Problem 1

Part A

Journal

		Debit ($)	Credit ($)
1	Joseph Chan	300	
	Bank		300
2.	Bank Charges	24	
	Bank		24
3.	Bank	36	
	Bank interest		36
4.	No entry	-	-
5.	Bank	1208	
	Accounts Payables		1208
6.	Bank	45	
	Bank interest		45
7.	No entry	-	-
8.	Bank	4 590	
	Joseph Lee		4500
	Interest received		90
9.	Collection service charge	50	
	Bank		50
10.	Service fees	240	
	Bank		240
11.	No entry	-	-
12	Bank	72	
	Accounts Payables		72

Part B

Journal

			Debit ($)	Credit ($)
1.	Jul 10	Allowance for doubtful receivables	2000	
		Accounts receivables		2000
	Oct 12	Accounts receivables	1100	
		Allowance for doubtful receivables		1100
	Nov 15	Accounts receivables	900	
		Allowance for doubtful receivables		900
2		Uncollectible for doubtful receivables	9500	
		Allowance for doubtful receivables		9500
3.		Uncollectible for doubtful receivables	12930	
		Allowance for doubtful receivables		12930

Problem 2

Journal

Year 5		Debit ($)	Credit($)
Jan 2	PPE – land	412 500	
	PPE -- building	337 500	
	Cash		150 000
	Mortgage Payable		600 000
Jan 5	Repairing expense	30 000	
	Cash		15 000
	Accounts Payables		15 000
Jul 16	PPE – equipment	140 000	
	Accumulated depreciation	112 000	
	P&L—loss on disposal	3 000	
	Cash		135 000
	PPE – equipment		120 000
Dec 31	Depreciation expense – land and buildings	33 750	
	Accumulated depreciation – land and buildings		33 750
	Depreciation expense – machine	19 000	
	Accumulated depreciation – machine		19 000
Year 6			
March 31	Depreciation expense – machine	4 750	
	Accumulated depreciation – machine		4 750
	Accumulated depreciation – machine	61 750	
	P&L – loss on disposal	18 250	
	PPE – machine		81 000
May 1	Depreciation expense – land and buildings	11 250	
	Accumulated depreciation – land and buildings		11 250
	Accumulated depreciation –land and buildings	45 000	
	Cash	825 000	
	PPE –land and buildings		750 000
	P&L – gain on disposal		120 000

Problem 3

a.

Journal

		Debit ($)	Credit ($)
1.	Purchases	50 000	
	Fry Company		50 000
2.	Fry Company	20 000	
	Discount received		400
	Cash		19 600
3.	Fry Company	30 000	
	Cash		30 000
4.	PPE – equipment	60 000	
	Cash		20 000
	9% note payable		40 000
5.	Cash	120 000	
	8% note payable		120 000

b.

Depreciation expense – equipment	5 833	
Accumulated depreciation – equipment		5 833
Interest expense	2 100	
Interest payable		2 100
Interest expense	2 400	
Interest payable		2 400

Problem 4

a.

Journal

		Debit ($)	Credit ($)
Mar 27	Repair expense	216 000	
	Accrued repair expense		86 000
	Inventory		130 000
Apr 4	Cash	37 500 000	
	Sale revenue		37 500 000
	Cost of goods sold	30 000 000	
	Inventory		30 000 000
Apr 25	Accrued repair expense	86 000	
	Cash		86 000
Aug 30	Repair expense	209 000	
	Inventory		209 000

b. $37 500 000 X 0.047
=$1 762 500

c.

	Estimated Warranties Payable	1 487 500	
	P&L – Increase in estimated warranties payable		1 487 500

Problem 5

Journal

		Debit ($)	Credit ($)
Mar 1	Cash	400 000	
	Ordinary shares		200 000
	Paid-in capital in excess of par		200 000
Apr 1	Retained earnings	160 000	
	Dividends payable		160 000
Apr 30	Dividends payable	160 000	
	Cash		160 000
May 1	Treasury shares	17 600	
	Cash		17 600
Jun 21	Cash	50 000	
	Treasury shares		44 000
	Share capital		6 000
Sep 11	Cash	34 000	
	Share capital	10 000	
	Treasury shares		44 000
Dec 10	Retained earnings	136 800	
	Ordinary shares		76 000
	Paid-in capital in excess of par		60 800

Problem 6

a.

A	B	C	D
Ratios	**Callisto Ltd**	**Europa Ltd**	**Purpose/ For the evaluation of**
Accounts Receivable Turnover Ratio	12.75 times	5.55 times	Asset Management
Current Ratio	3.41:1	5.24:1	Liquidity
Days Sales-in-Inventory Ratio	7.89 days	6.25 days	Asset Management
Debt Ratio	66%	23%	Solvency
Gross Profit Percentage	30.84%	31.9%	Profitability
Interest Coverage Ratio	4.09 times	5.58 times	Market Analysis
Inventory Turnover Ratio	74.84 times	58.46 times	Asset Management
Return on Assets	28.47%	27.86%	Profitability
Return on Equity	81.18%	36.67%	Profitability
(Net) Working Capital	$170	$174	Liquidity

b.

1. Callisto Ltd
2. Europa Ltd
3. Callisto Ltd
4. Callisto Ltd

c.

1. poor operating liquidity
2. It tells the average number of days that it took to sell the average inventory held during the specified one-year period.Reveal asset management.
3. It measures the length of time, in days, that it takes for a company to convert resource inputs into cash flows. Cash Conversion Cycle (CCC) = Inventory Conversion Period + Receivables Collection Period - Payables Deferral Period. It essentially shows the business owner or financial manager the length of time a dollar is tied up.
4. The quick ratio is more conservative than the current ratio, excluding inventory for calculation

d. Callisto Ltd. Better profitability and asset management. Poorer liquidity.