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| |  | | --- | | Question 1.**1.**(TCO 3) At the end of the period it is necessary to close all temporary accounts. (1) Explain why this process is required (15 points) and (2) provide an example of the closing of an expense account, Rent Expense in the form of a journal entry. (10 points) (Points : 25) |  |  | | --- | | Question 2.**2.**(TCO 2) As required to complete Course Project 1, one must follow the cycle that includes 10 steps to complete the accounting cycle. (1) Explain how to construct an Unadjusted Trial Balance (15 points) and (2) provide an example of the application of the debit/credit rules in the development of the trial balance. (10 points) (Points : 25) |  |  | | --- | | Question 3.**3.**(TCO 5) Internal Control Procedures are required to safeguard company assets and to ensure ethical operation of the business. (1) Explain how separation of duties can satisfy the purpose of internal control (15 points) and (2) provide an example of how this control could be implemented. (10 points) (Points : 25) |  |  | | --- | | Question 4.**4.**(TCO 4) Inventory valuation methods determine the cost of goods sold and the inventory balance. (1) Explain how the First in First out (FIFO) method is applied (15 points) and (2) provide an example of the impact that this method of inventory valuation will have on Gross Profit. (10 points) (Points : 25) |  |  | | --- | | Question 5.**5.**(TCO 1) To evaluate the financial operation and health of a business ratio analysis is used. (1) Provide the formula for the Current Ratio and explain how it is computed (10 points) and (2) provide an example of how this ratio can be used in decision-making in business. (15 points) (Points : 25) | |

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| |  | | --- | | Question 1.**1.**(TCO 6) BagODonuts Company bought a used delivery truck on January 1, 2010, for $19,200. The van was expected to remain in service 4 years (30,000 miles).  BagODonuts’ accountant estimated that the truck’s residual value would be $2,400 at the end of its useful life.  The truck traveled 8,000 miles the first year, 8,500 miles the second year, 5,500 miles the third year, and 8,000 miles in the fourth year.    1. Calculate depreciation expense for the truck for each year (2010-2013) using the: a. Straight-line method. b. Double-declining balance method. c. Units of Production method.  (For units-of-production and double-declining balance, round to the nearest two decimals after each step of the calculation.) 2. Which method best tracks the wear and tear on the van?  3. Which method would BagODonuts prefer to use for income tax purposes?  Explain in detail why BagODonuts prefers this method. (Points : 25) |  |  | | --- | | Question 2.**2.**(TCO 7) ABC Inc. was incorporated on 1/15/12. Their corporate charter authorized the following capital stock:  Preferred Stock: 7%, par value $100 per share, 100,000 shares.  Common Stock: $1 par value, 500,000 shares.  The following transactions occurred during the year:  1/19/12 – Issued 100,000 shares of common stock for $17 cash per share. 1/31/12 – Issued 3,000 shares of preferred stock for $115 cash per share. 11/1/12 – Repurchased 30,000 shares of common stock for $22 cash per share. 12/1/12 – Declared and paid a total dividend of $95,000.   Required:  1. Prepare the journal entry for each transaction listed above. 2. In your own words, explain the main differences between common and preferred stock. (Points : 25) |  |  | | --- | | Question 3.**3.**(TCO 5) Internal Control Procedures are in place to protect the assets of every business as mentioned in the textbook and our discussions.  Of the seven internal control procedures, list five of these controls and describe how each procedure is implemented. (5 points each with 2 points for listing and 3 points for a description)(Points : 25) |  |  | | --- | | Question 4.**4.**(TCO 2) Below are the accounts of Super Pool Service, Inc. The accounts have normal balances on June 30, 2012. The accounts are listed in no particular order.  Account                              Balance  Common stock                    $5,100  Accounts payable                $4,400  Service revenue                   $17,100  Land                                  $28,800  Note payable                       $9,500  Cash                                  $5,200  Dividends                            $6,100  Utilities expense                  $2,100  Accounts receivable             $10,600  Delivery expense                 $700  Retained earnings                $25,600  Salary expense                    $8,200  Prepare the company’s trial balance as of June 30, 2012, listing accounts in proper sequence, as illustrated in the chapter. For example, Accounts Receivable comes before Land. List the expense with the largest balance first, the expense with the next largest balance second, and so on.  (Points : 25) |  |  | | --- | | Question 5.**5.**  (TCO4) Linda’s Lampshades started business on Jan. 1, 2001. They had the following inventory transactions:  Journals - Jan. 2001  Purchases  Supplier         Date Received         Quantity        Unit Cost       Amount  Donna           01/10/01                110              12.00            1320.00  Thomas         01/15/01                160              14.00             2240.00  Cindy            01/18/01                150              15.00            2250.00  Sales  Customer      Date shipped    Quantity      Sel. Price                Amount  Norilene        01/16/01         200                  25.00                   5000.00  1.    Calculate the ending inventory, using the perpetual inventory method:   A.     Using FIFO  B.     Using LIFO  C.     Using Average Cost  2.    Prepare the following statement               Using                                        FIFO    LIFO        Average Cost  Sales  Cost of Sales            Gross Profit  (Points : 25) | |