1.

For the year ended December 31, 2010, Kurz Co. estimated its allowance for doubtful accounts using the year-end aging of accounts receivable. The following data are available:

Allowance for doubtful accounts, 1/1/10 $37,000

Estimated uncollectible accounts during 2010

(1% on credit sales of $4,000,000) 40,000

Uncollectible accounts written off, 11/30/10 52,000

Accounts Receivable at 12/31/10 2,340,000

Estimated uncollectible accounts per aging, 12/31/10 74,000

**Instructions**:

a. Prepare the entry to record the year end adjustment.

b. What is the total amount that will show as bad debt expense for 2010?

c. What is the amount that will show as net accounts receivable on the balance sheet at December 31, 2010?

2.

Wong Plastics Company deposits all receipts and makes all payments by cheque. The following information is available from the cash records:

MARCH 31 BANK RECONCILIATION

Balance per bank $27,895

Add: Deposits in transit 2,400

Deduct: Outstanding cheques (4,100)

Balance per books $26,195

Month of April Results

Per Bank Per Books

Balance April 30 $29,835 $31,964

April deposits 11,200 17,089

April cheques 12,010 11,320

April note collected (not included in April deposits) 4,000 -0-

April bank service charge 50 -0-

April NSF cheque of a customer returned by the bank

(recorded by bank as a charge) 1,200 -0-

**Instructions**

a. Calculate the amount of the April 30:

1. Deposits in transit

2. Outstanding cheques

b. What is the April 30 adjusted cash balance?

3.

On January 1, 2010, Mahler Corporation receives a four-year, $100,000 zero-interest bearing note in payment of goods sold. The present value of the note equals the agreed upon sales price of $65,873. Mahler is a privately held company and follows private entity GAAP.

**Instructions**

a. Assuming Mahler uses the straight-line method to amortize the note's discount, prepare the journal entry to record the sale on January 1, and the interest accrual on December 31, 2010.

b. Assuming Mahler uses the *effective interest* method to amortize the note's discount, prepare the journal entry to record the sale on January 1, and the interest accrual on December 31, 2010.

4.

On December 31, 2010 the entire inventory of the Kosta Company was destroyed by a flood. Sales and purchases for the year had been $2.3 million and $1.1 million, respectively. The beginning inventory (Jan. 1, 2010) was $350,000; in the past Kosta’s gross profit has averaged 40% of selling price.

**Instructions:**

Calculate the estimated cost of inventory destroyed, and give entries as of December 31, 2010 to close merchandise accounts.

5.

Max Corporation sells item A as part of its product line. Information as to balances on hand, purchases, and sales of item A are given in the following table for the first six months of 2010.

Unit Price

Date Purchased Sold Balance of Purchase

January 11 — — 300 $2.50

January 24 1,300 — 1,600 $2.60

February 8 — 300 1,300 —

March 16 — 560 740 —

June 11 600 — 1,340 $2.80

**Instructions**

Calculate the *cost of goods sold* for the first six months under the perpetual FIFO inventory pricing method.

Calculate the ending inventory for the first six months under the periodic weighted average pricing method.

6.

The controller of Hedak Corporation has provided you with the following information relating to its inventory:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Cost** | | **Lower of** |
|  | | | **cost and NRV** |
| Dec-31-2010 | | $657,000 | $610,750 |
| Dec-31-2011 | | $715,000 | $655,25 |

Hedak records its inventory at cost under a periodic system. An allowance account is adjusted at the end of each year to adjust the value of its inventories to the lower of cost and NRV.

**Instructions**

Prepare the journal entries that Hedak would have prepared for its 2010 and 2011 year ends, assuming that 2010 was its first year of operations.

7.

On April 1, 2011, Mollar Co. purchased $120,000 of six percent bonds for $124,725 plus accrued interest as a held-to-maturity investment. Interest is paid on July 1 and January 1 and the bonds mature on July 1, 2016. Mollar uses the amortized cost model to account for this investment.

**Instructions**

(a) Prepare the journal entry on April 1, 2011.

(b) The bonds are sold on November 1, 2012 at 103 plus accrued interest. Amortization was recorded when interest was received by the straight-line method (by months and round to the nearest dollar). Prepare all entries required to properly record the sale.

8.

Jessup Corp., a company that follows international GAAP, holds 10,000 preferred shares from Gielow Corp. The investment is *not* considered significant and was accounted for under the fair value to other comprehensive income model. The shares are sold on August 1 for $235,200 and Jessup's accountant has brought the investment account up-to-date. After these adjustments were posted, the balance in the account "Holding gain on Gielow Corp (OCI)" had a balance of $12,625.

**Instructions**

Prepare the entries to record the sale.

9.

Sirkov Corp. has the following portfolio of common shares (without significant influence) as at December 31, 2011.

Investment Cost Fair value

Alba Inc. $240,000 $285,000

Lock Ltd. 45,000 310,000

Tessara Corp. 60,000 110,000

**Total $345,000 $705,000**

**Instructions**

Provide the entry to record the year-end adjustment for these investments, assuming Sirkov uses one control account and has adopted the FV-NI model.

10.

On January 1, 2011, Houseman Company acquired $100,000 face value 8% bonds of Lamont Corporation to yield 6%. The bonds were dated January 1, 2011, and mature on December 31, 2015, with interest payable each January 1. Houseman intends to hold the bonds to maturity.

**Instructions**

Assuming the FV NI model is applied, prepare the following entries in the books of Houseman:

(a) Acquisition of bonds on January 1, 2011

(b) The year-end adjusting entry at December 31, 2011

(c) The receipt of the first interest payment on January 1, 2012

11.

Ascot Corp. invested $2,000,000 in Boswell Inc. for 40% of its outstanding shares. At the time of purchase, the book value of Boswell Inc. is $8,000,000. Boswell Inc. pays out 25% of its net income in dividends each year. Ascot Corp. elects two of five members of the board of directors of Boswell Inc. In the first year after the investment, Ascot Corp. received a dividend of $200,000.

**Instructions**

(a) Record the initial purchase by Ascot Corp.

(b) What is Boswell Inc.’s net income for the year?

(c) Record the entries related to the investment in Boswell Inc. for year one on Ascot Corp.’s books.