Question 1

Sales Revenue	$1000
Beginning Inventory	$400
Purchases	$500
Available for Sale	?
Ending Inventory	$300
Cost of Goods Sold	?
Gross Profit	?
Operating Expenses	$100
Net Income	?

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Question 2

9 points Save Answer

Assume you serve on the board of a local golf and country club. In preparation for renegotiating the club's bank loans, the president indicates that the club needs to increase its operating cash flows before the end of the current year. The club's treasurer reassures the president and other board members that he knows a couple of ways to boost the club's operating cash flows. First, he says, the club can sell some of its accounts receivable to a collections company that is willing to pay the club $97,000 up front for the right to collect $1 00,000 of the overdue accounts. That will immediately boost operating cash flows. Second, he indicates that the club paid about $200,000 last month to relocate the 18th fairway and green closer to the clubhouse. The treasurer indicates that although these costs have been reported as expenses in the club's own monthly financial statements, he feels an argument can be made for reporting them as part of land and land improvements (a long-lived asset) in the year-end financial statements that would be provided to the bank. He explains that, by recording these payments as an addition to a long-lived asset, they will not be shown as a reduction in operating cash flows.

Required:

1. Does the sale of accounts receivable to generate immediate cash harm or mislead anyone? Would you consider it an ethical business activity?

2. What category in the statement of cash flows is used when reporting cash spent on long-lived assets, such as land improvements? What category is used when cash is spent on expenses, such as costs for regular upkeep of the grounds?

3. What facts are relevant to deciding whether the costs of the 18th hole relocation should be reported as an asset or as an expense? Is it appropriate to make this decision based on the impact it could have on operating cash flows?

4. As a member of the board, how would you ensure that an ethical decision is made?

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Question 3

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Following is the adjusted trial balance of Post Company. Based on this information prepare a Balance Sheet, Income Statement and Statement of Retained Earnings.

POST COMPANY
ADJUSTED TRIAL BALANCE

	Debit	Credit
Cash	80,000	
Accounts Receivable	11,100	
Prepaid Insurance	1,500	
Equipment	4,000	
Accumulated Depreciation		200
Supplies	500	
Accounts Payable		700
Wages Payable		300
Unearned Revenue		1,500
Contributed Capital		80,000
Retained Earnings		0
Sales		17,000
Gas Expense	400	
Supply Expense	300	
Insurance Expense	200	
Depreciation Expense	200	
Wage Expense	500	
Dividends	1,000	
	99,700	99,700

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Question 4

Explain the closing entry process and prepare the closing entries in journal form based on the information in question 3.

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[illegible] RECONCILIATION

	$8,500
	$7,320
	$2,1[illegible]

Question 5

POST INC. BANK RECONCILIATION	
Cash balance per bank	$8,500
Cash balance per books (general ledger)	$7,320
Outstanding checks	$2,150
Check mailed to the bank for deposit had not reached the bank by the statement date.	$600
NSF check returned by the bank for accounts receivable	$200
July interest earned on the bank statement	$10
Check no. 700 for misc. expense cleared the bank for $200; erroneously recorded in the Matrix books for $20	

Prepare a bank reconciliation.

Shown the accounting entries that must be made by Matrix in journal entry and T-Account format.

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