



**THE UNIVERSITY OF THE WEST INDIES  
FIVE ISLANDS CAMPUS**

**Semester II**

**Examinations of April/May 2023**

**Course Code:** ACCT 1002  
**Course Title:** Introduction to Financial Accounting  
**Date of Assessment:** April 24<sup>th</sup>, 2023  
**Time:** 4:00 p.m.  
**Duration:** Two (2) Hours

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**INSTRUCTIONS TO CANDIDATES:**

This paper has 5 pages and 5 questions.

**YOU ARE REQUIRED TO ANSWER 3 QUESTIONS.**

**THIS ASSESSMENT IS WORTH 50% OF YOUR FINAL GRADE.**

**ASSESSMENT DETAILS FROM INSTRUCTOR(S):**

**This paper has two sections.**

**Section A – This ONE question is compulsory and MUST be attempted**

**Section B – Do any TWO out of four questions.**

**SECTION A**

**Attempt all questions in this section. This section is worth 40 marks**

**Question 1**

Bieber Inc. is a retailer operating in Calgary, Alberta. Bieber uses the perpetual inventory method. Assume that there are no credit transactions; all amounts are settled in cash. You are provided with the following information for Bieber for the month of January 2017.

<u>Date</u>	<u>Description</u>	<u>Quantity</u>	<u>Unit Cost or Selling Price</u>
Dec. 31	Ending inventory	160	\$20
Jan. 2	Purchase	100	22
Jan. 6	Sale	180	40
Jan. 9	Purchase	75	24
Jan. 10	Sale	50	45
Jan. 23	Purchase	100	25
Jan. 30	Sale	130	48

**Required:**

- 1) Prepare the cost of goods available for sale schedule. **(5 Marks)**
- 2) Prepare a sales schedule. **(4 marks)**
- 3) How many units are in the ending inventory? **(2 Marks)**
- 4) Calculate the (i) ending inventory, (ii) cost of goods sold using the following methods
  - LIFO. **(6 Marks)**
  - FIFO. **(6 Marks)**
  - Average-cost. (Round cost to the nearest dollar) **(9 Marks)**
- 5) Which method reports the highest gross profit? **(2 Marks)**
- 6) Which method reports the lowest income tax expense? **(2 Marks)**
- 7) Which inventory cost flow method produces the inventory amount that most closely approximates the amount that would have to be paid to replace the inventory? Why? **(4 Marks)**

**Section B**

**Do any TWO out of four questions. 20 marks per question**

**Question 2**

At the beginning of the current season on April 1, the ledger of Granite Hills Pro Shop showed Cash \$2,500, Inventory \$3,500, and Common Stock \$6,000. The following transactions were completed during April 2017.

- Apr. 5 Purchased golf bags, clubs, and balls on account from Arnie Co. \$1,500, terms 3/10, n/60.
- Apr. 7 Paid freight on Arnie purchase \$80.
- Apr 9 Received credit from Arnie Co. for merchandise returned \$200.
- Apr 10 Sold merchandise on account to members \$1,340, terms n/30. The merchandise sold had a cost of \$820.
- Apr 12 Purchased golf shoes, sweaters, and other accessories on account from Woods Sportswear \$830, terms 1/10, n/30. 14 Paid Arnie Co. in full.
- Apr 17 Received credit from Woods Sportswear for merchandise returned \$30.
- Apr 20 Made sales on account to members \$810, terms n/30. The cost of the merchandise sold was \$550.
- Apr 21 Paid Woods Sportswear in full.
- Apr 27 Granted an allowance to members for clothing that did not fit properly \$80.
- Apr 30 Received payments on account from members \$1,220.

The chart of accounts for the pro shop includes Cash, Accounts Receivable, Inventory, Accounts Payable, Common Stock, Sales Revenue, Sales Returns and Allowances, and Cost of Goods Sold.

Instructions

**Required:**

Journalize the April transactions using a perpetual inventory system. **(20 Marks)**

**Question 3**

On July 31, 2017, Keeds Company had a cash balance per books of \$6,140. The statement from Dakota State Bank on that date showed a balance of \$7,690.80. A comparison of the bank statement with the Cash account revealed the following facts.

1. The bank service charge for July was \$25.
2. The bank collected \$1,520 for Keeds Company through electronic funds transfer.
3. The July 31 receipts of \$1,193.30 were not included in the bank deposits for July. These receipts were deposited by the company in a night deposit vault on July 31.
4. Company check No. 2480 issued to L. Taylor, a creditor, for \$384 that cleared the bank in July was incorrectly entered in the cash payments journal on July 10 for \$348.
5. Checks outstanding on July 31 totaled \$1,860.10.
6. On July 31, the bank statement showed an NSF charge of \$575 for a check received by the company from W. Krueger, a customer, on account.

**Required:**

- (a) Prepare the bank reconciliation as of July 31. **(12 Marks)**
- (b) Prepare the necessary adjusting entries at July 31. **(8 Marks)**

**Question 4**

At the beginning of the current period, Rose Corp. had balances in Accounts Receivable of \$200,000 and in Allowance for Doubtful Accounts of \$9,000 (credit). During the period, it had net credit sales of \$800,000 and collections of \$763,000. It wrote off as uncollectible accounts receivable of \$7,300. However, a \$3,100 account previously written off as uncollectible was recovered before the end of the current period. Uncollectible accounts are estimated to total \$25,000 at the end of the period. (Omit cost of goods sold entries.)

**Required:**

- (a) Prepare the entries to record sales and collections during the period. **(4 Marks)**
- (b) Prepare the entry to record the write-off of uncollectible accounts during the period. **(2 Marks)**

- (c) Prepare the entries to record the recovery of the uncollectible account during the period. **(4 Marks)**
- (d) Prepare the entry to record bad debt expense for the period. (Show Calculations Separately)  
**(5 Marks)**
- (e) What is the net realizable value of the receivables at the end of the period. (Show Calculations)  
**(5 Marks)**

**Question 5**

In recent years, Jayme Company has purchased three machines. Because of frequent employee turnover in the accounting department, a different accountant was in charge of selecting the depreciation method for each machine, and various methods have been used. Information concerning the machines is summarized in the table below.

<u>Machine</u>	<u>Acquired</u>	<u>Cost</u>	<u>Salvage Value</u>	<u>Useful Life (in years)</u>	<u>Depreciation Method</u>
1	Jan. 1, 2015	\$96,000	\$12,000	8	Straight-line
2	July 1, 2016	85,000	10,000	5	Declining-balance
3	Nov. 1, 2016	66,000	6,000	6	Units-of-activity

For the declining-balance method, Jayme Company uses the double-declining rate. For the units-of-activity method, total machine hours are expected to be 30,000. Actual hours of use in the first 3 years were 2016, 800; 2017, 4,500; and 2018, 6,000

**Required:**

Compute the amount of accumulated depreciation on each machine at December 31, 2018.

- Straight line **(8 Marks)**
- Double Declining **(6 Marks)**
- Units of Activity **(6 Marks)**

**END OF QUESTION PAPER**