**01. Give the answers for following all the questions (1 Hour)**

1. The accounting process does not include:

|  |  |  |
| --- | --- | --- |
| a. | interpreting | d. observing |
| b. | reporting | e. classifying |
| c. | purchasing |  |

2. The financial statement or statements that pertain to a stated period of time is (are) the:

a. balance sheet

b. balance sheet and journals

c. balance sheet and income statement d. income statement

e. none of the above

3. External users of financial accounting information include:

|  |  |  |  |
| --- | --- | --- | --- |
| a. | lenders | d. | labor unions |
| b. | prospective owners | e. | all of the above |
| c. | customers |  |  |

4. Expenses can be found in the:

|  |  |  |  |
| --- | --- | --- | --- |
| a. | statement of owner’s equity | d. | both b and c |
| b. | income statement | e. | all of the above |
| c. | balance sheet |  |  |

5. This account does not appear on the income statement:

|  |  |  |  |
| --- | --- | --- | --- |
| a. | accumulated depreciation | d. | marketing expense |
| b. | depreciation expense | e. | interest expense |
| c. | sales revenue |  |  |

6. A brand new company has a building costing $10,000, machinery costing $5,000, cash of

$700, and a bank loan of $7,850. What is the owner’s equity?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | $8,850 | d. | cannot be determined |
| b. | $15,700 | e. | $7,850 |
| c. | $7,750 |  |  |

7. An example of an economic exchange includes:

a. a business owner purchases inventory on credit

b. a dry cleaning business cleans 3 dresses for a customer c. an insurance agent sells a whole life policy

d. a contractor purchases a new truck for cash e. all of the above

8. If a company has owner’s equity of $100,000, a. assets minus liabilities equal $100,000

b. total assets must equal $100,000

c. net income for the past year was $100,000

d. a total of $100,000 was invested by the owner e. none of the above

9. Providing services on account for $40,000 would:

a. increase cash $40,000, decrease accounts receivable $40,000

b. decrease accounts receivable $40,000, decrease owner’s equity $40,000 c. increase accounts receivable $40,000, increase owner’s equity $40,000 d. increase accounts receivable $40,000, decrease owner’s equity $40,000 e. none of the above

Use the following information to answer the next four questions.

Joseph Forbes is the owner of his own business. On December 31, Forbes’ assets, liabilities, revenues and expenses were:

|  |  |  |  |
| --- | --- | --- | --- |
| Insurance Expenses | $3,000 | Accounts Payable | $4,000 |
| Miscellaneous Expenses | 900 | Accounts Receivable | 5,000 |
| Rent Expenses | 2,500 | Cash | 14,000 |
| Salaries Expense | 19,000 | Equipment | 11,000 |
| Supplies Expense | 1,200 | Notes Payable | 4,600 |
| Services Performed | 45,000 | Supplies on hand | 700 |

10. On December 31, total assets are equal to:

|  |  |  |  |
| --- | --- | --- | --- |
| a. | $25,700 | d. | $30,700 |
| b. | $19,700 | e. | none of the above |
| c. | $22,100 |  |  |

11. On December 31, net income is equal to:

|  |  |  |  |
| --- | --- | --- | --- |
| a. | $18,400 | d. | $17,400 |
| b. | $45,000 | e. | none of the above |

12. On December 31, if net income equals $15,000 and the ending owner’s equity is $20,000, and Forbes invested an additional $2,600 in his business, while withdrawing $6,000 during the year, the beginning owner’s equity for this year was:

|  |  |  |  |
| --- | --- | --- | --- |
| a. | $7,100 | d. | $7,430 |
| b. | $7,400 | e. | none of the above |
| c. | $8,400 |  |  |

13. On December 31, current assets equal:

|  |  |
| --- | --- |
| a. | $9,000 |
| b. | $19,700 |
| c. | $19,000 |
| d. | $23,000 |
| e. | none of the above |

14. New Font Software provided services for customers of $7,000. What is the entry if it billed customers for the total amount?

a. Debit accounts receivable $7,000; credit service revenue $7,000 b. Debit notes receivable $7,000; credit service revenue $7,000

c. Debit cash $7,000; credit service revenue $7,000

d. Debit service revenue $3,000; credit accounts receivable $7,000 e. none of the above

15. Current Landscaping paid salaries of $560 in cash. The accounting entry is:

a. Debit salaries expense $560; credit salaries payable $560 b. Debit salaried expense $560; credit cash $560

c. Debit cash $560; credit salaries expense $560 d. Debit accounts payable $560; credit cash $560 e. none of the above

16. The Philip Company received a bill for natural gas. The bill is for $550 and is payable in

30 days. The accounting entry is:

a. Debit accounts receivable $550; credit service revenue $550 b. Debit accounts payable $550; credit cash $550

c. Debit natural gas expense $550; credit accounts payable $550 d. Debit natural gas expense $550; credit cash $550

e. none of the above

17. The following includes the accounts of the Perry Company on December 31. What is the total trial balance?

|  |  |  |  |
| --- | --- | --- | --- |
| Accounts Receivable | $1,000 | Supplies Expense | 250 |
| Cash | 4,500 | Drawing Account | 300 |
| Equipment | 4,000 | Advertising Expense | 50 |
| Salaries Expense | 1,600 | Accounts Payable | 3,050 |
| Revenue Earned | 2,800 | Capital Account | 6,050 |
| Rent Expense | 200 |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| a. | $11,900 | d. | $11,600 |
| b. | $12,000 | e. | none of the above |
| c. | $9,100 |  |  |

18. Which of the following transactions require a compound journal entry?

a. An owner invests personal cash on his/her business

b. Purchase of $ 100 of supplies; some cash and the rest on account c. Purchase three kinds of supplies for cash

d. Received cash from customers as payment for services e. none of the above

19. Cross-indexing:

a. shows the analysis of each transaction. b. ties the journal and ledger together.

c. supplies an explanation of each transaction

d. removes complicated explanations from the accounts. e. c and d

20. A truck was purchased on July 1 for $20,000. The estimated salvage value is $2,000. The estimated useful life is 3 years. Using straight-line method of depreciation, the amount of depreciation in the adjusting entry at fiscal year-end on December 31 is:

|  |  |  |
| --- | --- | --- |
| a. | Depreciation Expense-Truck | $555.56 |
|  | Accumulated Depreciation-Truck | $555.56 |
| b. | Accumulated Depreciation- Truck | $1,500 |
|  | Depreciation Expense- Truck | $1,500 |
| c. | Depreciation Expense- Truck | $500 |
|  | Accumulated Depreciation- Truck | $500 |
| d. | Depreciation Expense- Truck | Rs.3,000 |
|  | Accumulated Depreciation- Truck | 3,000 |

21. A company paid in advance $4,800 for two years of prepaid insurance, which started on

May 1. The adjusting entry on fiscal year ending December 31 of that year is:

a. Debit Insurance Expense; Credit Prepaid Insurance, $1,200 b. Debit Insurance Expense; Credit Prepaid Insurance, $800

c. Debit Prepaid Insurance; Credit Insurance Expense , $1,600 d. Debit Insurance Expense; Credit Prepaid Insurance, $1,600

22. On December 1 a company purchased supplies for $1,300. On December 31, an actual physical inventory showed that $800 of supplies were on hand. The closing adjusting entry is:

a. Debit Supplies Expense; Credit Supplies on Hand, $800

b. Debit Supplies Expense; Credit Supplies on Hand, $1,300 c. Debit Supplies Expense; Credit Supplies on Hand, $500

d. Debit Supplies on Hand; Credit Cash, $500

23. The first step in the accounting cycle is:

a. Prepare financial statements

b. Post journal entries to the accounts in the ledger c. Journalize transactions in the journal

d. Analyze transactions by examining source documents

24. The Futures Company had revenues of $50,000 and expenses of $30,000 for the year. Mr.

Futures withdrew $5,000 from the business during the year. The accounting entry to close the Income Summary Account is:

|  |  |  |
| --- | --- | --- |
| a. | Income Summary | $20,000 |
|  | Mr. Futures capital | $20,000 |
| b. | Mr. Futures capital | $20,000 |
|  | Income Summary | $20,000 |
| c. | Income Summary | $5,000 |
|  | Mr. Futures Drawing | $5,000 |
| d. | Mr. Futures, Drawing | $5,000 |
|  | Income Summary | $ 5,000 |

25. An example of an adjusting entry for deferred items is:

|  |  |  |  |
| --- | --- | --- | --- |
| a. | expense to asset | c. | revenue to liability |
| b. | asset to expense | d. | liability to expense |

26. CMU Corp, has 4 500,000 of accounts receivable and has found an average 3 percent of its credit sales are uncollectible. Suppose CMU Corp. determines that a customer owing

$10,000 will never pay. What would be the journal entry?

|  |  |  |
| --- | --- | --- |
| a. | Uncollectible Accounts Expense $300 |  |
|  | Allowance for Uncollectible Accounts | $300 |
| b. | Allowance for Uncollectible Accounts 300 |  |
|  | Accounts Receivable | 300 |
| c. | Uncollectible Accounts Expense 10,000 |  |
|  | Allowance for Uncollectible Accounts | 10,000 |
| d. | Allowance for Uncollectible Accounts 10,000 |  |
|  | Accounts Receivable | 10,000 |

27. Rowe Inc. has a contract to construct a building for a price of $100. So far it has spent

$60 of costs and it estimates an additional $20 will be needed to finish the building. How much profit can be recognized using the percentage of completion method?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | 0 | d. | $40 |
| b. | $15 | e. | none of the above |
| c. | $20 |  |  |

28. Warriner, Ltd. Sells widgets for $100, costing $70 with payments to be made in 10 equal installments of $10. If 3 payments have been received this year, using the installment basis of revenue recognition, what is the realized profit?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | o | c. | $9 |
| b. | $3 | d. | $30 |

29. Identify the advantage(s) of recognizing revenue at the time of sale.

a. The actual transaction is an observable event.

b. The likelihood of the sold item being returned for credit is remote. c. All of the above

d. None of the above

30. Rowe, Inc. has a contract to construct a building for a price of $100. So far it has spent

$60 of costs and it estimates an additional $20 will be needed to finish the building. How much profit can be recognized using the completed contract method?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | 0 | c. | $20 |
| b. | $15 | d. | $40 |