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ACCT_610.9021 / Week 06 HW

Using Your Judgment 13-6 (Part Level Submission)

YellowCard Company manufactures accessories for iPods. It had the following selected transactions during 2014. (*Note:* For any part of this problem requiring an interest or discount rate, use 10%.)

1. YellowCard provides a 2-year warranty on its docking stations, which it began selling in 2014. During 2014, YellowCard spent $6,000 servicing warranty claims. At year-end, YellowCard estimates that an additional $45,000 will be spent in the future to service warranties related to 2014 sales.
2. YellowCard has a $200,000 loan outstanding from First Trust Corp. The loan is set to mature on February 28, 2015. For several years, First Trust has agreed to extend the loan, as long as YellowCard makes all its quarterly interest payments (interest is due on the last days of each February, May, August, and November) and maintains an acid-test ratio (also called "quick ratio") of at least 1.25. First Trust has provided YellowCard a "commitment letter" indicating that First Trust will extend the loan another 12 months, providing YellowCard makes the interest payment due on March 31.
3. During 2013, YellowCard constructed a small manufacturing facility specifically to manufacture one particular accessory. YellowCard paid the construction contractor $5,000,000 cash (which was the total contract price) and placed the facility into service on January 1, 2014. Because of technological change, YellowCard anticipates that the manufacturing facility will be useful for no more than 10 years. The local government where the facility is located required that, at the end of the 10-year period, YellowCard remediate the facility so that it can be used as a community center. YellowCard estimates the cost of remediation to be $500,000.

(a1)

Prepare all 2014 journal entries relating to YellowCard's warranties. ***(Credit account titles are automatically indented when the amount is entered. Do not indent manually.)***

Date	Account Titles and Explanation	Debit	Credit
During 2014			
12/31/14			

Attempts: 0 of 3 used

(a2)

The parts of this question must be completed in order. This part will be available when you complete the part above.

List Of Accounts

CLOSE

Using Your Judgment 13-6 (Part Level Submission)

Accounts Payable
Accounts Receivable
Accumulated Depreciation—Plant Assets
Allowance from Expropriation
Asset Retirement Obligation
Cash
Depreciation Expense
Dividends Payable
Due to Customer
Discount on Notes Payable
FICA Taxes Payable
Freight-In
FUTA Taxes Payable
Insurance Premium Payable
Interest Expense
Interest Payable
Inventory
Inventory of Premiums
Land Improvements
Lawsuit Liability
Lawsuit Loss
Litigation Expense or Loss
Litigation Liability
Loss from Expropriation
Loss on ARO Settlement
No Entry
Notes Payable
Oil Platform
Payroll Tax Expense
Plant Assets
Premium Expense
Premium Liability
Purchases
Purchase Discounts
Purchase Returns and Allowances
Retained Earnings
Salaries and Wages Expense
Salaries and Wages Payable
Sales Revenue
Sales Tax Payable
SUTA Taxes Payable
Trucks
Unearned Sales Revenue
Unearned Warranty Revenue
Union Dues Payable
Warranty Expense
Warranty Liability
Warranty Revenue
Withholding Taxes Payable

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*Problem 13-9 (Part Level Submission)

Sycamore Candy Company offers an MP3 download (seven-single medley) as a premium for every 5 candy bar wrappers presented by customers together with $3.25. The candy bars are sold by the company to distributors for 30 cents each. The purchase price of each download code to the company is $3.00. In addition, it costs 50 cents to distribute each code. The results of the premium plan for the years 2014 and 2015 are as follows. (All purchases and sales are for cash.)

	2014	2015
MP3 codes purchased	290,000	382,800
Candy bars sold	2,943,500	2,764,100
Wrappers redeemed	1,392,000	1,740,000
2014 wrappers expected to be redeemed in 2015	336,400	
2015 wrappers expected to be redeemed in 2016		406,000

*(a)

Prepare the journal entries that should be made in 2014 and 2015 to record the transactions related to the premium plan of the Sycamore Candy Company. ***(If no entry is required, select "No Entry" for the account titles and enter 0 for the amounts. Credit account titles are automatically indented when amount is entered. Do not indent manually. Round answers to 0 decimal places, e.g. 1,525.)***

Account Titles and Explanation	Debit	Credit
2014		
(To record the pemium inventory.)		
(To record the sales.)		
(To record the expense associated with the sale.)		
(To record the premium liability.)		

2015

(To record the pemium inventory.)

(To record the sales.)

(To record the expense associated with the sale.)

(To record the premium liability.)

Attempts: 0 of 3 used

*(b)

The parts of this question must be completed in order. This part will be available when you complete the part above.

List Of Accounts

CLOSE

Problem 13-9 (Part Level Submission)

Accounts Payable
Accounts Receivable
Accumulated Depreciation-Plant Assets
Allowance from Expropriation
Asset Retirement Obligation
Cash
Depreciation Expense
Dividends Payable
Due to Customer
Discount on Notes Payable
FICA Taxes Payable
Freight-In
FUTA Taxes Payable
Insurance Premium Payable
Interest Expense
Interest Payable
Inventory
Inventory of Premiums
Land Improvements
Lawsuit Liability
Lawsuit Loss
Litigation Expense or Loss
Litigation Liability
Loss from Expropriation
Loss on ARO Settlement
No Entry
Notes Payable
Oil Platform
Payroll Tax Expense
Plant Assets
Premium Expense
Premium Liability
Purchases
Purchase Discounts
Purchase Returns and Allowances
Retained Earnings
Salaries and Wages Expense
Salaries and Wages Payable
Sales Revenue
Sales Tax Payable
SUTA Taxes Payable
Trucks
Unearned Sales Revenue
Unearned Warranty Revenue
Union Dues Payable
Warranty Expense
Warranty Liability
Warranty Revenue
Withholding Taxes Payable

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*Problem 13-12

Garison Music Emporium carries a wide variety of musical instruments, sound reproduction equipment, recorded music, and sheet music. Garison uses two sales promotion techniques—warranties and premiums—to attract customers.

Musical instruments and sound equipment are sold with a one-year warranty for replacement of parts and labor. The estimated warranty cost, based on past experience, is 2% of sales.

The premium is offered on the recorded and sheet music. Customers receive a coupon for each dollar spent on recorded music or sheet music. Customers may exchange 200 coupons and $30 for a digital MP3 player. Garison pays $40 for each player and estimates that 50% of the coupons given to customers will be redeemed.

Garison's total sales for 2014 were $7,504,000—$5,784,000 from musical instruments and sound reproduction equipment and $1,720,000 from recorded music and sheet music. Replacement parts and labor for warranty work totaled $164,400 during 2014. A total of 6,930 players used in the premium program were purchased during the year, and there were 1,226,000 coupons redeemed in 2014.

The accrual method is used by Garison to account for the warranty and premium costs for financial reporting purposes. The balances in the accounts related to warranties and premiums on January 1, 2014, were as shown below.

Inventory of Premiums	$ 37,870
Premium Liability	44,740
Warranty Liability	140,200

Garison Music Emporium is preparing its financial statements for the year ended December 31, 2014. Determine the amounts that will be shown on the 2014 financial statements for the following. ***(Round answers to 0 decimal places, e.g. 125.)***

(a) Warranty Expense $

(b) Warranty Liability $

(c) Premium Expense $

(d) Inventory of Premiums $

(e) Premium Liability $

Question Attempts: 0 of 3 used

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Using Your Judgment 14-4 (Part Level Submission)

The following information is taken from the 2014 annual report of **Bugant, Inc.** Bugant's fiscal year ends December 31 of each year. Bugant's December 31, 2014, balance sheet is as follows.

Bugant, Inc.
Balance Sheet
December 31, 2014

Assets	
Cash	$ 450
Inventory	1,800
Total current assets	2,250
Plant and equipment	2,000
Accumulated depreciation	(160)
Total assets	$4,090
Liabilities	
Bonds payable (net of discount)	$1,426
Stockholders' equity	
Common stock	1,500
Retained earnings	1,164
Total liabilities and stockholders' equity	$4,090

Note X: Long Term Debt:
On January 1, 2015, Bugant issued bonds with face value of $1,500 and a coupon rate equal to 10%. The bonds were issued to yield 12% and mature on January 1, 2020.

Additional information concerning 2015 is as follows.

1. Sales were $3,500, all for cash.
2. Purchases were $2,000, all paid in cash.
3. Salaries were $700, all paid in cash.
4. Property, plant, and equipment was originally purchased for $2,000 and is depreciated straight-line over a 25-year life with no salvage value.
5. Ending inventory was $1,900.
6. Cash dividends of $100 were declared and paid by Bugant.
7. Ignore taxes.
8. The market rate of interest on bonds of similar risk was 12% during all of 2015.
9. Interest on the bonds is paid semiannually each June 30 and December 31.

(a1)

Prepare an income statement for the year ending December 31, 2015. Assume semiannual compounding of the bond interest.

BUGANT, INC.
Income Statement
For the year ended December 31, 2015

$

$

$

Attempts: 0 of 3 used

(a2)

The parts of this question must be completed in order. This part will be available when you complete the part above.

(b)

The parts of this question must be completed in order. This part will be available when you complete the part above.

List Of Accounts

CLOSE

Using Your Judgment 14-4 (Part Level Submission)

Accumulated Depreciation-Equipment
Accumulated Depreciation-Machinery
Accumulated Depreciation-Plant and Equipment
Allowance for Doubtful Accounts
Bad Debt Expense
Bond Issue Expense
Bonds Payable
Buildings
Cash
Common Stock
Cost of Goods Sold
Debt Investments
Depreciation Expense
Discount on Bonds Payable
Discount on Notes Payable
Discount on Notes Receivable
Equipment
Equity Investments
Gain on Disposal of Machinery
Gain on Disposal of Land
Gain on Disposal of Plant Assets
Gain on Redemption of Bonds
Gain on Restructuring of Debt
Gain on Sale of Machinery
Interest Expense
Interest Payable
Interest Receivable
Interest Revenue
Inventory
Land
Loss on Disposal of Land
Loss on Redemption of Bonds
Machinery
Mortgage Payable
No Entry
Notes Payable
Notes Receivable
Paid-in Capital in Excess of Par - Common Stock
Paid-in Capital in Excess of Par - Preferred Stock
Premium on Bonds Payable
Retained Earnings
Salaries and Wages Expense
Sales Revenue
Unamortized Bond Issue Costs
Unearned Revenue
Unearned Sales Revenue
Unrealized Holding Gain or Loss - Income

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Using Your Judgment 14-4

The following information is taken from the 2014 annual report of **Bugant, Inc.** Bugant's fiscal year ends December 31 of each year. Bugant's December 31, 2014, balance sheet is as follows.

Bugant, Inc.
Balance Sheet
December 31, 2014

Assets	
Cash	$ 450
Inventory	1,800
Total current assets	2,250
Plant and equipment	2,000
Accumulated depreciation	(160)
Total assets	$4,090
Liabilities	
Bonds payable (net of discount)	$1,426
Stockholders' equity	
Common stock	1,500
Retained earnings	1,164
Total liabilities and stockholders' equity	$4,090

Note X: Long Term Debt:
On January 1, 2015, Bugant issued bonds with face value of $1,500 and a coupon rate equal to 10%. The bonds were issued to yield 12% and mature on January 1, 2020.

Additional information concerning 2015 is as follows.

1. Sales were $3,500, all for cash.
2. Purchases were $2,000, all paid in cash.
3. Salaries were $700, all paid in cash.
4. Property, plant, and equipment was originally purchased for $2,000 and is depreciated straight-line over a 25-year life with no salvage value.
5. Ending inventory was $1,900.
6. Cash dividends of $100 were declared and paid by Bugant.
7. Ignore taxes.
8. The market rate of interest on bonds of similar risk was 12% during all of 2015.
9. Interest on the bonds is paid semiannually each June 30 and December 31.

Prepare an income statement for the year ending December 31, 2015. Assume semiannual compounding of the bond interest.

BUGANT, INC.
Income Statement
For the year ended December 31, 2015

		$
	$	

$

Prepare a balance sheet for Bugant, Inc. at December 31, 2015. Assume semiannual compounding of the bond interest. ***(List Current Assets in order of liquidity.)***

BUGANT, INC.
Balance Sheet
December 31, 2015

Assets

$

$

:

$

Liabilities and Stockholders' Equity

$

$

$

Compute debt to assets ratio and times interest earned ratio for 2014 and 2015. Bugant's net income in 2014 was $550 and interest expense was $169. ***(Round answers to 2 decimal places, e.g. 52.75.)***

	2015		2014	
Debt to asset ratio				
Times interest earned ratio		times		times

Has Bugant's solvency changed much from 2014 to 2015?

Question Attempts: 0 of 3 used

List Of Accounts

CLOSE

Using Your Judgment 14-4

Accumulated Depreciation-Equipment
Accumulated Depreciation-Machinery
Accumulated Depreciation-Plant and Equipment
Allowance for Doubtful Accounts
Bad Debt Expense
Bond Issue Expense
Bonds Payable
Buildings
Cash
Common Stock
Cost of Goods Sold
Debt Investments
Depreciation Expense
Discount on Bonds Payable
Discount on Notes Payable
Discount on Notes Receivable
Equipment
Equity Investments
Gain on Disposal of Machinery
Gain on Disposal of Land
Gain on Disposal of Plant Assets
Gain on Redemption of Bonds
Gain on Restructuring of Debt
Gain on Sale of Machinery
Interest Expense
Interest Payable
Interest Receivable
Interest Revenue
Inventory
Land
Loss on Disposal of Land
Loss on Redemption of Bonds
Machinery
Mortgage Payable
No Entry
Notes Payable
Notes Receivable
Paid-in Capital in Excess of Par - Common Stock
Paid-in Capital in Excess of Par - Preferred Stock
Premium on Bonds Payable
Retained Earnings
Salaries and Wages Expense
Sales Revenue
Unamortized Bond Issue Costs
Unearned Revenue
Unearned Sales Revenue
Unrealized Holding Gain or Loss - Income

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*Problem 14-7

On April 1, 2014, Seminole Company sold 30,960 of its 12%, 15-year, $1,000 face value bonds at 96. Interest payment dates are April 1 and October 1, and the company uses the straight-line method of bond discount amortization. On March 1, 2015, Seminole took advantage of favorable prices of its stock to extinguish 7,000 of the bonds by issuing 231,000 shares of its $10 par value common stock. At this time, the accrued interest was paid in cash. The company's stock was selling for $33 per share on March 1, 2015.

Prepare the journal entries needed on the books of Seminole Company to record the following. ***(Round answers to 0 decimal places, e.g. 38,548. If no entry is required, select "No Entry" for the account titles and enter 0 for the amounts. Credit account titles are automatically indented when amount is entered. Do not indent manually.)***

(a) April 1, 2014: issuance of the bonds.
(b) October 1, 2014: payment of semiannual interest.
(c) December 31, 2014: accrual of interest expense.
(d) March 1, 2015: extinguishment of 7,000 bonds. (No reversing entries made.)

Date	Account Titles and Explanation	Debit	Credit
4/1/14			
10/1/14			
12/31/14			
3/1/15			
3/1/15			

(To record extinguishment of the bonds.)

Question Attempts: 0 of 3 used

List Of Accounts

CLOSE

Problem 14-7

Accumulated Depreciation-Equipment
Accumulated Depreciation-Machinery
Allowance for Doubtful Accounts
Bad Debt Expense
Bond Issue Expense
Bonds Payable
Buildings
Cash
Common Stock
Debt Investments
Depreciation Expense
Discount on Bonds Payable
Discount on Notes Payable
Discount on Notes Receivable
Equipment
Equity Investments
Gain on Disposal of Machinery
Gain on Disposal of Land
Gain on Disposal of Plant Assets
Gain on Redemption of Bonds
Gain on Restructuring of Debt
Gain on Sale of Machinery
Interest Expense
Interest Payable
Interest Receivable
Interest Revenue
Land
Loss on Disposal of Land
Loss on Redemption of Bonds
Machinery
Mortgage Payable
No Entry
Notes Payable
Notes Receivable
Paid-in Capital in Excess of Par - Common Stock
Paid-in Capital in Excess of Par - Preferred Stock
Premium on Bonds Payable
Sales Revenue
Unamortized Bond Issue Costs
Unearned Revenue
Unearned Sales Revenue
Unrealized Holding Gain or Loss - Income

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IFRS 14-8

The financial statements of **Marks and Spencer plc (M&S)** are available at the book's companion website or can be accessed at *http://annualreport.marksandspencer.com/_assets/downloads/Marks-and-Spencer-Annual-report-and-financial-statements-2012.pdf*.

Refer to M&S's financial statements and the accompanying notes to answer the following questions.

What cash outflow obligations related to the repayment of long-term debt does M&S have over the next 5 years? ***(Enter answers in millions.)***

Within one year	£
Between one and two years	
Between two and five years	
More than five years	
Total	£

Compute the following ratio: ***(Enter negative amounts using either a negative sign preceding the number e.g. -45 or parentheses e.g. (45). Round answers to 2 decimal places, e.g. 52.75. Enter answers in millions.)***

(1)	Working capital	£	million
(2)	Current ratio		: 1
(3)	Acid-test ratio		: 1
(4)	Receivables turnover		times
(5)	Inventory turnover		times
(6)	Current cash debt coverage		times
(7)	Cash debt coverage		times
(8)	Debt to assets		%
(9)	Time interest earned		

Question Attempts: 0 of 3 used

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*Problem 14-10

Presented below are four independent situations.

(a) On March 1, 2015, Wilke Co. issued at 103 plus accrued interest $4,083,000, 9% bonds. The bonds are dated January 1, 2015, and pay interest semiannually on July 1 and January 1. In addition, Wilke Co. incurred $27,500 of bond issuance costs.

Compute the net amount of cash received by Wilke Co. as a result of the issuance of these bonds. *(Round answer to 0 decimal places, e.g. 38,548.)*

Net amount of cash received $

(b) On January 1, 2014, Langley Co. issued 9% bonds with a face value of $741,000 for $653,718 to yield 11%. The bonds are dated January 1, 2014, and pay interest annually.

What amount is reported for interest expense in 2014 related to these bonds, assuming that Langley used the effective-interest method for amortizing bond premium and discount? *(Round answer to 0 decimal places, e.g. 38,548.)*

Interest expense to be reported for 2014 $

(c) Tweedie Building Co. has a number of long-term bonds outstanding at December 31, 2014. These long-term bonds have the following sinking fund requirements and maturities for the next 6 years.

	Sinking Fund	Maturities
2015	$317,200	$114,000
2016	114,000	256,200
2017	114,000	114,000
2018	215,000	-
2019	215,000	167,700
2020	215,000	114,000

Indicate how above information should be reported in the financial statements at December 31, 2014. *(Round answers to 0 decimal places, e.g. 38,548.)*

Maturities and sinking fund requirements

2015	$
2016	$
2017	$
2018	$
2019	$

(d) In the long-term debt structure of Beckford Inc., the following three bonds were reported: mortgage bonds payable $10,084,000; collateral trust bonds $5,015,500; bonds maturing in installments, secured by plant equipment $4,010,300.

Determine the total amount, if any, of debenture bonds outstanding.

Total amount $

Question Attempts: 0 of 3 used