Sample Test for entrance into Acct 3110 and Acct 3310

1. Which of the following financial statements could properly have the following in the date line: "For the Year Ended December 31, 2016"?
   a. Balance Sheet.
   b. Income Statement.
   c. Statement of Cash Flows.
   d. a. and c. above.
   e. b. and c. above.

2. Which of the following accounts could properly be found on an income statement?
   a. Salaries Payable.
   b. Accounts Receivable.
   c. Cash.
   d. Interest Revenue.
   e. All of the above could properly be found on an income statement.

3. Which of the following accounts could properly be found on a balance sheet?
   a. Retained Earnings.
   b. Insurance Expense.
   c. Service Revenue.
   d. Dividends.
   e. All of the above could properly be found on a balance sheet.

4. In what section of a statement of cash flows would the purchase of land for cash be reported?
   a. Operating activities.
   b. Investing activities.
   c. Financing activities.
   d. None of the above.

5. In what section of a statement of cash flows would the cash payment for interest on a loan be reported?
   a. Operating activities.
   b. Investing activities.
   c. Financing activities.
   d. None of the above.

6. In what section of a statement of cash flows would the cash payment for dividends to stockholders be reported?
   a. Operating activities.
   b. Investing activities.
   c. Financing activities.
   d. None of the above.

7. Of the following account types, which normally display a debit balance?
   a. Assets and stockholders' equity.
   b. Assets and expenses.
   c. Assets and revenues.
   d. Liabilities and stockholders' equity.
   e. Liabilities and revenues.

8. Stephens Company received \$10,000 from a customer for a service contract to be performed at a later date. What is the journal entry to record this transaction?
   a. Debit Unearned Revenue credit Cash.
   b. Debit Unearned Revenue and credit Service Revenue.
   c. Debit Service Revenue and credit Cash.
   d. Debit Cash and credit Service Revenue.
   e. Debit Cash and credit Unearned Revenue.

9. The Prepaid Insurance account has an account balance of \$3,000. At the end of an accounting period, the controller has decided that \$2,000 of the balance has expired. Which of the following adjusting entries should be made?

a. Prepaid Insurance	2,000	
Insurance Expense		2,000
b. Insurance Expense	2,000	
Prepaid Insurance		2,000
c. Prepaid Insurance	1,000	
Insurance Expense		1,000
d. Insurance Expense	1,000	
Prepaid Insurance		1,000

   e. None of the above.

10. The journal entry to close temporary accounts at the end of an accounting period could include a:
    a. debit to revenue accounts.
    b. debit to expense accounts.
    c. debit to the dividend account.
    d. a. and c. above.
    e. b. and c. above.

11. Which of the following items would be treated as a "product cost"?
    a. Transportation (freight)-in.
    b. Transportation (freight)-out.
    c. The cost of advertising the merchandise.
    d. a. and b. above.
    e. a. and c. above.

12. For which of the following items would an expense be debited for when incurred?
    a. Transportation (freight)-in.
    b. Transportation (freight)-out.
    c. The cost of advertising the merchandise.
    d. a. and c. above.
    e. b. and c. above.

13. The beginning inventory was $50,000. During the year, $200,000 of goods were purchased and the ending inventory was $80,000. What is goods available for sale?
    a. $130,000.
    b. $170,000.
    c. $250,000.
    d. $330,000.
    e. None of the above.

Use the following information to answer questions 14 - 15:

During the year, Hayward Corp. sold shoes for $35 per pair. At the end of the year, 5,000 pairs of shoes remain unsold. Facts related to beginning inventory and purchases are as follows:

	Beginning inventory	4,000 pairs @ $13
February 1 -	Purchase	7,000 pairs @ $14
May 1 -	Purchase	5,000 pairs @ $15
August 1 -	Purchase	3,000 pairs @ $16
November 1 -	Purchase	6,000 pairs @ $17

14. Using LIFO method of determining Cost of Goods Sold, what is Gross Margin?
    a. $66,000.
    b. $300,00.
    c. $309,000.
    d. $391,000.
    e. $410,000.

15. Using the weighted average method, what is Cost of Goods Sold?
    a. $75,000.
    b. $290,000.
    c. $300,000.
    d. $309,000.
    e. $375,000.

16. Current assets are those assets which management intends to convert into cash or consume within:
    a. one year.
    b. the operating cycle.
    c. the longer of a. or b.
    d. the shorter of a. or b.
    e. none of the above.

17. Which of the following would **not** be considered a current asset?
    a. Inventories.
    b. Prepaid expenses.
    c. Accounts receivable due in 6 months.
    d. Equipment.
    e. All of the above would be considered current assets.

18. Johnson Corp. established a $500 petty cash fund. When it came time to replenish the fund, there was $45 in cash and $450 in miscellaneous receipts in the petty cash box. The journal entry to replenish the fund will contain a:
    a. credit to Cash Short and Over for $5.
    b. credit to Cash for $450.
    c. credit to Cash for $455.
    d. a. and b. above.
    e. a. and c. above.

19. In preparing a typical bank reconciliation, how would outstanding checks be handled?
    a. Added to the unadjusted book balance.
    b. Subtracted from the unadjusted book balance.
    c. Added to the unadjusted bank balance.
    d. Subtracted from the unadjusted bank balance.
    e. They would not be listed on a bank reconciliation.

20. The bookkeeper for Rasmussen Company wrote a check for $450, but recorded the check as being $540 on the company's books. On Rasmussen's bank reconciliation, the $90 error should be:
    a. added to the unadjusted book balance.
    b. subtracted from the unadjusted book balance.
    c. added to the unadjusted bank balance.
    d. subtracted from the unadjusted bank balance.
    e. not listed on the bank reconciliation.

21. If the allowance method of accounting for uncollectible accounts is being used, the year-end adjusting entry to estimate losses from uncollectible accounts is:
    a. debit Uncollectible Accounts Expense and credit Accounts Receivable.
    b. debit Allowance for Doubtful Accounts and credit Uncollectible Accounts Expense.
    c. debit Uncollectible Accounts Expense and credit Allowance for Doubtful Accounts.
    d. debit Accounts Receivable and credit Allowance for Doubtful Accounts.
    e. debit Allowance for Doubtful Accounts and credit Accounts Receivable.

22. If the allowance method of accounting for uncollectible accounts is being used, the journal entry to write off an uncollectible account is:
    a. debit Uncollectible Accounts Expense and credit Accounts Receivable.
    b. debit Allowance for Doubtful Accounts and credit Uncollectible Accounts Expense.
    c. debit Uncollectible Accounts Expense and credit Allowance for Doubtful Accounts.
    d. debit Accounts Receivable and credit Allowance for Doubtful Accounts.
    e. debit Allowance for Doubtful Accounts and credit Accounts Receivable.

23. During 2016, ABC Company had $750,000 of net credit sales. Accounts Receivable had a December 31, 2106, balance of $250,000. No amounts have been added to the Allowance for Doubtful Accounts during 2016 . Before adjustment on December 31, 2016, the Allowance for Doubtful Accounts had a debit balance of $2,000. ABC estimates that 3% of net credit sales will become uncollectible. What will be the adjusted balance in Allowance for Doubtful Accounts at December 31?
    a. $7,500.
    b. $9,500.
    c. $20,500.
    d. $22,500.
    e. $24,500.

24. Zeto Company acquired a new construction crane. The crane cost $1,000,000. In addition, Zeto paid a delivery cost of $50,000, setup and installation of $75,000, and truck repairs of $5,000 (it seems that during setup, a large beam was accidentally dropped on the hood of one of Zeto's trucks). Zeto should record the crane (asset account) in its accounting records at:
    a. $1,000,000.
    b. $1,050,000.
    c. $1,075,000.
    d. $1,125,000.
    e. $1,130,000.

25. A machine that cost $10,000 with a book value of $3,000 is sold for $2,000, and a journal entry was recorded. Which of the following is true about the journal entry?
    a. Accumulated Depreciation is debited for $3,000.
    b. The machine account is credited for $3,000.
    c. Loss on Sale of Machinery is debited for $1,000.
    d. Accumulated Depreciation is debited for $7,000.
    e. c. and d. above.

Use the following information to answer questions 26 - 27:

On January 1, 2015, Thunder Corporation purchased a piece of equipment for $22,000. The equipment was expected to have a useful life of five years and a $2,000 salvage value. Thunder uses the straight-line method of recording depreciation.

26. What is the adjusting entry to record depreciation at the end of the second year?
    a. Debit Depreciation Expense and credit Accumulated Depreciation for $4,000.
    b. Debit Accumulated Depreciation and credit Depreciation Expense for $4,000.
    c. Debit Depreciation Expense and credit Accumulated Depreciation for $4,400.
    d. Debit Depreciation Expense and credit Accumulated Depreciation for $8,000.
    e. Debit Depreciation Expense and credit Accumulated Depreciation for $8,000.

27. What dollar amount would Thunder report the book value of the equipment as being on its December 31, 2016, balance sheet?
    a. $8,000.
    b. $12,000.
    c. $14,000.
    d. $16,000.
    e. $18,000.

28. On January 1, 2014, Zollinger Corp. purchased a piece of equipment for $12,000. The equipment has a useful life of four years and an estimated salvage value of $2,000. Assume that Zollinger uses the double-declining balance method for calculating depreciation. What amount will be reported as "Depreciation Expense" on the 2016 income statement?
    a. $1,000.
    b. $1,500.
    c. $3,000.
    d. $5,000.
    e. $6,000.

29. In recording a company's payroll, the amount that is withheld from an employee's paycheck for income taxes taxes would be credited to a / an ______________ account.
    a. asset.
    b. revenue.
    c. expense.
    d. liability.
    e. equity.

30. In recording a company's payroll, the gross earnings were $50,000. From the gross earnings, $10,000 is withheld for income taxes, and $3,750 is withheld for FICA (Social security and Medicare) taxes. The company has a responsibility to pay $2,000 for state and federal unemployment taxes. What dollar amount would "Payroll Tax Expense" be debited for in recording the payroll?
   a. $2,000.
   b. $3,750.
   c. $5,750.
   d. $15,750.
   e. $50,000.

31. Shepherd Company borrowed $25,000 from National Bank by issuing a 10%, three year note. Shepherd agreed to repay the principal and interest by making three equal annual payments of $10,053. The amount of the principal repayment (ie, decrease in liability) associated with the second payment would be: (rounded to the nearest dollar)
   a. $1,745.
   b. $7,553.
   c. $8,308.
   d. $9,139.
   e. none of the above.

Use the following information to answer questions 32 - 33:

Jensen Company issued a $200,000 face value bond on January 1, 2014. The bond was issued at 105 and carried a five-year term to maturity. It had an 8% stated interest rate that was payable in cash on December 31st of each year. Assume that Jensen uses the straight-line method for amortizing bond premiums and discounts.

32. The amount of interest expense on Jensen's 2015 income statement would be:
   a. $14,000.
   b. $15,000.
   c. $16,000.
   d. $18,000.
   e. none of the above.

33. The carrying value of the bonds payable on Jensen's December 31, 2016, balance sheet would be:
   a. $200,000.
   b. $204,000.
   c. $206,000.
   d. $208,000.
   e. $210,000.

Use the following information to answer questions 34 - 35:

Simon Company issued a $100,000 face value bond on January 1, 2014. The bond was issued at 95 and carried a five-year term to maturity. It had a 7% stated interest rate that was payable in cash on December 31st of each year. Assume that Simon uses the straight-line method for amortizing bond premiums and discounts.

34. The amount of interest expense on Simon's 2015 income statement would be:
   a. $6,000.
   b. $7,000.
   c. $8,000.
   d. $9,000.
   e. none of the above.

35. The carrying value of the bonds payable on Simon's December 31, 2016, balance sheet would be:
   a. $95,000.
   b. $96,000.
   c. $97,000.
   d. $98,000.
   e. $100,000.

36. A company issued 1,000 shares of $2 par value common stock for $10 per share. When the stock was issued, Cash would be debited for $10,000 and:
   a. Common Stock would be credited for $10,000.
   b. Retained Earnings would be credited for $10,000.
   c. Paid in Capital in Excess of Par Value would be credited for $10,000.
   d. Common Stock would be credited for $2,000 and Paid in Capital in Excess of Par Value would be credited for $8,000.
   e. Common Stock would be credited for $8,000 and Paid in Capital in Excess of Par Value would be credited for $2,000.

37. Ravsten Company has 1,000 shares of $100 par value, 9 percent cumulative preferred stock and 10,000 shares of $5 par value common stock issued and outstanding. In its first two years of operation, Ravsten paid cash dividends as follows: 2015 = $6,000; 2016 = $20,000. What dollar amount would be paid to the common shareholders in 2016?
   a. $8,000.
   b. $9,000.
   c. $11,000.
   d. $12,000.
   e. None of the above.

38. The market value of Price's common stock had become exceedingly high. The stock was currently selling for $100 per share. To reduce the market price of the common stock, Price declared a 2-for-1 stock split for the 20,000 outstanding shares of its $10 par value common stock. What would the market price per share and number of outstanding shares, respectively, be after the stock split?

	Market Price Per Share	Outstanding Shares
a.	$50	20,000
b.	$50	40,000
c.	$50	10,000
d.	$200	10,000
e.	$200	40,000

39. Roberts Company is authorized to issue 5,000 shares of its common stock. On January 1, Roberts sells 3,000 shares of its common stock. On September 1, Roberts buys back 500 shares as treasury stock. After the transaction on September 1, Roberts would have __________ shares of stock issued and ________ shares of stock outstanding.

a. 2,500; 3,000.
b. 3,000; 2,500.
c. 3,000; 3,000.
d. 3,000; 3,500.
e. 3,500; 3,000.

40. The journal entry to close out the "Dividends" account at the end of the accounting period will include a:

a. debit to Common Stock.
b. credit to Cash.
c. debit to Dividends.
d. credit to Retained Earnings.
e. debit to Retained Earnings.

Answers to Sample Test

1. e.
2. d.
3. a.
4. b.
5. a.
6. c.
7. b.
8. e.
9. b.
10. a.
11. a.
12. e.
13. c.
14. d.
15. c.
16. c.
17. d.
18. c.
19. d.
20. a.
21. c.
22. e.
23. c.
24. d.
25. e.
26. a.
27. c.
28. a.
29. d.
30. c.
31. c.
32. a.
33. b.
34. c.
35. d.
36. d.
37. a.
38. b.
39. b.
40. e.