Problem 1

Part 1

Journal

2010		Dr	Cr
Jan 9	Machine	53,000	
	Cash		1,000
	8% Note Payable		52,000
Feb 28	Cash	200,000	
	9% Note Payable		200,000
Jul 9	8% Note Payable	52,000	
	Interest Expense	2,080	
	Cash		54,080
Dec 31	Warranty Expense	19,500	
	Accrued Warranty Liability		19,500
Dec 31	Interest Expense	15,000	
	Accrued Interest Expense		15,000
2011			
Feb 28	Interest Expense	3,000	
	Accrued Interest Expense	15,000	
	9% Note Payable	50,000	
	Cash		68,000

Part 2

Journal

2010		Dr	Cr
Dec 31	Bank	1,500,000	
	Mortgage Note Payable		1,500,000
Jun 30	Interest Expense	75,000	
	Mortgage Payable	45,365	
	Cash		120,365
2011			
Dec 31	Interest Expense	72,731.75	
	Mortgage Payable	47,633.25	
	Cash		120,365

Problem 2

Journal

Items		Dr	Cr
(1)	Land	2,890,000	
	Cash		2,890,000
(2)	Building	4,500,000	
	Cash		4,500,000
(3a)	Depreciation expense	210,000	
	Accumulated depreciation - building		210,000
(3b)	Depreciation expense	4,500,000	
	Accumulated depreciation - building		4,500,000
(4a)	Depreciation expense	210,000	
	Accumulated depreciation - building		210,000
(4b)	Depreciation expense	405,000	
	Accumulated depreciation - building		405,000
(5)	Depreciation expense	253,810.596	
	Accumulated depreciation - building		253,810.596
(6)	Cash	3,120,000	
	Land		2,890,000
	Gain on disposal of land		230,000
	Cash	780,000	
	Accumulated depreciation - building	2,184,757.616	
	Loss on disposal of building	535,242.384	
	Building		4,500,000

Problem 3

(a)

Journal

2010		Dr	Cr
Jan 10	Cash	200,000	
	Common Stock		200,000
Jan 31	Land	225,000	
	Common Stock		200,000
	Paid-in Capital in Excess of par - common		25,000
Feb 24	Cash	108,000	
	Preferred Stock		100,000
	Paid-in capital in Excess of par – Preferred		8,000
Feb 26	Cash	140,000	
	Common Stock		100,000
	Paid-in capital in Excess of par – common		40,000
Apr 2	Retained Earnings	56,000	
	Dividend Payable - Preferred		2,000
	Dividend Payable - Common		54,000
Apr 29	No entry is required		
May 8	Dividend Payable - Preferred	2,000	
	Dividend Payable - Common	54,000	
	Cash		56,000
Jun 3	Treasury Stock	4,000	
	Cash		4,000
Jun 7	Cash	3,600	
	Treasury Stock		2,400
	Paid-in capital, treasury stock		1,200

Jun 8	Cash	1,400	
	Paid-in capital, Treasury Stock	200	
	Treasury Stock		1,600
Jul 1	Retained Earnings	15,000	
	Common Stock		10,000
	Paid-in capital in excess of par --common		5,000
Sep 1	No entry is required		

(b)

Par value: $5 per share

Number of shares of common stock outstanding: 102,000 shares

Problem 4

Part A

(a)

Bank Reconciliation

Bank		Books	
Month-end cash balance according to bank statement	$ 7,636	Month-end cash balance according to ledger account	$ 6,625
Add		Add	
Deposit in transit	390	Accounts payable - Amount recorded twice	385
Bank error	444	Interest from deposit	20
		CYT Ltd	1,000
		Collection fee	10
	8,470		8,040
Less		Less	
Outstanding cheques(# 182,201)	770	Rent - Standing order payment	340
Adjusted Balance	7,700		7,700

(b)

Journal

	Dr	Cr
Cash	385	
Accounts payable		385
Rent	340	
Cash		340
Cash	20	
Interest from deposit		20
Cash	1,010	
Collection fee		10
CYT Ltd		1,000

Part B

Journal

	Dr	Cr
(a)		
Accounts receivable	30,000,000	
Sales		30,000,000
Cash	29,200,000	
Accounts receivable		29,200,000
Uncollectible accounts expense	165,000	
Accounts receivable		165,000
Accounts receivable	15,000	
Uncollectible accounts expense		15,000
(b)		
Uncollectible accounts expense	10,000	
Allowance for uncollectible accounts		10,000
(c)		
Accounts receivable		3,645,000
Less allowance for doubtful accounts		230,000
Accounts receivable (net)		3,415,000

Problem 5

(a) (c)

Ratios	Caliburn	Excalibur	Purpose/ for the evaluation of
Acid test Ratio	(8200+5200)/9600 = 1.40:1	10300/9500 =1.08:1	Liquidity
Current Ratio	19800/9600 =2.06:1	19700/9500 =2.07:1	Liquidity
Days' Sales in Receivables	365/8.29 =44.0 days	365/4.90 =74.5 days	Liquidity
Debt Ratio	14600/76000 =20.9%	41200/67000 =61.5%	Solvency
Inventory Turnover	47600/6400 =7.44 times	34000/9400 =3.62 times	Asset management
Rate of Return on Common Stockholders' Equity	9520/(20000+35400) =17.2%	3600/(10500+10800) = 16.9%	Profitability
Rate of Return on Net Sales	9520/68000 =14%	3600/50500 =7.13%	Profitability
Rate of Return on Total Assets	(9520+300)/70000 =14.03%	(3600+2400)/67000 =8.96%	Asset management
Times Interest Earned Ratio	12200/300 =40.67	6900/2400 =2.875	Solvency
Working Capital	19800-9600 =10200	19700-9500 =10200	Liquidity

(c)

(1) Excalibur

(2) Excalibur

(3) The ratio indicates a company's immediate liquidity. More accurate to measure its ability to use its current assets to meet its current obligations

(4) Caliburn since it has a lower debt ratio.

(5) Equity financing, issuing shares

(6) Caliburn because of a higher profitability, liquidity and solvency and better asset management.