July 1, 2010, Siebens Enterprises loaned $20,000 to Tyler Company for one year at 8 percent interest. Under the terms of the promissory note, Tyler will repay the principal and pay one year’s interest on May 31, 2011. Related to this note receivable, what amount of interest income would Siebens report on its 2011 income statement? (Points : 2)

$667

$600

$800

$0

2. Bay Company began using the allowance method in 2010. On January 1, 2010, Bay had a $3,000 balance in the Accounts Receivable account and a zero balance in the Allowance for Doubtful Accounts account. During 2010, Bay provided $25,000 of service on account. The company collected $21,000 cash from account receivable. Uncollectible accounts are estimated to be 2% of sales on account. The amount of uncollectible accounts expense to recognize on the 2010 income statement is: (Points : 2)

$80

$250

$480

$500

3. December 31, 2010, Landon Corporation estimated that 3% of its credit sales of $215,000 would be uncollectible. Landon used the allowance method for uncollectible accounts. February 15, 2011, Landon wrote off the account of one customer, in the amount of $2,500. April 7, 2011, the customer paid the account in full. Which of the following answers correctly shows the effect of the December 31, 2010 adjusting entry for uncollectible accounts on the financial statements of Landon Corporation?

Row

Assets

=

Liab.

+

Equity

Rev.

-

Exp.

=

Net Inc.

Cash Flow

One

(6,450)

=

6,450

+

NA

NA

-

NA

=

NA

NA

Two

6,450

=

(6,450)

+

NA

NA

-

NA

=

NA

(6,450)OA

Three

6,450

=

NA

+

6,450

NA

-

(6,450)

=

6,450

6,450 FA

Four

(6,450)

=

NA

+

(6,450)

NA

-

6,450

=

(6,450)

NA

(Points : 2)

Row One

Row Two

Row Three

Row Four

4. The entry required to recognize the uncollectible accounts expense for 2010 will: (Points : 2)

increase total assets and retained earnings.

decrease total assets and retained earnings.

decrease total assets and increase net income.

increase total assets and decrease net income.

5. The net realizable value of accounts receivable is calculated: (Points : 2)

Accounts Receivable + Uncollectible Accounts Expense.

Accounts Receivable + Notes Receivable.

Accounts Receivable – Allowance for Doubtful Accounts.

365/Accounts Receivable.

6. The accounting records of the Schaller Company and Quimby Company contained the following account balances:

Account Title

Schaller

Quimby

Accounts Receivable

$75,200

$123,400

Sales

451,200

617,000

Select the true statement from the following options: (Points : 2)

The accounts receivable for Schaller Company turned over 6 times per year.

The company with the higher turnover ratio will also have the longer average number of days to collect accounts receivable.

Quimby Company is guaranteed to incur lower costs from extending credit to customers than Schaller Company.

The average number of days to collect accounts receivable for Schaller is 109 days.

7. The amount of accounts receivable that is actually expected to be collected is known as: (Points : 2)

net realizable value.

uncollectible accounts expense.

accounts receivable turnover.

allowance for doubtful accounts.

8. On July 1, 2010, Siebens Enterprises loaned $20,000 to Tyler Company for one year at 8 percent interest. Under the terms of the promissory note, Tyler will repay the principal and pay one year’s interest on May 31, 2011. What would be the total amount of receivable related to this loan on Siebens’ December 31, 2010 balance sheet? (Points : 2)

$20,000

$21,600

$10,800

$20,800

9. On January 1, 2009, Rowley Company purchased a truck that cost $22,000. The truck had an expected useful life of 5 years and a $4,000 salvage value. The amount of depreciation expense recognized in 2010 assuming that Rowley uses the double declining balance method is: (Points : 2)

$4,320

$5,280

$7,200

$8,800

10. Mobley Company purchased an asset with a list price of $35,000. Mobley received a 2% cash discount. The asset was delivered under terms FOB shipping point, and freight costs amounted to $700. Mobley paid $1,500 to have the asset installed. Insurance costs to protect the asset from fire and theft amounted to $400 for the first year of operations. Based on this information, the cost recorded in the asset account would be: (Points : 2)

$36,500

$36,900

$35,000

$35,800

11. An asset with a book value of $19,000 is sold for $16,000. Which of the following answers would accurately represent the effects of the sale on the financial statements? (Note: The answers show the net effect on the total amount under each category. For example, if cash increased by $100 and Accounts Receivable decreased by $70, a net $30 increase would be shown in the assets column.)

Row

Assets

=

Liab.

+

Equity

Rev. or

Gain

-

Exp. or

Loss

=

Net

Inc.

Cash

Flow

One

$19,000

=

NA

+

$19,000

$19,000

-

NA

=

$19,000

$19,000 IA

Two

($3,000)

=

NA

+

($3,000)

NA

-

$3,000

=

($3,000)

$3,000 OA

Three

($3,000)

=

NA

+

($3,000)

NA

-

$3,000

=

$3,000

$3,000 IA

Four

($3,000)

=

NA

+

($3,000)

NA

-

$3,000

=

($3,000)

$16,000 IA

(Points : 2)

Row One

Row Two

Row Three

Row Four

12. Which of the following is not classified as Property, Plant, and Equipment? (Points : 2)

Computers

Goodwill

Machinery

Office furniture

13. Which of the following is considered an accelerated depreciation method? (Points : 2)

Straight line

Units of production

LIFO

Double declining balance

14. The recognition of depletion expense acts to: (Points : 2)

decrease assets and equity and increase cash flow from operating expenses.

increase cash flow from operating activities and does not affect the amount of total assets.

increase assets, equity, and cash flow from operating activities.

decrease assets and equity, with no effect on cash flow.

15. Which of the following would most likely not be depreciated or amortized using the straight-line method? (Points : 2)

Copyrights

Franchise

Timber reserves

Trademark

16. Which of the following terms is used to identify the expense recognition for intangible assets? (Points : 2)

Amortization

Depletion

Depreciation

Allocation

17. Johnson Company purchased a producing oil well for $5,000,000. The well was expected to produce 500,000 barrels of oil over its useful life. During 2009 the company extracted 120,000 barrels of oil. The oil was sold for $40 per barrel. Assuming that the company incurred $1,440,000 in operating expenses other than depletion during 2009, how much net income would Johnson report in 2009? (Points : 2)

$2,160,000

$480,000

$3,360,000

$3,560,000

18. Frye Company uses the LIFO cost flow method. They had no beginning inventory and Frye purchased 500 units of inventory that cost $4.00 each. At a later date, the company purchased an additional 600 units of inventory that cost $4.50 each. If Frye sold 800 units of the inventory, the amount of ending inventory appearing on the balance sheet would be: (Points : 2)

$1,400

$1,350

$1,200

$1,450

19. In a period of rising prices, which inventory cost flow method will produce the lowest amount of cost of goods sold? (Points : 2)

FIFO

Weighted average

LIFO

All methods will produce the same amount of cost of goods sold

20. Martin Company has no beginning inventory. Martin purchased 500 units of inventory that cost $5.00 each. At a later date the company purchased an additional 700 units of inventory that cost $6.00 each. Martin sold 900 units of inventory for $8.00. If Martin uses a FIFO cost flow method, the amount of gross margin appearing on the income statement will be: (Points : 2)

$2,300

$6,200

$1,800

$2,000