

Question 1:

	"Thinkquarter"	
	Company	
	Income Statement	
	For years Dec.31, year 5 and year 4	
	<u>Year 5</u>	<u>Year 4</u>
Net sales	\$6,500,000	\$4,000,000
COGS	<u>5,000,000</u>	<u>3,200,000</u>
Gross profit	\$1,500,000	\$800,000
Operating expenses including tax	<u>1,080,000</u>	<u>520,000</u>
Net income	<u>\$420,000</u>	<u>\$280,000</u>

	"Thinkquarter"		
	Company		
	Statement of Stockholders' Equity		
	For year ended Dec. 31, Year 5		
	Common stock	<u>Retained Earnings</u>	<u>Total</u>
	<u>no par</u>		
Balances, beginning of year	\$900,000	\$330,000	\$1,230,000
Issuance of common stock for cash	300,000		300,000
Net income		420,000	420,000
Cash dividends declared		<u>-240,000</u>	<u>-240,000</u>
Balances, end of year	<u>\$1,200,000</u>	<u>\$510,000</u>	<u>\$1,710,000</u>

**"Thinkquarter"
Company
Balance sheet
December 31, Year 5 and Year 4**

Assets	<u>Year 5</u>	<u>Year 4</u>
Current Assets:		
Cash	\$240,000	\$200,000
Short-term investments	\$80,000	
Accounts receivable(net)	840,000	580,000
Inventories	660,000	420,000
Short-term prepayments	<u>100,000</u>	<u>50,000</u>
Total current assets	\$1,920,000	\$1,250,000
Plant Assets	1,130,000	600,000
Accumulated Depr.-build.	<u>(110,000)</u>	<u>(50,000)</u>
Total Assets	<u>\$2,940,000</u>	<u>\$1,800,000</u>
Liabilities and SHE		
Current liabilities:		
Accounts payable	\$530,000	440,000
Dividends payable	\$60,000	0
Other current liabilities	<u>\$140,000</u>	<u>130,000</u>
Total current liabilities	\$730,000	570,000
Notes payable, due June 30, year 8	<u>\$500,000</u>	<u>0</u>
Total Liabilities	\$1,230,000	570,000
Stockholders' Equity		
Common stock	\$1,200,000	900,000
Retained earnings	<u>510,000</u>	<u>330,000</u>
Total Liabilities and stockholders' Equity	<u>\$569,000</u>	<u>\$386,000</u>

Additional information:

- a. The note payable due June 30, year 8, was issued in exchange for equipment
- b. There were no disposal of assets
- c. Short-term prepayments of \$500,000 were made in year 5

Required: Prepare the Statement of cash flow for "Thinkquarter" Company under both the direct and indirect method for the year ended December 31, year 5 (5 pts).

Question 2:

On **May 31, 2013** Long Company had a cash balance per books of **Br 6,781.50**.

The bank statement from Dashen Bank S.C on that date showed a balance of **Br 6,404.60**. A comparison of the statement with the cash account revealed the following facts.

- a. The statement included a debit memo of **Br 40** for the printing of additional company check.
- b. Cash sales of **Br 836.15** on **May 12** were deposited in the bank. The cash receipts journal entry and the deposit slip were incorrectly made for **Br 886.15**. The bank credited long company for the correct amount
- c. Outstanding checks at **May 31** totaled **Br 576.25**.
- d. Deposit in transit was **Br 1,916.15**.
- e. On **May 18**, the company issued check No. 1181 for **Br 685** to Huge Company on account. The check which cleared the bank in May was incorrectly journalized and posted by long company for **Br 658**.
- f. A **Br 2500** note receivable was collected by the bank for long company on **May 31** plus **Br 80 interest**. The bank charged a collection fee of **Br 20**.
- g. Included with the cancelled checks was a check issued by Happy Co. to Top Company for **Br 800** that was incorrectly charged to long company by the bank.
- h. On **May 31**, the bank statement showed an **NSF** charge of **Br 680** for a check issued by small company a customer, to Long Company on account.

Required:

- (a) Prepare bank reconciliation statement at **May 31, 2013** to reconcile the balance per book with the balance per bank statement. **(2 pts)**
- (b) Prepare bank reconciliation statement at **May 31, 2013** to Reconcile the bank statement balance and Depositor's balance to correct cash balance. **(2 pts)**
- (c) Prepare bank reconciliation statement at **May 31, 2013** to reconcile the balance per bank with the balance per book statement. **(2 pts)**
- (d) Prepare the necessary adjusting entries for long company at **May 31, 2013**. **(2 pts)**