

ACCT 215 Fall 2009 Quiz #1

Name: _____

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 increases 500,000 ✓ 6a. AR increases 75,000
 2. +2,000 ✓ 5b. Accounts payable increases 100,000 6b. N/A ✓
 3. b -1 5c. RE increases 400,000 - 2 6c. RE increases 100,000 ✓
 4. C ✓

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

$$\begin{array}{r} 12,000 \\ - 5,000 \\ \hline 7,000 \end{array}$$
- When is revenue recognized? (Choose the most correct response.) (2 pts) $A = L + OE$
 - When cash is received from a customer
 - When it is earned
 - When it is earned or realized
 - When it is earned and realized

$$\begin{array}{r} 500,000 \quad 100,000 \quad 400,000 \\ (50,000) \\ \hline 150,000 \end{array}$$
- What happens to assets when inventory is purchased using cash? (2 pts)
 - Assets increase
 - Assets decrease
 - Assets remain unchanged

$$\begin{array}{r} 600,000 \\ 12,000 \\ \hline 612,000 \end{array}$$

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

- 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).
 - What happens to inventory? (2 pts)
 - What happens to accounts payable? (2 pts)
 - What happens to retained earnings? (2 pts)

$$\begin{array}{r} 500,000 \\ (400,000) \\ \hline 100,000 \end{array}$$
- Starbucks sells \$50,000 of this coffee for \$150,000. Half of all sales are made on open account.
 - What happens to accounts receivable? (2 pts)
 - What happens to accounts payable? (2 pts)
 - What happens to retained earnings? (2 pts)

$$\begin{array}{r} 150,000 \\ (50,000) \\ \hline 100,000 \end{array}$$