

Part I Quiz

Instructions: Answer the following questions and problems. Show all work.

I. Complete this chart concerning the characteristics of the three legal forms of business.

Characteristic Legal Form	Ease of Formation	Length of Life	Raising Capital	Owner's Liability	Taxes
		Limited to owner's life		Unlimited, personal assets at risk	Once, as personal income
	Easy, just start		Easier, resources of the owners		

II. Match each term with the most appropriate description.

1) _____ Howard Gardner	(A) Items of value
2) _____ Managerial accounting	(B) Amounts owed
3) _____ Deferred revenue	(C) The closing of a business
4) _____ Assets	(D) Provides certified information
5) _____ Liabilities	(E) Multiple intelligence
6) _____ $A + L =$	(F) Received but not earned
7) _____ Liquidation	(G) Earned but not received
8) _____ Effective interest per period	(H) Owner's equity
9) _____ Accrued revenue	(I) $\frac{I}{\text{amount received}}$
10) _____ Financial accounting	(J) Provides information for internal decision making

III. Place the five functions of management in the proper location.

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IV. Make an account form balance sheet after year one operations for ZIP Corporation. Retained earnings of \$600,000 is the result of a \$400,000 dividend being subtracted from net income of \$1,000,000. Total stockholders' equity should equal retained earnings added to total contributed capital. Use a 1999 calendar year.

Buildings	\$2,000,000
Contributed Capital in Excess of Par/Preferred Stock	500,000
Taxes Payable	90,000
Equipment	1,000,000
Preferred Stock	1,500,000
Contributed Capital in Excess of Par/Common Stock	4,000,000
Cash	1,700,000
Common Stock	2,000,000
Salaries Payable	20,000
Land	8,000,000
Retained Earnings	600,000
Supplies	10,000
Notes Payable	4,000,000

Fifty \$1,000 bonds paying interest of 8% were sold at 101.

- A. How much cash was received from this bond issue?
- B. How much interest was paid on each \$1,000 bond?
- C. Calculate the total amount of interest paid on these bonds.
- D. What was the effective interest rate paid on these bonds?
- E. What might have caused this bond to sell above its face value?

Complete a multi-step income statement for the upscale clothing store known as The Sack. Use a 1999 calendar year.

Cost of Goods Sold	\$ 950,000
Salaries Expense	300,000
Advertising Expense	550,000
Other Income	50,000
Utilities Expense	10,000
Sales Revenue	2,450,000
Interest Expense	240,000

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VII. XYZ Corporation sold 5,000 shares of \$10 par common stock for \$15 per share and 1,000 shares of \$100 par 8% preferred stock for \$105 per share.

A. What was the stockholders' equity after this stock issue?

B. Calculate the annual dividend paid to preferred stockholders.

C. Common stockholders were paid a dividend of \$1.20 per share. What was the common stock dividend?

D. Net income was \$55,000. What were retained earnings at the end of the year?

E. What was the stockholders' equity at the end of year one?

Compare your solutions to the complete solutions at the end of this book. Notice how the book solutions are well organized. Your problem-solving skills will improve as you improve your organization skills.

F. What does the change in stockholders' equity signify?

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