

Answers to Extra Practice Before Exam #3 - Acct 101

Name _____

Problem No. _____

Chapter 7 - Alternate Demo Problem

1 a. 1% of all credit sales

$$300,000 \times .01 = 3000$$

Bad Debt Expense	3000	
Allowance for Doubtful Accts		3000

b. Accounts Receivable

Accounts Receivable	800,000	
Allowance for Doubtful Accts	41,000	759,000

2. $800,000 \times .05 = 40,000$

Allowance

38000 beg	} ←
2000 AJE	
40,000	

Bad debt expense	2000	
Allowance for Doubtful Accts		2000

b. Accounts Receivable

Accounts Receivable	800,000	
Allowance for Doubtful Accts	40,000	760,000

3. Allowance for Doubtful Accts

A/R - John Shifty	500	500
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(same JE for both assumptions)

Chapter 7 - Problem II

1	A		
2	E		
3	A		
4	C		
5	B		

Chap 7- Problem III

13	A/R		
1	A/R turnover		
12	Aging		
10	Allowance for Doubtful Accts		
3	Allowance Method		
7	Bad debts		
5	Direct write off		
15	Interest		
2	Maker		
8	Matching principle		
6	Maturity		
11	MV		
4	Payee		
16	Principal		
14	Promissory Note		
9	Realizable value		

Chapter 7 Problem IV

12/12	Cash	300	
	Note Receivable	1500	
	Account Receivable - GrytHall		1800
	12? 60 day		
12/31	Interest Receivable	10-	
	Interest Revenue		10-
	$1500 \times .12 \times 19/360$		

Chapter 8

Cost = 120,000

SV = 15,000

Life = 5 years or 210,000 widgets.

Requirement #1

year	S/L ①	UOP ②	DDB ③
1	21,000	40,000	48,000
2	21,000	25,000	28,800
3	21,000	15,000	17,280

Calcs Cost - SV

$$\textcircled{1} \frac{120,000 - 15,000}{\text{life } 5 \text{ years}} = 21,000 \text{ each year}$$

$$\textcircled{2} \text{UOP} = \frac{\text{Cost} - \text{SV}}{\text{Life}} = \frac{120,000 - 15,000}{210,000 \text{ widgets}} = .50 \text{ per widget}$$

$$\begin{aligned} 1 & 80,000 \times .50 = 40,000 \\ 2 & 50,000 \times .50 = 25,000 \\ 3 & 30,000 \times .50 = 15,000 \end{aligned}$$

$$\textcircled{3} \frac{1}{5} = 20\% \times 2 = 40\%$$

BV x Rate

$$1 \quad 120,000 \times .40 = 48,000$$

$$2 \quad \begin{aligned} & 72,000 \times .40 = 28,800 \\ & (120,000 - 48,000) \end{aligned}$$

$$3 \quad \begin{aligned} & 43,200 \times .40 = 17,280 \\ & (72,000 - 28,800) \end{aligned}$$

Chap 8

Alt. Demo Problem - Requirement (2)

JE for sale using S/L

$$\begin{aligned}
 & \text{BV} \longleftrightarrow \text{Proceeds} \\
 & (120,000 - 63,000) = 57,000 \longleftrightarrow 45,000 \\
 & \quad (21,000 \times 3) \\
 & \quad \text{Loss} = 12,000
 \end{aligned}$$

Accum. Deprn	63,000	
Cash	45,000	
Loss on Sale	12,000	
Machine		120,000

JE for sale using VOP

$$\begin{aligned}
 & \text{BV} \longleftrightarrow \text{Proceeds} \\
 & 120,000 - (40,000 + 25,000 + 15,000) \longleftrightarrow 45,000 \\
 & \quad 40,000 \\
 & \quad \text{5,000 Gain}
 \end{aligned}$$

Accum Deprn	80,000	
Cash	45,000	
Gain on Sale		5,000
Machine		120,000

JE for sale using DDB

$$\begin{aligned}
 & \text{BV} \longleftrightarrow \text{Proceeds} \\
 & 120,000 - (48,000 + 28,800 + 17,200) + 5,000 \\
 & \quad 94,080 \\
 & \quad 25,920 \longleftrightarrow 45,000 \quad \text{Gain} = 19,080
 \end{aligned}$$

Accum Deprn	94,080	
Cash	45,000	
Gain on Sale		19,080

Name _____

Problem No. _____

Chap 8 Problem II

- 1 E
- 2 D
- 3 A
- 4 C
- 5 C
- 6 C
- 7 B
- 8 D
- 9 A
- 10 E

Problem III N/A

Chap 9 - Alternative Prob.

borrowed 200,000 for 90 days @ 9% - signed a note

11/1	① Cash	200,000	
	Note Payable		200,000
	Issuance		
	Int Expense	3,000	
	Interest Payable		3,000
	$200,000 \times .09 \times \frac{60}{360}$		
	29 in Nov		
	31 in Dec		
	60		
	Note Payable	200,000	
	Interest Payable	3,000	
	Interest Exp.	1,500	
	Cash		204,500

$$MV = P \times R \times T = 4,500$$

$$200,000 \times .09 \times \frac{90}{360}$$

② Don't do

Problem II

- 1 D
- 2 D
- 3 A

Problem VI

The following information as to earnings and deductions for the pay period ended November 15 was taken from a company's payroll records:

<u>Employee's Name</u>	<u>Earnings to End of Previous Week</u>	<u>Gross Pay This Week</u>	<u>Federal Income Taxes</u>	<u>Medical Insurance Deducted</u>
Rita Hawn.....	\$25,700	\$ 800	\$155.00	\$ 35.50
Dolores Hopkins.....	930	800	134.00	35.50
Robert Allen.....	89,900	1,000	193.00	42.00
Calvin Ingram.....	18,400	740	128.00	42.00
		<u>\$3,340</u>	<u>\$610.00</u>	<u>\$155.00</u>

Required:

- Calculate the employees' FICA taxes withheld assuming a rate of 6.2% on the first \$90,000 earned for Social Security and 1.45% of all wages earned for Medicare, and prepare the journal entry to accrue the payroll under the assumption that all of the employees work in the office.
- Prepare the journal entry to record the employer's payroll taxes resulting from the payroll. Assume a state unemployment tax rate of 2% on the first \$7,000 paid each employee and a federal unemployment tax rate of 0.8% on the first \$7,000 paid each employee.

DATE	ACCOUNT TITLES AND EXPLANATION	P.R.	DEBIT	CREDIT
	Salaries Expense		3340	
	Social Security Tax Payable (1)			151 28
	Medicare Tax Payable (2)			48 43
	Fed. Inc. Tax Payable			610 00
	Medical Insurance Payable			155 00
	Accrued Payroll Payable			2375 29
	Payroll Tax Expense		222 11	
	Social Security Payable			151 28
	Medicare Payable			48 43
	FUTA payable (800 x .008)			6 40
	SUTA payable (800 x .02)			16 00

		Soc Sec.	Medicare (2)
① Rita	800 x .062 =	49.60	
Dolores	800	= 49.60	
Robert	100	= 6.20	
Calvin	740	= 45.88	
		<u>151.28</u>	
			All wages
			48.43
			3340 x .0145 =