

“Accounting Quiz”

ADM 1300 – Introduction to Business Management

Professor: P. Koppel

Duration: 1 hour 20 minutes

Instructions:

- 1) This quiz consists of five questions: Balance Sheet, Income Statement, Financial Ratios, Breakeven Point, and Economic Order Quantity (20 marks for each question).
- 2) Complete each Problem questions in the space provided.
- 3) No notes, reference materials of any type (including dictionaries), or any electronic devices other than a calculator (which must have a clear memory) are permitted in the exam room.
- 4) Write in a legible fashion. Show all your work. Take each answer to two decimal places.
- 5) Please complete the Statement of Academic Integrity below with your signature.
- 6) You must return your quiz to a proctor once you have completed the quiz or time has expired.

Question 1: _____ (20 points)
Question 2: _____ (20 points)
Question 3: _____ (20 points)
Question 4: _____ (20 points)
Question 5: _____ (20 points)

LAST NAME (please PRINT): _____

FIRST NAME (please PRINT): _____

STUDENT #:

Statement of Academic Integrity

The School of Management does not condone academic fraud, an act by a student that may result in a false academic evaluation of that student or of another student. Without limiting the generality of this definition, academic fraud occurs when a student commits any of the following offences: plagiarism or cheating of any kind, use of books, notes, mathematical tables, dictionaries or other study aid unless an explicit written note to the contrary appears on the exam, to have in his/her possession cameras, radios (radios with head sets), tape recorders, pagers, cell phones, or any other communication device which has not been previously authorized in writing.

Statement to be signed by the student:

I have read the text on academic integrity and I pledge not to have committed or attempted to commit academic fraud i

Signed :

Note :

exam form 01 2000.

d statement will not be graded and will receive a final

Question 1: Breakeven Point Analysis

You are given the following data:

Monthly lease expense	\$4,600.00
Selling price per unit	\$20.00
Wages per unit produced	\$3.00
Monthly salaries	\$10,000.00
Yearly rent expense	\$140,000.00
Overhead cost per unit produced	\$5.00
Raw materials cost per unit produced	\$4.00

a) How many units need to be produced to at least breakeven? (10 points)

b) Using the above information, draw a breakeven diagram and properly label all appropriate points. (10 points)

Question 2: Economic Order Quantity

You are given the following data for the ABC Corporation:

Cost per unit: \$150.00

Annual demand for good: 800,000 units

Cost to place an order: \$50.00

Annual cost to carry inventory: 10%

- a) Calculate the Economic Order Quantity. (5 points)
- b) If the EOQ is used, what is the annual cost to the company? (5 points)
- c) If ABC Corporation decides to order in 10 equal installments instead of using the E.O.Q., what would be the annual costs to the company? (10 points)

Question 3: Balance Sheet

Prepare a balance sheet for DEF Corporation as of December 31, 2006, using the following appropriate information. (20 points)

Sales	\$250,000	Cash	\$242,500
Retained Earnings	\$249,000	Acc. Depreciation, Buildings	\$3,000,000
Investments	\$1,499,500	Prepaid expenses	\$131,000
Salary expenses	\$400,000	Common Stock	\$5,005,000
Land	\$1,480,000	Taxes Payable	\$550,000
Goodwill	\$340,000	Gross Profit	\$222,000
Accounts payable	\$100,000	Buildings	\$10,000,000
Wages payable	\$1,400,000	Notes receivable	\$122,00
Marketable securities	\$1,112,000	Inventories	\$1,986,000
Notes payable	\$65,000	Equipment	\$2,000,000
Useful life of equipment	10 years	Bonds Payable	\$950,000
Notes payable (due in 2010)	\$7,450,000	Accounts receivable	\$506,000
Interest payable	\$50,000	Equipment	\$1,000,000
Age of equipment as of Dec. 31/06	3 years		

Question 4: Income Statement

You are given the following data. Prepare an Income Statement for XYZ Corporation for the year ended December 31, 2005. (20 points)

Tax rate	35%	Purchases	\$400,000
Sales returns	\$1,000,000	Cash	\$500,000
Gross Sales	\$20,000,000	Delivery Expense	\$15,000
Jan. 1, 2005 Inventory	\$1,475,000	Advertising Expense	\$220,000
Other Expenses	\$300,000	Taxes Payable	\$830,000
Accounts receivable	\$200,000	Dec. 31, 2005 Inventory	\$300,000
Rent expense	\$180,000	Salaries expense	\$5,000,000
Building	\$4,000,000	Commissions	\$1,400,000
Other Income	\$700,000	Lease Expense	\$220,000
Prepaid Expense	\$25,500	Goodwill	\$225,000

