

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

Solutions to Practice Quiz

LO: 1

1.

Answer: a.

$\$381 + 4,047 - \$361 = \text{Payments} = \$4,067$. This is the amount in cash payments derived using the information in the accounts payable account.

LO: 4

2.

Answer: c

Leuz Architect Services Statement of Stockholders' Equity For Year Ended December 31, 2006			
	Common Stock	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 2005	\$60,000	\$30,000	\$90,000
Stock issuance	12,000		12,000
Dividends		(10,000)	(10,000)
Net income	<u> </u>	<u>33,000</u>	<u>33,000</u>
Balance at December 31, 2006	<u>\$72,000</u>	<u>\$53,000</u>	<u>\$125,000</u>

LO: 5

3.

Answer: a

Dec. 31	Commissions Earned	84,900
	Retained Earnings	84,900
	<i>To close the revenue account.</i>	

Dec. 31	Retained Earnings	55,900
	Wages Expense	36,000
	Insurance Expense	1,900
	Utilities Expense	8,200
	Depreciation Expense	9,800
	<i>To close the expense accounts.</i>	

The balance of Retained Earnings after closing entries are posted is \$101,100 credit (\$72,100 + \$84,900 - \$55,900).

LO: 1

4.

Answer: b

Payments to suppliers during the year totaled \$29,101 million. This is calculated using the accounts payable balances and the purchases from as follows: $\$2,695 + \$29,238 - \$2,832 = \$29,101$.

LO:5

5.

Answer: a

Dec. 31	Service Fees Earned	85,000
	Retained Earnings	85,000
	<i>To close the revenue account.</i>	

Dec. 31	Retained Earnings	94,000
	Rent Expense	22,000
	Salaries Expense	50,000
	Supplies Expense	4,000
	Depreciation Expense	18,000
	<i>To close the expense accounts.</i>	

Retained Earnings			
		70,000	Bal.
(2)	94,000	85,000	(1)
		61,000	Bal.

Supplies Expense			
Bal.	4,000	4,000	(2)
Bal.	0		

Depreciation Expense			
Bal.	18,000	18,000	(2)
Bal.	0		

Rent Expense			
Bal.	22,000	22,000	(2)
Bal.	0		

Service Fees Earned			
(1)	85,000	85,000	Bal.
		0	Bal.

Salaries Expense			
Bal.	50,000	50,000	(2)
Bal.	0		

After the accounts are closed, the balance in Retained Earnings is \$61,000.

LO: 2

6.

Answer: c

Monthly depreciation expense = \$10,200 / 60 months = \$170.

Bloomfield has owned the truck for 12 months (\$2,040 / \$170 = 12).

LO: 1

7.

Answer: a

We calculate COGS using the opening and closing inventory balances and the purchases during 2006, as follows: \$226,893 + 3,296,240 - 221,418 = \$3,301,715.

LO: 1

8.

Answer: b

We calculate cash received from credit customers using the opening and closing accounts receivable balances and the credit sales during the year, as follows: $\$122,087 + 1,003,881 - 121,333 = \$1,004,635$.

LO:5

9.

Answer: b

Dec. 31	Service Fees Earned	92,500
	Interest Income	2,200
	Retained Earnings	94,700
	<i>To close the revenue accounts.</i>	

Dec. 31	Retained Earnings	64,700
	Salaries Expense	41,800
	Advertising Expense	4,300
	Depreciation Expense	8,700
	Income Tax Expense	9,900
	<i>To close the expense accounts.</i>	

Retained Earnings		
	42,700	Bal.
(2)	64,700	94,700 (1)
	72,700	Bal.

Service Fees Earned		
(1)	92,500	92,500 Bal.
		0 Bal.
Interest Income		
(1)	2,200	2,200 Bal.
		0 Bal.

Salaries Expense		
Bal.	41,800	41,800 (2)
Bal.	0	

Advertising Expense		
Bal.	4,300	4,300 (2)
Bal.	0	

Income Tax Expense		
Bal.	9,900	9,900 (2)
Bal.	0	

Depreciation Expense		
Bal.	8,700	8,700 (2)
Bal.	0	

After the temporary accounts are closed, the balance in the Retained Earnings account is \$72,700.

LO: 3

10.

Answer: d

We calculate membership fee income using the opening and closing deferred membership income balances and the cash received from members during the year, as follows: $\$453,881 + 1,119,833 - 500,558 = \$1,073,156$.