**Problem 1 - Funding Business Expansion**

1.1

Table 1

*Entries for Three Funding Options*

|  |  |  |  |
| --- | --- | --- | --- |
| **Prob. #** | **Account** | **Debit** | **Credit** |
| 1a |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| 1b |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| 1c |  |  |  |
|  |  |  |  |
|  |  |  |  |

*Note.*

1.2:

1.3:

**Problem 2 - Investments**

2.1

Table 2

*Journal Entries for Stock Acquisitions*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Prob. #** | **Date** | **Account** | **Debit** | **Credit** |
| 2.1 |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

2.2

Table 3

*Fair Value Adjustment Entry*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Prob. #** | **Date** | **Account** | **Debit** | **Credit** |
| 2.2 | 6/30/12 |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

**Problem 3 - Analyzing the Financial Statements**

3.1

Table 4

*Margin Analyses*

|  |  |
| --- | --- |
| 3.1 | Gross Margin Ratio With Computer Service Revenue |
|  | Gross Margin Ratio Without Computer Service Revenue |
|  | Net Profit Margin Ratio |

3.2:

Table 5

*Liquidity and Efficiency Ratio Analyses*

|  |  |
| --- | --- |
| 3.2 | Current Ratio |
|  | Acid-Test Ratio |

3.3

Table 6

*Solvency Ratio Analyses*

|  |  |
| --- | --- |
| 3.3 | Debt Ratio |
|  | Equity Ratio |

3.4

Table 7

*Margin Analyses*

|  |  |
| --- | --- |
| 3.4 | % Current Assets |
|  | % Long Term Assets |

**Problem 4 – Job Costs**

Table 8

*Accumulated Job Costs end of June 2012*

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Job 6.02 | | | Job 6.03 | | Job 6.04 | | All Jobs Total | | |
|  | May | June | Total | June | Total | June | Total | May | June | Total |
| Direct Materials |  |  |  |  |  |  |  |  |  |  |
| Direct Labor |  |  |  |  |  |  |  |  |  |  |
| Overhead |  |  |  |  |  |  |  |  |  |  |
| Total Job Cost |  |  |  |  |  |  |  |  |  |  |

4.1: The cost of raw materials used in June for the three jobs combined is:­­­­­­­­­­­­­­­­­\_\_\_\_\_\_\_

4.2

The total direct labor cost incurred in June was \_\_\_\_\_\_\_\_\_\_\_

4.3

The predetermined overhead rate used in June was \_\_\_\_. This was calculated by:\_\_\_\_\_\_\_\_\_\_\_\_\_

4.4: The cost transferred to finished goods inventory in June is \_\_\_\_\_\_\_\_\_

**Problem 5 – Activity Based Costing**

Table 9  
*Total Cost for Job 6.15*

|  |  |
| --- | --- |
| Job 6.15 | Cost |
| Direct Materials |  |
| Direct Labor |  |
| Overhead ($3500 x 50%) |  |
| Total cost |  |

*Note.* Total job costs for job 6.15 including \_\_\_\_\_rate of overhead applied to direct labor.

5.1

As equated in table 9 the cost of job 6.15 is \_\_\_\_\_ using a standard \_\_\_ overhead on direct labor calculation.

Table 10  
*Business Solutions Rates Derived for Activity Based Costing*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Activity | Cost | Driver | Rate |  |
| Setting up machine |  |  |  |  |
| Inspecting Components |  |  |  |  |
| Utilities |  |  |  |  |

.

Table 11

*Total Cost for Job 6.15 Calculated with Activity Based Costing*

|  |  |
| --- | --- |
| Job 6.15 -ABC | Cost |
| Direct Materials |  |
| Direct Labor |  |
| Setting up machines (2 x 800) |  |
| Inspecting Components (400 x 1.5) |  |
| Utilities (600 x 2) |  |
| Total |  |

5.2: As calculated in table 11, the total cost for job 6.15 using activity-based costing (ABC) is: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5.3:

**Problem 6 – Budgeted Income Statement**

6.1

*Budgeted Income Statements for April, May and June*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Business Solutions' | | | | | | |
| Budgeted Income Statement | | | | | | |
|  |  | For end of months: | | | |  |
|  |  | APRIL | | MAY | | JUNE |
| Sales | |  |  | |  | |
| Cost of Goods Sold | |  |  | |  | |
| Gross Profit | |  |  | |  | |
| Operating Expenses | |  |  | |  | |
|  | Sales Commission (10%) |  |  | |  | |
|  | Advertising Expense |  |  | |  | |
|  | Other Fixed Expenses |  |  | |  | |
| Total Expenses | |  |  | |  | |
| Net Income | |  |  | |  | |

6.2:

**Problem 7 – Capital Budgeting**

*Cash Flow Analysis for Proposed Equipment Investment*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Business Solutions' | | | | |
| Cash Flow Analysis - Equipment Investment | | | | |
|  |  |  | Expected Accrual Figures | Expected Net Cash Flows |
| Annual Sales | |  |  |  |
| Costs | |  |  |  |
|  | Materials, labor and overhead (no depreciation) | |  |  |
|  | Depreciation of new equipment |  |  |  |
|  | Selling and Administrative Expenses |  |  |  |
| Pretax Income | |  |  |  |
| Income tax | |  |  |  |
| Net Income | |  |  |  |
| Annual Net Cash Flows | |  |  |  |
|  |  |  |  |  |

7.1

As computed in table 14 with the data from the cash flow analysis in table 13: the payback period (PBP) for this equipment investment would be \_\_\_\_\_years.

The accounting rate of return (ARR) on this equipment investment would be \_\_\_\_\_%.

*Payback Period and Accounting Rate of Return Calculations*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| PBP= |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| ARR= |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |