The controller of the Red Wing Corporation is in the process of preparing the company’s 2009 financial statements. She is trying to determine the correct balance of cash and cash equivalents to be reported as a current asset in the balance sheet. The following items are being considered:

a. Balances in the company’s accounts at the First National Bank; checking $13,500, savings $22,100.

b. Undeposited customer checks of $5,200.

c. Currency and coins on hand of $580.

d. Savings account at the East Bay Bank with a balance of $400,000. This account is being used to accumulate cash for future plant expansion (in 2011).

e. $20,000 in a checking account at the East Bay Bank. The balance in the account represents a 20% compensating balance for a $100,000 loan with the bank. Red Wing may not withdraw the funds until the loan is due in 2012.

f. U.S. Treasury bills: 2-month maturity bills totaling $15,000, and 7-month bills totaling $20,000.

Required:

1. Determine the correct balance of cash and cash equivalents to be reported in the current asset section of the 2009 balance sheet.

\[
13,500 + 22,100 + 5,200 + 580 + 15,000 = 56,180
\]

Leslie McCormack is in the spring quarter of her freshman year of college. She and her friends already are planning a trip to Europe after graduation in a little over three years. Mary would like to contribute to a savings account over the next three years in order to accumulate enough money to take the trip. Assuming an interest rate of 4%, compounded quarterly, how much will she accumulate in three years by depositing $500 at the end of each of the next 12 quarters, beginning three months from now?

Ordinary annuity: $500

\[
\text{quarterly} \rightarrow i = \frac{4}{4} = 1 \%
\]

\[
12 \times \frac{1}{4} = 12
\]

\[
\frac{500 \times (FV_{12} = 12, i = 1\%)}{500 \times (1.012^{12})} = 0.741.25
\]

Canilis Mining Company borrowed money from a local bank. The note the company signed requires five annual installment payments of $10,000 beginning one year from today. The interest rate on the note is 7%. What amount did Canilis borrow?

\[
10,000 (PVOA_{5, i = 7\%})
\]

\[
10,000 (4.10020) = 41,002
\]

The December 31, 2009, year-end inventory balance of the Raymond Corporation is $210,000. You have been asked to review the following transactions to determine if they have been correctly recorded.

1. Goods shipped to Raymond F.O.B. destination on December 26, 2009, were received on January 2, 2010. The invoice cost of $30,000 is included in the preliminary inventory balance.

2. At year-end, Raymond held $14,000 of merchandise on consignment from the Harrison Company. This merchandise is included in the preliminary inventory balance.

3. On December 29, merchandise costing $6,000 was shipped to a customer F.O.B. shipping point and arrived at the customer’s location on January 3, 2010. The merchandise is not included in the preliminary inventory balance.

4. At year-end, Raymond had merchandise costing $15,000 on consignment with the Jocelyn Corporation. The merchandise is not included in the preliminary inventory balance.

Required:

Determine the correct inventory amount to be reported in Raymond’s 2009 balance sheet.

\[
\text{beginning balance} + 210,000 - 15,000 = 225,000
\]
On January 1, 2009, the Brunswick Hat Company adopted the dollar-value LIFO retail method. The following data are available for 2009:

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning inventory</td>
<td>$71,280</td>
<td>$132,000</td>
</tr>
<tr>
<td>Net purchases</td>
<td>112,500</td>
<td>255,000</td>
</tr>
<tr>
<td>Net markups</td>
<td>6,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Net markdowns</td>
<td>11,000</td>
<td>11,000</td>
</tr>
<tr>
<td>Net sales</td>
<td>232,000</td>
<td>232,000</td>
</tr>
<tr>
<td>Retail price index, 12/31/09</td>
<td>1.04</td>
<td></td>
</tr>
</tbody>
</table>

Required:
Calculate the estimated ending inventory and cost of goods sold for 2009.

\[
\begin{align*}
\text{Cost} & \quad \text{Retail} \\
71,280 & \quad 132,000 \\
112,500 & \quad 255,000 \\
6,000 & \quad 6,000 \\
11,000 & \quad 11,000 \\
232,000 & \quad 232,000 \\
1.04 & \quad 1.04 \\
\end{align*}
\]

On January 1, 2009, the Marjlee Company began construction of an office building to be used as its corporate headquarters. The building was completed early in 2010. Construction expenditures for 2009, which were incurred evenly throughout the year, totaled $6,000,000. Marjlee had the following debt obligations which were outstanding during all of 2009:

- Construction loan, 10%: $1,500,000
- Long-term note, 9%: $2,000,000
- Long-term note, 6%: $4,000,000

Required:
Calculate the amount of interest capitalized for the building using the specific interest method.

\[
\begin{align*}
\text{Interest capitalization} & = \frac{15,000,000 \times 10\%}{12} \\
& = 1250000 \\
2,000,000 \times 9\% & = 180000 \\
4,000,000 \times 6\% & = 240000 \\
\text{Total} & = 570,000
\end{align*}
\]

On March 31, 2009, Wolfson Corporation acquired all of the outstanding common stock of Barney Corporation for $17,000,000 in cash. The book values and fair values of Barney's assets and liabilities were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Book Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$ 6,000,000</td>
<td>$ 7,500,000</td>
</tr>
<tr>
<td>Property, plant, and equipment</td>
<td>$11,000,000</td>
<td>$14,000,000</td>
</tr>
<tr>
<td>Other assets</td>
<td>$ 1,000,000</td>
<td>$ 1,500,000</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>$ 4,000,000</td>
<td>$ 4,000,000</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>$ 6,000,000</td>
<td>$ 5,500,000</td>
</tr>
</tbody>
</table>

Required:
Calculate the amount paid for goodwill.

\[
\text{Goodwill} = \text{Fair value of assets} - \text{Book value of assets} - \text{Fair value of liabilities}
\]

\[
\begin{align*}
\text{Fair value of assets} & = 15,000,000 \\
\text{Book value of assets} & = 12,000,000 \\
\text{Fair value of liabilities} & = 5,000,000 \\
\text{Goodwill} & = 17,000,000 - 12,000,000 - 5,000,000 = 0
\end{align*}
\]
On January 1, 2009, the Taylor Company adopted the dollar-value LIFO method. The inventory value for its one inventory pool on this date was $400,000. Inventory data for 2009 through 2011 are as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Ending Inventory at Year-End Costs</th>
<th>Cost Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/09</td>
<td>$441,000</td>
<td>1.05</td>
</tr>
<tr>
<td>12/31/10</td>
<td>487,200</td>
<td>1.12</td>
</tr>
<tr>
<td>12/31/11</td>
<td>510,000</td>
<td>1.20</td>
</tr>
</tbody>
</table>

Required:

On October 6, 2009, the Elgin Corporation signed a purchase commitment to purchase inventory for $60,000 on or before March 31, 2010. The company's fiscal year-end is December 31. The contract was exercised on March 21, 2010, and the inventory was purchased for cash at the contract price. On the purchase date of March 21, the market price of the inventory was $54,000. The market price of the inventory on December 31, 2009, was $56,000. The company uses a perpetual inventory system.

Required:
1. Prepare the necessary adjusting journal entry (if any is required) on December 31, 2009.
2. Prepare the journal entry to record the purchase on March 21, 2010.

Tatum Company has four products in its inventory. Information about the December 31, 2009, inventory is as follows:

<table>
<thead>
<tr>
<th>Product</th>
<th>Total Cost</th>
<th>Total Replacement Cost</th>
<th>Total Net Realizable Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGP 30</td>
<td>$120,000</td>
<td>$110,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>102</td>
<td>90,000</td>
<td>85,000</td>
<td>110,000</td>
</tr>
<tr>
<td>103</td>
<td>60,000</td>
<td>40,000</td>
<td>50,000</td>
</tr>
<tr>
<td>104</td>
<td>30,000</td>
<td>28,000</td>
<td>50,000</td>
</tr>
</tbody>
</table>

The normal gross profit percentage is 25% of cost.

Required:
1. Determine the balance sheet inventory carrying value at December 31, 2009, assuming the LCM rule is applied to individual products.
Alta Ski Company's inventory records contained the following information regarding its latest ski model. The company uses a periodic inventory system.

1. Beginning inventory, January 1, 2009: 600 units @$80 each
2. Purchases:
   - January 15: 1,000 units @$95 each
   - January 21: 800 units @$100 each
3. Sales:
   - January 5: 400 units @$120 each
   - January 22: 800 units @$130 each
   - January 29: 400 units @$135 each
   - 800 units

Required:

Compute cost of goods sold for January and the ending inventory using both the FIFO and LIFO methods.

<table>
<thead>
<tr>
<th>FIFO</th>
<th>Date</th>
<th>Purchase</th>
<th>Sales</th>
<th>End Inventory</th>
<th>Sales Total</th>
<th>COGS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1/1/2009</td>
<td>1,000 @$80</td>
<td>400 @$110</td>
<td>600 @$90</td>
<td></td>
<td>$32,000</td>
</tr>
<tr>
<td></td>
<td>1/5/2009</td>
<td>1,000 @$95</td>
<td></td>
<td>200 @$80</td>
<td>200 @$80</td>
<td>$19,000</td>
</tr>
<tr>
<td></td>
<td>1/15/2009</td>
<td></td>
<td>200 @$80</td>
<td>400 @$95</td>
<td>400 @$95</td>
<td>$19,000</td>
</tr>
<tr>
<td></td>
<td>1/21/2009</td>
<td></td>
<td>200 @$95</td>
<td>300 @$95</td>
<td>300 @$95</td>
<td>$28,500</td>
</tr>
<tr>
<td></td>
<td>1/22/2009</td>
<td></td>
<td>200 @$130</td>
<td>300 @$100</td>
<td>300 @$100</td>
<td>$43,500</td>
</tr>
<tr>
<td></td>
<td>1/29/2009</td>
<td></td>
<td></td>
<td>400 @$95</td>
<td>400 @$95</td>
<td>$38,000</td>
</tr>
</tbody>
</table>

**FIFO**

End Inv: $19,000 + $19,000 = $38,000

**LIFO**

Goods Avail for Sale:

End Inv. COGS:

**THIS TEST WAS:**

OK?