

Be sure to show all calculations on exam for possible partial credit.

Problem #1 (50 points)

Prepare journal entries to record the following four issuances of stock on May 1, 2015
(Consider each instance independently)

- 1) 4,000 shares of \$11 par value preferred stock are issued for cash at \$15 per share.
- 2) 48,000 shares of \$1 par value common stock are issued for cash at \$4 per share.
- 3) 20,000 shares of no par common stock are issued for cash at \$8 per share.
The stock has a stated value of \$5.

| Date | Account | Debit | Credit |
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Problem #2 (50 points)

Prepare the journal entries to record cash dividend transactions for Fanta Corporation for the following dates:

May 1 Declared \$640,000 in dividends to be paid on May 31st to common stockholders of record on May 15th.

May 15 Record Date

May 31 Paid dividends declared on May 1.

| Date | Account | Debit | Credit |
|------|---------|-------|--------|
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Problem #3 (60 points)

On April 1, 2015, Dusty Corp purchased and placed in service a plant asset. The following information is available regarding the plant asset:

| | |
|-------------------------|---------|
| Acquisition cost | 150,000 |
| Estimated Salvage Value | 20,000 |
| Estimated Useful Life | 5 years |

Make the necessary adjusting journal entries at 12/31/15 and 12/31/16 to record depreciation for each year under the straight-line method

| Date | Account | Debit | Credit |
|------|---------|-------|--------|
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Problem #4 (40 points)

Multiple Choice

Please circle the letter of the correct answer

(5 points each)

1) As interest rates rise, the price of bonds:

- a Rise
- b Fall
- c Stay the same
- d Not enough information to determine

2) Which of the following statements is true?

- a Interest on bonds is tax deductible.
- b Dividends to stockholders are tax deductible.
- c Bonds do not have to be repaid.
- d Dividends *must* be declared and paid annually.

3) Happy company issued 3-year 8% bonds with a par value of \$400,000 when the market rate was 8.5%. The company received \$372,064 in cash proceeds.

The bonds pay interest semiannually on January 1 and July 1.

The entry to record the sale of the bonds on 1/1/14 is:

- | | | | |
|---|---------------------------|---------|---------|
| a | Bonds Payable | 400,000 | |
| | Cash | | 400,000 |
| b | Cash | 400,000 | |
| | Bonds Payable | | 400,000 |
| c | Cash | 372,064 | |
| | Discount on Bonds Payable | 27,936 | |
| | Bonds Payable | | 400,000 |
| d | Cash | 372,064 | |
| | Bonds Payable | | 372,064 |

4) Mary receives \$800 in gross pay for the week. What is the amount of Mary's net pay assuming the following:

| | |
|---------------------|-------|
| Federal withholding | 10% |
| State withholding | 4% |
| FICA withholding | 7.65% |

- a \$800.00
- b \$173.20
- c \$626.80
- d Not enough information to determine.

5) The employer must pay payroll taxes for which of the following:

- a FICA-Social Security
- b Federal Unemployment Tax (FUTA)
- c State Unemployment Tax (SUTA)
- d FICA-Medicare
- e All of the above

6) A main accounting issue for plant assets is:

- a Computing the cost of the plant assets.
- b Recording depreciation (use) of the plant asset.
- c Accounting for repairs and improvements to plant assets.
- d The disposal of plant assets.
- e All of the above.

7) A company sold a machine that originally cost \$90,000 for \$50,000 cash. The accumulated depreciation on the machine was \$20,000. The company should recognize a:

- a \$0 gain or loss.
- b \$20,000 gain
- c \$20,000 loss
- d \$40,000 loss
- e \$70,000 gain

8) A company discarded an old printer originally purchased for \$7,000. The accumulated depreciation was \$6,500. the company should recognize a(n):

- a \$0 gain or loss
- b \$6,500 loss
- c \$500 gain
- d \$7,000 loss
- e \$500 loss