Introduction to Accounting II

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ACCT 203

Self Notes early Chp 10

Installments - Long term liabilities are often paid back in periodic payments. Such payments that are due within the ~~current~~ coming year are installments + classified ~~by~~ as a current liabilities. (debt due in 08 will be current liab. on 07 balance sheet)

3 Types of current liabilities

1) accounts payable
2) current portion of long term debt.
3) Notes Payable

Involves a variety of transactions that involve purchases on account.

May be issued to purchase merchandise or other assets. Notes may also be issued to creditors to satisfy an acct. payable created earlier.

Discounted Note - Instead of interest bearing note. Characteristics:

1) Lender requires an interest rate called the discount rate.
2) Interest, called the discount is computed on the face amount of the note.

3) The debtor recieves the face amount of the note less the discount, called proceeds.

4) Debtor pays face amount on due date.

Payroll - Refers to the amount paid employees for services they prorided during the period. (current liability) 2

Salary - Usually refers to payment for managerial + administrative services. Normally expressed in terms of months + years.

Wages - Usually refers to payment for manual employee labor. Expressed on a hourly or weekly basis.

* Both may be increased by bonuses, commissions, profit sharing, or cost of living adjustments. *

Gross Pay - Total earnings of an employee for a payroll period, including ~~any~~ overtime pay.

Net Pay - Gross pay (less) ~~subtracted~~, deductions (Fed, state taxes, medical insurance, + pension contributions)

To Compute Federal Income Tax Withholding
1) Take Gross Pay
2) Determine how many allowances they have. (W-4)
3) Get taxable earnings
4) Look on table
5) Multiply excess by % add to standard & deduction amt.

Social Security Tax - Within a Calander year you pay tax from 0 - $100,000. Once you hit 100,000 the tax stop. for social (0 - 100,000)

FICA TAX - Federal Insurance Contributions Act. Employers are required to ~~withhold~~ withhold a portion of ~~each~~ the earnings of each employee.
1) Soc. Security - provides payments for retirees, survivors + disability insurance (OASDI)
2) Medicare - Provids health insurance for senior citizens

Payroll Register - a multicolumn report used for summarizing the data for each payroll period. (consist of check stubs' info.)

PAYROLL TAX EXP

Debit Bal.

Used for journalizing employers payments of taxes for employees

Match tot. of soc. sec. + medicare of each employee also FUTA + SUTA

Class Notes

Non Interest bearing note the interest is deducted at beg. of notes life. The face value = maturity value

F.V. – 100,000
Int. – 1000
Proceeds – 99,000

~~M.V. 99,000~~
(discount Rate = interest rate)
* Pay Face amount although recieved amt less diss = proceeds *

M.V. – 99,000
Int Exp — 1,000
N/P —— 100,000

N/P – 100,000
Cash —— 100,000

INT Bearing Note

(maturity value)

M.V. = F.V. + Int
101,000 = 100,000 + 1,000

Payroll – Every company that has employees have a payroll

Mandatory Deductions – Deductions that neither the employer or the

employee has no control over Fed tax, soc. security, state withholding tax

Voluntary Deductions - Deductions that the employee authorizes for the employer to take out (Insurance, 401-K)

Gross Pay $1,000
Deductions -$300
Net Pay - $700

W-4 - where you tell your employer how many withholding allowances.

Journalizing Payroll
Any deductions taken from your employer represents a liability because they must pay those deductions to another agency + represents a current liab.

Employer must record the expense of payroll + all liabilities from payroll to get net pay ~~that~~ which = wages payable because expense is recorded ahead of time

Medicare
Social Security - For every dollar you pay into system the employer must match that dollar.

Employeer must also pay Fed unemployment + state unemployment for each employee

2 Journal entries for payroll for employers.

① Records wages as exp taxes are the taxes paid by employees + has a wages payable

② Matching taxes - Soc. Sec. + Medicare Employers match you every dollar (FICA, medicare)

Unemployment tax State + Fed - has limits and is paid for every employee records as an expense.

* Records the employee taxes paid for employees

1-21

Vacation pay exp should be shown in the time you earned it. (Matching Concept) See lecture

When work on job + earn vacation pay. The vacation pay you earn represents a liability for the employer.

employer

Vacation Pay	
	Liab
	Cred
	Bal

employee

Vac. Pay	
Deb	
Bal	

Because they have to pay it to another agency

Defined Contribution Pension Plan - the employee contributes to the fund and at retirement you get a set amount for the rest of your life

Non Defined Pension Plan - 401-K where you fund your own retirement. The employer matches you up to a certain precentage of your money saved

DONT WANNA BE POOR AT RETIREMENT

When comp. sells product with 1 year warrenty (gaurantee) the exp of that warrenty must be expensed in the period of which the product was sold. represents a current liab for producer (Matching Concept)

Current Assets - The assets that will be turned into ~~the~~ cash within a year.

Quick Assets - Cash, Recievables, + other current assets that can quickly be converted into cash. Not M.I. because it's not a gaurantee that all inventory will be sold by end of year.

Industry Average -

pg 459
Quick Ratio -

1-28-00

Chap 11 Corporation

Corporation - A legal entity, it can sue, be sued and can enter legal contracts under it's own name. Is seperate from the individuals who create + operate it.

Stockholders - Owners of corporation They elect Board of Directors

They hire management → with hire workers

Limited liabilities - If I buy ~~se~~ stock ~~and~~ I'm only liable for what I invested. Creditors cannot come sue me for more than what i've invested.

Paid in Capital - Represents amt that has been invested by stock-holders.

- When you see shares authorized this means the corp. can sell this up to that amt of shares.
- When see outstanding means that is how much stock they've already sold

Stock - Shares of ownership

Par - a preassigned value of $0

No Par Value

Stated Value - stated value means same as par value.

2 Types of Stock
1) Common Stock
2) Preferred Stock - Has 1st prefrence to DIVIDENDS. (If div are paid they will get it first the rest to common stock.)

Means preferred stock will accumulate if not paid

When you invest in corporation you get paid dividends
- Cummulative Preferred - means you must ~~too~~ pay ~~only~~ Div, owed to preferred stoc. before you can pay div. to common stock.
- Formula for paying ~~cumulative~~ Pre/Stock
  Number of shares outstanding x Rate x Par

Div Per Share

3 dates associated with the payment of div.

1) The date of declaration
2) The date of records
3) The date of payment.

Date in which the corp declares the div. entering into a legal liab. to pay div. is created

→ Says that we are going to pay all stockholders who own the stock on that date.

→ The day we send checks

When you ~~is~~ have stock that has been issued for an asset other than cash you use the value most reliable if asset has market value or we use stock market value.

Stock Div - Sometimes companies dont have the cash to issue a cash Div so they will then issue a Stock Div

Stock Div - When a company will issue additional share of their own stock to shareholders.

- is always based on the # of shares outstanding

1) Must 1st determine the amt of shares you want to issue

Credit Stock Div distributable is a temp. equity acct and is used until actual shares are issued

Treasury Stock - When a company is when a company goes out into mrk and purchases its own stock.

- When company buys own stock it decreases the equity
- When others buy company stock ↑ equity

Cost Method

Cost - what you paid to get stock back

- When shares are sold for less than cost the diff. must come out of PIC treasury stock if this acct ~~is~~ insuff.

then the diff comes out of retained earnings

Self Notes Chap 11

Accounting for DIVIDENDS

- Declaring cash or stock dividends reduces the retained earnings of the company.

Cash dividend - Distribution ~~by owners~~ of earnings by a corp. to it's share holders.

R. Earnings - Must be large enough so that the cash dividends ~~DIV~~ payment wont cause R.E. to have a debit balance

Stock DIV - a distribution of shares of stock to stockholders
- Normally declared only on common stock and issued to common stock holders.
* a stock div is a redistribution of equity ~~and the~~ but total not changed. *

THE AMT OF STOCK DIV IS TRANSFERRED TO PIC
~~MV~~ MRK values of shares transferred

2:1 For every one 1 share you own now you own 2 market value of sales will split. No journal entry for stock split.
Make memorandom in RECORDS stating the # of shares you now ~~have outstanding~~ Outstanding

Chap. 11 Self Notes
Corporations make up 90% of total business #'s in U.S.

Characteristics of Stock - The # of shares of stock that a corporation can issue is stated in it's charter under authorized.
- Termed issued refers to the shares issued to stockholders.
- Outstanding Stock - the stock remaining in the hands of stockholders

Classes of Stocks
Common stock - When only one class of stock is issued it is considered common stock & all (CS) has equal Rights.

if not paid by end of period (cash Div.) Cash Div Payable ~~is repo~~ bal. is report in Current liability sec. of Bal. sheet.

Stock DIV (cont'd)

Stock DIV- A distribution of shares of stock to stockholders

ACCTS

Stock DIV Distr.	Stock ACCTS	PIC excess
Credit Bal.	Debit Bal.	credit Bal (Revenue ACCTS.)

When declare Stock DIV.
1st Entry has (debit stoc. div) (credit Stoc. DIV distr.) (credit PIC)

3rd Entry – (Debit stoc DIV distri.) (credit class of stoc)

Treasury Stock Transactions

Treasury Stock- Stock that a corporation has reacquired

Cost Method - Is normally used for recording the purchase + resale

of treasurey stock.

- Treas Stock is debited for cost (purchase price) of the stock
  - When stock resold Treas stock is credited for it's cost
  - Any diff. between the cost & selling price of stock is debited or credited to PIC ~~in excess~~ from sale of Treasurey stock

Paid In Capital
from sale of Treasurey St.

(When short of cost (non profit) debit acct)	credit bal (Revenue)

- No dir. (cash or stock) are paid on treas. stock

Reporting Stockholders' Equity
In Balance Sheet

pg. 497

Stock Splits

Chp. 12

-One way to

when you are issueings bonds

Contract Rate - The rate stated in the bond endenture (contract)

Market Rate - The rate of interest being paid in the market

-When contract rate + market rate are = the bonds will be issued at their face value

CR = 6% ⟹ will sale at face
MR = 6% value = 6%

CR > MR - Bonds ~~it~~ will then sale at a premium, more than ~~it~~ face value

If contract rate < MR the bonds will sale at a discount

to make up for high interest

CR 5% - Then will sale at discount
MR 6% earn 6%

Sale for less than ~~it~~ face value (discount

Amortize - depreciation for discounts + premiums.

DIS AMORTIZED $\frac{57,354}{20} = 28,677$

Interest Periods
How many

Straight line Method of Amortization

Bond Interest Exp - The cash paid + the disc. amortized will give you bond exp.

(plus)

① Bond Interest Exp. 57,867.70
Cash ——— 55000
Dis on Bond Pay 2867

Dis on Bond Paid

57,354	2,867.70
54,486.30	

Same amt for each period + interest rate for straight line method.

Dis on Bond Pay 2867 at end of 20 ~~year~~ interest period the acct will be (0)

Self Notes

Chap. 12 Long-Term Liabilities: Bonds + Notes

Earnings Per Share (EPS) - Measures the income earned by each share of common stock

Formula: ~~EPS~~ (EPS) = $\frac{\text{Net Income} - \text{Preferred Div}}{\#\text{ of common shares outstanding}}$

ex) $800,000
$320,000
480,000 = N.i.

Bond Indenture - the underlying contract between the company issuing the bonds ~~(borrower)~~ (lendee) and the bond holders (lender)
~~Proceeds Recieved on bonds depends on~~

Contract Rate - The interest rate to be paid on the face amount of the bond.

Market Rate of Interest (Effective R of I.) - The rate determined from sales and purchases of similar bonds
- effected by investors expectations of current + future economic conditions
- Compare market + contract rates to determine if bond is being sold

on discount OR at a premium!

ex) ① Market Rate = Contract Rate
- Selling Price = ~~Same~~ F.A of Bonds

② Market RATE > contRAt R.
Selling Price < F.A. of Bonds = discount

③ M. Rate < Contract R. = Premium
Selling Price > Face Amt. of B.

Accounting For Bonds Payable

- May be issued at

1) Face Amt:

2) a Discount:

3) a Premium

Lender = Buyer of Bond
Blender = Selling the bond (issuer)

Journal Entry for issuing bonds. CR=MR 100,000 bond 12% interest At Face Amt Semiannual

Cash 100,000
Bonds Pay 100,000

Interest Payment:

Interest Exp - 6000
Cash — 6000

~~Bonds~~

At maturity Payment

Bonds Pay - 100,000
Cash - 100,000

MR > CR will sale for less than their face amt.

* Investors wont pay full face amt for bonds that pay a lower contract rate of interest than the rate they can earn on similar bonds *

Contra Acct to Bonds Payable

Dis. on Bonds Payable

Debit Balance
Exp

Entry:

Cash — 96406
Dis on B/P - 3594
Bonds/P — 100000

SUBTRACT FROM B/P to get Book Value of B/P

BV = 96406 (100,000 - 3594)

* The discount is the markets way of adjusting the CR to the higher MR interest. *

To Amortize a Bond discount

Entry:

Interest Exp - xxx
Dis. on Bond/P - xxx

2 methods for computing the amortization of a bond Dis. are:

1. Straight line method
2. Effective interest rate method

→ Provides equal amts of amortization

Dis on Bonds/P - 3594.00
Term of Bonds - 5 years
Semiannual @ Amort. 359.40 (3594/10) ← payments of interes

Write dis on B/P acct off to interest exp because of matching concept.

Entry:

Interest Exp - 6359.40
Discount on B/P - 359.40
Cash - 6000

Carrying Amount – of bonds/P is the face amount of the bonds less any unamortized dis. OR plus any unamortized premium

1. Gain is recorded if price paid for redemption is less than Book value
2. Loss is recorded if the price paid for redemption is above Book Value

Gains + Losses on the Redemption ~~is recorded as~~ is reported in the Other income (loss) section of the income statement.

Amorization Of Installment notes

Installment Notes

When an I.N. is issued (as B/P) and entry is recorded

Cash – xxx
Notes Pay xxx

ex) Princ. ~~24,000,000~~ 24000
I.R. 6%
Term 5 years

annual pay $5,169.74

Cash - 24000

N/Pay - 24000

Interest portion - Multiply interest rate by book value of note at the begining of period

Principle Portion - The difference between annuall payment + interest exp

Feb 23. Class Notes Chp 13

Investments and Fair Value ~~MRK~~ Accounting

Last chp comp. were selling bonds this chp talks about a company that buy bonds or stock for investment

- if we buy bonds or stocks under the assumption that whenever cash is needed are called marketable securities. Listed on Current asset on Balance Sheet

Pg. 538 ex

ⓐ Cash – 30,000
~~No~~ N/P – 30,000

ⓑ Int Exp – 3,000
N/P – 4914
Cash – 7914

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cont'd ~~Chpt 13~~

- If we buy bonds or stocks to hold onto for a minute then put under long term Investments in Bal. Sheet

Journalizing the Sell of Bds & Stocs

- Whenever a bond is purchased between interest payment dates you must pay previous own the accured interest

2 methods for handling investment
1) Cost Method
2) Equity Method

~~The ones done today wer~~

We dont recognize any income generated by the company. We only recognized div. paid by comp. we own

2. Under this method if we have substantial ownership 20-50% we are required to use equity method
- any income generated by comp. that we own increases value of investment acct.
- any div paid by comp we own decrease value of acct

~~B 3A~~ Chap 13 Self Notes

Accounting For Debt Investments (bonds, installments, notes)
- Debt securities - Notes + bonds that pay interest and have a fixed maturity date

Acctng for bond investments include the recording of the following:
1. Purchase of Bonds
2. Interest Revenue
3. Sale of Bonds

Purch. of Bonds Entry:
Debit- Investment Acct (purch price + including BC)

* if ~~bond~~ are purchased between

interest dates the purch price includes accured interest since the last interest payment.
- because seller has earned the accrued interest but the buy will recieve it when it is paid.

Sale of Bonds

The sale of Bond investment normally results in gain OR loss.
- If proceeds from sale exceed the book value (cost) of the bonds then a gain is recorded
- if proceeds are less than book value a loss is recorded

Loss on Sale — debit balance
Gain on Sale - credit balance

Investor - The company investing into another comp's stock is the investor.

Investee - The company who stock is purchased
- The percent of the investee's outstanding stock purch. by the investor determines the degree of

of control that the investor has over the investee

- This in turns determines the accounting method used to record the stock investment:

~~Less than 20%~~

< 20% – No Control – Cost Method

Between 20% and 50% – Significant influence – Eq. Meth.

50%> – control – Consolidation

Cost Method - Accting for investments in stock < 20% entries are recorded for the following transactions

1) Purch of Stock
2) Reciept of Div
3) Sale of Stock

→ Recorded at its cost (any brokage included)

Investment-comp-Stoc. — Cash —

→ Cash — Div Revenue

→ Normally results in a gain or loss

- if proceeds exceed BV = gain
- if proceeds less BV = loss

Chp. 9 Contd

Depletion - Charge of extraction of precious minerals from earth
- Can buy land + no mineral rights
- vice versa

Amortization - Amortize is written off copyright,

Patent -

Be Careful With Math

Final Preparation
Quiz One

Income Statement

Revenue:
Service Revenue — 101,000

Expenses:
Sal Exp - 32000
Rent Exp - 8,000
Ins. Exp - 4,000
Sup. Exp - 1,000
Fuel Exp - 6,000
Tot. Exp ——— 51,000
N. Income ——— 50,000

R.E. Statement

R.E. January 1 — 3000
N.I. — 50,000
DIV —— 36000
Increase in R.E —— 14,000
Ending R.E. ——— 17,000

Balance Sheet

Assets	+	Liabilities	=	Stoc Equity
Cash 16000		A/P 8,000		Cap Stoc. 10,000
A/R 17000				R.E. 17000
Sup -2,600				Tot. StocE. 27,000
Total Assets 35,000				Tot. S.E + Liab. 35,000

Quiz Two

* once again Watch Math

(a) $\frac{3500}{5} = 700$

700×4

2800

Sal Exp - 2800

A/P — 2800

(b) Sup 16,330

- 2,970

13,360

Sup Exp — 13,360

Sup — 13360

(c) Depreciation Exp — 10,500

Acc Deprec-Equip — 10,500

(d) A/R — 5620

Fees Earned — 5620

Quiz 3

Seller

A/R — 5250
Sales — 5250

COGS — 3150
M1 — 3150

Returns + Allowances — 650
A/R — 650

M1 — 390
COGS — 390

4600
X .15
690

Cash — 3910
Sale Dis — 690
A/R — 4600

Buyer

Math Again

M.1 — 5250
A/R — 5250

A/P — 650
M.1. — 650

A/P — 4600
M.1. — 690
Cash — 3910

~~8-2A~~

~~Bad Del~~

10-2A – Gross Pay – 2,000
exemp 2x 67 = -134
Taxable Earnings 1866
-1533
333
x .28
93.24

302.95
+ 93.24
396.19 = Tot. Fed. Withholding

10-3A) Gross 2000

396.19

Gross Earnings 98,500

1500 can only be taxed

Limit 100,000
cummulative e- -98,500
1500

Gross – 2,000
Fed With. – 396.19
Social S. (1500 x .06) = -90.00
Medicare (2,000 x .015) = 30.00
Net Pay → 1,483.81

* Has to know how much is taxable

for social security. multiply by ~~am~~
soc. security tax Rate

* when you work the employer charges your sal as an exp *

① 10-4A) Wage Exp — 44,000 ↙ Record

~~FICA Taxes Payable~~ FICA Tax Payable — 2552
Medicare Tax Pay — 660
~~Fed~~ Fed With tax Pay — 8712
Wages Pay — 32,076

Subtract from wage exp

Employer

10-5A) * In state AL SUI $0 – $7,000 ≪ employee pays for up to of earnings
~~they pay up to that much~~
~~FUTA~~ 0 FUTA — 0 – 8,000
Diff. for diff. states
Missouri. 0 $12,000 :)
* Look this up for next Move *

* 2 journal entries

② Employer
Payroll Tax Expense — 3,863
FICA ~~exp~~ tax Pay — 2,552
Medicare Tax Pay — 660
SUI (10,500 x .054) – 567
FUTA (10,500 x .008) – 84

* only 10,500 is taxable because some have reached max

500 000
(C) 25,000
475,000
X .06
~~285.00~~

(6/100 x 475,000 x 6/12)
14,250

Notes Payable — 25,000
Interest Exp — 14250
Cash — 25,285

(ex 18-8) 60 week
Reg Over
40 20
(1) x40 x 30
1600 1400
1400
(2) 3000 = GROSS Pay

58,000
+ 3,000

Gross Pay 3,000
Soc Sec (3,000 x .06) = 180
Medicare (3,000 x .015) = 45
Fed Income Tax (x .003) 714
939
(3) Net Pay 2061

(a) + (b)

ex 10-11) 600,000
x .06

Payroll Tax Exp 48,100

60,000 — FICA Social Sec. Payable 3600 ~~or 3600~~

$740,000 — Medicare Tax Pay 11,100

$20,000 < SUTA Tax Payable 840* ~~or $84~~
FUTA Tax Pay 160*

ex 10-12) (a) Sal. Exp — 540,000
Soc Sec. Pay — 25,380
Medicare Pay — 8,100
Fed Withholding tax Pay — 108,000
Salaries Payable — 398,520

(b) Payroll Tax Exp — 34,080
Social Sec. Pay — 25380
Medicare Pay — 8,100
SUTA Tax Pay — 520
FUTA Tax Pay — 80

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10 6-A) Vacation Pay Exp — 30,000
Vac Pay Payable — 30,000

Pension Exp — 40,000
Cash — 40,000

10-7A) @ Product Warranty Exp - 36000
Prod Warr Pay - 36000

(b) Product Warranty Pay - ~~36000~~ 228
Supp —— 140
Wages Pay —— 80

*Expense it when its sold. (Put on repair exp away)

* @ Homework

ex 10-10)

Earnings:
1. At reg rate: 340,000
2. At OT rate: 60,000
3. Tot Earnings: 400,000

Deductions
4. FICA TAX: 23,200
5. Medi TAX: 6,000
6. Income TAX withheld: 99600
7. Medical Insurance: 14,000
8. Union Dues: 5,000
9. Total Deduct.: 147800
10. Net AMT PAID: 252,200

142800

Accts Debited:
11. Factory Wages: 210,000
12. Sales Sal: 110,000
13. Office Salary 80,000

200000
× 05 5%
3,000

ex 10-13)

Gross Wage 200,000 — 180,000
Social Sec. Tax 10800 — × .06.0%
Medicare Tax 3,000 — 10,800
SUTA 1325 — 25,000
FUTA 200 — × 5.3%
Fed Inc. Witheld 40,000 — 1325

25,000
× 0.8%
200

Wages Exp 200,000
FICA TAX PAY — 10800
Medicare Tax PAY — 3,000
Fed Income TAX PAY — 40000
Wages PAYable — 146200

Payroll Tax Exp 15325
FICA Tax Pay — 10800
Medi Tax Pay — 3,000
SUTA PAY — 1325
FUTA PAY — 200

ex 10-17) Vacation Pay Exp — 80,400
Vacation Pay Payable — 8040

ex 10-18) (a) Pension Exp 124600
Unfunded Pension ~~Liability~~ 124600
(b) Pensions Payable — 124600
Cash — 124600

(b) ex 10-10) con'td

Fac Wage Exp — 210,000
Off Sale Exp — 80,000
Sales Sale Exp — 110,000
FICA TAX Pay — 23 200
Medi TAX Pay — 6000
Fed Income TAX — 99600
Med Ins. Pay — 14,000
Union Dues Pay — 5,000
Wages Pay — 252 200

(c) Wages Payable — 252 200
Cash — 252,200

(d) Because soc. security has a limit of $100,000 since theres a limit it had to be at end of year.

Chap 11.

PE 11-2A) Cash — (450,000 x 2.50)

(7-3) Cash — 1,125,000
No Par Common Stoc. — 1,125,000

(9-1) Cash ($25 x 10,000) — 250,000
Com. Stock — 250,000

*PAR - pre assigned value OR Market value meaning what can sell it for

10-30) ~~Cash~~
~~Mrk Value #30~~
~~Par val~~

Mrkt Value -30
Par Value -25
Premium 5

- (preferred or common)

* The ~~stock~~ acct is always credited for the ~~#~~ of shares issued x $ PAR.

10/30 Cash (7500 x $30) 225,000
Com Stock (7500 x $25) — 187500
* PIC in Excess PAR (7500 x $5) — 37500
of preferred stock.

Paid in ~~cash~~ capital in excess of PAR.

PE 11-2B) MRK VAL. 140
Stated Val 125
Prem. 15

Cash (75000 x 140) — ~~10000~~ 10,500,000
75000 x 125 — No Par Com. W/S/V — 9,375,000
W/stated value
PIC - stated val — 1,125,000
NO Par Com.
(75,000 x 15)

Cash (15,000 x 60) — 900,000
Preferred Stoc. — 900,000

MRK Val — 70
PAR Val 60
Prem 10

Cash (8,000 x 70) — 560,000
Pref. Stoc. (8,000 x 60) — 480,000
PIC Pref. Stoc. (8,000 x 10) — 80,000

11-1A

	#1	#2
Pref. Stoc.	10,000	10,000
Paid	— 0 —	10,000
Owe	— 10,000	— 0 —
		20,000

DIV Prof Stoc

#3 20,000

outstanding x Rate x Par

5,000 x 4/100 x $40 = 8,000

	1	2
Pref Stock (owe)	8,000	8,000
Paid	15,000	5000
Com Stock	7,000	(3,000)

Pre Stock	— 8,000	5,000	11,000
Com Stock	— 7,000	— 0 —	51,000

3
(3,000)
(8,000
11,000 (owe)
- 62,000 (paid
51,000 — goes to com

Div Per Share - Take total div. paid by Tot. Div Paid to class of stoc / # of shares outstanding class

Div Per Share / Pre. O.S Stock = 8,000 / 5,000 = $1.16

com stoc. 7,000 / 10,000 = .70

11,000 / 5,000 = $2.2

51,000 / 10,000 = $5.1

Journal Entry

11-3A) 10-10 Cash DIV — 112,750
Cash DIV Pay — 112,750

11-5) No Entry *on test have to write in no entry

12-5 Cash DIV PAY - 112,750
Cash — 112750

10-9 250000

MRK $80
PAR $75
PREM $5

Cash (250,000 x $80) 20,000,000
PAR Preferred Stock (250,000 x $75) 18,750,000
PIC excess PAR (250,000 x 5) 1,250,000

(b) 5,000,000

ex 11-5) 18000

MRK $15
PAR $10
PRE $5

Land

Land (18000 x $5) 270,000
PAR COM Stock (18,000 x 10) 180000
PIC excess PAR COM (18,000 x 5) 90,000

ex11-6) 250000

250000 x $40 = 10,000,000

(a) cash (10,000 x $40) 40,0000
Com Stoc (10,000 x 40) 400,000

(b) organization Cost (750 x 40) 30,000
ComStoc (750 x 40) 30000

cash (20,000 x 40) 800,000
Com Stoc (20,000, 40) 800,000

(c.) Land 125,000
Building 600,000
Tot value 725,000
Liab -407,000
318,000 → stoc we have to issue

Land 125000
Building 600,000
Interest Pay - 7000
N/P — 400,000
COM STO — 318,000

2-2-10
ex 11-4A) Shares Out. 100,000
.02
2,000 shares

MRK $48
PAR 40
PREM 8

5/10 STK DIV (2,000 x 48) — 96,000
- Stock DIV DISTRIBUTable (2,000 x 40) 80000
PIC Com Stock (2,000 x 8) 16000

9/9 No Entry

8/1 Stoc DIV Distr. — 80,000
Com Stock - 80,000

PE 11-5A)

10-3 Treasury Stoc (10000 x 9) 90000
Cash (10,000) 9 - 90,000

under cost method cost us $10 per share

11-15 Cash (6800 x 12) 81600
Treas Stock (6800 x 9) 61200
PIC treas (6800 x 3) 20,400

MRK 12
Cost 9
PIC Treas. 3
Stoc

* if go in at $9 you take it out of stock extra

MRK $7
Cost (9)
(2) owed from PIC treas or RE

12-22 Cash (3200 x 7) - 22400
~~PIC Treas Cost (3200 x 2)~~
PIC Treas Stock (3200 x 2) 6400
Treas Stock (3200 x 9) 28800

IN CLASS HOMEWORK

ex 11-9) Journal Entry

5-3 Cash DIV — 69500
Cash DIV Payable — 69500

6-17 No Entry

8-1 Cash DIV Payable — 69500
Cash — 69500

ex 11-10) Balance Sheet

Paid-In Capital

Common Stock, 100 Par (300,000 shares Auth)

PIC of Par common stock (

@ $\frac{10,000,000}{100} = 100000$ shares

(work backwards)

100,000 × .02 = 2,000

MRK 125 − PAR 100 = PRE 25

Always credit Com Stock. do account for # of shares X PAR

Stock DIV (2,000 × 125) 250,000

Stock DIV DIST. (2,000 × 100) — 200,000

PIC Com Stock — 50,000 (2,000 × 25)

Stock Div DIST — 200,000

Com Stock — 200,000

Before

(b) Com Stock — 10,000,000
PIC — 2,000,000
R.E. — 45,000,000
Tot. Eq — 57,000,00

After

10,000,000
2,050,000
44,750,000
57,000,000

COST METHOD

(ex 11-11) ~~Treasury Stock (5000)~~
Treasury Stoc (5,000 x 90) -450,000
Cash — 450,000

MRK 100
PAR 90
10 Cash — (3500 x 100) 350,000
Treasury Stoc (3500 x 90) 315000
PIC Treas S. (3500 x 10) 35000

MRK 88
PAR 90
(2) Cash (1500 x 88) - 132,000
PIC Treas stoc (1500 x 2) 3,000
Treas Stock (1500 x 90) 135000

PIC Trea Stk

3,000	35000
	32000

ex 11-13)

Treas Stoc — (24000 x 60) 1,440,000

CASH — 1440,000

ex 8-10) MRK 63
COST 60
(3)

Cash (19,000 x 63) 1,197,000

Treas Stoc (19000 x 60) 1,140,000

PIC Treas Stoc. (19000x3) 57000

MRK 56
COST 60
(4)

Cash (5,000 x 56) 280,000

PIC +reas stock (5,000 X 4) 20000

Treas Stoc (5,000 x 60)
300,000

PIC Treas Stock	
20,000	57000
	37000

12-5 4-1) Cash — 24,000,000
Bonds Pay 24,000,000

~~Since~~ Since there is no ~~interest expense~~ pre or dis the Bond Int. Exp. will be = to cash paid.

6 month rate = 5%
$\frac{10}{2} = 5$

24000000
x .05
1,200,000

~~10) 10-1) Bond Int. Ex~~

10-1 Bond Int. Exp 1,200,000
Cash — 1,200,000

12-31 Bd Int. Exp - 600000
Bd Int. Pay 600,000

At Dec. 31 accrued interest owed but not paid 3 months left in payable.
(1200,000 x 3/6 = 600,000)

To Reverse
1/1 Bond Int. Pay - 600000
Bond Int. Exp. 600,000

Bond Int Exp

1200000	600,000
600000	

For 3 months Feb. JAN March

When pay interest on April 1st

Bond Int Exp — 1200 000
Cash — 1,200,000

Homework
ex 12-6)
Face Value (50,000,000 x 6/12 x .08) =
CR
5 year
Semi annual
MKT RATE = 11%

$\frac{8\%}{2} = 4\% \quad (11\% \times 50{,}000{,}000 =$ 5,565,324 Amortized Amt

@1. Cash — 44,346,760
Dis on B/P — 5,653,240/10 = 565,324
Bonds Pay — 50,000,000

2. Interest Exp — 2,000,000
(5653240) / 5 Dis on B/P — 565,324
Cash — 2,000,000

3. Interest Exp — 2000000
Cash — 2000000

4. Interest Exp — 565,324
Dis on B/P — 565,324

(B) 2,565,324 x 2 = 5,130,648

ex 12-7)

03-01-2010

Face amt 24,000,000

CR 12%

5 year

MR 10%

@ Cash - 25,853,146

Premium on B/P - 1,853,146/10

B/P - 24,000,000

(b) $\left(24000000 \times \frac{.12}{2} \neq .06\right) = 1,440,000$

24000000 x .06 =

Interest Exp - 1,254,685

Prem. on B/P - 185,315

Cash - 1,440,000

ex 12-8)

4-1 F.A. 16,000,000 x .11 x 6/12 =

CL 11%

20 year callable

4-1 and 10-1

$\frac{11\%}{2} = 5.5$

16000000
x .055
880,000

4-1 Cash - 16,000,000

B/Payable - 16,000,000

B/Interest Exp - 880,000

10-1 Cash - 880,000

2014 10-1) #102 - Meaning calling the bond back at 102% of its face value

- compare the cash paid to the carrying value of the bond

so 16,000,000
× 1.02
16,320,000 cash paid

C.V. = F.V. - dis
C.V. = F.V. + Prem

16,320,000
16000 000
320,000 = Lost on Redemption

Bonds/P - 16,000,000
Lost on Redemp of/B. 320,000
Cash 16320,000

ex 12-9) FV. 15,000,000
14%
Callable bonds (98)
Int/P semi annually

1-1 Cash - 15,000,000
Bd/Pay - 15,000,000

Cash Paid

14% / 2 = 7%

15,000,000
x .07
1,050,000

Bonds Interest Exp — 1,080,000
Cash — 1,080,000

F.V. 15,000,000
.98
14,700,000 Cash Pd

4700,000
CV 15,000,000
L 300,000] = gain

Bonds/Pay - 15,000,000
Cash —— 14,700,000
Gain on Redemp. — 300,000

[Class NOTES]

ex 12-10)

@ 1. Cash - 44,000
Notes/Pay - 44,000

Int Exp
44,000
x .05
2200

2. Int/Exp. - 2200
Note/Pay - 5404
Cash - 7604

N/P	
5404	44,000
	38596

38596 - After the 1st payment

Interest next year: 38596 × .05 = 1,930

Int. Exp — 1930
N/Pay — 5674
Cash — 7604

payment - 7604
Int - 1930
PRIN = 5674

N/P	
5674	38596
	32922

32,922 × .05 = 1646

7604 - 1646 = PRINC 5958

Interest Exp — 1646
N/P — 5958
Cash — 7604

interest is computed on the unpaid principle balance

ex 12-11)

2010 1-1) Cash - 140,000
Notes Pay - 140,000

12-31) Interest Exp
140,000
X .11
15,400 = Interest

Payment 23,772
Int 15,400
8,372

N/P	
8372	~~15400~~
	140,000

Interest Exp - ~~15400~~ 8372
N/Payable - 8372
Cash - 23772

2019 12-31 Int. Exp - 2353
N/Payable 21419
Cash - 23772

ex 12-12) 52000 4 year install N
Int - 6.5%

12-31

52000
X .065
3,380

15,179
3380
11,799

	Pay	Int	Prin	Bal
①	15,179	3,380	11799	40201
②	15,179	2613	12566	27635
③	15,179	1796	13,383	14252
④	15,179	926	14,252	-0-

40,201 × .065 = 2613

27,635 × .065 = 1796

14,252 × .065 = 926.38

537

PE 13-1A

(a) Investment IN Hart Bd - 90,000
Interest Recievable 1050
Cash - 91050

Int Rec'd

F.V. 900,000
CR 7%
Semi annual

3.50%

90000 × 3.50 = 3150
3150 - 1050 = 2100

(b) Cash - 3150
Int Rec - 1050
Bond Int Income 2100

* only show income for period of time you hold bond (me the bondholder)

© Sold

60,000
1.02
61,200

~~FV 600,000~~
~~CR 6012~~

60,000
- 61,200
Gain 1200

Tot cash Rec'd
6120
750
61,950

Cash – 61,950
Invest in Hart Bd – 60000
Gain on Sale of Bond – 1200
Int Inc — 750

13-2A 5 shar 2500
x Price $51
127,500
+ Broker Fee $ 125
127625

Debit
↓
Investment in Collins Comp Stock – 127625
Cash 127625

Cash
2500
1.1
2750

Cash -2750
Cash Div Rev. -2750

Cost per Share

$\frac{127,625}{2500} = 51.05$

1000
45
45000 = 45,950
- 50

Cash -44,950
Invest Coll stock 51,050
1,000

Cost 51.05
Cash Rec 45
Loss Per 6.05
Share ~~51050~~
~~45000~~
Right ~~6050~~
Broker + 50
Fee 6100

Cash -44,950
Loss on Sale 6100
Inv Collins stock - 51,050
(1,000 x 51.05)

13-20
Invest in Gillbeet - 132,240
Cash - 132,240

10,000 shar
x $22
132,000
240
+
6000 132,240

4-22 Cash - 2520
Div Inc - 2520

.42
2520

Chp 13 con't from Book 2

Between 20% and 50% Ownership

- If investor purchases between 20 + 50 % of the outstanding stock of the investee

* assumed that the investor purchased stock for some sort of strategic reasons.

ex* Securing a Supplier OR Consumer*

- Investments of this amount (20-50%) are accounting for using the equity method

- Recorded under cost + brokage c.

- Under this method the invest. acct has to be adjusted for the investors share of the Net Income of the trustee + DIV of investee

1. Net Income: Investor records it's share of N.I. of investee as ↑ invest. acct. Records any net loss as a ↓ invest acct. (credit)

Marketable Securities - Investments that we purch 2 sale when cash needed. Record at cost but at end of period we adjust them to MRK

Must take into consideration of current valuation allowance for Trading investments.

Valuation Allowance For Trading

Asset	(credit)
increased by unrealized gain.	Reduce

* Unrealized gain/loss are 2 diff. accts

Self Notes

Debt Securities - Notes and bonds that pay interest + have a fixed maturity date.

Equity Securities - Preferred and common stock that represent ownership in a company and don't have a fixed maturity date.

→ The accting for bond investments includes:
1. Purchase of Bonds
2. Interest Revenue
3. Sale of Bonds

Accounting for Equity Investments

Investor - The company investing in another company's stock

Investee - The company who stock is purchased

- The percent of the investee's outstanding stock purchased by the investor determines the degree of control that the investor has over the investee

- Less than 20% Ownership

Acting for using the cost method.
Under this method entries are recorded for the following transactions:

1) Purchase of Stock
2) Receipt of Div.
3) Sale of Stock

- Divide total cost (price + brokerage) / Total # of shares purchased = cost per share

- Between 20% & 50% ownership

Investor - Considered to have significant influence over investee

~~Accounting Cont'd Chap 13~~

Parent Company - A corporation owning all or majority of the voting stock of another corp.

Subsidiary Comp - The company being controlled by parent company

Valuing & Reporting Investments
Allows corp to record equity & debt securities on the income statement at their fair (market) value

Trading Securities - Debt & Eq. Securities that are purch. & sold to earn short term profits from changes in market prices.
- Report as current asset on B.S.

Fair Value - Is the market price that the company would recieve for a security if it were sold.
- Changes in fair value is recognized as unrealized gain or loss for the period.

Chp 14

Cash Flow - Records ~~Info~~ cash inflows + outflows for the period

1) where it came from
2) where it went
3) How it went

Source of money + spending:

1) Primary use operation of business
2) For Investing (purchasing + selling items under PP+E plant, prop. + Equip.
3) Financing - Selling + buying stocks + bonds.

We prepare Income Stat. on the accural basis.

A/R - xxx
  Rev - xxx

Rev. on when sale completed

Dep. Exp —
  Accum. Dep —

R
(E) ← this # 2 large
N.I ← to low

Cash Flow is an attempt to convert income statement to a cash ~~basi~~ basis

When prepare cashflow 1st Step:
- add back all expense in I.S. that didnt require use of cash.
ex) depreciation

Patent Exp —
Patent — N.I

PE B-A
- When A/R is increased you either sold more on acct than you collected + or people have just charged more than they paid you during year.
- Decrease net income by amount increase in A/R

Increase in Inventory means that during the year you purch. more than you sold!
is Inventory? COGS < Less N.I. will be greater

Increase A/P during the year you bought more on account than you paid on account

& DIV financing activity

Indirect Method for Reporting Cash flow - always start with N.I.

Chap. 14 Self Notes

Statement of Cash Flow: Reports a company's cash inflows and outflows for a period

Provide Useful info. about comp abilitie to:

1) Generate cash from operations
2) Maintain + expand it's operating capacity
3) Meet its financial obligations
4) Pay Div.'s

Used by mangers to

- evaluate past operations
- plan future investing (P,P,E)
- Plan future financing activities

Statement of Cash Flows reports 3 types of C.F. activities;

1. Cash Flow from operating activities
   - transactions that affect the N.I of a company ex) Purch. + Sale of merch. by a retailer.

2. C.F. from Investing activities: Transactions that affect investments in noncurrent assets of the company. ex) Sale + purch. of fixed assets such as equip. + buildings
3. C.F. from Financing Activities: Transactions that affect the debt + equity of the company

Source (increases) of cash
~~Investmen~~ Operating (reciepts from rev.)
Investing (reciept from sales of ~~D~~ noncurrent assets i.e; buildings equip.)
Financing - (Receipts from issuing equity (stock) + debt securities)

Uses (decrease) in Cash
Oper.: (payments for expenses)
Investing (payments for purch. noncurrent assets)
Financing (payment of DIV, and redemp. of debt securities)

2 Methods for Reporting C.F. from operating activity
1. Direct Method
2. Indirect Method
↳ Cash recieved from customers less(-) cash payments = net cash flow from operating expenses ★ net

2. Reports operating c.f. by begining with N.I. and adjusting it for revenues + expenses that dont involve the reciept or payment of cash as follows:

C.F from Operating Act.

N.I. ——— XXX

Adjustments to reconcile N.I. to ~~N~~ cash flow from operating activities -XXX

= Net Cash flow from ope. Act. — XXX

Subtracted Because reported in investments

includes: depreciation (+)

— gains + losses on fixed assets?

Changes in A/R + A/P A/R (+) (A/R) (-)

+ ☺ conner + Gilmore my Niggas! Helped me march 11 2010 on 1st concept I didnt understand in acctng

Cash Flows From Investing Activity:

Cash inflows from investing activity XXX

Less ~~A~~ used for investing act. -XXX

Net Cash Flow from Investing Act. ——

Plant, Prop., equip.

Investing activities include sell of fixed assets, investments, and intangible assets (cash inflow)

Cash outflow: Include payments to purch. fix assets, investments + intangible assets

~~Class F~~

Cash Flow From Financing

Cash inflows from F.A xxx

Less Cash outflow (used) for F.A. -xxx

Net cash Flow from F.A.

Cash inflows: issuing debt/or equity securities (issuing bonds, notes payable, pref + com stock)

Outflows: Paying cash DIV, repaying debt, and aquiring treasury stock.

Class Notes March 11, 2009

if you do a full cash flow statement the diff between beg. + ending cash should equal your net cash flow for complete statement

Self Notes Chp 14

Statement of Cash Flows cash ~~data~~ flows reported in statement of cash flows as follows:

cash flow from operating activity $xxx
cash flow from investing activity $xxx
cash flow from financing activity $xxx

Net Increase or decrease in cash for period $xxx
Cash at beginging of period $xxx
cash at End of period - $xxxx

Ending cash equals cash on balance sheet

Cont'd Sections in Cash Flow Statement.

Noncash Investing + Financing Activities
- When company enters into transactions involving investing + financing acts that dont directly affect cash.

ex) company may issue common stock to retire long term debt (elements bond maturity payments + interest)

★ Indirectly effects cash flow so is reported at bottom of the CASH F. State. ★

The Indirect Method of Cash Flows for operating activity
- by analyzing changes in non cash balance sheet accounts, any change in the cash account can be indirectly determined

Change in Cash = Change in liabilities + change in stock equity − change in non cash assets

~~Δ cash~~ = ~~Δ cash~~

Δ cash = Δ liab + Δ stoc equity − Δ non cash assets

Steps for adjusting Net Income to cash flows from operating activities:

pg 14

① Add all expense that don't affect cash ~~are added~~

② Losses and gains on disposal
add losses
subtract gains (Sale of fixed assets/ ~~investments~~ investing activities)

③ Changes in current operating assets & liabilities are (+), (-) as follows:
- ↑ in non cash current operating activities are deducted ~~↓ ar~~
  - ↓ noncash current operating activities are added (A/R) (etc)
- ↑ in current operating liabilities are ~~etc~~ added (A/P)
  - ↓ in current operating liabilities are deducted

(liabilities, N.I., recievables, prepaid expenses, exp. payable etc.)

Chp 15 pg 693

674 Horizontal Analysis of financial statements

~~to~~ to compute % of ↓/↑ divide increase by base year. (the year you start from)

550,000
533,000
17000

$$\frac{17000}{533,000} = 3.2\%$$

676 Vertical Analysis - What precentage of each asset is of the total assets.

Comparing with the total of each item of that class

$$\frac{91,000}{1498,000} = 6.1\%$$

Standard Por - Statistical analysis of all businesses by industry look up industry average for that industry

~~Cur~~ Working Capital –
Ratios
Quick Ratios

→ ~~Subtract~~ Current assets
– Current liabilities
Working capital
↓
use to pay long term liabilities

Current liab. paid with current assets

pg. 679 $\frac{550,000}{210,000} = .26$

for every dollar of current liab. you have 26¢ in current assets

Quick Ratio
quick assets
Cash
Temp Invest
A/R analysis

A/R turnover - Tells you how many times are you collecting your average recievables of one year

$\frac{\text{Net Sales}}{\text{Average A/R}}$ $\frac{235000}{2} = 117500$

$\frac{1498000}{117,500}$ 12.7 x they will be ~~get~~ geting paid cash on receivables 12.7x a year

pg 482

$\frac{\text{Net Sales}}{365}$ $\frac{1498,000}{365} = 4104$

$\frac{117,500}{4104} = 28.6$ days

Financial Statement Analysis

Chapter 15 Self Notes

3 Methods that businesses use to analyze Financial Statements

1) Horizontal analysis
2) Vertical analysis
3) Common Sized Statements

→ The precentage analysis of increases and decreases in related items in comparative financial statements

- each item on most recent statement is compared with the related item on ~~or~~ or earlier statements

Shows: 1) Amt Increase or decrease
2) % of increase or decrease

~~or~~ earlier statement used as base for computing increases or decreases

Formula: $\frac{\text{Amt of change}}{\text{Base amt (Prior year)}}$

→ The % analysis of the relationship of each component in a financial statement to a total within the statement. (Enhances analysis by showing how the ~~the~~ percentages of

each item have changed over time.
- Vertical Analysis of the balance sheet, precentages are computed as follows
  1) Each asset item is stated as a percent of total assets
  2) Each liability + stoc. holders equity acct. is stated as the percent of the total liab. + equity.
- Vertical analysis of the income statement, each item is stated as a percent of net sales
  ex a small percentage decrease can have a large dollar effect

Common Sized Statement - All items are expressed as percentages with no dollar amounts shown.
- Useful for comparing one company to another company with industry averages

Solvency Analysis: Shows companys ability to
  1) meet it's financial liability (debts/ solvency)
  2) Earn income called profitability

* (Solvency)

Current Position Analysis - A company's ability to pay its current liabilities.

Includes: Working Capital, Current Ratio, Quick Ratio

= Current Assets - Current Liabilities

A ratio that measures the "instant" debt paying ability of a company.

Quick Assets / Current Liabilities

Referred to as working capital ratio OR (banker's ratio)

= current assets / current liabilities

* Quick Assets - Cash + other current assets that can easily converted into cash. (#, temp investments (marketable securities), + recievables)

Accounts Recievable Analysis - Tells us the company's ability to collect its A/R

Includes compution of:

1) acct recievable turnover
2) # of days' sales in recievables

= net sales / Average acct Recievable

ave acct'e

Average accts R
~~# of days' sales in Receivable~~ Turnover = Average A/R / 365

Steps: 1) Get ave a/r by dividing the sum of beg. and ending a/r balance + divide by 2

2) Num. of Days' sales in Receivables = (2) Ave accts Receivable / Average Daily Sales

Where Ave Daily Sales = (1) Net Sales / 365 days

~~#~~ # of days' sales in receivables is an estimate of time (in days) that the a/r have been outstanding

Inventory Analysis - The company's ability to manage its inventory effectively is measured by using
1) Inventory Turnover
2 Num. of days' sales in inventory
→ COGS / Average Inventory shows how fast the inventory is moving

# of Days' sale in Inventory =

~~Ave Inventory~~

Ave Inventory
Average Daily COGS

when Ave Daily cost of goods sold = COGS / 365 days

This is a rough estimate of length of time it takes to purchase, sale, + replace the inventory.

Ratio of Fixed Assets to long term liability - provides a measure of whether noteholders or bondholders will be paid.

Net Fixed Assets
Long Term Liabilities

Ratio of Liabilities to Stoc Equity - Measures how much the company is financed by debt + equity

Total Liabilities
Total Stoc. Equity

- Number of times interest Charges Earned
  - (fixed charge coverage ratio, measures the risk that interest payments will not be made if earnings decrease.

→ Us paying debtors Paid before taxes

$$\frac{\text{Income Before In. Tx. + Int. Exp}}{\text{Int Exp}}$$

$$\#\text{ of times preferred Div.'s are earned} = \frac{\text{Net Income}}{\text{Preferred Div}}$$

* Div are paid after taxes
Higher the ratio the better.

Profitability Analysis - Focus on company's ability to earn profits.
- This ability is reflected in the comp's operating results. (Income Statement)
- also depends on assets comp. has available for use in it's operation. (Balance Sh.
~~Com~~

Common Profitability Analysis include:

1. Ratio Net Sales to assets - measures how effectively a comp. uses assets
2. Rate earned on total assets
3. Rate earned on stockholder's equity
4. Rate earned on common stoc. equity
5. Earnings Per Share on common stock
6. Price Earnings Ratio
7. Dividends Per Share
8. Dividend Yeild

→ Net Sales / Average tot. Assets (- long term ~~assets~~ investments)

① add beg. + ending assets ÷ 2 to get ave tot assets less long-term assets because they have nothing to do with current operations.

→ Measures the profitability without considering how the assets are financed

not affected by portion of assets ~~that~~ financed by creditors or stockholders.

Rated Earned on total assets = $\frac{\text{Net Income + Interest Exp}}{\text{Average Tot. Assets}}$

OR By adding back int. exp the ~~fact~~ effect of rather the assets are financed by creditors (debt) or Stoc. Equity is eliminated But long term investments are included in this Ratio

The ~~Rates~~ earned on operating assets is sometimes computed when there are large amts of nonoperating income + exp.

$= \frac{\text{Income From Operations}}{\text{Average Operating Assets}}$

(3) Rate Earned on Stoc Equity - measures rate of income earned on the amt invested by the stoc holders (how much you make off stoc holder's money)

$= \frac{\text{Net Income}}{\text{Ave Tot Stoc. Equ}}$

(4) Rate earned on Common Stoc Equity - measures the rate of profits earned on the amt invested by common stoc holders

$= \frac{\text{Net Income} - \text{Preferred DIV}}{\text{Average Com Stoc Equity}}$ Beg + End $= \frac{(\text{Com stoc} + \text{R.E.})}{2}$

(5) Earnings Per Share ~~of~~ on Common Stock - measures the share of profits that are earned by a share of common stock

$EPS = \frac{\text{Net Income} - \text{Preferred DIV}}{\text{Shares of Common Stoc Outstanding}}$

(6) Price Earnings Ratio - On COMMON STOC measures a company's future earnings prospects.

P/E Ratio - $\frac{\text{MRK Price per Share Com. Stoc}}{\text{Earnings Per Share on Com. Stoc.}}$

(7) DIV Per Share - Measures the extent to which earnings are distributed to shareholders

$= \frac{\text{DIVIDENDS}}{\text{Shares Of Com. Stoc. Outstanding}}$

(8) Dividend Yeild - On COMMON Stoc measures the rate of return to common stockholders from cash DIV.

$$= \frac{\text{Div Per Share of Com. Stoc}}{\text{MRK Price Per Share of Com Stoc.}}$$

Class Notes Chp 16

In any manufacturing operation you must have 3 Cost.

- Direct Material - Those materials that go directly into the manufacturing of the product. ~~(what needs to make~~
- Direct labor - Those ~~laborers~~ who put the unit together.

- Factory Overhead - All other manufacturing cost and can't be classified in the other 2 cost utilities, depr., exp on equip, supervisory salaries, insurance and rent on factory

- Direct Cost - A cost can change from direct to indirect cost because a cost objective

Prime Cost - Consist of the cost of Direct Material + Direct labor.

Conversion Costs - To transfer goods into the finished product consist of ① Direct Labor + Overhead.

② Direct labor prime + conversion cost.

Product Cost - Direct, Material, Labor + overhead

-Can benefit more than one acting period. (appear on balance sheet unlike period cost)

3 Inventorys In manufactoring firm

① - Raw materials - Purchased + not changed their form.

② Work In Process - Those units that you have started + at end of acctng period they have not completed.

③ Finished Goods - Represents units you have completed + at end of accounting period they have not been sold.

Period 1

E.I. becomes B.I. for next period

Period Cost - Cost that only benefit one accting period. Only benefits When is paid. Salaries,
Consist of selling + adminastrative expenses
GOGS Manufacturing Statemtment
16-5A) - ~~A~~ Must acct for 3 cost in this #

1) Direct Materials Used - #9000 ←
2) Direct Labor #27000
3) Fact. Overhead 18000

Total Manuf. Cost 54000 ← To this # add beg
B.I. WIP Inventory — 25000 ← work in process inventory
E.I. WIP — (36000)

Cost of Goods Manuf. — 53000

~~COM~~ COGM — 53000
B.I. Fin Goods + 11000
Goods avail. for sale - 64000
E.I. Final Goods (13000)
Cost of Good Sold - 51000

WIP

Direct Material labor + Overhead

← When ~~work~~ units is completed is completed it goes to Finished goods

after sold the cost goes to COGS.

Self Notes Chp 16

5 basic Phases of the ~~mang~~ managerial process

1. Planning — Developing companies objectives (goals) and translating them into courses of action.
   a- Strategic Planning - developing long term actions to meet the company's objective. Strategies that involve a 5 to 10 year period.
   b.- Operational Planning - Short term actions for managing day to day operations of the company.

2. Directing - The process at which managers run day to day operations

3. Controlling - Monitoring operating results and comparing actual results with the expected results.
   * The philosophy is called management by exception

Improving - Feedback from controling used to make continual progress.
- Continuous ~~produce~~ process improvement is the philosophy of continually improving employees, business processes, and products.

Decision Making - Management must continually decide among alternative actions

Line Department - Is directly involved in providing goods or services to the customers.

Staff Dept. - Provides services + assitance and advice to the dept. with line or other staff responsibilities.

Cost Object - Cost are often classified by their relationship to a segment of operations. ex) product, sales territory, a dept.) or activity such as research + development.

Direct Cost - Is identified with and can be traced to a cost object.

Indirect Costs — Cannot be identified with or traced back to the cost object.

Manufacturing Costs: Cost of manu. ~~good~~ product includes cost of materials used in making the product, includes the cost of converting the ~~product~~ materials to a finished product.

Cost of Finish product includes:

1. direct material cost
2. direct labor cost
3. Factory overhead.

→ Must be an integral part of the finished product ex) cost of wood to produce guatair
② a significant portion of the total ~~coste~~ of the product.

→ The cost of employee wages that is an integral part of the finished product ~~(illegible)~~

- The employess ~~the~~ wages that help with assembly. (Repairing worker an automobile wages)

-must also be a significant portion of total cost of a product.

Factory Overhead Cost: Are all indirect costs of the product (depreci, property taxes, utilities, equipment maintanence & repair)

If direct labor, and materials cost ~~dont~~ arent a significant portion of the total product cost.

Income Statement Manufacturing Business

Sales. xxx → xxx

① Beg finished goods Inventory xxx

② Plus cost of goods manufactured xxx

Cost of Goods available for sale xxx

Less Ending Finished Goods inventory - xxx

COGS → xxx

Gross Profit → xxx

COGM – The total cost of making products that are available for sale during the period.

COFG available For Sale – determined by adding the beg. finished goods inventory to the COGM during period.

COGS – Subtract COG available for sale ~~from COGS~~ Ending inventory ~~from~~ from COG available for (COFG) sale beg inventory

Statement of Cost of Goods Manufactured

WIP Beg	xxx
Cost of Finished goods	xxx
Purchase	+xxx
Cost of Goods available	XXX
Less Ending Inv. = COGM used	
Total Manufacturing Cost	
Direct materials	xxx
Direct Labor	xxx
Factory Overhead	xxx
Total manufacturing Cost incurred	xxx
Total Manufacturing Cost	xxx
Less End WIP	xxx
Cost of Goods Manufactured	

Chp. 17

A system used to collect cost in a factory, Job order costing when the job is prepared according to the customers specification (wedding planner)

- Job order cost sheet -
  - Direct Materials
  - Direct Labor
  - Portion of Factory Overhead
- The collection device used in that plant to collect the total cost

17-1A

Materials — (54000, x 6) 324000

A/P — 324000

WIP — 254,000

Materials — 254000

→ Controll acct contains the total of of subisidary accts in ledger of all Jobs in plant

Job 70

22000 × 5 = 110000

Job 71

24000 × 6 = 144000

Total: 254000

17-2A)

Job 70	Job 71
10000	12000
18	x20
18000	240,000

420000

WIP — 420,000

Wages Payable — 420,000

17-3A

24,500
64 500
5800
45200
140000

FO	
Debit for actual overhead incured	credit for overhead charge to production

Factory Overhead — 140000

Materials — 24500

Wages Pay — 64,500

Utility Pay — 5800

Accumulated Depr. — 45,200

17-4A) Because of the nature of overhead you cannot measure how much will go into product. (utilities etc.

1,00,000 / 250000 = Budgeted Overhead / Budgeted Activity

@ 2.40 per hour (every hour I work I charge $2.40 of overhead)

#70	#71
10000	12,000
x 2.4	x 2.4
24000	28800

52,800

WIP - 52,800
Fac. Over - 52800

17-5A) 70 | 71

~~2800~~ ~~10000~~
~~314000~~

412,800 / 10000 = 41.28 = unit cost

@ 314000 / 8,000 = 39.25 = unit cost

70 ← 314,000	71 ← 412,800
110000	144000
180000	240000
24000	28,800

* Must have all three cost DM, DL, FO

140,000

17-6B - B. I. - ~~10000~~ x $14 per Unit
Production - 60000 900,000 $5 unit

900,000
60,000

10000	900,000
+ 60000	+ 140000
70000	1,040,000

10 000 x 14 = 140,000
35,000 X 15 = 525,000
665,000 = COGS

Self Notes
Chp 17 Job order Costing

Cost accting Systems measure, record, and report product cost

2 ~~types~~ types of cost accting system for manufacturing operations are:
1. Job ~~Cost~~ Order Cost System -
Provides product cost for each quantity of product that is manufactured

Class Notes

ex) 17-9 Fac. 1

475000 | 20,000

$23.75 per machine hours

Fac #2

600000 | 15000

40.00 per DLH

Actual

Actual machine hours 1560

x 23.75

37,050

1350

x 40.00

54000

WIP — 37050

Factory Overhead — 37050

WIP — 54000

Factory OH — 54000

FO #1

38000 | 37050

950 (u) applied

FOH

52000 | 54000

2,000 (o) applied

~~when~~ Factory overhead is a temporary account so to close

COGS — 950
Fact. OH — 950

Fac OH — 2,000
COGS — 2000

Chp 17 Self Notes

Homework con't Chap 13

ex 13-2)

(36,000 x .06 x 72/360)

432

7-12 Bd/Investment Bergen — 36000

Int/Rec. — 432

Cash 36432

36,000 x .06 x 6/12 = 1080

- 432 = 648

5-1

@ Cash - 1080

Int/Rec - 432

Int Rev — 648

(b)

12-1 Cash - 1080

Int Rev - 1080

(c)

14000 x 1.02 = 14280

Int. 70

14350

Brok Fee - 300

14050

Cash - 14050

Loss on Sale 20

Interest Rev 70

Bd/Invest Bergen - 14000

(d) Int/Rec - 220

Int/Rev - 220

30,000 x .06 x 20/360
100.00

ex 13-3) 30 1,000 bonds = 30,000

@ (1-21) Bd/Invest Gov -30,000 — 20 day interest
Interest Rec - 100
Cash -30,100

(6-30) (30,000 x .06 x 6/12) Because bought on 21-Jan
900

Cash-900
Int/Rec-100
Int Rev - 800

(9-5) 12 x 1000 = 12000
x .98
11,760

Did In class this way

30,100 / 30 = 1003 + 134
x 12
12036

12036
x .98
11,795
+ 134
11,929

= 241 Loss In class = 240

Cash - 11,929 (11,894)
Loss on Sale - 241 (240)
Int/Rev - 134
Invest Gov. Bond - 12036 (12000)

(b) $(18{,}000 \times 8/12 \times .06) =$
~~400~~ 540

Int Rec – ~~540~~
Int Rev – ~~540~~

In Class Equity Method HW cont.

ex 13-5) 3,000
100,000 outstanding 28.90

(a) $(28.90 \times 3{,}000)$ 86700 B.C. 300
+300
87000

Invest / Dan Comp Stoc –87000
Cash – 87000

(b) 3,000
× 0.95
2850

Cash – 2850
DIV Inc – 2850

(c) $1{,}000 \times 36 = 36000$
– 125 B.C.
35,875

$\frac{87000}{3{,}000} = 29$

Cash – 35875
Gain on Sale – 6875
Inv / Dan comp 29000

$1{,}000 \times 29 = $ ~~800~~
29000
~~6875~~ 6875
Gain

ex 13-6 1800 x 56.50 = 101700
1-12, +90 BC
101790

Invest/Baxter-101790
Cash-101790

1800 4-10 Cash-450
x .25 DIV Inc-450

1200 x 46 = 55,200
6-3 - 65 B.C
Cash 55,135

56.55 = 101790/1800
x 1200
67860
12,725 Loss

Cash-55,135
Loss on Sale-12725
Invest/Bax-67860

ex 13-7) (2-2) Invest/Dev-49050
Cash-49050

(4-16) Cash (900x.25) 225
DIV Inc. 225

90x54=
48600
+ 450 B.
49050

600
× 65
21000
300
21300

6-17

39300

Invest/Dev -(600 x 65 + 300)

Cash -39300

8-19) Cash-69500

Inv/Devon-55600

Gain on Sale - 13900

(1,000 x 70)
70,000
- 500
69500

900 x 54.50 ← FIFO

100 x 65.50

$\frac{39300}{900} = 44.00$

$\frac{49050}{900} = 54.50$

$\frac{39300}{60} = 65.50$

PE 13-4A

Valuation Allow For Trading Investments

9300	8700
	600

* When has a credit balance we have adjusted this acct downward. If end up with debit balance

means we have increase the bal. of Invest acct. (Net income)

Cost 52400 & adjust to market
MRK 53000

600 = diff in Cost + MV
gain, 600 so
52400
+ 600
53000

To get their the allowance acct must have a balance of 600 so j. entry is for 8700
600
9300

Val. Allow. On Trad/Inv. -9300
Unrealized Gain -9300

13-5A) VAL/allow on Trade/INV

1500	
200	
1700	

Cost of avail sale securities 67500 Cost
Fair Val. was 69200
MRK

Valu/allow trade/Inv-206

Unrealized G. 200

In Class Homework

13-8 Inv Inc. Tek. — 78400
Cash — 78400

Inv Inc. Lake — 16800
Cash — 16800

Cash — 800
Div Rev — 800

13-9)

25% = 50,000 / 200,000

(a) Inv. In Castello — 320,000
Income — 320,000 Net Income 1,280,000 × .25 = 320,000

(b) 50,000 × 140 = 70000

Cash — 70,000
Invest In Castello — 70,000

Inv. In Castello

710,000	
320,000	
1,030,000	70,000 Reduced by div.
960,000 Book Value	

Increased → by inc. Rev

13-10) Inv. In KRyp — 4,400,000
cash → 4,400,000

Cash - 69,440
Investment in KRy - 69440

Inv. in KRy - 235,200
Inv Inc — 235,200

Inv. In KRyp	
4,400,000	
235200	69440
4,635,200	
4,565,760	

N.I. 735,000
× .32
235,200

80,000
× 55
4,400,000

DIV Paid 217000

217,000
× .32
69,440

32%

get 32% of DIV because own 32% of busines

13-11)

Inv Inc. Mid Am	
90	
	Dividends reduced ~~and income i~~
98	

Dividends increased so BV ↓
Income increased so BV ↑

Marketable/Trading Securities

ex 13-13)

~~Valuation Allow. -60,000 for trading~~

Valuation Allow. -60,000 on trading

Unrealized Gain 60,000

12,000 shares
x 16 per share
192,000

price increase to 21

12,000
x 21
252,000

252,000
-192000
60,000

Unrealized gain. Needs adjusting entry

Cost 192,000

2011
~~130,000~~
12,000 x 20
240,000

48,000

Inv. in Rad - 192,000
Valuation ACCT 60,000
BV = 252,000 want it to be equal to MRK value

Unrealized on Trading Sec. 12,000
Valuation Allow -12000
Trading Sec.

Valuation Allow

60,000	12,000
48,000	

Inv. Inc Bad – 192000
Val. Allow – 48000
B.V. – 240,000

b. Income Statement

13-14 | pg. 600

@ Cost 48000 | Fair Value 45,700
2300
Unrealized loss on Trading Sec.

~~Tot Cost~~ ~~M.R.V.~~
~~48,000~~

Unrealized loss on Trading Sec. – 2300

Valuation Allowance – 2300

Inv – 48,000
(2300)
B.V. 45700

500 cable
30
15,100

(b) Tot Cost 63100 | Fair Value 68,300
5200
Unrealized gain

Allow
7500 | 2300
5200
5200

Inv in Cable – 15,100
Cash – 15,100

Value Allow on Trade Sec. – 7500
Unrealized gain 7500

Chp 14

Pg 647

PE 14-1A

a. Finance c. Operations e. Operating
b. Investment d. finance f. Operating

PE 2-A

Identify transaction & Identify what part of cash F. stat. it should go in.

Patent Exp —
Patent Exp —

take out cause selling land is not apart of regular business

N.I.	140,000
Add:	
Deprec	7000
Amortization	2600
Deduct:	
Gain on Sale from Land	(15,000)
Cash Flow From Operations	134,600

Gain on Sale of Land must be taken out under Investment sec. CFS deduct that gain from N.I. so it won't be counted twice

PE 3-A N.I. 320,000

Deduct

Increase in A/R (6,000)

Increase Inventory (8500)

Increase A/P +11,600

Cash Flow From Operations 317,000

14-24A) Net Inc. 175,000

~~Deprec.~~

Add:

Deprec. + 30,000

Loss on Disposal of Equip (add back because it will get reported in Investment)

Increase A/P +5600

Deduct:

A/R (10,200)

CF From Operation 212,000

Indirect Method

Bonds Issued at a Premium

MR < CR - will sell for more than face amt.

ex) Face Amt. 100,000
CR of Interest 12%
Semi annual
6/30 + 12/31
Term of Bond 5 years
MR of Interest 11%

~~100,000 x .12 x 6/12 = 6,000~~

assuming the bonds sell for 103,769

Entry:
Cash – 103,769 = ~~carrying~~ Amt
Bonds P/P – 100,000
Premium on B/P – 3769

the 3769 premium may be viewed as the extra amt. investors are willing to pay for bonds when the MR < CR
- Markets way of adjusting the CR to lower MR.

Premium on B/P | credit Bal. - adding to B/P to determine B.V. (carrying amt)

1
525
35
54
1560
120
780

Amortizing a Bond Premium
- Must be amortized over life of bond

Entry:
Premium on B/P - xxx
Interest Exp - xxx

ex) pre = 3769/40 = 376.90

Combined Entry For ~~D~~ amort. + interest payment.
Interest Exp - 5623.10
Pre on B/P — 376.90
Cash ——→ 6,000

~~*~~ The ~~pre~~mium is amortized, the carrying amt. of the bonds decreases until it equals the F.A. of ~~bonds~~ bonds on the maturity date ~~*~~

BOND REDEMPTION

- Corp. may redeem or call bonds before ~~when~~ they mature. (In case of MR rapidly declines)

- Callable Bonds can be redeemed by the issuing corp within the ~~peri~~ period of time and at price stated in the bond indenture.

In class homework

ex 14-12) Financing
Cash record from sale of stock
780,000

Cash - 780000
Com Stoc - 300,000
PIC Com Stoc - 480,000
Cash Paid for DIV — 115,800

780,000
- 115,800
Cash inflow 664,200

ex 14-3) Investing

Cash Paid For purch of Land
410000

ex 14-14) Financing & No gain/loss

4/3 Bds payable - 100,000
Dis on B/P - 8000
Cash — 92000

25 cash rec'd
$10 Land decrease
15 Gain

14-17

Net Inc.	65
Deprec.	+ 16
Gain on Sale of Land	(15)
Increase/A/R	(16)
Increase/MI	(13)
Inc/A/P	+3
Cash Flow from oper.	830

Investing
Cash Rec. for Sale of Land #25
Cash Paid for Purch. of Eq. (10)
Net Cash Flow from Investing −15

Financing
Cash Rec. from sale of Stoc 35
Cash Paid for div — 14
Net Cash Flow Financincing — 21

21
+66
32
98 → Net increase in Retained Earnings

DIV Pay

	0
Paid = 14	20
14	
	20
	6

15-9) How often we are collecting our accounts recievable

Net Sales on Acct / Av Month Acct Recievable

147,500
+ 158,000
305,500 / 2 =

975,000
305,500
2

975,000 / 152,750 = 6.4 X's

2009

900,000 / 161,500 = 5.6 times

2010

975,000 / 365 = 2671

152,750 / 2671 = 57.2 days

$\frac{15{,}000 + 11{,}000 \div 2}{178.08} = 73$ day

$\frac{65{,}000}{365} = 178.08$

PE 5-6A Long Term Solvency

Fixed assets $\frac{600{,}000}{400{,}000} = 1.5$ says every dollar in L.T. have a $1.5 in fixed assets

Equity 400,000

$\frac{600{,}000}{400{,}000} = 1.5$ every $ of equity 1.5 for L.T Liab

Fixed assets to long Term liability
Tot Liab. Compared to Stoc eq.

15-7A) $\frac{\text{N.I.} + \text{Interest Exp}}{\text{Int. Exp}}$ pg 685

$\frac{2{,}000{,}000 + 80{,}000}{80{,}000} = 26$ times can pay int. exp 26

15-8 A) Net Sales to assets

$\frac{2400,000}{1600,000} = 1.5$

15-9A) $\frac{400,000 + 20000}{3,500,000} = 12\%$

What coould my rate of return if no interest exp because theoreticalley the owner should by assets

15-10A) @ N.1 $\frac{120,000}{600,000} = 20\%$ Rate of return on equity

(b) $\frac{120000 + 20,000}{500,000}$

$\swarrow$

20%

What would rate of return would be WITHOUT PREFERRED STOC.

15-11A) ⓐ $\frac{340,000 - 40,000}{40,000}$ = $7.50 per share

ⓑ $\frac{\text{Mkt Price of Share}}{\text{Earnings Per Share}}$ $\frac{\$60}{7.5}$ = 8.0

What you can sale again

HOMEWORK

15-11) ~~15-13~~ 15-13) 15-15) 15-21)

ex 15-11) B.I. 80,000
+ E.I. + 74,000
154,000 / 2 = 77,000 Ave Inventory

$\frac{\text{COGS}}{\text{Ave In}}$ = $\frac{569800}{77,000}$ = 7.4 = Turnover

$\frac{77,000}{1561.1}$ = 49.3 days

~~$~~ 1561.1 = $\frac{569800}{365}$

B.I. 64000
E.I. 80,000
144,000 / 2 = 72000 Ave Inventory

~~1,192,320 / 72000 = 16.56 TURNOVER~~

72000
× 2
144000

ex 17-2) Total Manufacturing Cost

a. COGS = 880,000
b. DMC = 520,000
c. DLC = 630,000

Factory OH - 175 000
- DLC 630,000
-

Sales 1,200,000
Tot COGS 880000
Gross Profit 320,000

Purch 610,000
Inv, Material 90,000
EI - 45000
DM 520,000

Total manufact 1325000
DM used - 520000

ex 17-4) WIP - 98600
Materials - 98600

Factory OH - 1450
Materials - 1450

ex 17-5) a. Materials - 658,000
A/P - 658,000

b. WIP - 653,500
Materials - 653500

Factory OH - 13000
Materials - 13000

c. Fabric - 33600
Lumber - 23000
Polyester - 24500
Glue - 1400

ex 17-6) WIP – 24,275
Wages Pay – 24,275
Factory OH – 11,200
Wages Pay – 11200

ex 17-8) WIP — 9000
FO — 1900
Wages Pay – 10,900

9000 / 15 = 600
600 × 25 = 15000

b WIP — 15000
Fac Overhead – 15000

Homework
17-10) DL 640,000 × 16 = 10,240,000

ex 17-12) @ Finished Goods – 306000
WIProcess – 306000

(b) Balance Cost ~~18,900~~ 13560

ex 17-13) Job 10

(a) WIP – 12400
Direct Materials – 12400

Job 11
WIP – 5800
Materials – 5800

(b) WIP – 3800 Job 10
Fact OH – 3800

#10	#11	#12
12400	5800	17400
4750	24050	5250
3800	1960	4200
20,950	10210	26850

* has to be same (FOH)

#13	Tot	
3500	= 3900	$\frac{3800}{4750} = 80\%$
700	= 13150	
560	= 10520	$\frac{1960}{2450} = 80\%$
= 62,770	62,770	

WIP — 39100
FOH — 1200
Materials — 40300

WIP — 13,150
FAC OH - 4500
Wage Pay — 27650

~~(17-18) 631,000~~

WIP — 10920
FAC OVH — 10920

FINISHED Goods — 31,160
WIP — 31160

(17-18) 631,000 (COS) cost of service

	CB	PA	ORH	MB	Tot
B.1	70000	24000	56000	34000	194000
DL	56000	25000	110000	125000	316000
MP	210000	185000	135000	101000	631000
FO	105000	92500	67500	50500	315,500
	451000	326500	368500	310500	1,456,500

631,000

17-10

Dep — 45,000
Sup. Sal — 125,800
Shop Tax — 32,600
Shop Sup — 16,600
210,000
40,000 = $5.25 Per Direct labo hour

$\frac{40,000}{16,000} = 40,000$ DLH

(Cont 17-18) WIP - 316000
Wages Pay - 316000

WIP - 631,000
Agency OH - 315,500

COST OF SER — 777,500
WIP — 777,500

BLUERICHNOTES.COM KEY

@	At
A/D; Acc Depr =	Accumulated depreciation
A/R =	Accounts Receivable
Acct =	Account
Adj =	Adjustment(s) or Adjust
Amort =	Amortize or Amortization
Amt =	Amount
AP =	Actual price
AQ =	Actual quantity
Ass =	Assets
Avail =	Available
Ave =	Average
B / P; Bd / Pay =	Bond Payable
Bal =	Balance
Bd; Bds =	Bond
Beg =	Beginning
BV =	Book Value
Cal; Calc =	Calculated or Calculation
Cap =	Capital
CM =	Contribution margin
COG =	Cost of Goods Sold
COGM =	Cost of Goods Manufactured
COGP =	Cost of goods production
Com =	Common
Comp =	Company
Consol =	Consolidation
CR =	Contract rate
Cred =	Credit
CV =	Carry Value
CVP =	Cost volume profit
D =	Distributions
Deb =	Debit
Depr =	Depreciation
Dis; Disc =	Discount
DIV =	Dividend
DL =	Direct Labor
DM =	Direct Materials
DTA =	Deferred tax asset
DTL =	Deferred tax liability
EFT =	Electronic Funds transfer
EI=	Ending Inventory
EL =	Eliminations
Equ =	Equity
Equip =	Equipment
EST =	Estimate
Exp =	Expense
Fac =	Factory
FASB =	Financial Accounting Standards Board
FC =	Fixed Cost
FICA =	Federal Insurance Contribution Act
FIFO =	First in First out
Fin =	Financial
Fin =	Finished
FMW =	Fair Market Value
FOH =	Factory Overhead
FV =	Fair Value
FV =	Face value (in case of investments)
IASB =	International Accounting Standards Board
IDS =	Income distribution schedule
Inc =	Income
Int =	Interest
Inv =	Inventory or Investment
Invest =	Investment
IS =	Intercompany Sale
LEV =	Labor efficiency variance
Liab =	Liability
LIFO =	Last in first out
LTL =	Long term liability
Merch =	Merchandise
MI =	Merchandise Inventory
MR =	Market Rate
MV =	Market Value
MV =	Maturity value (in case of investments)
N/R =	Notes Receivable
NCI =	Noncontrolling Interest
NI =	Net Income
NL =	Net Loss
NSF =	Nonsufficient funds checks
OH =	Overhead
Pd =	Paid
Pd =	Paid
PIC =	Paid in Capital
PP&E =	Property plant & equipment
Pre =	Premium
Purch =	Purchase
PV =	Present Value
RE =	Retained Earnings
Rec =	Receivable
Rev =	Revenue
SE =	Simple Equity

SEC =	Security Exchange Commission
Sep =	Separate
Serv =	Service
Stat =	Statement
Strd P =	Standard price
Sub =	Subsidiary
Sum =	Summary
Tot =	Total
Val =	Value or Valuation
VC =	Variable Cost
VOH =	Variable overhead
W/ =	With
WIP =	Work in Process
WS =	Worksheet