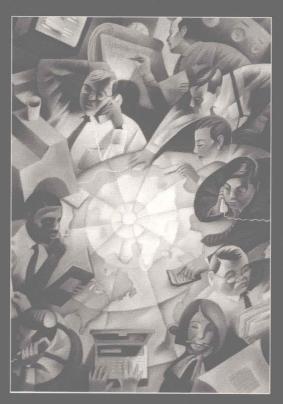
# Working Papers

for use with

# Intermediate Accounting

SECOND EDITION



J. David Spiceland | James F. Sepe | Lawrence A. Tomassini

Prepared by
J. David Spiceland
James F. Sepe

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Second Edition

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> Prepared by J. David Spiceland James F. Sepe



# McGraw-Hill Higher Education



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# **Chapter 1**

# **EXERCISES**

## Exercise 1-1

# Requirement 1

## Pete, Pete, and Roy Operating Cash Flow

	Year 1	Year 2
Cash collected		
Cash disbursements:		
130		
Net operating cash flow		\$ 50,000

# Requirement 2

## Pete, Pete, and Roy Income Statements

	Year 1	Year 2
Revenues		
Expenses:		
Net Income	\$ 25,000	

Organization	Pronouncements
1. Accounting Principles Board	
2. Financial Accounting Standards Board	
3. Securities and Exchange Commission	
4. Committee on Accounting Procedure	
5. AICPA	

Organization	Group
1. Securities and Exchange Commission	
2. Financial Executives Institute	
3. American Institute of Certified Public Accountants	
4. Institute of Management Accountants	
5. Association of Investment Management and Research	

#### Exercise 1-5

#### List A List B 1. Predictive value a. Decreases in equity resulting from transfers to owners. 2. Relevance b. Requires consideration of the costs and value of information. 3. **Timeliness** c. Important for making interfirm comparisons. 4. Distribution to owners d. Applying the same accounting practices over time. 5. Feedback value e. Along with relevance, a primary decision-specific quality. f. Agreement between a measure and the phenomenon 6. Reliability it purports to represent. 7. Gain g. Information is available prior to the decision. 8. Representational faithfulness h. Pertinent to the decision at hand. 9. Comprehensive income i. Implies consensus among different measurers. 10. Materiality j. Information confirms expectations. \_\_\_\_ 11. Comparability k. The change in equity from nonowner transactions. 12. Neutrality 1. The process of admitting information into financial statements. 13. Recognition m. Accounting information should not favor a particular \_\_\_\_ 14. Consistency n. Results if an asset is sold for more than its book \_\_\_\_ 15. Cost effectiveness o. Information is useful in predicting the future. 16. Verifiability p. Concerns the relative size of an item and its effect on decisions.

#### List A

# List B

a. The enterprise is separate from its owners and other 1. Matching principle entities. 2. Periodicity b. A common denominator is the dollar. 3. Historical cost principle c. The entity will continue indefinitely. 4. Materiality d. Record expenses in the period the related revenue is recognized. e. The original transaction value upon acquisition. 5. Realization principle f. All information that could affect decisions should be 6. Going concern assumption reported. 7. Monetary unit assumption g. The life of an enterprise can be divided into artificial time periods. h. Criteria usually satisfied at point of sale. 8. Economic entity assumption i. Concerns the relative size of an item and its effect on 9. Full-disclosure principle decisions.

Statement	Assumption, Principle, Constraint
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	

# Chapter 2

# **EXERCISES**

# Exercise 2-1

Assets	=	Liabilities +	Paid-in Capital +	Retained Earnings
1. + 200,000 cash			+ 200,000 capital stock	
2.				
3.				
4.				
5.	-		,	• • • • • • • • • • • • • • • • • • • •
6.				
7.		n o o = - 2	0.1.0000000000000000000000000000000000	
8.				
9.				

Account Titles	Debit	Credit
*		

Cash				Accounts rec	eivable		
3/1 Bal.	0			3/1 Bal.	0		
3/31 Bal.	174,000			3/31 Bal.			
	Invent	ory			Prepaid Inst	urance	
3/1 Bal.	0			3/1 Bal.	0		
3/31 Bal.				3/31 Bal.			
Equipment			Accumulated depreciation			on	
3/1 Bal.	0					0	3/1 Bal.
3/31 Bal.							3/31 Bal
	Accounts p	ayable			Note paya	able	
		0	3/1 Bal.	-		0	3/1 Bal.
			3/31 Bal.				3/31 Bal
	Capital s	stock					
	·	0	3/1 Bal.				
		¥	3/31 Bal.				

# Exercise 2-3 (concluded)

# INCOME STATEMENT ACCOUNTS

	Sales revenue				Cost of goods sold	
, <u></u>		0	3/1 Bal.	3/1 Bal.	0	
			3/31 Bal.	3/31 Bal.		
	Rent expense				Depreciation expense	
3/1 Bal.	0			3/1 Bal.	0	
3/31 Bal.				3/31 Bal.		

# **Trial Balance**

Account Title	Debits	Credits
Cash	174,000	
Totals	381,000	381,000

Account Titles	Debit	Credit

#### List A

# Source documents Transaction analysis Journal Posting Unadjusted trial balance Adjusting entries Adjusted trial balance Financial statements Closing entries Post-closing trial balance Spreadsheet

#### List B

- a. Records the dual effect of a transaction in debit/credit form.
- b. Internal events recorded at the end of a reporting period.
- c. Primary means of disseminating information to external decision makers.
- d. To zero out the temporary owners' equity accounts.
- e. Determine the dual effect on the accounting equation.
- f. List of accounts and their balances before recording adjusting entries.
- g. List of accounts and their balances after recording closing entries.
- h. List of accounts and their balances after recording adjusting entries.
- i. A means of organizing information; not part of the formal accounting system.
- j. Transferring balances from the journal to the ledger.
- k. Used to identify and process external transactions.

Increase (I) or <u>Decrease (D)</u>	Account
1.	Inventory
2.	Depreciation expense
3.	Accounts payable
4	Prepaid rent
5	Sales revenue
6	Capital stock
7	Wages payable
8	Cost of goods sold
9	Utility expense
10.	Equipment
11	Accounts receivable
12.	Allowance for uncollectible accounts
13.	Bad debt expense
14.	Interest expense
15.	Interest revenue
16.	Gain on sale of equipment

LACI		Account(s) Debited	Account(s) Credited
Exam	ple: Purchased inventory for cash	3	5
1.	Paid a cash dividend.		
2.	Paid rent for the next three months.		
3.	Sold goods to customers on account.		
4.	Purchased inventory on account.		
5.	Purchased supplies for cash.		
6.	Paid employees wages for September.		
7.	Issued capital stock in exchange for cash.		
8.	Collected cash from customers for goods sold in 3.		
9.	Borrowed cash from a bank and signed a note.		
10.	At the end of October, recorded the amount of		
	supplies that had been used during the month.		
11.	Received cash for advance payment from customer.		
12.	Accrued employee wages for October.		

Account Titles	Debit	Credit

Account Titles	Debit	Credit
The second secon		

# Exercise 2-10

# Requirement 1

# **BLUEBOY CHEESE CORPORATION**

Income Statement
For the Year Ended December 31, 2000

Other expenses:	
Other expenses:	
Other expenses:	
Other expenses:	
The state of the s	
Net income	\$101,000

## **BLUEBOY CHEESE CORPORATION**

**Balance Sheet** At December 31, 2000

Assets		
Current assets:		
Property and equipment:		
Liabilities and Shareholders' Equity		
0 174		
Current liabilities:		
Shareholders' equity:		 
Shareholders equity.		
Total liabilities and shareholders' equity	-	\$711,000
Total habilities and shareholders equity		Ψ/11,000

# Exercise 2-10 (concluded)

# Requirement 2

Debit	Credit
	Debit

Account Titles	Debit	Credit