ACCT 350 Midterm Examination X Revised

Part I.

	Assets	Liabilities	Net Income
1.	N	U	O
2.	N	N	O
3.	O	O	N
4.	U	N	U
5.	U	U	O
6.	U	U	U
7.	O	N	O
8.	U	U	O
9.	N	U	N
10.	U	O	U

Part II.

Sales = $165,000 + 6,000 – 11,000 = $160,000
Purchases = $95,000 – 1,000 = $94,000
Salaries Expense = $39,000 - 6,000 = $33,000
Cash (ending) = $4,000 + 165,000 – 156,000 = $13,000
Supplies Expense = $6,000 – 1,000 = $5,000
Retained Earnings = $7,000 + 6,000 – 2,000 = $11,000

Alpha, Inc.
Income Statement
For the year ended December 31, 2017

[REMEMBER to include a <u>detailed and complete</u> formal section for <u>cost of goods sold</u> or you will lose points.]

Sales		$160,000
Beginning inventory	$ 13,000	
Purchases	<u>94,000</u>	
Cost of goods available for sale	$107,000	
Less: Ending inventory	<u>9,000</u>	
Cost of goods sold		<u>98,000</u>
Gross profit		$ 62,000
Operating expenses:		
Salaries expense	$ 33,000	
Supplies expense	5,000	
Depreciation expense	6,000	
Other operating expenses	<u>10,000</u>	
Total operating expenses		<u>54,000</u>
Income before income taxes		$ 8,000
Income tax expense		<u>2,000</u>
Net income		$ <u>6,000</u>

Alpha, Inc.
Balance Sheet
December 31, 2017

Cash		$13,000
Accounts receivable		11,000
Supplies		2,000
Inventory		9,000
Equipment	$30,000	
Less: Accumulated depreciation	12,000	18,000
Total assets		$53,000
Accounts payable		$14,000
Salaries payable		7,000
Unearned sales revenue		3,000
Income tax payable		2,000
Total liabilities		$26,000
Common stock		$16,000
Retained earnings		11,000
Total stockholders' equity		$27,000
Total liabilities and stockholders' equity		$53,000

Part III.

1.

Sales	210,000	
Purchase discounts	6,000	
Inventory	16,000	
Income summary		232,000

2.

Income Summary	220,000	
Sales returns & allowances		6,000
Purchases		70,000
Rent expense		22,000
Salaries expense		58,000
Depreciation expense		10,000
Income tax expense		2,000
Inventory (or net of 34,000)		50,000

3.

Income summary	12,000	
Retained earnings		12,000

4.

Retained earnings	6,000	
Dividends		6,000

Part IV.

1. A

$$\frac{(\$22,000 + 18,000)}{(\$18,000 + 12,000 + 4,000)} = 1.18 \text{ Quick Ratio}$$

2. D

Beginning inventory	$16 million
Net purchases	20 million
Available	$36 million
Less: Ending inventory	12 million
CGS	$24 million

GP% = 20%
Therefore, CGS% = 80%
Sales = $24 million [CGS] divided by 80% = $30 million

3. B

4. D

5. C