

**ADM 1340P**  
**INTRODUCTORY FINANCIAL ACCOUNTING**  
**Quiz No. 4 (Winter 2014)**

**NAME:** \_\_\_\_\_

**STUDENT #:** \_\_\_\_\_

**Instructions:**

1. This quiz is 40 minutes in length.
2. This is a close-book, close-notes exam.
3. A calculator is allowed.
4. Please write or print neatly.

**Statement of Academic Integrity**

The School of Management does not condone academic fraud, an act by a student that may result in a false academic evaluation of that student or of another student. Without limiting the generality of this definition, academic fraud occurs when a student commits any of the following offences: plagiarism or cheating of any kind, use of books, notes, mathematical tables, dictionaries or other study aid unless an explicit written note to the contrary appears on the exam, to have in his/her possession cameras, radios (radios with head sets), tape recorders, pagers, cell phones, or any other communication device which has not been previously authorized in writing.

**Statement to be signed by the student:**

I have read the text on academic integrity and I pledge not to have committed or attempted to commit academic fraud in this examination.

Signed: \_\_\_\_\_

Note: an examination copy or booklet without that signed statement will not be graded and will receive a final exam grade of zero.

**Ex. 1 (30 marks)**

On January 1, 2012, Blue Corporation reported \$3,000,000 in its Common Shares account (200,000 issued) and retained earnings of \$1,000,000. During 2012, the following events occurred:

- On July 1, the company issued 100,000 common shares at \$17 per share.
- On December 15, the board of directors declared a 15% stock dividend to shareholders of record on December 31, payable on January 15, 2013.
- The market value of Blue Corporation shares was \$16 per share on December 15 and \$14 per share on December 31.
- Profit for 2012 was \$625,000.

**Instructions**

- (a) Record the issue of shares on July 1 and the declaration of the stock dividend on December 15.
- (b) Prepare the shareholders' equity section of the statement of financial position at December 31, 2012.

**Solution**

(a) July 1	Cash .....	1,700,000	
	Common Shares .....		1,700,000
	Issued 100,000 shares at \$17/share.		
Dec. 15	Stock Dividends (45,000 × \$16/share) .....	720,000	
	Common Stock Dividends Distributable .....		720,000
	(200,000 + 100,000) × 15% = 45,000 shares)		

(b)

**BLUE CORPORATION**  
Statement of Financial Position (partial)  
December 31, 2012

Shareholders' equity		
Share capital		
Common shares, 300,000 shares issued		\$4,700,000
Common stock dividend distributable		720,000
Total share capital		<u>5,420,000</u>
Retained earnings *		<u>905,000</u>
Total shareholders' equity		<u>\$6,325,000</u>

\* Retained earnings = \$1,000,000 – \$720,000 + \$625,000 = \$905,000

**Ex. 2 (70 marks)**

Use the following information to perform the calculations below. Clearly label the amount of each answer as positive or negative and show all your calculations:

Profit	\$475,000	Beginning accounts payable	\$ 24,000
Depreciation expense	92,000	Ending accounts payable	41,000
Beginning accounts receivable	38,000	Purchase of equipment	525,000
Ending accounts receivable	41,500	Issue of long-term debt	145,000
Beginning inventory	23,000	Issue of shares for cash	80,000
Ending inventory	26,000	Issue of shares for land	140,000
Beginning prepaid expenses	3,700	Repurchase of issued shares	93,500
Ending prepaid expenses	3,100	Sale of long-term investment at cost	28,000

- Calculate the amount of cash flows provided (used) by operating activities, using the indirect method.
- Calculate the amount of cash flows provided (used) by investing activities.
- Calculate the amount of cash flows provided (used) by financing activities.
- Calculate the net change in cash.
- Identify any significant noncash investing or financing activities.

**Suggested solution****(a) Operating activities**

Profit	\$475,000
Depreciation expense	92,000
Increase in accounts receivable	(3,500)
Increase in inventory	(3,000)
Decrease in prepaid expenses	600
Increase in accounts payable	<u>17,000</u>
Cash flows provided (used) by operating activities	<u>\$578,100</u>

**(b) Investing activities**

Purchase of equipment	\$(525,000)
Sale of long-term investment	<u>28,000</u>
Cash flows provided (used) by investing activities	<u>\$(497,000)</u>

**(c) Financing activities**

Issue of long-term debt	\$145,000
Issue of shares for cash	80,000
Repurchase of issued shares	<u>(93,500)</u>

Cash flows provided (used) by financing activities	<u>\$131,500</u>
(d) Net change in cash	
Increase from operating activities	\$578,100
Decrease from investing activities	(497,000)
Increase from financing activities	<u>131,500</u>
Net increase in cash	<u>\$212,600</u>
(e) Issue of shares for land	<u>\$140,000</u>