Mock first assignment results for Nikolai Golenko

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.

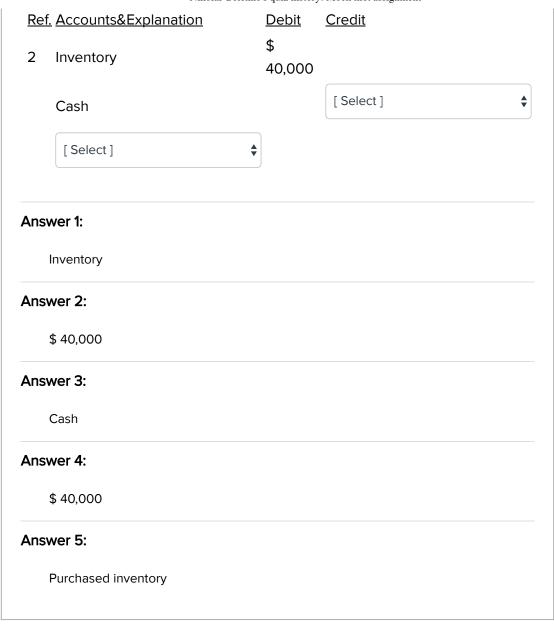
5 / 5 pts Question 6 B1: Issue new shares for \$100,000 Ref. Accounts&Explanation Debit Credit Cash \$100,000 1 \$100,000 Equity Issued new shares **Answer 1:** Cash Answer 2: \$ 100,000 Answer 3: Equity Answer 4: \$100,000 Answer 5: Issued new shares

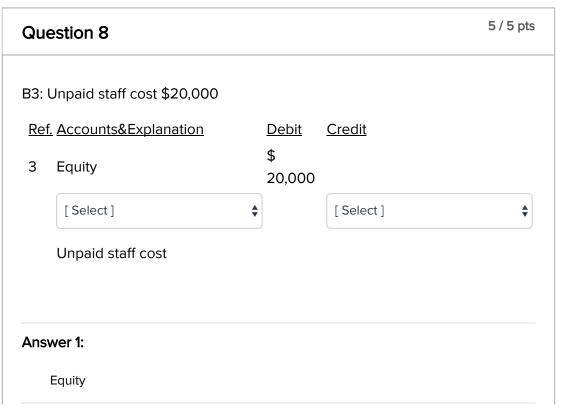
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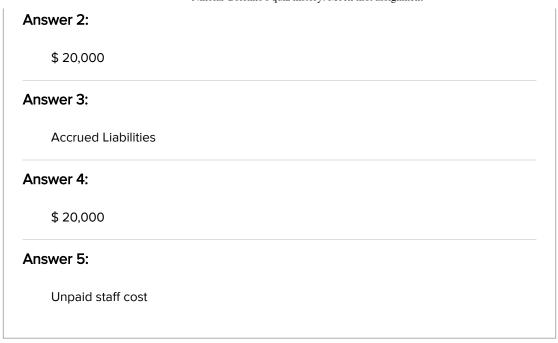
B2: Purchase and pay for inventory \$40,000

Question 7

5 / 5 pts







3 / 5 pts **Partial** Question 9 B4: Pay staff money owed \$15,000 Ref. Accounts&Explanation <u>Debit</u> Credit \$ Equity 15,000 [Select] [Select] 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

<u>Inventory</u>

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

Total assets \$100,000

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
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Section E: Cash Flow (20 points)

Study the cash flow ledger.

Cash Ledger

Debit Credit

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

_____ \$100 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	\$
Operating cash flow	
Payments to employees	- 100
Payments to suppliers	- 200
Collections from customers	+300
Investing cash flow	
Purchase of tangibles	- 100
Purchase of intangibles	- 200
Sale of tangibles	+300
Financing cash flow	
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	i
Answer 2:	
Payments to suppliers	
Answer 3:	
Collections from custom	ners
Answer 4:	
Purchase of tangibles	
Answer 5:	
Purchase of intangibles	
Answer 6:	
Sale of tangibles	
Answer 7:	
Proceeds from loans	
Answer 8:	
Payment of debt princip	al
Answer 9:	
Issuance of shares	
Answer 10:	
Financing cash flow	