## Submit your answer on WebCt – Part 2Only 20 problems will be on the Test.

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| 1. | Kershaw Bookstore had 600 units on hand at January 1, costing $18 each. Purchases and sales during the month of January were as follows:

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| --- | --- | --- |
| Date | Purchases | Sales |
| Jan. 14 |  | 450 @ $28 |
| 17 | 300 @ $20 |
| 25 | 300 @ $22 |
| 29 |  | 300 @ $32 |

Kershaw does not maintain perpetual inventory records. According to a physical count, 450 units were on hand at January 31.The cost of the inventory at January 31, under the LIFO method is: |
| A) | $1,200. |
| B) | $8,100. |
| C) | $9,300. |
| D) | $9,600. |

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| 2. | A company just starting business made the following four inventory purchases in June:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| June | 1 |  | 150 units | $ 520 |
| June | 10 |  | 200 units | 780 |
| June | 15 |  | 200 units | 840 |
| June | 28 |  | 150 units |  660 |
|  |  |  |  | $2,800 |

A physical count of merchandise inventory on June 30 reveals that there are 200 units on hand. Using the FIFO inventory method, the amount allocated to cost of goods sold for June is |
| A) | $870. |
| B) | $1,696. |
| C) | $1,930. |
| D) | $2,085. |

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| 3. | A factory machine was purchased for $90,000 on January 1, 2011. It was estimated that it would have a $18,000 salvage value at the end of its 5-year useful life. It was also estimated that the machine would be run 40,000 hours in the 5 years. The company ran the machine for 4,000 actual hours in 2011. If the company uses the units-of-activity method of depreciation, the amount of depreciation expense for 2011 would be |
| A) | $9,000. |
| B) | $14,400. |
| C) | $18,000. |
| D) | $7,200. |

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| 4. | The maturity value of a $60,000, 10%, 60-day note receivable dated July 3 is |
| A) | $60,000. |
| B) | $66,000. |
| C) | $70,000. |
| D) | $61,000. |

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| 5. | A company just starting business made the following four inventory purchases in June:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| June | 1 |  | 150 units | $ 520 |
| June | 10 |  | 200 units | 780 |
| June | 15 |  | 200 units | 840 |
| June | 28 |  | 150 units |  660 |
|  |  |  |  | $2,800 |

A physical count of merchandise inventory on June 30 reveals that there are 200 units on hand. Using the LIFO inventory method, the value of the ending inventory on June 30 is |
| A) | $715. |
| B) | $870. |
| C) | $1,930. |
| D) | $2,085. |

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| 6. | A company purchased factory equipment on April 1, 2011 for $80,000. It is estimated that the equipment will have a $10,000 salvage value at the end of its 10-year useful life. Using the straight-line method of depreciation, the amount to be recorded as depreciation expense at December 31, 2011 is |
| A) | $8,000. |
| B) | $7,000. |
| C) | $5,250. |
| D) | $6,000. |

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| 7. | A company just starting business made the following four inventory purchases in June:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| June | 1 |  | 150 units | $ 520 |
| June | 10 |  | 200 units | 780 |
| June | 15 |  | 200 units | 840 |
| June | 28 |  | 150 units |  660 |
|  |  |  |  | $2,800 |

A physical count of merchandise inventory on June 30 reveals that there are 200 units on hand. Using the average-cost method, the amount allocated to the ending inventory on June 30 is |
| A) | $2,800. |
| B) | $2,000. |
| C) | $767. |
| D) | $800. |

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| 8. | On October 1, 2011, Holt Company places a new asset into service. The cost of the asset is $80,000 with an estimated 5-year life and $20,000 salvage value at the end of its useful life. What is the book value of the plant asset on the December 31, 2011, balance sheet assuming that Holt Company uses the double-declining-balance method of depreciation? |
| A) | $52,000 |
| B) | $60,000 |
| C) | $72,000 |
| D) | $76,000 |

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| 9. | Stark Department Store estimates inventory by using the retail inventory method. The following information was developed:

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|  | At Cost |  | At Retail |
| Beginning inventory | $318,000 | $ 750,000 |
| Goods purchased | 900,000 | 1,350,000 |
| Net sales |  | 1,200,000 |

The estimated cost of the ending inventory is |
| A) | $696,000. |
| B) | $522,000. |
| C) | $882,000. |
| D) | $900,000. |

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| 10. | Drago Company purchased equipment on January 1, 2010, at a total invoice cost of $400,000. The equipment has an estimated salvage value of $10,000 and an estimated useful life of 5 years. What is the amount of accumulated depreciation at December 31, 2011, if the straight-line method of depreciation is used? |
| A) | $80,000 |
| B) | $160,000 |
| C) | $78,000 |
| D) | $156,000 |

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| 11. | Kershaw Bookstore had 600 units on hand at January 1, costing $18 each. Purchases and sales during the month of January were as follows:

|  |  |  |
| --- | --- | --- |
| Date | Purchases | Sales |
| Jan. 14 |  | 450 @ $28 |
| 17 | 300 @ $20 |
| 25 | 300 @ $22 |
| 29 |  | 300 @ $32 |

Kershaw does not maintain perpetual inventory records. According to a physical count, 450 units were on hand at January 31.The cost of the inventory at January 31, under the FIFO method is: |
| A) | $1,200. |
| B) | $8,100. |
| C) | $9,300. |
| D) | $9,600. |

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| 12. | During 2011, Hitchcock Inc. had sales on account of $132,000, cash sales of $54,000, and collections on account of $84,000. In addition, they collected $1,450 which had been written off as uncollectible in 2010. As a result of these transactions, the change in the accounts receivable balance indicates a |
| A) | $100,550 increase. |
| B) | $48,000 increase. |
| C) | $46,550 increase. |
| D) | $102,000 increase. |

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| 13. | If the month-end bank statement shows a balance of $36,000, outstanding checks are $12,000, a deposit of $4,000 was in transit at month end, and a check for $500 was erroneously charged by the bank against the account, the correct balance in the bank account at month end is |
| A) | $27,500. |
| B) | $28,500. |
| C) | $20,500. |
| D) | $43,500. |

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| 14. | A truck was purchased for $120,000 and it was estimated to have a $24,000 salvage value at the end of its useful life. Monthly depreciation expense of $2,000 was recorded using the straight-line method. The annual depreciation rate is |
| A) | 20%. |
| B) | 2%. |
| C) | 8%. |
| D) | 25%. |

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| 15. | A plant asset cost $192,000 and is estimated to have a $24,000 salvage value at the end of its 8-year useful life. The annual depreciation expense recorded for the third year using the double-declining-balance method would be |
| A) | $16,080. |
| B) | $27,000. |
| C) | $23,624. |
| D) | $18,380. |

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| 16. | A $100 petty cash fund has cash of $17 and receipts of $80. The journal entry to replenish the account would include a |
| A) | debit to Cash for $80. |
| B) | credit to Petty Cash for $83. |
| C) | debit to Cash Over and Short for $3. |
| D) | credit to Cash for $80. |

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| 17. | If the month-end bank statement shows a balance of $54,000, outstanding checks are $18,000, a deposit of $6,000 was in transit at month end, and a check for $750 was erroneously charged by the bank against the account, the correct balance in the bank account at month end is |
| A) | $41,250. |
| B) | $42,750. |
| C) | $30,750. |
| D) | $65,250. |

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| 18. | In reviewing the accounts receivable, the cash realizable value is $24,000 before the write-off of a $2,000 account. What is the cash realizable value after the write-off? |
| A) | $24,000 |
| B) | $2,000 |
| C) | $26,000 |
| D) | $22,000 |

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| 19. | A company has net credit sales of $700,000 for the year and it estimates that uncollectible accounts will be 2% of sales. If Allowance for Doubtful Accounts has a credit balance of $1,000 prior to adjustment, its balance after adjustment will be a credit of |
| A) | $14,000. |
| B) | $15,000. |
| C) | $13,980. |
| D) | $13,000. |

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| 20. | In preparing its bank reconciliation for the month of April 2011, Gantner, Inc. has available the following information.

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| Balance per bank statement, 4/30/11 | $78,280 |
| NSF check returned with 4/30/11 bank statement | 900 |
| Deposits in transit, 4/30/11 | 10,000 |
| Outstanding checks, 4/30/11 | 10,400 |
| Bank service charges for April | 40 |

What should be the adjusted cash balance at April 30, 2011? |
| A) | $78,740. |
| B) | $77,880. |
| C) | $76,980. |
| D) | $76,940. |

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| 21. | The maturity value of a $6,000, 9%, 60-day note receivable dated February 10th is |
| A) | $6,090. |
| B) | $6,045. |
| C) | $6,000. |
| D) | $6,540. |

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| 22. | An aging of a company's accounts receivable indicates that $5,000 are estimated to be uncollectible. If Allowance for Doubtful Accounts has a $2,000 debit balance, the adjustment to record bad debts for the period will require a |
| A) | debit to Bad Debts Expense for $5,000. |
| B) | debit to Bad Debts Expense for $7,000. |
| C) | debit to Bad Debts Expense for $3,000. |
| D) | credit to Allowance for Doubtful Accounts for $2,000. |

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| 23. | Black Company provides for bad debts expense at the rate of 2% of credit sales. The following data are available for 2011:

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|  Allowance for doubtful accounts, 1/1/11 (Cr.) | $ 10,500 |
|  Accounts written off as uncollectible during 2011 |  6,500 |
|  Credit sales in 2011 | 1,500,000 |

The Allowance for Doubtful Accounts balance at December 31, 2011, should be: |
| A) | $34,000 |
| B) | $30,000 |
| C) | $25,000 |
| D) | $6,500 |

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| 24. | Colletti Company recorded the following data:

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|  | Units | Unit |
| Date | Received | Sold | On Hand | Cost |
| 1/1 Inventory |  |  | 600 | $2.00 |
| 1/8 Purchased | 900 |  | 1,500 |  2.20 |
| 1/12 Sold |  | 1,200 | 300 |

The weighted average unit cost of the inventory at January 31 is: |
| A) | $2.00. |
| B) | $2.10. |
| C) | $2.12. |
| D) | $2.20. |

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| 25. | The maturity value of a $50,000, 8%, 3-month note receivable is |
| A) | $51,000. |
| B) | $50,400. |
| C) | $54,000. |
| D) | $50,333. |

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| 26. | An aging of a company's accounts receivable indicates that $4,000 are estimated to be uncollectible. If Allowance for Doubtful Accounts has a $1,200 credit balance, the adjustment to record bad debts for the period will require a |
| A) | debit to Bad Debts Expense for $4,000. |
| B) | debit to Allowance for Doubtful Accounts for $2,800. |
| C) | debit to Bad Debts Expense for $2,800. |
| D) | credit to Allowance for Doubtful Accounts for $4,000. |

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| 27. | A $200 petty cash fund has cash of $30 and receipts of $160. The journal entry to replenish the account would include a credit to |
| A) | Cash for $170. |
| B) | Petty Cash for $170. |
| C) | Cash Over and Short for $10. |
| D) | Cash for $160. |

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| 28. | The interest on a $5,000, 10%, 1-year note receivable is |
| A) | $5,000. |
| B) | $500. |
| C) | $5,050. |
| D) | $5,500. |

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| 29. | The following information is available for Park Company at December 31, 2011: beginning inventory $80,000; ending inventory $120,000; cost of goods sold $900,000; and sales $1,200,000. Park's inventory turnover in 2011 is |
| A) | 12 times. |
| B) | 11.3 times. |
| C) | 9 times. |
| D) | 7.5 times. |

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| 30. | Using the percentage of receivables method for recording bad debts expense, estimated uncollectible accounts are $15,000. If the balance of the Allowance for Doubtful Accounts is $3,000 debit before adjustment, what is the balance after adjustment? |
| A) | $15,000 |
| B) | $18,000 |
| C) | $12,000 |
| D) | $3,000 |

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| 31. | On October 1, 2011, Holt Company places a new asset into service. The cost of the asset is $80,000 with an estimated 5-year life and $20,000 salvage value at the end of its useful life. What is the depreciation expense for 2011 if Holt Company uses the straight-line method of depreciation? |
| A) | $3,000 |
| B) | $16,000 |
| C) | $4,000 |
| D) | $8,000 |

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| 32. | In preparing its August 31, 2011 bank reconciliation, Acme Corp. has available the following information:

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| --- | --- |
| Balance per bank statement, 8/31/11 | $21,650 |
| Deposit in transit, 8/31/11 | 3,900 |
| Return of customer's check not sufficient funds, 8/30/10 | 600 |
| Outstanding checks, 8/31/11 | 2,750 |
| Bank service charges for August | 100 |

At August 31, 2011, Acme's adjusted cash balance is |
| A) | $22,800. |
| B) | $22,200. |
| C) | $22,100. |
| D) | $20,500. |