

# 22-CH1-1 Quiz

[The following information applies to the questions displayed below.]

As of December 31 of the current year, Armani Company's records show the following.

Cash	\$ 11,600
Accounts receivable	10,600
Supplies	7,600
Equipment	6,600
Accounts payable	14,200
Common stock	15,600
Retained earnings, December 31, prior year	4,600
Retained earnings, December 31, current year	6,600
Dividends	14,600
Consulting revenue	36,200
Rental revenue	25,200
Salaries expense	21,600
Rent expense	13,600
Selling and administrative expenses	9,600

1.

Award: 10.00 points    Problems? [Adjust credit](#) for all students.

Required information

**Required:**

Prepare the income statement for Armani Company for the current year ended December 31.

ARMANI COMPANY			
Income Statement			
For Current Year Ended December 31			
Revenues			
Consulting revenue	\$	36,200	
Rental revenue		25,200	
Total revenues			F \$ 61,400
Expenses			
Salaries expense		21,600	
Rent expense		13,600	
Selling and administrative expenses		9,600	
Total expenses			F 44,800
Net income		\$	16,600

**Explanation:**

No further explanation details are available for this problem.

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2.

Award: 10.00 points

Problems? Adjust credit for all students.

Required information

**Required:**

Prepare the current year-end balance sheet for Armani Company.

ARMANI COMPANY					
Balance Sheet					
December 31					
Assets			Liabilities		
Cash	▼	\$ 11,600	Accounts payable	▼	\$ 14,200
Accounts receivable	▼	10,600		▼	
Supplies	▼	7,600	Total liabilities	F	14,200
Equipment	▼	6,600	Equity		
	▼		Common stock	▼	15,600
	▼		Retained earnings	▼	6,600
			Total equity	F	22,200
Total assets	F	\$ 36,400	Total liabilities and equity	F	\$ 36,400

**Explanation:**

ARMANI COMPANY	
Statement of Retained Earnings	
For Current Year Ended December 31	
Retained earnings, December 31, prior year	\$ 4,600
Add: Net income	16,600
	<hr/>
	21,200
Less: Dividends	14,600
	<hr/>
Retained earnings, December 31, current year	<u>\$ 6,600</u>

2

3.

Award: 10.00 points      Problems? Adjust credit for all students.

Following is selected financial information of Kia Company for the current year ended December 31.

Cash used by investing activities	\$ (3,750)
Net increase in cash	550
Cash used by financing activities	(4,550)
Cash from operating activities	8,850
Cash, December 31, prior year	4,200

**Required:**

Prepare the statement of cash flows for Kia Company for the current year ended December 31.  
(Cash outflows should be indicated with a minus sign.)

KIA COMPANY		
Statement of Cash Flows		
For Current Year Ended December 31		
Cash from operating activities	▼	\$ 8,850
Cash used by investing activities	▼	(3,750)
Cash used by financing activities	▼	(4,550)
Net increase in cash	▼	F \$ 550
Cash, December 31, prior year	▼	4,200
Cash, December 31, current year	▼	F \$ 4,750

**Explanation:**

No further explanation details are available for this problem.

3

4

[The following information applies to the questions displayed below.]

Gabi Gram started The Gram Company, a new business that began operations on May 1. The Gram Company completed the following transactions during its first month of operations.

- May 1 G. Gram invested \$44,500 cash in the company in exchange for its common stock.
- May 1 The company rented a furnished office and paid \$2,200 cash for May's rent.
- May 3 The company purchased \$1,890 of equipment on credit.
- May 5 The company paid \$730 cash for this month's cleaning services.
- May 8 The company provided consulting services for a client and immediately collected \$5,900 cash.
- May 12 The company provided \$2,700 of consulting services for a client on credit.
- May 15 The company paid \$760 cash for an assistant's salary for the first half of this month.
- May 20 The company received \$2,700 cash payment for the services provided on May 12.
- May 22 The company provided \$3,900 of consulting services on credit.
- May 25 The company received \$3,900 cash payment for the services provided on May 22.
- May 26 The company paid \$1,890 cash for the equipment purchased on May 3.
- May 27 The company purchased \$75 of equipment on credit.
- May 28 The company paid \$760 cash for an assistant's salary for the second half of this month.
- May 30 The company paid \$350 cash for this month's telephone bill.
- May 30 The company paid \$280 cash for this month's utilities.
- May 31 The company paid \$1,400 cash in dividends to the owner (sole shareholder).

4.

Award: 10.00 points Problems? [Adjust credit](#) for all students.

Required information

- 2-a. Prepare the income statement for May.
- 2-b. Prepare the statement of retained earnings for May.
- 2-c. Prepare the balance sheet for May 31.
- 3. Prepare the statement of cash flows for May.

Complete this question by entering your answers in the tabs below.

Required 2A | Required 2B | Required 2C | Required 3

Prepare the income statement for May.

THE GRAM COMPANY		
Income Statement		
For Month Ended May 31		
Revenues:		
Consulting services revenue		\$ 12,500
Expenses		
Rent expense	\$ 2,200	
Salaries expense	1,520	
Cleaning expense	730	
Telephone expense	350	
Utilities expense	280	
Total expenses		5,080
Net income		\$ 7,420

< Required 2A | Required 2B >

4

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- 2-c. Prepare the balance sheet for May 31.
- 3. Prepare the statement of cash flows for May.

Complete this question by entering your answers in the tabs below.

Required 2A **Required 2B** Required 2C Required 3

Prepare the statement of retained earnings for May.

THE GRAM COMPANY	
Statement of Retained Earnings	
For Month Ended May 31	
Retained earnings, May 1	\$ 0
Add: Net income	7,420
	7,420
Less: Dividends	1,400
Retained earnings, May 31	\$ 6,020

< Required 2A Required 2C >

Explanation:

No further explanation details are

5

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- 2-b. Prepare the statement of retained earnings for May.
- 2-c. Prepare the balance sheet for May 31.
- 3. Prepare the statement of cash flows for May.

Complete this question by entering your answers in the tabs below.

Required 2A   Required 2B   **Required 2C**   Required 3

Prepare the balance sheet for May 31.

THE GRAM COMPANY					
Balance Sheet					
May 31					
Assets			Liabilities		
Cash		\$ 48,630	Accounts payable		\$ 75
Equipment		1,965			
			Total liabilities	F	75
			Equity		
			Common stock		44,500
			Retained earnings		6,020
			Total equity	F	50,520
Total assets	F	\$ 50,595	Total liabilities and equity	F	\$ 50,595

< Required 2B   Required 3 >

Explanation:

[The following information applies to the questions displayed below.]

Gabi Gram started The Gram Company, a new business that began operations on May 1. The Gram Company completed the following transactions during its first month of operations.

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- 3. Prepare the statement of cash flows for May.

Complete this question by entering your answers in the tabs below.

Required 2A	Required 2B	Required 2C	Required 3
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Prepare the statement of cash flows for May. (Cash outflows should be indicated with a minus sign.)

THE GRAM COMPANY		
Statement of Cash Flows		
For Month Ended May 31		
<b>Cash flows from operating activities</b>		
Cash received from customers	\$	12,500
Cash paid for rent		(2,200)
Cash paid for cleaning		(730)
Cash paid for telephone		(350)
Cash paid for utilities		(280)
Cash paid to employees		(1,520)
Net cash provided by operating activities	F \$	7,420
<b>Cash flows from investing activities</b>		
Cash paid for equipment		(1,890)
Net cash used by investing activities	F	(1,890)
<b>Cash flows from financing activities</b>		
Cash investment from shareholder		44,500
Cash dividend to shareholder		(1,400)
Net cash provided by financing activities	e	43,100

7

[The following information applies to the questions displayed below.]

Kyzera manufactures, markets, and sells cellular telephones. The average total assets for Kyzera is \$240,000. In its most recent year, Kyzera reported net income of \$64,500 on revenues of \$468,000.

5.

Award: 10.00 points      Problems? Adjust credit for all students.

Required information

3. What are total expenses for Kyzera in its most recent year?

Total expenses	\$ 403,500
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**Explanation:**

We know that revenues less expenses equal net income. Taking the revenues and net income numbers for Kyzera we obtain:

$\$468,000 - \text{Expenses} = \$64,500 \rightarrow \text{Expenses must equal } \$403,500.$

6.

Award: 10.00 points      Problems? Adjust credit for all students.

Required information

4. What is the average total amount of liabilities plus equity for Kyzera?

Average total financing (liabilities plus equity)	\$ 240,000
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**Explanation:**

We know from the accounting equation that total financing (liabilities plus equity) must equal the total for assets (investing). Since average total assets are \$240,000, we know the average total of liabilities plus equity (financing) must equal \$240,000.

8



7.

Award: 10.00 points Problems? [Adjust credit](#) for all students.

Coca-Cola and PepsiCo both produce and market beverages that are direct competitors. Key financial figures for these businesses for a recent year follow:

Key Figures (\$ millions)	Coca-Cola	PepsiCo
Sales	\$ 46,542	\$ 66,504
Net income	8,634	6,462
Average assets	76,448	70,518

**Required:**

1. Compute return on assets for Coca-Cola and PepsiCo. (Enter values in \$ millions.)

	Return on Assets				
	Numerator:	/	Denominator:	=	Return on Assets
	Net income	/	Average total assets	=	Return on assets
Coca-Cola return	\$ 8,634	/	\$ 76,448	=	F 11.3%
PepsiCo return	\$ 6,462	/	\$ 70,518	=	F 9.2%

2. Which company is more successful in its total amount of sales to consumers?

- PepsiCo  
 Coca-Cola

3. Which company is more successful in returning net income from its assets invested?

- Coca-Cola  
 PepsiCo

**Explanation:**

1.

Return on assets equals net income divided by average total assets.

Coca-Cola return:  $\$8,634 / \$76,448 = 0.113$  or 11.3%.

PepsiCo return:  $\$6,462 / \$70,518 = 0.092$  or 9.2%.

2.

Strictly on the amount of sales to consumers, Coca-Cola's sales of \$46,542 are less than PepsiCo's \$66,504.

3.

Success in returning net income from the average amount invested is revealed by the return on assets. Part 1 showed that Coca-Cola's 11.3% return is better than PepsiCo's 9.2% return.

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