

ACCT 215 Fall 2008 Quiz #2

Quiz Section: DC

Instructions -

- You must complete this quiz on your own without help from others. You may use outside materials (e.g., your text, notes, etc.) to complete the quiz.
- There are 33 possible points.
- Read each question carefully.
- The quiz is due at the beginning of the quiz section on Oct 10, 2008.

Please answer each question. (3 points each)

1. In 2008 a firm reports total revenues of \$10,000 and total expenses of \$4,000. The Retained Earnings balance at the beginning of 2008 was \$12,000. The firm pays a dividend of \$1,000. What is the Retained Earnings balance at the end of 2008?

\$17,000

$$10 - 4 = 6k$$

$$12 + 6 = 18k - 1k = 17$$

2. A firm records depreciation expense of \$400 at the end of January. In early February (within the same accounting period) the firm realizes that it should have only recorded \$200 of depreciation expense. Provide the journal entry to fix this error.

Date	Ref #	Accts	Debits	Credits
Early Feb.	1	Accumulated Depreciation	200	
		Depreciation Expense		200

3. Which of the following transactions would not affect owners' equity? (circle one answer)

- a. recording cost of goods sold
- b. recording a cash sale
- c. recording a sale on account
- d. recording rent expense
- ☒ e. purchasing supplies for cash

4. Which of the following accounts normally have a debit balance? (circle one answer)

- ☒ a. Merchandise Inventory, Rent Expense, Prepaid Rent
- b. Merchandise Inventory, Common stock, Sales, Prepaid Rent
- c. Common stock, Accumulated Depreciation, Sales, Accounts Payable
- d. Rent Expense, Accumulated Depreciation, Accounts Payable
- e. Merchandise Inventory, Common stock, Accumulated Depreciation, Accounts Payable

5. The entry to record the cost of merchandise inventory sold involves a: (circle one answer)

- a. debit to Merchandise Inventory and a credit to Sales Revenue
- ☒ b. debit to Cost of Goods Sold and a credit to Merchandise Inventory
- c. debit to Merchandise Inventory and a credit to Cost of Goods Sold
- d. debit to Cost of Goods Sold and a credit to Sales Revenue
- e. debit to Merchandise Inventory and a credit to Accounts Receivable

6. The Chandelier Company purchased \$4,000 of merchandise inventory, paying cash for 20% of the purchase, with the remainder on account. The entry would include a: (circle one answer)

- ~~a. debit to Cash for \$800, debit to Accounts Payable for \$3,200, and credit to Merchandise Inventory for \$4,000~~
- ~~b. debit to Cash for \$800, debit to Notes Payable for \$3,200, and credit to Merchandise Inventory for \$4,000~~
- c. debit to Merchandise Inventory for \$4,000, credit to Cash for \$800, and credit to Notes Payable for \$3,200
- ☒ d. debit to Merchandise Inventory for \$4,000, credit to Cash for \$800, and credit to Accounts Payable for \$3,200
- ~~e. debit to Merchandise Inventory for \$800, and credit to Cash for \$800~~

7. Prepare the necessary journal entries for each of the transactions presented below for the Salisbury Company. (3 points each)

- a. Salisbury Company sold a \$5,000 gift card to a customer for cash.
- b. The company purchased equipment for \$8,000, paying \$2,000 in cash and the remainder in a note.
- c. The company paid cash for the current month's rent, which amounted to \$700, and the current month's utilities, which amounted to \$300.
- d. The customer who bought the gift card in "a" used the card to purchase \$4,800 of goods that Salisbury had in inventory at \$2,500.
- e. The company recognized \$900 depreciation on the equipment purchased in "b".

Journal Entries

Date	Ref #	Accts	Debits	Credits
N/A	①	Giftcard Unearned Revenue (L) Cash (A)	5,000 5,000	5,000
	②	Equipment (A) Cash (A) Notes Payable (L)	8,000 6,000	3,000 6,000
	③	Rent Expense (Exp) Cash (A)	700 700	700
	④	Utilities Expense (Exp) Cash (A)	300 300	300
	⑤	Giftcard Unearned Revenue ^(L) Sales (Rev)	4,800 4,800	4,800
	⑥	Inventory (A) Cost of goods sold (Exp)	2,500 2,500	2,500
✓	⑦	Depreciation Exp (Exp) Accumulated Depreciation (-A)	900 900	900