

ACC421 – Intermediate Accounting II Individual Assignments – Week 4

This assignment is worth a total of 75 points distributed evenly among the four problems. It will be graded based upon both the accuracy of your solutions (2/3) and effort (1/3). Points for effort will be impacted by poor formatting, poor organization, clear lack of effort, and careless errors. Any simple arithmetic errors, unbalanced journal entries, or unbalanced schedules will result in a significant point reduction for that problem. Show your work and double check your math and entries!

Problem 1:

Grading: This problem is worth a total of 18.75 points. There are 22 **grading elements** each worth $18.75 \times 2/3 / 22 = 0.5682$ points. There are $18.75 \times 1/3 = 6.25$ points available for effort.

The FJF Company does not employ a full-time accountant. However they do employ a bookkeeper that records entries and attempts to prepare drafts of financial statements. You have been retained by the company to review the bookkeeper's work and prepare correct financial statements for 2014. You have completed your review of the bookkeeper's work and, based upon your review, the bookkeeper has prepared the following draft balance sheet for your review.

FJF Company
Balance sheet
For the year ended December 31, 2014

Stockholders' s equity	
Common stock, \$9 par, authorized 70,000 shares, Issued 48,000 shares	\$432,000
Additional paid-in capital	237,000
Retained earnings	
Intangible assets	
Goodwill	118,000
Prepaid expenses	18,000
Cash surrender value of life insurance	133,000
Trading securities at cost (fair value \$177,000)	207,000
Property, plant, and equipment	
Land held for future use	259,000
Building (net)	843,000
Office equipment (net)	237,000
Current assets	
Cash	340,000
Accounts receivable (net)	503,000
Inventories at lower of average cost or market	593,000
Current liabilities	
Accounts payable	200,000
Notes payable (due next year)	185,000
Pension obligation	121,000
Rent payable	72,000
Premium on bonds payable	78,000
Long-term liabilities	
Bonds payable	739,000

Additional information:

The company ends its fiscal accounting year on December 31.
The accumulated depreciation on the building totals \$237,000.
The accumulated depreciation on the office equipment totals \$155,000.
The allowance for doubtful accounts has a balance of \$25,000.
The pension obligation is considered a long-term liability.
The bookkeeper did not know how to compute retained earnings.

Instructions:

Prepare a correct balance sheet in good form.

Solution:

FJF Company
Balance sheet
For the year ended December 31, 2014

<u>Assets</u>			
<u>Current assets</u>			
Cash		\$340,000	
Trading securities at fair value		177,000	
Accounts receivable	\$528,000		
Less: Allowance for doubtful accounts	25,000		503,000
Inventories, at lower of average cost or market		593,000	
Prepaid expenses		18,000	
Total current assets			\$1,631,000
<u>Long-term investments</u>			
Land held for future use		259,000	
Cash surrender value of life insurance		133,000	392,000
<u>Property, plant, and equipment</u>			
Building	\$1,080,000		
Less: Accumulated depreciation	237,000		843,000
Office equipment	\$392,000		
Less: Accumulated depreciation	155,000		237,000
			1,080,000
<u>Intangible assets</u>			
Goodwill			118,000
Total Assets			\$3,221,000
<u>Liabilities and Stockholders' Equity</u>			
<u>Current liabilities</u>			
Accounts payable		\$200,000	
Notes payable (due next year)		185,000	
Rent payable		72,000	
Total current liabilities			\$457,000
<u>Long-term liabilities</u>			
Bonds payable	\$739,000		
Add: Premium on bonds payable	78,000		817,000
Pension obligation		121,000	938,000
Total liabilities			\$1,395,000
<u>Stockholders' equity</u>			
Common stock, \$9 par, authorized 70,000 Shares, issued 48,000 shares	\$432,000		
Additional paid-in capital	237,000		\$669,000
Retained earnings *		1,157,000	
Total stockholders' equity			1,826,000
Total liabilities and stockholders' equity			\$3,221,000

* \$3,221,000 - \$1,395,000 - \$669,000