

Financial & Managerial Accounting for MBAs, 5th Edition
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Practice Quiz

Module 3 –Transactions, Adjustments, and Financial Statements

1. Foot Locker, Inc. is a retailer of athletic footwear and apparel. During a recent fiscal year, Foot Locker purchased merchandise inventory costing \$4,047 (\$ millions). Assume that Foot Locker makes all purchases on credit, and that its accounts payable is only used for inventory purchases.

The following T-accounts reflect information contained in the company's balance sheets (\$ millions).

| Inventories | | Accounts Payable | |
|-------------|-------|------------------|-----------|
| Beg. Bal. | 1,151 | 381 | Beg. Bal. |
| End. Bal. | 1,254 | 361 | End. Bal. |

What amount did Foot Locker pay in cash to its suppliers during the fiscal year?

- a. \$4,067 million
 - b. \$20 million
 - c. \$103 million
 - d. \$381 million
2. On December 31, 2016, the accounts of Leuz Architect Services showed credit balances in its Common Stock and Retained Earnings accounts of \$60,000 and \$30,000, respectively. The company's stock issuances for 2017 totaled \$12,000, and it paid \$10,000 cash dividends in 2017. During 2017, the company had net income of \$33,000.

What is the total stockholders' equity for Leuz Architect Services at December 31, 2017?

- a. \$ 72,000
- b. \$ 53,000
- c. \$125,000
- d. \$135,000

3. Francis Real Estate Company has the following account balances at December 31, the end of its fiscal year.

| | Debit | Credit |
|----------------------------|----------|----------|
| Commissions Earned | | \$84,900 |
| Wages Expense | \$36,000 | |
| Insurance Expense | 1,900 | |
| Utilities Expense | 8,200 | |
| Depreciation Expense | 9,800 | |
| Retained Earnings | | 72,100 |

Assume that the company has not yet closed any accounts to retained earnings. Prepare journal entries to close the temporary accounts above.

After these entries are posted, what is the balance of the Retained Earnings account?

- a. \$101,100
 - b. \$ 72,100
 - c. \$ 16,200
 - d. \$ 29,000
4. Lowe's is the second-largest home improvement retailer in the world. During a recent fiscal year, Lowe's purchased merchandise inventory at a cost of \$29,238 (\$ millions). Assume that all purchases were made on account and that accounts payable is only used for inventory purchases.

The following T-accounts reflect information contained in the company's balance sheets in millions.

| Merchandise Inventories | | Accounts Payable | |
|-------------------------|-------|------------------|-----------|
| Beg. Bal. | 5,911 | 2,695 | Beg. Bal. |
| End. Bal. | 6,706 | 2,832 | End. Bal. |

What amount did Lowe's pay in cash to its suppliers during the fiscal-year?

- a. \$29,238 million
- b. \$29,101 million
- c. \$137 million
- d. \$2,832 million

5. Bava Consulting has the following account balances at December 31, the end of its fiscal year.

| | Debit | Credit |
|----------------------------|----------|----------|
| Service Fees Earned | | \$85,000 |
| Rent Expense | \$22,000 | |
| Salaries Expense | 50,000 | |
| Supplies Expense | 4,000 | |
| Depreciation Expense | 18,000 | |
| Retained Earnings | | 70,000 |

Set up T-accounts for each account and record the above amounts in each account. Then, post the closing entries to the T-accounts. After these entries are posted, what is the balance of the Retained Earnings account?

- \$ 61,000
 - \$ 67,000
 - \$155,000
 - \$ 79,000
6. Selected T-account balances for Bloomfield Company are shown below as of January 31, 2017; accounting adjustments have already been posted. The firm uses a calendar-year accounting period but prepares *monthly* adjustments.

| Truck | Accumulated Depreciation-Truck |
|---------------------|--------------------------------|
| Jan. 31 Bal. 10,200 | Jan. 31 Bal. 2,040 |

If the truck has a useful life of five years (or 60 months), how many months has Bloomfield owned the truck?

- 3 months
 - 24 months
 - 12 months
 - 18 months
7. The following information is taken Aiello Corporation's fiscal 2016 annual report.

| Selected Balance Sheet Data | 2016 | 2015 |
|-----------------------------|-----------|-----------|
| Inventories..... | \$221,418 | \$226,893 |
| Accounts Receivable..... | \$121,333 | \$122,087 |

Aiello Corporation spent \$3,296,240 to purchase and manufacture inventories during its 2016 fiscal year.

What is the cost of goods sold for Aiello's fiscal year end?

- \$3,301,715
- \$3,296,240
- \$3,290,765
- \$3,300,000

8. The following information is taken Aiello Corporation's fiscal 2016 annual report.

| Selected Balance Sheet Data | 2016 | 2015 |
|------------------------------------|-------------|-------------|
| Inventories..... | \$221,418 | \$226,893 |
| Accounts Receivable..... | \$121,333 | \$122,087 |

Assume that Aiello Corporation had \$1,003,881 sales on credit during fiscal year 2016. What amount did the company collect from credit customers during the year?

- a. \$1,003,881
 - b. \$1,004,635
 - c. \$1,003,127
 - d. \$1,247,301
9. Plumlee Corporation has the following account balances at December 31, 2017.

| | Debit | Credit |
|----------------------------|--------------|---------------|
| Service Fees Earned | | \$92,500 |
| Interest Income | | 2,200 |
| Salaries Expense | \$41,800 | |
| Advertising Expense | 4,300 | |
| Depreciation Expense | 8,700 | |
| Income Tax Expense | 9,900 | |
| Retained Earnings | | 42,700 |

Prepare entries to close these accounts in journal entry form. Set up T-accounts for each of the ledger accounts and post the entries to them. After these entries are posted, what is the balance of the Retained Earnings account?

- a. \$ 42,700
 - b. \$ 72,700
 - c. \$ 12,700
 - d. \$137,400
10. Flex Fitness is a health and fitness club that operates gym facilities throughout the United States. Flex Fitness members pay their membership dues annually. Selected fiscal-year information from the company's balance sheets follows (\$ thousands).

| Selected Balance Sheet Data | 2016 | 2015 |
|--|-------------|-------------|
| Deferred membership income (liability) | 500,558 | 453,881 |

During fiscal 2016, Flex Fitness collected \$1,119,833 cash for membership fees.

Calculate the membership fee revenue that Flex Fitness recognized during the year.

- a. \$ 500,558 thousand
- b. \$1,166,510 thousand
- c. \$1,119,833 thousand
- d. \$1,073,156 thousand