

Generally accepted accounting principles and stock

[Business](#), [Accounting](#)



Feb.. 28 Cash dividend Mar. 31 Bought shares Par. 1 Sale of rights June 30
 Sale of shares 2, 000 9, 000 6, 000 10, oho 1 . A cash dividend of POP. 50 per
 share were received on Feb.. 28. The adjusting entry (assuming the use of
 the cost method) is: a. Stock Investment 2, 000 Dividend income b. Retained
 earnings c. Dividend Income Stock investment d. Cash 2. On Marc 1 5, stock
 relents were receiver entitling congealers to purchase one share for every
 five held at PI 5 per share. Market values on this date were: shares, POP;
 rights, AS. The adjusting entry to recognize the cost allocated to the rights is:

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 POP, oho twice. D. Home Office recorded cash transfer of POP, 700 from
 Spenserian Branch as coming from ASPI Branch. E. Spenserian reversed a
 previous debit memo from Catboat Branch mounting to POI, 500. Home
 Office debited that this charge is appropriately ASPI Branch's cost. F.
 Spenserian recorded a debit memo from Home Office of PA, 650 as PA, 650.
 6. The net adjustment in the Home Office books related to the Spenserian
 Branch current amount is: POP, 700 a. B. 65, 700 . 86, 200 d. 94820 7. The
 net adjustment in Severance's books related to the Home Office account is:
 31 , 450 . 20, 950 10, 450 8.

Leila Ma's Flower Shop TRIAL BALANCE December 31, 2008 Cash Debit Credit
 P 102, 400 Accounts receivable Inventory, 12/31/2007 Furniture & fixtures
 Land improvements 64, 800 248, oho 472, 800 180, oho Accumulated
 depreciation, 12/31/2007 Accounts payable, 12/31/2007 Leila Mace's,
 Drawings Leila Mass, capital, 12/31/2007 PI 29, 600 68, oho 498, 400 sales
 Purchases Salaries Payroll taxes Insurance Rent Utilities Living expenses 1,

220, 400 696, oho 49, 600 34, 800 136, 800 50, 400 52, oho PA, 308, OHO PA, 309, 000 Leila Mace's has developed plans to extend into wholesale flower market and is in the process of negotiating a bank loan to finance the expansion. The bank is requesting 2008 financial statements prepared on the accrual basis of accounting from Leila Mace's. During the course of a review engagement, Marion, Leila Mace's accountant, obtained the following additional information. 1 . Amounts due from customers totaled IPPP, 000 at December 31 , 2008. 2.

An analysis of the above receivables revealed that an allowance for uncollectible accounts of PI 5, 200 should be provided. 3. Unpaid invoices for flower purchases totaled IPPP, 000 and POP, 000, at December 31, 2008, and December 31, 2007, respectively. . The inventory totaled IPPP, 200 based on a physical count of the goods at December 31, 2008. The inventory was priced at cost, which approximates market value. 5. On May 1, 2008, Leila Mae paid POP, 800 to renew its comprehensive insurance coverage for 1 year. The premium on the previous policy, which expired on April 30, 2008, was POP, 200. 6. On January 2, 2008, Leila Mae entered into 25-year operating lease for the vacant lot adjacent to Baron's retail store for use as a parking lot.

As agreed in the lease, Leila Mae paved and fenced in the lot at a cost IPPP, 000. The improvements were employed on April 1, 2008, and have an estimated useful life of 15 years. No provision for depreciation or amortization has been recorded. Depreciation on furniture and fixtures was POP, 000 for 2008. 7. Accrued expenses at December 31 , 2007 and 2008,

were as follows: 2000 2001 PA, 600 Payroll taxes 4, 400 P 6, oho 6, 400 page 3 8. Leila Mae is being sued for POP, 000. The coverage under the comprehensive insurance policy is limited to PI, 000, 000. Leila Mace's attorney believes that an unfavorable outcome is probable and that a reasonable estimate of the settlement is PI, 200, 000. 9.