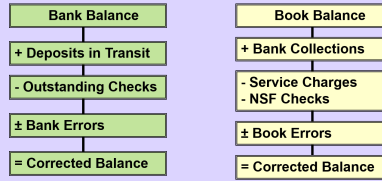


First Part of semester

	Year 1	Year 2	Year 3	Total
Sales (on credit)	\$100,000	\$100,000	\$100,000	\$300,000
Net Operating Cash Flows				
Cash receipts from customers	\$ 50,000	\$125,000	\$125,000	\$300,000
Cash disbursements:				
Prepayment of three years' rent	(60,000)	0	0	(60,000)
Salaries to employees	(50,000)	(50,000)	(50,000)	(150,000)
Utilities	(5,000)	(15,000)	(10,000)	(30,000)
Net operating cash flow	\$ (65,000)	\$ 60,000	\$ 65,000	\$ 60,000

Bank Recon



Perpetual

	Units	Cost per Unit	Total Cost
Reg. Inventory	2,000	\$ 10.00	\$20,000.00
Purchase 9/3	1,000	10.75	10,750.00
Purchase 9/21	1,000	10.95	10,950.00
Units available for sale	4,000		\$41,700.00
Units sold in September			
Sale 9/7	500		
Sale 9/28	1,500		
Units sold in September	2,000		
Units in ending inventory	2,000		

Trial Worksheet

Account Title	Debit	Credit	Adjusted Trial Balance	Income Statement	Balance Sheet
Cash	48,500		48,500		48,500
Accounts receivable	2,000		2,000		2,000
Supplies	2,000		2,000		2,000
Prepaid rent	60,000		60,000		60,000
Utilities payable		30,000		30,000	
Salaries payable		150,000		150,000	
Retained earnings			180,500		180,500
Common stock					180,500
Dividends	60,000		60,000		
Revenue		300,000		300,000	
Cost of goods sold	100,000		100,000	100,000	
Salaries expense	150,000		150,000	150,000	
Utilities expense	30,000		30,000	30,000	
Depreciation expense	2,000		2,000	2,000	
Supplies expense	2,000		2,000	2,000	
Net income					120,500
Total	174,500	174,500	174,500	174,500	174,500

Bad Debt

$$\text{Current Period Credit Sales} \times \text{Estimated Bad Debt \%} = \text{Estimated Bad Debt Expense}$$

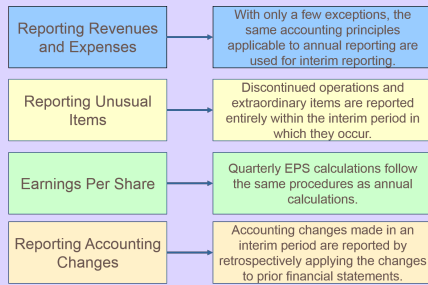
LIFO DVL

December 31,	Inventory at base-year costs	Cost index	Ending inventory
2013	\$ 150,000	100%	\$ 150,000
2014	160,000	105%	152,381
2014 LIFO Layer	\$ 10,000	105%	10,500
Inventory	150,000		\$ 162,881

Indirect Cash

	(\$ in thousands)
Cash Flows from Operating Activities	
Net income	\$35
Adjustments for noncash effects:	
Depreciation expense	5
Changes in operating assets and liabilities:	
Increase in prepaid insurance	(6)
Increase in accounts receivable	(12)
Increase in accounts payable	7
Increase in income taxes payable	14
Net cash flows from operating activities	\$47

Reporting



Bad Debt Journal

Bad debt expense	2,400
Allowance for uncollectible accounts	2,400

Allowance For Uncollectable

Allowance for Uncollectable Accounts	
	200
	2,300
	2,500

Interest Bearing

November 1, 2014		
Notes receivable	25,000	25,000
Cash		25,000
December 31, 2014		
Interest receivable	500	500
Interest revenue (\$25,000 x 12% x 2/12)		500
November 1, 2015		
Cash	28,000	28,000
Note receivable		25,000
Interest receivable		500
Interest revenue (\$25,000 x 12% x 10/12)		2,500

weighted avg

	Units	Cost per Unit	Total Cost
Beginning inventory	2,000	\$ 10.00	\$20,000.00
Purchase 9/3	1,000	10.75	10,750.00
Purchase 9/21	1,000	10.95	10,950.00
Units available for sale	4,000		\$41,700.00
Units sold in September			
Sale 9/7	500		
Sale 9/28	1,500		
Units sold in September	2,000	\$10.425	\$20,850.00
Units in ending inventory	2,000	\$10.425	\$20,850.00

Ratio

Financial Statement Analysis: List of Ratios

Liquidity	
Net Working Capital	Current Assets - Current Liabilities
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Quick Ratio	$\frac{\text{Cash} + \text{Marketable Securities} + \text{Receivables}}{\text{Current Liabilities}}$
Activity	
Accounts Receivable Turnover	$\frac{\text{Net Credit Sales}}{\text{Average Accounts Receivable}}$
Average Collection Period	$\frac{365}{\text{Accounts Receivable Turnover}}$
Inventory Turnover	$\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$
Average Age of Inventory	$\frac{365}{\text{Inventory Turnover}}$
Total Asset Turnover	$\frac{\text{Net Sales}}{\text{Average Total Assets}}$
Leverage	
Debt Ratio	$\frac{\text{Total Debt}}{\text{Total Assets}}$
Debt/Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$
Times Interest Earned	$\frac{\text{Earnings Before Interest \& Taxes}}{\text{Interest Expense}}$
Profitability	
Gross Profit Margin	$\frac{\text{Gross Profit}}{\text{Net Sales}}$
Profit Margin	$\frac{\text{Net Income}}{\text{Net Sales}}$
Return On Total Assets	$\frac{\text{Net Income}}{\text{Average Total Assets}}$
Return On Common Equity	$\frac{\text{Net Income}}{\text{Common Equity}}$
Market Value	
Earnings Per Share	$\frac{\text{Net Income} - \text{Preferred Dividends}}{\text{Common Stock Outstanding}}$
Price/Earnings Ratio	$\frac{\text{Market Price Per Share}}{\text{Earnings Per Share}}$
Book Value Per Share	$\frac{\text{Stockholders' Equity} - \text{Preferred Stock}}{\text{Common Stock Outstanding}}$
Dividend Yield	$\frac{\text{Dividends Per Share}}{\text{Market Price Per Share}}$
Dividend Payout	$\frac{\text{Dividends Per Share}}{\text{Earnings Per Share}}$

Gross Net

Gross Method		Net Method	
October 5, 2013		October 5, 2013	
Accounts receivable	20,000	Accounts receivable	19,600
Sales revenue	20,000	Sales revenue	19,600
October 14, 2013		October 14, 2013	
Cash	13,720	Cash	13,720
Sales discounts	280	Accounts receivable	13,720
Accounts receivable	14,000		
November 4, 2013		November 4, 2013	
Cash	6,000	Cash	6,000
Accounts receivable	6,000	Accounts receivable	5,880
		Interest revenue	120

Perp Inv Journal

2013	Inventory	600,000	600,000
	Accounts payable		
	To record the purchase of merchandise inventory.		
2013	Accounts receivable	820,000	820,000
	Sales revenue		
	To record sales on account.		
	Cost of goods sold	540,000	540,000
	Inventory		
	To record cost of goods sold.		

Perp COGS

$$\begin{aligned} &\text{Beginning Inventory} \\ &+ \text{Net Purchases} \\ &= \text{Cost of Goods Available for Sale} \\ &- \text{Ending Inventory} \\ &= \text{Cost of Goods Sold} \end{aligned}$$



Direct Cash

ARLINGTON LAWN CARE Statement of Cash Flows For the Year Ended December 31, 2013		
(\$ in thousands)		
Cash Flows from Operating Activities		
Cash received from customers*	\$78	
Cash paid for general and administrative expenses**	(29)	
Net cash flows from operating activities	\$49	

*Service revenue of \$90 thousand, less increase of \$12 thousand in accounts receivable.
**General and administrative expenses of \$32 thousand, less increase of \$7 thousand in accounts payable, plus increase of \$4 thousand in prepaid insurance.

Adjusting Perp

We need the following adjusting entry to record cost of good sold.

December 31, 2013	
Cost of goods sold	540,000
Inventory (ending)	180,000
Inventory (beginning)	120,000
Purchases	600,000

To adjust inventory, close the purchases account, and record cost of goods sold.

Non Bearing

January 1, 2014	
Notes receivable	25,000
Discount on notes receivable	3,000
Sales revenue	22,000
(\$25,000 * 12% = \$3,000)	
December 31, 2014	
Cash	25,000
Discount on notes receivable	3,000
Notes receivable	25,000
Interest revenue	3,000

With Recourse

Cash (90% * \$600,000)	540,000
Loss on sale of receivable (to balance)	30,000
Receivable factor (\$50,000 - 24,000 fee)	26,000
Reserve liability	5,000
Accounts receivable (book value sold)	600,000

Returns

Actual Returns	
Sales returns	130,000
Accounts receivable	130,000
Inventory	78,000
Cost of goods sold (60%)	78,000
Adjusting Entries	
Sales returns	70,000
Allowance for sales returns	70,000
Inventory—estimated returns	42,000
Cost of goods sold (60%)	42,000

Installment method

Make Installment Sale: November 1, 2013	
Installment receivables	800,000
Inventory	560,000
Deferred gross profit	240,000

To record installment sale.

During 2013, Belmont Corporation collected \$200,000 on its installment sales.

Collect Cash: November 1, 2013	
Cash	200,000
Installment receivables	200,000

To record cash collection from installment sale.

Deferred gross profit	60,000
Realized gross profit	60,000

To recognize gross profit from installment sale.

This entry records the realized gross profit by adjusting the deferred gross profit account.

Change

Type of Accounting Changes	Definition
Change in Accounting Principle	Change from one GAAP method to another GAAP method
Change in Accounting Estimate	Revision of an estimate because of new information or new experience
Change in Reporting Entity	Preparation of financial statements for an accounting entity other than the entity that existed in the previous period

Percent Revenue

$\frac{\text{Gross profit recognized this period}}{\text{Total estimated gross profit period}} \times \text{percentage completed to date} = \text{gross profit recognized in prior periods}$
--

Dupont

Return on equity	=	Return on assets	X	Equity multiplier
$\frac{\text{Net income}}{\text{Avg. total equity}}$	=	$\frac{\text{Net income}}{\text{Avg. total assets}}$	X	$\frac{\text{Avg. total assets}}{\text{Avg. total equity}}$

Gross Left Discounts

October 5, 2013				
Purchases	20,000	Purchases	19,600	
Accounts payable	20,000	Accounts payable	19,600	
October 14, 2013				
Accounts payable	14,000	Accounts payable	13,720	13,720
Purchase discounts	280	Cash		
Cash	13,720			
November 4, 2013				
Accounts payable	6,000	Accounts payable	5,880	5,880
Cash	6,000	Interest expense	120	120
		Cash		6,000

POcompletion journal

	2013	2014	2015
Construction in progress	1,500,000	1,000,000	1,800,000
Cash, receivables, etc.	1,500,000	1,000,000	1,800,000
To record construction costs			
Accounts receivable	1,200,000	2,000,000	1,800,000
Billing on construction contract	1,200,000	2,000,000	1,800,000
To record progress billings			
Cash	1,000,000	1,400,000	2,600,000
Accounts receivable	1,000,000	1,400,000	2,600,000
To record cash collections			

POcompletion

	2013	2014	2015
Construction costs incurred during the year	\$1,500,000	\$1,000,000	\$1,800,000
Construction costs incurred in prior years	—	1,500,000	2,200,000
Cumulative construction costs	1,500,000	2,500,000	4,300,000
Estimated costs to complete at end of year	2,200,000	1,500,000	—
Total estimated and actual construction costs	\$1,700,000	\$4,000,000	\$1,800,000
Billing made during the year	\$1,200,000	\$2,000,000	\$1,800,000
Cash collections during year	1,000,000	1,400,000	2,600,000

loss on construction

	(\$ in millions)	
	2013	2014
Net income		
Other comprehensive income:		
Net unrealized holding gains (losses) on investments (net of tax)*	\$6	\$6
Gains (losses) from and amendments to postretirement benefit plans (net of tax)	(6)	(6)
Deferred gains (losses) from derivatives (net of tax)	(6)	(6)
Gains (losses) from foreign currency translation (net of tax)	—	—
Comprehensive income	\$6	\$6

*Changes in the market value of certain investments (described in Chapter 12).
*Gains and losses due to unreal assumptions or market returns differing from expectations and prior service cost from amending the plan (described in Chapter 17).
*When a derivative designated as a cash flow hedge is adjusted to fair value, the gain or loss is defined as a component of comprehensive income and included in earnings (net) at the same time as earnings are affected by the hedged transaction (described in the Derivatives Appendix to the text).
*Gains or losses from changes in foreign currency exchange rates. The amount could be an addition to or reduction in shareholders' equity. (This item is discussed elsewhere in your accounting curriculum.)

Cost Recovery

Make installment sale:		
November 1, 2013		
Installment receivables	800,000	560,000
Deferred gross profit		240,000
To record installment sale		
Collect Cash:		
November 1, 2013, 2014, 2015, and 2016		
Cash	200,000	200,000
To record cash collection from installment sale		
November 1, 2013 and 2014		
No entry for gross profit		
November 1, 2015		
Deferred gross profit	60,000	60,000
Realized gross profit		
To recognize gross profit from installment sale		
November 1, 2016		
Deferred gross profit	200,000	200,000
Realized gross profit		
To recognize gross profit from installment sale		

Adjust to Market

- Record the loss as a separate item in the income statement
- Record the loss as part of cost of goods sold.

Loss on write-down of inventory	XX
Inventory	XX
Cost of goods sold	XX
Inventory	XX

Conv Retail

	Cost	Retail
Inventory, July 1	\$ 21,000	\$ 35,000
Plus: Net purchases	200,000	304,000
Net markups		8,000
Cost ratio:	221,000	347,000
$(221,000 \div 347,000) = 63.69\%$		
Less: Net markdowns		(4,000)
Goods available for sale	221,000	343,000
Less: Sales for July		(300,000)
Estimated ending inventory at retail		\$ 43,000
Estimated ending inventory at cost	\$ 27,387	

DISCOUNTS

Gross Method	Net Method
--------------	------------

Discount terms are 2/10, n/30.	Partial payment not made within the discount period	\$20,000
\$14,000		x 0.02
x 0.02		\$ 400
\$ 280		-120
		\$ 280

DVL LIFO

Ending inventory at base-year retail	Step 1 Ending inventory adjusted for price changes
\$ 43,000 (Determined earlier)	\$ 43,000 ÷ 1.02 = \$ 42,157

Step 2 Inventory Layers at Base Year Retail Prices	Step 3 Inventory Layers Converted to LIFO Cost
\$ 42,157	
35,000 x 1.00 x 60.00% =	\$ 21,000.00
7,157 x 1.02 x 64.94% =	4,740.71
Total Ending Inventory at Dollar Value LIFO Retail Cost	\$ 25,740.71



Gross PR Method

Beginning inventory	\$ 237,400	Sales	\$ 1,213,000
Plus: Net purchases	228,300	Gross profit percentage	43%
= Goods available for sale	465,700	Estimated gross profit	\$ 521,590
Less: Sales	\$ 1,213,000		
Less: estimated gross profit	(521,590)		
Less: Estimated COGS	\$ (691,410)		
Estimated ending inventory	\$ 274,290		

LIFO Retail

	Cost	Retail
Inventory, July 1 (\$21,000 ÷ \$35,000 = 60%)	\$ 21,000	\$ 35,000
Plus: Net purchases	200,000	304,000
Net markups		8,000
Less: Net markdowns		(4,000)
Goods available for sale	200,000	308,000
(\$200,000 ÷ \$308,000 = 64.94% rounded)		
Sales for July		(300,000)
LIFO layer for July		8,000

	Retail	Cost
Beginning inventory	\$ 35,000 x 60.00% =	21,000
Current period's layer	8,000 x 64.94% =	5,195 **
Total	\$ 43,000	26,195

** rounded

Lower Cost Market

Selling Price	-	Cost to Complete	=	NRV
\$ 30.00	-	\$ 4.00	=	\$ 26.00

Replacement Cost = \$21.50

NRV	-	Normal Profit	=	(NRV - NP)
\$ 26.00	-	\$ 5.00	=	\$ 21.00

Retail Avg Method

	Cost	Retail
Inventory, July 1	\$ 21,000	\$ 35,000
Plus: Net purchases	200,000	304,000
Net markups		8,000
Less: Net markdowns		(4,000)
Cost-to-retail percentage	221,000	343,000
(221,000 ÷ 343,000) =	64.43%	
Less: Sales for July		(300,000)
Estimated ending inventory at retail		\$ 43,000
Estimated ending inventory at cost	\$ 27,705	
(\$43,000 × 64.43% = \$27,705)		

Retail Method

	Cost	Retail
Inventory, May 1	\$ 27,000	\$ 45,000
Net purchases for May	180,000	300,000
Goods available for sale	207,000	345,000
Cost-to-retail percentage:		
(207,000 ÷ 345,000) =	60%	
Sales for May		(310,000)
Ending inventory at retail		\$ 35,000
Ending inventory at cost	\$ 21,000	

