

Quiz 1

19
20

Instructions: There are 10 multiple-choice questions and 5 quantitative questions on the following pages. *Your final answers must be entered in the spaces provided on this cover page in order to be graded.*

Code of Conduct: By signing below you acknowledge that you are a member of a learning community at the Foster School of Business that is committed to the highest academic standards and that you adhered to these standards while completing this exam. Specific to this quiz, by signing below you acknowledge that you did not receive or give help to others, nor did you witness others receiving or giving help to others, during the quiz.

Signature: Jack Carile Date: 10/14/09
Your quiz will not be graded without signature above.

Answer Key:

Multiple Choice Answers:

1 A	3 B	5 D	7 D	9 D
2 B	4 B	6 D	8 E	10 E

Quantitative Answers:

11 \$ 18,000	13 \$ 10,950	15 \$ 5,750
12 \$ 22,100	14 \$ 3,300	

Multiple Choice Questions (1 point each)

Be sure to record your answers in the spaces provide on the cover sheet.

1. If a company has stockholders' equity of \$60,000 at the end of the year, which of the following statements is always true?

- ☒ a. The company's assets exceed liabilities by \$60,000.
- ☐ b. The company has issued \$60,000 of common stock.
- ☐ c. Net income for the year equals \$60,000.
- ☐ d. Total revenues earned during the year equal \$60,000.

$$SE = CS + RE$$

$$60,000 =$$

2. Zonko's Inc. had the following final balances after the first year of operations: Assets, \$35,000; stockholders' equity, \$15,000; dividends, \$3,000; and net income, \$10,000. What is the amount of Zonko's liabilities?

- a. \$35,000.
- ☒ b. \$20,000.
- c. \$13,000.
- d. \$7,000.

$$A = L + SE$$

CS RE

$$35,000 = L + 15,000$$

3. The costs of providing goods and services to customers are referred to as:

- a. Assets.
- ☒ b. Expenses.
- c. Liabilities.
- d. Revenues.

RE	
500	
15	100
585	

CS	
600	
	25
625	

585
625
1216

4. On January 1, 2010, Weasley Brothers Inc. started the year with a \$500,000 credit balance in retained earnings and a \$600,000 credit balance in common stock. During 2010, the company earned net income of \$100,000, paid a dividend of \$15,000, and issued more common stock for \$25,000 cash. What is total stockholders' equity on December 31, 2010?

- a. \$1,100,000
b. \$1,210,000
c. \$1,225,000
d. \$1,240,000

	CS	RE
	500,000	600,000
CS	25,000	
NI		100,000
Div		15,000
	525,000	710,000

5. At the beginning of 2009, Gandalf Company reported \$10,000 in cash on its balance sheet. At the end of 2009, Gandalf reported \$12,000 in cash on its balance sheet. Gandalf had net operating cash flows of (\$5,000) and net financing cash flows of (\$2,000) during 2009. What did Gandalf report as net investing cash flows during 2009?

- a. (\$1,000)
b. \$5,000
c. \$12,000
d. \$9,000

10,000
(5,000)
(2,000)
12,000

6. GAAP is an abbreviation for:

- a. Generally authorized accounting procedures.
b. Generally applied accounting procedures.
c. Generally accepted auditing practices.
d. Generally accepted accounting principles.

7. When a company sells an inventory item that cost \$70 for a sales price of \$100 on account, what is the effect on the accounting equation for the company?

- a. Decrease stockholders' equity and decrease assets.
b. Increase liabilities and increase assets.
c. Decrease assets and decrease liabilities.
d. Increase assets and increase stockholders' equity.

$$A = L + SE$$

$$100 = 70 +$$

Cash SE
↑ 100 = 70 + 30

ARR

$$100 = 70$$

8. The following statements pertain to recording transactions. Which of them are true?

- I. Total debits should equal total credits.
- II. It is possible to have multiple debits or credits in one journal entry.
- III. Assets are always listed first in journal entries.
- IV. Some journal entries will have debits only.

- a. I only.
- ☒ b. I and II.
- c. I, II, and IV.
- d. II, III, and IV.
- e. All comments are true.

9. Which of the accounts are increased with a debit and decreased with a credit?

- a. Liabilities, stockholders' equity, and revenues.
- b. Dividends, liabilities, and assets.
- c. Expenses, dividends, and stockholders' equity.
- ☒ d. Assets, dividends, and expenses.

Dividends
Expenses
Assets

10. On March 27, Buckbeak Inc. purchased a desk for \$450 on account from Snape Inc. On March 28, Buckbeak purchased another desk for \$500 on account from Snape. On March 29, Buckbeak paid \$400 of the \$950 it owed Snape. At the end of March, what amount should Buckbeak report for the desks asset account (assuming these two desks were the only desks they had)?

- a. \$50.
- b. \$450.
- c. \$500.
- d. \$550
- ☒ e. \$950.

	Acct	Dr	Cr
1	Desk A/P	450	450
2	Desk A/P	500	500
3	A/P Cash	400	400

Numeric Questions (2 points each)

Be sure to record your final answers in the spaces provided on the cover sheet.

Use the following information for the next two questions.

Suppose Potter Company has total assets of \$40,000 and the following individual balance sheet accounts:

Accounts	Balances
✓ Land	\$ 9,000 —
✓ Building	? —
• Salaries payable	3,700 •
Common stock	?
• Accounts payable	2,600 •
✓ Cash	5,300 —
Retained earnings	11,600
✓ Supplies	3,200 —
✓ Machinery	4,500 —

$$A = L + SE \quad (CS = RE)$$

$$40 = 6,300 + (CS + RE)$$

$$33,700 = CS + RE$$

$$33,700 - CS = 11,600$$

11. How much is Potter Company's **Building** balance?

18,000

12. How much is Potter Company's **Common Stock** balance?

22,100

Use the following information for the next three questions.

Granger's Tutoring Center, a brand new company, starts with a cash balance of \$4,200 as of 1/1/09. It records the following transactions during the month of January:

- Sell common stock for \$10,000.
- Purchase equipment for \$11,500 on account
- Pay employee salaries of \$3,700.
- Provides services to customers for \$6,200 cash and \$800 on credit.
- Pay for 1/2 of the equipment purchased earlier in the month.

3700
5750
9450

13. What is Granger's **cash** balance as of 1/31/09?

Ref #	Acct	Pr	Cr
i)	Cash (A)	10,000	
	C/S (SE)		10,000
ii)	Equipment (A)	11,500	
	Equipment payable (L)		11,500
iii)	Salary expense (Exp)	3,700	
	Cash (A)		3700
iv)	Cash service rev.	6200	
			6200

15750
11600
4150

14. What is Granger's **net income** for the month of January?

v)	Accounts Receivable service rev	800	
			800
vi)	A/P cash	5750	
			5750

15. What is Granger's **total liabilities** balance as of 1/31/09?

Cash	
4200	3700
10,000	5750
6200	
<hr/>	
10,950	

Equipment	
11,500	
<hr/>	
11,500	

A/R	
800	
<hr/>	
800	

Equip Payable ✓	
	11,500
5750	
<hr/>	
5750	

Salary Exp ✓	
3700	
<hr/>	
3700	

Service Rev ✓	
7000	
<hr/>	
7000	

Common stock	
	10,000
<hr/>	
10,000	

6			8					
5	4			7				
		7				6	3	
	7		2		8			3
9			3		7			1
4			5		1		8	
	5	6				2		
				5			7	9
					4			5

Very hard

1								6
			9		6			
	7	6	3		4	8	1	
	6			3			5	
3								2
	9			8			4	
	3	5	7		9	2	8	
			8		2			
8								5

Magic Sudoku

			3					6
	8							
	4						7	
				5				
					2			
		1						
							9	