

**Principles of Accounting II**  
**Practice Problems to Complete Before Taking the Exam on Chapters 15-16**  
**Answer Key**

A.			DR	CR	
May	4	Short-term Investments	55,660		<i>([500 shares*\$110]+\$660)</i>
		Cash		55,660	
Jul	1	Cash	1,250		<i>(500 shares*\$2.50)</i>
		Dividend Revenue		1,250	
Sep	15	Cash	20,380		<i>([200*\$104]-\$420)</i>
		Loss on Sale of Short-term Invest	1,884		
		Short-term Investments		22,264	<i>(55,660/500*200)</i>
Dec	31	Unrealized Loss-Trading Securities	1,296		
		Fair Value Adjustment		1,296	

<i>Cost</i>	<i>\$55,660/500*300</i>	<i>33,396</i>
<i>Mkt</i>	<i>\$107*300</i>	<i>32,100</i>
	<i>Unrealized Loss</i>	<u><u><i>1,296</i></u></u>

B.				
	a	Long-term Investments	200,000	
		Cash		200,000
	b	Cash	8,000	<i>(\$200,000*.08*6/12)</i>
		Interest Income		8,000
	c	Cash	200,000	
		Long-term Investments		200,000

**C.**

	a	Long-Term Investments-Stooge	630,000		(30,000 shares*\$21)
		Cash		630,000	
	b	Cash	30,000		(30,000 shares*\$1)
		Long-Term Investments-Stooge		30,000	
	c	Loss from Long-Term Investment	5,100		(\$17,000 loss*30%)
		Long-Term Investments-Stooge		5,100	

*Carrying Value*

<i>Original Investment</i>	<i>630,000</i>
<i>Less Dividend</i>	<i>30,000</i>
<i>Less Share of Loss</i>	<i>5,100</i>
<i>Carrying Value of Invest 12-31</i>	<u><u><i>594,900</i></u></u>

	d	Cash	189,500		(\$17,000 loss*30%)
		Loss on Sale of Long-term Investment*	8,800		
		Long-Term Investments-Stooge		198,300	(\$594,000/30,000*10,000)

*\*Loss Calculation*

<i>Carrying Value for 10,000 shares</i>	<i>198,300</i>	<i>(\$594,000/30,000*10,000)</i>
<i>Cash Proceeds</i>	<i>189,500</i>	
<i>Loss on Sale of LTI</i>	<u><u><i>(8,800)</i></u></u>	

D.

**JUMPIN' JIM COMPANY**  
**Statement of Cash Flows**  
**For Year Ended December 31, 2012**

**Cash flows from operating activities:**

Net income	\$130,710	
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in accounts receivable (\$70,250 - \$55,500)	-14,750	
Increase in inventory (\$210,800 - \$204,800)	-6,000	
Decrease in prepaid expenses (\$1,560 - \$250)	1,310	
Decrease in accounts payable (\$98,100 -	-57,010	
Depreciation expense	15,620	
Gain on disposal of equipment	<u>-10,200</u>	
Net cash provided by operating activities		\$59,680

**Cash flows from investing activities:**

Cash received from sale of equipment	16,820	
Cash paid for equipment	<u>-10,000</u>	
Net cash provided by investing activities		6,820

**Cash flows from financing activities:**

Cash borrowed on short-term note	5,000	
Cash paid on long-term note	-40,000	
Cash received from issuing stock (1,000 x \$5)	5,000	
Cash paid for dividends	<u>-45,000</u>	
Net cash used in financing activities		<u>-75,000</u>

Net decrease in cash	<b>(\$8,500)</b>
Cash balance at beginning of 2012	<u>62,900</u>
Cash balance at end of 2012	<u>\$54,400</u>