

2006-2007
ACY2111 Suggested Solutions

Part II*Question 4*

(a)

General Journal

Date	Details	Dr.	Cr.
2008	Cash	540000	
	Sales		520500
	Unearned Warranty Revenue		19500
	Warranty Expense	9000	
	Cash		9000
2009	Unearned Warranty Revenue	9000	
	Warranty Revenue		9000
	Warranty Expense	11000	
	Cash		11000
	Unearned Warranty Revenue	10500	
	Warranty Revenue		10500

(b)

General Journal

Date	Details	Dr.	Cr.
2008	Cash	540000	
	Sales		540000
	Warranty Expense	19500	
	Estimated Warranty Liability		19500
	Estimated Warranty Liability	9000	
2009	Cash		9000
	Warranty Expense	500	
	Estimated Warranty Liability	10500	
	Cash		11000

(c)

Income Statement:

	<u>Sales Method</u>		<u>Expenses Method</u>	
	2008	2009	2008	2009
	\$	\$	\$	\$
Revenue	520500	10500	540000	
	9000			
Less: Expenses	(9000)	(11000)	(19500)	(500)
Profit	<u>520500</u>	<u>(500)</u>	<u>520500</u>	<u>(500)</u>

There is no difference between the amount of profit calculated by the two methods.

Question 5

Cost of redemption of a CD = $\$5 + \$0.4 - \$3 = \2.4

Total outstanding coupons = $\$10800 \times 10 / \$2.4 = 45000$

Total expected redemption = $45000 + 18000 = 63000$

Number of boxes sold in 2006 = $63000 / 0.05 = 1260000$

Question 6

	<u>2007</u>	<u>2008</u>
a. Straight line (W1)	\$56,000	\$56,000
b. Hours run (W2)	\$44,800	\$78,400
c. Double declining balance (W3)	\$120,000	\$96,000
d. Sum of years' digits (W4)	\$101,818	\$91,636
(W1)	2007 = $(\$600000 - \$40000) / 10 = \$56000$ 2008 = \$56000	
(W2)	2007 = $(\$600000 - \$40000) \times 4000 \text{ hours} / 50000 \text{ hours} = \44800 2008 = $(\$600000 - \$40000) \times 7000 \text{ hours} / 50000 \text{ hours} = \78400	
(W3)	2007 = $\$600000 \times 0.2 = \120000 2008 = $\$600000 \times 0.8 \times 0.2 = \96000	
(W4)	2007 = $(600000 - \$40000) \times 10 / 55 = \101818 2008 = $(600000 - \$40000) \times 9 / 55 = \91636	

END