Fall 2015

ACTG 306.01: Corporate Reporting II

Teresa K. Beed  
*University of Montana - Missoula*, teresa.beed@umontana.edu

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**Final Week - Exam III 1:10-2:45, Monday, December 14**

- Key: *Additional information attached +Each worth 2 checks
- Last day to drop is November 2. No drops will be signed after this date. (NOTE: This date is too late for a refund.)
- Basic grading standards: 90% for an A, 80% for a B, 70% for a C, and 60% for a D.
- I will use the + and – grading option, especially for borderline cases.
You must earn a C or better in ACTG 203 and ACTG 305 in order to take ACTG 306. A C- or better is required in ACTG 306 in order for you to take ACTG 411. These prereqs are strictly enforced.

**Behavior** – It is disrespectful to arrive late or leave early or to come and go during class. If this happens, your final grade will be adjusted for such behaviors.

**Student Membership in MSCPA** [https://www.mscpa.org/join](https://www.mscpa.org/join)

**Calculators**
- Only TI BAII or TI BAII+ may be used during exams – or updated versions of these with no memory.
- No excuses if you forget your calculator or it does not work during an exam. You will finish the exam without one in the same allotted time. You may not share with another. I don’t bring ‘extras’ to the exam.

**Homework**
- Homework points are based on homework turned in and credit received as a percent of total points received on all homework collected. For example, if you get credit for 80% of the homework, you will get 32 points (40 x 80%).
- Make a copy of your homework each day. I will collect a copy at the beginning of every class. This is what I will grade. Make the copy very legible for grading purposes. You can correct and keep the original to study with. I do not accept late homework. I collect the homework at the beginning of the class. As soon as I pick up the folders, no more homework will be allowed.
- The syllabus and/or homework assignments may change with advance notice either in class or by e-mail. You are responsible for all changes.
- No credit will be given on homework or exam problems unless all calculations are shown and labeled and the problem is completed when turned in.
- If pages assigned don't correspond exactly with homework assigned, keep reading until you cover the homework material.
- Incompletes are not given for failing grades. See the university catalog for the conditions under which an incomplete may be given.
- There are no extra assignments to improve grades.
- There are no makeup exams unless you contact me in advance and I agree to an alternative. Makeup exams will be given before everyone else takes the exam, not after. Few makeup exams will be given.

**DSS Accommodations:** If you are requesting DSS accommodations for the class, give me the DSS request during the first week of class.

**Academic Conduct Code** All students must practice academic honesty. Academic misconduct is subject to an academic penalty by the course instructor and/or a disciplinary sanction by the University. All students need to be familiar with the Student Conduct Code. It is available for review online at [http://life.umt.edu/vpsa/policies/student_conduct.php](http://life.umt.edu/vpsa/policies/student_conduct.php). You are responsible for information in the code.


Additional Information

P6-3, 4, 7, 8, 5 Do all of these as present value problems. It will help if you do P6-5 last.

Chapter 13 Skip pages 741-743, bottom of 744-746, 748, 751, and middle of 757-middle of 759.
E12-5 Include closing entries for 2013.
P12-6 Note that the problem includes info that happened during the year before you started doing entries in December. You need to include this info to do Part 2. Setting up T-accounts and posting to them before you do the entries always helps. Then post to the T-accounts after you do the entries also to find the new balance in each account.
E12-9 Include closing entry(s) for 2013.
P12-5 Include closing entry(s) for 2013 and 2014.
P5-11 and P5-12 After completing these problems, calculate operating cycle for each one also. This is the number of days it takes to go from cash → inventory → Acct. Rec. → cash.

Chapter 14 – Skip zero coupon bonds on bottom of page 803-804 and the 'Between Interest Dates' section on page 806.
E14-6 1) Do prepare an amortization schedule for the first four years of the bond. 2) Even though the selling price was given, show how it was calculated.

E19-4 Finish the entries for the last two years of the problem. On part #4 of the problem, assume Magnetic-Optical chooses to anticipate forfeitures at the grant date.
P19-1 The book tells you that the exercise price of the option is 80% of MV of $15. So, the exercise price for the last entry is $12.
E19-27 and E19-28 Note that in both cases the value of the award given is based on the change in MV of the stock. But, the entries in E-19-28 are based on the change of the MV of the SARS over time. Also in E19-28, the NEXT TO LAST entry is plugged at whatever amount is necessary to bring the liability account to the amount it needs to be for payoff. The last entry is to pay the liability.
P19-12 Assume stock dividend was given on May 1, not May 15.

Chapter 21 – Do all homework using the T-account method instead of the spreadsheet method. The book has a section on the T-account method. DO NOT even read it. Start with the beginning-of-year balances and show debits and credits as you do the summary entries.

Chapter 21 – United Brands problem. Redo all entries and fill in T-account sheets that were given to you by following the format on the CFS Process Handout sheet. Check to see if your overall work would have resulted in the Cash Flow Statement on page 1260. Also do the Indirect Method after completing the above assignment.
P21-11
1) Treat the tax savings on the loss as a separate account called Tax Savings. Be careful when you figure out whether the balance in the Tax Savings account is a debit or a credit.
2) In the Additional Information section
   • Add an additional summary entry: A cash dividend of $22 million was paid.
   • For item b., see green box on page 1281 to see how to do the entry. This investment is a cash equivalent.
   • Ignore item d. for now. It is much easier to take care of the Deferred Income Tax Liability account when you do the entire income tax summary entry. Also, when doing the income tax summary entry do not forget the tax savings on the loss. So, the income tax summary entry will include the following accounts: deferred income tax liability, income tax expense, income tax payable, the tax savings account and, of course, cash to make it all balance.
   • For item i, see the entry on the top of page 1105 of the text.
3) Do the indirect method for this problem. The deferred tax liability is a current liability. Also note that the gain was from a cash equivalent, so the gain in this case is cash.

Chapter 21 CPA/CMA Exam Qsts Each is worth ½ point. For each multiple choice question you need to show and label your work for credit. For the concept multiple choice, you must write an essay reason for the answer you chose.
Fall Semester Recruiting Events
- MSCPA Opportunity Night, Montana firms Sept. 14
- Meet the Firms night – Moss Adams, Deloitte, PWC, KPMG (and others) Sept. 15
- Watch for details on all recruiting events from SOBA Central e-mails.

Points
450  3 Midterm Exams (each worth 150 points)
  20  Writing Assignment
  40  Homework
  510  Total points

School of Business Mission Statement
The University of Montana’s School of Business Administration enhances lives and benefits society by providing world-class business education in a supportive, collegial environment.

We accomplish this mission by acting on our shared core values of creating significant experiences, building relationships, teaching and researching relevant topics, behaving ethically, and inspiring individuals to thrive.

As part of our assessment process and assurance-of-learning standards, the School of Business Administration has adopted the following learning goals for our undergraduate students:

1. Possess fundamental business knowledge
2. Be able to integrate business knowledge
3. Be effective communicators
4. Possess problem solving skills
5. Have an ethical awareness
6. Be proficient users of technology
7. Understand the global business environment in which they operate

Department of Accounting and Finance Mission Statement
The Department of Accounting and Finance prepares ethically aware decision makers with effective analytical and qualitative business knowledge and skills to become professionals in their respective fields. We commit to high quality teaching and applying scholarship to professional practice and theory.

Undergraduate Accounting Program Mission Statement
The undergraduate accounting program is committed to preparing students to apply accounting and business knowledge in organizations.

Undergraduate Accounting Program Learning Goals

1. Possess fundamental accounting knowledge.
2. Be effective communicators.
3. Critically analyze and solve problems, using technology where appropriate.
4. Understand the importance of ethics to the accounting profession and demonstrate ethical decision making.

Course Learning Goals

1. Possess the ability to work through long, complex accounting problems
2. Understand how to use processes to solve accounting problems
3. Demonstrate the ability to integrate and apply previously-learned accounting concepts to new accounting topics
ATTACHED COMPREHENSIVE INCOME PROBLEM  
Chapter 4 and Handout Materials

Munchkin Company had the following information for 2013:
2013 beginning balances ($ in 000s):
   Common Stock $100,000
   Retained Earnings $25,000
   Accumulated Other Comprehensive Income $30,000

During 2013:
   • $15,300 Sales
   • $6,200 Cost of Goods Sold
   • $1,300 Selling expenses
   • $800 General and administrative expenses
   • $85 Interest revenue
   • $180 Interest expense
   • $220 Loss on sales of investments
   • $1,200 Restructuring costs
   • $240 Foreign currency translation losses
   • $2,000 Extraordinary loss from an earthquake
   • $840 Gain from Discontinued operations
   • $320 Unrealized Holding Gain on investments
   • Income tax rate for the year is 40% on all affected items

Required:
Do not do Earnings Per Share for this problem.
Using the Income Statement format on Page 173 of the text:
   1) Prepare a separate Income Statement and Statement of Comprehensive Income
   2) Prepare a combined statement of Income and Comprehensive Income
   3) Prepare a Statement of Stockholders' Equity at the end of 2013.

WARRANTY PROBLEM  
Chapter 13

Sero Corporation introduced a new line of commercial barbecues in 2012 that carry a two-year product warranty against manufacturer's defects. Based on its experience with previous product introductions, warranty costs are expected to approximate 2% of sales during the first 12 months following the sale and 4% in the next 12 months. Assume product sales in January of 2012 were $4,000,000 on credit and actual warranty expenditures were $100,000 in 2012 and $140,000 in 2013. Sero also sells a 3-year extended warranty that begins when the product warranty ends. In January, 2012, Sero sold $330,000 of these extended warranties.

   a. Give all the entries necessary for the product warranty for 2012 and 2013. Give the balance in the Estimated Warranty Liability account at the end of each year.
   b. Give all the entries necessary for the extended warranty for 2012 – 2016. Give the balance in the Unearned revenue account at the end of each year.
Note the DIFFERENT ASSIGNMENT below if you did this assignment before, OR are repeating this class, OR have already been admitted to the MAcct Program.

- Research the specific requirements to be admitted to the Masters of Accountancy Program (MAcct) at The University of Montana. You can find this information on the MAcct website under Graduate Programs on the Business School’s website.
- Write a memo to me, Director of that program, regarding whether you plan to apply to the MAcct Program or not. In either case, give the admission criteria you found, and indicate why you plan to apply or why you do not plan to apply. Be specific, including a detailed discussion of the MAcct admission criteria.
- At the end of the memo indicate clearly what your goals are after graduation if you don’t enter the MAcct or your goals after graduation if you do plan to enter the MAcct. Include why you think that plan is attainable.
- Don’t give me bullet lists or numbered lists. Write what you want to tell me.
- Attach a copy of your transcript to this memo.
- Use New Times Roman, 12-point font.
- Double space
- Do not exceed 500 words.
- I will grade you using the writing rubric that can be found as a link on my faculty webpage.
- I will grade you on your ability to apply what is in the Effective Writing book which includes a memo section as well as the general writing information given in Chapters 1 and 2 of the book.
- I will not accept a late assignment for any reason since you could do this assignment at any time before the deadline. I will accept early assignments.

BELOW IS THE ASSIGNMENT FOR 1) THOSE REPEATING THE CLASS OR 2) THOSE WHO HAVE DONE THE ABOVE ASSIGNMENT FOR ME BEFORE IN ACTG 306 OR 3) THOSE WHO HAVE ALREADY BEEN ADMITTED TO THE MACCT PROGRAM.

- Find a 2-3 page article on a current, relevant, financial accounting topic. Be sure you can understand the article.
- Check with me to make sure the article is an acceptable choice. That means you have to find the article well in advance of starting to write. If you fail to do this, you can only get half credit for the assignment.
- Write a memo to me that summarizes the article without quoting or paraphrasing. Use your own words to indicate that you understand the article. Do NOT include information from other sources. Only include a summary of the article you chose!
- After summarizing the article, tell me what you think about what you learned from the article.
- Don’t give me bullet lists or numbered lists.
- Attach a copy of the whole article to this assignment.
- Use New Times Roman, 12-point font.
- Double space
- Do not exceed 500 words.
- I will grade you using the writing rubric that can be found as a link on my faculty webpage.
- I will grade you on your ability to apply what is in the Effective Writing book which includes a memo section and general writing information in Chapters 1 and 2 of the book.
- I will not accept a late assignment for any reason since you could do this assignment at any time before the deadline. I will accept early assignments.
BOND PROBLEM A
Convertible Bonds
Chapter 14

Batzooma's Balance Sheet on December 31, 2012 included the following:

<table>
<thead>
<tr>
<th>Long-term Liabilities</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Convertible Bonds Payable</td>
<td>$200,000</td>
</tr>
<tr>
<td>- Bond Discount</td>
<td>$2,000</td>
</tr>
<tr>
<td>Net</td>
<td>$198,000</td>
</tr>
</tbody>
</table>

Additional information:
- Par value of Common Stock is $1.
- At beginning of 2013, the market value of common stock is $32.
- At the end of 2013, the market value of common stock is $37.
- Each bond has a face value of $1,000.
- The bonds were sold in 2000 at 97.5.
- The bonds are callable at 101 at the beginning of 2013.
- Each bond can be converted into 40 shares of Common Stock.
- Remember, if there is inducement to convert, there will be an account called Compensation Expense in your entry. Inducement can be in the form of cash or additional shares of common stock.

Required:
1) Do the entry for when the bonds were originally sold in 2000.
2) On the day the bonds were sold, the Bond Discount account was more than it is now, at December 31, 2012. Why?
3) Assume 90% of the bonds converted on January 1, 2013. Use the book value method. (See middle of page 822.)
4) Assume instead that when 90% of the bonds were converted and the market value method was used instead of the book value method. (See bottom of page 822.)
5) Assume the remaining 10% of the bonds were called in January 2013.
6) Instead, assume Batzooma induced conversion by offering $150 cash for each bond converted. Prepare the journal entry to record the conversion of 90% of the bonds in January 2013. (Use the book value method.)
7) Instead assume Batzooma induced conversion by modifying the conversion ratio to exchange 45 shares for each bond rather than the 40 shares provided in the contract. Prepare the journal entry to record the conversion of 90% of the bonds in January 2013. (Use the book value method.)
BOND PROBLEM B
Bonds Payable with Detachable Stock Warrants
Chapter 14

Lulu's Balance Sheet on December 31, 2012 included the following:

Long-term Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds Payable</td>
<td>$50,000</td>
</tr>
<tr>
<td>Bond Discount</td>
<td>($1,000)</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td><strong>$49,000</strong></td>
</tr>
</tbody>
</table>

Stockholders' Equity

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Warrants Outstanding</td>
<td>$4,000</td>
</tr>
</tbody>
</table>

Additional information:
- Par value of Common Stock is $1.
- At the beginning of 2013, the market value of common stock is $32.
- At the end of 2013, the market value of common stock is $37.
- Each bond has a face value of $1,000.
- The Stock Warrants Outstanding have been on the books at $4,000 since they were sold with the bonds since none have yet been exercised by 12/31/12.
- Bonds Payable with stock warrants attached were sold in 2003 for 102 for both of them, a package deal.
  (Note, when you are done, the bonds payable will be at a discount. Part of the package sold at 102 was for the warrants. The rest belongs to the bond part of the package.)
- Each bond is callable at 104 at the beginning of 2022.
- Each bond was issued with 40 detachable stock warrants that can be exercised at the beginning of 2013.
- Exercise price of one stock warrant is $25 and each warrant can be exercised to get one share of common stock.

Required:
1) Do the entry for when the bonds and detachable stock warrants were sold in 2003.
2) In December, 2013, 40% of the stock warrants were exercised. Do the entry for the exercise of these warrants.
3) Why were these warrants exercised by the end of 2013?
4) Do you think the rest of the stock warrants will be exercised? Why or why not?
ATTACHED OPERATING LEASE PROBLEM
Chapter 15

On January 1, 2013, Zillo Co. leased office space by signing a 3-year operating lease with Geka Co. Zillo made a down payment of $8,000 on that date. Zillo additionally made a payment of $5,000 on Jan. 1 of 2013, 2014, and 2015. With the permission of the Geka, Zillo also made a modification that is a Leasehold Improvement for the cost of $15,000. The office space cost the Geka $200,000 and has a useful life of 20 years.

Prepare the entries for Zillo (lessee) and Geka (lessor) for the three years of the lease term.

LEASE PROBLEM A
Chapter 15

- Lessor's cost of the leased asset is $20,000.
- Lease term is 4 years starting January 1, 2013.
- Estimated useful life of the leased asset is 6 years. Residual value is zero at that time.
- It is estimated that on December 31, 2016, the residual value of the leased asset will be $4,000 and the lessee did agree to guarantee this amount.
- The lease has a purchase option of $5,000 at the end of the lease term.
- Lessee's incremental borrowing rate is 13%. The lessor's implicit rate is 12% and the lessee knows this.
- Title does not transfer unless the purchase option is used.
- Sales price of the leased asset on January 1, 2013 is $42,150.
- Both of the additional lessor criteria have been met.
- Four annual lease payments are due on January 1 of each year during the lease term, and the first payment of $11,643 is due at the inception of the lease term.

Round all work to the nearest dollar for this problem.
1. What type of lease is this to the lessee? To the lessor? Show your work for each answer. Do a complete amortization table.
2. Do the entry or entries for the lessee at January 1 and Dec. 31, 2013.
3. Do the entry or entries for the lessor at January 1 and Dec. 31, 2013.

NOTE: Since the residual value was guaranteed by the lessee, both the lessee and lessor have one more payment/receipt on the last day of the lease on the bottom of the present value table for $4,000. After taking that into consideration, the table will end at zero.
LEASE PROBLEM B
Chapter 15

- Lessor leased a crane to Lessee for 6 years beginning on January 1, 2013. Each payment is $43,329 and the first payment is made on Dec. 31, 2013.
- Cost of the crane to the lessor was $120,000.
- Estimated useful life of the crane is 10 years and the estimated residual value at the end of the 10 years is $10,000.
- Selling price of the crane is $200,000.
- There is no title transfer and no bargain purchase option in the lease.
- Estimated residual value at the end of the lease term is $20,000 and it is not guaranteed by any party.
- Lessee's incremental borrowing rate is 13% and the lessee also knows that the lessor's implicit rate is 10%.
- Future payments are expected to be predictable and there are no cost uncertainties left out of the contract.

1. What type of lease is this for the Lessee? Check all four criteria and show all work for your answer.
2. What type of lease is this for the Lessor? Check all four criteria plus the two additional lessor criteria and show all work for your answer.
3. Do a complete amortization table for the lessee and the lessor. (Hint: they are not the same table.)
4. For both the Lessee and Lessor, give the entry or entries at the inception of the lease and at the first payment date. (See the tan box on page 882 of the text for help in doing the Lessor's first entry.)

NOTE: After you take the six payments into consideration on the lessor's table, the table will still have $20,000 in it. That is because the residual value was not guaranteed by anyone, so the lessor will not get 'paid' for it until he sells it. The lessor is now on his/her own to try to sell the crane for $20,000.
LEASE PROBLEM C
Sale-leaseback Homework
Chapter 15

1) What is a sales-leaseback? Be specific. What is going on?
2) The leased asset was on the books of Company Z when it entered into a sales-leaseback arrangement. The Machine cost $100,000 and had accumulated depreciation of $30,000 when the sales-leaseback contract was signed. The sales price was $120,000. Company Z is the lessee.
   a. Give the sales entry for Company Z. (You only have to give the sales entry, not the resulting leaseback entries.)
   b. What is the difference in this entry vs. an ordinary sale entry?
3) Assume the leaseback was a 5-year operating lease.
   a. What is the new adjusting entry that Company Z will have to do due to the sales-leaseback nature of the transaction?
   b. Where does the ‘new’ account (Deferred Gain) go on financial statements? Be specific.
4) Instead, assume the leaseback was a capital lease and the asset has a future beneficial life of 10 years.
   a. Give the sales entry for Company Z. (You only have to give the sales entry, not the resulting leaseback entries.)
   b. What is the new adjusting entry that Company Z will have to do due to the sales-leaseback nature of the transaction?
   c. Where does the ‘new’ account (Deferred Gain) go on financial statements? Be specific.

EARNINGS PER SHARE PROBLEM A
Chapter 19

- Anso Company had 300,000 shares of common stock outstanding at January 1, 2013.
- Anso Company had 10,000 shares of 3%, $100 PV, convertible, noncumulative preferred stock at January 1, 2013. Each share of preferred can be converted to 4 shares of common stock.
- Anso had $900,000 of 8% convertible bonds at January 1, 2013. Each bond is convertible into 36 shares of common stock.
- Operating income for 2013 is $700,000
- Extraordinary gain (net of tax) is $20,000
- Net Income is $720,000.
- On September 1, the company sold an additional 36,000 shares of common stock
- Anso declared and paid dividends of $3 per share on the preferred stock in 2013
- There are 30,000 stock options that allow the holders to convert each option for 1 share of common stock at an exercise price of $25 per option.
- There are 20,000 stock warrants that allow the holders to convert each warrant into 1 share of common stock at an exercise price of $38 per warrant.
- Average market price of Anso’s stock in 2013 was $34 per share. The end of year market price per share of Anso’s stock was $33 per share.
- Anso’s tax rate is 30%.

Using the EPS process handout, calculate Basic EPS and Diluted EPS for Anso for 2013.
EPS PROBLEM B  
Chapter 19

Spencer Inc. had the following information at the end of 2013:
- Tax rate – 30% and Net Income of $480,000.
- On January 1, there were 120,000 shares of common stock outstanding
- On April 1, 10,000 shares of common stock were sold
- On August 1, the company gave a 20% stock dividend.
- 5,000 shares of 6%, $100 par, nonconvertible, cumulative preferred stock
- 6,000 shares of 5%, $80 par, cumulative preferred stock, each convertible into 1.2 shares of common stock
- 600 bonds, 8%, each convertible into 32 shares of common stock
- 300 bonds, 6%, each convertible into 18 shares of common stock
- Options to purchase 2,000 shares at $5. The average market price of common stock for the year was $8.

Using the EPS Process handout, complete an EPS schedule for 2013 for Spencer.

EPS PROBLEM C  
Chapter 19

At the end of 2013, Richardson Corporation showed the following:
- Common stock, no par, authorized 400,000 shares, 200,000 shares outstanding at January 1, 2013
- 2,000 Treasury shares acquired on June 1, 2013 (at cost)
- 10% Stock dividend issued, November 1, 2013
- 10,000 shares of Preferred Stock, 4%, par $20, noncumulative, nonconvertible
- Contributed capital in excess of par, preferred stock is $75,000
- Retained Earnings is $942,000 (no cash or property dividends were declared during 2013)
- $56,000 Bonds, Series A, 7%, each bond is convertible to 15 shares of common stock
- $400,000 Bonds, Series B, 6%, each bond is convertible to 62 shares of common stock
- Income from operations is $400,000
- Extraordinary gain (net of Tax) is $10,000
- Loss from Discontinued operations (net of tax) is $5,000
- Net income is $405,000
- Average income tax rate for 2013 is 40%

Using the EPS Process Handout, complete an EPS schedule for 2013 for Richardson.
Minney, Inc. had the following information for 2013:

- Shares of common stock outstanding at the beginning of 2013 were 8,000 shares.
- On March 1, Minney gave a 2 for 1 stock split.
- On August 1, Minney sold 10,000 additional shares of common stock.
- Option to purchase 2,000 shares at $8. The average market price of common stock for the year was $13. End of year market price was $14.
- 500, 6% bonds, each convertible into 8 shares of common stock.
- 300, 8% bonds, each convertible into 25 shares of common stock.
- 1,000 shares of 9%, $100 par, cumulative preferred stock, each convertible into 6 shares of common stock.
- 500 shares of 7%, $100 par, noncumulative, nonconvertible preferred stock.
- 40% tax rate.
- Income from operations is $100,000.
- Gain from discontinued operations (net of tax) is $12,000.
- Net Income is $112,000.

Using the EPS Process Handout, complete an EPS Schedule for 2013 for Minney.
Zimtec Co. had the following balance sheets:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$10,000</td>
<td>$17,000</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>35,000</td>
<td>26,700</td>
</tr>
<tr>
<td>Inventory</td>
<td>50,000</td>
<td>85,000</td>
</tr>
<tr>
<td>Long term investment</td>
<td>(10,000)</td>
<td>(15,000)</td>
</tr>
<tr>
<td>Property, plant, and equipment</td>
<td>85,000</td>
<td>85,000</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(10,000)</td>
<td>(15,000)</td>
</tr>
<tr>
<td>Patent</td>
<td>12,000</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td>$192,000</td>
<td>$214,700</td>
</tr>
<tr>
<td><strong>Equities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account payable</td>
<td>$6,500</td>
<td>$6,200</td>
</tr>
<tr>
<td>Note Payable</td>
<td>60,000</td>
<td>48,000</td>
</tr>
<tr>
<td>Common Stock</td>
<td>100,000</td>
<td>125,000</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>25,500</td>
<td>35,500</td>
</tr>
<tr>
<td></td>
<td>$192,000</td>
<td>$214,700</td>
</tr>
</tbody>
</table>

Income statement has three accounts: Sales, cost of goods sold, and expenses.

- Sales 100,000
- COGS 60,000
- Gross Profit 40,000
- Expenses 25,000
- Net Income 15,000

Additional information:
- Use Cash Flow Statement Process Handout in order to do this problem.
- During 2013, common stock was sold, a note payable was retired, a long term investment was purchased, and dividends of $5,000 were declared and paid.
- The income statement showed a total of $7,000 for depreciation and amortization combined. (You figure out how much belongs to each.)
- NOTE: You only have one expense account in this problem. That means that all expenses must go into that account when posting.

Required:
- Do all the summary entries, post to the T-accounts provided, and complete a formal Cash Flow Statement using the Direct Method.
- Once done with the first requirement, next do the indirect method for cash flow from Operating Activities.
Domtron Co. had the following balance sheets:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 17,000</td>
<td>$ 2,300</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>45,000</td>
<td>42,000</td>
</tr>
<tr>
<td>Inventory</td>
<td>23,000</td>
<td>36,200</td>
</tr>
<tr>
<td>Building and equipment</td>
<td>195,000</td>
<td>175,000</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(30,000)</td>
<td>(50,500)</td>
</tr>
<tr>
<td>Land</td>
<td>23,000</td>
<td>22,500</td>
</tr>
<tr>
<td>Patent</td>
<td></td>
<td>17,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$250,000</td>
<td>$245,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account payable</td>
<td>$ 40,000</td>
<td>$ 50,000</td>
</tr>
<tr>
<td>Note Payable</td>
<td>90,000</td>
<td>95,000</td>
</tr>
<tr>
<td>Common Stock</td>
<td>100,000</td>
<td>115,000</td>
</tr>
<tr>
<td>Additional paid in capital</td>
<td>40,000</td>
<td>45,000</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>(20,000)</td>
<td>(60,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$250,000</td>
<td>$245,000</td>
</tr>
</tbody>
</table>

Income statement has three accounts: Sales, cost of goods sold and expenses.

Sales 150,000
- COGS 80,000
Gross Profit 70,000
- Expenses 110,000
Net Loss (40,000)

Additional information for 2013:
- Patent was acquired by issuing a $5,000 long-term note payable and paying the remainder in cash. No amortization was taken because the acquisition took place at year-end.
- Acquired a $10,000 machine.
- A machine on the books for $30,000 was exchanged for land. The machine was ½ depreciated. (It was an even trade with no gain or loss involved.)
- Common stock was sold
- NOTE: You only have one expense account in this problem. That means that all expenses must go into that account when posting.

Required:
- Do all the entries, post to the T-accounts provided, and complete a formal Cash Flow Statement using the Direct Method.
- Once done with the first requirement, next do the indirect method for cash flow from Operating Activities.
Sample Wording for Education Section of Resume
UM Accounting Students

Undergraduate accounting major:

Education:
Bachelor of Science, Business Administration, Major: Accounting, cumulative GPA: 3.4
*University of Montana, Missoula*, expected graduation date: May 2017

Undergraduate accounting major who plans to get 150 semester credit hours without entering masters program:

Education:
Bachelor of Science, Business Administration, Major: Accounting, cumulative GPA: 3.4
*University of Montana, Missoula*, expected graduation date: May 2017
Plan to complete a total of 150 university semester credit hours by May 2018
(or Will have completed 150 university semester credit hours by graduation)
Plan to sit for the CPA exam summer 2018

Undergraduate accounting major who plans to apply to the Masters of Accountancy program:

Education:
Bachelor of Science, Business Administration, Major: Accounting, cumulative GPA: 3.4
*University of Montana, Missoula*, expected graduation date: May 2017
Plan to apply for admission into the Masters of Accountancy Program at the University of Montana
Plan to sit for the CPA exam summer 2018

Student enrolled in Masters of Accountancy program:

Education:
Bachelor of Science, Business Administration, Major: Accounting, cumulative GPA: 3.4
*University of Montana, Missoula*, May 2016
Masters of Accountancy, cumulative GPA: 3.4
*University of Montana, Missoula*, expected graduation date: Summer 2017
Plan to sit for the CPA exam summer 2017

Student without a degree in accounting who is taking undergraduate accounting courses and does not plan to enter the Masters of Accountancy program:

Education:
List degree(s) here
Plan to complete a total of 150 university semester credit hours by May 2018
Plan to sit for the CPA exam summer 2018.