costing \$900. The goods were shipped with terms FOB destination on February 27. Austin received the goods on March 2.
- (f) On February 26, Austin shipped goods to a customer under terms FOB destination. The invoice price was \$350; the cost of the items was \$200. The receiving report indicates that the goods were received by the customer on March 2.

Instructions

For each of the above transactions, specify whether the item in question should be included in ending inventory, and if so, at what amount.

P6-2A Express Distribution markets CDs of the performing artist Fishe. At the beginning of October, Express had in beginning inventory 2,000 of Fishe's CDs with a unit cost of \$7. During October, Express made the following purchases of Fishe's CDs.

Oct. 3 2,500 @ \$8	Oct. 19 3,000 @ \$10
Oct. 9 3,500 @ \$9	Oct. 25 4,000 @ \$11

During October, 10,900 units were sold. Express uses a periodic inventory system.

Instructions

- (a) Determine the cost of goods available for sale.
- (b) Determine (1) the ending inventory and (2) the cost of goods sold under each of the assumed cost flow methods (FIFO, LIFO, and average-cost). Prove the accuracy of the cost of goods sold under the FIFO and LIFO methods.
- (c) Which cost flow method results in (1) the highest inventory amount for the balance sheet and (2) the highest cost of goods sold for the income statement?

P6-3A Ziad Company had a beginning inventory on January 1 of 150 units of Product 4-18-15 at a cost of \$20 per unit. During the year, the following purchases were made.

Mar. 15 400 units at \$23	Sept. 4 350 units at \$26
July 20 250 units at \$24	Dec. 2 100 units at \$29

1,000 units were sold. Ziad Company uses a periodic inventory system.

Instructions

- (a) Determine the cost of goods available for sale.
- (b) Determine (1) the ending inventory, and (2) the cost of goods sold under each of the assumed cost flow methods (FIFO, LIFO, and average-cost). Prove the accuracy of the cost of goods sold under the FIFO and LIFO methods.
- (c) Which cost flow method results in (1) the highest inventory amount for the balance sheet, and (2) the highest cost of goods sold for the income statement?

P6-4A The management of Felipe Inc. is reevaluating the appropriateness of using its present inventory cost flow method, which is average-cost. The company requests your help in determining the results of operations for 2014 if either the FIFO or the LIFO method had been used. For 2014, the accounting records show these data:

Inventories		Purchases and Sales	
Beginning (7,000 units)	\$14,000	Total net sales (180,000 units)	\$747,000
Ending (17,000 units)		Total cost of goods purchased (190,000 units)	466,000

Purchases were made quarterly as follows.

Quarter	Units	Unit Cost	Total Cost
1	50,000	\$2.20	\$110,000
2	40,000	2.35	94,000
3	40,000	2.50	100,000
4	60,000	2.70	162,000
	190,000		\$466,000

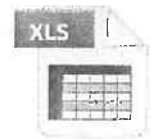
Operating expenses were \$130,000, and the company's income tax rate is 40%.

Instructions

- (a) Prepare comparative condensed income statements for 2014 under FIFO and LIFO. (Show computations of ending inventory.)

Determine cost of goods sold and ending inventory using FIFO, LIFO, and average-cost with analysis.

(LO 2, 3)



(b)(2) Cost of goods sold:

FIFO	\$ 94,500
LIFO	\$108,700
Average	\$101,370

Determine cost of goods sold and ending inventory, using FIFO, LIFO, and average-cost with analysis.

(LO 2, 3)

(b)(2) Cost of goods sold:

FIFO	\$23,400
LIFO	\$24,900
Average	\$24,160

Compute ending inventory, prepare income statements, and answer questions using FIFO and LIFO.

(LO 2, 3)

(a) Gross profit:

FIFO	\$312,900
LIFO	\$303,000

Instructions

- (a) Prepare a sales journal (see Illustration 7-7) and a single-column purchases journal (see Illustration 7-13). (Use page 1 for each journal.)
- (b) Record the transaction(s) for September that should be journalized in the sales journal and the purchases journal.

Record transactions in cash receipts and cash payments journal.

(LO 3)

E7-7 R. Santiago Co. uses special journals and a general journal. The following transactions occurred during May 2014.

- May 1 R. Santiago invested \$40,000 cash in the business.
- 2 Sold merchandise to Lawrie Co. for \$6,300 cash. The cost of the merchandise sold was \$4,200.
- 3 Purchased merchandise for \$7,700 from J. Moskos using check no. 101.
- 14 Paid salary to H. Rivera \$700 by issuing check no. 102.
- 16 Sold merchandise on account to K. Stanton for \$900, terms n/30. The cost of the merchandise sold was \$630.
- 22 A check of \$9,000 is received from M. Mangini in full for invoice 101; no discount given.

Instructions

- (a) Prepare a multiple-column cash receipts journal (see Illustration 7-9) and a multiple-column cash payments journal (see Illustration 7-16). (Use page 1 for each journal.)
- (b) Record the transaction(s) for May that should be journalized in the cash receipts journal and cash payments journal.

Explain journalizing in cash journals.

(LO 3)

E7-8 Francisco Company uses the columnar cash journals illustrated in the textbook. In April, the following selected cash transactions occurred.

- Made a refund to a customer as an allowance for damaged goods.
- Received collection from customer within the 3% discount period.
- Purchased merchandise for cash.
- Paid a creditor within the 3% discount period.
- Received collection from customer after the 3% discount period had expired.
- Paid freight on merchandise purchased.
- Paid cash for office equipment.
- Received cash refund from supplier for merchandise returned.
- Withdrew cash for personal use of owner.
- Made cash sales.

Instructions

Indicate (a) the journal, and (b) the columns in the journal that should be used in recording each transaction.

Journalize transactions in general journal and explain postings.

(LO 3)

E7-9 Hasselback Company has the following selected transactions during March.

- Mar. 2 Purchased equipment costing \$7,400 from Bole Company on account.
- 5 Received credit of \$410 from Carwell Company for merchandise damaged in shipment to Hasselback.
- 7 Issued credit of \$400 to Dempsey Company for merchandise the customer returned. The returned merchandise had a cost of \$260.

Hasselback Company uses a one-column purchases journal, a sales journal, the columnar cash journals used in the text, and a general journal.

Instructions

- (a) Journalize the transactions in the general journal.
- (b) ~~Journalize~~ In a brief memo to the president of Hasselback Company, explain the postings to the control and subsidiary accounts from each type of journal.

Indicate journalizing in special journals.

(LO 3)

E7-10 Below are some typical transactions incurred by Ricketts Company.

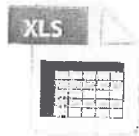
- Payment of creditors on account.
- Return of merchandise sold for credit.
- Collection on account from customers.
- Sale of land for cash.
- Sale of merchandise on account.
- Sale of merchandise for cash.

Bank Statement		
Checks Paid		
Date	Check No.	Amount
5/4	254	\$650
5/2	257	410
5/17	258	159
5/12	259	275
5/20	261	500
5/29	263	480
5/30	262	750

Cash Payments Journal		
Checks Issued		
Date	Check No.	Amount
5/2	258	\$159
5/5	259	275
5/10	260	890
5/15	261	500
5/22	262	750
5/24	263	480
5/29	264	560

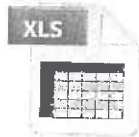
Prepare bank reconciliation and adjusting entries.

(LO 7)



Prepare bank reconciliation and adjusting entries.

(LO 7)



Compute deposits in transit and outstanding checks for two bank reconciliations.

(LO 7)

Instructions

Using Step 2 in the reconciliation procedure, list the outstanding checks at May 31.

E8-11 The following information pertains to Crane Video Company.

- Cash balance per bank, July 31, \$7,263.
- July bank service charge not recorded by the depositor \$28.
- Cash balance per books, July 31, \$7,284.
- Deposits in transit, July 31, \$1,300.
- Bank collected \$700 note for Crane in July, plus interest \$36, less fee \$20. The collection has not been recorded by Crane, and no interest has been accrued.
- Outstanding checks, July 31, \$591.

Instructions

- Prepare a bank reconciliation at July 31.
- Journalize the adjusting entries at July 31 on the books of Crane Video Company.

E8-12 The information below relates to the Cash account in the ledger of Minton Company.

Balance September 1—\$17,150; Cash deposited—\$64,000.

Balance September 30—\$17,404; Checks written—\$63,746.

The September bank statement shows a balance of \$16,422 on September 30 and the following memoranda.

Credits		Debits	
Collection of \$2,500 note plus interest \$30	\$2,530	NSF check: Richard Nance	\$425
Interest earned on checking account	\$45	Safety deposit box rent	\$65

At September 30, deposits in transit were \$5,450, and outstanding checks totaled \$2,383.

Instructions

- Prepare the bank reconciliation at September 30.
- Prepare the adjusting entries at September 30, assuming (1) the NSF check was from a customer on account, and (2) no interest had been accrued on the note.

E8-13 The cash records of Dawes Company show the following four situations.

- The June 30 bank reconciliation indicated that deposits in transit total \$920. During July, the general ledger account Cash shows deposits of \$15,750, but the bank statement indicates that only \$15,600 in deposits were received during the month.
- The June 30 bank reconciliation also reported outstanding checks of \$680. During the month of July, Dawes Company's books show that \$17,200 of checks were issued. The bank statement showed that \$16,400 of checks cleared the bank in July.
- In September, deposits per the bank statement totaled \$26,700, deposits per books were \$26,400, and deposits in transit at September 30 were \$2,100.
- In September, cash disbursements per books were \$23,700, checks clearing the bank were \$25,000, and outstanding checks at September 30 were \$2,100.

There were no bank debit or credit memoranda. No errors were made by either the bank or Dawes Company.

Instructions

Answer the following questions.

- In situation (1), what were the deposits in transit at July 31?
- In situation (2), what were the outstanding checks at July 31?