

Quiz 1

18
20

St _____

Section Time: 2:30

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.

Signature: [Signature] Date: 10/14
Your quiz will not be graded without signature above.

Answer Key:

Multiple Choice Answers:

1 A	3 B	5 D	7 D	9 D
2 B	4 B	6 D	8 B	10 E

Quantitative Answers:

11 \$18,000	13 6 50	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.

A ↑

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.
c. \$13,000.
d. \$7,000.

35,000 =

15,000 + L

3. The costs of providing goods and services to customers are referred to as:

✓ a. Assets.
☒ b. Expenses.
c. Liabilities.
d. Revenues.

X

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?

	R/E	C/S	Total
Jan 1.	500,000	600,000	1,100,000
	85,000	25,000	
	<hr/> 585,000	<hr/> 625,000	

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

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?

	12,000	
	5,000	
	<hr/> 2,000	(7,000)

- 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 ↑ =

Rev ↑ SE ↑

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.

27

Desk Equip

450

Account Pay

450

28

Desk

500

Account Pay

500

29

Account Pay

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
A Land	\$ 9,000
A Building	?
L Salaries payable	3,700
SE Common stock	?
L Accounts payable	2,600
A Cash	5,300
SE Retained earnings	11,600
A Supplies	3,200
A Machinery	4,500

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

$$\begin{array}{r}
 \checkmark \quad 40,000 \\
 \text{As} \quad 9,000 \\
 22,000 \quad 5,300 \\
 \quad \quad 3,200 \\
 \quad \quad 4,500 \\
 \hline
 40,000 =
 \end{array}
 \begin{array}{r}
 \text{L} \\
 3,700 \\
 2,600 \\
 \hline
 6,300
 \end{array}
 \begin{array}{r}
 + \text{SE} \\
 11,600 \\
 \times \\
 \hline
 \end{array}$$

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

✓

17,900

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 1/2 of the equipment purchased earlier in the month.

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

		Dr.	Cr.
1.)	Cash	10,000	
	C/S		10,000
2	Equip	11,500	
	Account Pay		11,500
3	Salaries Exp	3,700	
	Cash		3,700

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

4	Cash	6,200	
	Service Rev		6,200
5)	Account Rec	800	
	Service R		800
6.)	Accounts Payable	5,750	
	Cash		5,750

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

Cash		R	-	E	NI
① 10,000	3,700 ②	6,200		3,700	
④ 6,200	5,750	800			
⑤ 4,200					
16,200	9,450				
<hr/>					
6,750.00					
4,200					
<hr/>					
10,950					
		7,000 - 3,700 = 3,300			
		<hr/>			
		Accounts Pay			
		5,750 11,500			
		<hr/>			
		5,750			

Quiz 2

Name: Diego Colmenero

Student Number: 0821163

TA: Ed dehan

Section Time: 2:30

Instructions: There are 12 questions on the following pages. *Your final answers must be entered in the spaces provided on this cover page in order to be graded.*

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Signature: [Signature]
Your quiz will not be graded without signature above.

Date: 10/30/01

1.	True
2.	D
3.	D
4.	D
5.	D
6.	C

7.	C
8.	A
9.	\$ 13,400
10.	6
11.	\$ 60
12.	\$ 350,000

1. True or False? When a company sells a \$100 service with a 20% trade discount, the company recognizes \$80 of revenue.

2. Gershwin Paint Company shipped the wrong shade of paint to a customer. The customer agreed to keep the paint upon being offered a 15% price reduction. Gershwin would record this reduction by crediting accounts receivable and debiting:

- A. Sales.
- B. Sales discounts.
- ☒ C. Sales returns.
- ☐ D. Sales allowances.

SI

3. Which of the following would not need to be accounted for in a bank reconciliation?

- A. Deposits outstanding recorded by the company but not the bank.
- ☒ B. Interest earned recorded by the bank but not the company.
- C. NSF checks recorded by the bank but not by the company.
- ☐ D. Checks written by the company and recorded by the bank.

4. Which of the following does not change net accounts receivable?

- A. Returned items that were purchased on credit.
- ☒ B. Collections from customer who purchased items on account.
- C. The recording of bad debt expense.
- ☐ D. Writing off a customer's account.

*Allowance for Bad Debt
Rec*

5. After preparing a bank reconciliation, the service fee charged by the bank would be recorded with:

- ☒ A. A credit to service charge expense.
- B. A debit to cash.
- C. A credit to service fee revenue.
- ☐ D. A debit to service charge expense.

E ↑ RE ↓

DEA/LOR

B D Ex
A/R

6. Under the direct write-off method, what journal entry is recorded at the time a customer's account is deemed uncollectible?

- A. Debit bad debt expense, credit the allowance for uncollectible accounts.
- B. Debit the allowance for uncollectible accounts, credit accounts receivable.
- ☒ C. Debit bad debt expense, credit accounts receivable.
- D. No journal entry is required.

7. The following information is about the cash balances for Mooner Sooner Corporation at the end of 2010:

Bank balance: \$8,000
Checks outstanding: ~~\$5,800~~
Note collected by the bank: \$1,500
Service fee: \$20
Deposits outstanding: \$4,000
Interest on savings account: \$100
NSF check (bad check) returned for \$300

Mooner
8000
- 5800
1500
- 20
4000
100
- 300

4180

8000
- 1500
200
100
- 300

6200

What is the correct cash balance for Mooner Sooner? 7480

- A. \$10,200
- B. \$7,400
- ☒ C. \$6,200
- D. \$6,160

8000
- 5800
4000

6200

8. At December 31, Gill Company reported gross accounts receivable of \$238,000 and an allowance for uncollectible accounts of \$600 (credit balance). An analysis of accounts receivable suggests that the allowance for uncollectible accounts should be 3% of outstanding accounts receivable. The amount of the adjusting entry to recognize bad debt expense for the period would be:

- ☒ A. \$6,540.
- B. \$7,800.
- C. \$7,140.
- D. \$7,740.

$$238000 \times .03 = 7140$$

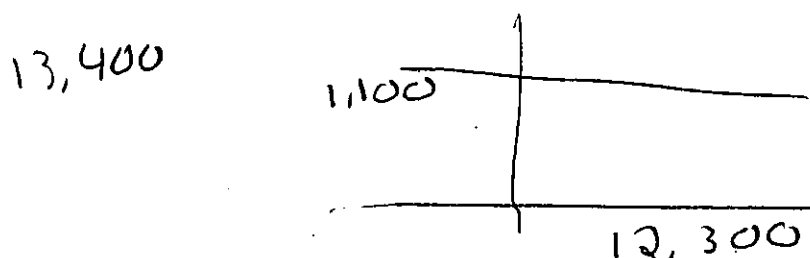
600
7140

←

9. Gacho Company has the following balances on December 31, 2009, before any adjusting entries: Gross accounts receivable = \$80,000; allowance for uncollectible accounts = \$1,100 (debit balance). Gacho estimates uncollectible accounts based on an aging of accounts receivable as shown below.

Age Group	Amount Receivable	Estimated Percent Uncollectible	
Not yet due	\$48,000	5%	2400
0-30 days past due	18,000	15%	2700
31-90 days past due	10,000	40%	4000
More than 90 days past due	4,000	80%	3200
Total	<u>\$80,000</u>		<u>12,300</u>

What is the amount that Gacho will record as bad debt expense on December 31, 2009?



10. Sandburg Veterinarian reports the following information for the year:

Net credit sales	\$120,000
Average accounts receivable	20,000
Cash collections on credit sales	100,000

What is Sandburg's receivables turnover ratio?

$$\frac{\text{Net cr sales}}{\text{Avg. ACR}} = \frac{120,000}{20,000} = 6$$

11. On February 1, 2010, Middle Corporation loans Outside Company \$1,000 cash for six months. The annual interest rate on the note is 12%. How much interest revenue will Middle report during 2010?

$$\begin{aligned} 1000 \times .12 \times \frac{1}{2} &= \\ 120 \times \frac{1}{2} &= \\ 60 &= \end{aligned}$$

12. A company reports the following amounts at the end of the year: Total sales = \$400,000; cash = \$35,000; sales discounts = \$10,000; accounts receivable = \$20,000; sales returns = \$15,000; cost of goods sold = \$70,000; sales allowances = \$25,000. What does the company report as net sales?

Gross:	400,000
-	10,000
	15,000
	25,000
	<hr/>
Net	350,000