

ACCT 350 Midterm Examination Y Revised

Part I.

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

Part II.

Sales = $\$330,000 + 12,000 - 22,000 = \$320,000$
 Purchases = $\$190,000 - 2,000 = \$188,000$
 Salaries Expense = $\$78,000 - 12,000 = \$66,000$
 Cash (ending) = $\$8,000 + 330,000 - 312,000 = \$26,000$
 Supplies Expense = $\$12,000 - 2,000 = \$10,000$
 Retained Earnings = $\$14,000 + 12,000 - 4,000 = \$22,000$

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

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

Sales		\$320,000
Beginning inventory	\$ 26,000	
Purchases	<u>188,000</u>	
Cost of goods available for sale	\$214,000	
Less: Ending inventory	<u>18,000</u>	
Cost of goods sold		<u>196,000</u>
Gross profit		\$124,000
Operating expenses:		
Salaries expense	\$66,000	
Supplies expense	10,000	
Depreciation expense	12,000	
Other operating expenses	<u>20,000</u>	
Total operating expenses		<u>108,000</u>
Income before income taxes		\$ 16,000
Income tax expense		<u>4,000</u>
Net income		\$ <u>12,000</u>

Alpha, Inc.
Balance Sheet
December 31, 2017

Cash		\$ 26,000
Accounts receivable		22,000
Supplies		4,000
Inventory		18,000
Equipment	\$60,000	
Less: Accumulated depreciation	<u>24,000</u>	<u>36,000</u>
Total assets		<u>\$106,000</u>
Accounts payable		\$ 28,000
Salaries payable		14,000
Unearned sales revenue		6,000
Income tax payable		<u>4,000</u>
Total liabilities		\$ 52,000
Common stock		\$ 32,000
Retained earnings		<u>22,000</u>
Total stockholders' equity		\$ 54,000
Total liabilities and stockholders' equity		<u>\$106,000</u>

Part III.

1.

Sales	105,000	
Purchase discounts	3,000	
Inventory	8,000	
Income summary		116,000

2.

Income Summary	110,000	
Sales returns & allowances		3,000
Purchases		35,000
Rent expense		11,000
Salaries expense		29,000
Depreciation expense		5,000
Income tax expense		2,000
Inventory (or net of 17,000)		25,000

3.

Income summary	6,000	
Retained earnings		6,000

4.

Retained earnings	3,000	
Dividends		3,000

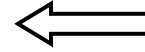
Part IV.

1. B	Beginning inventory	\$ 8 million
	Net purchases	<u>10 million</u>
	Available	\$18 million
	Less: Ending inventory	<u>6 million</u>
	CGS	\$12 million

GP% = 20%

Therefore, CGS% = 80%

Sales = \$12 million [CGS] divided by 80% = \$15 million



2. C
$$\frac{(\$11,000 + 9,000)}{(\$9,000 + 6,000 + 2,000)} = 1.18 \text{ Quick Ratio}$$

3. A

4. B

5. D