

**Module 3 – Financial Accounting for MBAs, 6<sup>th</sup> Edition, by Easton, Wild, Halsey, and McAnally**

**Solutions to Practice Quiz**

LO: 1

1. Answer: a

$\$381 + 4,047 - \$361 = \text{Payments} = \$4,067$ . This is the amount in cash payments derived using the information in the accounts payable account.

LO: 4

2. Answer: c

Leuz Architect Services Statement of Stockholders' Equity For Year Ended December 31, 2014			
	Common Stock	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 2013.....	\$60,000	\$30,000	\$90,000
Stock issuance.....	12,000		12,000
Dividends.....		(10,000)	(10,000)
Net income.....	<u>          </u>	<u>33,000</u>	<u>33,000</u>
Balance at December 31, 2014.....	<u>\$72,000</u>	<u>\$53,000</u>	<u>\$125,000</u>

LO: 5

3. Answer: a

Dec. 31	Commissions Earned Retained Earnings <i>To close the revenue account.</i>	84,900	84,900
Dec. 31	Retained Earnings Wages Expense Insurance Expense Utilities Expense Depreciation Expense <i>To close the expense accounts.</i>	55,900	36,000 1,900 8,200 9,800

The balance of Retained Earnings after closing entries are posted is \$101,100 credit ( $\$72,100 + \$84,900 - \$55,900$ ).



LO: 1

8. Answer: b

We calculate cash received from credit customers using the opening and closing accounts receivable balances and the credit sales during the year, as follows:  $\$122,087 + 1,003,881 - 121,333 = \$1,004,635$ .

LO:5

9. Answer: b

Dec. 31	Service Fees Earned	92,500	
	Interest Income	2,200	
	Retained Earnings		94,700
	<i>To close the revenue accounts.</i>		

Dec. 31	Retained Earnings	64,700	
	Salaries Expense		41,800
	Advertising Expense		4,300
	Depreciation Expense		8,700
	Income Tax Expense		9,900
	<i>To close the expense accounts.</i>		

Retained Earnings			
		42,700	Bal.
(2)	64,700	94,700	(1)
		72,700	Bal.

Service Fees Earned			
(1)	92,500	92,500	Bal.
		0	Bal.

Interest Income			
(1)	2,200	2,200	Bal.
		0	Bal.

Salaries Expense			
Bal.	41,800	41,800	(2)
Bal.	0		

Advertising Expense			
Bal.	4,300	4,300	(2)
Bal.	0		

Income Tax Expense			
Bal.	9,900	9,900	(2)
Bal.	0		

Depreciation Expense			
Bal.	8,700	8,700	(2)
Bal.	0		

After the temporary accounts are closed, the balance in the Retained Earnings account is \$72,700.

LO: 3

10. Answer: d

We calculate membership fee income using the opening and closing deferred membership income balances and the cash received from members during the year, as follows:  $\$453,881 + 1,119,833 - 500,558 = \$1,073,156$ .