

Exam #1 (Chapters 1-2)

There will be roughly 35 true false and multiple choice type questions that come primarily from items covered on the in-class notes.

There will also be around 10 fill in the blank questions for important definitions (such as assets, liabilities, revenues, expenses, a/r, a/p, dividends, income statement, balance sheet, etc.).

Make sure you have your definitions memorized!

Lastly there will be two work problems (recording journal entries & preparing the financial statements). Please note that I will **NOT** be providing you any sort of template for the financial statements. You'll be given a blank sheet of paper and expected to prepare the statements in good form. I will provide you with a blank general journal in which to enter the journal entries.

Work Problem1: Record journal entries in the general journal for Catalina Corp.

- 8/1/02 Owner invested \$15,000 cash and equipment with a value of \$6,500 in exchange for stock.
- 8/2/02 Purchased \$450 of supplies on account from Office Depot (invoice #52345).
- 8/3/02 Issued check #505 to Landlord Co. for \$850 to pay August rent.
- 8/4/02 Performed \$1,400 of services for a Jones Corp. on account (you billed them).
- 8/5/02 Purchased a truck by paying \$1,000 down and signing a note for the remainder of \$8,500.
- 8/7/02 Paid \$450 on account (you wrote check #507 to pay the amount owed from 8/2).
- 8/9/02 Received \$1,400 on account (amount owed by Jones Corp. from 8/4)
- 8/10/02 Hired a receptionist for \$1,200 a month.
- 8/11/02 Received \$5,000 in advance from Sandy Corp.
- 8/12/02 Paid dividends of \$5,000 issuing check #508.
- 8/13/02 Issued check #509 for \$6,000 to Allstate Co. for next 12 months' insurance coverage.
- 8/26/02 Performed services for Wilma Co. and collected \$800.
- 8/29/02 Paid employee salaries of \$1,200 issuing check #510.
- 8/30/02 Received August telephone bill from PG&E in the amount of \$100 (invoice #999). It is due 9/15/02.

2. Given the following information from Johnson Corp's 12/31/06 trial balance, prepare the financial statements.

Accounts Receivable	5
Accounts Payable	2
Building	50
Cash	3
Common Stock	38
Equipment	5
Depreciation Expense	1
Dividends	2
Income Taxes Payable	1
Insurance Expense	1
Land	5
Notes Payable	5
Prepaid Insurance	1
Retained Earnings	2
Service Revenue	10
Unearned Revenue	15

Answer to Work Problem 1:

Date	Account	Post	Debit	Credit
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		Ref		
8/1/02	Cash		15,000	
	Equipment		6,500	
	Common Stock			21,500
	(contribution of equip & cash for stock)			
8/2/02	Supplies		450	
	Accounts Payable			450
	(Office Depot inv#52345)			
8/3/02	Rent Expense		850	
	Cash			850
	(Landlord Corp. Ck #505)			
8/4/02	Accounts Receivable		1,400	
	Service Revenue			1,400
	(Jones Corp. Inv. #135)			
8/5/02	Truck (or Equipment)		9,500	
	Cash			1,000
	Note Payable			8,500
	(Truck - \$1000 down payment)			
8/7/02	Accounts Payable		450	
	Cash			450
	(Ck 507 – office depot)			
8/9/02	Cash		1,400	
	Accounts Receivable			1,400
	(Pymt from Jones)			
8/11/02	Cash		5,000	
	Unearned Revenue			5,000
	(Sandy- prepayment)			
8/12/02	Dividends		5,000	
	Cash			5,000
	(Ck 508)			
8/13/02	Prepaid Insurance		6,000	
	Cash			6,000
	(Ck 509 – Allstate – 1 yr policy)			
8/26/02	Cash		800	
	Service Revenue			800
	(Wilma Co.)			
8/29/02	Salary Expense		1,200	
	Cash			1,200

	(Ck 510)			
8/30/02	Telephone Expense		100	
	A/P			100
	(PG&E Inv#999)		500	

2. Answer to problem #2

Johnson Corp.
Income Statement
Period Ending 12/31/06

Revenue

Service Revenue 10

Expenses

Insurance Expense 1

Depreciation Expense 1

Total Exp. 2

Net Income 8

Johnson Corp.
Retained Earnings Stmt
Period Ending 12/31/06

Beginning Retained Earnings 2

+ NI 8

-Dividends 2

Ending Retained Earnings 8

Balance Sheet
Johnson Corp.
12/31/06

Assets

Cash 3

A/R 5

Prepaid Insurance 1

Building 50

Equipment 5

Land 5

Total Assets 69

Liabilities

A/P 2

Unearned Revenue 15

Inc Tax Pay 1

Notes Pay 5

Total Liabilities 23

Shareholder's Equity

Common Stock	38	
Retained Earnings	<u>8</u>	
Total Shareholder's Equity		<u>46</u>
Total Liabilities + Shareholder's Equity		<u><u>69</u></u>