

ACCT 215 Fall 2009 Quiz #3a

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Quiz Section Number: Da

Instructions: There are 20 points possible. Please write your answers in the space provided at the top of the page. **Answers written anywhere else will not be graded.**

ANSWERS: 1a. <u>UL: 8,000</u> ✓	3a. <u>113.2</u> ✓	5. <u>B</u> ✓
1b. <u>Balance sheet</u> ✓	3b. <u>146.6</u> ✓	6. <u>440,000</u> ✓
2a. <u>RG: 8,000</u>	4. <u>Fifo</u> ✓	7. <u>C</u> ✓
2b. <u>Income statement</u> ✓		

Husky, Inc.'s fiscal year ends December 31. The company bought 4,000 shares of IBM's stock for \$20 per share on August 1, 2007. This represents less than a 1% ownership interest in IBM. Fair market value per share of IBM stock at the end of 2007 was \$18 per share and at the end of 2008 was \$24 per share. Husky, Inc. held the shares of IBM until March 1, 2009, when it sold all of its shares in IBM for \$22 per share.

Assuming Husky, Inc. classified its investment in IBM as Available For Sale Securities:

1a) What would be the gain or loss associated with this investment **at the end of 2007**? Write the amount and indicate unrealized gain by UG, realized gain by RG, unrealized loss with UL, and realized loss with RL. (2 pts)

UL = 8,000

80,000
72,000 24,000

1b) Which financial statement is this gain or loss reported on? (2 pts)

Balance Sheet

Assuming Husky, Inc. classified its investment in IBM as Trading Securities:

2a) What would be the gain or loss associated with the sale of this investment on **March 1, 2009**? Write the amount and indicate unrealized gain by UG, realized gain by RG, unrealized loss with UL, and realized loss with RL. (3 pts)

RG = 8,000

2b) Which financial statement is this gain or loss reported on? (2 pts)

Income Statement

3) Husky Inc. uses a **weighted-average** cost flow assumption and a **perpetual** accounting system. The following items represent events affecting Husky Inc.'s inventory during the current year:

- Beginning balance: 30 units @ \$5 each
- Purchase #1: 15 units @ \$7 each
- Sale #1: 20 units
- Purchase #2: 25 units @ \$9 each
- Sale #2: 30 units

141.50

$$25 \times 5.66 = 141.5$$

$$25 \times 9 = 225$$

$$366.5 / 50 = 7.33$$

a) What is the Cost of Goods Sold (COGS) amount associated with the first sale? (2 pts)

$$20 \times 5.66 = 113.2$$

b) What is Husky's Ending Inventory balance (in dollars, not units)? (2 pts)

$$146.6$$

