

Bus-1001BCT  
Midterm Exam - Oct 30 2009  
Multiple Choice Solutions

Q #	Answer
1	D
2	A
3	C
4	B
5	B
6	A
7	A
8	C
9	D
10	D
11	D
12	C
13	A
14	C
15	D
16	D
17	A
18	C
19	A
20	D
21	D
22	C
23	B
24	B
25	A
26	B
27	A
28	D
29	C
30	A
31	C
32	A
33	B

### Problem 1:

The Trial Balance for Alpha Limited for the year ending March 31 2009 is as follows

	<u>debits</u>	<u>credits</u>
Accounts Payable		30,000
Accounts Receivable	3,000	
Accumulated Amort. on Equipment		121,000
Allowance for bad debts		1,000
Amortization Expense	10,000	
Bonds Payable (mature in 2015)		150,000
Cash (Bank overdraft)		5,000
Common Stock (2,000 shares)		20,000
Cost of Good Sold	200,000	
Equipment	180,000	
Income Tax Expense	20,000	
Interest Expense	10,000	
Inventory	225,000	
Long Term Investments	50,000	
Marketable Securities	1,000	
Opening Retained Earnings (April 1 2003)		47,000
Preferred Stock (1,000 shares)		25,000
Sales		350,000
Selling and Admin Expenses	50,000	
	<u>749,000</u>	<u>749,000</u>

**REQUIRED:**

Prepare Balance Sheet at March 31 2009.

**SOLUTION:****Alpha Limited  
Balance Sheet  
As at March 31, 2009****1 mark for title**

Assets	<b>1 mark for title</b>			
Current Assets				
Marketable securities			1,000	
Accounts Receivable		3,000		
less: allowance for doubtful accounts		<u>1,000</u>	<b>1 mark</b>	
Net realizable value			2,000	
Inventory			<u>225,000</u>	<b>1 mark</b>
Total Current Assets			<u>228,000</u>	
Other Assets				
Long Term Investments			50,000	<b>1 mark</b>
Equipment		180,000		
less: Accumulated Amort. on Equipment		<u>121,000</u>	<b>1 mark</b>	
Net Equipment			<u>59,000</u>	
Total Other Assets			<u>109,000</u>	
Total Assets			<u><u>337,000</u></u>	
Liabilities and Shareholder's Equity	<b>1 mark for title</b>			
Current Liabilities				
Bank Indebtedness			5,000	
Accounts Payable			<u>30,000</u>	<b>1 mark</b>
Total Current Liabilities			35,000	
Long Term Liabilities				
Bonds Payable (mature in 2015)			<u>150,000</u>	<b>1 mark</b>
Total Long Term Liabilities			<u>150,000</u>	
Total Liabilities			185,000	
Shareholder's Equity				
Preferred Stock (1,000 shares)			25,000	
Common Stock (2,000 shares)			20,000	
Retained Earnings			<u>107,000</u>	<b>2 marks</b>
Total Shareholder's Equity			<u>152,000</u>	
Total Liabilities and Shareholder's Equity			<u><u>337,000</u></u>	

**Problem 2**

	Units	Unit Cost
Inventory, Dec 31 2008	5,000	\$ 10
For the year 2009:		
Purchases March 31	6,000	\$ 8
Purchase Aug 1	3,000	\$ 11
Inventory Dec 31 2009	4,000	

**FIFO**

<u>Ending Inventory</u>	units	cost/unit	total	
from Aug 1	3,000	11	33,000	
from Mar 1	1,000	8	8,000	
Ending Inventory	4,000		<u>41,000</u>	<b>1 mark</b>

<u>Cost of Goods Sold</u>		units	cost/unit	cost	
Opening Inventory		5,000	10	50,000	
add: Purchases	31-Mar	6,000	8	48,000	
	1-Aug	3,000	11	33,000	
Goods Available for Sale				131,000	
less: Ending Inventory		4,000		41,000	
COGS				<u>90,000</u>	<b>2 marks</b>

<b>OR</b>	5,000	10	50,000	<b>OR</b>
	5,000	8	40,000	
			<u>90,000</u>	<b>2 marks</b>

**Weighted Average**

<u>Ending Inventory</u>		units	cost/unit	total
from open		5,000	\$ 10.00	50,000
from Mar 1		6,000	\$ 8.00	48,000
from Aug 1		3,000	\$ 11.00	33,000
Total		14,000		131,000

weighted average cost/unit = total costs / total units = 9.36

<u>Ending Inventory</u>	units	cost/unit	total	
	4,000	\$ 9.36	37,429	<b>1 mark</b>

<u>Cost of Goods Sold</u>		units	cost/unit	cost	
Opening Inventory		5,000	10.00	50,000	
add: Purchases	31-Mar	6,000	8.00	48,000	
	1-Aug	3,000	11.00	33,000	
Goods Available for Sale				131,000	
less: Ending Inventory		4,000	9.36	37,429	
COGS				<u>93,571</u>	<b>2 marks</b>

<b>OR</b>	10,000	9.36	\$ 93,571.43	<b>OR</b>
			93,600.00	<b>2 marks if they've r</b>

Marking Key

- 1 mark      FIFO ending Inv
- 1 mark      Weighted Ave Ending Inv
- 2 marks     FIFO COGS
- 2 marks     Weighted Ave COGS

### Problem 3

A GIC was purchased on July 31, 2008 for \$24,000. Interest of 4% per annum is paid  
1 quarterly.

In October a customer gave a deposit of \$10,000 for services to be performed at a later date.  
In December services worth \$7,000 were provided to this customer, but were not invoiced.

2 There were no costs associated with these services.

3 Four years' rent, totalling \$60,000, was prepaid at the beginning of the year.

Amortization on Equipment that was purchased on January 1 2006 for \$40,000 with an  
4 estimated useful life of five years.

Salaries paid on January 7, 2009 were \$6,000. Half of these salaries were for the period of  
5 January 1 to January 7.

There were \$190 in Office Supplies at the beginning of the year, and \$690 were purchased  
6 during the year. By year end, only \$100 in supplies remained.

7 Bad Debts are estimated to be 3% of Sales. Sales were \$500,000

### Solution:

1	Accrued Interest Receivable	160	
	Interest Income		160
	( Interest for Nov and Dec: $\$24,000 \times 2/3 \times 4\%/4$ )		
2	Sales (or any revenue account)	7,000	
	Deferred Revenue		7,000
3	Rent Expense	15,000	
	Pre-Paid expense		15,000
4	Amortization Expense	8,000	
	Accumulate Amortization on Equipment		8,000
5	Salary Expense	3,000	
	Accrued Salaries Payable		3,000
6	Office Supplies Expense (or similar expense)	780	
	Office Supplies (or similar asset)		780
7	Bad debts expense	15,000	
	Allowance for Bad Debts		15,000

### Marking Key

1 mark for each entry

**Problem 4:** Bank Rec.

<b>Bank Statement</b>				
<b>Account 100-1040</b>				
<b>Sumbrite Corp.</b>				
Date	Description	Debit	Credit	Balance
September 1, 2009	Opening Balance			\$ 5,025.20
September 1, 2009	Chq # 0008	221.00		4,804.20
September 2, 2009	Chq # 0009	221.60		4,582.60
September 14, 2009	Deposit		1,427.40	6,010.00
September 15, 2009	Chq # 0007	221.60		5,788.40
September 16, 2009	Returned Item	800.80		4,987.60
September 30, 2009	Interest		3.00	4,990.60
September 30, 2009	Service Charge	15.00		4,975.60

<b>Cash Ledger</b>				
Date	Description	Debit	Credit	Balance
September 1, 2009	Opening Balance			\$ 5,025.20
September 1, 2009	Chq # 0006		221.60	4,803.60
September 1, 2009	Chq # 0007		221.60	4,582.00
September 1, 2009	Chq # 0008		221.60	4,360.40
September 1, 2009	Chq # 0009		221.60	4,138.80
September 14, 2009	Deposit	1,427.40		5,566.20
September 30, 2009	Deposit	50.60		5,616.80

**Solution:** 10 marks

Balance as per Bank Stmt	4,975.60	<span style="color: red;">1.5 marks</span>
+ Outstanding deposit	50.60	<span style="color: red;">1 mark</span>
- Outstanding Cheque #006	- 221.60	<span style="color: red;">1 mark</span>
reconciled balance	<u>4,804.60</u>	
Balance as per GL	5,616.80	<span style="color: red;">1.5 marks</span>
less: Returned Item	-800.8	<span style="color: red;">1 mark</span>
Service charge	- 15.00	<span style="color: red;">1 mark</span>
add: encoding error Chq #008	0.60	<span style="color: red;">1 mark</span>
Interest Income	3.00	<span style="color: red;">1 mark</span>
Reconciled Balance	<u>4,804.60</u>	

getting reconciled balances to agree 1 mark