**Acct 130**

**Chapter 4 Practice Questions**

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**EXERCISE 4-15**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **CL** | **Accounts payable** |  | **PPE** | **Accumulated depreciation–equipment** |
| **CA** | **Accounts receivable** |  | **PPE** | **Buildings** |
| **CA** | **Cash** |  | **PPE** | **Land** |
| **OE** | **Owner’s capital** |  | **LTL** | **Notes payable (due in 2 years)** |
| **IA** | **Patents** |  | **CA** | **Supplies** |
| **CL** | **Salaries and wages payable** |  | **PPE** | **Equipment** |
| **CA** | **Inventory** |  | **CA** | **Prepaid expenses** |
| **CA** | **Stock investments** |  |  |  |

**External Question: Based on the following data for a certain corporation, answer the following questions:**

|  |  |
| --- | --- |
| Accounts payable | $ 60,000 |
| Inventory | 150,000 |
| Sales | 280,000 |
| Accounts receivable | 180,000 |
| Notes payable | 80,000 |
| Cash | 50,000 |
| Prepaid insurance | 10,000 |
| Common stock | 530,000 |
| Retained earnings | 50,000 |
| Operating Expenses | 250,000 |
| Equipment | 300,000 |
| Salaries and wages payable | 70,000 |
| Goodwill | 100,000 |

1. What is the amount of **Current Assets (CA)** on the company's classified balance sheet?

Inventory $150000+ A/R 180000+ Cash 50,000+ Prepaid Insurance 10,000= **$390,000**

1. What is the amount of **Current Liabilities** **(CL)** on the company's classified balance sheet?

A/P 60000+N/P 80,000 + Salaries and wages payable 70,000= **$210,000**

1. What is the amount of **Long-Term Investments (LTI)** on the company's classified balance sheet?

**LTI= Zero** as there are no long-term investments

1. What is the amount of **Intangible Assets (IA)** on the company's classified balance sheet?

IA=Goodwill $**100,000**

1. What is the amount of **Stockholder’s Equity** on the company's classified balance sheet?

Common Stock 530,000 + R.E. 50,000= **$580,000**



EXERCISE 4-8

(a)

General Journal J15

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | |  | Account Titles |  | Ref. |  | Debit |  | Credit |
| July 31 |  | | Service Revenue |  | 400 |  | 64,000 |  |  |
|  |  | | Rent Revenue |  | 429 |  | 6,500 |  |  |
|  |  | | Income Summary |  | 350 |  |  |  | 70,500 |
|  |  | |  |  |  |  |  |  |  |
| 31 |  | | Income Summary |  | 350 |  | 78,600 |  |  |
|  |  | | Salaries and Wages Expense |  | 726 |  |  |  | 55,700 |
|  |  | | Utilities Expense |  | 732 |  |  |  | 14,900 |
|  |  | | Depreciation Expense |  | 711 |  |  |  | 8,000 |
|  |  | |  |  |  |  |  |  |  |
| 31 |  | | Owner’s Capital |  | 301 |  | 8,100 |  |  |
|  |  | | Income Summary |  | 350 |  |  |  | 8,100 |
|  |  | |  |  |  |  |  |  |  |
| 31 |  | | Owner’s Capital |  | 301 |  | 16,000 |  |  |
|  |  | | Owner’s Drawings |  | 306 |  |  |  | 16,000 |

(b)

Owner’s Capital No. 301

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date |  | Explanation |  | Ref. |  | Debit |  | Credit |  | Balance |
| July 31 |  | Balance |  | ✓ |  |  |  |  |  | 45,200 |
| 31 |  | Close net loss |  | J15 |  | 8,100 |  |  |  | 37,100 |
| 31 |  | Close drawing |  | J15 |  | 16,000 |  |  |  | 21,100 |

Income Summary No. 350

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date |  | Explanation |  | Ref. |  | Debit |  | Credit |  | Balance |
| July 31 |  | Close revenue |  | J15 |  |  |  | 70,500 |  | 70,500 |
| 31 |  | Close expenses |  | J15 |  | 78,600 |  |  |  | (8,100) |
| 31 |  | Close net loss |  | J15 |  |  |  | 8,100 |  | 0 |

EXERCISE 4-8 (Continued)

(c) OKABE COMPANY

Post-Closing Trial Balance

July 31, 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Debit |  | Credit |

Cash $9,840

Accounts Receivable 8,780

Equipment 15,900

Accumulated Depreciation—Equipment $ 7,400

Accounts Payable 4,220

Unearned Rent Revenue 1,800

Owner’s Capital               21,100

$34,520 $34,520



EXERCISE 4-10

1. False *“Analyze business transactions”* is the first step in the accounting cycle.

2. False. Reversing entries are an *optional* step in the accounting cycle.

3. True.

4. True.

5. True.

6. False. Steps 1–3 may occur daily in the accounting cycle. Steps 4–7 are performed on a periodic basis. Steps 8 and 9 are usually prepared only at the end of a company’s annual accounting period.

7. False. The step of *“journalize the transactions”* occurs before the step of *“post to the ledger accounts.”*

8. False. Closing entries are prepared *after* financial statements are prepared.

*Note: I inserted the Accounting Cycle here to help you solve E4-10.*

