

Module 3 – Financial Accounting for MBAs, 4th edition by Easton, Halsey, Wild & McAnally

Practice Quiz

1. **Foot Locker, Inc.**, a retailer of athletic footwear and apparel, operates 3,921 stores in the United States, Canada, Europe and Asia Pacific. During its fiscal year ended in 2006, Foot Locker purchased merchandise inventory costing \$4,047 (\$ millions). Assume that Foot Locker makes all purchases on credit, and that its accounts payable is only used for inventory purchases. The following T-accounts reflect information contained in the company's fiscal 2005 and 2006 balance sheets (\$ millions).

Inventories		Accounts Payable	
2005 Bal.	1,151	381	2005 Bal.
2006 Bal.	1,254	361	2006 Bal.

What amount did Foot Locker pay in cash to its suppliers during fiscal year 2006?

- a. \$4,067 million
 - b. \$20 million
 - c. \$103 million
 - d. \$381 million
2. On December 31, 2005, the accounts of Leuz Architect Services showed credit balances in its Common Stock and Retained Earnings accounts of \$60,000 and \$30,000, respectively. The company's stock issuances for 2006 totaled \$12,000, and it paid \$10,000 cash dividends in 2006. During 2006, the company had net income of \$33,000. What is the total stockholders' equity for Leuz Architect Services at December 31, 2006?
- a. \$72,000
 - b. \$53,000
 - c. \$125,000
 - d. \$135,000

3. The adjusted trial balance at December 31, 2007, for Francis Real Estate Company includes the following selected accounts.

	Debits	Credits
Commissions Earned		\$84,900
Wages Expense	\$36,000	
Insurance Expense	1,900	
Utilities Expense	8,200	
Depreciation Expense	9,800	
Retained Earnings		72,100

Assume that the company has not yet closed any accounts to retained earnings. Prepare journal entries to close the temporary accounts above. Set up the needed T-accounts and post the closing entries. After these entries are posted, what is the balance of the Retained Earnings account?

- a. \$101,100
 b. \$72,100
 c. \$16,200
 d. \$29,000
4. **Lowe's** is the second-largest home improvement retailer in the world with 1,234 stores in 49 states. During its fiscal year ended in 2006, Lowe's purchased merchandise inventory at a cost of \$29,238 (\$ millions). Assume that all purchases were made on account and that accounts payable is only used for inventory purchases. The following T-accounts reflect information contained in the company's 2006 and 2005 balance sheets in millions.

Merchandise Inventories			Accounts Payable	
2005 Bal.	5,911		2,695	2005 Bal.
2006 Bal.	6,706		2,832	2006 Bal.

What amount did Lowe's pay in cash to its suppliers during fiscal-year 2006?

- a. \$29,238 million
 b. \$29,101 million
 c. \$137 million
 d. \$2,832 million

5. The adjusted trial balance as of December 31, 2009, for Haniceck Consulting contains the following selected accounts.

	Debits	Credits
Service Fees Earned		\$85,000
Rent Expense	\$22,000	
Salaries Expense	50,000	
Supplies Expense	4,000	
Depreciation Expense	18,000	
Retained Earnings		70,000

Prepare entries to close these accounts in journal entry form. Set up T-accounts for each account and record the adjusted trial balance amount in each account. Then, post the closing entries to the T-accounts. After these entries are posted, what is the balance of the Retained Earnings account?

- a. \$61,000
 b. \$67,000
 c. \$155,000
 d. \$79,000
6. Selected T-account balances for Bloomfield Company are shown below as of January 31, 2008; accounting adjustments have already been posted. The firm uses a calendar-year accounting period but prepares *monthly* adjustments.

Truck	Accumulated Depreciation-Truck
Jan. 31 Bal. 10,200	Jan. 31 Bal. 2,040

If the truck has a useful life of five years (or 60 months), how many months has Bloomfield owned the truck?

- a. 3 months
 b. 24 months
 c. 12 months
 d. 18 months

7. **Harley-Davidson** manufactures and sells motorcycles as well as retail parts and accessories throughout the world. The following information is taken from Harley-Davidson's fiscal 2005 annual report.

Selected Balance Sheet Data	2005	2004
Inventories	\$221,418	\$226,893
Accounts receivable	\$121,333	\$122,087

Harley-Davidson spent \$3,296,240 to purchase and manufacture inventories during its 2005 fiscal year. What is the cost of goods sold for Harley-Davidson's fiscal year ended 2005?

- a. \$3,301,715
 - b. \$3,296,240
 - c. \$3,290,765
 - d. \$3,300,000
8. **Harley-Davidson** manufactures and sells motorcycles as well as retail parts and accessories throughout the world. The following information is taken from Harley-Davidson's fiscal 2005 annual report.

Selected Balance Sheet Data	2005	2004
Inventories	\$221,418	\$226,893
Accounts receivable	\$121,333	\$122,087

Assume that Harley-Davidson had \$1,003,881 sales on credit during fiscal year 2005. What amount did the company collect from credit customers during the year?

- a. \$1,003,881
- b. \$1,004,635
- c. \$1,003,127
- d. \$1,247,301

9. The adjusted trial balance of Plumlee Corporation, dated December 31, 2007, contains the following selected accounts.

	Debit	Credit
Service Fees Earned		\$92,500
Interest Income		2,200
Salaries Expense	\$41,800	
Advertising Expense	4,300	
Depreciation Expense	8,700	
Income Tax Expense	9,900	
Retained Earnings		42,700

Prepare entries to close these accounts in journal entry form. Set up T-accounts for each of the ledger accounts and post the entries to them. After these entries are posted, what is the balance of the Retained Earnings account?

- a. \$42,700
 b. \$72,700
 c. \$12,700
 d. \$137,400
10. **Costco Wholesale Corporation** operates membership warehouses selling food, appliances, consumer electronics, apparel and other household goods at 471 locations across the U.S. as well as in Canada, Mexico and Puerto Rico. As of its fiscal year-end 2005, Costco had approximately 21.2 million members. Selected fiscal-year information from the company's balance sheets follow (\$ thousands).

Selected Balance Sheet Data	2005	2004
Merchandise Inventories	\$4,014,699	\$3,643,585
Deferred membership income (liability)	500,558	453,881

During fiscal 2005, Costco collected \$1,119,833 cash for membership fees. Calculate the membership fee revenue that Costco recognized during the year.

- a. \$500,558 thousand
 b. \$1,166,510 thousand
 c. \$1,119,833 thousand
 d. \$1,073,156 thousand