Question 1: 40% points:

Flip Company's December 31, 2014 trial balance is as follows:

Flip Corporation		
Trial Balance		
December 31, 2014		
Account	Debit	Credit
Cash	$43,500	
Accounts Receivable	54,500	
Allowance for Doubtful Accounts	500	
Notes Receivable	30,000	
Merchandise Inventory	55,000	
Land	20,000	
Building	150,000	
Accumulated Depreciation, Building		$15,000
Equipment	50,000	
Accumulated Depreciation, Equipment		21,000
Goodwill	26,000	
Accounts Payable		25,000
Long Term Notes Payable		75,000
Common Stock, $10 par, 2,000 shares authorized & outstanding		20,000
Retained Earnings		147,000
Sales Revenue		700,000
Salaries Expense	150,000	
Utilities Expense	3,500	
Cost of Goods Sold	350,000	
Administrative Expenses	55,000	
Sales Expenses	15,000	
Totals	$1,003,000	$1,003,000

Flip is a small company and records adjusting entries & closing entries only at fiscal (calendar) year end. Correcting and adjusting entries have not been recorded.

Acct220 Page 1 of 9 Additional Information:

a. Notes Receivable is a 3-months, 6% note accepted on December 1, 2014.

b. Long Term Notes Payable is a 5-year, 5% note, that was signed on July 1, 2014. Interest is payable annually.

c. Building is depreciated at 3% per year. There is no salvage value.

d. Equipment is depreciated at 15% year. There is no salvage value.

e. Flip discovered, on December 30th, that the inexperienced bookkeeper recorded in the general journal and general ledger that day's $1,500 cash sales as a debit to Accounts Receivable and a credit to Sales Revenue.

f. The year-end physical count for Merchandise Inventory reflected a value of $52,500. Any difference in value will not be considered theft or loss.

g. Salaries for the last half of December, payable in January, amount to $6,500.

h. Flip estimates that of the Accounts Receivable 5% will not be collectable.

Required:

a. Prepare in journal form, any required correcting entries

b. Prepare in journal form, all end-of-the period adjusting entries

c. Prepare a December adjusted trial balance

d. Prepare a classified balance sheet for the year ended December 31, 2014

e. Prepare in journal form, the closing entries for the year ended December 31, 2014

NOTE: Students are encouraged to prepare their own T-accounts, on a separate scratch sheet of paper, and track from the beginning balance thru all journal transactions to ending balances for all accounts used in this problem. Do not turn in your separate scratch sheet of paper - those are student personal working papers and not part of any solution required for this exam.

Question 2: 8% points: Inventory

Flip uses the period method and had the following inventory events during January:

Date	Units Purchased	Unit Cost	Date	Units Sold	Unit Sales Price
Jan. 1	150	$7.00	Jan. 2	100	$10.00
Jan. 5	225	7.25	Jan. 7	125	10.00
Jan. 10	100	7.50	Jan. 12	75	12.00
Jan. 15	150	7.50	Jan. 17	200	12.00
Jan. 20	200	7.75	Jan. 24	150	15.00
Jan. 25	150	8.00			
Jan. 30	75	8.25			

Note: January 1 amount was the beginning inventory and unit value.

(Round all total dollar values to the nearest dollar. Round all unit values to the nearest penny.)

Required:

a. Calculate cost of goods available for sale.

b. Calculate the dollar value of sales.

c. Calculate the value of Ending Inventory and Cost of Good Sold under the following independent assumptions:

1) LIFO method

2) FIFO method

3) Average-cost method

Question 3: 7% points:

Required: Prepare Flip's Supply Co. general journal entries for the following transactions:

Jan. 1	Accepted Flop's 120 days, 10% note, as settlement of an outstanding $15,000 account receivable for goods sol
Jan. 15	Purchased $10,000 Equipment from Floozy, signing a 9 month, 12% note
Jan. 25	Loaned Flam Co. $30,000 cash, accepting a 90 days, 10% note
Jan. 31	Prepared accrual adjusting entry for any interest revenue
Apr. 25	Received payment in full from Flam Co. for outstanding note & interest
May 1	Received payment in full from Flop Co. for outstanding note & interest
Oct. 15	Paid Floozy in full

Question 4: 9% points:

Flip Company purchased a refrigerated delivery truck for $65,000 on April 1, 2016. The plan is to use the truck for 4 years and then replace it. At the end of it's useful life the truck is expected to have a salvage value of $10,000.

a. Prepare the depreciation table for Flip's truck assuming that the company uses the straight-line method for depreciation.

b. Prepare the depreciation table for Flip's truck assuming that the truck was purchased on January 1, 2016 and the company uses the double-declining-balance depreciation method.

c. Compute the depreciation expense for 2016 for Flip's truck assuming the truck has an expected life of 200,000 miles and during 2016 the truck was driven 24,540 miles. *Round your depreciation expense per mile to three decimal places.*

Acct220 Page 3 of 9 Question 5: 7% points:

Flip Company has a January 15 mid-month gross salaries expense of $25,000. All is subject to FICA Social Security (6.2%), FICA Medicare (1.45%), state income tax (5%) and federal income tax (15%) withholdings. Additionally, all is subject to employer taxes to include FUTA (0.8%) and SUTA (5.4%) taxes. (Round all calculations to the nearest penny.)

Required:

a. Prepare the general journal entry to record the employer's payroll liability.

b. Prepare the general journal entry to record the employer's payroll tax liability.

c. Prepare the general journal entry to liquidate the liabilities accrued in parts (a) and (b) on January 22.

Question 6: 4% points:

Flip Company at the end of the fiscal 2014 year has the following information: Credit Sales, $2,500,000 Sales Returns & Allowances $25,000 Accounts Receivable $200,000 and Allowance for Doubtful Accounts with a debit o $1,500.

Required:

a. Prepare the general journal entry to record the end of the year adjusting entry if Flip uses 0.5% of Net Credit Sales as the basis for determining Bad Debt Expense.

b. Prepare the general journal entry to record the end of the year adjusting entry if Flip uses 5% of Accounts Receivable as the basis for determining Bad Debt Expense.

Question 12: The need for adjusting entries is based on:

a. The matching principle

b. Source documents

c. The cash basis of accounting

d. Activity that has already been recorded in the proper accounts.

Question 25: Frick Company estimates uncollectible accounts using the percentage-ofreceivables method and expects that 5 percent of outstanding receivables will be uncollectible for 2010. The balance in Accounts Receivable is $200,000, and the allowance account has a $3,000 credit balance before adjustment at year-end. The uncollectible accounts expense for 2010 will be:

a $7,000

b. $10,000

c. $13,000

d. $9,850

e. None of the above

Question 27: On 2010 July 1, Frick Company purchased equipment for $400,000, and installation and testing costs totaled $40,000. The equipment has an estimated useful life of 10 years and an estimated salvage value of $40,000. If Frick uses the double-decliningdepreciation method, the depreciation expense for 2010 is:

a. $88,000

b. $72,000

c. $36,000

d. $44,000

e. $40,000

Acct220 Page 8 of 9 Question 29:A truck costing $45,000 and having an estimated salvage value of $4,500 and an original life of five years is exchanged for a new truck. The cash price of the new truck is $57,000, and a trade-in allowance of $22,500 is received. The old truck has been depreciated for three years using the straight-line method. The new truck would be recorded at:

a. $55,200

b. $57,000

c. $34,500

d. $43,200

e. None of the above