On January 1, 2003, Panamerican Corporation purchased 25% of the outstanding voting shares of Shott Supplies common stock for $120,000 cash. On that date, Shott's book value and fair value were both $420,000. The equity method is deemed appropriate for this investment. Shott's net income reported on December 31, 2003, was $50,000. During 2003, Shott also paid cash dividends in the amount of $30,000.

Required:
Compute the amount that would be reported for the investment on Panamerican Corporation's financial statements at December 31, 2003.

Investment in Shott:

| Original Investment       | $120,000 |
| Share of net income - 25% of $50,000 | 12,500 |
| Less cash div. - 25% of $30,000 | (7,500) |
| Balance, December 31, 2003 | $125,000 |

Prepare adjusting entries, as required, at December 31, 1999 for the following transactions and events of Mangold Company.

a. The allowance for uncollectible accounts has a balance of $950. The company estimates that $4,800 of its current accounts receivable will not be collected.

b. Supplies inventory had a balance on January 1 of $3,600. During 1999 a total of $11,900 in supplies were purchased and debited to the account. A year end inventory determined that $2,900 in supplies were on hand. The supplies account has not been credited for supplies used.

c. The company borrowed $25,000 on a 10% note payable on September 30, 1998. Principle and interest is due on March 31, 1999. No interest has been accrued.

d. Mangold received $2,400 in advance on September 1 for consulting services to be rendered evenly over the next six months. The entire $2,400 was credited to consulting revenue and has not been adjusted.

3 a. Uncollectible accounts expense 3,850
   Allowance for uncollectible accounts 3,850

4 b. Supplies expense 12,600
   Supplies inventory 12,600

4 c. Interest expense 625
   Interest payable 625

4 d. Consulting revenue 800
   Unearned consulting revenue 800
17. On December 1, 1993, East Co. purchased a tract of land as a factory site for $300,000. The old building on the property was razed, and salvaged materials resulting from demolition were sold. Additional costs incurred and salvage proceeds realized during December 1993 were as follows:

Cost to raze old building $25,000
Legal fees for purchase contract and title guarantee insurance $11,000
Proceeds from sale of salvaged materials $4,000

In East's December 31, 1993 balance sheet, what amount should be reported as land?

A. $311,000
B. $321,000
C. $332,000
D. $336,000

34. South Co. purchased a machine that was installed and placed in service on January 1, 1990 at a cost of $240,000. Salvage value was estimated at $40,000. The machine is being depreciated over 10 years by the double-declining-balance method. For the year ended December 31, 1991, what amount should South report as depreciation expense?

A. $48,000
B. $38,400
C. $32,000
D. $30,720

28. On January 1, 1990, Bart Company purchased equipment at a cost of $105,000. The equipment was estimated to have a useful life of 5 years and a salvage value of $15,000. Bart uses the sum-of-the-years'-digits method of depreciation. What should the accumulated depreciation be on December 31, 1993?

A. $98,000
B. $84,000
C. $72,000
D. $54,000

49. Amble, Inc., exchanged a truck with a carrying amount of $12,000 and a fair value of $20,000 for a truck and $5,000 cash. The fair value of the truck received was $15,000. At what amount should Amble record the truck received in the exchange?

A. $7,000
B. $9,000
C. $12,000
D. $15,000
1. Property, plant, and equipment are conventionally presented in the balance sheet at
   A. Replacement cost less accumulated depreciation.
   B. Historical cost less salvage value.
   C. Original cost adjusted for general price-level changes.
   D. Historical cost less depreciated portion thereof.

2. During 1993, Fox Company made the following expenditures relating to plant machinery and equipment:
   • Renovation of a group of machines at a cost of $50,000 to secure greater efficiency in production over their remaining 5-year useful lives. The project was completed on December 31, 1993.
   • Continuing, frequent, and low cost repairs at a cost of $35,000.
   • Replacement of a broken gear on a machine at a cost of $5,000.
   What total amount should be charged to repairs and maintenance in 1993?
   A. $35,000
   B. $40,000
   C. $95,000
   D. $90,000

3. On January 2, 1994, Parke Corp. replaced its boiler with a more efficient one. The following information was available on that date:
   Purchase price of new boiler $60,000
   Carrying amount of old boiler 5,000
   Fair value of old boiler 2,000
   Installation cost of new boiler 8,000
   The old boiler was sold for $2,000. What amount should Parke capitalize as the cost of the new boiler?
   A. $68,000
   B. $66,000
   C. $63,000
   D. $60,000

4. A company acquired three machines for $100,000 in a package deal. The three assets had a book value of $80,000 on the seller's books. An appraisal costing the purchaser $1,000 indicated that the three machines had the following market values (book values are given in parentheses):
   Machine 1: $30,000 ($20,000)
   Machine 2: $40,000 ($25,000)
   Machine 3: $50,000 ($35,000)
   The three assets should be individually recorded at a cost (rounded to the nearest dollar) of
   Mach. 1 Mach. 2 Mach. 3
   A. $28,000 $33,333 $41,667
   B. $20,000 $26,667 $33,333
   C. $25,000 $31,250 $43,750
   D. $25,250 $33,667 $42,083

5. In accordance with generally accepted accounting principles, which of the following methods of amortization is normally recommended for intangible assets?
   A. Sum-of-the-years'-digits.
   B. Straight-line.
   C. Units of production.
   D. Double-declining-balance.

Discussion: The recommended method of amortization of intangible assets is the straight-line method unless another systematic method is demonstrated by the reporting entity to be more appropriate. Disclosure of the method.

6. REQUIRED: The amount to be charged to repair and maintenance expense.
   Discussion: Repair and maintenance costs are incurred to maintain plant assets in operating condition. The continuing, frequent, and low cost repairs and the replacement of a broken gear meet the definition of repairs and maintenance expense. Accordingly, the amount that should be charged to repairs and maintenance is $40,000 ($35,000 + $5,000). The renovation cost increased the quality of production during the expected useful life of the group of machines. Hence, this $50,000 cost should be capitalized.

The correct answer is (B). (CPA 588 I-23)

7. REQUIRED: The amount to be capitalized as the cost of the replacement asset.
   Discussion: When a fixed asset is replaced, the new asset should be recorded at its purchase price plus any incidental costs necessary to make the asset ready for its intended use. Consequently, the replacement boiler should be recorded at $66,000 ($50,000 purchase price + $8,000 installation cost). In addition, the $5,000 carrying amount of the old boiler should be removed from the accounts, and a loss of $3,000 ($2,000 proceeds – $5,000 carrying amount) should be recognized.

The correct answer is (A). (CPA 1191 I-15)

8. REQUIRED: The allocation of the cost of machines acquired in a lump-sum purchase.
   Discussion: The cost of the machines should be allocated in this lump-sum purchase according to their fair values as determined by the appraisal. The $1,000 appraisal cost should be added to the purchase price of $100,000 for a total acquisition cost of $101,000. The total appraised value is $120,000, Machine 1 accounts for 25% of the appraised value ($30,000 + $120,000) and thus should be assigned 25% of the cost ($25,250). Machine 2 represents 33 1/3% of the appraised value ($40,000 + $120,000) and should be assigned 33 1/3% of the cost ($33,667). The remaining $42,083 is allocated to Machine 3.

The correct answer is (D). (CIA 583 IV-13)
16. Reversing entries
A. Must be made at the end of each period.
B. Are made to correct erroneous journal entries.
C. Eliminate the need to monitor the effect of period-end adjusting entries during the subsequent period.
D. Are synonymous with adjusting entries.

7. When the fair value of investments in debt securities exceed their carrying amounts, held-to-
maturity securities and available-for-sale securities should be reported at the end of the year at

<table>
<thead>
<tr>
<th>Held-to-Maturity Securities</th>
<th>Available-for-Sale Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Fair value</td>
<td>Amortized cost</td>
</tr>
<tr>
<td>B. Amortized cost</td>
<td>Fair value</td>
</tr>
<tr>
<td>C. Amortized cost</td>
<td>Amortized cost</td>
</tr>
<tr>
<td>D. Fair value</td>
<td>Fair value</td>
</tr>
</tbody>
</table>

8. The amount by which the fair value of an equity security exceeds its cost should be accounted for as a separate component of shareholders' equity when the security is classified as

<table>
<thead>
<tr>
<th>Trading</th>
<th>Available-for-Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. No</td>
<td>No</td>
</tr>
<tr>
<td>B. No</td>
<td>Yes</td>
</tr>
<tr>
<td>C. Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>D. Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

67. The Frozen Tundra department store uses a calendar year and the LIFO retail inventory method (assuming stable prices). Information relating to the computation of the inventory at December 31 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning inventory</td>
<td>$150</td>
<td>$300</td>
</tr>
<tr>
<td>Purchases (net)</td>
<td>1,650</td>
<td>4,860</td>
</tr>
<tr>
<td>Net markups</td>
<td>830</td>
<td></td>
</tr>
<tr>
<td>Net markdowns</td>
<td>970</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>4,180</td>
<td></td>
</tr>
</tbody>
</table>

What should be the ending inventory at cost at December 31 using the LIFO retail inventory method?

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>$252</td>
<td></td>
</tr>
<tr>
<td>B.</td>
<td>$333</td>
<td></td>
</tr>
<tr>
<td>C.</td>
<td>$339</td>
<td></td>
</tr>
<tr>
<td>D.</td>
<td>$340</td>
<td></td>
</tr>
</tbody>
</table>

REQUIRED: The proper reporting of held-to-maturity and available-for-sale debt securities.

DISCUSSION: Held-to-maturity securities should be reported at their amortized cost and available-for-sale and trading securities should be reported at fair value.

SECRETARY OF STATE MCPHERSON SPEECH—
WHAT DID THEY DO IN AUSTRALIA TO INCREASE VOTER TURNOUT?

CLOSED Pubs
Fines for not voting

THIS TEST WAS:

I'M GOING TO WORK FOR: