

Student ID No. - -

Name

AC201-BE-1-2015

 /20**AC201 Fundamental Accounting
Quiz #3 - A****Question 1: Normal Balance (5 points)****Require:** Indicate for each account its normal balance and its effect when the account increases or decreases.

Accounts	Normal Balance	Increases/Decreases
Common stock	<input type="checkbox"/> Normal debit balance <input checked="" type="checkbox"/> Normal credit balance	Decreases in the account are recorded as <input checked="" type="checkbox"/> Debits <input type="checkbox"/> Credits
Notes receivable	<input checked="" type="checkbox"/> Normal debit balance <input type="checkbox"/> Normal credit balance	Increases in the account are recorded as <input checked="" type="checkbox"/> Debits <input type="checkbox"/> Credits
Accrued expense	<input type="checkbox"/> Normal debit balance <input checked="" type="checkbox"/> Normal credit balance	Increases in the account are recorded as <input type="checkbox"/> Debits <input checked="" type="checkbox"/> Credits
Investments	<input checked="" type="checkbox"/> Normal debit balance <input type="checkbox"/> Normal credit balance	Decreases in the account are recorded as <input type="checkbox"/> Debits <input checked="" type="checkbox"/> Credits
Retained earnings	<input type="checkbox"/> Normal debit balance <input checked="" type="checkbox"/> Normal credit balance	Increases in the account are recorded as <input type="checkbox"/> Debits <input checked="" type="checkbox"/> Credits

Question 2: Journal Entries (15 points)

Peter Quill opened an office, Star Lord Limited, on May 1, 2015. During the month of May 2015, he completed the following transactions connected with his business.

Require:

- You are required to journalize the following transactions. Select the appropriate account titles from the following chart of account:

Cash	Accounts payable
Supplies	Notes payable
Notes receivable	Long-term loan
Office equipment	Common stock
Machinery	

- If it was not a transaction and a journal entry is not required, write "Not a transaction" for your answer.

On May 1, Peter Quill invested \$350,000 cash into the newly established business. The company issued 35,000 shares of common stock with a par value of \$10 per share to him.

GENERAL JOURNAL				
Date	Account Titles and Explanation		Debit	Credit
May	1	Cash	350,000	
		Common stock		350,000

On May 8, the company purchased a \$14,000 machine, paid \$9,000 in cash and issued a note payable for the remaining balance.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
May	8	Machinery	14,000	
		Cash		9,000
		Notes payable		5,000

On May 11, the company ordered a \$3,500 office equipment, to be delivered in 10 days

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
		----- No transaction -----		

On May 15, the company obtained a long-term loan from a bank in the amount of \$55,000, signing a 3-year loan agreement for the amount.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
May	15	Cash	55,000	
		Long-term loan		55,000

On May 20, the company received the \$3,500 office equipment ordered on May 11, paying \$500 in cash and signing a note for the remaining balance.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
May	20	Office equipment	3,500	
		Cash		500
		Notes payable		3,000

On May 23, the company loaned \$1,200 to an employee who signed a note for the loan.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
May	23	Notes receivable	1,200	
		Cash		1,200

On May 26, the company purchased office supplies for \$280 on credit. The supplies will last for several months.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
May	26	Supplies	280	
		Accounts payable		280