

HARAMBEE UNIVERSITY COLLEGE
FACULTY OF BUSINESS & ECONOMICS
DEPARTMENT OF ACCOUNTING& FINANCE
WOKSHEET FOR FINANCIAL ACCOUNTING I

Student's Name _____

Id No _____

Program _____

Address:

Department _____

Telephone number _____

Part I-Essay Type Question

1. Qualities of useful Accounting information A friend of yours who is not an accounting major is concerned about the usefulness” of accounting information. The friend states: “I have watched you prepare many financial statements in completing your homework assignments. But how do you determine whether the information in these financial statements is useful? What are the characteristics or qualities useful accounting information

Required

Prepare a written response for your friend that identifies and explains the qualitative characteristics of useful accounting information

Part II- Workout Questions

2. The information listed below was obtained form the comparative balance sheets of market Company.

	Year 4	
	Jan. 1	Dec.31
Accounts receivable	\$77,500	\$84,200
Inventories	110,000	125,000
Accounts payable (merchandise suppliers)	49,500	38,000
Short term prepayments	6,200	1,700
Accrued salaries payable	3,200	1,900
Accumulated Depreciation (there was no disposals Of plant assets during year 4)	66,000	100,000
A summary of cash receipts and payments for year 4 follows:		
Cash collected from customers		\$723,500
Cash paid to merchandise suppliers		440,000
Cash paid for operating expenses		122,800

Instructions

Prepare income statements for Merk Company for year 4 under;

- A) The accrual basis of accounting
- B) The modified cash basis of accounting where by operating expenses (excluding depreciation) is computed on the cash basis.
- C) The cash basis of accounting

(Merk's income is taxed at 45%). Show supporting computations

3. The Concord Corporation has experienced cash flow problems and decides to improve its current cash position by factoring 30% of its relievable and assigning the remainder with the same finance company. The agreement with the finance company situates that a 10% commission will be as seed on factored accounts and 15% annual interest will be charged on the outstanding note payable balance related to the assigned accounts. Additionally, the finance company will advance only 80% f the factored and assigned account and Concord must continue the collection responsibilities on the assigned accounts. At the beginning of the last month of the company's fiscal year the accounts receivable transferred to the finance company amounted to \$187,000. During the month collections on assigned accounts plus accrued interest were remitted to the finance company at the end of the month.

Required

- 1. Prepare all journal entries to record the preceding information on Concord's books.
- 2. How would the accounts related to Concord's factoring assignment agreements be reported on Lard's year-end financial statement

4. The following information is available concerning the cash balance of the Tam corporation on July 31, 2008:
1. Cash balance from bank statement June 30 \$13,031.78
 2. Cash balance from bank Statement July 31 17,756.43
 3. Cash balance from company records, June 30 (adjusted) 12,057.16
 4. Cash balance from company records July 31 18,414.92
 5. Deposit made by Smith on July 31 received by
The bank August 1 1,098.51
 6. NSF check returned by bank with the July bank statement 113.15
 7. July 31 outstanding checks:
 - #1345 \$27.00
 - #1353 \$13.23
 - #1354 \$14.24
 8. A check written by Smith during July for \$162.50 was erroneously recorded on the books as \$126.50.
 9. Note Collected by the bank on July 31 (not previously
Recorded by Smith) 1,000.00
 10. Interest on the preceding note (not previously recorded) 15.00
 11. July bank service charge 7.80
 12. June deposits in transit received by the bank July 1 146.73
 13. total receipts recorded by the bank during July 10,051.17
 14. total payments recorded by the bank during July 5,326.52
 15. July 31 cash on hand (un deposit customers checks) 472.50
 16. June outstanding checks
 - #1082 \$372.15 received by bank July 1
 - #1086 \$552.40 received by bank July 3
 - #1087 \$196.80received by bank July 6
 17. Total July receipts per books 10,460.45
 18. Total July payments per books 4,102.69

Required

Prepare a four-column proof of cash for Tam Corporation for the month ended July 31, 2008.

5. The following are three independent situations in which separate companies decide to discontinue the operations of a segment. Each company is subject to a 30% income tax rate.

1. On June 1, 1997 Company X decided to sell Segment A the sale was made on November 2, 1997 for \$800,000. Financial data for segment A: pretax operating income for the period 1/1/97-5/31/97,\$87,000 for the period 6/1/97-10/31/97,\$70,000 book value at 11/2/97,\$900,000.
2. On May 1, 1997 Company Y decided to sell segment B. The sale is to made on March 1, 1998 for \$326,000 at that time segment B is expected to have a book value of \$320,000. Actual and expected pretax operating results for segments B are as follows:

	1/ 1/ 97-4/30/97	5/1/97-12/31/97	1/1/98-2/28/98
Operating income (loss)	\$12,000	\$(2,000)	\$(23,000)

3. On July 1, 1997 company Z decided to sell segment C. The sale is to be made on April 1, 1998 for \$980,000 at that time segment C is expected to have book value of \$ 900,000. Actual and estimated pretax operating information for segment C is as follows:

	1/1/97-6/30/97	7/1/97/-12/31/97	1/1/98-3/31/98
Sales	\$125,000	\$100,000	\$19,000
Operating expenses	183,000	180,000	22,000

Required:

Prepare the Results from Discontinued operations section of each company's income statement for 1997. Show supporting calculations

6. seacoast company was organized early in Year 1, during the next four years it completed the following transactions in the current portfolio of marketable equity securities:

Year1: Acquired the following marketable equity securities:

Security A\$100,000
 Security B..... 50,000
 Security C75,000

Year 2: Sold security for \$140,000 net of brokerage commission and other miscellaneous costs.

Year 3: Acquired security D for \$88,000

Year 4: Sold security B for \$37,500, net of brokerage commission and other miscellaneous costs. Acquired security E at a total cost of \$180,000

The market values of the current portfolio of marketable equity securities on December 31 of each year were as follows:

	Year 1	Year 2	Year 3	Year 4
Securities A	\$125,000			
Securities B	30,000	\$45,000	\$35,000	
Securities C	50,000	90,000	70,000	\$55,000
Securities D			85,000	80,000
Securities E				175,000
Totals	<u>\$205,000</u>	<u>\$135,000</u>	<u>\$190,000</u>	<u>\$310,000</u>

Instructions

- Prepare journal entries for seacoast Company to recorded the transactions in marketable equity securities listed above for the four-year period ended December 31, year 4, including appropriate adjustments to the valuation allowance account at the end of each year. Disregard income taxes.
- Show how the current portfolio of marketable equity securities would be presented I seacoast company's balance sheet at the end of each of the four years ended December 31, year 4. Supplementary disclosure pursuant to **FASB Statement No 12,**” Accounting for Certain Marketable Securities” is not required