

Variable
Assurance
Substantive

$$A = L + OE$$

Quiz #1
Acc 215
Andy Call

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1. The Federal Government recently placed an order for a made to order software with Microsoft Corporation. The total price of the project is \$4 million. The Government paid Microsoft \$2 million as advance. (2 points)

Microsoft should record the \$ 2 million as _____

- ☒ a. Liability ← \$ for things you haven't done yet
b. Revenue
c. Cash from operation
→ d. All the above
e. Other

2. For each description listed in items 1 through 4 below, select the letter of the accounting term (a through f) it best describes. (4 points)

Accounting terms

- a. Asset
~~b. Liability~~
~~c. Contributed capital~~
~~d. Revenue~~
~~e. Retained earnings~~
f. Expenses

- E 1. Total measured past earnings less amount distributed to owners
D 2. An increase in net assets generated from the sale of products
B 3. Owed and must be paid in the future
C 4. Amount invested in the firm by its owners

3. Given below are several accounts from Takin Company's accounting records. Answer the questions that follow.

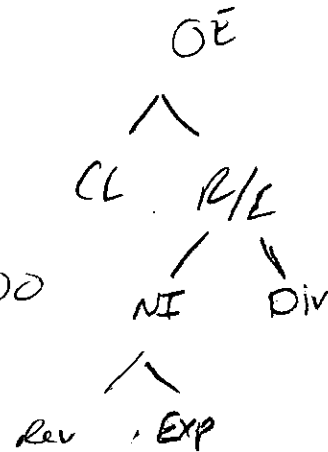
Cash	\$8,500	Ln
Depreciation Expense	4,000	-
Inventory	5,500	Ln
Capital stock	15,000	Ln
Patents	3,000	Ln
Accumulated Depreciation	8,000	-
Sales	50,000	Ln

Salaries expense 10,000 -
Rent expense 7,000 -
Other operating expenses 3,000 -

How much is net income for the year? (3 points)

50,000

26,000



4. For each transaction below, indicate the following for **each account**: 1) which accounts are affected, 2) in which direction (up or down), and 3) whether this account is a balance sheet or income statement account.

a. Company XYZ purchases \$5,000 worth of inventory. They pay \$2,000 cash and put the remainder on credit. (3 points)

$A = L + OE$

Accounts Affected	Direction	B/S or I/S
Cash - 2,000	↓	B/S
Accts Payable + 3,000	↑	B/S
Inventory + 5,000	↑	B/S

Balance sheet Income statement

b. Company XYZ recognizes \$1,000 of depreciation on its machinery. (4 points)

$A = L + OE$

- 2,000 - 3,000 + 5,000

Accounts Affected	Direction	B/S or I/S
Depreciation Expense - 1,000	↓	I/S
Cash - 1,000	↓	B/S

Answer
accumulated depreciation
A/D ↓ 1,000

depreciation Expense
Dep Exp ↓

c. Company XYZ sells \$2,000 worth of inventory for \$2,500 cash. (4 points)

Accounts Affected	Direction	B/S or I/S
Cash + 2,500	↑	B/S
Inventory - 2,000	↓	B/S
Retained Earnings + 500	↑	I/S - B/S

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Rev ↑ 2,500
Exp ↓ 2,000