Name :…………………………………………………………………………..

1)

Santiago Co. purchased a machine for $11,500, terms 2/10, n/60, FOB shipping point P. 265. The seller prepaid the freight charges, $260, adding the amount to the invoice and bringing its total to $11,760. The machine required a special steel mounting and power connections costing $795, and another $375 was paid to assemble the machine and get it into operation. In moving the machine onto its steel mounting, it was dropped and damaged. The repairs cost $190. Later, $30 of raw materials were consumed in adjusting the machine so that it would produce a satisfactory product. The adjustments were normal for this type of machine and were not the result of the damage. However, the items produced while the adjustments were being made were not saleable. Prepare a computation to show the cost of this machine for accounting purposes. (Assume Santiago pays for the purchase within the discount period.)

2)

In 2001, ProSports paid $2,800,000 for a tract of land and two buildings on it. The plan was to demolish Building One and build a new store in its place. Building Two was to be used as a company office and was appraised at a value of $641,300, with a useful life of 20 years and an $80,000 salvage value. A lighted parking lot near Building One had improvements (Land Improvements One) valued at $408,100 that were expected to last another 14 years and have no salvage value. Without considering the buildings or improvements, the tract of land was estimated to have a value of $1,865,600. ProSports incurred the following additional costs:

Cost to demolish Building One	$422,600
Cost of additional landscaping	167,200
Cost to construct new building (Building Three), having a useful life of 25 years and a $390,100 salvage value	2,019,000
Cost of new land improvements near Building Two (Land Improvements Two) which have a 20-year useful life and no salvage value	158,000

Required

1. Prepare a schedule having the following column headings: Land, Building Two, Building Three, Land Improvements One, and Land Improvements Two. Allocate the costs incurred by ProSports to the appropriate columns and total each column.
2. Prepare a single journal entry dated March 31 to record all the incurred costs, assuming they were paid in cash on that date.

3)

Montreal Printing Co. completed the following transactions involving printing equipment:

Machine number 366-90 was purchased for cash on May 1, 1998, at an installed cost of $48,600. Its useful life was estimated to be four years with a $5,400 trade-in value. Straight-line amortization was recorded for the machine at the end of 1998, and 1999, and on August 5, 2000, it was traded for machine number 366-91. A trade-in allowance of $27,000 was received and the balance was paid in cash.

Machine number 366-91 was purchased on Aug. 5, 2000, at an installed cash price of $36,000 The new machine's life was estimated at five years with a $6,300 trade-in value. Double-declining-balance amortization was recorded on each December 31 of its life. On February 1, 2003, it was sold for $9,000.

Machine number 367-11 was purchased on February 1, 2003, at an installed cash price of $53,100. It was estimated that the new machine would produce 75,000 units during its useful life after which it would have a $5,400 trade-in value. Units-of-production amortization was recorded on the machine for 2003, a period in which it produced 7,500 units of product. Between January 1 and October 3, 2004, the machine produced 11,250 more units. On the latter date, it was sold for $36,000.

Required

Prepare journal entries to record:

1. The purchase of each machine,
2. The amortization expense recorded on the first December 31 of each machine's life (for units-of-production, round the rate per unit to two decimal places), and
3. The disposal of each machine.

4)

Mark's Company has the following balance sheet on December 31, 2002:

Cash	$ 170,100
Merchandise inventory	245,700
Buildings	756,000
Accumulated amortization	(198,450)
Land	425,250
Total assets	$1,398,600
Accounts payable	$ 113,400
Long-term note payable	295,200
Dean Mark, capital	990,000
Total liabilities and owner's equity	$1,398,600

The balance sheet amounts are reasonable estimates of fair market values for all assets. Willaby Company has offered to purchase Mark's Company for $1,545,000. Mark's Company accepts the offer.

Required

1. Compute the amount of goodwill to be recorded by Willaby Company.
2. Record the entry in Willaby Company's books regarding the purchase of Mark's Company on December 31, 2002.

5)

(INVENTORIABLE COSTS: ERROR ADJUSTMENTS) The following purchase transactions occurred during the last few days of the Alco Company's business year, which ends October 31, or in the first few days after that date. A periodic inventory system is used.

1. An invoice for $4,000, terms f.o.b. shipping point, was received and entered November 1. The invoice shows that the material was shipped October 29, but the receiving report indicates receipt of goods on November 3.
2. An invoice for $2,800, terms f.o.b. destination, was received and entered November 2. The receiving report indicates that the goods were received October 29.
3. An invoice for $3,375, terms f.o.b. shipping point, was received October 15 but never entered. Attached to it is a receiving report indicating that the goods were received October 18. Across the face of the receiving report is the following notation: "Merchandise not of same quality as ordered—returned for credit October 19."
4. An invoice for $3,250, terms f.o.b. shipping point, was received and entered October 27. The receiving report attached to the invoice indicates that the shipment was received October 27 in satisfactory condition.
5. An invoice for $5,400, terms f.o.b. destination, was received and entered October 28. The receiving report indicates that the merchandise was received November 2.

Before preparing financial statements for the year, you are instructed to review these transactions and to determine whether any correcting entries are required and whether the inventory of $74,200 determined by physical count should be changed.

Instructions

Complete the following schedule and state the correct inventory at October 31. Assume that the books have not been closed. Also, given your correcting entries, identify entries that must be made after closing in order for the accounts of November to be correct.

Transaction	Purchase and Related Payable Should Be Recognized in (month)	Purchase and Related Payable Were Recognized in (month)	Correcting Journal Entries Needed	Should Inventory Be Included in October Ending Inventory?	Was Inventory Included in October Ending Inventory?	Dollar Adjustments Needed to October Ending Inventory?

6)

(PERIODIC VERSUS PERPETUAL ENTRIES) The Phoenix Company sells one product, the Wipplesnip. Presented below is information for January for the Phoenix Company:

Jan. 1	Inventory	100 units at $5 each
Jan. 4	Sale	70 units at $8 each
Jan. 11	Purchase	150 units at $6 each
Jan. 13	Sale	130 units at $8.50 each
Jan. 20	Purchase	150 units at $7 each
Jan. 27	Sale	110 units at $9 each

Phoenix uses the FIFO cost flow assumption. All purchases and sales are on account.

Instructions

(a) Assume Phoenix uses a periodic system. Prepare all necessary journal entries, including the end-of-month adjusting/closing entry to record cost of goods sold. A physical count indicates that the ending inventory for January is 90 units.

(b) Compute gross profit using the periodic system.

(c) Assume Phoenix uses a perpetual system. Prepare all necessary journal entries.

(d) Compute gross profit using the perpetual system.