

Quiz 1

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**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.

Date: 10/14/09

**Answer Key:**

Multiple Choice Answers:

1 A	3 <del>B</del> B	5 <del>D</del> D	7 D	9 D
2 <del>X</del>	4 B	6 D	8 B	10 E

Quantitative Answers:

11 \$18,000	13 <del>\$2,250</del> \$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.
  
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. 25,000
  - ☒ c. \$13,000. 22,000
  - d. \$7,000.
  
3. The costs of providing goods and services to customers are referred to as:
  - a. Assets.
  - ☒ b. Expenses.
  - c. Liabilities.
  - d. Revenues.

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?

1,100,000

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

1,210,000

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

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.

Assets Rec 100

Sales Rev 100

Inventory 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.

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.

Desk	450	
acct pay		450
Desk	500	
acct pay		500
Acct py	400	
Cash		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	? -	$7,700 + 5,300 + 9,000$
Accounts payable	2,600 -	
Cash	5,300 ✓	$16,700 + 5,300$
Retained earnings	11,600 -	$22,000$
Supplies	3,200 ✓	
Machinery	4,500 ✓	

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

$$\text{Building} = 40,000 - 22,000$$

18,000

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

$$11,600 + 2,600 + 3,700 + x$$

$$14,200 + 3,700$$

$$17,900$$

$$40,000 - 17,900$$

$$22,100$$

Common Stock = 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  $\frac{1}{2}$  of the equipment purchased earlier in the month.

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

Cash 10,000  
Common Stock 10,000  
Equipment 11,500  
~~Cash~~  
Acct 11,500  
Salary Exp 3,700  
Cash 3,700

Cash 6,200  
Acct 800  
Service Rev 7,000  
Acct pay 5,750  
Cash 5,750

10,950

20,400	4,450
4,200	
10,000	3,700
6,200	5,750
10,950	

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

$$NI = R - E$$

$$\text{Service Rev} = 7,000$$

$$\text{Salary Exp} = 3,700$$

3,300

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

$$\text{Acct payable} = 11,500 \times .5$$

5,750

Hard

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	