

ACCT 215 Fall 2009 Quiz #5b

Quiz Section Number: Da

Instructions: There are 20 points possible. Choose or write the best possible answer for each question. Please write your answers in the space provided at the top of the page.

Answers written anywhere else will NOT be graded.

1. C 3

2.a) Equip 100,000
RE 80,000
A/D 20,000

2. b) C, 80,000 2

3. b 2

4. d 2

5. a 2

6. a 84,625 2

7. C 2

1) Tully's Coffee repurchased several shares of its own stock in 2008 for \$20/share. The stock had an original par value of \$5/share. On 1/1/2009 Tully's reissues one share of this treasury stock. Tully's stock is selling at \$22/share on 1/1/2009. **What journal entry will Tully's record when it reissues this one share of treasury stock? (3 pts)** 20/share.

a. Cash 22
Common Stock 5
APIC - C/S 15
APIC- T/S 2

c. Cash 22
Treasury Stock 20
APIC- T/S 2

b. Common Stock 20
APIC - T/S 2
Treasury Stock 22

d. Cash 22
Common Stock 20
APIC- C/S 2

2) In 2008 Starbucks purchased 100 espresso machines and accidentally expensed the machines instead of correctly capitalizing them. The machines cost \$1,000 each (\$100,000 in total) and have an estimated useful life of five years with zero salvage value. Starbucks' controller realizes that the company made this mistake at the beginning of 2009. Exp 100,000
Exp 100,000
Cash 100,000
100,000 expensed - 0
20,000/year

2a) What is the correcting journal entry/entries that should be made on January 1, 2009? (4 pts) RE 80,000

Equipment 100,000
RE 80,000
A/D 20,000

2b) What was the net effect of this error on 2008 net income? If you choose b) or c), also indicate the appropriate amount in the answer box above. (2 pts)

a) No effect on 2008 net income

b) 2008 net income was too high by _____

c. 2008 net income was too low by 80,000

3) Tully's Coffee is considering issuing a 5% stock dividend. Currently it has 100,000 shares of common stock outstanding. These shares have a \$1 par value/share and a \$10 market value/share. **What journal entry does Tully's Coffee make at the date of payment? (3 pts)**

a. Stock Dividend	50,000	c. Stock Dividend	5,000
Common Stock	45,000	APIC - C/S	45,000
APIC - C/S	5,000	Common Stock	50,000
(b) Stock Dividend	50,000	d. Stock Dividend	5,000
Common Stock	5,000	Common Stock	500
APIC - C/S	45,000	APIC - C/S	4,500

Use the following information to answer questions 4 and 5. (2 pts each)

Amanda, Inc. began operations in 2007 and immediately issued 50,000 shares of cumulative preferred stock. The preferred stock pays a \$2 annual cash dividend per share. Amanda, Inc. reported a \$300,000 loss in 2007, a \$100,000 loss in 2008, and a \$200,000 profit in 2009. *2/share.*

- 4) What amount of cash dividends does Amanda, Inc. owe to its preferred stockholders at the end of 2009?
a. \$0 b. \$100,000 c. \$200,000 **(d) \$300,000**
- 5) What amount of cash dividends will Amanda, Inc. pay to its preferred stockholders at the end of 2009?
(a) \$0 b. \$100,000 c. \$200,000 d. \$300,000

6) A company's 2009 Income Statement included the following:

Income before Taxes	\$299,000
<u>(Tax Expense)</u>	<u>(99,625)</u>
Net Income	<u>199,375</u>

During the same period, the company's Deferred Tax Liability account increased by \$15,000. **What amount of cash does the company owe the IRS for taxes in 2009 (i.e. what amount of tax is on the company's 2009 tax return)? (2 pts)**

99,625
Total Expense
DTL
15,000
84,625

84,625

7) Starbucks is being sued by one of its coffee bean suppliers for significant contract violations. Starbucks' attorneys are almost certain that Starbucks is going to lose the lawsuit, and they estimate that Starbucks will have to pay the coffee bean supplier \$300,000. Based on these facts, **Starbucks should (2 pts):**

- a) Not worry about telling its shareholders about the case until the lawsuit is settled
b) Just disclose the information in the footnotes of its annual report
(c) Record a \$300,000 loss as soon as the amount of loss is reasonably estimable
d) Make an announcement about the lawsuit at its next shareholders' meeting

SECTION NOT GRADED

Where is a good place to go skiing this time of year? The cheaper and closer to Seattle, the better!

Snogualmie, crystal