

ACCT 215 Fall 2009 Quiz #1

Quiz Section Number: DB

19 SUNDAY 1-5

- 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. <u>C ✓</u>	5a. <u>Inventory increases \$500,000</u>	6a. <u>A/R increases \$75,000</u>
2. <u>+\$2,000 ✓</u>	5b. <u>A/P increases \$100,000 ✓</u>	6b. <u>N/A ✓</u>
3. <u>C -1</u>	5c. <u>N/A ✓</u>	6c. <u>R.E. increases by \$100,000 (Revenue)</u>
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
- c) Prepaid rent, inventory, accounts receivable
- d) Dividend payable, cash, accounts receivable

$$\begin{array}{r}
 RE \quad 12,000 \\
 D \quad - 5,000 \\
 \hline
 RE \quad 7,000 \rightarrow 9,000 \\
 (+2,000)
 \end{array}$$

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) 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

$$\begin{array}{r}
 12,000 \\
 - 5,000 \\
 \hline
 7,000 \\
 + 2,000 \\
 \hline
 9,000
 \end{array}$$

$$Revenue + \text{Gains} - \text{Losses} - \text{Expenses}$$

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

- a) Assets increase
- b) Assets decrease
- c) Assets remain unchanged

$$\begin{array}{cc}
 I & C \\
 \uparrow & \downarrow
 \end{array}$$

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

5) 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)

$$\begin{array}{cc}
 C & \$ \\
 (400,000) & 500,000
 \end{array}$$

$$\begin{array}{cc}
 L & \\
 A/P & 100,000
 \end{array}$$

6) 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)
- b) What happens to accounts payable? (2 pts)
- c) What happens to retained earnings? (2 pts)

$$\begin{array}{ccc}
 S & C & A/R \\
 (50,000) & 75,000 & 75,000
 \end{array}$$

$$\begin{array}{cc}
 RE & \\
 E.R. & 100,000
 \end{array}$$

flow