Intermediate Accounting I
Final Exam, Part 2

INSTRUCTIONS:
You may use your textbook to answer the questions. You may not use any other written material. You may not discuss the exam questions or your answers with your classmates or any other person.

Save your answers as a PDF and submit your work in your Leo Assignment folder.

Show all computations for credit.

1. Tablin Company has determined its December 31, 2013 inventory on a FIFO basis at $250,000. Information pertaining to that inventory follows:

Estimated selling price	$255,000
Estimated cost of disposal	10,000
Normal profit margin	30,000
Current replacement cost	225,000

   Tablin records losses that result from applying the lower-of-cost-or-market rule. What is the amount of the loss that Tablin should recognize for 2013?

2. Westford Corporation acquired two inventory items at a lump-sum cost of $40,000. The acquisition included 3,000 units of product CF, and 7,000 units of product 3B. CF normally sells for $12 per unit, and 3B for $4 per unit. If Westford sells 1,000 units of CF, what amount of **gross profit** should it recognize?

3. On January 1, 2005, Helena Corporation purchased for $152,000, equipment having a useful life of ten years and an estimated salvage value of $8,000. Helena has recorded monthly depreciation of the equipment on the straight-line method. On December 31, 2013, the equipment was sold for $28,000. Prepare the journal entry to record the sale.

4. Kelvin Company traded machinery with a book value of $285,000 and a fair value of $270,000. It received in exchange from Marlin Company a machine with a fair value of $300,000. Kelvin also paid cash of $30,000 in the exchange. Marlin's machine has a book value of $285,000. What amount of gain or loss should Kelvin recognize on the exchange? (Note: The exchange lacks commercial substance.)

5. Savin Co. purchased land as a factory site for $600,000. Savin paid $60,000 to tear down two buildings on the land. Salvage was sold for $5,400. Legal fees of $3,480 were paid for title investigation and making the purchase. Title insurance (for the land purchase) cost $2,400. Architect's fees were $31,200. Liability insurance during construction cost $2,600. Excavation cost $10,440. The contractor was paid $2,200,000. Interest costs during construction were $170,000.

a) Calculate the cost of the land.
b) Calculate the cost of the building.

6. In January 2013, Jason Mining Corporation purchased a mineral mine for $4,200,000 with removable ore estimated by geological surveys at 2,500,000 tons. The property has an estimated value of $400,000 after the ore has been extracted. Jason incurred $1,150,000 of development costs preparing the property for the extraction of ore. During 2013, 340,000 tons were removed and 300,000 tons were sold. For the year ended December 31, 2013, Jason should include what amount of depletion in its cost of goods sold?

7. Sumner, Inc. purchased equipment in 2011 at a cost of $600,000. Two years later it became apparent to Sumner, Inc. that this equipment had suffered an impairment of value. In early 2013, the book value of the asset is $360,000 and it is estimated that the fair value is now only $240,000. Prepare the journal entry to record the impairment.

8. Gray Corporation purchased a depreciable asset for $420,000 on January 1, 2010. The estimated salvage value is $42,000, and the estimated total useful life is 9 years. The straight-line method is used for depreciation. In 2013, Garrison changed its estimates to a useful life of 5 years (from the original date of purchase) with a salvage value of $70,000. What is 2013 depreciation expense?

9. Tunlaw Company's 12/31/13 balance sheet reports assets of $6,000,000 and liabilities of $2,500,000. All of Tunlaw's assets' book values approximate their fair value, except for land, which has a fair value that is $400,000 greater than its book value. On 12/31/13, Benedict Corporation paid $6,100,000 to acquire Tunlaw. What amount of goodwill should Benedict record as a result of this purchase?

10. Dallas Corp.'s trial balance of income statement accounts for the year ended December 31, 2013 included the following:

	Debit	Credit
Sales		$280,000
Cost of goods sold	$100,000	
Administrative expenses	50,000	
Loss on sale of equipment	18,000	
Commissions to salespersons	16,000	
Interest revenue		10,000
Freight-out	4,000	
Loss due to earthquake damage	24,000	
Bad debt expense	6,000	

Totals	$218,000	$290,000

Other information:
Dallas Corp's income tax rate is 30%.

Instructions: Prepare a multiple-step income statement in good form.