

## 2008-2009

### ACY1111 Suggested Solution

*Problem 1*

Items	Details	Dr. (\$)	Cr. (\$)
1	Bad Debt Expense Allowance for Doubtful Accounts 80,000 x5% - 730	3,270	3,270
2	Bad Debt Expense Allowance for Doubtful Accounts (340,000-8,000)x1%	3,320	3,320

*Problem 2*

Items	Details	Dr. (\$)	Cr. (\$)
2002 Jan 1	Factory Machinery Accounts Payable Cash	280,000	250,000 30,000
Jul 1	Truck License Fee Cash	50,000 3,000	53,000
Dec 31	Depreciation Expense-Factory Machinery Accumulated Depreciation-Factory Machinery 270,000x70,000/200,000	94,500	94,500
2003 Dec 31	Depreciation Expense-Factory Machinery Accumulated Depreciation-Factory Machinery 270,000x90,000/200,000	121,500	121,500

4. Depreciation Expense of the Truck

Year	Depreciation Expense (\$)
2002	(50,000-5,000) x1/5 x1/2 4,500
2003	(50,000-5,000) x1/5 9,000

These are suggested solutions and for reference only. CUSA is not responsible for the accuracy of the contents.

### 5. Depreciation Expense of the Truck

Year	NBV (\$)	Rate per year	Annual Expense (\$)	Accumulated Depreciation (\$)
2002	280,000	x 40%	= 112,000	112,000
2003	168,000	x 40%	= 67,200	179,200
2004	100,800	x 40%	= 40,320	219,520
2005	60,480	x 40%	= 24,192	243,712

Date	Details	Dr. (\$)	Cr. (\$)
2005 Dec 31	Accumulated Depreciation-Factory Machinery	243,712	
	Loss on Disposal	36,288	
	Factory Machinery		280,000
2006 Jan 1	Cash	11,000	
	Loss on Disposal		11,000

### Problem 3

#### 1. Heritage Furniture Company

##### Bank Reconciliation Statement at November 30, 2007

Cash Balance per Bank Statement	\$11,091.76
Add: Deposit-in-transit	1,010.06
	<u>12,101.82</u>
Less: Outstanding checks	
#736	(345.95)
#755	(272.75)
#758	(259.6)
#759	(901.5)
Adjusted Cash Balance per Bank	<u>\$10322.02</u>
Cash Balance per Books	\$8223.32
Add: Collection of Note Receivable	2500
Collection of Interest	200
	<u>10,923.32</u>
Less: Error in recording check #752	(200)
NSF check	(291.9)
Bank Service Charge	(34.4)

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Note Collection Fee  
Adjusted Cash Balance per Books

(75)  
\$10,322.02

2.

Date	Details	Dr. (\$)	Cr. (\$)
2007 Nov 30	Utilities Expense Cash	200	200
	Accounts Receivable Cash	291.9	291.9
	Cash Note Collection Fee Note Receivable Interest Income	2,625 75	2,500 200
	Bank Service Charge Cash	34.4	34.4

*Problem 4*

Date	Details	Dr. (\$)	Cr. (\$)
2008 Jan 22	Cash Common Stock Paid-in Capital in excess of par value	14,000	1,000 13,000
Aug 4	Retained Earnings (1,800 /100 x5) Dividend Payable	90	90
Aug 24	Dividend Payable Cash	90	90
Oct 9	Retained Earnings (2,400+1,000) x10% x15 Common Stock Dividend Distributable Paid-in Capital in excess of par value	5,100	340 4,760
Oct 21	Common Stock Dividend Distributable Common Stock	340	340
Nov 19	Treasury Stock Cash	9,600	9,600
Dec 8	Cash Treasury Stock	9,000	7,200

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Paid-in Capital from Treasury Stock

1,800

2.

Items		Value (\$)
Total Common Stock	2,400+1,000+340	3,740
Paid-in Capital in excess of par-common	23,500+13,000+4,760	41,260
Retained Earnings	19,000+39,000-90-5,100	52,810
Treasury Stock	9,600-7,200	2,400

*Problem 5*

Items		Value (\$)
Net Income	125,000 x 20%	25,000
Income before income taxes	2,500 x 15 -2,500	35,000
Income Tax Expense	35,000 – 25,000	10,000
Total Operating Expense	62,500 – 35,000	27,500
Accounts Receivable	$\frac{12500}{(x+30000) \times 1/2} = 5$	22,000
Accounts Payable	$\frac{12,500 + 7,500 + 20,000}{x + 17,500} = 1.6$	7,500
Inventory	$\frac{12,500 + 7,500 + 20,000 + x}{7,500 + 17,500} = 3$	35,000
Total Assets	12,500 +7,500 +20,000 +35,000 + 100,000	175,000
Bonds Payable	$\frac{7,500 + 17,500 + x}{175,000} = 26\%$	20,500