École de gestion TELFER School of Management

LIÉE au LINKED with LEADERSHIP

Mid Term Exam
Intermediate Financial Accounting I
Winter 2011
ADM2342

(SUGGESTED SOLUTIONS)

Name: ______________________________ **ID#:** ______________________________

Section: Monday & Thursday (day) M ☐ **Thursday (evening) N** ☐

Instructions:

- Write your name and student ID number above.
- Turn off all cell phones.
- This examination "SUGGESTED SOLUTION" comprises **5** questions over 20 numbered pages.
- Answer Question 1's multiple-choice questions in the SCANTRON sheet provided.
- Answer questions 2-5 in this booklet. Booklet is **not** to be removed from the examination room. You may not separate the pages.
- Do not answer questions 2-5 using a pencil.
- Limit your answer to the space provided. Blank sheets for rough work and supporting calculations are given at the end of each question.
- This exam will be marked out of 100 marks (for convenience) and is 2½ hours long. You should budget approximately 1.5 minutes per mark. The exam is worth 35% of the overall course mark.
- Please do not ask the invigilator or the professor any questions, as they will not be answered. State reasonable assumptions, if you feel they are necessary.
- Financial tables are provided on pages 19 and 20.
- Language (non-electronic) dictionaries are allowed but only after permission is given by the proctors at the examination.
- You ***must*** sign the Statement of Academic integrity on page 2 of this exam.

	Question	**Marks**
	1: Multiple Choice	**/15**
Chapter 4	**2: part 1**	**/4**
	2: part 2	**/4**
	2: part 3	**/5**
	2: part 4	**/10**
Chapter 5	**3: part 1**	**/6.5**
	3: part 2	**/7**
	3: part 3	**/7.5**
Chapter 6	**4: part 1**	**/6**
	4: part 2	**/11**
Chapter 7	**5: part 1**	**/6**
	5: part 2	**/10**
	5: part 3	**/8**
	TOTAL	**/100**

Statement of Academic Integrity
The Telfer 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 an exam grade of zero.

QUESTION 1 (15 marks)

Answer ALL parts to this question on the SCANTRON sheet provided. Each part is independent. The marker will not assess anything you write on this and the following page.

1. The body that has the responsibility to set generally accepted accounting principles in Canada is the
   a. FASB.
   b. IASB.
   c. AcSB.
   d. OSC.

2. The preparation by some companies of biased information is sometimes referred to as
   a. conservative financial reporting.
   b. aggressive financial reporting.
   c. full disclosure of all material facts.
   d. management stewardship.

3. Which of the following parties is *not* instrumental in the development of financial reporting standards in Canada?
   a. the Financial Accounting Standards Board (FASB)
   b. the Provincial Securities Commissions
   c. the International Accounting Standards Board (IASB)
   d. the American Institute of Certified Public Accountants

4. Which of the following is not a stakeholder in the Canadian Financial Reporting Environment?
   a. Investors
   b. Creditors
   c. Auditors
   d. All of these are stakeholders

5. In establishing financial accounting standards, "due process" refers to
   a. the process of giving interested parties ample opportunity to express their views.
   b. the practice of researching, creating a task force, issuing an exposure draft and establishing the new GAAP.
   c. the researching of the legal implications of proposed new accounting standards.
   d. the requirement that all accountants must receive a copy of financial standards.

6. Generally accepted accounting principles include
   a. specific rules, practices and procedures.
   b. broad principles and conventions of general applications including underlying concepts.
   c. pronouncements by the Emerging Issues Committee.
   d. all of these.

7. Which of the following is *not* a generally practiced method of presenting the income statement?
   a. Including corrections of errors made in a prior period
   b. The single-step income statement
   c. The consolidated statement of income
   d. Including gains and losses from discontinued operations of a segment of a business in determining net income

8. The concept of intraperiod tax allocation is used for
   a. income from continuing operations
   b. income from discontinued operations
   c. other comprehensive income
   d. All of these

9. A company's balance sheet
   a. Would never include accumulated other comprehensive income (because it is an income statement item).
   b. May include accumulated other comprehensive income if the company follows IFRS
   c. May include accumulated other comprehensive income if the company follows private entity GAAP
   d. None of these

10. Which of the following is a change in accounting principle?
    a. A change in the estimated service life of machinery
    b. A change estimated allowance for bad debts
    c. A change in the estimated future warranty expense
    d. A change from FIFO to weighted average for inventory

11. Which of the following is a required disclosure in the income statement when reporting a change in accounting principle?
    a. A per share amount for the cumulative effect of the change.
    b. The cumulative effect on prior years net of tax.
    c. The cumulative effect should be disclosed immediately after discontinued operations.
    d. None of these.

12. A company that follows ASPE
    a. can disclose the cash flow per share if it makes a special election to do so
    b. must *not* disclose the cash flow per share
    c. is generally allowed to disclose the cash flow per share
    d. None of these

13. The basis for classifying assets as current or noncurrent is conversion to cash within
    a. the accounting cycle or one year, whichever is shorter.
    b. the operating cycle or one year, whichever is longer.
    c. the accounting cycle or one year, whichever is longer.
    d. the operating cycle or one year, whichever is shorter.

14. Which of the following best describes a liability?
    a. Any obligation, whether enforceable or not, is a liability
    b. A liability is an enforceable economic burden or obligation
    c. A liability is a legal economic benefit
    d. None of these

15. Which of the following is *not* a method of disclosing pertinent information?
    a. Supporting schedules
    b. Parenthetical explanations
    c. Cross reference and contra items
    d. All of these are methods of disclosing pertinent information.

Answer ALL parts to this question on the SCANTRON sheet provided. Each part is independent. The marker will not assess anything you write on this and the previous page.

END OF MULTIPLE CHOICE

QUESTION 2 (23 marks)

Answer ALL parts to this question. Each part is independent.

PART 1 (4 marks)

Presented below is certain information pertaining to Pollock Company.

Assets, January 1	$300,000
Assets, December 31	280,000
Liabilities, January 1	130,000
Common stock, December 31	70,000
Retained earnings, December 31	30,000
Common stock issued during the year	8,000
Dividends declared during the year	13,000

Required

Calculate the net income for the year.

	January 1	December 31
Assets	$300,000	
Liabilities	130,000	
Shareholders' equity	$ 170,000	$100,000*

Calculation of net income:	
Shareholders' equity December 31	$100,000
Shareholders' equity January 1	170,000
Decrease	(70,000)
Add: Dividend declared	13,000
Less: Common stock issued	(8,000)
Net income (Loss)	$ (65,000)

*$70,000 + $30,000

QUESTION 2 (23 marks) continued

Answer ALL parts to this question. Each part is independent.

PART 2 (4 marks)

Lazorko Corporation completed its first year of operations. Its results and other information for the year ending December 31, 2011 included the following:

Sales:	$900,000
Cost of goods sold:	$430,000
Operating expenses:	$ 80,000

Unrealized holding gains from investments (accounted for under the fair value through comprehensive income model) $25,000

Required

Based on the information provided, prepare in good form a combined Statement of Income and Comprehensive Income. Ignore income taxes and EPS.

LAZORKO CORPORATION
Statement of Income and Comprehensive Income
For the Year Ended December 31, 2011

Sales	900,000
Cost of goods sold	430,000
Gross profit	470,000
Operating expenses	80,000
Net income	390,000
Other comprehensive income	
Unrealized holding gain	25,000
Comprehensive income	$415,000

QUESTION 2 (23 marks) continued

Answer ALL parts to this question. Each part is independent.

PART 3 (5 marks)
Ponoka Ltd. had the following balances at January 1, 2010:
Common shares: $420,000
Retained earnings: $30,000
Accumulated other comprehensive income: $58,000

During the year the company earned net income of $200,000 and generated other comprehensive income of $70,000. Dividends declared but unpaid during the year were $3,000.

Required
Prepare a statement of changes in shareholder's equity for the year ended December 31, 2010

PONOKA LTD.
Statement of Shareholder's Equity
For the Year Ended December 31, 2010

	Total	Common Shares	Retained Earnings	Accumulated Other Comprehensive Income
Beginning balance	$508,000	$420,000	$30,000	$58,000
Net income	$200,000		$200,000	
Dividends declared	($3,000)		($3,000)	
Other comprehensive income	$70,000			$70,000
Comprehensive income				
Ending balance	$775,000	$420,000	$227,000	$128,000

QUESTION 2 (23 marks) continued

Answer ALL parts to this question. Each part is independent.

PART 4 (10 marks)

Presented below is selected information relating to LeGeyt Company for 2010. LeGeyt Company follows IFRS.

Cash collections from credit sales	$1,100,000
Retained earnings, January 1, 2010	800,000
Sales	1,900,000
Selling and administrative expenses	290,000
Casualty loss (pre-tax)	350,000
Cash dividends declared on common shares	34,000
Cost of goods sold	1,100,000
Other revenues	180,000
Other expenses	120,000
Loss from early extinguishment of debt (pre-tax)	340,000
Gain from transactions in foreign currencies (pre-tax)	220,000
Proceeds from sale of Strathroy common stock	60,000

Additional information:

1. Early in 2010, LeGeyt changed amortization methods for its plant assets from the double declining-balance to the straight-line method. The affected assets were purchased at the beginning of 2008 for $200,000, had no residual value, and had useful lives of 10 years. Amortization expense of $16,000 is included in the "Selling and Administrative Expenses" of $290,000 above.

2. On September 1, 2010, LeGeyt sold one of its segments (product line) to Best Industries for a pre-tax gain of $550,000. During the period January 1 to August 31, the discontinued segment incurred a pre-tax operating loss of $480,000. Neither the pretax gain nor the pretax loss are included in any of the numbers shown above.

3. Included in "Selling and Administrative Expenses" is "Bad Debts Expense" of $19,000. LeGeyt bases its bad debts expense upon a percentage of sales. In 2008 and 2009, the percentage was 0.5 percent. In 2010, the percentage was increased to 1 percent.

Required

Prepare in good form a multiple-step income statement for 2010. Assume a 20% income tax rate and that 20,000 common shares were outstanding during the year.

LeGeyt Company
INCOME STATEMENT
For the Year Ended December 31, 2010

Sales		$1,900,000
Cost of goods sold		1,100,000
Gross profit		800,000
Selling and administrative expenses		290,000
Operating income		510,000
Other revenues and gains:		
Other revenues		180,000
Gain from transactions in foreign currency		220,000
		910,000
Other expenses and losses:		
Other expenses	$120,000	
Loss from early extinguishment of debt	340,000	
Casualty loss	350,000	810,000
Income from continuing operations before tax		100,000
Income tax expense (@ 20%)		20,000
Income from continuing operations		80,000
Discontinued operations:		
Loss from operations (net of tax savings of $96,000)	(384,000)	
Gain from sale of assets (net of tax expense of $110,000)	440,000	56,000
Net income		$ 136,000

Earnings per share:		
Income from continuing operations	($80,000 ÷ 20,000)	$4.00
Discontinued operations	($56,000 ÷ 20,000)	2.80
Net income	($136,000 ÷ 20,000)	$ 6.80

Note to students: $16,000 depreciation expense for 2010 is correct, as calculated below:

Undepreciated cost 1/1/2008	$200,000
2008 depreciation expense @ 20%	(40,000)
2009 depreciation expense ($200,000-$40,000) @ 20%	(32,000)
Undepreciated cost 1/1/2010	128,000
Less estimated residual value	0
Amount to be depreciated over the remaining useful life	$128,000
Divide by remaining useful life in years	8 years
2010 straight-line depreciation expense	$16,000

QUESTION 3 (21 marks)

Answer ALL parts to this question. Each part is independent.

PART 1 (6.5 marks)
Use the code letters listed below (a – m) to indicate, for each balance sheet item (1 – 13) listed below the usual valuation reported on the balance sheet.

____	1.	Common shares	____	8.	Long-term bonds payable
____	2.	Prepaid expenses	____	9.	Land (in use)
____	3.	Natural resources	____	10.	Land (future plant site)
____	4.	Property, plant, and equipment	____	11.	Patents
____	5.	Trade accounts receivable	____	12.	Trading securities
____	6.	Copyrights	____	13.	Trade accounts payable
____	7.	Merchandise inventory			

a. No par value
b. Current cost of replacement
c. Amount payable when due, less unamortized discount or plus unamortized premium
d. Amount payable when due
e. Fair value at balance sheet date
f. Net realizable value
g. Lower of cost or market
h. Original cost less accumulated depreciation
i. Original cost less accumulated depletion
j. Historical cost
k. Unexpired or unconsumed cost
m. Original cost net of accumulated amortization

1.	a	6.	m	11.	m
2.	k	7.	g	12.	e
3.	i	8.	c	13.	d
4.	h	9.	j		
5.	f	10.	j		

QUESTION 3 (21 marks) continued

Answer ALL parts to this question. Each part is independent.

PART 2 (7 marks)
The various classifications listed below have been used in the past by Kimmel Company on its balance sheet. It asks your professional opinion concerning the appropriate classification of each of the items 1-14 below.

a. Current Assets
b. Investments
c. Plant and Equipment
d. Intangible Assets
e. Other Assets
f. Current Liabilities
g. Long-Term Liabilities
h. Capital Shares
i. Retained Earnings

Indicate by letter how each of the following items should be classified. If an item need not be reported on the balance sheet, use the letter "X." A letter may be used more than once or not at all. If an item can be classified in more than one category, choose the category most favoured by the authors of your textbook.

___ 1. Employees' payroll deductions.

___ 2. Cash in sinking fund.

___ 3. Rent revenue collected in advance.

___ 4. Factory building retired from use and held for sale.

___ 5. Patents.

___ 6. Payroll cash fund.

___ 7. Goods held on consignment.

___ 8. Accrued revenue on short-term investments.

___ 9. Advances to salespersons.

___ 10. Premium on bonds payable due two years from date.

___ 11. Bank overdraft.

___ 12. Salaries which according to the company's budget will be paid to employees within the next year.

___ 13. Work in process.

___ 14. Appropriation of retained earnings for bonded indebtedness.

1.	f	5.	d	9.	a	13.	a
2.	b	6.	a	10.	g	14.	i
3.	f	7.	x	11.	f		
4.	a or e	8.	a	12.	x		

QUESTION 3 (21 marks) continued

Answer ALL parts to this question. Each part is independent.

PART 3 (7.5 marks)
The Controller of Schmidt Tooling Corporation has provided you with the following information:

Schmidt Tooling Corporation
Income Statement
For the Year Ended December 31, 2010

Net Sales		620,000
Operating expenses (including depreciation expense of $65,000)		410,000
		210,000
Income from operations		
Other revenues and expenses		
Gain on sale of equipment	30,000	
Interest expense	8,000	22,000
Income before income taxes		232,000
Income taxes		92,800
Net income		139,200

Schmidt Tooling Corporation
Comparative Account Information
Relating to Operations
For the Year Ended December 31, 2010

	2010	2009
Accounts receivable	56,000	40,000
Prepaid insurance	5,000	6,000
Accounts payable	59,000	47,000
Interest payable	600	1,500
Income taxes payable	4,200	6,000
Unearned revenue	20,000	14,000

Required
Prepare a statement of cash flows (for the company's operating activities only) for the year ended December 31, 2010 using the *indirect* format.

Schmidt Tooling Corporation
Partial Statement of Cash Flows
For the Year Ended December 31, 2010

Cash flows from operating activities

Net income	$139,200
Adjustments:	
Gain on sale of equipment	(30,000)
Depreciation expense	65,000
Increase in accounts receivable	(16,000)
Decrease in prepaid insurance	1,000
Increase in accounts payable	12,000
Decrease in interest payable	(900)
Decrease in income taxes payable	(1,800)
Increase in unearned revenue	6,000
Net cash provided by operating activities	$174,500

QUESTION 4 (17 marks)

Answer ALL parts to this question. Each part is independent.

PART 1 (6 marks)
In 2010, the following transaction occurred between McKenzie Wholesale Corp. (Consignor) and Bravo Superstores (Consignee):

(a) On March 2, 2010 McKenzie shipped merchandise costing $52,000 to Bravo. McKenzie paid $4,000 for freight and Bravo paid $3,000 for advertising (to be reimbursed by McKenzie).

(b) By the end of the third quarter of 2010 (September 30, 2010), Bravo advised McKenzie that the entire stock was sold for $70,000 and forwarded the proceeds (net of a 15% commission and the outlay for advertising) to McKenzie.

Required
Prepare all journal entries for Bravo Superstores to properly account for this transaction.

To set up receivable for advertising:		
Receivable from Consignor	3,000	
Cash		3,000
To record sale:		
Cash	70,000	
Payable to Consignor		70,000
Remittance to Consignor:		
Payable to Consignor	70,000	
Receivable from Consignor		3,000
Commission revenue*		10,500
Cash		56,500

*$70,000 x 15% = $10,500

QUESTION 4 (17 marks) continued

Answer ALL parts to this question. Each part is independent.

PART 2 (11 marks)
Pullman Construction specializes in the construction of commercial and industrial buildings. The contractor is experienced in bidding long-term construction projects of this type, with the typical project lasting fifteen to twenty-four months. The contractor uses the percentage-of-completion method of revenue recognition since, given the characteristics of the contractor's business and contracts, it is the most appropriate method. Progress toward completion is measured on a cost to cost basis. Pullman began work on a lump-sum contract at the beginning of 2010. As bid, the statistics were as follows:

Lump-sum price (contract price)		$2,000,000
Estimated costs		
Labour	$425,000	
Materials and subcontractor	875,000	
Indirect costs	200,000	1,500,000
		$ 500,000

At the end of the first year, the following was the status of the contract:

Billings to date		$1,115,000
Costs incurred to date		
Labour	$207,000	
Materials and subcontractor	519,000	
Indirect costs	75,000	801,000
Latest forecast total cost		1,500,000

It should be noted that included in the above costs incurred to date were standard electrical and mechanical materials stored on the job site, but not yet installed, costing $51,000. These costs should not be considered in the costs incurred to date.

Required
Under the earnings approach:

(a) Calculate the percentage of completion on the contract at the end of 2010.

(b) Indicate the amount of gross profit that would be reported on this contract at the end of 2010.

(c) Make the journal entry to record the income (loss) for 2010 on Pullman's books.

(d) Indicate the account(s) and the amount(s) that would be shown on the balance sheet of Pullman Construction at the end of 2010 related to its construction accounts. Also indicate where these items would be classified on the balance sheet. Billings collected during the year amounted to $980,000.

(e) Now assume the latest forecast on total costs at the end of 2010 was $2,050,000. How much income (loss) would Pullman report for the year 2010? (Show all supporting calculations).

(a)

Costs to date	$801,000
Less materials on job site	(51,000)
	$750,000

$$\frac{\text{Costs Incurred to Date}}{\text{Total Estimated Costs}} = \text{Percentage of Completion}$$

$$\frac{\$750{,}000}{\$1{,}500{,}000} = 50\%$$

(b)

50% × $2,000,000 =	$1,000,000
Costs incurred	750,000
Income (gross profit)	$ 250,000

(c)

Construction Expense	750,000	
Construction in Process	250,000	
Revenue from Long-term Project		1,000,000

QUESTION 4 (17 marks) continued

PART 2 (11 marks)

(d) Current Asset

Accounts receivable	$135,000	($1,115,000 – $980,000)

Current Liability

CIP billings in excess of contract costs and recognized profit	$115,000	($1,115,000 – $1,000,000)

(e) Total loss reported in 2010

Contract price	$2,000,000
Estimated cost to complete	2,050,000
Amount of loss to be reported	$ (50,000)

QUESTION 5 (24 marks)

Answer ALL parts to this question. Each part is independent.

PART 1 (6 marks)

The trial balance before adjustment of Rosen Company reports the following balances:

	Dr.	Cr.
Accounts receivable	$100,000	
Allowance for doubtful accounts		$ 2,500
Sales (all on credit)		650,000
Sales returns and allowances	40,000	

Required

(a) Prepare the entries for estimated bad debts assuming that doubtful accounts are estimated to be 7% of gross accounts receivable.

(b) Assume that all the information above is the same, except that the Allowance for Doubtful Accounts has a debit balance of $2,500 instead of a credit balance. Prepare the entries for estimated bad debts.

(a)

	Dr.	Cr.
Bad Debts Expense	4,500	
Allowance for Doubtful Accounts		4,500

Gross receivables	$100,000
Rate	7%
Total allowance needed	7,000
Present allowance	(2,500)
Bad debts expense	$ 4,500

(b)

Gross receivables	$100,000
Rate	7%
Total allowance needed	7,000
Present allowance	2,500
Additional amount required	$ 9,500

The journal entry is therefore as follows:

	Dr.	Cr.
Bad Debts Expense	9,500	
Allowance for Doubtful Accounts		9,500

The entry would not change for the estimate of monthly uncollectible accounts.

QUESTION 5 (24 marks) continued

Answer ALL parts to this question. Each part is independent.

PART 2 (10 marks)

At the beginning of year-1 Ratnatunga Limited received a $100,000 note in exchange for professional services it provided a client. The note bears a 4.00% annual rate of interest and will be repaid at the end of year-3. Ratnatunga Limited has assessed this note and prevailing interest rates and has decided that it will use 6.00% when valuing the note.

Required

(a) Prepare Ratnatunga Limited's amortization table for this note. The company uses the effective interest method to amortize the discount or premium on notes.
(b) Prepare Ratnatunga Limited's journal entry to record the issuance of this note.
(c) Prepare Ratnatunga Limited's journal entry associated with this note in year 2.

Accounting for Note Receivable using the amortized cost measurement model.

You can enter data in the yellow-shaded cells only.

Face value of the note	$ 100,000
Number of years from issuance to the note's maturity date	3
Stated rate	4.00%
Market rate	6.00%
Yearly interest payment	$ 4,000
Present Value Interest Factor (PVIF) of interest annuity	2.673012
PVIF of maturity value	0.839619
PV of interest	$ 10,692.05
PV of maturity value	$ 83,961.93
PV of the expected cash inflows from the note	$ 94,653.98
Discount on the note receivable	$ 5,346.02

Date of receipt of the note	Dr	Cr
Notes receivable	$ 100,000.00	
Sales revenue (professional services)		$ 94,653.98
Discount on the note receivable		$ 5,346.02

A	B	C	D	E = $100,000 x 4.00%	F = C x 6.00%	G = F - E	H = D - G	I = C + G
	Year	Amortized cost [unamortized carrying amount] of the note at BOY**	Discount on the note receivable at the BOY	Debit Cash a/c	Credit Interest revenue a/c	Debit: Discount on the note receivable a/c [Amortization of discount on the note receivable]	Discount on the note receivable at the EOY**	Amortized cost [unamortized carrying amount] of the note at EOY
	1	$ 94,653.98	$ 5,346.02	$ 4,000	$ 5,679.24	$ 1,679.24	$ 3,666.79	$ 96,333.21
	2	$ 96,333.21	$ 3,666.79	$ 4,000	$ 5,779.99	$ 1,779.99	$ 1,886.79	$ 98,113.21
	3	$ 98,113.21	$ 1,886.79	$ 4,000	$ 5,886.79	$ 1,886.79	$ 0.00	$ 100,000.00
				$ 12,000.00	$ 17,346.02	$ 5,346.02		

** BOY = beginning of the year; EOY = end of the year.

QUESTION 5 (24 marks) continued

Answer ALL parts to this question. Each part is independent.

PART 3 (8 marks)

On April 1, Cobra, Ltd. factored $600,000 of accounts receivable with Milton Finance on a without recourse basis. Under the arrangement, Cobra was to handle disputes concerning service, and Milton Finance was to make the collections, handle the sales discounts, and absorb the credit losses. Milton Finance assessed a finance charge of 6% of the total accounts receivable factored and retained an amount equal to 2% of the total receivables to cover sales discounts.

Required

(a) Prepare the journal entry required on Cobra's books on April 1.

(b) Prepare the journal entry required on Milton Finance's books on April 1.

(c) Assume Cobra factors the $600,000 of accounts receivable with Milton Finance on a *with* recourse basis instead. Cobra assesses the recourse provision to have a fair value of $10,000. Prepare the journal entry required on Cobra's books on April 1.

(a)	Cash	552,000	
	Due from Factor (2% × $600,000)	12,000	
	Loss on Sale of Receivables (6% × $600,000)	36,000	
	Accounts Receivable		600,000
(b)	Accounts Receivable	600,000	
	Due to Cobra		12,000
	Financing Revenue		36,000
	Cash		552,000
(c)	Cash	552,000	
	Due from Factor	12,000	
	Loss on Sale of Receivables	46,000	
	Accounts Receivable		600,000
	Recourse Liability		10,000

Financial Tables

Table 2: PRESENT VALUE of $1.00 that is received in the future.

Period/Per	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%
1	0.9900990	0.9803922	0.9708738	0.9615385	0.9523810	0.9433962	0.9345794	0.9259259	0.9174312	0.9090909	0.9009009	0.8928571
2	0.9802960	0.9611688	0.9425959	0.9245562	0.9070295	0.8899964	0.8734387	0.8573388	0.8416800	0.8264463	0.8116224	0.7971939
3	0.9705901	0.9423223	0.9151417	0.8889964	0.8638376	0.8396193	0.8162979	0.7938322	0.7721835	0.7513148	0.7311914	0.7117802
4	0.9609803	0.9238454	0.8884870	0.8548042	0.8227025	0.7920937	0.7628952	0.7350299	0.7084252	0.6830135	0.6587310	0.6355181
5	0.9514657	0.9057308	0.8626088	0.8219271	0.7835262	0.7472582	0.7129862	0.6805832	0.6499314	0.6209213	0.5934513	0.5674269
6	0.9420452	0.8879714	0.8374843	0.7903145	0.7462154	0.7049605	0.6663422	0.6301696	0.5962673	0.5644739	0.5346408	0.5066311
7	0.9327181	0.8705602	0.8130915	0.7599178	0.7106813	0.6650571	0.6227497	0.5834904	0.5470342	0.5131581	0.4816584	0.4523492
8	0.9234832	0.8534904	0.7894092	0.7306902	0.6768394	0.6274124	0.5820091	0.5402689	0.5018663	0.4665074	0.4339265	0.4038832
9	0.9143398	0.8367553	0.7664167	0.7025867	0.6446089	0.5918985	0.5439337	0.5002490	0.4604278	0.4240976	0.3909248	0.3606100
10	0.9052870	0.8203483	0.7440939	0.6755642	0.6139133	0.5583948	0.5083493	0.4631935	0.4224108	0.3855433	0.3521845	0.3219732
11	0.8963237	0.8042630	0.7224213	0.6495809	0.5846793	0.5267875	0.4750928	0.4288829	0.3875329	0.3504939	0.3172833	0.2874761
12	0.8874492	0.7884932	0.7013799	0.6245970	0.5568374	0.4969694	0.4440120	0.3971138	0.3555347	0.3186308	0.2858408	0.2566751
13	0.8786626	0.7730325	0.6809513	0.6005741	0.5303214	0.4688390	0.4149644	0.3676979	0.3261786	0.2896644	0.2575143	0.2291742
14	0.8699630	0.7578750	0.6611178	0.5774751	0.5050680	0.4423010	0.3878172	0.3404610	0.2992465	0.2633313	0.2319948	0.2046198
15	0.8613495	0.7430147	0.6418619	0.5552645	0.4810171	0.4172651	0.3624460	0.3152417	0.2745380	0.2393920	0.2090043	0.1826963
16	0.8528213	0.7284458	0.6231669	0.5339082	0.4581115	0.3936463	0.3387346	0.2918905	0.2518698	0.2176291	0.1882922	0.1631217
17	0.8443775	0.7141626	0.6050164	0.5133732	0.4362967	0.3713644	0.3165744	0.2702690	0.2310732	0.1978447	0.1696326	0.1456443
18	0.8360173	0.7001594	0.5873946	0.4936281	0.4155207	0.3503438	0.2958639	0.2502490	0.2119937	0.1798588	0.1528222	0.1300396
19	0.8277399	0.6864308	0.5702860	0.4746424	0.3957340	0.3305130	0.2765083	0.2317121	0.1944897	0.1635080	0.1376776	0.1161068
20	0.8195445	0.6729713	0.5536758	0.4563869	0.3768895	0.3118047	0.2584190	0.2145482	0.1784309	0.1486436	0.1240339	0.1036668
21	0.8114302	0.6597758	0.5375493	0.4388336	0.3589424	0.2941554	0.2415131	0.1986557	0.1636981	0.1351306	0.1117423	0.0925596
22	0.8033962	0.6468390	0.5218925	0.4219554	0.3418499	0.2775051	0.2257132	0.1839405	0.1501817	0.1228460	0.1006687	0.0826425
23	0.7954418	0.6341559	0.5066917	0.4057263	0.3255713	0.2617973	0.2109469	0.1703153	0.1377814	0.1116782	0.0906925	0.0737880
24	0.7875661	0.6217215	0.4919337	0.3901215	0.3100679	0.2469785	0.1971466	0.1576993	0.1264049	0.1015256	0.0817050	0.0658821
25	0.7797684	0.6095309	0.4776056	0.3751168	0.2953028	0.2329986	0.1842492	0.1460179	0.1159678	0.0922960	0.0736081	0.0588233
26	0.7720480	0.5975793	0.4636947	0.3606892	0.2812407	0.2198100	0.1721955	0.1352018	0.1063925	0.0839055	0.0663136	0.0525208
27	0.7644039	0.5858620	0.4501891	0.3468166	0.2678483	0.2073680	0.1609304	0.1251868	0.0976078	0.0762777	0.0597420	0.0468936
28	0.7568356	0.5743746	0.4370768	0.3334775	0.2550936	0.1956301	0.1504022	0.1159137	0.0895484	0.0693433	0.0538216	0.0418693
29	0.7493421	0.5631123	0.4243464	0.3206514	0.2429463	0.1845567	0.1405628	0.1073275	0.0821545	0.0630394	0.0484879	0.0373833
30	0.7419229	0.5520709	0.4119868	0.3083187	0.2313774	0.1741101	0.1313671	0.0993773	0.0753711	0.0573086	0.0436828	0.0333779
31	0.7345771	0.5412460	0.3999871	0.2964603	0.2203595	0.1642548	0.1227730	0.0920160	0.0691478	0.0520987	0.0393539	0.0298017
32	0.7273041	0.5306333	0.3883370	0.2850579	0.2098662	0.1549574	0.1147411	0.0852000	0.0634384	0.0473624	0.0354540	0.0266087
33	0.7201031	0.5202287	0.3770262	0.2740942	0.1998725	0.1461862	0.1072347	0.0788889	0.0582003	0.0430568	0.0319405	0.0237577
34	0.7129733	0.5100282	0.3660449	0.2635521	0.1903548	0.1379115	0.1002193	0.0730453	0.0533948	0.0391425	0.0287752	0.0212123
35	0.7059142	0.5000276	0.3553834	0.2534155	0.1812903	0.1301052	0.0936629	0.0676345	0.0489861	0.0355841	0.0259236	0.0189395
36	0.6989249	0.4902232	0.3450324	0.2436687	0.1726574	0.1227408	0.0875355	0.0626246	0.0449413	0.0323492	0.0233546	0.0169103
37	0.6920049	0.4806109	0.3349829	0.2342968	0.1644356	0.1157932	0.0818088	0.0579857	0.0412306	0.0294083	0.0210402	0.0150985
38	0.6851534	0.4711872	0.3252262	0.2252854	0.1566054	0.1092389	0.0764569	0.0536905	0.0378262	0.0267349	0.0189551	0.0134808
39	0.6783697	0.4619482	0.3157535	0.2166206	0.1491480	0.1030555	0.0714550	0.0497134	0.0347030	0.0243044	0.0170767	0.0120364
40	0.6716531	0.4528904	0.3065568	0.2082890	0.1420457	0.0972222	0.0667804	0.0460309	0.0318376	0.0220949	0.0153844	0.0107468

Table 4: PRESENT VALUE of Annuity of $1.00 in arrears.

Period/Per	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%
1	0.990099	0.980392	0.970874	0.961538	0.952381	0.943396	0.934579	0.925926	0.917431	0.909091	0.900901	0.892857
2	1.970395	1.941561	1.913470	1.886095	1.859410	1.833393	1.808018	1.783265	1.759111	1.735537	1.712523	1.690051
3	2.940985	2.883883	2.828611	2.775091	2.723248	2.673012	2.624316	2.577097	2.531295	2.486852	2.443715	2.401831
4	3.901966	3.807729	3.717098	3.629895	3.545951	3.465106	3.387211	3.312127	3.239720	3.169865	3.102446	3.037349
5	4.853431	4.713460	4.579707	4.451822	4.329477	4.212364	4.100197	3.992710	3.889651	3.790787	3.695897	3.604776
6	5.795476	5.601431	5.417191	5.242137	5.075692	4.917324	4.766540	4.622880	4.485919	4.355261	4.230538	4.111407
7	6.728195	6.471991	6.230283	6.002055	5.786373	5.582381	5.389289	5.206370	5.032953	4.868419	4.712196	4.563757
8	7.651678	7.325481	7.019692	6.732745	6.463213	6.209794	5.971299	5.746639	5.534819	5.334926	5.146123	4.967640
9	8.566018	8.162237	7.786109	7.435332	7.107822	6.801692	6.515232	6.246888	5.995247	5.759024	5.537048	5.328250
10	9.471305	8.982585	8.530203	8.110896	7.721735	7.360087	7.023582	6.710081	6.417658	6.144567	5.889232	5.650223
11	10.367628	9.786848	9.252624	8.760477	8.306414	7.886875	7.498674	7.138964	6.805191	6.495061	6.206515	5.937699
12	11.255077	10.575341	9.954004	9.385074	8.863252	8.383844	7.942686	7.536078	7.160725	6.813692	6.492356	6.194374
13	12.133740	11.348374	10.634955	9.985648	9.393573	8.852683	8.357651	7.903776	7.486904	7.103356	6.749870	6.423548
14	13.003703	12.106249	11.296073	10.563123	9.898641	9.294984	8.745468	8.244237	7.786150	7.366687	6.981865	6.628168
15	13.865053	12.849264	11.937935	11.118387	10.379658	9.712249	9.107914	8.559479	8.060688	7.606080	7.190870	6.810864
16	14.717874	13.577709	12.561102	11.652296	10.837770	10.105895	9.446649	8.851369	8.312558	7.823709	7.379162	6.973986
17	15.562251	14.291872	13.166118	12.165669	11.274066	10.477260	9.763223	9.121638	8.543631	8.021553	7.548794	7.119630
18	16.398269	14.992031	13.753513	12.659297	11.689587	10.827603	10.059087	9.371887	8.755625	8.201412	7.701617	7.249670
19	17.226008	15.678462	14.323799	13.133939	12.085321	11.158116	10.335595	9.603599	8.950115	8.364920	7.839294	7.365777
20	18.045553	16.351433	14.877475	13.590326	12.462210	11.469921	10.594014	9.818147	9.128546	8.513564	7.963328	7.469444
21	18.856983	17.011209	15.415024	14.029160	12.821153	11.764077	10.835527	10.016803	9.292244	8.648694	8.075070	7.562003
22	19.660379	17.658048	15.936917	14.451115	13.163003	12.041582	11.061240	10.200744	9.442425	8.771540	8.175739	7.644646
23	20.455821	18.292204	16.443608	14.856842	13.488574	12.303379	11.272187	10.371059	9.580207	8.883218	8.266432	7.718434
24	21.243387	18.913926	16.935542	15.246963	13.798642	12.550358	11.469334	10.528758	9.706612	8.984744	8.348137	7.784316
25	22.023156	19.523456	17.413148	15.622080	14.093945	12.783356	11.653583	10.674776	9.822580	9.077040	8.421745	7.843139
26	22.795204	20.121036	17.876842	15.982769	14.375185	13.003166	11.825779	10.809978	9.928972	9.160945	8.488058	7.895660
27	23.559608	20.706898	18.327031	16.329586	14.643034	13.210534	11.986709	10.935165	10.026580	9.237223	8.547800	7.942554
28	24.316443	21.281272	18.764108	16.663063	14.898127	13.406164	12.137111	11.051078	10.116128	9.306567	8.601622	7.984423
29	25.065785	21.844385	19.188455	16.983715	15.141074	13.590721	12.277674	11.158406	10.198283	9.369606	8.650110	8.021806
30	25.807708	22.396456	19.600441	17.292033	15.372451	13.764831	12.409041	11.257783	10.273654	9.426914	8.693793	8.055184
31	26.542285	22.937702	20.000428	17.588494	15.592811	13.929086	12.531814	11.349799	10.342802	9.479013	8.733146	8.084986
32	27.269589	23.468335	20.388766	17.873551	15.802677	14.084043	12.646555	11.434999	10.406240	9.526376	8.768600	8.111594
33	27.989693	23.988564	20.765792	18.147646	16.002549	14.230230	12.753790	11.513888	10.464441	9.569432	8.800541	8.135352
34	28.702666	24.498592	21.131837	18.411198	16.192904	14.368141	12.854009	11.586934	10.517835	9.608575	8.829316	8.156564
35	29.408580	24.998619	21.487220	18.664613	16.374194	14.498246	12.947672	11.654568	10.566821	9.644159	8.855240	8.175504
36	30.107505	25.488842	21.832252	18.908282	16.546852	14.620987	13.035208	11.717193	10.611763	9.676508	8.878594	8.192414
37	30.799510	25.969453	22.167235	19.142579	16.711287	14.736780	13.117017	11.775179	10.652993	9.705917	8.899635	8.207513
38	31.484663	26.440641	22.492462	19.367864	16.867893	14.846019	13.193473	11.828869	10.690820	9.732651	8.918590	8.220993
39	32.163033	26.902589	22.808215	19.584485	17.017041	14.949075	13.264928	11.878582	10.725523	9.756956	8.935666	8.233030
40	32.834686	27.355479	23.114772	19.792774	17.159086	15.046297	13.331709	11.924613	10.757360	9.779051	8.951051	8.243777