

Talisha Robinson 9/28/2019

1. Use the following information to calculate for the year ended December 31, 2017 (a) net income (net loss), (b) ending retained earnings, and (c) total assets.

Supplies	\$ 1,500	Service revenue	\$19,000
Other operating expenses	10,000	Cash	15,000
Accounts payable	11,000	Dividends	6,000
Accounts receivable	4,000	Notes payable	1,000
Common stock	10,000	Equipment	9,500
Retained earnings (beginning)	5,000		

(5 points)

Net losses 9,000

Ending Retained Earnings: 8,000

Total Assets: 30,000

2. Listed below in alphabetical order are the balance sheet items of Nolan Company at December 31, 2017. Prepare a balance sheet and include a complete heading.
Suggestion: Create your answer in Word or Excel and copy it here.

Accounts payable	\$ 11,000
Accounts receivable	15,000
Buildings	65,000
Cash	11,000
Common stock	80,000
Land	31,000
Equipment	10,000
Retained earnings	41,000

Nolan Company
AP/AR/Assets
December 31, 2017

<u>Assets</u>	<u>Amounts</u>	<u>Totals</u>
Cash:	11,000	
A/R:	15,000	
Equipment:	10,000	
Buildings:	65,000	
Land:	31,000	
		132,000

Liabilities, Equity, Depreciation

Liabilities:

A/P: 11,000

Equity

Common Stock: 80,000

Retained Earnings: 41,000

121,000

Liabilities and Equity

132,000

(10 points)

3. The following information (in millions of dollars) is available for Kline Sportswear for 2017:

Sales revenue		\$6,300		
	Net income	\$588.7		
Stock price per share	\$18.45		Preferred stock dividend	\$0
Average shares outstanding	336.4 million			

Compute the earnings per share for Kline Sportswear. **\$55,300.00**

(5 points)

4. The following items are taken from the financial statements of Tracy Company for 2017:

Accounts payable	\$ 10,000
Accounts receivable	11,000
Accumulated depreciation—equipment	38,000
Advertising expense	21,000
Cash	14,000
Common stock	90,000
Depreciation expense	12,000
Dividends	15,000
Equipment	210,000
Insurance expense	3,000
Notes payable (due 2020)	70,000
Prepaid insurance	6,000
Rent expense	17,000
Retained earnings (beginning)	12,000
Salaries and wages expense	34,000
Salaries and wages payable	3,000
Service revenue	130,000
Supplies	4,000
Supplies expense	6,000

- Calculate the net income.
- Calculate the retained earnings balance that would appear on a balance sheet at December 31, 2017
- Compute the current ratio, debt to assets ratio, and earnings per share value. The average number of shares outstanding for 2017 was 10,000.

(10 points)

5. Journalize the following business transactions in general journal form. Identify each transaction by number. You may omit explanations of the transaction.

- Owner invested \$60,000 in exchange for common stock of the corporation.
- Hired an employee to be paid \$400 per week, starting tomorrow.
- Paid two years' rent in advance, \$7,200.
- Paid the worker's weekly wage.

Received 60,000 for Common Stock

Paid rent for 7,200 for 2 years
Paid employee 400.00 for 1 week.
Received 1500.00 for 1 week of service

E. Recorded service revenue earned and received for the week, \$1,500.

(10 points)

6. For each of the following transactions of Woods Inc., identify the account to be debited and the account to be credited.

- A. Purchased 18-month insurance policy for cash. **Credited**
- B. Paid weekly payroll. **Debited**
- C. Purchased supplies on account. **Credited**
- D. Received utility bill to be paid at later date **Debited**

(5 points)

7. Identify the impact on the accounting equation of the following transactions.

- A. Purchased 24-month insurance policy for cash. **Accumulated Depreciation, Prepaid Expense, Credit.**
- B. Purchased supplies on account. **Prepaid Expenses/Credit**
- C. Received utility bill to be paid at later date. **Accrued Expenses**
- D. Paid utility bill previously accrued. **Credit for accrued expenses**

(5 points)

8. Match the statements below with the appropriate terms by entering the appropriate letter code in the spaces provided.

TERMS:

- A. Prepaid Expenses
- B. Unearned Revenues
- C. Accrued Revenues
- D. Accrued Expenses

STATEMENTS:

Accrued Revenue 1. **A revenue not yet recognized; collected in advance.**
Accrued Expenses 2. **An expense incurred; not yet paid or recorded.**

Unearned Revenue 3. **A revenue recognized; not yet collected or recorded.**

Prepaid expenses 4. **An expense not yet incurred; paid in advance.**

(5 points)

9. The following selected accounts appear in the adjusted trial balance for Blender Company.

Identify the accounts that would be included in the post-closing trial balance.

- | | |
|------------------------------------|----------------------------|
| 1. Accumulated Depreciation | 5. Supplies |
| 2. Depreciation Expense | 6. Accounts Payable |
| 3. Retained Earnings | 7. Service Revenue |
| 4. Dividends | |

(5 points)

10. On September 4, Roberta's Knickknacks buys merchandise on account from Dolan Company. The selling price of the goods is \$900 and the cost of goods is \$600. Both companies use the perpetual inventory systems Journalize the transactions on the books of both companies.

(10 points)

Roberta

4 September	Inventory	900	
4 September	A/P		900

Dolan

4 September	A/R	900	
	Sales Receive		900
	Good Costs	600	
Inventory			600

11. Horner Corporation reported net sales of \$150,000, cost of goods sold of \$96,000, operating expenses of \$35,000, other expenses of \$10,000, net income of \$9,000. Calculate the following values. 1. **Profit margin.** 2. **Gross profit rate.** 1. **6%**

(10 points)

12. Sue Cole is a new accountant with Simon Company. Simon purchased merchandise on account for \$9,000. The credit terms are 1/10, n/30. Sue has talked with the company's banker and knows that she could earn 6% on any money invested in the company's savings account.

Instructions

- (a) Should Sue pay the invoice within the discount period or should she keep the \$9,000 in the savings account and pay at the end of the credit period? Support your recommendation with a calculation showing which action would be best.
- (b) If Sue forgoes the discount, it may be viewed as paying an interest rate of 1% for the use of \$9,000 for 20 days. Calculate the annual rate of interest that this is equivalent to. **\$90.00**

(10 points)

13. Assume that Mitchell Company uses a periodic inventory system and has these account balances: Purchases \$570,000; Purchase Returns and Allowances \$14,000; Purchases Discounts \$9,000; and Freight-In \$15,000. Determine net purchases and cost of goods purchased.

570,000 purchases

-9,000 Discounts

-14,000 Allowances

=547,000

+ 15,000

=562,000

(10 points)