**ACCOUNTING MODULE QUIZ**

1. Identifying Assets, Liabilities, and Equity: While looking at the financial documents of a company, you discover items not classified properly on the Balance Sheet. Please identify if the items below should be an Asset, Liability, or Equity on the Balance Sheet.
* Accrued Wages (compensation earned but not yet paid)
* Retained Earnings
* Stock in another company
* Identify whether the items would be an Asset, Liability, or Equity on the Balance Sheet.
1. Agency Relationship: Which of the following is NOT an example of a Principle and their Agent?
2. A Store Owner and their Customer
3. An Employer and their Employee
4. A Client and their Lawyer
5. A Car Owner and their Mechanic
6. Cost-Benefit Analysis: Widget Makers, Inc. is considering upgrading its factory to have more modern machinery that would increase efficiency through automation. The machinery itself will likely cost Widget Makers, $500,000 to upgrade, but through cutting the salaries and through increased efficiency it is estimated to save the company $600,000 a year. The people from the town that Widget Makers is located in are proposing a boycott of the company that will likely cost the company $50,000 in lost sales. To combat the negative publicity, Widget Makers is planning a regional marketing campaign that will cost $100,000. With only these factors in mind, should Widget Makers, Inc. automate its factory?

1. Yes
2. No
3. Interpreting a Balance Sheet: From the Balance Sheet below, Total Equity = \_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
| **Assets ($)** | Period Ending 7/31/17 |
| Cash | 11,000 |
| Accounts Receivable | 5,400 |
| **Total Assets** | **16,400** |
| **Liabilities ($)** | Period Ending 7/31/17 |
| Accounts Payable | 7,850 |
| **Total Liabilities** | **7,850** |
| **Equity ($)** | Period Ending 7/31/17 |
| **Total Equity** | **X** |

1. Interpreting an Income Statement: From the Income Statement below, Total Expenses= \_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
| **Revenue** | Period Ending 7/31/17 |
| Hardcover Books | 24300 |
| Audio CDs | 2050 |
| Paperbacks | 10500 |
| **Total Revenue** | 36850 |
| **Expenses** | Period Ending 7/31/17 |
| Freight |  |
| Staffing |  |
| Utilities |  |
| **Total Expenses** | **X** |
| **Net Income** | Period Ending 7/31/17 |
|  | **2482** |

1. Interpreting the Statement of Retained Earnings: From the Statement of Retained Earnings below, what was the company's Retained Earnings at the beginning of the fiscal year?

|  |
| --- |
| **Period Ending 12/31/17** |
| Retained Earnings - January 1, 2017 | **X** |
| Net Income: | $75,000 |
| Dividends: | $45,000 |
| Retained Earnings - December 31, 2017 | $230,000 |

**ACCOUNTING MODULE ANSWERS**

Question 1: Accrued Wages are a Liability, stock in another company is an Asset, and Retained Earnings are Equity. Please review the items on the Balance Sheet.

Question 2: A

An Agent is someone representing the interests of their Principle.

Question 3: B) No

Adding up all relevant costs and benefits to the situation, automating the factory would cost the company $50,000.

Question 4: $8,550

Total Equity = Total Assets - Total Liabilities

Question 5: $34,368

Net Income = Total Revenue - Total Expenses

Question 6: $200,000

Retained Earnings = Beginning RE + Net Income – Dividends