

BA 511
August 2013
Financial Accounting Pre-Term Diagnostic Quiz

- You must work alone on the exam. All forms of communication with any individuals (except the course instructor) are prohibited. You may only use your own materials during the exam.
- You may not use your notes, textbook, course packet, or practice problems. The exam is closed book, closed note, and closed computer. You may, however, use a calculator.
- Complete the exam showing all Journal Entries (including closing entries), T Accounts, and Financial Statements.
- Make sure to fill out the “Exam Summary Sheet” after completing the exam.
- Good luck and enjoy your weekend!

Academic Integrity Pledge

I affirm that I have neither given, received, nor witnessed unauthorized aid on this deliverable and have completed this work honestly and according to the professor’s guidelines.

Instructions: You have been provided the December 31, 2002 balance sheet for Divot Corporation as well as a narrative of transactions that occurred during 2003. Divot Corporation is a fictitious retail establishment specializing in golf apparel and accessories. Using this information, prepare an income statement, balance sheet and statement of cash flows for the year ended December 31, 2003. Clearly show your work using journal entries and T-accounts.

Divot Corporation
Balance Sheet
December 31, 2002

| | |
|--|-------------------|
| Assets | |
| Current | |
| Cash | \$3,000 |
| Accounts Receivable | 2,000 |
| Inventory | <u>10,000</u> |
| Total Current Assets | 15,000 |
| Property and Equipment (net of accumulated depreciation) | <u>50,000</u> |
| Total Assets | <u>65,000</u> |
| Liabilities & Shareholders' Equity | |
| Current | |
| Accounts Payable | 26,000 |
| Salary Payable | <u>4,000</u> |
| Total Current Liabilities | 30,000 |
| 10 % Long Term Note Payable | <u>20,000</u> |
| Total Liabilities | 50,000 |
| Common Stock | 10,000 |
| Retained Earnings | <u>5,000</u> |
| Total Shareholders' Equity | 15,000 |
| Total Liabilities and Shareholders' Equity | <u>65,000</u> |

Relevant information for 2003

Note: This list includes all activities/transactions -- do not add to the problem by adding more transactions/information. In other words, if it isn't here, then do not worry about it.

1. On June 30, 2003 Divot Corp. paid \$2,000 in cash for a 2-year fire insurance policy covering the period June 30, 2003 to June 30, 2005.
2. On November 1, 2003 Divot Company made the decision to expand into a new location and entered into a one-year operating lease covering the period November 1, 2003 to November 1, 2004. Under the new lease Divot agreed to pay \$10,000 rent on the first day of each month. (Hint: Assume that Divot Company complied with this agreement and paid the \$10,000 in cash on the first day of each month.)
3. Divot also paid \$50,000 in cash to purchase new equipment.
4. Equipment with a book value of \$12,000 was sold for \$14,000 in cash.
5. Depreciation was \$5,000 for the year.
6. Divot made merchandising sales of \$250,000 during the year. All sales were on account (i.e., credit sales).
7. Collections of accounts receivable totaled \$231,000 cash for the year.
8. Purchases of inventory totaled \$125,000 for the year. All purchases were on account (on credit).
9. The company counted inventory at year end and determined the ending inventory balance to be \$15,000.
10. Payments to suppliers for purchases on account totaled \$111,000 in cash.
11. On December 31, 2003, Divot repaid the 10% note with accrued interest by paying the bank \$22,000 cash.
12. \$23,000 in cash was paid during the year for salaries payable to employees. (Hint: This amount includes payment of the \$4,000 Salaries Payable balance from 12/31/2002.)
13. \$2,000 salaries expense was accrued for the last 3 days of 2003.
14. Cash payments for other expenses totaled \$500.
15. Paid dividends of \$3,000 during the fiscal year.
16. Divot operates in a tax-free jurisdiction. (Are they lucky or what?)

BA 511 Divots Diagnostic
Exam Summary Sheet

1. Net Income for the year ended December 31, 2003 _____
2. Total Current Assets at December 31, 2003 _____
3. Total Assets at December 31, 2003 _____
4. Total Liabilities at December 31, 2003 _____
5. Total Stockholders' Equity at December 31, 2003 _____
6. The balance in Retained Earnings at December 31, 2003 _____
7. The Cash balance at December 31, 2003 _____
8. The balance in Property, Plant, & Equipment
(net of accumulated depreciation) at December 31, 2003 _____
9. The balance of Prepaid Insurance at December 31, 2003 _____
10. Total Cash Flows from Operating Activities for the year
ended December 31, 2003 _____
11. Total Cash Flows from Investing Activities for the year
ended December 31, 2003 _____
12. Total Cash Flows from Financing Activities for the year
ended December 31, 2003 _____

