

ACCT 215 Fall 2009 Quiz #1

Quiz Section Number:

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.

(19) SUNDAY 1-5

ANSWERS: 1. C ✓ 5a. Inventory increases \$500,000 6a. A/R increases \$75,000
 2. +\$2,000 ✓ 5b. A/P increases \$100,000 ✓ 6b. N/A ✓
 3. C -1 5c. N/A ✓ 6c. R.E. increases by \$100,000 (Revenue)
 4. C ✓

1) Which set of accounts is properly classified as "assets"? (2 pts)

- Land, accounts receivable, accounts payable
- Inventory, cash, retained earnings
- Prepaid rent, inventory, accounts receivable
- Dividend payable, cash, accounts receivable

RE 12,000
 D - 5,000
 RE 7,000 → 9,000
 (+2000)

2) If retained earnings were \$12,000 at the beginning of the period, \$5,000 in dividends were declared during the period, contributed capital remained unchanged, and retained earnings was \$9,000 at the end of the period, what was net income or loss for the period? (2 pts)

3) When is revenue recognized? (Choose the most correct response.) (2 pts)

- When cash is received from a customer
- When it is earned
- When it is earned or realized
- When it is earned and realized

12,000 - 5,000 = 7,000

4) What happens to assets when inventory is purchased using cash? (2 pts)

- Assets increase
- Assets decrease
- Assets remain unchanged

I C
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Please answer the following questions regarding each transaction by providing amounts and directions in your answer. Note: N/A may be an acceptable answer.

Example: Question: What happens to revenues? Answer: Revenues decrease by \$10

5) Starbucks purchases \$500,000 worth of coffee beans from its suppliers in Guatemala. Starbucks pays for 80% of its purchase with cash. The remaining 20% is purchased on open account (i.e. with credit).

- What happens to inventory? (2 pts)
- What happens to accounts payable? (2 pts)
- What happens to retained earnings? (2 pts)

C \$
 (400,000) 50,000
 L
 A/P
 100,000

6) Starbucks sells \$50,000 of this coffee for \$150,000. Half of all sales are made on open account.

- What happens to accounts receivable? (2 pts)
- What happens to accounts payable? (2 pts)
- What happens to retained earnings? (2 pts)

S C A/R RE
 (50,000) 75,000 75,000 E.R. C.L.
 12,000