

ACCT 3110 – Professor Mayper
Sample Exam ANSWER KEY
Exam II Spring 2003

PART 1

I MULTIPLE CHOICE

1. E
2. G

II. RECEIVABLES

- A. the net method
B. more than And discount

III. BAD DEBTS

	Debit	Credit
i. Bad Debt Expense	34,000	
Allowance for Bad Debt		34,000
ii. Allowance for Bad Debt	21,500	
Accounts Receivable		21,500
iii. Allowance for Bad Debt	8,000	
Bad Debt Expense		8,000
iv. Bad Debt Expense <u>26,000</u>	Allow. For Bad Debts (12/31/00)	<u>26,500</u>

IV. BASIC INVENTORY

- a. \$8,760
- b. \$9,988
- c. \$7,875

Advantages for using dollar Value LIFO rather than basic unit LIFO:
See Textbook

V. DOLLAR VALUE LIFO

- a. Base layer cost price index: 1.00
Base Layer Cost of the Inventory: \$10,600
- b. 1.36
- c. \$19,175 [Alternate answer: \$21,224 (See Instructor)]
- d. \$73,300 [Alternate answer: \$73,895 (See Instructor)]

PART II

I. MULTIPLE CHOICE

1. D
2. D
3. F

II. MISCELLANEOUS INVENTORY

- A.
 - i. \$1,100 Overstated
 - ii. \$375 Understated
 - iii. \$375 Understated

- B.
 - i. \$326,000
 - ii. \$63,500

III. RETAIL INVENTORY

- a.
 - i. $\frac{586,000}{715,777}$

 - ii. $\frac{515,000}{615,777}$

- b. \$101,575

- c. \$484,425

- d. Base value of the 2002 retail ending inventory: \$97,000
Reported cost of the inventory on the 2002 balance sheet: \$68,870

IV. EXCHANGES

- i. \$400,000
- ii. \$285,000
- iii. \$115,000
- iv. Zero
- v. \$50,625

V. INTEREST CAPITALIZATION

- i. \$137,083
- ii. \$25,000
- iii.
 - a. \$12,500
 - b. \$10,000