ACCT 350 Midterm Examination Y

Part I.

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

Part II.

Sales = $480,000 + 6,000 – 15,000 = $471,000
Purchases = $270,000 – 15,000 = $255,000
Salaries Expense = $120,000 – 9,000 = $111,000
Cash (ending) = $9,000 + 480,000 – 459,000 = $30,000
Supplies Expense = $15,000 – 6,000 = $9,000
Retained Earnings = $24,000 + 24,000 – 9,000 = $39,000

Alpha, Inc.
Income Statement
For the year ended December 31, 2018

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

Sales		$471,000
Beginning inventory	$ 42,000	
Purchases	255,000	
Cost of goods available for sale	$297,000	
Less: Ending inventory	30,000	
Cost of goods sold		267,000
Gross profit		$204,000
Operating expenses:		
Salaries expense	$111,000	
Supplies expense	9,000	
Depreciation expense	18,000	
Other operating expenses	36,000	
Total operating expenses		174,000
Income before income taxes		$ 30,000
Income tax expense		6,000
Net income		$ 24,000

Alpha, Inc.
Balance Sheet
December 31, 2018

Cash		$30,000
Accounts receivable		36,000
Supplies		9,000
Inventory		30,000
Equipment	$90,000	
Less: Accumulated depreciation	36,000	54,000
Total assets		$159,000
Accounts payable		$42,000
Salaries payable		18,000
Unearned sales revenue		6,000
Income tax payable		6,000
Total liabilities		$72,000
Common stock		$48,000
Retained earnings		39,000
Total stockholders' equity		$87,000
Total liabilities and stockholders' equity		$159,000

Part III.

1.

Sales	84,000	
Purchase discounts	1,000	
Inventory (or net of 5,000)	20,000	
Income summary		105,000

2.

Income Summary	95,000	
Sales discounts		2,000
Purchases		31,000
Rent expense		10,000
Salaries expense		29,000
Depreciation expense		5,000
Income tax expense		3,000
Inventory		15,000

3.

Income summary	10,000	
Retained earnings		10,000

4.

Retained earnings	1,000	
Dividends		1,000

Part IV.

1.

$$\frac{(\$10{,}000 + 15{,}000 + 5{,}000 + 20{,}000)}{(\$15{,}000 + 5{,}000 + 2{,}000 + 3{,}000)} = 2.00 \text{ Current Ratio}$$

$$\frac{(\$10{,}000 + 15{,}000)}{(\$15{,}000 + 5{,}000 + 2{,}000 + 3{,}000)} = 1.00 \text{ Quick Ratio}$$

2. B

3.

Equipment	30,000	
Cash		10,000
Notes Payable		20,000
Depreciation Expense	3,000	
Accumulated Depreciation		3,000
Interest Expense	1,000	
Interest Payable		1,000

4. Sale #1

Cash	5,000	
Unearned Sales Revenue		5,000

Sale #2

No journal entry because there is no transaction until the merchandise is received by the customer.

Sale #3

Accounts Receivable	15,000	
Sales		15,000
Cost of Goods Sold	9,000	
Inventory		9,000