Michael Wilson November 1, 2010

**FIN324 FINAL EXAM** (Due MONDAY in the Assignments area)

INSTRUCTIONS:

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Please solve the following five (5) Problems and send them to the Assignments Area of the Gradebook by MONDAY Week 5.

These problems are very similar to the homework assignments. Each problem is worth 3 points. Good Luck

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PROBLEMS:

1. Chuck McElravy owns Common Grounds Coffee House, near the campus of Manatee College. The business has cash of $2,000, furniture that cost $8,000 and account receivable from customers for $1,000. Debts include accounts payable of $1,000 and a $6,000 note payable. How much equity does McElravy have in the business? Using McElravy's figures, write the accounting equation of Common Grounds Coffee House.
2. Michaels Corporation expects earnings before interest and taxes to be $45,000 for this period. Assuming an ordinary tax rate of 40 percent, compute the firm's earnings after taxes and earnings available for common stockholders (earnings after taxes and preferred stock dividends, if any) under the following conditions:
3. The firm pays $10,000 in interest.

$45,000 \* .40 = $18,000 taxes to be paid   
$45,000 – 16,000 taxes = $29,000 Earnings after Taxes   
$29,000 - $10,000 interest = $19,000 Available for Common Stockholders 

1. The firm pays $10,000 in preferred stock dividends.

$45,000 \* .40 = $18,000 taxes to be paid   
$45,000 – 16,000 taxes = $29,000 Earnings after Taxes   
$29,000 – 10,000 (preferred stock dividends) = $19,000 For Common Stockholders

1. Given the following information, prepare, in good form, an income statement for the Dental Drilling Company as of December 31, 2003.

Selling and administrative expense $ 60,000

Depreciation expense 70,000

Sales 500,000

Interest expense 40,000

Cost of goods sold 140,000

Taxes 45,000

Dental Drilling Company Income Statement: period ending December 31, 2003.  
  
*Revenues*:   
  
 Sales - $500,000  
 Cost of Goods Sold - $140,000  
 Gross Profit - $360,000  
  
  
  
*Expenses*:   
  
 Selling and Administrative Expense - $60,000  
 Depreciation Expense - $70,000  
 Operating Profit - $230,000  
 Interest Expense - $40,000  
 Income before Taxes - $190,000  
 Taxes - $45,000  
  
Net Income - $145,000

1. For ABC Corporation as of December 31, 2002 prepare a Balance Sheet in proper order based on the following information. Arrange the following items in proper balance sheet presentation.

Accumulated depreciation $ 300,000

Retained earnings 96,000

Cash 20,000

Bonds payable 166,000

Accounts receivable 48,000

Plant and equipment—original cost 700,000

Accounts payable 35,000

Allowance for bad debts 6,000

Common stock $1 par, 100,000 shares outstanding 100,000

Inventory 66,000

Preferred stock, $50 par, 1,000 shares outstanding 50,000

Marketable securities 20,000

Investments 20,000

Notes payable 33,000

Capital paid in excess of par (common stock) 88,000

***Assets***   
  
Current Assets   
Cash and Cash Equivalents....................................$20,000   
Accounts Receivable.....................$48,000   
Less: Allowance for Bad Debt......$6,000.............$42,000   
Inventories ............................................................$66,000   
Marketable Securities.............................................$20,000   
Investments............................................................$20,000   
  
Property/Plant/Equipment   
  
Plant & Equipment.............$700,000   
Less: Acc Depreciation......$300,000....................$400,000   
  
Total Assets**...........................................................$568,000**  
  
  
***Liabilities and Stockholder Equity***   
  
Current Liabilities   
Accounts Payable....................................................$35,000  
Notes Payable..........................................................$33,000   
  
Long Term Liabilities   
Bonds Payable.........................................................$166,000   
  
Total Liabilities........................................................$234,000   
  
Stockholder Equity   
Capital Paid in Excess of Par...................................$88,000   
Common Stock........................................................$100,000   
Preferred Stock........................................................$50,000   
Retained Earnings....................................................$96,000   
Total Equity.............................................................$334,000   
  
Total Liabilities + Equity.........................................**$568,000**

1. Louis Nicosia operates four 7-11 stores. He has just received the monthly bank statement at October 31 from City National Bank, and the statement shows an ending balance of $3,840. Listed on the statement are an EFT rent collection of $400, a service charge of $12, two NSF checks totaling $74, and a $9 charge for printed checks. In reviewing his cash records, Nicosia identifies outstanding checks totaling $467 and an October 31 deposit in transit of $1,788. During October, he recorded a $290 check for the salary of a part-time employee by debiting Salary Expense and crediting Cash for $29. Nicosia's Cash account shows an October 31 cash balance of $5,117. Prepare the bank reconciliation at October 31.

Balance per Bank Statement on October 31……. $3,840 

***Adjustments***:   
     Add: Deposits in Transit……… $1,788.00   
     Deduct: Outstanding Checks…. $467.00   
Adjusted Balance per Bank……… $5,161.00   
  
Balance per Books on October 31… $5,117.00 

***Adjustments***:   
     Deduct: Bank Service Charges…. $12.00   
     Deduct: NSF Checks and Fees…. $74.00   
     Deduct: Check Printing Charges…$9.00   
     Deduct: Check Error……………. $261.00   
     Add: EFT Payment………………$400.00

Adjusted Balancer per Books…… $5161.00 