

ACCTG 215
Fall 09
+17

Olivia's Optical – Quiz 2

There are 20 points possible on this quiz. You may use a calculator and scratch paper if you like. If I cannot tell what you answer is, I will mark it wrong so please write clearly.

Olivia's balance sheet as of Dec. 31 (not including the impact of the transactions listed below) is as follows:

Cash	\$106,700
Inventory	\$59,400
Prepaid Advertising	\$5,000
Net Accounts Receivable	\$33,200
Prepaid Rent	\$6,000
Net Property, Plant and Equipment	\$180,000
Notes Receivable	\$50,000
Accounts Payable	\$33,300
Wages Payable	\$10,500
Unearned Revenue	\$22,000
Paid-in-Capital (Common Stock)	\$50,000
Retained Earnings	?

- 1) Income taxes for the year total \$4000 and will be paid Jan. 15.
- 2) The note receivable carries a 12% annual interest rate. Olivia's last recorded interest on the note on September 30.
- 3) A year-end count shows that there is \$31,100 of inventory remaining.
- 4) On December 27, Olivia delivered half of the goods related to the unearned revenue above.
- 5) On December 1, rent of \$6,000 was paid for the next four months and was recorded as prepaid rent.
- 6) On November 1, Olivia paid \$5000 for an advertisement to be run 100 times. The ad was run 60 times in November and December.

1) Using the following key, for each transaction, write whether the adjusting entry involves a deferral or accrual, and whether it involves an expense or a revenue (6 points).

A: Deferred Expense B: Deferred Revenue
C: Accrued Expense D: Accrued Revenue

1: C 2: D 3: A 4: B 5: A 6: A

2) If necessary, please make the adjusting entries that Olivia would make on December 31 to record each of these transactions. If no entry is necessary, state this clearly rather than leaving an answer blank. (6 points)

1) Tax Expense

Taxes Payable

Dr.	Cr.
4,000	
	4,000

2) Interest Receivable

Interest Revenue

Dr.	Cr.
1,500	
	1,500

3) Inventory Expense Inventory	Dr. Cr. 24,300 24,300	4) Unearned Revenue Revenue	Dr. Cr. 11,000 11,000
5) Rent Expense PPA. Rent	Dr. Cr. 1,500 1,500	6) Advertising Expense PPA. Advertising	Dr. Cr. 5,000 5,000

3) What is Olivia's ending balance in retained earnings after all adjusting journal entries and the closing journal entry are made? (4 points).

a) There is not enough information to answer the question

b) \$319,500

c) \$343,800

d) \$295,200

e) It's possible to answer the question but I have no idea

f) None of the above

Assets = L + E

440,300 = 65,800 + 374,500

324,500

- 4,000

+ 1,500

- 28,300

+ 11,000

- 1,500

- 3,000

322,200

324,500

- 50,000

324,500

Ret. Earnings

4) (E3-18) The following is a partial adjusted trial balance as of December 31 for Patriot Corporation.

	Debit	Credit
Retained earnings		\$20,000
Dividends	\$2,000	
Service revenue		\$40,000
Interest revenue		\$5,000
Salaries expense	\$14,000	
Rent expense	\$5,000	
Advertising expense	\$2,000	
Depreciation expense	\$10,000	
Interest expense	\$4,000	

Prepare the necessary closing entries. (It is fine with me if you combine them into one big journal entry). (4 points)

Retained Earnings	Dr. Cr. 45,000 40,000	Retained Earnings	Dr. Cr. 35,000 45,000
Service Rev.		5,000	2,000 20,000
Interest Rev.			28,000
Retained Earnings	35,000		
Salaries exp.		14,000	
Rent exp.		5,000	
Ad exp.		2,000	
Dep. exp.		10,000	
Interest exp.		4,000	
Retained Earnings	2,000		
Dividends		2,000	