Accounting Program
English self-study

Assignment 1

1.1 For each of the following cases, indicate a) to what rate columns and b) to what number of periods you would refer in looking up the interest factor.

	Annual Rate	Number of years involved	Frequency
a)	10%	25	Annually
b)	8%	15	Semiannually
c)	16%	7	Quarterly

1.2 Determine the amount that must be deposited now at compound interest to provide the desired sum at the end of the following designated periods at the interest rate specified.

a) Dollars to be invested and held for 7 years at 8% per year to amount to $2,500.
b) Dollars to be invested and held for 10 years at 6% per year, then invested at 9% per year and held for another 5 years to amount to $25,000.
c) Dollars to be invested now at 12% per year and held for 40 years to have $150,000 at retirement.

Assignment 2

2.1 Magical Company began business on January 1, 2004. Information about its inventories under different valuation methods is presented below.

	LIFO	FIFO	Lower of Cost or NRV
December 31, 2004	$17,000	$24,000	$18,500
December 31, 2005	$15,400	$21,000	$17,000
December 31, 2006	$18,800	$23,000	$21,800

Instructions:
a) Indicate the inventory basis that will show the highest net income in 1) 2004 and 2) 2005.
b) Indicate whether the FIFO basis would provide a higher or lower profit than LIFO basis in 2005.

2.2 The records of The Macy Store report the following data for the month of September.

Sales	$100,000
Sales Returns	2,000
Additional Markups	10,000
Markup Cancellations	1,500
Markdowns	9,300
Markdown Cancellations	2,800
Freight on purchases	2,400
Purchase at cost	50,000
Purchase at sales price	88,000
Purchase Returns at cost	1,000
Purchase Returns at sales price	1,500
Beginning Inventory at cost	27,000
Beginning Inventory at sales price	45,000

Instructions: Compute the ending inventory by the retail inventory method.

Assignment 3

The following data show the long-term investments of Orange Company on December 31, 2004, the end of its fiscal year. These investments were purchased on the dates and at the costs shown.

February 1	Peat Company $1,000 bonds. Interest paid March 1 and September 1. 50 bonds. Due March 1, 2006.	$53,000
March 30	Marwick Company common stock, $10 par, 4,000 shares.	$45,000
May 1	Mitchell, Inc., $1,000, 10% bonds. Interest paid September 1 and March 1. 25 bonds. Due September 1, 2007.	$22,600

Instructions:
a) Prepare entries to record the transactions above. Amortization of premium or discount is recorded once a year on December 31.
b) What entry (if any) would be necessary if the market value of the investments was as follow on December 31, 2004.

Peat Company	$51,300
Marwick Company	$40,800
Mitchell, Inc.	$25,400

Assignment 4

Apple Engineering Corporation purchased conveyor equipment with a list price of $8,000. The vendor's credit terms were 2/10, n/30. Presented below are three independent cases related to the equipment.

a) Apple paid cash for the equipment eight days after the purchase.
b) Apple traded in equipment with a book value of $450, and paid $7,500 in cash one month after the purchase. The old equipment could have been sold for $500 at the date of trade.
c) Apple gave the vendor a non-interest baring note for the equipment on the date of purchase. The note was due in one year and was paid on time. Assume that the effective interest rate in the market was 10%.

Assignment 5

On March 1, 2004 Banana Company sold its 5-year, $1,000 face value, 8% bonds dated March 1, 2004 at an effective annual interest rate of 10%. Interest is paid semiannually and the first interest payment date is September 1, 2004. Banana uses the compound interest rate for amortization. The bonds can be called by Banana at 101 at any time on or after March 1, 2005.

Instructions: Prepare entries to record the transactions above. Assuming that the bonds were called in and retired on March 1, 2005.