

Name: _____ Date: _____

1. A parcel of land is offered for sale at \$140,000, is assessed for tax purposes at \$93,000, is recognized by its purchasers as being worth \$145,000, and is purchased for \$134,300. The land should be recorded in the purchaser's books at:
 - A) \$ 93,000.
 - B) \$134,300.
 - C) \$145,000.
 - D) \$140,000.
 - E) \$150,000.

2. Wish Away had income of \$230 million and average assets of \$1,700 million. Its return on assets is:
 - A) 13.5%.
 - B) 135%.
 - C) 0.2%.
 - D) 17%.
 - E) 16.7%.

3. How would the accounting equation of Boston Company be affected by the billing of a client for \$24,000 of consulting work completed?
 - A) +\$24,000 accounts receivable, -\$24,000 accounts payable.
 - B) +\$24,000 accounts receivable, +\$24,000 accounts payable.
 - C) +\$24,000 accounts receivable, +\$24,000 cash.
 - D) +\$24,000 accounts receivable, +\$24,000 revenue.
 - E) +\$24,000 accounts receivable, - \$24,000 revenue.

4. If the assets of a business increased \$87,000 during a period of time and its liabilities increased \$64,000 during the same period, equity in the business must have:
 - A) Increased \$23,000.
 - B) Decreased \$23,000.
 - C) Increased \$87,000.
 - D) Decreased \$151,000.
 - E) Increased \$151,000.

5. If equity is \$395,000 and liabilities are \$200,500, then assets equal:
 - A) \$395,000.
 - B) \$192,000.
 - C) \$300,000.
 - D) \$595,500.
 - E) \$200,500.

6. A company borrows \$82,000 from the Eastside Bank and receives the loan proceeds in cash. This represents a(n):
- A) Revenue activity.
 - B) Operating activity.
 - C) Expense activity.
 - D) Investing activity.
 - E) Financing activity.
7. A company acquires equipment for \$83,000 cash. This represents a(n)
- A) Operating activity.
 - B) Investing activity.
 - C) Financing activity.
 - D) Revenue activity.
 - E) Expense activity.
8. Beta Corporation purchased \$180,000 worth of land by paying \$ 17,300 cash and signing a \$162,700 mortgage. Immediately prior to this transaction the corporation had assets, liabilities and owners' equity in the amounts of \$228,000; \$21,600; and \$206,400 respectively. What is the total amount of Beta Corporation's assets after this transaction has been recorded?
- A) \$390,700
 - B) \$250,000
 - C) \$180,000
 - D) \$ 17,300
 - E) \$228,000
9. Zion Company has assets of \$503,000, liabilities of \$242,000, and equity of \$261,000. It buys office equipment on credit for \$62,000. The effects of this transaction include:
- A) Assets increase by \$62,000 and expenses increase by \$62,000.
 - B) Assets increase by \$62,000 and expenses decrease by \$62,000.
 - C) Liabilities increase by \$62,000 and expenses decrease by \$62,000.
 - D) Assets decrease by \$62,000 and expenses decrease by \$62,000.
 - E) Assets increase by \$62,000 and liabilities increase by \$62,000.
10. Donald has beginning equity of \$279,000, net income of \$52,000 dividends of \$36,800 and investments by owners in exchange for stock of \$8,900. Its ending equity is:
- A) \$279,000.
 - B) \$97,700.
 - C) \$268,000.
 - D) \$303,100.
 - E) \$52,000.

11. A company's balance sheet shows: cash \$24,100, accounts receivable \$17,500, office equipment \$53,000, and accounts payable \$18,900. What is the amount of equity?
- A) \$ 18,900.
 - B) \$ 94,600.
 - C) \$ 75,700.
 - D) \$ 17,500.
 - E) \$105,000.
12. Global has net income of \$22,100, and assets at the beginning of the year of \$216,000. Its assets at the end of the year total \$251,000. Compute its return on assets.
- A) 216.0%.
 - B) 9.5%.
 - C) 221.0%.
 - D) 11.8%.
 - E) 13.0%.
13. Photometer Company paid off \$30100 of its accounts payable in cash. What would be the effects of this transaction on the accounting equation?
- A) Assets, \$ 30100 increase; liabilities, no effect; equity, \$30100 increase.
 - B) Assets, \$30100 decrease; liabilities, \$30100 decrease; equity, no effect.
 - C) Assets, \$30100 decrease; liabilities, \$30100 increase; equity, no effect.
 - D) Assets, no effect; liabilities, \$30100 decrease; equity, \$30100 increase.
 - E) Assets, \$30100 decrease; liabilities, no effect; equity \$30100 decrease.
14. If assets are \$408,000 and equity is \$165,000, then liabilities are:
- A) \$165,000.
 - B) \$243000.
 - C) \$408,000.
 - D) \$330,000.
 - E) \$573,000.
15. If the liabilities of a business increased \$78,000 during a period of time and the equity in the business decreased \$35,000 during the same period, the assets of the business must have:
- A) decreased \$113,000.
 - B) Decreased \$43,000.
 - C) Increased \$30,000.
 - D) Increased \$43,000.
 - E) Increased \$105,000.

16. Buoyant had income of \$400 million and average assets of \$2,100 million. Its return on assets is:
- A) 1.8%.
 - B) 3.5%.
 - C) 19.0%.
 - D) 5.7%.
 - E) 950.0%.
17. Our company has three times as many assets as it does liabilities. If total liabilities are \$54,800, what is the amount of owners' equity?
- A) \$54,800
 - B) \$109,600
 - C) \$164,400
 - D) \$219,200
 - E) Cannot be determined from the given information
18. A company reported total equity of \$140,000 on its December 31, 2006, balance sheet. The following information is available for the year ended December 31, 2007:
- | | |
|--------------------------|---------|
| 2007 Revenues | 210,000 |
| 2007 expenses | 160,000 |
| Liabilities Dec 31, 2007 | 93,000 |
- What are the total assets of the company at December 31, 2007?
- A) \$ 50,000.
 - B) \$ 92,000.
 - C) \$190,000.
 - D) \$140,000.
 - E) \$283,000.
19. The assets of a company total \$788,000; the liabilities, \$211,000. What are the total claims of the owners?
- A) \$988,000.
 - B) \$788,000.
 - C) \$577,000.
 - D) \$211,000.
 - E) It is impossible to determine unless the amount of owners' investment is known.

20. Determine the net income of a company for which the following information is available.
- | | | |
|------------------------------------|------|---------|
| Employee salaries expense[\$] (\$) | | [\$sal] |
| Interest expense | (\$) | [\$int] |
| Rent expense | (\$) | [\$re] |
| Consulting revenue | (\$) | [\$con] |
- A) \$[\$nie].
 B) \$[\$int].
 C) \$230,000.
 D) \$[\$con].
 E) \$[\$totexp].
21. On April 30, Holden Company had an Accounts Receivable balance of \$19,000. During the month of May, total credits to Accounts Receivable were \$56,000 from customer payments. The May 31 Accounts Receivable balance was \$13,000. What was the amount of credit sales during May?
- A) \$ 19,000
 B) \$50,000.
 C) \$88,000.
 D) \$56,000.
 E) \$32,000.
22. The following transactions occurred during July:
- (1.) Received \$800 cash for services provided to a customer during July.
 - (2.) Received \$3,000 cash investment from Barbara Hanson, the owner of the business.
 - (3.) Received \$650 from a customer in partial payment of his account receivable which arose from sales in June.
 - (4.) Provided services to a customer on credit, \$325.
 - (5.) Borrowed \$6,000 from the bank by signing a promissory note.
 - (6.) Received \$1,300 cash from a customer for services to be rendered next year.
- What was the amount of revenue for July?
- A) \$800.
 B) \$1,125.
 C) \$9,000.
 D) \$3,275.
 E) \$4,300.
23. A \$230 credit to Furniture was credited to Fees Earned by mistake. By what amounts are the accounts under- or overstated as a result of this error?
- A) Furniture, understated \$230; Fees Earned, overstated \$230.
 B) Furniture, understated \$460; Fees Earned, overstated \$230.
 C) Furniture, overstated \$230; Fees Earned, overstated \$230.
 D) Furniture, overstated \$230; Fees Earned, understated \$230.
 E) Furniture, overstated \$460; Fees Earned, understated \$460.

24. Of the following errors, which one by itself will cause the trial balance to be out of balance?
- A) A \$550 cash salary payment posted as a \$550 debit to Cash and a \$550 credit to Salaries Expense.
 - B) A \$300 cash receipt from a customer in payment of his account posted as a \$300 debit to Cash and a \$30 credit to Accounts Receivable.
 - C) A \$275 cash receipt from a customer in payment of his account posted as a \$275 debit to Cash and a \$275 credit to Cash.
 - D) A \$150 cash purchase of office supplies posted as a \$150 debit to Office Equipment and a \$150 credit to Cash.
 - E) An \$1,000 prepayment from a customer for services to be rendered in the future was posted as an \$1,000 debit to Unearned Revenue and an \$1,000 credit to Cash.
25. The Fireside Country Inn is a very popular destination for tourists. The Inn requires guests to make reservations at least one and a half months in advance of their stay. A twenty percent down payment is required at the time the reservation is made. When should this inn recognize room rental revenue?
- A) On the date the reservation is received.
 - B) On the date the money for the reservation is received.
 - C) On the date the guests stay in the inn.
 - D) On the date the guests pay the remaining eighty percent due.
 - E) Once all cash has been received.
26. Zed Bennett opened an art gallery and as a dealer completed these transactions:
- (1.) Started the gallery, Artery, by investing \$60,000 cash and equipment valued at \$15,000 in exchange for common stock.
 - (2.) Purchased \$200 of office supplies on credit.
 - (3.) Paid \$1,100 cash for the receptionist's salary.
 - (4.) Sold a painting for an artist and collected a \$4,200 cash commission on the sale.
 - (5.) Completed an art appraisal and billed the client \$300.
- What was the balance of the cash account after these transactions were posted?
- A) \$12,230.
 - B) \$60,000.
 - C) \$63,100.
 - D) \$65,300.
 - E) \$75,500.
27. A debit is used to record:
- A) A decrease in an asset account.
 - B) A decrease in an expense account.
 - C) An increase in a revenue account.
 - D) An increase in the balance of common stock.
 - E) An increase in the balance of Purchases account.

28. Accountants at Reconstruction Corporation incorrectly journalized a \$60,000 Machinery purchase as a debit to Buildings. This error was not discovered before the journal entry was posted. What is the correcting entry?
- A) Debit Buildings and Credit Machinery for \$60,000 each.
 - B) Debit Machinery and Credit Buildings for \$60,000 each.
 - C) Debit Buildings and Credit Machinery for \$120,000 each.
 - D) Debit Machinery and Credit Buildings for \$120,000 each.
 - E) Debit Machinery for \$100,000 and Credit Buildings for \$60,000.
29. Of the following accounts, the one that normally has a credit balance is:
- A) Cash.
 - B) Office Equipment.
 - C) Commission Payable.
 - D) Dividends.
 - E) Sales Salaries Expense.
30. The credit purchase of a delivery truck for \$4,900 was posted to Delivery Trucks as a \$4,900 debit and to Accounts Payable as a \$4,900 debit. What effect would this error have on the trial balance?
- A) The total of the Debit column of the trial balance will exceed the total of the Credit column by \$4,900.
 - B) The total of the Credit column of the trial balance will exceed the total of the Debit column by \$4,900.
 - C) The total of the Debit column of the trial balance will exceed the total of the Credit column by \$9,800.
 - D) The total of the Credit column of the trial balance will exceed the total of the Debit column by \$9,800.
 - E) The total of the Debit column of the trial balance will equal the total of the Credit column.
31. During the month of February, Roger Company had cash receipts of \$8,000 and cash disbursements of \$8,700. The February 28 cash balance was \$1,200. What was the January 31 beginning cash balance?
- A) \$700.
 - B) \$8,700.
 - C) \$1,900.
 - D) \$0.
 - E) \$8,000.

32. McEnroe Haddon contributed \$73,000 in cash and some land worth \$62,000 to open a new business, RH Consulting. Which of the following general journal entries will RH Consulting make to record this transaction?

	Assets	\$135,000
Common stock		\$135,000
Cash and Land	\$135,000	
Common stock		\$135,000
Cash	\$73,000	
Land	\$62,000	
Common stock		\$135,000
Common stock	\$135,000	
Land		\$62,000
Cash		\$73,000
Common stock	\$135,000	
Assets		\$135,000

- B) A above
 C) B above
 D) C above
 E) D above
 F) E above

33. Stride Rite has total assets of \$450 million. Its total liabilities are \$140 million. Its equity is \$345 million. Calculate the debt ratio.

- A) 38.6%.
 B) 12.5%.
 C) 76.7%.
 D) 31.1%.
 E) 32.1%.

34. Which of the following groups of accounts are not balance sheet accounts?

- A) Assets.
 B) Liabilities.
 C) Purchases .
 D) Equity accounts.
 E) All of the above are balance sheet accounts.

35. A trial balance taken at year-end showed total credits exceed total debits by \$5,200. This discrepancy could have been caused by:
- A) An error in the general journal where a \$5,200 increase in Accounts Receivable was recorded as an increase in Cash.
 - B) A net income of \$5,200.
 - C) The balance of \$52,000 in Accounts Payable being entered in the trial balance as \$5,200.
 - D) The balance of \$5,750 in the Office Equipment account being entered on the trial balance as a debit of \$550.
 - E) An error in the general journal where a \$5,200 increase in Accounts Payable was recorded as a decrease in Accounts Payable.
36. Business Services, Inc. provides services to clients. On May 1, a client prepaid Management Services \$80,000 for 6-months services in advance. Management Services' general journal entry to record this transaction will include a
- A) Debit to Unearned Management Fees for \$80,000.
 - B) Credit to Management Fees Earned for \$80,000.
 - C) Credit to services account for \$80,000.
 - D) Credit to Unearned Management Fees for \$80,000.
 - E) Debit to Management Fees Earned for \$80,000.
37. On November 30, the Cash account of Value Company had a normal balance of \$8,000. During September, the account was debited for a total of \$23,000 and credited for a total of \$28,000. What was the balance in the Cash account at the beginning of November?
- A) A \$0 balance.
 - B) A \$13,000 debit balance.
 - C) A \$13,000 credit balance.
 - D) A \$43,000 debit balance.
 - E) A \$43,000 credit balance.
38. Sweep Rite has total assets of \$390 million. Its total liabilities are \$200 million and its equity is \$265 million. Calculate its debt ratio.
- A) 35.1%.
 - B) 51.3%.
 - C) 56.3%.
 - D) 53.3%.
 - E) 58.8%.
39. A \$15 credit to Sales was posted as a \$170 credit. By what amount is Sales in error?
- A) \$170 understated.
 - B) \$155 overstated.
 - C) \$170 overstated.
 - D) \$15 understated.
 - E) \$155 understated.

40. In which of the following situations would the trial balance not balance?
- A) A \$1,050 collection of an account receivable was erroneously posted as a debit to Accounts Receivable and a credit to Cash.
 - B) The purchase of office supplies on account for \$3,300 was erroneously recorded in the journal as \$950 debit to Office Supplies and credit to Accounts Payable.
 - C) A \$100 cash receipt for the performance of a service was not recorded at all.
 - D) The purchase of office equipment for \$1,600 was posted as a debit to Office Supplies and a credit to Cash for \$1,600.
 - E) The cash payment of a \$800 account payable was posted as a debit to Accounts Payable and a debit to Cash for \$800.
41. ABC Co. leased a portion of its store to another company for eight months beginning on October 1, 2007 at a monthly rate of \$1,900. This other company paid the entire \$15,200 cash on October 1, which ABC Co. recorded as unearned revenue. The journal entry made by ABC Co. at year- end on December 31, 2007 would include:
- A) A debit to Rent Earned for \$6,200.
 - B) A debit to Unearned Rent for \$5,700
 - C) A credit to Cash for \$15,200
 - D) A credit to Rent Earned for \$5,700.
 - E) A credit to Unearned Rent for \$16,768
42. A company purchased a new truck at a cost of \$60,000 on July 1, 2007. The truck is estimated to have a useful life of 12 years and a salvage value of \$5,200. How much depreciation expense will be recorded for the truck for the year ended December 31, 2007?
- A) \$2,284.
 - B) \$4,568.
 - C) \$2,784.
 - D) \$4,784.
 - E) \$3,284.
43. 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 dividend amount.
 - D) To replace the income statement under certain circumstances.
 - E) To replace the retained earnings account in some businesses.

44. On April 1, 2007 a company paid the \$1,550 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, 2007?
- A) \$129.17.
 - B) \$172.22.
 - C) \$110.71.
 - D) \$387.5.
 - E) \$86.11.
45. The following information is available for the Travis Travel Agency. After these closing entries what will be the balance in the Retained Earnings account?
- | | |
|-------------------|-----------|
| Total Revenues | \$135,000 |
| Total Expenses | \$56,000 |
| Retained Earnings | \$75,000 |
| Dividends | \$14,000 |
- A) \$280,000.
 - B) \$79,000
 - C) \$140,000.
 - D) \$154,000.
 - E) \$93,000.
46. A company had no office supplies available at the beginning of the year. During the year, the company purchased \$274 worth of office supplies. On December 31, \$80 worth of office supplies remained. How much should the company report as office supplies expense for the year?
- A) \$244.
 - B) \$219.
 - C) \$194.
 - D) \$274.
 - E) \$276.
47. On May 1, 2007 Abacus Advertising Company received \$2,200 from Julie Bee for advertising services to be completed April 30, 2008. The Cash receipt was recorded as unearned fees and at December 31, 2007, \$1,050 of the fees had been earned. The adjusting entry on December 31, 2007 should include:
- A) A debit to Unearned Fees for \$1,050.
 - B) A credit to Unearned Fees for \$1,300.
 - C) A credit to Earned Fees for \$2,200.
 - D) A debit to Earned Fees for \$1,800.
 - E) A debit to Earned Fees for \$1,050.

48. A company had \$7,060,000 in net income for the year. Its net sales were \$11,230,000 the same period. Calculate its profit margin.
- A) 159.1%.
 B) 125.8%.
 C) 62.9%.
 D) 36.6%.
 E) \$18.3 million.
49. On April 30, 2007 a three-year insurance policy was purchased for \$19,000 with coverage to begin immediately. What is the amount of insurance expense that would appear on the company's income statement for the year ended December 31, 2007?
- A) \$4,387
 B) \$4,222.
 C) \$5,387.
 D) \$6,887.
 E) \$5,722.
50. A company earned \$2,300 in net income for October. Its net sales for October were \$25,000. Its profit margin is:
- A) 45%.
 B) 9%.
 C) 90%.
 D) 135%.
 E) \$22,700.
51. Eve Services paid a dividend of \$9,800 during the current year. The entry to close the dividend account at the end of the year is:

(A) Dividends	9,800	
Cash		9,800
(B) Retained Earnings	9,800	
Dividends		9,800
(C) Dividends	9,800	
Retained Earnings		9,800
(D) Common Stock	9,800	
Dividends		9,800
(E) Income Summary	9,800	
Retained Earnings		9,800

- A) A Above
 B) B Above
 C) C Above
 D) D Above
 E) E Above

52. An adjusting entry was made on December 31, 2007 to accrue salary expense of \$1,200. Which of the following entries would be prepared to record the next payment of salaries, on January, 2008 in the amount of \$3,400?

A) Salaries Expense

Cs Salaries P
B)

Salaries Payable

E)

53. Amy Co. paid a total of \$34,000 in dividends during the current year. The entry needed to close the dividends account is:

A) Debit Income Summary and debit Cash for \$34,000

B) Debit Dividends and debit Cash for \$34,000.

C) Debit Income Summary and debit Dividends for \$34,000.

D) Debit Retained Earnings and credit Dividends for \$34,000.

E) Debit Dividends and credit Retained earnings for \$34,000.

54. A company shows a \$1,100 balance in Prepaid Insurance in the Unadjusted Trial Balance columns of the work sheet. The Adjustments columns show expired insurance of \$190. This adjusting entry results in:

A) \$190 less in net income.

B) \$190 more in net income.

C) \$1,290 difference between the debit and credit columns of the Unadjusted Trial Balance.

D) \$1,100 of prepaid insurance.

E) An error in the financial statements.

55. A company had revenues of \$83,000 and expenses of \$58,500 for the accounting period. Which of the following entries could not be a closing entry?

(A) Income Summary	24,500	
Retained earnings		24,500

(B) Income Summary	83,000	
Revenues		83,000

(C) Revenues	83,000	
Income Summary		83,000

(D) Revenues	141,500	
Income Summary		141,500

A) A Above

B) B Above

C) C Above

D) D Above

E) All of the above are possible closing entries

56. The Unadjusted Trial Balance columns of a company's work sheet show the balance in the Office Supplies account as \$770. The Adjustments columns show that \$445 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) \$1,215 credit.
 - C) \$770 debit.
 - D) \$445 debit.
 - E) \$375 credit.
57. Prior to recording adjusting entries, the Office Supplies account had a \$361 debit balance. A physical count of the supplies showed \$104 of unused supplies available. The required adjusting entry is:
- A) Debit Office Supplies \$257 and Credit Office Supplies Expense \$257.
 - B) Debit Office Supplies Expense \$104 and Credit Office Supplies \$104.
 - C) Debit Office Supplies Expense \$257 and credit Office Supplies \$257.
 - D) Debit Office Supplies \$104 and credit Office Supplies Expense \$104.
 - E) Debit Office Supplies \$104 and Credit Supplies Expense \$361.
58. On December 31st the balance in the Prepaid Insurance account was \$4,500. This is the remaining balance of a twelve-month policy purchased on October 31st in the current year. How much did this policy originally cost?
- A) \$5,400
 - B) \$3,750
 - C) \$4,909
 - D) \$4,500
 - E) \$6,000
59. On January 1, Denton Mabrey College received \$1,430,000 in Unearned Tuition Revenue from its students for the spring semester, which spans four months beginning on January 2. What amount of tuition revenue should the college recognize on January 31?
- A) \$ 357,500.
 - B) \$ 367,500.
 - C) \$ 178,750.
 - D) \$ 179,750.
 - E) \$119,167.
60. Which of the following assets is not depreciated?
- A) Tools.
 - B) Railway siding.
 - C) Land.
 - D) Plant and Equipment.
 - E) All of the above are depreciated.

Answer Key

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

- 49. B
- 50. B
- 51. B
- 52. E
- 53. D
- 54. A
- 55. B
- 56. A
- 57. C
- 58. A
- 59. A
- 60. C