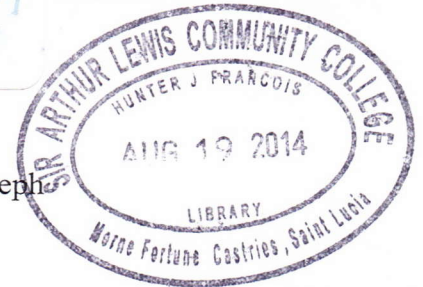


EXAMINATION SESSION : April 2011, Final Examination  
TUTORS : Mrs. G. Lindor  
PROGRAMME TITLE : Business Administration  
PROGRAMME CODE : 3BS-ABA-AD  
COURSE TITLE : Advanced Financial Accounting  
COURSE CODE : ACC 204  
CLASS (ES) : Year 2  
DATE : 6<sup>th</sup> May, 2011  
TIME : 9:00 am  
DURATION : 2 hrs  
ROOM (S) : CEHI-1R-02  
INVIGILATOR (S) : L. Ollivierre, F. Joseph



**INSTRUCTIONS**

1. SECTION I (**COMPULSORY**)

Answer **ALL** components of this question

2. SECTION II (**OPTIONAL**)

Answer **ONLY ONE** question in this section

3. SECTION III (**OPTIONAL**)

Answer either part A or par B in the section

## SECTION ONE – COMPULSORY QUESTION

### Question 1

#### Instructions

On the basis of the information provided answer the following questions and show any necessary supporting computations:

On **January 1** 2010 Mr. and Mrs. St Val took a decision to take a mortgage with a local bank. The total Mortgage amount is \$240,000 for 10 years at 10% interest. What would be the annual payments which they would have to make? **(3mks)**

On **June 1** 2010 Mr. and Mrs. St Val also decided to set up a savings account so that their daughter Betty can attend University in the next 10 years. How much will they have to deposit each year into a bank account paying 5 % compounded annually if they wanted to have \$100,000 in 2020? **(2mks)**

On **December 31** 2010 they also decided that they would like to make a deposit in the bank today so that in the next 5 years they would be able to draw \$2000 a year starting four years from now assuming that the account pays 5% interest compounded annually. How much should they deposit today? **(3mks)**

If Mr. and Mrs. St Val deposited \$1000 at the end of the month every month into a bank account that paid 6% compounded semiannually how much will be in the account at the end of five years? **(2mks)**

**(20mks total)**

## SECTION TWO – ANSWER ONLY ONE QUESTION

### Question 2

#### Stockholders' Equity

Common Stock, \$10 par 100,000 shares authorised

80,000 shares issued..... \$800,000

Additional Paid In Capital: Common Stock..... \$400,000

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Total Paid in Capital ..... \$1200,000

Retained Earnings.....\$1800,000

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Total Stockholders' Equity .....\$3,000,000

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Transactions affecting stockholders equity 2010 are as follows:

**Apr 1** The Company purchase 8000 shares of its common stock in the open market.

**Apr 30** an 8 for 6 stock split proposed by the board of Directors was approved by the stockholders.

The additional shares arising from the stock split is distributed among the stockholders.

**July 31** The Company reissued 8000 shares of Treasury Stock at \$24 per share.

**Aug 1** Issued for cash \$20,000 shares of previously unissued \$10 par value common stock at \$55 per share.

**Dec 1** A cash dividend of \$2 per share is declared payable on Dec 31 to stockholders on record at Dec. 15.

**Dec 22** A 10% stock dividend was declared: the dividend shares are to be distributed on Jan 31 of the following year.

The market price of the shares was \$40 per share on December 22

The net Income for the year ended was \$230,000 after an extraordinary loss of \$65,000

#### Instructions

Prepare journal entries in general journal form to record the transactions affecting stockholders equity that took place this year.

(20mks total)

### Question 3

The Stockholders Equity Section of B& B Limited appears as follows:

#### Stockholders' Equity

6% preferred stock \$150 par value callable at \$180 per share 300,000 shares authorised.....\$1500,000

Common Stock, \$100 par 6000,000 shares authorised .....\$3500,000

Additional Paid In Capital: Preferred Stock ..... \$400,0000

Additional Paid In Capital: Common Stock ..... \$1750,000

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Total Paid in Capital .....\$ 2150,000

Retained Earnings.....\$1850,000

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Total Stockholders' Equity .....\$ 9,000,000

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### Instructions

On the basis of the information provided , answer the following questions and show any necessary supporting computations:

- a) How many shares of preferred stock have been issued? **(3mks)**
- b) How many shares of common stock have been issued? **(3mks)**
- c) What are the total annual dividends requirements on the outstanding preferred stock? **(3mks)**
- d) What is the average price per share received by the corporation for its common stock? **(3mks)**
- e) What is the amount of legal capital? **(4mks)**
- f) what is the total paid in capital? **(4mks)**

**(20mks total)**

### SECTION THREE - ANSWER EITHER PART A OR PART B IN THIS QUESTION

#### Question 4

##### Part 1

January 1, 2010, S& B Co. issued a 5-year 5% \$600,000 bond to Wentworth Co. Interest is payable annually on January 1. Similar instruments carry a market rate of 8%.

Required: a)compute the cost of bond **(5mks)**

b)Prepare the bond amortization schedule using the EIM **(10mks)**

c)Prepare all necessary journal entries for 2010 and 2011. Use EIM method. **(5mks)**

##### Part 2

January 1, 1998 S& B Co. issued a 3 year 4% \$800,000 bond to G7G ltd . Interest is payable semi annually annu July 1 and January 1. Similar instruments carry a market rate of 2%.

Required: a)compute the cost of bond **(5mks)**

b)Prepare the bond amortization schedule using the EIM **(10mks)**

c)Prepare all necessary journal entries for 2010 and 2011. Use EIM method.**(5mks)**