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| |  |  | | --- | --- | | |  | | --- | | Corresponds to CLO 1(a) Which of the following interrelationships is not important to understand when preparing financial statements: (Points : 8) |         Total payments on the balance sheet should equal the cash payments for operating activities on the statement of cash flows.       Net income from the income statement is used in the retained earnings statement.       The ending retained earnings from the retained earnings statement is used in the stockholders' equity section of the balance sheet.       The cash on the balance sheet should be equal to the cash at the end of the period on the statement of cash flows. |  |  |  | | --- | --- | | |  | | --- | | **2.** Corresponds to CLO 1(b) Which of the following does not describe the balance sheet? (Points : 8) |         The balance sheet presents a picture at a point in time of what a business owns and owes.       The balance sheet reports the assets, liabilities, and stockholders' equity at a specific date.        The balance sheet reports the changes in assets, liabilities, and stockholders' equity over a period of time.  The balance sheet reports assets and claims to those assets at a specific point in time. |  |  |  | | --- | --- | | |  | | --- | | **3.** Corresponds to CLO 1(c) Tulsa Corporation began the year by issuing $50,000 of common stock for cash. The company recorded revenues of $200,000, expenses of $125,000, and paid dividends of $20,000. What was Tulsa's net income for the year? (Points : 8) |         $75,000       $105,000       $55,000       $200,000 |  |  |  | | --- | --- | | |  | | --- | | **4.** Corresponds to CLO 1(d) Which of the following is not true about the statement of cash flows? (Points : 8) |         The statement of cash flows provides information about a company's cash receipts and cash payments.        Ending cash on the statement of cash flows should equal cash shown on the balance sheet.        The statement of cash flows is prepared in order to determine the cash balance to be used on the balance sheet.        The statement of cash flows shows the amount of cash provided or used by operating activities, investing activities, and financing activities. |  |  |  | | --- | --- | | |  | | --- | | **5.** Corresponds to CLO 2(a) Based on the following account balances, what is the total of the debit and credit columns of this company's adjusted trial balance? Service Revenue…$5,000; Cash…$1,600; Unearned revenue…$3,600; Salary expense…$1,300; Common stock…$1,000; Equipment…$7,000; Prepaid insurance…$1,400; Depreciation expense…$700; Accumulated depreciation…$1,400; Retained earnings…$1,000. (Points : 8) |          $8,600        $11,300        $12,000        $17,000 |  |  |  | | --- | --- | | |  | | --- | | **6.** Corresponds to CLO 2(b) Given the following adjusted trial balance amounts, what is the net income for the year?  Debit balances Cash…$8,000; Accounts receivable…$4,000; Short-term investments…$10,000; Prepaid rent…$500; Property, plant, & equipment…$20,000; Salary expense…$6,000; Depreciation expense…$2,000; Rent expense…$2,500 Credit balances Accumulated depreciation…$6,000; Accounts payable…$2,600; Unearned revenue…$3,000; Common stock…$8,000; Retained earnings…$12,000; Service revenue…$21,000; Interest revenue…$400. (Points : 8) |          $7,900        $11,400        $10,400        $10,900 |  |  |  | | --- | --- | | |  | | --- | | **7.** Corresponds to CLO 2(c) Given the following adjusted trial balance amounts, what is the retained earnings ending balance to be reported on the statement of retained earnings?  Debit balances Cash…$8,000; Accounts receivable…$12,000; Inventory…$13,000; Property, plant, & equipment…$30,000; Cost of goods sold…$21,000; Salary expense…$4,000; Depreciation expense…$3,000 Credit balances Accumulated depreciation…$9,000; Accounts payable…$5,000; Common stock…$35,000; Retained earnings…$12,000; Revenue…$30,000. (Points : 8) |          $12,000        $14,000        $10,000        $17,000 |  |  |  | | --- | --- | | |  | | --- | | **8.** Corresponds to CLO 2(d) Given the following adjusted trial balance amounts, total assets reported on the balance sheet is?  Debit balances Cash…$15,000; Accounts receivable…$12,000; Equipment…$60,000; Supplies…$4,000; Expenses…$95,000. Credit balances Accumulated depreciation…$6,000; Accounts payable…$5,000; Common stock…$40,000; Retained earnings…$15,000; Revenue…$120,000. (Points : 8) |          $85,000        $91,000        $125,000        $81,000 |  |  |  | | --- | --- | | |  | | --- | | **9.** Corresponds to CLO 3(a) Intuition Company provided consulting services and billed the client $4,000. As a result of this transaction, (Points : 8) |          assets increased by $4,000        equity increased by $4,000        assets and equity remained unchanged.        both a and b. |  |  |  | | --- | --- | | |  | | --- | | **10.** Corresponds to CLO 3(b) Delbert Industries purchased and received inventory of $15,000 on account. The entry to record this purchase will include: (Points : 8) |          a debit to Inventory and a credit to Accounts Payable.        a debit to Inventory expense and a credit to Accounts Receivable.        a debit to Accounts Payable and a credit to Inventory.        a debit to Inventory and a credit to Cash. |  |  |  | | --- | --- | | |  | | --- | | **11.** Corresponds to CLO 3(c) During June 2013, its first month of operations, the owner of Jinx Enterprises invested cash of $25,000 in Jinx Enterprises. Jinx had cash sales of $8,000, bought supplies of $600 on account, and paid expenses of $12,500. Assuming no other transactions impacted the cash account, what is the balance in Cash at June 30. (Points : 8) |          $20,500 debit        $20,500 credit        $19,900 debit        $19,900 credit |  |  |  | | --- | --- | | |  | | --- | | **12.** Corresponds to CLO 3(d) Hemmingway Corporation paid salaries of $5,000 and paid advertising expense of $2,000. Which of the following journal entries correctly records these expenses? (Points : 8) |          Debit: Cash $7,000 Credit: Salaries/Wages Expense$5,000 Credit: Advertising Expense $2,000        Debit: Salaries/Wages Expense$5,000 Debit: Advertising Expense $2,000 Credit: Cash$7,000        Debit: Salaries/Wages Expense$5,000 Debit: Advertising Expense $2,000 Credit: Salaries/Wages Payable$5,000 Credit: Accounts Payable$2,000        Debit: Salaries/Wages Expense$5,000 Debit: Advertising Expense $2,000 Credit: Cash$8,000 |  |  |  | | --- | --- | | |  | | --- | | **13.** Corresponds to CLO 4(a) Which of the following statements is correct regarding prepaid expenses and accrued expenses, before adjusting entries have been made? (Points : 8) |          Prepaid expenses have been recorded and accrued expenses have not been recorded.        Prepaid expenses have been incurred and accrued expenses have not been incurred.        Prepaid expenses have not been paid and accrued expenses have been paid.        Prepaid expenses have not been recorded and accrued expenses have not been recorded. |  |  |  | | --- | --- | | |  | | --- | | **14.** Corresponds to CLO 4(b) Hudson Law Corporation received $5,500 cash for legal services to be rendered in the future. The full amount was credited to the liability account Unearned Service Revenue. At the end of the period, Hudson determines that $2,500 of the legal services have been rendered. The appropriate adjusting journal entry to be made at the end of the period is: (Points : 8) |          debit Unearned Service Revenue, $3,000; credit Cash, $3,000.        debit Unearned Service Revenue, $3,000; credit Service Revenue, $3,000.        debit Unearned Service Revenue, $2,500; credit Service Revenue, $2,500.        debit Service Revenue, $2,500; credit Unearned Service Revenue, $2,500. |  |  |  | | --- | --- | | |  | | --- | | **15.** Corresponds to CLO 4(c) Ace Corporation purchased office supplies costing $15,000 and debited Office Supplies inventory for the full amount. At the end of the accounting period, a physical count of office supplies revealed $2,400 still on hand. The appropriate adjusting journal entry to be made at the end of the period is: (Points : 8) |          debit Office Supplies Expense, $2,400; credit Office Supplies, $2,400.        debit Office Supplies, $2,400; credit Office Supplies Expense, $2,400.        debit Office Supplies Expense, $12,600; credit Office Supplies, $12,600.        debit Office Supplies, $12,600; credit Office Supplies Expense, $12,600. |  |  |  | | --- | --- | | |  | | --- | | **16.** Corresponds to CLO 4(d) On September 1, Northgate paid $18,000 to Evans Management Company for 12 months of rent beginning on September 1. The appropriate journal entry was made to record this transaction. If financial statements are prepared for the 9 months ended September 30, the adjusting entry to be made by Northgate is: (Points : 8) |          debit Rent Expense, $13,500; credit Prepaid Rent, $13,500.        debit Prepaid Rent, $1,500; credit Rent Revenue, $1,500.        debit Prepaid Rent, $1,500; credit Rent Expense, $1,500.        debit Rent Expense, $1,500; credit Prepaid Rent, $1,500. |  |  |  | | --- | --- | | |  | | --- | | **17.** Corresponds to CLO 5(a) Lennox Corporation purchased a new delivery truck for 60,000. The sales taxes are $4,800. The logo is painted on the side of the truck for $1,000. The truck's annual license is $250. Annual insurance on the truck is $1,200. What should Lennox record as the cost of the new truck? (Points : 8) |          $60,000        $64,800        $65,800        $67,250 |  |  |  | | --- | --- | | |  | | --- | | **18.** Corresponds to CLO 5(b) On October 1, 2013, Ballard Corporation purchased equipment for $65,000. It is estimated that the equipment will have a $5,000 salvage value at the end of its 5 year useful life. If Ballard uses the straight-line method of depreciation, what is the accumulated depreciation at December 31, 2013? (Points : 8) |          $3,000        $3,250        $12,000        $13,000 |  |  |  | | --- | --- | | |  | | --- | | **19.** Corresponds to CLO 5(c) Tyree Company purchased equipment with a cost of $90,000 and an estimated salvage value of $18,000. The equipment is expected to produce 120,000 units over its estimated useful life of 10 years. If Tyree uses the units-of-activity method, what is the depreciation cost per unit to be used in calculating depreciation? (Points : 8) |          $1.67        $0.75        $0.60        $1.33 |  |  |  | | --- | --- | | |  | | --- | | **20.** Corresponds to CLO 5(d) Kerns Company purchased equipment with a cost of $200,000 and an estimated salvage value of $10,000. The equipment has an estimated useful life of 5 years. If Kerns uses the double-declining balance method, what is the annual depreciation rate to be used in calculating depreciation? (Points : 8) |          5%        10%        20%        40% |  |  |  | | --- | --- | | |  | | --- | | **21.** Corresponds to CLO 6(a) Marshall Machinery made a sale for $80,000 on January 6. The customer is sent a statement on January 25 and payment is received on February 20. Marshall prepares January's monthly internal financial statements on February 15. Marshall follows GAAP and applies the revenue recognition principle. When is the $80,000 considered to be earned? (Points : 8) |          February 20        February 15        January 25        January 6 |  |  |  | | --- | --- | | |  | | --- | | **22.** Corresponds to CLO 6(b) Mann Corporation's employees worked overtime to complete an order that is sold on July 27. The office sends a statement to the customer on August 15, and payment is received on September 5. Mann follows GAAP. In what month should the overtime wages be expensed? (Points : 8) |          either July or August, depending on when the pay period ends        September        August        July |  |  |  | | --- | --- | | |  | | --- | | **23.** Corresponds to CLO 6(c) Sight Company had the following transactions during 2013: sales of $5,000 on account; collected $1,600 for services to be performed in 2014; paid $4,100 cash for 2013 salaries; purchased airline tickets for $800 in December for a trip to take place in 2014. What is Sight's 2013 net income using accrual accounting? (Points : 8) |          $1,700        $900        $2,500        $5,800 |  |  |  | | --- | --- | | |  | | --- | | **24.** Corresponds to CLO 6(d) Lyme Corporation had the following transactions during 2013: sales of $10,000 on account; collected $5,500 for services to be performed in 2014; paid $3,000 cash for 2013 salaries; paid $800 for airline tickets for a trip to take place in 2014. What is Lyme's 2013 net income using cash basis accounting? (Points : 8) |          $11,700        $1,700        $6,200        $2,500 |  |  |  | | --- | --- | | |  | | --- | | **25.** Corresponds to CLO 7(a) Ping Sports Company purchases $1,000 of merchandise on credit. Using the periodic inventory approach, the journal entry to record this transaction would be: (Points : 8) |          debit: Accounts Payable $1,000; credit: Inventory $1,000        debit: Inventory $1,000; credit: Accounts Payable $1,000        debit: Accounts Payable $1,000; credit: Purchases $1,000        debit: Purchases $1,000; credit: Accounts Payable $1,000 |  |  |  | | --- | --- | | |  | | --- | | **26.** Corresponds to CLO 7(b) Gardner Corporation sold a riding lawnmower for $2,400 on account on January 9, 2013. Gardner uses the perpetual inventory method. The journal entry to record this transaction would include: (Points : 8) |          a debit to Sales Revenue and a credit to Accounts Receivable.        a debit to Accounts Receivable, a credit to Sales Revenue, a debit to Cost of Goods Sold, and a credit to Inventory.        a debit to Cash and a credit to Sales Revenue.        a debit to Accounts Receivable, a credit to Sales Revenue, a debit to Cost of Goods Sold, and a credit to Purchases. |  |  |  | | --- | --- | | |  | | --- | | **27.** Corresponds to CLO 7(c) Rupert Hobby's accounting records show the following for the year ending December 31, 2014: Purchase Discounts…$15,600; Freight-in…$14,000; Purchases…$540,500; Beginning Inventory…$54,200; Ending Inventory…$58,600; Purchase Returns (not sales returns)…$20,000. Using the periodic inventory system, what is the cost of goods sold? (Points : 8) |          $573,100        $500,500        $536,100        $514,500 |  |  |  | | --- | --- | | |  | | --- | | **28.** Corresponds to CLO 7(d) Bay Company sold $100,000 of merchandise in the month of April, 2013. Returns that month totaled $5,000. Bay Company uses the periodic method to determine ending inventory each December 31. For interim financial statements, cost of goods sold is estimated based on the previous year's gross profit rate. If Bay Company's gross profit rate for 2012 was 40%, what is the cost of goods sold for the month of April? (Points : 8) |          $60,000        $57,000        $40,000        $38,000 |  |  |  | | --- | --- | | |  | | --- | | **29.** Corresponds to CLO 8(a) We Love Pets, Inc. has the following inventory data: January 1, beginning inventory of 50 units at $25; January 10, purchases of 70 units at $27; January 25, purchases of 40 units at $28. A physical count of inventory on January 31 reveals that there are 45 units on hand. Using the FIFO inventory method, cost of goods sold for January is (Points : 8) |          $3,135        $3,005        $2,875        $1,255 |  |  |  | | --- | --- | | |  | | --- | | **30.** Corresponds to CLO 8(b) Party Retailers has the following inventory data: May 1, beginning inventory of 200 units at $10; May 14, purchases of 300 units at $12; May 23, purchases of 250 units at $15. A physical count of inventory on May 31 reveals that there are 225 units on hand. Using the LIFO inventory method, ending inventory for May is (Points : 8) |          $2,300        $2,250        $7,050        $3,375 |  |  |  | | --- | --- | | |  | | --- | | **31.** Corresponds to CLO 8(c) Halting Corporation has the following inventory data: September 1, beginning inventory of 430 units at $11; September 8, purchases of 350 units at $12; September 21, purchases of 460 units at $14. A physical count of inventory on September 30 reveals that there are 400 units on hand. Using the weighted average inventory method, rounding the unit cost to the nearest penny, what is cost of goods sold for September? (Points : 8) |          $10,357        $4,960        $10,416        $4,932 |  |  |  | | --- | --- | | |  | | --- | | **32.** Corresponds to CLO 8(d) Unleash Corporation is a retailer operating in an industry currently experiencing high inflation. Unleash wants to show the highest cost of goods sold possible in order to reduce the company's income tax liability. Which inventory costing method should Unleash use? (Points : 8) |          FIFO because cost of goods sold represents the earliest costs.        Average because cost of goods sold will represent an average amount.        Specific identification because it involves the actual costs.        LIFO because cost of goods sold represents the latest costs. |  |  |  | | --- | --- | | |  | | --- | | **33.** Corresponds to CLO 9(a) The following balance sheet and income statement data is available for Gold River Corporation: Current assets…$205,000; Total assets…$520,000; Net income…$345,000; Current liabilities…$125,000; Total liabilities…$250,000; Stockholders' equity…$270,000; Average common shares outstanding… 10,000. What is Gold River's current ratio? (Points : 8) |          2.08        1.64        1.56        0.82 |  |  |  | | --- | --- | | |  | | --- | | **34.** Corresponds to CLO 9(b) The following balance sheet data is available for Pinpoint Products: Current assets…$25,000; Property, plant, and equipment,…$100,000…Other assets…$15,000; Current liabilities…$15,000; Long-term liabilities…$48,000; Stockholders' equity…$77,000; Average common shares outstanding… 10,000. What is Pinpoint's debt to total assets, shown as a percentage? (Points : 8) |          45%        60%        40%        81% |  |  |  | | --- | --- | | |  | | --- | | **35.** Corresponds to CLO 9(c) The following balance sheet and income statement data is available for Frame Manufacturing: Total assets…$520,000; Total liabilities…$250,000; Stockholders' equity…$270,000; Gross profit…$55,000; Net income…$40,000; Average common shares outstanding… 25,000. What is Frame Manufacturing's earnings per share? (Points : 8) |          $10.80        $3.50        $1.60        $2.20 |  |  |  | | --- | --- | | |  | | --- | | **36.** Corresponds to CLO 9(d) The following financial information is available for Maroon Corporation: Sales revenue…$200,000; Cost of goods sold…$120,000; Operating expenses…$40,000. What is Maroon's gross profit rate, shown as a percentage? (Points : 8) |          20%        80%        60%        40% |  |  |  | | --- | --- | | |  | | --- | | **37.** Corresponds to CLO 10(a) Which of the following is not true about a company's system of internal controls? (Points : 8) |          Internal control procedures are designed to safeguard assets from employee theft.        Internal control measures can eliminate all irregularities in the accounting process.        Internal controls can be rendered ineffective by employee collusion.        Large companies often assign internal auditors to continuously evaluate the effectiveness of the company's internal control systems. |  |  |  | | --- | --- | | |  | | --- | | **38.** Corresponds to CLO 10(b) At Huntington Health Corporation, only the treasurer is authorized to sign checks. This is an example of which of the following internal control procedures? (Points : 8) |          Establishment of responsibility        Physical controls        Human resource controls        Segregation of duties |  |  |  | | --- | --- | | |  | | --- | | **39.** Corresponds to CLO 10(c) At Delicious Desserts Corporation, the bookkeeper records cash receipts which are held by the treasurer. This is an example of which of the following internal control procedures? (Points : 8) |          Human resource controls        Physical controls        Segregation of duties        Establishment of responsibility |  |  |  | | --- | --- | | |  | | --- | | **40.** Corresponds to CLO 10(d) At Pocket Protector Products, the treasurer of the company has not taken vacation for the past 4 years. Which of the following internal control principles does this violate? (Points : 8) |          Human resource controls        Physical controls        Segregation of duties        Establishment of responsibility | |

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