# ACCT 350 Midterm Examination Z

## Part I.

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

## Part II.

Sales = $160,000 + 2,000 – 5,000 = $157,000
Purchases = $90,000 – 5,000 = $85,000
Salaries Expense = $40,000 – 3,000 = $37,000
Cash (ending) = $3,000 + 160,000 – 153,000 = $10,000
Supplies Expense = $5,000 – 2,000 = $3,000
Retained Earnings = $8,000 + 8,000 – 3,000 = $13,000

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 | | $157,000 |
| Beginning inventory | $14,000 | |
| Purchases | 85,000 | |
| Cost of goods available for sale | $99,000 | |
| Less: Ending inventory | 10,000 | |
| Cost of goods sold | | 89,000 |
| Gross profit | | $ 68,000 |
| Operating expenses: | | |
| Salaries expense | $37,000 | |
| Supplies expense | 3,000 | |
| Depreciation expense | 6,000 | |
| Other operating expenses | 12,000 | |
| Total operating expenses | | 58,000 |
| Income before income taxes | | $ 10,000 |
| Income tax expense | | 2,000 |
| Net income | | $ 8,000 |

Alpha, Inc.
Balance Sheet
December 31, 2018

| | | |
|---|---|---|
| Cash | | $10,000 |
| Accounts receivable | | 12,000 |
| Supplies | | 3,000 |
| Inventory | | 10,000 |
| Equipment | $30,000 | |
| Less: Accumulated depreciation | 12,000 | 18,000 |
| Total assets | | $53,000 |
| | | |
| Accounts payable | | $14,000 |
| Salaries payable | | 6,000 |
| Unearned sales revenue | | 2,000 |
| Income tax payable | | 2,000 |
| Total liabilities | | $24,000 |
| | | |
| Common stock | | $16,000 |
| Retained earnings | | 13,000 |
| Total stockholders' equity | | $29,000 |
| | | |
| Total liabilities and stockholders' equity | | $53,000 |

## Part III.

1.

| | | |
|---|---|---|
| Sales | 250,000 | |
| Purchase discounts | 3,000 | |
| Inventory (or net of 15,000) | 60,000 | |
| Income summary | | 313,000 |

2.

| | | |
|---|---|---|
| Income Summary | 284,000 | |
| Sales discounts | | 6,000 |
| Purchases | | 89,000 |
| Rent expense | | 25,000 |
| Salaries expense | | 96,000 |
| Depreciation expense | | 15,000 |
| Income tax expense | | 8,000 |
| Inventory | | 45,000 |

3.

| | | |
|---|---|---|
| Income summary | 29,000 | |
| Retained earnings | | 29,000 |

4.

| | | |
|---|---|---|
| Retained earnings | 2,000 | |
| Dividends | | 2,000 |

**Part IV.**

1. Sale #1

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

   Sale #2

   | | | |
   |---|---|---|
   | Accounts Receivable | 10,000 | |
   | Sales | | 10,000 |
   | | | |
   | Cost of Goods Sold | 6,000 | |
   | Inventory | | 6,000 |

   Sale #3

   | | | |
   |---|---|---|
   | Cash | 5,000 | |
   | Unearned Sales Revenue | | 5,000 |

2. $$\frac{(\$30{,}000 + 45{,}000)}{(\$40{,}000 + 15{,}000 + 12{,}000 + 8{,}000)} = 1.00 \text{ Quick Ratio}$$

   $$\frac{(\$30{,}000 + 45{,}000 + 15{,}000 + 60{,}000)}{(\$40{,}000 + 15{,}000 + 12{,}000 + 8{,}000)} = 2.00 \text{ Current Ratio}$$

3. | | | |
   |---|---|---|
   | Equipment | 40,000 | |
   | Cash | | 30,000 |
   | Notes Payable | | 10,000 |
   | | | |
   | Depreciation Expense | 6,000 | |
   | Accumulated Depreciation | | 6,000 |
   | | | |
   | Interest Expense | 500 | |
   | Interest Payable | | 500 |

4. C