**Principle of accounting II, individual Assignment**

**Maximum marks=15**

**Submission date, May 19, 2012 E.C**

1. Wow Company had the following data, estimate the cost of merchandise inventory at November 30 by the retail method:

**Cost Retail**

Goods available for sale $77,000 **?**

Sales 85,000

Cost to retail ratio 70%

1. Addis Company purchased equipment on February 11, 2002 for $90,000 and estimated a $6,000 salvage value at the end of the equipment's 10 year useful life. Suppose Addis Company sold the equipment for $24,000 on December 31, 2008.

***Required:-***

Journalize the sale of the equipment on December 31,2008, assume the company use double-declining depreciation method.

1. Assume Ato Getnet and Fasika formed a partnership in which Ato Getnet invested $65,000 and Fasika invested $50,000, a total of $115,000. The net income for the first year is $ 125,000. Accordingly, the two partners have agreed to share profit as follows:

* The first $40,000 of partnership profit is to be allocated based on the partners’ capital investments in the business. The next $60,000 of profit is to be allocated based on service, Fasika receiving monthly salary allowance of $3,000 and Ato Getnet receiving $2,000. Any remaining profit is allocated equally.

***Required:-*** Determine each partner’s share of the current year’s and make the journal entry.

1. Bisrat, Dessie, and Eden form Dana partnership in 2015. After two years of operation Bisrat retires from the partnership. The partner capital balances are Bisrat, $39,000; Dessie, $47,000; and Eden, $18,000. The partners have the assets revalued to current market values. The appraiser reports that the value of the inventory should be decreased by $7,000, and the land should be increased by $27,000. The profit-and-loss ratio has been 5:3:2 for Bisrat, Dessie, and Eden, respectively. In retiring from the firm, Bisrat receives $55,000 cash.

***Required:-***

Journalize Bisrat’s withdrawal from the partnership.

1. Kaleb, Samuel, and Lidya share income and loss in a 3:2:1 ratio. The partners have decided to liquidate their partnership. On the day of liquidation their balance sheet appears as follow

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| --- |
| **KALEB,**  **SAMUEL, AND LIDYA**  **Balance Sheet**  **May 31**  **Assets** **Liabilities and Equity**  Cash Br. 90,400 Accounts payable ................ $122,750  Inventory 268,600 Kaleb, Capital ....................... 46,500  Samuel, Capital ....................... 106,250  Lidya, Capital........................... 83,500  Total assets ................... $359,000 Total liabilities and equity . . . . . $359,000 |

***Required***

Prepare a statement of partnership liquidation & make the necessary journal entries to account for the liquidating process if the inventory is sold for:

1. $300,000
2. $250,000
3. $160,000 and any partners with capital deficits pay in the amount of their deficits; and
4. $125,000 and the partners have no assets other than those invested in the partnership.
5. **ABC Corporation** has authorized 100,000 shares of common stock with a par value of Br. 12. The following transactions affecting stockholders’ equity were completed during the first year of operations:

* **Jan**. 1 – issued 20,000 share of stock at Br. 15 per share for cash.
* **Jan** 10 - issued 20,000 shares in exchange for building which has current market value of Br. 100,000
* **Mar**. 12- received subscription to 15,000 shares of common stock from various subscribers at Br. 16 per share with a down payment of Br. 60,000.
* **Mar** 15 – purchased 6,000 shares of its own stock for Br. 20 per share.
* **April** 12- Received Br. 90,000 of the subscription price from the subscribers.
* **May** 10 – Sold 2,000 shares of Treasury stock for Br. 24.
* **May** 12 - Received Br. 90,000 of the subscription price from the subscribers and issued stock certificate.
* **June** 5 – Sold 2,000 shares of Treasury stock for Br. 18.

***Required***:

1. Prepare the necessary journal entry.
2. Prepare the stockholders’ section of the balance sheet assuming that the amount of retained earnings is Br 120,000