

**2006-2007**  
**ACY1111 Suggested Solution**

*Problem 1*

(1)

Jordon Company  
Bank Reconciliation Statement  
October, 2006

	\$	\$
Cash Balance as per Bank Statement		19829.1
Add: Bank Error	1629.2	
Deposits in Transit (\$2500+\$2800)	5300	6929.2
		26758.3
Less: Outstanding Checks		
#6209	862.6	
#6218	1020.3	
#6224	2300	
#6227	356.8	
#6228	798	5337.7
Adjusted Cash Balance as per Bank Statement		21420.6
Cash Balance as per Cashbook		6115.6
Add: Interest Earned	360	
Collection of \$15000 Note Receivables, plus \$300 interest , less \$30 Collection Fee	15270	
Cashbook Error	54	15684
		21799.6
Less: Service Charges	50	
NSF	329	379
Adjusted Cash Balance as per Cashbook		21420.6

(2)

General Journal

Date	Details	Dr.	Cr.
		\$	\$
	Cash	360	
	Interest Revenue		360
	Cash	15270	

Miscellaneous Expense	30	
Notes Receivables		15000
Interest Receivable		200
Interest Revenue		100
Cash	54	
Accounts Payable - Kent Inc.		54
Miscellaneous Expense	50	
Cash		50
Accounts Receivables - George Co. Ltd.	329	
Cash		329

*Problem 2*

(1)

	Dr.(\$)	Cr.(\$)
Allowance for Doubtful Account	2000	
Accounts Receivable		2000

(2)

Computation of Closing Balance of Allowance Account			
	(\$)	Estimated Percentage	Allowance for Doubtful Accounts (\$)
Current Accounts (not due)	120,000	1%	1,200
1-30 days past due	12,000	3%	360
31-60 days past due	8,000	6%	480
61-90 days past due	5,000	12%	600
Over 90 days past due	8,000	30%	2,400
		<b>Total:</b>	<b>5,040</b>

	Dr. (\$)	Cr. (\$)
Bad Debt Expense [\$5040-(\$3000-\$2000)]	4040	
Allowance for Doubtful Accounts		4040

(3)

	\$
Credit Sales	600,000
Less: Sales Returns and Allowance	<u>30,000</u>
Net Credit Sales	<u>570,000</u>

Bad Debt Expense:

$$\$570,000 \times 1\% = \$57,000$$

	Dr. (\$)	Cr. (\$)
Bad Debt Expense	5700	
Allowance for Doubtful Account		5700

### Problem 3

#### Part A

Acquisition Cost:	\$
Invoiced Price	90000
Freight Costs	2100
Installation Wiring & Foundation	2200
Material & Labour Costs in Testing Equipment	700
	95000

#### Part B

(1)

$$\text{Amount of Depreciation Expense} = (\$95000 - \$5000) / 5 = \$17000$$

(2)

$$\text{Depreciation Expense of 2002} = (\$90000 - \$5000) \times 16000 / 100000 = \$13600$$

$$\text{Depreciation Expense of 2003} = (\$90000 - \$5000) \times 24000 / 100000 = \$20400$$

$\therefore$  Net Book Value of the Equipment at December 31, 2003

$$= \$90000 - \$13600 - \$20400$$

$$= \$56000$$

(3)

Balances of Accumulated Depreciation:

	\$
2002 = \$90000 x 0.4	= 36000
2003 = \$90000 x 0.4 + \$90000 x 0.6 x 0.4	= 57600
2004 = \$57600 + \$90000 x 0.6 x 0.6 x 0.4	= 70560

## Part C

## General Journal

Date	Details	Dr.	Cr.
		\$	\$
	Depreciation Expense	1950	
	Accumulated Depreciation - Equipment		1950
	Accumulated Depreciation	56550	
	Loss on Disposal	9450	
	Cash	24000	
	Equipment		90000

Depreciation Expense =  $(\$90000 - \$12000) / 10 \times 3/12 = \$1950$

*Problem 4*

No suggested solution is provided as this question is out of syllabus.

*Problem 5*

(1)

## General Journal

Date	Details	Dr.	Cr.
2006		\$	\$
13/3	Cash	8000	
	Common Stock		2000
	Paid-in Capital in Excess of Par Value		6000
7/7	Retained Earnings (\$2000/\$5 x \$0.5)	200	
	Dividends Payable		200
24/7	Dividends Payable	200	
	Cash		200
9/9	Retained Earnings	5600	
	Paid-in Capital in Excess of Par Value		4800
	Common Stock Dividend Distributable		800
18/10	Common Stock Dividend Distributable	800	
	Common Stock		800
26/10	Treasury Stock	3500	
	Cash		3500
	Cash	1600	
	Treasury Stock		1400
	Paid-in Capital from Treasury Stock		200

(2)

i/ Cumulative Preferred Stock = \$2000

ii/ Common Stock = \$6000+\$2000+\$800 = \$8800

iii/ Paid-in Capital in Excess of Par, Common Stock = \$17400+\$6000+\$4800 = \$28200

iv/ Paid-in Capital from Treasury Stock Transactions = \$200

v/

Retained Earnings:

	\$	\$
Opening Balance		22000
Add: Net Income for 2006		49000
		<u>71000</u>
Less: Cash Dividend Declared on Preferred Stock	200	
Stock Dividend Declared on Common Stock	5600	5800
		<u>65200</u>

vi/ Treasury Stock = \$3500-\$1400 = \$2100

vii/

Total Shareholders' Equity:

	\$	\$
\$0.5 Cumulative Preferred Stock, \$5 par	2000	
Common Stock, \$1 par	8800	
Paid-in Capital in Excess of Par, Common Stock	28200	
Paid-in Capital from Treasury Stock	200	
Retained Earnings	65200	104400
		<u>104400</u>
Less: Treasury Stock		2100
		<u>102300</u>

**END**