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

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	24,000	36,000
Total assets		$106,000
Accounts payable		$ 28,000
Salaries payable		14,000
Unearned sales revenue		6,000
Income tax payable		4,000
Total liabilities		$ 52,000
Common stock		$ 32,000
Retained earnings		22,000
Total stockholders' equity		$ 54,000
Total liabilities and stockholders' equity		$106,000

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	10 million
Available	$18 million
Less: Ending inventory	6 million
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