

Make the T account entries for the following transactions:

1. Company ABC issues 100 shares for \$5 each
  - a. Common stock: \$500 credit
  - b. Cash: \$500 debit
2. Company ABC purchases widget inventory from its supplier for \$50 (each widget costs \$2)
  - a. Inventory: \$50 debitCash: \$50 credit
  - b.
3. Company ABC purchases inventory from its supplier on account for \$60 (each widget costs \$2)
  - a. Inventory: \$60 debit
  - b. Accounts payable: \$60 credit
4. Company ABC purchase inventory from its supplier half cash and half on account for \$80 total (each widget costs \$2)
  - a. Inventory: \$80 debit
  - b. Cash: \$40 credit
  - c. Accounts payable: \$40 credit
5. Assuming that Company ABC has 100 widgets in inventory at the beginning of the year (beginning inventory), how many widgets does Company ABC have at this point in time.
  - a.  $100 + 25 + 30 + 40 = 195$
6. Company ABC pays back \$30 to supplier for previous purchase on account
  - a. Accounts payable: \$30 debit
  - b. Cash: \$30 credit
7. Company ABC sells 3 widgets for a selling price of \$20 each
  - a. Cash: \$60 debit
  - b. Inventory: \$60 credit
8. Company ABC sells 4 widgets for a selling price of \$20 each, but the customer pays on account
  - a. Accounts receivable: \$80 debit
  - b. Inventory: \$80 credit
9. Company ABC sells 5 widgets for a selling price of \$20 each, but the customer pays half cash and half on account
  - a. Cash: \$10 debit
  - b. Accounts receivable: \$10 debit
  - c. Inventory: \$20 credit
10. Company ABC receives \$10 from customer for a previous sale on account
  - a. Cash: \$10 debit
  - b. Accounts receivable: \$10 credit
11. Company ABC purchased equipment for \$200 at the beginning of the year and uses straight line depreciation over 9 years. The equipment has a residual value of \$20. What is this year/s depreciation expense? What is next year's depreciation expense?
  - a. \$20, \$20
12. Insurance costs \$6 per month. What is this year/s insurance expense?
  - a. \$72
13. On January 1, beginning balance of prepaid rent is \$5. Rent is \$1 a month. It is now December 31. What is Rent Expense?
  - a. \$7
  - b. On December 31, the balance of prepaid rent is 0. What is the breakout of rent of expense that came from prepaid rent vs. cash?
    - i. Prepaid rent: \$5
    - ii. Cash: \$7
14. Independent Problem: Company ABC has beginning inventory worth \$10. Company ABC purchases \$100 of inventory throughout the year. At the end of the year, the ending balance of inventory of \$20. What is COGS?
  - a. \$90
15. Independent Problem: If beginning retained earnings is \$550, ending retained earnings is \$700, and the company distributed \$30 in dividends, what is this year's net income?
  - a. \$1220
16. What is the formula for gross profit?
  - a. Revenue - COGS
17. On the cash flow statement, list the correct order for the following: Cash Flow from Investing, Cash Flow from Financing, Cash Flow from Operating
  - a. Operating, investing, financing

18. T/F: purchase of PP&E should go under Cash Flow from Operating
  - a. F
19. T/F: SEC is the creator of accounting rules
  - a. F
20. Under accrual accounting, revenue is recognized when \_\_\_\_\_ while revenue is recognized when \_\_\_\_\_ under cash accounting
  - a. It is earned
  - b. Cash is paid
21. Accumulated Depreciation is what kind of account
  - a. Contra-asset
22. What is the difference between current assets and non-current assets?
  - a. Current assets are expected to be used or converted to cash while non-current assets aren't
23. T/F: dividends are expenses
  - a. F
24. What are three key assumptions of financial statements
  - a. Separate entity: business operation isn't impacted by personal activity
  - b. Going concern: businesses will continue operating into the foreseeable future
  - c. Monetary unity: reporting using national monetary unit (dollar), no adjustments for changes in purchasing power.