Acct 3110 Qualifying Exam

Sample Questions as of May 31, 2016

1. The primary objective of financial reporting is to provide financial information about the reporting company that is useful：
*a. to existing and potential investors, lenders, and other creditors in making decisions about providing resources to the company.
b. to the company's management to effectively and efficiently use its resources.
c. to regulatory authorities in determining if the company has complied with regulations.
d. to society in making decisions regarding the sustainability of the company's environmental practices.

2. Generally Accepted Accounting Principles (GAAP) are established by：
a. the Securities and Exchange Commission.
b. the Ways and Means Committee of the House of Representatives.
c. the Comptroller General of the United States.
*d. the Financial Accounting Standards Board.

3. Changes in stockholders' equity that result from the company's primary and usual business operations are：
*a. revenues and expenses.
b. losses and expenses.
c. cash inflows and cash outflows.
d. revenues and gains.

4. Which of the following terms describe probable future economic benefits obtained or controlled by a particular company as a result of past transactions or events?
a. performance
b. stockholders' equity
*c. asset
d. income

5. ABC Corporation issues 1,000 shares of $10 par value common stock at $12 per share. In recording the transaction, credits are made to:
a. Common Stock $10,000 and Paid-in Capital in Excess of Stated Value $2,000
*b. Common Stock $10,000 and Paid-in Capital in Excess of Par Value $2,000
c. Common Stock $12,000
d. Common Stock $10,000 and Retained Earnings $2,000

6. The financial effect of a business transaction is initially recorded with:
*a. a journal entry
b. an invoice
c. a trial balance
d. a debit account

7. Which of the following descriptions about accrual basis accounting is INCORRECT?
a. Accrual basis accounting records both cash and non-cash transactions.
*b. Under accrual basis accounting, revenue is recognized when cash is received.
c. Generally Accepted Accounting Principles (GAAP) is based upon accrual-based accounting.
d. According to the matching principle under accrual basis accounting, expense is recognized in the

period in which related revenue is recognized.

8. Shadow's Cleaning Service provides weekly cleaning services for $40 per week. In early January, the company collected a total of $24,000 cash payments in advance from 50 customers for service of 3 months (12 weeks combined for January, February, and March). For the month of February, how much revenue should the company recognize under the cash basis and under the accrual basis, respectively?

	Cash basis	Accrual basis
a.	$24,000	$8,000
b.	$8,000	$24,000
c.	$8,000	$8,000
*d.	$0	$8,000

9. Angelo's charges a customer $200 per month for catering services. On January 1st, fifteen customers pre-paid for three months of catering beginning in January. For the month of January, how much revenue should Angelo's recognize under the cash basis and under the accrual basis, respectively?

	Cash basis	Accrual basis
*a	$9,000	$3,000
b	$0	$9,000
c.	$3,000	$0
d.	$4,500	$3,000

10. After transactions are recorded in the general journal, the usual next step in the accounting cycle is to:
a. prepare financial statements.
b. prepare an adjusted trial balance.
*c. post transactions to the general ledger where an unadjusted trial balance can be prepared.
d. prepare adjusting journal entries.

11. The usual final step in the accounting cycle is to:
a. close temporary accounts.
*b. prepare a post-closing trial balance for the next accounting period.
c. prepare an adjusted trial balance.
d. prepare financial statements.

12. Arnold Company provided services to its customers on credit for $25,000. For Arnold Company, this transaction:
a. increased expenses.
b. decreased stockholders' equity
*c. increased assets.
d. increased liabilities.

13. Douglas Corporation paid its landlord $6,000 for this month's rental on its warehouse. This transaction:
*a. increased expenses.
b. increased assets.
c. decreased liability.
d. increased stockholders' equity.

14. Abacus Corporation purchased equipment costing $40,000. It paid $10,000 in cash and signed a note payable for $30,000. This transaction:
a. increased assets by $40,000, liabilities by $30,000 and stockholders' equity by $10,000.

*b. increased assets and liabilities each by $30,000.
c. increased assets and stockholders' equity each by $40,000.
d. increased assets by $40,000 and liabilities by $30,000.

15. Atlas Corporation sold a used machine for less than its carrying value. This transaction:
a. generated gain on sale of fixed assets.
*b. generated loss on sale of fixed assets.
c. generated revenue.
d. generated expense.

16. Smith Corporation purchased $65,000 of merchandise on credit. The company uses the perpetual method of recording inventory purchases. What would be the correct journal entry to record the purchase?

a. Merchandise Inventory	65,000	
Cash		65,000
*b. Merchandise Inventory	65,000	
Accounts Payable		65,000
c. Purchases	65,000	
Accounts Payable		65,000
d. Purchases	65,000	
Interest Payable		65,000

17. Jones Company sold merchandise on account for $90,000. This merchandise cost $52,000. The company uses the perpetual method of accounting for inventory. What would be the correct journal entry to record the transaction?

a. Accounts Receivable	90,000	
Merchandise Inventory		52,000
Gain on Sale		38,000
b. Accounts Receivable	90,000	
Sales		90,000
*c. Accounts Receivable	90,000	
Sales		90,000
Cost of Goods Sold	52,000	
Merchandise Inventory		52,000
d. Accounts Receivable	38,000	
Cost of Goods Sold	52,000	
Sales		90,000

18. Which of the following is not an adjusting entry?
a. Utilities Expense
    Utilities Payable
b. Interest Receivable
    Interest Revenue
*c. Cash
    Unearned Rent Revenue
d. Insurance Expense
    Prepaid Insurance

19. When a prepaid expense was initially recorded as a debit to an asset account, the subsequent required adjusting entry includes:
a. a credit to a liability

*b. a debit to an expense
c. a debit to an asset
d. a credit to an expense

20. On July 1, Edmond Office Equipment borrowed $10,000 at an anuual interest rate of 10 percent. Principal and interest are due on December 31. The company's fiscal year ends on October 31. What adjusting entry should be made on October 31?

a. Prepaid Interest	333	
Interest Payable		333
b. No entry		
*c. Interest Expense	333	
Interest Payable		333
d. Interest Expense	500	
Interest Payable		500

21. Which of the following accounts normally is NOT considered a permanent account?
a. Prepaid Insurance
b Taxes Payable
*c. Rent Expense
d. Interest Receivable

22. Which of the following income statement elements is an economic inflow that occurs from sale of goods or services?
a. net income
*b. revenue
c. comprehensive income
d. gain

23. Which of the following is a current asset?
a. goodwill
b. equipment
c. land held for investment
*d. United States treasury bill maturing in 2 months

24. Webb Corporation's trial balance for July 31, the end of its fiscal year, included the following accounts:

Accounts Receivable	$35,000
Inventories	50,000
Franchise	35,000
Short-term Investments	50,000
Prepaid Insurance	5,000
Note Receivable	90,000
Cash in Bank	8,000

Prepaid insurance is a two-year policy that was purchased on July 31. The note receivable is an installment note that Webb Corporation will receive in three equal installments on December 31 of each year.

The amount that should be classified as current assets in the July 31 balance sheet is:

*a. $175,500
b. $210,500
c. $150,500
d. $153,000

25. Which of the following is classified as an operating activity on a statement of cash flows?
a. sale of equipment
b. issuance of common stock
*c purchase of inventory
d. payment of dividends

26. In a bank reconciliation, deposits in transit are:
a. deducted from the book balance.
b. added to the book balance.
c. deducted from the bank balance.
*d. added to the bank balance.

27. If sales revenues are $400, cost of goods sold is $310, and operating expenses are $60, what is the gross profit?
a. $30
*b. $90
c. $340
d. $400

28. Which statement is INCORRECT concerning the adjusted trial balance?
a. An adjusted trial balance proves the equality of the total debit balances and the total credit balances after all adjustments are made.
b. The adjusted trial balance provides the basis for the preparation of financial statements.
*c. The adjusted trial balance lists the account balances segregated by assets and liabilities.
d. The company prepares the adjusted trial balance after it has journalized and posted the adjusting entries.

29. A trial balance may prove that debits and credits are equal, but
a. an amount could be entered in the wrong account.
b. a transaction could have been entered twice.
c. a transaction could have been omitted.
*d. all of these.

30. Posting is the process of:
a. Analyzing the impact of the transaction on the accounting equation.
b. Obtaining information about the external transactions from source documents.
*c. Transferring the debit and credit information from the journal to individual accounts in the general ledger.
d. Listing of all accounts and their balances at a particular date and showing the equality of the total debits and total credits.

31. A trial balance can best be explained as a list of:
a. The income statement accounts used to calculate net income.
b. Revenue, expense and dividend accounts used to show the balances of the components of retained earnings.

c. The balance sheet accounts used to show the equality of the accounting equation.
*d. All accounts and their balances at a particular date.

32. The unadjusted balance in the Allowance for Uncollectible Accounts before adjustment is $1,000. The company estimates future uncollectible accounts to be $5,000. At what amount will bad debt expense be reported on the income statement?
*a. $4,000
b. $5,000
c. $1,000
d. $6,000

33. On April 28th, Muggle Company sells goods to Potter Company for $10,000 with terms of 2/10, net 30. On May 5th, Potter Compay will pay Muggle Company:
a. $10,000
*b. $9,800
c. $9,000
d. $10,200

34. The entry to record a write-off of accounts receivable will include:
a. A debit to bad debt expense.
*b. A debit to allowance for uncollectible accounts.
c. No entry because the allowance for uncollectible accounts will be adjusted at the end of the period.
d. A debit to revenue.

35. On January 1, 2016, Keano Supply borrows $10,000 from Shark Company by signing a 9% note due in eight months. What is the amount of interest revenue Shark Company should record on September 1, 2016?
a. $300
*b. $600
c. $900
d. $1,000

36. On January 1, 2016, Keano Supply borrows $10,000 from Shark Company by signing a 9% note due on January 1 2018. What is the amount of interest revenue Shark Company should report in the income statement for the year ended December 31, 2016?
a. $600
*b. $900
c. $1,800
d. $10,000

37. At the beginning of the year, Super Company has inventory of $4,500. During the year, the company purchased additional inventory of $12,000. An inventory count at the end of the year indicated ending inventory of $3,100. What amount will Super Company report as Cost of Goods Sold?
a. $12,000
b. $10,600
c. $16,500
*d. $13,400

38. Bat Company began the year with 4,000 units of inventory purchased for $4.00 per unit. On March 1, Bat Company purchased another 10,000 units for $5.00 per unit. Bat purchased another 6,000 units for

$5.50 per unit on September 15. During the year Bat Company sold 15,000 units. Assuming Bat Company uses the LIFO inventory flow assumption, what was Bat Company's ending inventory?
a. $16,000
b. $27,500
c. $71,500
*d. $21,000

39. Bat Company began the year with 4,000 units of inventory purchased for $4.00 per unit. On March 1, Bat Company purchased another 10,000 units for $5.00 per unit. Bat purchased another 6,000 units for $5.50 per unit on September 15. During the year Bat Company sold 15,000 units. Assuming Bat Company uses the FIFO inventory flow assumption, what was Bat Company's ending inventory?
a. $16,000
*b. $27,500
c. $71,500
d. $21,000

40. Goods in transit which are shipped f.o.b. shipping point should be
a. included in the inventory of the shipping company.
b. included in the inventory of the seller.
*c. included in the inventory of the buyer.
d. none of the above.

41. Diaz Corporation purchased a computer system for $20,000. The company paid $5,000 cash and issued a $15,000 note payable for the entire balance. The journal entry to record this transaction includes:
a. a debit to Expense for $20,000.
b. a credit to Accounts Payable for $15,000.
c. a credit to Cash for $20,000.
*d. a debit to Equipment for $20,000.

42. For creditors who provide loans to a company, their information needs are primarily concerned with
*a. the amount, timing and risks of future cash flows.
b. management trustworthiness.
c. accrual accounting.
d. statements of financial accounting concepts.

43. Green Company sold a fixed assets for $100 in cash at the end of 3 years after acquisition. The original acquisition cost for the fixed assets is $1,000 and the company had recorded $800 of accumulated depreciation on the asset. The journal entry to record the asset disposal is:

a. Equipment	1,000	
Accumulated Depreciation		1,000
b. Loss on disposal	200	
Equipment (Book Value)		200
*c.Cash	100	
Accumulated Depreciation		800
Loss on disposal	100	
Equipment		1,000
d. Depreciation Expense	1,000	
Equipment		1,000

44. On September 1, 2016, Pizza Planet buys a delivery vehicle for $12,000. It has an estimated life of ten

years and no expected salvage value. How much depreciation expense will be recorded for calendar year 2016 if Pizza Planet uses partial year straight-line depreciation based on the number of months in service?
a. $300
*b. $400
c. $600
d. $1,200

45. On January 1st, Tobin Inc. purchased a big truck and estimates that it will last five years and has an estimated salvage value of $5,000. The truck's sticker price was $45,000, but the company was able to purchase it for $35,000. What would the depreciation expense be in the truck's third year using the straight-line method?
a. $9,000
b. $8,000
c. $7,000
*d. $6,000

46. On January 1st, Dot Pinkerton Inc. purchased a building for $300,000 and estimates that it will last thirty years with no expected salvage value. What would the accumulated depreciation be at the end of the third year using the straight-line method?
a. $10,000
*b. $30,000
c. $270,000
d. $300,000

47. Which of the following is most likely to be true?
a. A loss is recognized when a long-term fixed asset is sold and the proceeds received are more than its original cost.
b. A loss is recognized when a long-term fixed asset is retired and the asset has been fully depreciated.
*c. A gain is recognized when a long-term fixed asset is sold and the proceeds received are more than its carrying value.
d. A gain is recognized when a long-term fixed asset is retired and there are no proceeds received.

48. We normally record a long-term asset at the
a. costs of the asset only.
*b. cost of the asset plus all costs necessary to get the asset ready for use.
c. appraised value.
d. cost of the asset, but subsequently adjusted up or down to appraised value.

49. Which of the following accounts is a permanent account?
a. Bad Debt Expense
b. Gain on Sale of Equipment
*c. Patents
d. Interest Expense

50. The employees of Lucid Laboratories are paid every two weeks on Friday. Total payroll is $25,000 and covers 10 workdays. The end of the current month falls on the second Tuesday of the pay period. What is the adjusting journal entry to accrue payroll at the end of the month?

a. Salaries Expense	17,500	
Prepaid Salaries	7,500	
Salaries Payable		25,000

b. Prepaid Salaries 7,500
Salaries Payable 7,500
*c. Salaries Expense 17,500
Salaries Payable 17,500
d. Salaries Expense 7,500
Salaries Payable 7,500

51. The income statement presents
a. resources and equites of a company at a point in time.
b. resources and equities of a company for a period of time.
c. net earnings of a company at a point in time.
*d. net earnings of a company for a period of time.

52. Olympic Equipment borrowed $100,000 on November 1. The note matures in one year and the annual interest rate is 9%. What amount of interest expense will be accrued on December 31?
*a. $1,500
b. $9,000
c. $4,500
d. $750

53. Lemon Corporation issued 20,000 share of $10 Par Value Common Stock for $ 16 per share. The entry to record this issuance would include:
*a. a debit to Cash $320,000.
b. a credit to Cash $320,000.
c. a credit to Common Stock $320,000.
d. none of the above.

54. Which of the following statements is false?
a. Ownership of common stock gives the owner a voting right.
b. The stockholders' equity section begins with paid-in capital.
c. The authorization of capital stock does not result in a formal accounting entry.
*d. The par value of a share of stock is usually equal to its market value.

55. Jenner Corporation paid its annual dividend. This transaction represents a(n):
*a. distribution to stockholders.
b. loss.
c. expense.
d. liability.

56. Peach Corporation began the year with Retained Earnings of $45,000. During the year Peach had Net Income of $15,000. Also, during the year Peach issued 4,000 share of $10 par value Common Stock for $12 per share. At the end of the year, Peach declared cash dividends of $8,000. What is the year-end balance of Retained Earnings?
*a. $ 52,000
b. $ 68,000
c. $ 60,000
d. none of the above