ACCT2111 Introductory Financial Accounting 2021-2022 1st Term Suggested Solution

Part B
Question 2

SXX Company Statement of Cash Flows For the Year Ended December 31, 2020

Net income 108,000 Add: Depreciation expenses 62,000 Decrease in prepaid insurance 2,000 Increase in interest payable 5,000 Increase in accounts payable 10,000 Fosin on sale of equipment 16,000 Increase in income tax payable 25,000 Increase in accounts receivables 25,000 Increase in inventory 51,000 Net Cash provided from operating activities 88,000 Cash Flow from Investing Activities 27,000 Less: Purchase of equipment (\$887,000-\$770,000+\$57,000) (174,000) Cash used by investing activities (147,000) Cash Flow from Financing Activities 65,000 Add: Proceeds from issuance of loans Proceeds from issuance of common stock 75,000 Proceeds from issuance of common stock 75,000 Payment of dividends 30,000 Cash provided by financing activities 52,000 Payment of dividends 30,000 Cash Balance, December 31 2019 33,000 Cash Balance, December 31 2020 32,000	Cash Flow from Operating Activities:		\$	\$	\$
Decrease in prepaid insurance	Net incom	me			108,000
Increase in interest payable 10,000 10,000 79,000	Add:	Depreciation expenses		62,000	
Increase in accounts payable		Decrease in prepaid insurance		2,000	
Tess: Decrease in income tax payable Gain on sale of equipment 16,000 16,000 16,000 17,0		Increase in interest payable		5,000	
Less: Decrease in income tax payable Gain on sale of equipment Increase in accounts receivables Increase in inventory 16,000 (99,000) (20,000) Net Cash provided from operating activities 88,000 Cash Flow from Investing Activities 27,000 Add: Sale of equipment (\$887,000-\$770,000+\$57,000) (174,000) Less: Purchase of equipment (\$887,000-\$770,000+\$57,000) (174,000) Cash Isow from Financing Activities (147,000) Add: Proceeds from issuance of loans Proceeds from issuance of common stock 65,000 (140,000) Less: Purchase of treasury stock Payment of dividends 52,000 (140,000) Cash provided by financing activities 52,000 (100,000) Net Decrease in Cash (1,000) Cash Balance, December 31 2019 33,000		Increase in accounts payable		10,000	
Gain on sale of equipment 16,000 25,000				79,000	
Increase in accounts receivables 1,000 1	Less:	Decrease in income tax payable	7,000		
Increase in inventory 51,000 (99,000) (20,000) Net Cash provided from operating activities 88,000 Cash Flow from Investing Activities 27,000 Less: Purchase of equipment (\$887,000-\$770,000+\$57,000) (174,000) Cash used by investing activities (147,000) Cash Flow from Financing activities (147,000) Cash Provided by financing activities (147,000) Cash Provided by financing activities (147,000) Cash Balance, December 31 2019 (147,000) (147,000) Cash Balance, December 31 2019 (147,000) Cash Flow from Investing Activities (147,000) Cash Flow from Financing Activities (147,		Gain on sale of equipment	16,000		
Net Cash provided from operating activities 88,000 Cash Flow from Investing Activities 27,000 Add: Sale of equipment (\$887,000-\$770,000+\$57,000) (174,000) Cash used by investing activities (147,000) Cash Flow from Financing Activities 65,000 Add: Proceeds from issuance of loans Proceeds from issuance of common stock 75,000 Less: Purchase of treasury stock Payment of dividends 52,000 Payment of dividends 30,000 (82,000) Cash provided by financing activities 58,000 Net Decrease in Cash (1,000) Cash Balance, December 31 2019 33,000		Increase in accounts receivables	25,000		
Cash Flow from Investing Activities Add: Sale of equipment 27,000 Less: Purchase of equipment (\$887,000-\$770,000+\$57,000) (174,000) Cash used by investing activities (147,000) Cash Flow from Financing Activities 55,000 Add: Proceeds from issuance of loans Proceeds from issuance of common stock 75,000 Less: Purchase of treasury stock Payment of dividends 52,000 Payment of dividends 30,000 (82,000) Cash provided by financing activities 58,000 Net Decrease in Cash (1,000) Cash Balance, December 31 2019 33,000		Increase in inventory	51,000	(99,000)	(20,000)
Add: Sale of equipment 27,000 Less: Purchase of equipment (\$887,000-\$770,000+\$57,000) (174,000) Cash used by investing activities (147,000) Cash Flow from Financing Activities 55,000 Add: Proceeds from issuance of loans Proceeds from issuance of common stock 75,000 Less: Purchase of treasury stock Payment of dividends 52,000 Payment of dividends 30,000 (82,000) Cash provided by financing activities 58,000 Net Decrease in Cash (1,000) Cash Balance, December 31 2019 33,000	Net Cash provided from operating activities				88,000
Less: Purchase of equipment (\$887,000-\$770,000+\$57,000) (174,000) Cash used by investing activities (147,000) Cash Flow from Financing Activities 55,000 Add: Proceeds from issuance of loans Proceeds from issuance of common stock 75,000 Less: Purchase of treasury stock Payment of dividends 52,000 Pash provided by financing activities 58,000 Net Decrease in Cash (1,000) Cash Balance, December 31 2019 33,000	Cash Flo	ow from Investing Activities			
(\$887,000-\$770,000+\$57,000) (174,000) Cash used by investing activities (147,000) Cash Flow from Financing Activities 55,000 Add: Proceeds from issuance of loans Proceeds from issuance of common stock 75,000 Less: Purchase of treasury stock Payment of dividends 52,000 Cash provided by financing activities 58,000 Net Decrease in Cash (1,000) Cash Balance, December 31 2019 33,000	Add:	Sale of equipment		27,000	
Cash Flow from Financing Activities Add: Proceeds from issuance of loans Proceeds from issuance of common stock Purchase of treasury stock Payment of dividends Cash provided by financing activities Net Decrease in Cash Cash Balance, December 31 2019 (147,000) 65,000 75,000 140,000 52,000 82,000) 58,000 (1,000)	Less:	Purchase of equipment			
Cash Flow from Financing Activities Add: Proceeds from issuance of loans Proceeds from issuance of common stock Purchase of treasury stock Payment of dividends Cash provided by financing activities Net Decrease in Cash Cash Balance, December 31 2019 65,000 75,000 140,000 52,000 30,000 (82,000) (1,000)		(\$887,000-\$770,000+\$57,000)		(174,000)	
Add: Proceeds from issuance of loans Proceeds from issuance of common stock Common stock Purchase of treasury stock Payment of dividends Cash provided by financing activities Net Decrease in Cash Cash Balance, December 31 2019 65,000 75,000 140,000 52,000 58,000 (1,000) 33,000	Cash used by investing activities				(147,000)
Proceeds from issuance of common stock 75,000 Less: Purchase of treasury stock Payment of dividends 30,000 (82,000) Cash provided by financing activities 58,000 Net Decrease in Cash (1,000) Cash Balance, December 31 2019 33,000	Cash Flo	ow from Financing Activities			
$\begin{array}{c} \text{common stock} & \begin{array}{c} 75,000 \\ \hline 140,000 \end{array} \end{array}$ Less: Purchase of treasury stock $\begin{array}{c} \text{Payment of dividends} & 30,000 & (82,000) \end{array}$ Cash provided by financing activities $\begin{array}{c} 58,000 \\ \hline \text{Net Decrease in Cash} & (1,000) \\ \hline \text{Cash Balance, December 31 2019} & 33,000 \end{array}$	Add:	Proceeds from issuance of loans		65,000	
Less: Purchase of treasury stock 52,000 Payment of dividends 30,000 (82,000) Cash provided by financing activities 58,000 Net Decrease in Cash (1,000) Cash Balance, December 31 2019 33,000		Proceeds from issuance of			
Less: Purchase of treasury stock Payment of dividends Cash provided by financing activities Net Decrease in Cash Cash Balance, December 31 2019 52,000 30,000 (82,000) 58,000 (1,000) 33,000		common stock		75,000	
Payment of dividends 30,000 (82,000) Cash provided by financing activities 58,000 Net Decrease in Cash (1,000) Cash Balance, December 31 2019 33,000				140,000	
Cash provided by financing activities58,000Net Decrease in Cash(1,000)Cash Balance, December 31 201933,000	Less:	Purchase of treasury stock	52,000		
Net Decrease in Cash(1,000)Cash Balance, December 31 201933,000		Payment of dividends	30,000	(82,000)	
Cash Balance, December 31 2019 33,000	Cash provided by financing activities			·	58,000
	Net Decrease in Cash				(1,000)
Cash Balance, December 31 2020 32,000	Cash Balance, December 31 2019			33,000	
	Cash Bal	ance, December 31 2020			32,000

ALL SOLUTIONS ARE FOR REFERENCE ONLY. CUSA DOES NOT GUARANTEE THE ACCURACY OF THE CONTENT.

Question 3

A. Net profit margin

- $= [(RMB139,213,000 / RMB1,911,974,000] \times 100\%$
- =7.28%

B. Current ratio

- = [(RMB1,622,801,000 RMB908,477,000) / RMB554,295,000] : 1
- = 1.29 : 1

The ration is in a good shape. As the current ratio is greater than 1, it means that the company has the ability to meet short-term liabilities with its current assets.

C. Day's inventory outstanding

- $= (RMB34,257,000 / RMB516,660,000) \times 365$
- = 24.20 days

T Co. may sell beverage as the term "Cost of food sold" is shown in the income statement instead of "Cost of goods sold".

D. Days' sales outstanding

- = RMB26,287,000 / (RMB1,911,974,000 / 365)
- = 5.02 days

The use of electronic payment system improves the collection of receivables as it provides more payment methods to credit customers. The ability to collect receivables increases.

E. Asset turnover

- = RMB1,911,974,000 / RMB1,622,801,000
- = 1.18 times

In general, the higher the assets turnover ratio is better as the company is more efficient in generating revenue from its assets.

F. Debt ratio

- = (RMB554,295,000 + RMB168,101,000) / RMB1,622,801,000
- = 0.45

G. Earning per share

- = RMB101,677,000 / 2,213,031,000
- =\$0.05

Question 3 (Cont'd)

- H. Price earning ratio
 - = RMB0.181 / RMB0.05
 - = 3.94 times
- I. Return on equity
 - = RMB101,677,000 / (RMB18,393,000 + RMB882,012,000)
 - = 0.11 times

Question 5

A.

Journal					
Date	Details	Dr	Cr		
2020		\$	\$		
	Cash (51,000 x \$3)	153,000			
	Ordinary share		51,000		
	Paid-in capital in excess of par.		102,000		
	To issue ordinary shares above par.				
	Treasury share (1,000 x \$9)	9,000			
	Cash		9,000		
	To record a purchase of treasury share.				
	Cash (150 x \$9)	1,350			
	Treasury share		1,350		
	To record a resale of treasury share.				
	Retained earnings (\$60,000 - \$35,000)	25,000			
	Dividend payable		25,000		
	Declared a cash dividend				
	Dividend payable	25,000			
	Cash	,	25,000		
	Paid cash dividend.				
В.					
	ed cash flow from financing activities		\$		
Proceeds from issuance of shares			153,000		
Purchase of treasury share (\$9,000 - \$1,350)			(7,650)		
Payment of dividends			(25,000)		
Cash provided by financing activities			120,350		