

The following aids can be used: a calculator in accordance with the instructions given by the Board of Examiners and a dictionary.

Hint: A maximum of 60 points can be reached from solving the 4 assignments below. Use the space /tables provided to enter your answers.

Assignment 1 (26 points)

Miloslav began a magazine delivery service, which he named Miloslav's Magazines, on January 1, 2011. The following transactions occurred during 2011:

- 1) Sold stock for € 3,000 cash on January 1.
- 2) Borrowed € 20,000 cash on January 1. The interest rate on the loan is 12 % annually, and the interest is due each December 31, until the note is repaid.
- 3) Bought a bicycle for € 1,000 cash on January 1. The bicycle has an estimated life of five years and no salvage value.
- 4) Bought 10,000 magazines for € 2 cash each on April 5.
- 5) Sold magazines at various times for a total of € 22,500. All sales were on account.
- 6) Collected € 20,500 from customers.
- 7) Paid himself a salary of € 3,000 cash.
- 8) Paid the interest on the loan in (2).
- 9) On December 31, Miloslav determined by a physical count that 1,000 magazines were left in the storage bin at the warehouse.

Required:

- a) Prepare the journal entries to record the transactions 1) -9) above including adjustment entries to be made at the end of the year. Use the space provided on the next page.
- b) Set up the balance sheet and income statement for Miloslav's Magazines at the end of 2011. Fill in the tables provided below. (Hint: It is advisable to post the journal entries in (a) to appropriate ledger accounts before preparing the annual accounts.)

9)

8)

7)

6)

5)

4)

3)

2)

1)

a):

- 1) Issued 10,000 shares of common stock for € 110,000 cash.
- 2) Bought equipment to be used for making products for € 60,000 cash. The equipment has a five-year life and is to be depreciated on a straight-line basis, with no salvage value.
- 3) Paid € 3,000 for one year's rent on a building.
- 4) Bought € 35,000 of inventory on credit.
- 5) Took out a € 20,000 bank loan at an interest rate of 12 %. Interest is to be paid annually.

Rick and Stan started a business on October 1, 2011, and had the following transactions on October 1:

Assignment 2 (12 points)

Income Statement 2011	
	Profit/ (loss)

Balance sheet December 31, 2011	
Assets	
	€

b)

Between October and December 31, 2011, the following transactions occurred:

- 6) Sold inventory costing € 25,000 for € 45,000. All sales were on credit.
- 7) Paid € 31,000 to suppliers of inventory for the credit purchase in (4).
- 8) Collected € 36,000 from customers.
- 9) Salaries and wages of € 16,000 were paid.

On December 31:

- 10) Salaries and wages of € 2,000 had been earned but not paid.
- 11) The market value of Rick and Stan's inventory was € 27,500.

Required:

Use the direct method to prepare a cash flow statement for Rick and Stan's business for the year ended December 31, 2011, showing separately cash flows from operating, investing and financing activities.

Rick and Stan's Business	
Cash flow statement for 2011	
Operating activities	
Investing activities	
Financing activities	
Net increase/ decrease in cash	

Assignment 4 (12 points)
 On January 1, 2012, A.J. Corporation issues € 1 million of bonds with a 6 % annual coupon. The bonds mature five years from the date of issue. The bonds are issued to yield an 8.5 % return to investors, selling for € 901,484. The company's financial year ends on December, 31. Assume that A.J. amortises any bond discount (or premium) on issue by the interest method and reports the bonds on the balance sheet at amortised cost.

Required:

a) Compute the interest expense, coupon payment, amount amortized, and carrying value (net liability) at the end of 2012 and 2013. (Please round to whole numbers.)

b) Show the journal entry to be made at the beginning of 2012 when the bond is issued.

c) Show the journal entry made at the end of 2013 to account for the bond issued.

Use the table/ space below to enter your results.

Year	Coupon Payment (Interest Payable)	Interest Expense	Discount (Premium) Amortization	Unamortized Discount (premium)	Carrying Value (Net Liability) on December, 31
2012					
2013					

a)

b)

c)