Adjusting Entries (5)

1. On October 1, 2010, Jenson CO paid $75,000 for its rent for the five months from October 2010 through February 2011. The entire amount of the payment was recorded in the Prepaid Rent account. No adjustments have been recorded relating to this account. If the company makes an adjustment as of December 31, 2010, what amount should be included in the related adjusting journal entry?
   a. $30,000  
   b. $45,000  
   c. $60,000  
   d. $75,000

2. The records of Green Enterprises include the following as of June 1, 2010. The Property and Equipment has a balance of $600,000 and the Accumulated Depreciation account has a balance of $133,000. Depreciation for the month of June 2010 has been estimated at $12,500. What will the balance in the Accumulated Depreciation account be after the related adjustment is recorded on June 30, 2010?
   a. $120,500  
   b. $145,500  
   c. $587,500  
   d. $612,500

3. On February 1, Google borrowed $11,000 and signed a note that promises repayment in a year. The interest rate was 7% annually. The adjusting entry on December 31 will include (round to the nearest dollar)
   a. Debit to Interest Expense of 706  
   b. Debit to Interest Payable of 675  
   c. Credit to Interest Expense of 706  
   d. Credit to Interest Payable of 11,000
4. On July 1 of the current year Uber paid the premium in advance on a one-year insurance policy on equipment in the amount of $6,000. At that time, the full amount was recorded as prepaid insurance. On December 31 of the current year, Uber would be required to record an adjusting entry that would include a:
   a. $2,500 increase to insurance expense
   b. $2,500 decrease to prepaid insurance
   c. $3,000 increase to insurance expense
   d. $3,000 increase to prepaid insurance

5. Office Depot records supplies in the Supplies account when purchased. At the end of the month, the adjusting journal entry to record the use of supplies would include:
   a. An increase to supplies and an increase to expenses
   b. An increase to supplies and an increase to revenue
   c. A decrease to supplies and an increase to expenses
   d. A decrease to supplies and a decrease to cash

Accounting Cycle and Closing Entries (1)

6. Which of the following statements regarding closing journal entries is correct?
   a. Closing entries transfer net income (or loss) into the Retained Earnings account
   b. The balance of the Dividends Declared account is transferred to the Retained Earnings account when closing entries are recorded
   c. All income statement accounts and the Dividends Declared account are reset to zero in the closing entry process
   d. All of the above are correct statements

T-Account Analysis (1)

7. Toyota began the year with supplies on hand of $43,600. In May and October they purchased $4,700 in supplies (twice). A physical count at year end showed they had $21,850 of supplies left on hand. What amount should Toyota record as their supplies expense for the year?
   a. $9,400
   b. $21,850
   c. $31,150
   d. $25,550
Financial Reporting Environment (Fraud) (1)

8. Which of the following is not a part of the fraud triangle?
   a. Opportunity to commit fraud
   b. Effective internal controls
   c. Incentive to commit fraud
   d. Character to rationalize and conceal fraud

Internal Control and Bank Rec (2)

9. Which of the following is not a principle of internal controls?
   a. Establish responsibility
   b. Restrict access
   c. Hire and auditor
   d. Document procedures

10. Company A’s bank statement dated Dec. 31, 2011 shows a balance of $792.68. The company’s cash records on the same date show a balance of $836.68. The following additional information is available:
    Checks Outstanding:
    - No 846 $300
    - No 847 $50
    - Deposit in Transit $250
    - NSF Check $102
    - Service Fee $42

    What is the proper adjusted cash balance in the book and bank statement?
    a. $692.68
    b. $732.68
    c. $532.68
    d. $780.68

Multi Step Income Statement (1)

11. Which of the following is not a subtotal shown on the multi step income statement?
    a. Gross profit
    b. Income before tax
    c. Sales Revenue
    d. Income from operations
**COGS Equation and Inventory Shrinkage (2)**

12. Consider the following information: beginning inventory (physically counted) was $4,000, ending inventory (physically counted) was $2,000; purchases during the period totaled $10,000; and the recorded cost of goods sold during the period totaled $9,000. What was the amount of shrinkage during the period?
   a. $1,000
   b. $2,000
   c. $3,000
   d. $5,000

13. Apple Inc. had beginning inventory of $379,000, ending inventory of $124,000, and purchases of $200,000. What was their cost of goods available for sale (COGAS) and cost of goods sold (COGS) for the year respectively?
   
<table>
<thead>
<tr>
<th>COGAS</th>
<th>COGS</th>
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<tbody>
<tr>
<td>$579,000</td>
<td>$459,000</td>
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<tr>
<td>$459,000</td>
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<tr>
<td>$179,000</td>
<td>$55,000</td>
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<tr>
<td>$579,000</td>
<td>$179,000</td>
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</tbody>
</table>

**Perpetual vs. Periodic Inventory (1)**

14. When a perpetual inventory system is used, recording a sale on account (of the day of the sale) would involve all of the following accounts except:
   a. Purchases
   b. Cost of Goods Sold
   c. Inventory
   d. Sales Revenue

**Purchase and Sales Adjustments (1)**

15. Klem Corp. makes a $1,000 sale to a customer with terms of 2/15.n/45. The customer then returns $200 of the merchandise. If the customer pays Klem within the discount period, what is the total amount that the customer will remit to Klem Corp. in full payment of its account?
   a. $780
   b. $784
   c. $980
   d. $1,000
FOB Shipping vs. Destination (1)

16. Wal-Mart purchases 500 boxes of apples from a supplier. The goods were purchased FOB shipping point and the goods are in transit (on the way). Who is the owner of the goods at this point in time?
   a. Wal-Mart
   b. Supplier
   c. Both
   d. Neither

LCM (1)

17. Which of the following statements regarding the lower-of-cost or market rule is correct?
   a. One of the most common types of financial statement errors is to estimate the market value of inventories incorrectly
   b. It ensures that inventories are always reported at what they are worth
   c. Replacement cost must be used when inventories fall below or rise above original cost
   d. Market value can fall below cost when an item can be easily replaced by identical goods at a higher cost

Inventory Errors (1)

18. Which of the following is false regarding the understatement of inventory?
   a. COGS is overstated this year
   b. COGS is underrated this year
   c. Net Income is understated
   d. Assets are understated

Ratio Analysis (2)

19. Target had beginning inventory equal to 1,000 and ending inventory equal to 2000. COGS was equal to 6,000. What was their days to sell? Formula = \((\text{Average Inventory} / \text{Cost of Goods Sold}) * 365\)
   a. 84 Days
   b. 99 Days
   c. 91 Days
   d. 87 Days

20. What does the gross profit percentage ratio tell a financial statement user?
   a. How much per dollar of sales is kept as net income
   b. How much per dollar of sales is kept after the product is paid for
   c. How much per dollar of sales is kept after operating expenses
   d. How much per dollar of sales is kept after tax
FIFO/LIFO/Wtd. Avg. Cost (3)

Use the following information for problems 21-23.

Akin corp had the following information:

Jan 1. Beginning Inventory is comprised of 7 units @ $20 each
Apr. 13 Purchased 8 units @ $22 each
Aug. 31 Purchased 25 units @ $25 each
Dec. 28 Sold 30 units

21. What is LIFO COGS using the above information?
   a. 735
   b. 710
   c. 800
   d. 691

22. What is FIFO COGS using the above information?
   a. 756
   b. 691
   c. 815
   d. 745

23. What is weighted average COGS using the above information?
   a. 741
   b. 826.42
   c. 705.75
   d. 684
Cash and Cash Equivalents (2)

24. Where on the balance sheet should ‘Restricted Cash’ be reported?
   a. Current Assets  
   b. Cash and Cash Equivalents  
   c. Non-current Asset  
   d. Either (a) or (c)

25. How should ‘Petty cash’ be reported on the balance sheet?
   a. Petty cash account  
   b. Short-term investments  
   c. Subtracted from cash  
   d. Added to cash