

Solutions to Quiz 3 (Variant B)

Qs 1

Cash	27,000	Accounts payable	90,000
Accounts Receivable	45,000	Long term debt	60,000
Inventories	90,000	Common stock	52,500
Fixed Assets	138,000	Retained Earnings	97,500
Total Assets	300,000	Total liabilities and equity	300,000
Sales	450,000	Cost of Goods sold	337,500

Total Assets = **300,000** = Total Liabilities + Equity

Total Asset Turnover = $1.5 = \frac{\text{Total Sales}}{\text{Total Assets}} = \frac{\text{Total sales}}{300,000}$ which gives **Total sales = 450,000**

Gross Profit is 25% so COGS is 75% of 450,000 = **337,500**.

Debt to assets is 50% of 300,000 = **150,000** = Accts payable + Long term debt = accts payable + 60,000 which gives **accts payable as 90,000**

Common Stock is the balance entry = **52,500 (300,000-97,500-60,000-90,000)**

Sales turnover = 10 (365/36.5) = $\frac{\text{Sales}}{\text{Accts receivable}} = \frac{450,000}{\text{accts rece}}$ which gives **accts receivable = 45,000**

Inventory Turnover = 5 = $\frac{\text{sales}}{\text{inventories}} = \frac{450,000}{\text{inventories}}$ which gives **inventory = 90,000**

Current Ratio = 1.8 = $\frac{\text{current assets}}{\text{current liabilities}} = \frac{\text{cash}+\text{inventory}+\text{accts receivable}}{\text{current liabilities}} = \frac{x+90,000+45,000}{90,000}$ which gives **x (cash) = 27,000**

Fixed assets is the balancing entry. 27,000 + 45,000+90,000+fixed assets = 300,000 which gives **fixed assets = 138,000**

MCQ Both b

Solutions to Quiz 3 (Variant A)

Qs 1

Cash	54,000	Accounts payable	180,000
Accounts Receivable	90,000	Long term debt	120,000
Inventories	180,000	Common stock	105,000
Fixed Assets	276,000	Retained Earnings	195,000
Total Assets	600,000	Total liabilities and equity	600,000
Sales	900,000	Cost of Goods sold	675,000

Total Assets = **600,000** = Total Liabilities + Equity

Total Asset Turnover = $1.5 = \frac{\text{Total Sales}}{\text{Total Assets}} = \frac{\text{Total sales}}{600,000}$ which gives **Total sales = 900,000**

Gross Profit is 25% so COGS is 75% of 900,000 = **675,500**.

Debt to assets is 50% of 600,000 = **300,000** = Accts payable + Long term debt = accts payable + 120,000 which gives **accts payable as 180,000**

Common Stock is the balance entry = **105,000 (600,000-195,000-120,000-180,000)**

Sales turnover = 10 (365/36.5) = $\frac{\text{Sales}}{\text{Accts receivable}} = \frac{900,000}{\text{accts rece}}$ which gives **accts receivable = 90,000**

Inventory Turnover = 5 = $\frac{\text{sales}}{\text{inventories}} = \frac{900,000}{\text{inventories}}$ **which gives inventory = 180,000**

Current Ratio = 1.8 = $\frac{\text{current assets}}{\text{current liabilities}} = \frac{\text{cash} + \text{inventory} + \text{accts receivable}}{\text{current liabilities}} = \frac{x + 180,000 + 90,000}{180,000}$ which gives **x (cash) = 54,000**

Fixed assets is the balancing entry. 99,000 + 75,000 + 150,000 + fixed assets = 600,000 which gives **fixed assets = 276,000**

MCQs Both a