ACG 2021
EXAM # 2
CHAPTERS 6, 8, 9, 10

INSTRUCTIONS: COMPLETE All OF this EXAM ON AN EXCEL SPREADSHEET.

I.

*P9-7A In recent years Ping Company has purchased three machines. Because of frequent employee turnover in the accounting department, a different accountant was in charge of selecting the depreciation method for each machine, and various methods have been used. Information concerning the machines is summarized in the table below.

Machine	Acquired	Cost	Salvage Value	Useful Life (in years)	Depreciation Method
1	Jan. 1, 2004	$96,000	$ 6,000	6	Straight-line
2	July 1, 2005	80,000	10,000	5	Declining-balance
3	Nov. 1, 2005	78,000	6,000	6	Units-of-activity

For the declining-balance method, Ping Company uses the double-declining rate. For the units-of-activity method, total machine hours are expected to be 24,000. Actual hours of use in the first 3 years were: 2005, 400; 2006, 4,500; and 2007, 5,000.

Instructions

(a) Compute the amount of accumulated depreciation on each machine at December 31, 2007.

II.

Customer	Total	Not Yet Due	Number of Days Past Due 1–30	31–60	61–90	Over 90
Adisy	$ 20,000		$ 9,000	$11,000		
Bloom	30,000	$ 30,000				
Cai	50,000	5,000	5,000		$40,000	
Dahl	38,000					$38,000
Others	120,000	72,000	35,000	13,000		
	$258,000	$107,000	$49,000	$24,000	$40,000	$38,000
Estimated percentage uncollectible		3%	5%	12%	24%	50%
Total estimated bad debts	$ 37,140	$ 3,210	$ 2,450	$ 2,880	$ 9,600	$19,000

At December 31, 2007, the unadjusted balance in Allowance for Doubtful Accounts is a credit of $8,000.

Instructions

(a) Journalize and post the adjusting entry for bad debts at December 31, 2007. [redacted]

III.

[redacted] Prairie Company had a beginning inventory on January 1 of 100 units of Product SXL at a cost of $20 per unit. During the year, purchases were:

Mar. 15	300 units at $22	Sept. 4	350 units at $27
July 20	250 units at $25	Dec. 2	100 units at $30

Prairie Company sold 850 units, and it uses a periodic inventory system.

Instructions

(a) Determine the cost of goods available for sale.

(b) Determine the ending inventory and 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 each method. (Round cost per unit to three decimal places.)

(c) Which cost flow method results in the highest inventory amount for the balance sheet? The highest cost of goods sold for the income statement?

IV.

[redacted] Margaret Rose Company sold $4,000,000, 8%, 20-year bonds on January 1, 2007. The bonds were dated January 1, 2007, and pay interest on December 31. The bonds were sold at 98.

Calculate the Following:

1. Issue Price
2. Unamortized Discount
3. Discount Amortized
4. Cash Interest Paid Annually.
5. Effective Interest Rate (Bond Yield)