

ADM2342 Winter 2012

Student Name _____

Quiz #2

Student ID: _____

[marked out of 33 for convenience: worth 5% of ADM2342's course mark]

Question 1 (12 marks)

ASSETS

- a. Current assets
- b. Investments
- c. Plant and equipment
- d. Intangibles
- e. Other assets

LIABILITIES AND CAPITAL

- f. Current liabilities
- g. Long-term liabilities
- h. Preferred shares
- i. Common shares
- j. Contributed surplus
- k. Retained earnings
- l. Items excluded from balance sheet

Using the letters above, classify the following accounts according to the preferred and ordinary balance sheet presentation.

- ___ 1. Bond sinking fund
- ___ 2. Common shares distributable
- ___ 3. Appropriation for plant expansion
- ___ 4. Bank overdraft
- ___ 5. Bonds payable (due 2019)
- ___ 6. Premium on common shares
- ___ 7. Securities owned by another company which are collateral for that company's note
- ___ 8. Trading securities
- ___ 9. Inventory
- ___ 10. Unamortized discount on bonds payable (due 2019)
- ___ 11. Patents
- ___ 12. Unearned revenue

- | | | |
|------|------|-------|
| 1. b | 5. g | 9. a |
| 2. i | 6. j | 10. g |
| 3. k | 7. l | 11. d |
| 4. f | 8. a | 12. f |

Question 2 (12 marks)

For each event listed below, select the appropriate category which describes the effect of the event on a statement of cash flows:

- a. Cash provided/used by operating activities.
- b. Cash provided/used by investing activities.
- c. Cash provided/used by financing activities.
- d. Not a cash flow.

- ___ 1. Payment on long-term debt
- ___ 2. Issuance of bonds at a premium
- ___ 3. Collection of accounts receivable
- ___ 4. Cash dividends declared

- ___ 5. Issuance of shares to acquire land
- ___ 6. Sale of marketable securities (long-term)
- ___ 7. Payment of employees' wages
- ___ 8. Issuance of common shares for cash
- ___ 9. Payment of income taxes payable
- ___ 10. Purchase of equipment
- ___ 11. Purchase of treasury stock (common)
- ___ 12. Sale of real estate held as a long-term investment

- | | | | |
|------|------|------|-------|
| 1. c | 4. d | 7. a | 10. b |
| 2. c | 5. d | 8. c | 11. c |
| 3. a | 6. b | 9. a | 12. b |

Question 3 (9 marks)

In the space provided at right, write the word or phrase that is defined or indicated.

- | | |
|--|----------|
| 1. The way transactions are booked when the seller is acting as principal in the sale. | 1. _____ |
| 2. The analysis of a company's year-to-year changes in revenues. | 2. _____ |
| 3. Sales that are comprised of several individual components | 3. _____ |
| 4. The party acting as an agent for the seller. | 4. _____ |
| 5. The method to allocate sales prices to individual components of a sales bundle that ensures that upfront revenues are not overstated. | 5. _____ |
| 6. The method used to account for long-term contracts that do not recognize profits before the completion of the project. | 6. _____ |
| 7. The account used in the percentage-of completion and completed contract methods to accumulate costs and recognize profits. | 7. _____ |
| 8. The notion of giving something up and receiving something in return (i.e. in a business transaction). | 8. _____ |
| 9. The unbilled revenue from a long-term construction project shown as a debit on the contractors' balance sheet. | 9. _____ |

1. **Gross basis.**
2. **Trend analysis.**
3. **Bundled sales.**
4. **The consignee.**
5. **The residual value method.**
6. **The completed contract method.**
7. **The construction in process account.**
8. **Reciprocity.**
9. **Cost and recognized profit in excess of billings.**