

Institution: Great Bay Community College

Course: Introduction to Accounting and Financial Reporting I, ACCT 113

Required Text: *Fundamentals of Accounting Principles*, Latest edition; Larson

Packet Contents:

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*Though the professor stipulates that all work be shown, we were not given any student work for these exams.

Great Bay CC Course Content Outline

Course Number:	ACCT113	Course Title:	Introduction to Accounting and Financial Reporting 1
Department:	Business Studies	Date Prepared:	09/2000
Program:	Accounting	Prepared by:	L. Morgan
Theory Hours:	3	Date Revised:	10/2007
Credits:	3	Lab Hours:	NONE
Prerequisites:	NONE	Corequisites:	NONE

Catalog Description:

An introduction to accounting as the language of business. Students will develop an understanding of the concepts and use of assets, liabilities, equities, revenue and expense accounts. The student will be introduced to accounting procedures used to prepare financial statements utilizing the latest techniques and principles of accounting. It will include analyzing transactions, preparing journal entries, adjusting journal entries, and closing journal entries. Preparing a trial balance, analyzing and preparing accounts receivable and accounts payable, special journals, cash receipts, cash disbursements and banking procedures.

Course Objectives:

The student will:

1. Analyze and record a business transaction
2. Explain the accounting cycle
3. Post journal entries to the general ledger accounts
4. Prepare and post adjusting and closing journal entries
5. Prepare an accounting worksheet
6. Prepare unadjusted, adjusted and post-close trial balances
7. Prepare a balance sheet, income statement and statement of changes in owner's equity
8. Prepare a basic statement of changes in cash flow
9. Explain the accounting for merchandising activities
10. Explain the assignment of costs to inventory, compute inventory using four commonly used methods, and apply the Lower of Cost or Market rule for valuing inventory
11. Explain the use of special journals
12. Explain the use of technology-based accounting information systems
13. Explain basic internal control procedures
14. Prepare a bank reconciliation

Required Text(s):

Fundamentals of Accounting Principles, (latest edition). Larson, Volume 1, Wild & Chiappetta. McGraw-Hill Irwin.

Outline of Content:

- I. Accounting in the Information Age
 1. Forms & Activities of an Organization
 2. Users of Accounting Information
 3. Ethics and Social Responsibility
 4. Opportunities in Practice

- II. Financial Statements and Accounting
 1. Communicating with Financial Statements
 2. Generally Accepted Accounting Principles
 3. Transactions and the Accounting Equation
 4. Financial Statements

- III. Analyzing and Recording Transactions
 1. Double-Entry Accounting
 2. Analyzing & Recording Transactions
 3. Preparation of the Trial Balance

- IV. Adjusting Accounts for Financial Statements
 1. Adjusting Journal Entries
 2. Preparing an Adjusted Trial Balance
 3. Preparing Financial Statements

- V. Completing the Accounting Cycle
 1. Closing Entries
 2. The Worksheet
 3. The Classified Balance Sheet

- VI. Accounting for Merchandising Activities
 1. Accounting for Purchases and Sales
 2. Cost and Price Adjustments
 3. Journal entries required
 4. Preparation of Multiple-Step Income Statements
 5. Periodic and Perpetual Inventory Systems

- VII. Merchandise Inventories and Cost of Sales
 1. Assigning Costs to Inventory using different methods
 2. Inventory Valuations

- VIII. Accounting Information Systems
 1. System Principles

2. Components of Accounting Systems
3. Special Journals
4. Technology-Based Accounting Information Systems

IX. Internal Control and Cash

1. Internal Control
2. Control of Cash
3. Petty Cash
4. Preparation of Bank Reconciliations

Required Methods of Evaluation: Score based upon traditional letter (A-F) or 100 point grading scale. Grading guideline will be outlined in the instructor's syllabus.

1. Weekly or periodic quizzes
2. Homework assignments, class participation and / or instructor observations
3. Midterm comprehensive exam
4. Final comprehensive exam
5. Project(s)

Other Possible Performance Based Measures:

1. Writing and presentation skills
2. Promptness in handing in assignments

Assessment Addendum

Acceptable substitute (such as curriculum specific PBLs) may be attached instead of this addendum.

Instructions for completing the Course Content Outline Addendum:

Identify assessment techniques used to measure student learning outcome.

Use this form to explain assessment methods identified in the Course Content Outline.

1. Identify **assessment technique** used to measure student learning outcomes.
 - a. Identify the **learning objective** for this assessment. What will the student know or be able to do on completion of the course?
 - b. Identify the **outcome measures** used to document student learning.
-

1. Weekly or periodic quizzes
 - a. Objectives 1 - 14
 - b. Weekly quizzes are designed to provide rapid feedback to the instructor and the student that concepts and materials are being understood and students are keeping up the material. They can take whatever form the instructor feels adequately tests knowledge of the material covered (i.e. multiple choice, essay, problem solving, etc)
2. Homework assignments, class participation and / or instructor observations
 - a. Objectives 1 - 14
 - b. Homework assignments may or may not be graded but should be reviewed during class participation. If homework is not graded, than class participation must be. In either case, assessment should be based on the student's correct verbal or written response to questions asked. Assessment for class participation should reflect the student's critical thinking and comprehension of the material covered.
3. Midterm exam
 - a. Objectives 1 - 7
 - b. Midterm exam may be closed or open book but should be comprehensive for all subjects covered in the first half of the semester.
4. Final exam
 - a. Objectives 1 - 14
 - b. Final exam may be closed or open book but should be comprehensive for all subjects covered during the full semester.
5. Project(s)
 - a. Objectives 1 – 7 and Objective 10
 - b. Projects should be prepared using electronic software tools and should test the student's ability to communicate effectively. Assessment should be based on the student's level of organization skills, mastery of subject assigned, presentation skills, and language skills.



Great Bay
Community College



Department of Business Studies &
Computer Technologies

John Burt, Chair
Jeanne Furfari, Economics
Daniel Murphy, Accounting

ACCOUNTING & FINANCIAL REPORTING 1
ACCT 113
FALL, 2010

MIDTERM EXAM

Name: _____

Date: _____

DATE: October 8, 2010

Instructor: Daniel J. Murphy, CPA
(603) 471-0747
(603) 471-0585 fax number
DMurphy@ccsnh.edu

READ THE FOLLOWING DIRECTIONS CAREFULLY:

Answer each of the following questions to the best of your ability. Show all of your work and calculations. Partial credit can be provided in many cases even if you did not get the answer completely correct. It is in your best interest **NOT** to leave any question **UNANSWERED**.

Use as many extra sheets of paper as you feel you need. Be sure to put your name on each sheet. Reference the question number on each extra sheet of paper you use. All multiple choice responses must be included in the answer sheet attached in order to receive credit. However, you can show your work in the margins of the exam next to any questions in order to qualify for partial credit.

Remember, this exam is to reflect your own work. Do not seek help from any other party. You can use your notes, the text, and any other reference material you feel will help you answer the questions.

This exam may take as much as 6 or 7 hours to complete so DO NOT wait until the last minute to begin.

This exam MUST be handed in at **the BEGINNING** of class on Wednesday, October 27th.

GOOD LUCK!

2010 Acctg 1 Midterm Key

1. Chuck Taylor withdrew \$6,000 in cash from FastForward. This amount should be included as an expense on the income statement.

FALSE

*AACSB: Analytic
AICPA BB: Industry
AICPA FN: Reporting
Difficulty: Hard
Learning Objective: P1
Wild - Chapter 001 #94*

2. An adjusting entry often includes an entry to Cash.

FALSE

*AACSB: Communications
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: Hard
Learning Objective: C3
Wild - Chapter 003 #36*

3. According to generally accepted accounting principles, a company's balance sheet should show the company's assets at:

- A.** The cash equivalent value of what was given up or received.
- B. The current market value of the asset received in all cases.
- C. The cash paid only, even if something other than cash was given in the exchange.
- D. The best estimate of a certified internal auditor.
- E. The objective value to external users.

*AACSB: Communications
AICPA BB: Legal
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: C5
Wild - Chapter 001 #131*

4. Which of the following accounting principles would require that all goods and services purchased be recorded at cost?

- A. Going-concern principle.
- B. Continuing-concern principle.
- C. Cost principle.**
- D. Business entity principle.
- E. Consideration principle.

AACSB: Communications
AICPA BB: Legal
AICPA FN: Reporting
Difficulty: Hard
Learning Objective: C5
Wild - Chapter 001 #133

5. Revenue is properly recognized:

- A. When the customer's order is received.
- B. Only if the transaction creates an account receivable.
- C. At the end of the accounting period.
- D. Upon completion of the sale or when services have been performed and the business obtains the right to collect the sales price.**
- E. When cash from a sale is received.

AACSB: Communications
AICPA BB: Legal
AICPA FN: Reporting
Difficulty: Hard
Learning Objective: C5
Wild - Chapter 001 #134

6. If a parcel of land that was originally purchased for \$85,000 is offered for sale at \$150,000, is assessed for tax purposes at \$95,000, is recognized by its purchasers as easily being worth \$140,000, and is sold for \$137,000.

What is the effect of the sale on the accounting equation for the seller?

- A. Assets increase \$52,000; owner's equity increases \$52,000**
- B. Assets increase \$85,000; owner's equity increases \$85,000
- C. Assets increase \$137,000; owner's equity increases \$137,000
- D. Assets increase \$140,000; owner's equity increases \$140,000
- E. None of these

$$\$137,000 - \$85,000 = \$52,000$$

AACSB: Analytic
AICPA BB: Legal
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: C5
Wild - Chapter 001 #136

7. On June 30 of the current year, the assets and liabilities of Phoenix Phildell are as follows: Cash \$20,500; Accounts Receivable, \$7,250; Supplies, \$650; Equipment, \$12,000; Accounts Payable, \$9,300. What is the amount of owner's equity as of July 1 of the current year?

- A. \$8,300
- B. \$13,050
- C. \$20,500
- D.** \$31,100
- E. \$40,400

$$\$20,500 + \$7,250 + \$650 + \$12,000 - \$9,300 = \$31,100$$

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: A1
Wild - Chapter 001 #166

8. If the assets of a business increased \$89,000 during a period of time and its liabilities increased \$67,000 during the same period, equity in the business must have:

- A.** Increased \$22,000.
- B. Decreased \$22,000.
- C. Increased \$89,000.
- D. Decreased \$156,000.
- E. Increased \$156,000.

$$\begin{aligned} \text{Change in Assets} &= \text{Change in Liabilities} + \text{Change in Equity} \\ \text{Change in Owner's equity} &= + \$89,000 - \$67,000 = +\$22,000 \end{aligned}$$

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: A2
Wild - Chapter 001 #174

9. A liability created by the receipt of cash from customers in payment for products or services that have not yet been delivered to the customers is:

- A. Recorded as a debit to an unearned revenue account.
- B. Recorded as a debit to a prepaid expense account.
- C.** Recorded as a credit to an unearned revenue account.
- D. Recorded as a credit to a prepaid expense account.
- E. Not recorded in the accounting records until the earnings process is complete.

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: Hard
Learning Objective: A1
Wild - Chapter 002 #92

10. On September 30, the Cash account of Value Company had a normal balance of \$5,000. During September, the account was debited for a total of \$12,200 and credited for a total of \$11,500. What was the balance in the Cash account at the beginning of September?

- A. A \$0 balance.
- B.** A \$4,300 debit balance.
- C. A \$4,300 credit balance.
- D. A \$5,700 debit balance.
- E. A \$5,700 credit balance.

Beg. Bal. + \$12,200 - \$11,500 = \$5,000

Beg. Bal. \$4,300 debit

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: Hard
Learning Objective: A1
Wild - Chapter 002 #93

11. The following transactions occurred during July:

1. Received \$900 cash for services provided to a customer during July.
2. Received \$2,200 cash investment from Barbara Hanson, the owner of the business.
3. Received \$750 from a customer in partial payment of his account receivable which arose from sales in June.
4. Provided services to a customer on credit, \$375.
5. Borrowed \$6,000 from the bank by signing a promissory note.
6. Received \$1,250 cash from a customer for services to be rendered next year.

What was the amount of revenue for July?

- A. \$ 900.
- B. \$ 1,275.**
- C. \$ 2,525.
- D. \$ 3,275.
- E. \$11,100.

$$\text{Revenues} = \$900 (1) + \$375 (4) = \$1,275$$

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: Hard
Learning Objective: A1
Wild - Chapter 002 #96

12. A company records the fees for legal services paid in advance by its clients in an account called Unearned Legal Fees. If the company fails to make the end-of-period adjusting entry to record the portion of these fees that has been earned, one effect will be:

- A. An overstatement of equity.
- B. An understatement of equity.**
- C. An understatement of assets.
- D. An understatement of liabilities.
- E. An overstatement of assets.

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: Hard
Learning Objective: A1
Wild - Chapter 003 #88

13. A company purchased a new truck at a cost of \$42,000 on July 1, 2009. The truck is estimated to have a useful life of 6 years and a salvage value of \$3,000. The company uses the straight-line method of depreciation. How much depreciation expense will be recorded for the truck for the year ended December 31, 2009?

- A.** \$3,250.
- B. \$3,500.
- C. \$4,000.
- D. \$6,500.
- E. \$7,000.

$$[\$42,000 - \$3,000/6] \times 1/2 = \underline{\$3,250}$$

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: P1
Wild - Chapter 003 #116

14. A company's Office Supplies account shows a beginning balance of \$600 and an ending balance of \$400. If office supplies expense for the year is \$3,100, what amount of office supplies was purchased during the period?

- A. \$2,700.
- B.** \$2,900.
- C. \$3,300.
- D. \$3,500.
- E. \$3,700.

$$\begin{aligned} \$600 + \text{Supplies Purchased} - \$3,100 &= \$400 \\ \text{Supplies Purchased} &= \underline{\$2,900} \end{aligned}$$

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: P1
Wild - Chapter 003 #117

15. A company recorded 2 days of accrued salaries of \$1,400 for its employees on January 31. On February 9, it paid its employees \$7,000 for these accrued salaries and for other salaries earned through February 9. The January 31 and February 9 journal entries are:

	1/31	Salaries Expense	1,400	
		Salaries Payable		1,400
	2/9	Salaries Payable	7,000	
		Salaries Expense	1,400	
		Cash.....		7,000
A.	1/31	Salaries Payable	1,400	
		Salaries Expense		1,400
	2/9	Salaries Expense	5,600	
		Salaries Payable	1,400	
		Cash.....		7,000
B.	1/31	Salaries Expense	1,400	
		Cash.....		1,400
	2/9	Salaries Expense	7,000	
		Cash.....		7,000
C.	1/31	Salaries Expense	1,400	
		Salaries Payable		1,400
	2/9	Salaries Expense	7,000	
		Cash.....		7,000
D.	1/31	Salaries Expense	1,400	
		Salaries Payable		1,400
	2/9	Salaries Expense	5,600	
		Salaries Payable	1,400	
		Cash.....		7,000
<u>E.</u>				

AACSB: Analytic
 AICPA BB: Industry
 AICPA FN: Measurement
 Difficulty: Hard
 Learning Objective: P1
 Wild - Chapter 003 #119

16. On May 1, 2009, Carter Advertising Company received \$3,600 from Kaitlyn Breanna for advertising services to be completed April 30, 2010. The Cash receipt was recorded as unearned fees. The adjusting entry on December 31, 2010 should include:

- A. a debit to Earned Fees for \$3,600.
- B. a debit to Unearned Fees for \$1,200.**
- C. a credit to Unearned Fees for \$1,200.
- D. a debit to Earned Fees for \$2,400.
- E. a credit Earned Fees for \$2,400.

Year 2009 = $\$3,600/12 = \300 per month $\times 8 = \$2,400$
Year 2010 = $\$3,600 - \$2,400 = \$1,200$.

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: P1
Wild - Chapter 003 #121

17. The balance in the prepaid insurance account before adjustment at the end of the year is \$4,800, which represents the insurance premiums for four months. The premiums were paid on November 1. The adjusting entry required on December 31 is:

- A. Debit Insurance Expense, \$2,400; credit Prepaid Insurance, \$2,400.**
- B. Debit Prepaid Insurance, \$2,400; credit Insurance Expense, \$2,400.
- C. Debit Insurance Expense, \$1,200; credit Prepaid Insurance, \$1,200.
- D. Debit Prepaid Insurance, \$1,200; credit Insurance Expense, \$1,200
- E. Debit Cash, \$4,800; Credit Prepaid Insurance, \$4,800.

$\$4,800/4 = \$1,200 \times 2 = \$2,400$

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: P1
Wild - Chapter 003 #122

18. On March 31, 2009, Phoenix, Inc. paid Melanie Publishing Company \$15,480 for a 3-year subscription for five different magazines. The subscriptions started immediately. What is the adjusting entry that should be recorded by Melanie Publishing Company on December 31, 2009 if the credit to record the collection was made to Unearned Fees?

- A. debit Unearned Fees, \$15,480; credit Fees Earned, \$15,480.
- B. debit Unearned Fees, \$5,160; credit Fees Earned, \$5,160.
- C. debit Unearned Fees, \$11,610; credit Fees Earned, \$11,610
- D. debit Unearned Fees, \$1,290; credit Fees Earned, \$1,290
- E. debit Unearned Fees, \$3,870; credit Fees Earned, \$3,870**

$$\$15,480/36 = \$430 \times 9 = \$3,870$$

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: P1
Wild - Chapter 003 #125

19. At the beginning of 2009, a company's balance sheet reported the following balances: Total Assets = \$125,000; Total Liabilities = \$75,000; and Owner's Capital = \$50,000. During 2009, the company reported revenues of \$46,000 and expenses of \$30,000. In addition, owner's withdrawals for the year totaled \$20,000. Assuming no other changes to owner's capital, the balance in the owner's capital account at the end of 2009 would be:

- A. \$66,000.
- B. \$86,000.
- C. \$(4,000).
- D. \$46,000.**
- E. cannot be determined from the information provided.

Owner's Capital = \$50,000 at beginning of 2009. Add revenues of \$46,000 during 2009, subtract expenses of \$30,000 during 2009 and subtract owner withdrawals of \$20,000 during 2009. The ending balance in the owner's capital account at the end of 2009 would be \$46,000.

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: Hard
Learning Objective: P2
Wild - Chapter 004 #104

20. Another name for temporary accounts is:

- A. Real accounts.
- B. Contra accounts.
- C. Accrued accounts.
- D. Balance column accounts.
- E.** Nominal accounts.

AACSB: Communications
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: Easy
Learning Objective: C1
Wild - Chapter 004 #64

21. When closing entries are made:

- A. All ledger accounts are closed to start the new accounting period.
- B.** All temporary accounts are closed but not the permanent accounts.
- C. All real accounts are closed but not the nominal accounts.
- D. All permanent accounts are closed but not the nominal accounts.
- E. All balance sheet accounts are closed.

AACSB: Communications
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: Easy
Learning Objective: C1
Wild - Chapter 004 #65

22. Assets, liabilities, and equity accounts are not closed; these accounts are called:

- A. Nominal accounts.
- B. Temporary accounts.
- C.** Permanent accounts.
- D. Contra accounts.
- E. Accrued accounts.

AACSB: Communications
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: Medium
Learning Objective: C1
Wild - Chapter 004 #68

23. The recurring steps performed each reporting period, starting with analyzing and recording transactions in the journal and continuing through the post-closing trial balance, is referred to as the:

- A. Accounting period.
- B. Operating cycle.
- C. Accounting cycle.**
- D. Closing cycle.
- E. Natural business year.

AACSB: Communications
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: Medium
Learning Objective: C2
Wild - Chapter 004 #73

24. The following information is available for the Travis Travel Agency. After these closing entries what will be the balance in the Jay Travis, Capital account?

Total revenues.....	\$125,000
Total expenses.....	60,000
Jay Travis, Capital.....	80,000
Jay Travis, With drawals...	15,000

- A. \$ 65,000.
- B. \$ 80,000.
- C. \$130,000.**
- D. \$145,000.
- E. \$280,000.

$$\$80,000 + \$125,000 - \$60,000 - \$15,000 = \underline{\$130,000}$$

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Medium
Learning Objective: P2
Wild - Chapter 004 #98

25. A company had revenues of \$75,000 and expenses of \$62,000 for the accounting period. Which of the following entries could not be a closing entry?

- | | | | |
|-----------|----------------------|--------|--------|
| | Income Summary..... | 13,000 | |
| A. | Owner's Capital..... | | 13,000 |
| | Income Summary..... | 75,000 | |
| B. | Revenues..... | | 75,000 |
| | Revenues..... | 75,000 | |
| C. | Income Summary..... | | 75,000 |
| | Income Summary..... | 62,000 | |
| D. | Expenses | | 62,000 |
- E. All of these are possible closing entries.

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Medium
Learning Objective: P2
Wild - Chapter 004 #97

26. J. Awn, the proprietor of Awn Services, withdrew \$8,700 from the business during the current year. The entry to close the withdrawals account at the end of the year, is:

- | | | | |
|-----------|---------------------------|-------|-------|
| | J. Awn, Withdrawals | 8,700 | |
| A. | Cash | | 8,700 |
| | J. Awn, Capital | 8,700 | |
| B. | J. Awn, Withdrawals | | 8,700 |
| | J. Awn, Withdrawals | 8,700 | |
| C. | J. Awn, Capital | | 8,700 |
| | J. Awn, Capital | 8,700 | |
| D. | Salary Expense | | 8,700 |
| | Income Summary..... | 8,700 | |
| E. | J. Awn, Capital | | 8,700 |

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: Medium
Learning Objective: P2
Wild - Chapter 004 #96

27. Leonard Matson completed these transactions during December of the current year:

- Dec.
- 1 Began a financial services practice by investing \$15,000 cash and office equipment having a \$5,000 value.
 - 2 Purchased \$1,200 of office equipment on credit.
 - 3 Purchased \$300 of office supplies on credit
 - 4 Completed work for a client and immediately received a Payment of \$900 cash.
 - 8 Completed work for Acme Loan Co. on credit, \$1,700.
 - 10 Paid for the supplies purchased on credit on December 3.
 - 14 Paid for the annual \$960 premium on an insurance policy.
 - 18 Received payment in full from Acme Loan Co. for the work Completed on December 8.
 - 27 Leonard withdrew \$650 cash from the practice to pay personal expenses.
 - 30 Paid \$175 cash for the December utility bills.
 - 30 Received \$2,000 from a client for financial services to be rendered next year.

Prepare general journal entries to record these transactions.

Dec. 1	Cash.....	15,000	
	Office Equipment	5,000	
	L Matson, Capital.....		20,000
	Owner invested in business.		
2	Office Equipment	1,200	
	Accounts Payable.....		1,200
	Purchased office equipment and supplies on credit.		
3	Office Supplies	300	
	Accounts Payable.....		300
4	Cash.....	900	
	Fees Earned.....		900
	Rendered services for cash.		
8	Accounts Receivable	1,700	
	Fees Earned.....		1,700
	Rendered services on account.		
10	Accounts Payable	300	
	Cash.....		300
	Paid amount owed for supplies		
14	Prepaid Insurance	960	
	Cash.....		960
	Paid insurance premium for one year.		
18	Cash.....	1,700	
	Accounts Receivable.....		1,700
	Received payment on account.		
27	L. Matson, Withdrawals	650	
	Cash.....		650
	Owner withdrew cash.		
30	Utility Expense	175	
	Cash.....		175
	Paid utility bills.		
31	Cash.....	2,000	
	Unearned Fees.....		2,000

AACSB: Analytic
 AICPA BB: Industry
 AICPA FN: Measurement
 Difficulty: Hard
 Learning Objective: P1
 Wild - Chapter 002 #159

28. In general journal form, record the December 31 adjusting entries for the following transactions and events. Assume that December 31 is the end of the annual accounting period.

- a. The Prepaid Insurance account shows a debit balance of \$2,340, representing the cost of a three-year fire insurance policy that was purchased on October 1 of the current year.
- b. The Office Supplies account has a debit balance of \$400; a year-end inventory count reveals \$80 of supplies still on hand.
- c. On November 1 of the current year, Rent Earned was credited for \$1,500. This amount represented the rent earned for a three-month period beginning November 1.
- d. Estimated depreciation on office equipment is \$600.
- e. Accrued salaries amount to \$400.

(all entries dated December 31)

a.	Insurance Expense	195	
	Prepaid Insurance		195
	(\$2,340/36 mo = \$65/mo; \$65 mo x 3 mo expired = \$195)		
b.	Office Supplies Expense	320	
	Office Supplies (\$400 – \$80)		320
c.	Rent Earned.....	500	
	Unearned Rent (\$1,500/3 x 1)		500
d.	Depreciation Expense–Office Equipment	600	
	Accumulated Depreciation–Office Equipment ..		600
e.	Salaries Expense	400	
	Salaries Payable.....		400

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: P1
Learning Objective: P4
Wild - Chapter 003 #179

29. A partially completed work sheet is shown below. The unadjusted trial balance columns are complete. Complete the adjustments, adjusted trial balance, income statement, and balance sheet and statement of owner's equity columns.

Platen Company Work Sheet For the year ended December 31										
Account	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet and Statement of Owner's Equity	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	40									
Accounts receivable										
Prepaid insurance	25									
Supplies	14								8	
Office equipment	340								340	
Accum. Depr., Office equipment		45								
Accounts payable		57								57
Rent payable										
C. Platen, Capital		132								132
C. Platen, Withdrawals ..	35								35	
Fees earned		300						380		
Rent expense	60						90			
Utilities expense	20									
Insurance expense			10							
Supplies expense										
Deprec. exp., Office equipment							45			
Totals	534	534								
Net income										
Totals										

Platen Company
Work Sheet
For the year ended December 31

Account	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet and Statement of Owner's Equity	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash.....	40				40				40	
Accounts receivable.....			(a) 80		80				80	
Prepaid insurance.....	25			(b) 10	15				15	
Supplies.....	14			(c) 6	8				8	
Office equipment.....	340				340				340	
Accum. Depr., Office equipment		45		(d) 45		90				90
Accounts payable.....		57				57				57
Rent payable.....				(e) 30		30				30
C. Platen, Capital.....		132				132				132
C. Platen, Withdrawals ..	35				35				35	
Fees earned.....		300		(a) 80		380		380		
Rent expense	60		(e) 30		90		90			
Utilities expense	20				20		20			
Insurance expense.....			(b) 10		10		10			
Supplies expense.....			(c) 6		6		6			
Deprec. exp., Office equipment			(d) 45		45		45			
Totals	<u>534</u>	<u>534</u>	<u>171</u>	<u>171</u>	<u>689</u>	<u>689</u>	<u>171</u>	<u>380</u>	<u>518</u>	<u>309</u>
Net income							<u>209</u>			<u>209</u>
Totals							<u>380</u>	<u>380</u>	<u>518</u>	<u>518</u>

AACSB: Technology, Analytic
AICPA BB: Industry
AICPA FN: Leveraging Technology
Difficulty: Hard
Learning Objective: P1
Wild - Chapter 004 #137

Bella Beauty Salon's unadjusted trial balance for the current year follows:

Bella Beauty Salon Trial Balance December 31		
Cash.....	\$ 4,200	
Prepaid insurance	1,480	
Shop supplies	990	
Shop equipment	3,860	
Accumulated depreciation–shop equipment		\$ 770
Building.....	57,500	
Accumulated depreciation–building		3,840
Land	55,000	
Unearned rent.....		1,600
Long-term notes payable.....		50,000
Bella Hanson, Capital		49,860
Rent earned		2,400
Fees earned.....		23,400
Wages expense.....	3,200	
Utilities expense.....	690	
Property taxes expense.....	600	
Interest expense.....	4,350	
Totals.....	<u>\$131,870</u>	<u>\$131,870</u>

Additional information:

- a. An insurance policy examination showed \$1,240 of expired insurance.
- b. An inventory count showed \$210 of unused shop supplies still available.
- c. Depreciation expense on shop equipment, \$350.
- d. Depreciation expense on the building, \$2,220.
- e. A beautician is behind on space rental payments, and this \$200 of accrued revenues was unrecorded at the time the trial balance was prepared.
- f. \$800 of the Unearned Rent account balance was earned by year-end.
- g. The one employee, a receptionist, works a five-day workweek at \$50 per day. The employee was paid last week but has worked four days this week for which she has not been paid.
- h. Three months' property taxes, totaling \$450, have accrued. This additional amount of property taxes expense has not been recorded.
- i. One month's interest on the note payable, \$600, has accrued but is unrecorded.

30. Use the above information to prepare the adjusted trial balance for Bella's Beauty Salon.

Bella Beauty Salon Adjusted Trial Balance December 31		
Cash.....	\$ 4,200	
Rent receivable.....	200	
Prepaid insurance	240	
Shop supplies	210	
Shop equipment	3,860	
Accumulated depreciation–shop equipment		\$ 1,120
Building.....	57,500	
Accumulated depreciation–building		6,060
Land	55,000	
Wages payable		200
Property taxes payable		450
Interest payable		600
Unearned rent.....		800
Long-term notes payable.....		50,000
Bella Hanson, Capital		49,860
Rent earned		3,400
Fees earned.....		23,400
Wages expense.....	3,400	
Utilities expense.....	690	
Property taxes expense.....	1,050	
Insurance expense	1,240	
Shop supplies expense	780	
Depreciation expense–shop equipment.....	350	
Depreciation expense–building.....	2,220	
Interest expense.....	4,950	
Totals.....	<u>\$135,890</u>	<u>\$135,890</u>

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: P2
Wild - Chapter 003 #181

2010 Acctg 1 Midterm Summary

<u>Category</u>	<u># of Questions</u>
AACSB: Analytic	21
AACSB: Communications	8
AACSB: Technology, Analytic	1
AICPA BB: Industry	26
AICPA BB: Legal	4
AICPA FN: Decision Making	11
AICPA FN: Leveraging Technology	1
AICPA FN: Measurement	15
AICPA FN: Reporting	3
Difficulty: Easy	2
Difficulty: Hard	23
Difficulty: Medium	5
Learning Objective: A1	5
Learning Objective: A2	1
Learning Objective: C1	3
Learning Objective: C2	1
Learning Objective: C3	1
Learning Objective: C5	4
Learning Objective: P1	10
Learning Objective: P2	5
Learning Objective: P4	1
Wild - Chapter 001	7
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Great Bay
Community College



Department of Business Studies &
Computer Technologies

John Burt, Chair
Jeanne Furfari, Economics
Daniel Murphy, Accounting

ACCOUNTING 1
ACCT 113
FALL, 2009

Final Exam –Take-Home Portion

W Answers

Name: _____

Date: _____

DUE DATE: December 17, 2009

Instructor: Daniel J. Murphy
(603) 471-0747
(603) 471-0585 fax number
DMurphy@ccsnh.edu

Read the attached questions carefully and answer each of them completely. Remember, you don't lose points for incorrect information; you can only gain points for providing the correct information. Show all of your work, but place all individual answers on the answer sheet attached to this exam except for essay or problem questions. Essay or problem question responses should be attached separately.

For multiple choice questions, if you don't see the answer you believe to be correct among the choices you are given, put the answer you believe to be correct in the space provided on the answer sheet. Supporting documentation should be attached.

It helps you to attempt each question even if you're in doubt. Take a risk, and do your best.

Good luck.

Answers:

QUESTION #	<u>ANSWER</u>	QUESTION #	<u>ANSWER</u>
1	E	17	A
2	C	18	D
3	D	19	B
4	A	20	C
5	B	21	C
6	C	22	B
7	C	23	B
8	B	24	E
9	B	25	A
10	A	26	C
11	B	27	E
12	D	28	A
13	B	29	Attach Sheet
14	D	30	Attach Sheet
15	B	31	Attach Sheet
16	D	32	Attach Sheet

- 1) The difference between the cost of an asset and the accumulated depreciation for that asset is called
- Depreciation Expense.
 - Unearned Depreciation.
 - Prepaid Depreciation.
 - Depreciation Value.
 - E. Book Value.

AACSB: Communications
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: Medium
Learning Objective: P1

- 2) On March 31, 2009, Phoenix, Inc. paid Melanie Publishing Company \$15,480 for a 3-year subscription for five different magazines. The subscriptions started immediately. What is the amount of revenue that should be recorded by Melanie Publishing Company for each year of the subscription?
- 2009, \$15,480; 2010, \$0; 2011, \$0; 2012, \$0.
 - 2009, \$5,160; 2010, \$5,160; 2011, \$5,160.
 - C. 2009, \$3,870; 2010, \$5,160; 2011, \$5,160; 2012, \$1,290.
 - 2009, \$0; 2010, \$0; 2011, \$0; 2012, \$15,480.
 - The answer cannot be determined based on the information given. $\$15,480/36 = \430
 $2009 \$430 \times 9 = \$3,870$
 $2010 \$430 \times 12 = \$5,160$
 $2011 \$430 \times 12 = \$5,160$
 $2012 \$430 \times 3 = \$1,290$

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: P1

- 3) On April 1, 2009, a company paid the \$1,350 premium on a three-year insurance policy with benefits beginning on that date. What will be the insurance expense on the annual income statement for the year ended December 31, 2009?
- \$1,350.
 - \$450.
 - \$1,012.50.
 - D. \$337.50.
 - \$37.50.

$$\$1,350 \times 9/36 = \$337.50$$

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Medium
Learning Objective: P

- 4) If a company records prepayment of expenses in an asset account, the adjusting entry would:
- A. Result in a debit to an expense and a credit to an asset account.
 - Cause an adjustment to prior expense to be overstated and assets to be understated.
 - Cause an accrued liability account to exist.
 - Result in a debit to a liability and a credit to an asset account.
 - Decrease cash.

AACSB: Communications
 AICPA BB: Industry
 AICPA FN: Decision Making
 Difficulty: Hard
 Learning Objective: P1

- 5) A company made no adjusting entry for accrued and unpaid employee wages of \$28,000 on December 31. This oversight would:
- A. Understate net income by \$28,000.
 - B. Overstate net income by \$28,000.**
 - C. Have no effect on net income.
 - D. Overstate assets by \$28,000.
 - E. Understate assets by \$28,000.

AACSB: Analytic
 AICPA BB: Industry
 AICPA FN: Measurement
 Difficulty: Hard
 Learning Objective: P1

- 6) . Robert Haddon contributed \$70,000 in cash and land worth \$130,000 to open a new business, RH Consulting. Which of the following general journal entries will RH Consulting make to record this transaction?

	Assets	\$200,000	
A.	Robert Haddon, Capital		\$200,000
	Cash and Land	\$200,000	
B.	Robert Haddon, Capital		\$200,000
	Cash	\$70,000	
	Land	130,000	
C.	Robert Haddon, Capital		\$200,000
	Robert Haddon, Capital	\$200,000	
	Cash		\$ 70,000
D.	Land		130,000
	Robert Haddon, Capital	200,000	
E.	Assets		\$200,000

AACSB: Analytic
 AICPA BB: Industry
 AICPA FN: Decision Making
 Difficulty: Medium
 Learning Objective: A1

- 7) A company's ledger accounts and their end-of-period balances before closing entries are posted are shown below. What amount will be posted to Tricia DeBarre, Capital in the process of closing the Income Summary account? (Assume all accounts have normal balances.)

Tricia De Barre, Capital.....	\$ 7,000
Tricia De Barre, Withdrawals..	9,600
Revenue.....	29,000
Rent expense.....	3,600
Salaries expense.....	7,200
Insurance expense.....	920
Depr. Expense-equipment.....	500
Accum depr.-equipment.....	1,500

- A. \$16,780 debit.
 B. \$ 7,180 credit.
C. \$16,780 credit.
 D. \$18,280 credit.
 E. \$23,780 credit.

Items closed to Income Summary:

\$29,000	Credit
3,600	Debit
7,200	Debit
920	Debit
<u>500</u>	Debit

\$16,780 credit, closed with a debit of \$16,780; credit to Tricia De Barre, Capital

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: P2

- 8) The Income Summary account is used:
- A. To adjust and update asset and liability accounts.
B. To close the revenue and expense accounts.
 C. To determine the appropriate withdrawal amount.
 D. To replace the income statement under certain circumstances.
 E. To replace the capital account in some businesses.

AACSB: Communications
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: Medium
Learning Objective: P2

- 9) A company had revenues of \$75,000 and expenses of \$62,000 for the accounting period. Which of the following entries could not be a closing entry?

	Income Summary.....	13,000
A.	Owner's Capital.....	13,000
	Income Summary.....	75,000
B.	Revenues.....	75,000
	Revenues.....	75,000
C.	Income Summary.....	75,000
	Income Summary.....	62,000
D.	Expenses	62,000
E.	All of these are possible closing entries.	

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Medium

Learning Objective: P2

- 10) The Unadjusted Trial Balance columns of a company's work sheet show the balance in the Office Supplies account as \$750. The Adjustments columns show that \$425 of these supplies were used during the period. The amount shown as Office Supplies in the Balance Sheet columns of the work sheet is:

- A.** \$325 debit.
 B. \$325 credit.
 C. \$425 debit.
 D. \$750 debit.
 E. \$750 credit.

AACSB: Technology
AICPA BB: Industry
AICPA FN: Leveraging Technology
Difficulty: Easy
Learning Objective: P1

- 11) Journal entries recorded at the end of each accounting period to prepare the revenue, expense, and withdrawals accounts for the upcoming period and to update the owner's capital account for the events of the period just finished are referred to as:

- A. Adjusting entries.
B. Closing entries.
 C. Final entries.
 D. Work sheet entries.
 E. Updating entries.

AACSB: Communications
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: Medium
Learning Objective: C1

12) A company uses the perpetual inventory system and recorded the following entry:

Accounts Payable	2,500	
Merchandise Inventory		50
Cash		2,450

This entry reflects a:

- A. Purchase.
- B. Return.
- C. Sale.
- D.** Payment of the account payable and recognition of a cash discount taken.
- E. Purchase and recognition of a cash discount taken.

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Medium
Learning Objective: PI

13) A trade discount is:

- A. A term used by a purchaser to describe a cash discount given to customers for prompt payment.
- B.** A reduction in price below the list price.
- C. A term used by a seller to describe a cash discount granted to customers for prompt payment.
- D. A reduction in price for prompt payment.
- E. Also called a rebate.

AACSB: Communications
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: Easy
Learning Objective: PI

14) A company purchased \$4,000 worth of merchandise. Transportation costs were an additional \$350. The company later returned \$275 worth of merchandise and paid the invoice within the 2% cash discount period. The total amount paid for this merchandise is:

- A. \$3,725.00.
- B. \$3,925.00.
- C. \$3,995.00.
- D.** \$4,000.50.
- E. \$4,075.00.

$$[(\$4,000 - \$275) \times .98] + \$350 = \underline{\$4,000.50}$$

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: PI

- 15) . Herald Company had sales of \$135,000, sales discounts of \$2,000, and sales returns of \$3,200. Herald Company's net sales equals:
- A. \$5,200.
 - B. \$129,800.**
 - C. \$133,000.
 - D. \$135,000.
 - E. \$140,200.

$$\text{\$135,000} - \text{\$2,000} - \text{\$3,200} = \text{\$129,800}$$

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Medium
Learning Objective: P2

- 16) On October 1, Robinson Company sold merchandise in the amount of \$5,800 to Rosser, with credit terms of 2/10, n/30. The cost of the items sold is \$4,000. Robinson uses the perpetual inventory system. The journal entry or entries that Robinson will make on October 1 is:

	Sales	5,800	
A.	Accounts receivable.....	5,800	
	Sales	5,800	
	Accounts receivable.....	5,800	
	Cost of goods sold.....	4,000	
B.	Merchandise Inventory	4,000	
	Accounts receivable	5,800	
C.	Sales	5,800	
	Accounts receivable	5,800	
	Sales.....	5,800	
	Cost of goods sold.....	4,000	
	Merchandise inventory	4,000	
<u>D.</u>	Accounts receivable	4,000	
E.	Sales.....	4,000	

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Medium
Learning Objective: P2

17) A The principles of internal control include:

- A. Establish responsibilities
- B. Maintain minimal records
- C. Use only a computerized system
- D. Bond all employee

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Medium
Learning Objective: P2

18) A company uses the periodic inventory system and had the following activity during the current monthly period.

November 1:	Beginning inventory of	100 units @ \$20
November 5:	Purchased	100 units @ \$22
November 8:	Purchased	50 units @ \$23
November 16:	Sold	200 units @ \$45
November 19:	Purchased	50 units @ \$25

In a perpetual inventory system, using the moving-average inventory method, the company's ending inventory would be:

- A. \$2,000.
- B. \$2,200.
- C. \$2,250.
- D. \$2,320.**
- E. \$4,400.

Weighted average cost per unit: $\$5,350/250 \text{ units} = \21.40

100	20	2000
100	22	2200
50	23	1150
250	21.40	5350
200	21.40	4280
50	21.40	1070
50	25	1250
100	23.20	2320

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Medium
Learning Objective: P3

19) A company sells a climbing kit and uses the periodic inventory system to account for its merchandise. The beginning balance of the inventory and its transactions during January were as follows:

January 1: Beginning balance of 18 units at \$13 each
 January 12: Purchased 30 units at \$14 each
 January 19: Sold 24 units at a selling price of \$30 each
 January 20: Purchased 24 units at \$17 each
 January 27: Sold 27 units at a selling price of \$30 each

If the ending inventory is reported at \$357, what inventory method was used?

- A. LIFO.
- B. FIFO.**
- C. Weighted average.
- D. Specific identification.
- E. Retail inventory method.

BI	18 @ \$13 =	\$ 234
1/12	30 @ \$14 =	420
1/20	<u>24 @ \$17 =</u>	<u>408</u>
Total	72	\$1,062
Sold	<u>51</u>	
EI	21 @ \$17 =	<u>\$357</u>

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: P3

20) A company has inventory of 165 units at a cost of \$12 each on August 1. On August 5, it purchased 127 units at \$13 per unit. On August 12 it purchased 20 units at \$14 per unit. On August 15, it sold 300 units. Using the FIFO periodic inventory method, what is the value of the inventory at August 15 after the sale?

- A. \$140.
- B. \$160.
- C. \$168.**
- D. \$380.
- E. \$590.

Cost of inventory = 12 x \$14 each = \$168

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Medium
Learning Objective: P3

- 21) Generally accepted accounting principles require that the inventory of a company be reported at:
- A. Market value.
 - B. Historical cost.
 - C.** Lower of cost or market.
 - D. Replacement cost.
 - E. Retail value.

AACSB: Communications
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Easy
Learning Objective: P2

- 22) A company had inventory of 25 units at a cost of \$22 each on November 1. On November 2, it purchased 11 units at \$25 each. On November 6 it purchased 6 units at \$25 each. On November 8, it sold 18 units for \$60 each. Using the LIFO perpetual inventory method, what was the cost of the 18 units sold?
- A. \$395.
 - B.** \$447.
 - C. \$450.
 - D. \$510.
 - E. \$520.

6	25	150
11	25	275
1	22	22
		447

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Medium
Learning Objective: P1

- 23) An analysis that explains any differences between the checking account balance according to the depositor's records and the balance reported on the bank statement is a(n):
- A. Internal audit.
 - B.** Bank reconciliation.
 - C. Bank audit.
 - D. Trial reconciliation.
 - E. Analysis of debits and credits.

AACSB: Communications
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: Easy
Learning Objective: P3

- 24) Martha Company has an established petty cash fund in the amount of \$500. The fund was last reimbursed on November 30. At the end of December, the fund contained the following petty cash receipts:

December 4	Freight charge for merchandise purchased	\$ 42
December 7	Freight charge for delivery to customer	\$ 66
December 12	Purchase of office supplies	\$ 31
December 18	Donation to charitable organization	\$ 50

If, in addition to these receipts, the petty cash fund contains \$301 of cash, the journal entry to reimburse the fund on December 31 will include:

- A. A debit to Transportation-In of \$73.
- B. A debit to Transportation-Out of \$73.
- C. A credit to Office Supplies of \$66.
- D. A credit to Cash Over and Short of \$10.
- E. A debit to Cash Over and Short of \$10.**

Opening cash balance of \$500. Subtract the \$189 of disbursements from the petty cash fund during December (as evidenced by the petty cash receipts). This yields an expected cash balance of \$311. Since there is only \$301 of cash in the fund, the journal entry to reimburse the fund will include a \$10 debit to Cash Over and Short.

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: P2

- 25) When a petty cash fund is in use:
- A.** Expenses paid with petty cash are recorded when the fund is replenished.
 - B. Petty Cash is debited when funds are replenished.
 - C. Petty Cash is credited when funds are replenished.
 - D. Expenses are not recorded.
 - E. Cash is debited when funds are replenished.

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Medium
Learning Objective: P2

- 26) A voucher is an internal file:
- A. Prepared after an invoice is received.
 - B. Used as a substitute for an invoice.
 - C.** Used to accumulate information needed to control cash disbursements and to ensure that transactions are properly recorded.
 - D. Takes the place of a bank check.
 - E. Prepared before the company orders goods.

AACSB: Technology
AICPA BB: Leveraging Technology
AICPA FN: Leveraging Technology
Difficulty: Medium
Learning Objective: P1

- 27) . Internal control procedures for cash receipts require that:
- A. Custody over cash is kept separate from its recordkeeping.
 - B. Cash sales should be recorded on a cash register at the time of each sale.
 - C. Clerks having access to cash in a cash register should not have access to the register tape or file.
 - D. An employee (with no access to cash receipts) should compare the total cash recorded by the register with the record of cash receipts reported by the cashier.
 - E.** All of these.

AACSB: Technology
AICPA BB: Leveraging Technology
AICPA FN: Leveraging Technology
Difficulty: Medium
Learning Objective: P1

- 28) . The following information is available for Holland Company at December 31:

Money market fund balance	\$ 2,790
Certificate of deposit maturing June 30 of next year	\$ 15,000
Postdated checks from customers	\$ 1,475
Cash in bank account	\$ 22,431
NSF checks from customers returned by bank	\$ 650
Cash in petty cash fund	\$ 200
Inventory of postage stamps	\$ 18
U.S. Treasury bill purchased on December 15 and maturing on February 28 of following year	\$ 10,000

Based on this information, Holland Company should report Cash and Cash Equivalents on December 31 of:

- A.** \$35,421
- B. \$50,421
- C. \$37,546
- D. \$36,246
- E. \$40,439

Add \$2,790 in money market fund + \$22,431 of cash in bank + \$200 of cash in petty cash fund + \$10,000 of U.S. Treasury bill with maturity of less than three months on date of purchase = \$35,421.

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: C2

Martin Sky Taxi Services
Adjusted Trial Balance
For the year ended December 31

Cash.....	\$ 28,000	
Accounts receivable	14,200	
Office supplies	1,700	
Airplanes	100,000	
Accumulated depreciation – Airplanes		45,000
Accounts payable		11,500
Helena Martin, Capital		71,900
Helena Martin, Withdrawals	40,000	
Fees earned.....		150,000
Rent expense	13,000	
Office supplies expense	2,000	
Utilities expense.....	2,500	
Depreciation Expense – Airplanes.....	15,000	
Salary expense	50,000	
Fuel expense.....	12,000	
Totals.....	<u>\$278,400</u>	<u>\$278,400</u>

29) Refer to the figure above. Based on the above adjusted trial balance, prepare a balance sheet for Martin Sky Taxi Services.

Martin Sky Taxi Services
Balance Sheet
At December 31

Assets		
Cash.....		\$28,000
Accounts receivable		14,200
Office supplies		1,700
Airplanes	\$100,000	
Less: Accumulated depreciation - Airplanes	<u>(45,000)</u>	<u>55,000</u>
Total assets.....		<u>\$98,900</u>
Liabilities		
Accounts payable		<u>\$11,500</u>
Equity		
Helena Martin, Capital.....		<u>\$87,400</u>
Total liabilities and equity		<u>\$98,900</u>

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Reporting
Difficulty: Medium
Learning Objective: P3

- 30) Prepare journal entries to record the following merchandising transactions of Dean Company, which applies the perpetual inventory system. Dean Company offers all of its credit customers credit terms of 2/10, n/30.

- May 1 Purchased merchandise from Swift Company for \$7,800 under credit terms of 1/10, n/30, FOB shipping point, invoice dated May 1.
- May 2 Purchased merchandise from Arrow Company for \$10,600 under credit terms 2/05, n/20, FOB destination.
- May 3 Sold merchandise to Bee Company for \$5,600, FOB shipping point, invoice dated May 4. The merchandise had cost \$3,000.
- May 4 Paid \$300 cash for the freight charges on the May 1 purchase of merchandise.
- May 5 Received an \$800 credit memorandum from Swift Company for the return of part of the merchandise purchased on May 1.
- May 6 Paid Arrow Company the balance due within the discount period.
- May 8 Sold merchandise to Nat Company for \$3,300, FOB shipping point, invoice dated May 8. The merchandise had a cost of \$1,500.
- May 11 Paid Swift Company the balance due within the discount period.
- May 13 Received the balance due from Bee Company within the discount period.
- May 14 Issued a credit \$300 credit memorandum to Nat Company for an allowance on defective merchandise.
- May 17 Received the balance due from Nat Company within the discount period.

May 1	Merchandise Inventory.....	7,800	
	Accounts Payable – Swift Co.		7,800
May 2	Merchandise Inventory.....	10,600	
	Accounts Payable – Arrow Co.....		10,600
May 3	Accounts receivable – Bee Co.	5,600	
	Sales		5,600
	Cost of goods sold.....	3,000	
	Merchandise inventory.....		3,000
May 4	Merchandise Inventory.....	300	
	Cash.....		300
May 5	Accounts payable – Swift Co.	800	
	Merchandise inventory.....		800
May 6	Accounts payable – Arrow Co.	10,600	
	Merchandise inventory (10,600 * .02).....		212
	Cash (10,600 – 212).....		10,388
May 8	Accounts receivable – Nat Co.	3,300	
	Sales		3,300
	Cost of goods sold.....	1,500	
	Merchandise inventory.....		1,500
May 11	Accounts payable – Swift Co. (7,800 - 800).....	7,000	
	Merchandise inventory (7,000 * .01).....		70
	Cash (7,000 – 70).....		6,930
May 13	Cash (5,600 * .98).....	5,488	
	Sales Discounts (5,600 * .02).....	112	
	Accounts receivable – Bee Co.		5,600
May 14	Sales returns and allowances.....	300	
	Accounts receivable – Nat Co.....		300
May 17	Cash ((3,300-300) * .98).....	2,940	
	Sales discounts (3,000 * .02).....	60	
	Accounts receivable (3,300 -300).....		3,000

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: P1
Learning Objective: P2

31) A company had the following ending inventory costs:

Product	Units on Hand	Unit Cost	Market Value
A	10	\$ 5	\$ 6
B	50	8	7
C	35	10	11

Instructions;

1. Calculate the lower of cost or market (LCM) value for the inventory as a whole.
2. Calculate the lower of cost or market (LCM) value for each individual item.

1.

Product	Total Cost	Total Market	LCM
A	\$ 50	\$ 60	
B.....	400	350	
C.....	<u>350</u>	<u>385</u>	
TOTAL	<u>\$800</u>	<u>\$795</u>	<u>\$795</u>

2.

Product	By Item
A	\$ 50
B.....	350
C.....	<u>350</u>
TOTAL	<u>\$750</u>

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Medium
Learning Objective: P2

- 32) The following information is available for the Edwards Company for its March 31 bank reconciliation:
From the March 31 bank statement:

Previous Balance								Total Checks and Debits			Total Deposits and Credits			Current Balance	
\$10,908								\$7,805			\$11,905			\$15,008	
Checks and Debits				Deposits and Credits				Daily Balance							
Date	No.	Amount		Date	Amount			Date	Amount						
03/03	2874	1,210		03/02	4,340			03/01	10,908						
03/11	2906	3,850		03/27	7,270			03/02	15,248						
03/15	2905	170		03/31	295	IN		03/03	14,038						
03/25	2909	725						03/11	10,188						
03/29	2908	1,350						03/15	10,018						
03/30		500	NSF					03/25	9,293						
								03/27	16,563						
								03/29	15,213						
								03/30	14,713						
								03/31	15,008						

NSF: A check from a customer, Cook Co. in payment of their account.
IN: Interest earned on the account.

From the Edwards Company's accounting records:

Cash Receipts Deposited			
Date	No.	Amount	Cash Debit
March	7		4,340
	27		7,270
	31		<u>2,090</u>
			<u>13,700</u>

Cash Disbursements		
Check No.	Amount	Cash Credit
2905		170
2906		3,850
2907		460
2908		1,350
2909		725
2910		<u>340</u>
		<u>6,895</u>

Cash				Acct. No. 101		
Date	No.	Explanation	PR	Debit	Credit	Balance
February	28	Balance				9,698
March	31	Total receipts	R4	13,700		23,398
	31	Total disbursements	D5		6,895	16,503

- a. Based on the above information, prepare a bank reconciliation for the Edwards Company.
b. Prepare the necessary general journal entries to adjust cash to the reconciled balance.

a.

Edwards Company Bank Reconciliation March 31			
Bank statement balance.....	\$15,008	Book balance.....	\$16,503
Add:		Add:	
Deposit in transit.....	<u>2,090</u>	Interest earned on account	<u>295</u>
	17,098		16,798
Deduct:		Deduct:	
Outstanding checks		NSF check.....	<u>500</u>
#2907.....	\$ 460		
#2910.....	<u>340</u>		
	<u>800</u>		
Adjusted bank balance	<u>\$16,298</u>	Adjusted book balance.....	<u>\$16,298</u>

b.

Mar. 31	Cash.....	295	
	Interest revenue		295
Mar. 31	Accounts receivable – Cook Company	500	
	Cash.....		500

AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: Hard
Learning Objective: P3