Accounting II Second Semester Final

Multiple Choice
Identify the letter of the choice that best completes the statement or answers the question.

1. Profit is the difference between:
   a. assets and liabilities
   b. assets and equities
   c. the assets purchased with cash contributed by the owner and the cash spent to operate the business
   d. the assets received for goods and services and the amounts used to provide the goods and services

2. Which of the following is not a business organization form?
   a. governmental unit
   b. proprietorship
   c. partnership
   d. corporation

3. Equipment with an estimated market value of $45,000 is offered for sale at $65,000. The equipment is acquired for $10,000 in cash and a note payable of $40,000 due in 30 days. The amount used in the buyer's accounting records to record this acquisition is:
   a. $50,000
   b. $65,000
   c. $10,000
   d. $45,000

4. Resources owned by a business are referred to as:
   a. assets
   b. liabilities
   c. equities
   d. revenues

5. Debts owed by a business are referred to as:
   a. accounts receivables
   b. equities
   c. owners' equity
   d. liabilities

6. The accounting equation may be expressed as:
   a. Assets = Equities - Liabilities
   b. Assets + Liabilities = Owner's Equity
   c. Assets = Revenues less Liabilities
   d. Assets = Liabilities + Owner's Equity

7. Owner's withdrawals:
   a. increase liabilities
   b. decrease expenses
   c. increase cash
   d. decrease owner's equity
8. The total assets and the total liabilities of a business at the beginning and at the end of the year appear below. During the year, the owner had withdrawn $50,000 for personal use and had made an additional investment of $35,000 in the business.

<table>
<thead>
<tr>
<th></th>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>$295,000</td>
<td>$190,000</td>
</tr>
<tr>
<td>End of year</td>
<td>355,000</td>
<td>220,000</td>
</tr>
</tbody>
</table>

The amount of net income for the year was:

a. $85,000  
b. $40,000  
c. $135,000  
d. $45,000

9. Which of the following accounts is an asset account?

a. Salaries Expense  
b. Drawing  
c. Accounts Payable  
d. Cash

10. The debit side of an account:

a. depends on whether the account is an asset, liability or owner's equity  
b. can be either side of the account depending on how the accountant set up the system  
c. is the right side of the account  
d. is the left side of the account

11. Which of the following types of accounts have a normal credit balance?

a. Drawing  
b. Assets  
c. Expense  
d. Liability

12. A credit signifies a decrease in:

a. drawing  
b. liabilities  
c. capital  
d. revenue

13. Which of the following describes the classification and normal balance of the accounts receivable account?

a. Asset, debit  
b. Liability, credit  
c. Owner's equity, credit  
d. Revenue, credit

14. The classification and normal balance of the supplies expense account is a(n):

a. asset with a debit balance  
b. asset with a credit balance  
c. expense with a debit balance  
d. liability with a credit balance

15. Which of the following entries records the investment of cash by Funaro, owner of a proprietorship?

a. debit Funaro, Capital; credit Accounts Receivable  
b. debit Cash; credit Funaro, Capital  
c. debit Funaro, Drawing; credit Cash  
d. debit Cash; credit Funaro, Drawing
16. Cash was paid by J's Appliance Repair to creditors on account. Which of the following entries for J's records this transaction?
   a. Cash, debit; J's, Capital, credit
   b. Accounts Payable, debit; Cash, credit
   c. Accounts Receivable, debit; Cash, credit
   d. Accounts Payable, debit; Account Receivable, credit
17. Which of the following entries records the receipt of cash from patients on account?
   a. Accounts Payable, debit; Fees Earned, credit
   b. Accounts Receivable, debit; Fees Earned, credit
   c. Accounts Receivable, debit; Cash, credit
   d. Cash, debit; Accounts Receivable, credit
18. The process of rewriting the information from the journal into the ledger is called:
   a. sliding
   b. transposing
   c. journalizing
   d. posting
19. An overpayment error was discovered in computing and paying the wages of a Bartson Repair Shop employee. When Bartson receives cash from the employee for the amount of the overpayment, which of the following entries will Valor make?
   a. Cash, debit; Wages Expense, credit
   b. Wages Payable, debit; Wages Expense, credit
   c. Wages Expense, debit, Cash, credit
   d. Cash, debit; Wages Payable, credit
20. Using accrual accounting, revenue is recorded and reported only:
   a. when cash is received without regard to when the services are rendered
   b. when the services are rendered without regard to when cash is received
   c. when cash is received at the time services are rendered
   d. if cash is received after the services are rendered
21. Using accrual accounting, expenses are recorded and reported only:
   a. when they are incurred, whether or not cash is paid
   b. when they are incurred and paid at the same time
   c. if they are paid before they are incurred
   d. if they are paid after they are incurred
22. Accrued expenses have:
   a. not yet been incurred, paid, or recorded
   b. been incurred, not paid, but have been recorded
   c. been incurred, not paid, and not recorded
   d. been paid but have not yet been incurred
23. Adjusting entries are:
   a. the same as correcting entries
   b. needed to bring accounts up to date and match revenue and expense
   c. optional under generally accepted accounting principles
   d. rarely needed in large companies
24. The balance in the prepaid rent account before adjustment at the end of the year is $20,000, which represents four months' rent paid on December 1. The adjusting entry required on December 31 is:
   a. debit Rent Expense, $15,000; credit Prepaid Rent, $15,000
   b. debit Prepaid Rent, $15,000; credit Rent Expense, $15,000
   c. debit Rent Expense, $5,000; credit Prepaid Rent, $5,000
   d. debit Prepaid Rent, $5,000; credit Rent Expense, $5,000
25. The balance in the office supplies account on June 1 was $5,200, supplies purchased during June were $2,500, and the supplies on hand at June 30 were $2,000. The amount to be used for the appropriate adjusting entry is:
   a. $4,500
   b. $2,500
   c. $9,700
   d. $5,700

26. The balance in the prepaid insurance account before adjustment at the end of the year is $10,000. If the additional data for the adjusting entry is (1) "the amount of insurance expired during the year is $8,500," as compared to additional data stating (2) "the amount of unexpired insurance applicable to a future period is $1,500," for the adjusting entry:
   a. the debit and credit amount for (1) would be the same as (2) but the accounts would be different
   b. the accounts for (1) would be the same as the accounts for (2) but the amounts would be different
   c. the accounts and amounts would be the same for both (1) and (2)
   d. there is not enough information given to determine the correct accounts and amounts

27. The difference between the balance of a fixed asset account and the related accumulated depreciation account is termed:
   a. historical cost
   b. contra asset
   c. book value
   d. market value

28. The net income reported on the income statement is $90,000. However, adjusting entries have not been made at the end of the period for supplies expense of $2,500 and accrued salaries of $3,400. Net income, as corrected, is:
   a. $84,100
   b. $96,600
   c. $90,000
   d. $97,500

29. One of the accounting concepts upon which deferrals and accruals are based is:
   a. matching
   b. cost
   c. price-level adjustment
   d. conservatism

30. The supplies account has a balance of $500 at the beginning of the year and was debited during the year for $2,900, representing the total of supplies purchased during the year. If $750 of supplies are on hand at the end of the year, the supplies expense to be reported on the income statement for the year would be:
   a. $1,650
   b. $2,150
   c. $2,400
   d. $2,650

31. Which of the following appears in the Balance Sheet columns of the work sheet?
   a. Unearned Fees
   b. Rent Expense
   c. Salaries Expense
   d. Service Revenue
32. After all of the account balances have been extended to the Balance Sheet columns of the work sheet, the totals of the Debit and Credit columns are $39,750 and $21,750, respectively. What is the amount of net income or net loss for the period?
   a. $18,000 net income  
   b. $18,000 net loss  
   c. $39,750 net income  
   d. $21,750 net income

33. Accumulated Depreciation appears on the:
   a. balance sheet  
   b. statement of owner's equity  
   c. income statement  
   d. statement of cash flows

34. Notes Receivable due in 350 days appears on the:
   a. balance sheet in the current assets section  
   b. balance sheet in the fixed assets section  
   c. balance sheet in the current liabilities section  
   d. income statement as an expense

35. Closing entries:
   a. need not be journalized if reversing entries are prepared  
   b. need not be posted if the financial statements are prepared from the work sheet  
   c. are not needed if adjusting entries are prepared  
   d. must be journalized and posted

36. Which of the following accounts will not be closed to Income Summary at the end of the fiscal year?
   a. Salaries Expense  
   b. Fees Earned  
   c. Unearned Rent  
   d. Depreciation Expense

37. Which of the following accounts appears on a post-closing trial balance?
   a. Insurance Expense  
   b. Fees Earned  
   c. Drawing  
   d. Unearned Fees

38. The difference between sales and cost of merchandise sold for a merchandising business is:
   a. Sales  
   b. Net Sales  
   c. Gross Sales  
   d. Gross Profit

39. The primary difference between a periodic and perpetual inventory system is that a:
   a. periodic system determines the inventory on hand only at the end of the accounting period  
   b. periodic system keeps a record showing the inventory on hand at all times  
   c. periodic system provides an easy means to determine inventory shrinkage  
   d. periodic system records the cost of the sale on the date the sale is made

40. When a buyer returns merchandise purchased for cash, the buyer may record the transaction using the following entry:
   a. debit Merchandise Inventory; credit Cash  
   b. debit Cash; credit Merchandise Inventory  
   c. debit Cash; credit Sales Returns and Allowances  
   d. debit Sales Returns and Allowances; credit Cash
41. In credit terms of 1/10, n/30, the "1" represents the:
   a. number of days in the discount period
   b. full amount of the invoice
   c. number of days when the entire amount is due
   d. percent of the cash discount

42. Sales to customers who use bank credit cards, such as MasterCard and Visa, are generally treated as:
   a. sales on account
   b. sales returns
   c. cash sales
   d. sales when the credit card company remits the cash

43. Which of the following accounts has a normal credit balance?
   a. Sales Returns and Allowances
   b. Sales
   c. Merchandise Inventory
   d. Transportation Out

44. Accompanying the bank statement was a debit memorandum for bank service charges. What entry is required in the depositor's accounts?
   a. debit Miscellaneous Administrative Expense; credit Cash
   b. debit Cash; credit Other Income
   c. debit Cash; credit Accounts Payable
   d. debit Accounts Payable; credit Cash

45. The type of account and normal balance of Petty Cash is a(n):
   a. revenue, credit
   b. asset, debit
   c. liability, credit
   d. expense, debit

46. The following lots of a particular commodity were available for sale during the year:

   Beginning inventory........ 10 units at $50
   First purchase.............. 25 units at $53
   Second purchase............. 30 units at $54
   Third purchase.............. 15 units at $60

   The firm uses the periodic system and there are 20 units of the commodity on hand at the end of the year. What is the amount of inventory at the end of the year according to the first-in, first-out method?
   a. $1,030
   b. $1,140
   c. $1,170
   d. $1,060
47. The following lots of a particular commodity were available for sale during the year:

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning inventory</td>
<td>10 units</td>
<td>$60</td>
</tr>
<tr>
<td>First purchase</td>
<td>25 units</td>
<td>$63</td>
</tr>
<tr>
<td>Second purchase</td>
<td>30 units</td>
<td>$64</td>
</tr>
<tr>
<td>Third purchase</td>
<td>10 units</td>
<td>$70</td>
</tr>
</tbody>
</table>

The firm uses the periodic system and there are 20 units of the commodity on hand at the end of the year. What is the amount of inventory at the end of the year according to the last-in, first-out method?

a. $1,230  
b. $1,220  
c. $1,240  
d. $1,340

48. During a period of consistently rising prices, the method of inventory that will result in reporting the greatest cost of merchandise sold is:

a. fifo  
b. lifo  
c. average cost  
d. weighted average

49. On June 5, Apex Co. issued an $80,000, 8%, 120-day note payable to Jones Co. Assume that the fiscal year of Jones Co. ends June 30. What is the amount of interest revenue recognized by Jones in the following year?

a. $888.88  
b. $1,600.00  
c. $1,688.89  
d. $2,133.00

50. Jeremy Co. issued a $25,000, 60-day, discounted note to River City Bank. The discount rate is 9%. The cash proceeds to Jeremy Co. are:

a. $25,375  
b. $25,000  
c. $22,750  
d. $24,625
Accounting II Second Semester Final
Answer Section

MULTIPLE CHOICE

1. D
2. A
3. A
4. A
5. D
6. C
7. D
8. D
9. D
10. D
11. D
12. A
13. A
14. C
15. B
16. B
17. D
18. D
19. A
20. B
21. A
22. C
23. B
24. C
25. D
26. C
27. C
28. A
29. A
30. D
31. A
32. A
33. A
34. A
35. D
36. C
37. D
38. D
39. A
40. B
41. D
42. C
43. B
44. A
45. B
46. C
47. A
48. B
49. C
50. D