ACCT 215 Fall 2009 Quiz #1



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.

ANSWERS: 1 C _ ✓	5a. inventory increses socioso/ 6a. AR incresses 75,000
2. +2,000 √	5b. Accounts payable increas 100,000 6b. NIA
3. <u>b</u> -/	50. RE increses 400,000 - 2 60. REincress 104000 V
4. <u>C</u> , /	

- 1) Which set of accounts is properly classified as "assets"? (2 pts)
 - a) Land, accounts receivable, accounts payable
 - b) Inventory, cash, retained earnings
 - © Prepaid rent, inventory, accounts receivable
 - d) Dividend payable, cash, accounts receivable



- 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) A = C + C = Ca) When cash is received from a customer

 b) When it is earned

 c) When it is earned or realized
 d) When it is earned and realized

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

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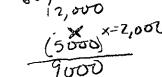
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- - (c) Assets remain unchanged



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 \$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).
 - a) What happens to inventory? (2 pts)
 - b) What happens to accounts payable? (2 pts)
 - c) What happens to retained earnings? (2 pts)
- 500,000 100 (46,000)

- Starbucks sells \$50,000 of this coffee for \$150,000. Half of all sales are made on open account.
 - a) What happens to accounts receivable? (2 pts) A=L + OE
 - b) What happens to accounts payable? (2 pts) 100,000
 - c) What happens to retained earnings? (2 pts) +74,000

