

# Mock first assignment results for Nikolai Golenko

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 Correct answers are hidden.

Submitted 14 Oct at 12:52

## Section A: Quiz

For each of the following **FIVE** questions A1 to A5 choose **TWO** correct/best answers.

### Question 1

4 / 4 pts

A1: Why is accounting the language of business?

- ☒ Firms use it to communicate externally.
- ☒ Firms use it to communicate internally.
- ☐ Businesses people speak the same language.
- ☐ It has only one set of rules, no 'accents'.

### Question 2

4 / 4 pts

A2: Transaction analysis proceeds as follows ...

- ☒ Transactions ... Journal ...
- ☐ Journal ... Transactions ...
- ☒ ... T-accounts ... Financial Accounts.
- ☐ ... Financial Accounts ... T-accounts.

**Question 3****4 / 4 pts****A3: For liabilities and equity**☐ Opening balance + debits - credits = closing balance☒ Opening balance + credits - debits = closing balance☒ Closing balance - opening balance = credits - debits☐ Opening balance + debits = closing balance + credits**Question 4****4 / 4 pts****A4: The direct write off method**☐ Records collection losses based on experience☐ Sets up an allowance for doubtful debt☒ Waits until a specific account is uncollectible then records the expense☒ Has the advantage of simplicity**Question 5****4 / 4 pts****A5: The following are investing activities**☒ Purchase of tangible assets☐ Payments to employees☒ Sale of long-term investments☐ Payment of dividend

### Section B: The Journal (4 transactions, 5 points each)

For each of the following **FOUR** transactions, choose **FIVE** answers for: ledger debited, value debited, ledger credited, value credited, explanation.

#### Question 6

5 / 5 pts

B1: Issue new shares for \$100,000

<u>Ref.</u>	<u>Accounts&amp;Explanation</u>	<u>Debit</u>	<u>Credit</u>
1	Cash	\$ 100,000	
	Equity		\$ 100,000
	Issued new shares		

Answer 1:

Cash

Answer 2:

\$ 100,000

Answer 3:

Equity

Answer 4:

\$ 100,000

Answer 5:

Issued new shares

#### Question 7

5 / 5 pts

B2: Purchase and pay for inventory \$40,000

<u>Ref.</u>	<u>Accounts&amp;Explanation</u>	<u>Debit</u>	<u>Credit</u>
2	Inventory	\$ 40,000	
	Cash		[ Select ]
	[ Select ]		

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**Answer 1:**

Inventory

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**Answer 2:**

\$ 40,000

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**Answer 3:**

Cash

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**Answer 4:**

\$ 40,000

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**Answer 5:**

Purchased inventory

**Question 8**

5 / 5 pts

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B3: Unpaid staff cost \$20,000

<u>Ref.</u>	<u>Accounts&amp;Explanation</u>	<u>Debit</u>	<u>Credit</u>
3	Equity	\$ 20,000	
	[ Select ]		[ Select ]
	Unpaid staff cost		

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**Answer 1:**

Equity

Answer 2:

\$ 20,000

Answer 3:

Accrued Liabilities

Answer 4:

\$ 20,000

Answer 5:

Unpaid staff cost

Partial

Question 9

3 / 5 pts

B4: Pay staff money owed \$15,000

<u>Ref.</u>	<u>Accounts&amp;Explanation</u>	<u>Debit</u>	<u>Credit</u>
4	Equity	\$ 15,000	
	<div>[ Select ]</div>		<div>[ Select ]</div>

Pay staff money owed

Answer 1:

Equity

Answer 2:

\$ 15,000

Answer 3:

Accounts Payable

Answer 4:

\$ 15,000

Answer 5:

Pay staff money owed

**Question 10**

20 / 20 pts

Section C: Ledgers (10 x 2 point)

Read the following text of 5 transactions.

"We sold our inventory ... and then invoiced the customers. Fortunately they paid the invoices ... so we paid off our credit card debt. Then we bought new inventory on our credit card."

Select one answer for **EACH** side of the **FIVE** ledgers.

Cash

Collected payment Paid off credit card

Receivables

Invoiced customers Collected payment

Inventory

Bought inventory on credit card Sold inventory

Short-Term Debt

Paid off credit card Bought inventory on credit card

Equity

Sold inventory Invoiced customers

**Answer 1:**

Collected payment

**Answer 2:**

Paid off credit card

**Answer 3:**

Invoiced customers

**Answer 4:**

Collected payment

**Answer 5:**

Bought inventory on credit card

**Answer 6:**

Sold inventory

**Answer 7:**

Paid off credit card

**Answer 8:**

Bought inventory on credit card

**Answer 9:**

Sold inventory

**Answer 10:**

Invoiced customers

## Question 11

Not yet graded / 20 pts

Section D: Balance sheet analysis (mini-essay 20 points).

Study the balance sheet below.

Cash	\$29,000
Receivables	\$1,000
Inventory	\$30,000
Tangibles	\$30,000
Intangibles	\$9,000
Investments	\$1,000
<b>Total assets</b>	<b>\$100,000</b>

Current liabilities are \$50,000

In no more than 10 lines, critically analyse the balance sheet above. Suggest a business the firm is in, justifying your choice based on your analysis. Text beyond line 10 will not be marked.

Your answer:

After analyzing the balance sheet I would say the company is in trouble. The current ratio test of 1,2 indicates the business is able to sell all its short-term debt. But if they don't sell their inventory it has a problem paying all the bills. Since the company has 60% of its assets in current assets, and the inventory makes up 30% of it, I would say it is a retailing business. The fact of

high tangible assets (30%), maybe a store, and low investments (1%) and low intangible assets (9%) supports that claim. Receivables of only 1% as a retailing business underlines my claim that the company is in trouble and not to be considered as a good acquisition.

## Question 12

20 / 20 pts

### Section E: Cash Flow (20 points)

Study the cash flow ledger.

Cash Ledger			
	<u>Debit</u>		<u>Credit</u>
Opening	\$	0	
Collections from customers	\$ 300	\$100	Purchase of tangibles
Sale of tangibles	\$300	\$200	Payment of debt principal
Issuance of shares	\$300	\$200	Payments to suppliers
Proceeds from loans	\$100	\$200	Purchase of intangibles
		<u>\$100</u>	Payments to employees
Closing	\$	200	

Select one label for each of the **NINE** cash flow lines below, based on if it is operating / investing / financing, the sign (plus or minus), and the size (\$100 / \$200 / \$300). Answer the **ONE** final question of the assignment, "What was the source of cash flow for this firm?"

Statement of Cash Flow		\$
<u>Operating cash flow</u>		
Payments to employees		- 100
Payments to suppliers		- 200
Collections from customers		+300
<u>Investing cash flow</u>		
Purchase of tangibles	- 100	
Purchase of intangibles	- 200	
Sale of tangibles	+300	
<u>Financing cash flow</u>		
Proceeds from loans	+100	
Payment of debt principal	- 200	
Issuance of shares	+300	
What was the source of cash flow? Financing cash flow		



**Answer 1:**

Payments to employees

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**Answer 2:**

Payments to suppliers

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**Answer 3:**

Collections from customers

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**Answer 4:**

Purchase of tangibles

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**Answer 5:**

Purchase of intangibles

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**Answer 6:**

Sale of tangibles

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**Answer 7:**

Proceeds from loans

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**Answer 8:**

Payment of debt principal

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**Answer 9:**

Issuance of shares

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**Answer 10:**

Financing cash flow