

# ACCT 215 Fall 2009 Quiz #1

Quiz Section Number:

(19)

## 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.**

<b>ANSWERS:</b> 1. <u>C -1</u> 2. <u>C ✓</u> 3. <u>C ✓</u> 4. <u>\$2,000 ✓</u>	5a. <u>Inventory increases by \$200,000</u> 5b. <u>Accounts payable increase by \$40,000</u> 5c. <u>N/A ✓</u>	6a. <u>Accounts receivable increases by \$80,000</u> 6b. <u>N/A ✓</u> 6c. <u>Retained earnings \$120,000</u>
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- 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
- What happens to assets when inventory is purchased using cash? (2 pts)
  - Assets increase
  - Assets decrease
  - ☒ Assets remain unchanged
- 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
- 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)
 

7,000

**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**

- Starbucks purchases \$200,000 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).
 

200,000	160,000	40,000
160,000	40,000	

  - What happens to inventory? (2 pts)
  - What happens to accounts payable? (2 pts)
  - ☒ What happens to retained earnings? (2 pts)
- Starbucks sells \$40,000 of this coffee for \$160,000. Half of all sales are made on open account.
 

	120,000
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  - What happens to accounts receivable? (2 pts)
  - What happens to accounts payable? (2 pts)
  - ☒ What happens to retained earnings? (2 pts)

$$\begin{array}{r}
 (40,000) \\
 80,000 \\
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 120,000
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 = 80,000$$