Chapter 3, page 131

Current version

On March 1, 2010, a company paid an $18,000 premium on a 36-month insurance policy for coverage beginning on that date. Refer to that policy and fill in the blanks in the following table:

Balance Sheet Insurance Asset Using			Insurance Expense Using		
	Accrual Basis	Cash Basis		Accrual Basis	Cash Basis
Dec. 31, 2010	$_______	$_______	2010	$_______	$_______
Dec. 31, 2011	_______	_______	2011	_______	_______
Dec. 31, 2012	_______	_______	2012	_______	_______
Dec. 31, 2013	_______	_______	2013	_______	
			Total	$_______	$_______

Exercise 3-5
Determining assets and expenses for accrual and cash accounting
C2

Check 2012 insurance expense: Accrual, $6,000; Cash, $0. Dec. 31, 2008, asset: Accrual, $1,000; Cash, $0.

Corrected version

On March 1, 2010, a company paid an $18,000 premium on a 36-month insurance policy for coverage beginning on that date. Refer to that policy and fill in the blanks in the following table:

Balance Sheet Insurance Asset Using			Insurance Expense Using		
	Accrual Basis	Cash Basis		Accrual Basis	Cash Basis
Dec. 31, 2010	$_______	$_______	2010	$_______	$_______
Dec. 31, 2011	_______	_______	2011	_______	_______
Dec. 31, 2012	_______	_______	2012	_______	_______
Dec. 31, 2013	_______	_______	2013	_______	
			Total	$_______	$_______

Exercise 3-5
Determining assets and expenses for accrual and cash accounting
C2

Check 2012 insurance expense: Accrual, $6,000; Cash, $0. Dec. 31, 2012, asset: Accrual, $1,000; Cash, $0.

Chapter 7, page 311

Current Version

BTN 7-9 Key information from **GOME** (**www.GOME.com.hk**), which is the leading chain retailer of consumer electronic products and household appliances in China, follows.

GLOBAL DECISION

C1 P1

RMB thousands	Current Year	Prior Year
Accounts receivable, net*	45,092	97,719
Sales	45,889,257	42,478,523

Required

1. Compute the accounts receivable turnover for the current year.
2. How long does it take on average for GOME to collect receivables?
3. GOME reports an aging analysis of its receivables, based on invoice dates, as follows (in renminbi thousands) as of December 31, 2008. Compute the percent of receivables in each category.

RMB thousands	Total Receivables
Within 3 months	41,787
3 to 6 months	1,615
6 months to 1 year	1,043
Over 1 year	647

*GOME refers to it as "Trade and bills receivables."

4. GOME reports more than 7% of its receivables as "over 3 months past due." However, it provides no allowance as its "directors are of the opinion that no provision for impairment is necessary . . . because there has not been a significant change in credit quality of the individual debtors." Does this finding impact your assessment of GOME?

ANSWERS TO MULTIPLE CHOICE QUIZ

1. d; Desired balance in Allowance for Doubtful Accounts = $ 5,026 cr. ($125,650 × 0.04)
   Current balance in Allowance for Doubtful Accounts = (328) cr.
   Bad Debts Expense to be recorded = $ 4,698
2. a; Desired balance in Allowance for Doubtful Accounts = $29,358 cr. ($489,300 × 0.06)
   Current balance in Allowance for Doubtful Accounts = 554 dr.
   Bad Debts Expense to be recorded = $29,912
3. a; $7,500 × 0.05 × 90/360 = $93.75
4. c; Principle amount $9,000
   Interest accrued . . . . 120 ($9,000 × 0.08 × 60/360)
   Maturity value $9,120
5. d; $489,600/$40,800 = 12

Corrected Version

BTN 7-9 Key information from **GOME** (**www.GOME.com.hk**), which is the leading chain retailer of consumer electronic products and household appliances in China, follows.

GLOBAL DECISION

C1 P1

RMB thousands	Current Year	Prior Year
Accounts receivable, net*	45,092	97,719
Sales	45,889,257	42,478,523

Required

1. Compute the accounts receivable turnover for the current year.
2. How long does it take on average for GOME to collect receivables?
3. GOME reports an aging analysis of its receivables, based on invoice dates, as follows (in renminbi thousands) as of December 31, 2008. Compute the percent of receivables in each category.

*GOME refers to it as "Trade and bills receivables."

RMB thousands	Total Receivables
Within 3 months	41,787
3 to 6 months	1,615
6 months to 1 year	1,043
Over 1 year	647

4. GOME reports more than 7% of its receivables as "over 3 months past due." However, it provides no allowance as its "directors are of the opinion that no provision for impairment is necessary . . . because there has not been a significant change in credit quality of the individual debtors." Does this finding impact your assessment of GOME?

ANSWERS TO MULTIPLE CHOICE QUIZ

1. d; Desired balance in Allowance for Doubtful Accounts = $ 5,026 cr.
($125,650 × 0.04)
Current balance in Allowance for Doubtful Accounts = (328) cr.
Bad Debts Expense to be recorded = $ 4,698

2. a; Desired balance in Allowance for Doubtful Accounts = $29,358 cr.
($489,300 × 0.06)
Current balance in Allowance for Doubtful Accounts = 554 dr.
Bad Debts Expense to be recorded = $29,912

3. a; $7,500 × 0.05 × 90/360 = $93.75

4. c; Principle amount $9,000
Interest accrued . . . . 120 ($9,000 × 0.08 × 60/360)
Maturity value $9,120

5. d; $489,600/$40,800 = 12

Chapter 10, page 416

Current Version

Problem 10-3A
Straight-line amortization of bond premium; computing bond price

P1 P3

excel

Check (2) 6/30/2009 carrying value, $252,668

Ellis issues 6.5%, five-year bonds dated January 1, 2009, with a $250,000 par value. The bonds pay interest on June 30 and December 31 and are issued at a price of $255,333. The annual market rate is 6% on the issue date.

Required

1. Calculate the total bond interest expense over the bonds' life.
2. Prepare a straight-line amortization table like Exhibit 10.11 for the bonds' life.
3. Prepare the journal entries to record the first two interest payments.

Corrected Version

Problem 10-3A
Straight-line amortization of bond premium; computing bond price

P1 P3

excel

Check (2) 6/30/2011 carrying value, $252,668

Ellis issues 6.5%, five-year bonds dated January 1, 2009, with a $250,000 par value. The bonds pay interest on June 30 and December 31 and are issued at a price of $255,333. The annual market rate is 6% on the issue date.

Required

1. Calculate the total bond interest expense over the bonds' life.
2. Prepare a straight-line amortization table like Exhibit 10.11 for the bonds' life.
3. Prepare the journal entries to record the first two interest payments.

Chapter 10, page 418

Current Version

Problem 10-3B
Straight-line amortization of bond premium; computing bond price

P1 P3

Check (2) 6/30/2009 carrying value, $326,493

Ripkin Company issues 9%, five-year bonds dated January 1, 2009, with a $320,000 par value. The bonds pay interest on June 30 and December 31 and are issued at a price of $332,988. Their annual market rate is 8% on the issue date.

Required

1. Calculate the total bond interest expense over the bonds' life.
2. Prepare a straight-line amortization table like Exhibit 10.11 for the bonds' life.
3. Prepare the journal entries to record the first two interest payments.

Corrected Version

Problem 10-3B
Straight-line amortization of bond premium; computing bond price

P1 P3

Check (2) 6/30/2011 carrying value, $326,493

Ripkin Company issues 9%, five-year bonds dated January 1, 2009, with a $320,000 par value. The bonds pay interest on June 30 and December 31 and are issued at a price of $332,988. Their annual market rate is 8% on the issue date.

Required

1. Calculate the total bond interest expense over the bonds' life.
2. Prepare a straight-line amortization table like Exhibit 10.11 for the bonds' life.
3. Prepare the journal entries to record the first two interest payments.