

**BAF3M**  
**Final Exam Review**  
 January, 2013

Mr. Alexander

Please bring a calculator, pencil(s), and erasers to the exam.

Ipods, iphones, and other mobile devices will not be allowed.

The exam will be two hours long.

Review mark breakdown is below.

Notes and computers are allowed for the review.  
 They will not be allowed for the exam.

Name: \_\_\_\_\_

Question:	K/U	T/I	A	C
Multiple Choice	<b>1</b>		/45	
Matching Terms	<b>2</b>	/60		
Journal & Ledger	<b>3</b>		/88	/12
Income Statement	<b>4</b>			/10
Closing Entries	<b>5</b>			/10
Balance Sheet	<b>6</b>			/10
		<u>/60</u>	<u>/45</u>	<u>/88</u>
			<u>/42</u>	

Total:            / 235

1) Please write your letter answer for each question in the boxes below.

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

1. Which of these items is **not** a main activity of accounting?

- a) Gathering financial information.
- b) Preparing records.
- c) Summarizing financial information.
- d) Reporting financial information.
- e) Providing bank loans to financial institutions.

2. Accounting managers are able to answer:

- a) Is the business earning enough profit?
- b) How much does our company owe another company?
- c) Do any of our goods need to be restocked?
- d) a & b
- e) All of the above.

3. Investors can use accountants to help them determine whether to purchase shares in a business:

- a) True
- b) False

4. Studying accounting can help you understand your personal finances as well:

- a) True
- b) False

5. Non-profit organizations need accountants:

- a) True
- b) False

6. A Merchandising business:

- a) Sells services to customers.
- b) Buys raw materials and converts them into consumer goods.
- c) Buy pre-made products and resells them at a higher price.
- d) Does not have a primary goal of making a profit.

7. A Service business:

- a) Sells services to customers.
- b) Buys raw materials and converts them into consumer goods.
- c) Buy pre-made products and resells them at a higher price.
- d) Does not have a primary goal of making a profit.

8. A Manufacturing business:

- a) Sells services to customers.
- b) Buys raw materials and converts them into consumer goods.
- c) Buy pre-made products and resells them at a higher price.
- d) Does not have a primary goal of making a profit.

9. A Non-Profit (or Not for Profit) organization:

- a) Sells services to customers.
- b) Buys raw materials and converts them into consumer goods.
- c) Buy pre-made products and resells them at a higher price.
- d) Does not have a primary goal of making a profit.

10. Types of business ownership that exist in Canada are:

- a) Partnerships
- b) Corporations
- c) Sole Proprietorships
- d) All of the above

11. Freddy's French Fries might be an example of a:

- a) Sole Proprietorship
- b) Partnership
- c) Corporation
- d) None of the above

12. Freddy, Fanny, Falstaff, and Frankenstein might be an example of a:

- a) Sole Proprietorship
- b) Partnership
- c) Corporation
- d) None of the above

13. Freddy's Fine Food, Inc. might be an example of a:

- a) Sole Proprietorship
- b) Partnership
- c) Corporation
- d) None of the above

14. The accounts Truck, Bank, and Accounts Receivable are examples of:

- a) Assets
- b) Liabilities
- c) Equity
- d) None of the above

15. Bank Loan, Accounts Payable, Mortgage Payable are examples of:

- a) Liabilities
- b) Equity
- c) Assets
- d) a and b

16. A collection of T-accounts, for a business, is known as a:

- a) Cracker
- b) Log
- c) Ledger
- d) Journal

17. In what order do accounts receivable & accounts payable go in?
- A) Highest to lowest price
  - B) Lowest to highest price
  - C) Alphabetically
  - D) None of the above
18. What 3 elements are placed at the top of a balance sheet?
- A) Date, Assets, Liabilities
  - B) Assets, Liabilities, Capital
  - C) Owner's Name, Balance Sheet, Date
  - D) Capital, Date, Liabilities
19. How many accounts does a transaction affect?
- A) at least 2
  - B) at least 3
  - C) at least 6
  - D) at least 1
20. What happens when an asset account is Debited? It..
- A) Increases
  - B) Decreases
  - C) Stays the same
  - D) None of the above
21. When creating a trial balance, we are?
- A) 'Filling it out'
  - B) 'Taking it Off'
  - C) 'Managing it'
  - D) 'Designing it'
22. What does GAAP stand for:
- A) Generally Accurate Accounting Principle
  - B) Generally Accepted Accounting Principles
  - C) Good Accepted Accounting Principles
  - D) None Of the Above
23. What type of heading do we use on a balance sheet:
- A) no heading
  - B) 2 point heading
  - C) 3 column heading
  - D) All of the Above
  - E) None Of the Above
24. Debit indicates which side of a T account?
- A) right
  - B) center
  - C) left
  - D) bottom
25. The Point of a Balance Sheet is...
- A) To display a snap shot view of the owners Assets, Liabilities and Equity at that given moment in time.
  - B) To display the amount of money earned after a given amount of time.
  - C) To display any changes in a business' financial position.
  - D) All of the above.

26. A financial event that causes a change in financial position is a...
- A) Liability
  - B) Bill
  - C) Transaction
  - D) All of the above
27. Which side are DR and CR associated with?
- A) DR-left and CR left
  - B) DR left and CR right
  - C) DR right and CR right
  - D) DR right and CR left
28. The purpose of a Trial Balance is to...
- A) View our work in another way
  - B) Re-work our T Accounts
  - C) To check our accuracy of the ledger
  - D) None of the above
29. Which one of the following is NOT a professional accounting designation in Ontario?
- a) CMA - Certified Management Accountant
  - b) CA – Chartered Accountant
  - c) CPA – Certified Public Accountant
  - d) CGA – Certified General Accountant
30. Consider the following transaction: Supplies are purchased, for \$300 cash. This will result in:
- a) A debit to the supplies account and a credit to the cash account.
  - b) A credit to the supplies account and a debit to the cash account.
  - c) A debit to the supplies account and a credit to the equity account.
  - d) A debit to the cash account and a credit to the equity account.
31. According to GAAP:
- a) Items on the balance sheet must be listed at a the best conservative estimate.
  - b) A business must be doing well.
  - c) Assets belonging to the owner and the business must be listed on the left hand side of the balance sheet.
  - d) None of the above.
32. If someone were to buy a new Cadillac for 100,000 dollars, but they write it on their balance sheet for 200,00 dollars, what GAAP principal are they not obiding by?
- a) The Business Entity Concept
  - b) The Continuing Concern Concept
  - c) The Principal of Conservatism
  - d) The Principle of Matching
33. Keeping your personal finances separate from your business' finances is an example of:
- a) The Business Entity Concept
  - b) The Continuing Concern Concept
  - c) The Principal of Conservatism
  - d) The Principle of Matching

34. Disclosing the knowledge that a business intends to cease operations is an example of:

- a) The Business Entity Concept
- b) The Continuing Concern Concept
- c) The Principal of Conservatism
- d) The Objectivity Principle

35. Having source documents as proof for any transaction is an example of:

- a) The Business Entity Concept
- b) The Continuing Concern Concept
- c) The Principal of Conservatism
- d) The Objectivity Principle

36. When do your debits have to equal your credits?

- a) When you take off a trial balance.
- b) Whenever you post a transaction.
- c) When your cash account decreases while another asset account increases by equal amounts.
- d) All of the above.

37. Which is NOT true?

- a) We use double entry accounting all around the world
- b) A Transaction only has to affect at least one account to be considered a legitimate transaction
- c) All Business transactions will remain separate from Personal Transactions
- d) Chinese letter writing is known as Calligraphy

38. Which is not part of the cost of inventory?

- a) Purchases
- b) Beginning Inventory
- c) Freight In
- d) Advertising

39. What Is the Formula used to calculate Owner's equity on a balance sheet

- a)  $\text{Assets} + \text{Liabilities} = \text{Equity}$
- b)  $\text{Cash} - \text{Liabilities} = \text{Capital}$
- c) The Fundamental Accounting Equation
- d)  $Y = Mx + b$

40. When a transaction occurs, source documents must be kept for:

- a) Minimum 6 Years
- b) Maximum 3 Years
- c) Minimum 7 Years
- d) Ever

41. Source documents might include:

- a) Cheques
- b) Invoices
- c) Receipts
- d) All of the above

42. If a Truck is purchased for \$4500, But only \$3000 cash is paid, which accounts are used?

- a) Cash - Credit, Truck - Debit, Accounts Payable - Credit
- b) Cash - Credit, Truck - Debit, Accounts Payable - Debit
- c) Cash - Debit, Truck - Credit, Accounts Receivable – Credit
- d) Capital-Debit, Accounts Payable-Credit

43. A Trial Balance is taken off:

- a) At any point in the accounting cycle
- b) After Transactions have been posted in the T accounts
- c) From the Balance Sheet
- d) At the beginning of the accounting cycle

44. You take a look at a friend's balance sheet for their business.

They have \$1000 cash and \$9000 in Accounts Receivable.

(Some of these accounts have been outstanding for more than a year.) They tell you their business is worth \$10,000 and you can buy it from them for that much.

You tell them that:

- a) According to their balance sheet, their business IS worth \$10,000.
- b) You are somewhat hesitant to buy the business for that much because not all of the accounts receivable might be collectible.
- c) You'll have to think about it, and you would like to hear more about their sales for each year.
- d) All of the above.

45. You make a sale, and it increases the net worth of your company. This is because:

- a) You credit the equity account.
- b) Your business is now worth more.
- c) You have more cash.
- d) a and b
- e) a, b, and c

**2) Please select the appropriate terms in each section.**

	Recording the effect a journal transaction has on given account.	a	Accounts Payable
	13%	b	Asset
	A person we owe money to.	c	Audit
	Objective evidence for a transaction.	d	Creditor
	An event that changes the financial picture of a business.	e	GAAP
	A list of our creditors.	f	HST
	Verifying the validity of financial documents.	g	Liquidity
	Something we own.	h	Posting
	A collection of principles that guide our accounting practices.	i	Source Document
	How easily an item can be converted to cash.	j	Transaction

	A form of business ownership that splits a company into 'shares'.	a	Corporation
	When the expenses in a fiscal period exceed the revenues.	b	Current Asset
	A form of business ownership with a single owner.	c	Drawings
	A business that purchases goods and resells them at a higher price.	d	Merchandising Business
	Sending / paying the money we owe.	e	Net Loss
	How much a business is worth.	f	Opening Entry
	A journal entry to show a business' opening financial position.	g	Owner's Equity
	The creation of a Trial Balance.	h	Remitting
	An asset that will be used / turned to cash within a year.	i	Sole Proprietorship
	A special account to record the withdrawals of an owner from their business.	j	Taking Off

	When revenue exceeds expenses.	a	Balance Sheet
	A particular duration of time for the purposes of accounting.	b	Contra Account
	A 'snap shot' of a business' finances.	c	Depreciation
	For every transaction that is posted, DR always equal CR.	d	Double Entry Accounting
	A temporary account.	e	Fiscal Period
	A transaction affecting either Accounts Payable or Accounts Receivable.	f	Fixed Asset
	Accounts whose value does not reset to zero at the end of the fiscal year.	g	Net Income
	An account attached to a parent account, such as Accumulated Depreciation.	h	Income Summary
	An asset that is permanent, or will not be turned to cash within a year.	i	On Account
	The yearly amortization of an asset.	j	Real Accounts



	The record of a transaction in the 'books' of a business.	a	Accounting Cycle
	A financial statement that shows Revenues and Expenses.	b	Accounts Receivable
	The yearly process of recording transactions and producing financial statements.	c	Adjusting Entry
	A list of our debtors.	d	Business Entity Concept
	A collection of a businesses accounts.	e	Cash Sales Slip
	A journal entry to record supplies used, depreciation, and prepaid expenses.	f	Classified Balance Sheet
	A business' finances are kept separate from that of their owner.	g	Income Statement
	The physical or virtual location where a company's shares are sold.	h	Journal Entry
	A source document that records sales that are made for cash.	i	Ledger
	A balance sheet showing different classifications of assets and liabilities.	j	Stock Market

	The cost of the inventory that has been sold.	a	Cost of Goods Sold
	The right side of a journal entry.	b	Credit
	An asset that will probably be turned to cash within a year.	c	Current Asset
	A liability that will have to be paid off within a year.	d	Current Liability
	The left side of a journal entry.	e	Debit
	The process of amortizing an asset.	f	Depreciation
	The amount paid out to shareholders, per share, of a company's profits.	g	Dividend
	The amount paid to ship in purchases. It is added to the cost of the inventory.	h	Freight-In
	Being honest about a company's accounting processes and intentions.	i	Full Disclosure
	A business that resells inventory at a higher price.	j	Retailer

	A method of depreciation.	a	Auditor
	Current Assets minus Current Liabilities.	b	Non-Profit Organization
	Expenses, recorded as assets, that will be used up over time.	c	Pencil Footings
	Objective evidence of items that have been bought on account.	d	Posting
	An organization that does not have profit as its primary pursuit.	e	Prepaid Expenses
	Sales made on account.	f	Purchase invoice
	The calculations at the bottom of a ledger account.	g	Revenue
	The process of transferring journal transactions to the General Ledger.	h	Sales Invoice
	The sales of a business.	i	Working Capital
	An accountant that verifies the 'books' of others.	j	Straight Line

**3) You are required to make all necessary journal entries & specified ledger entries.**



LEGO Land is a sole proprietorship owned and operated by Larry Smithers.

The bank account for his new business has a balance of \$100,000.

The following is a list of many of the accounts and the daily transactions for Larry and LEGO Land in their first year of business.

Bank	Land	Freight In
A/R - Gymboree	Bank Loan	Advertising Expense
Inventory	A/P - Lego Inc.	Depreciation Expense
Prepaid Cash Register Rental	A/P - Mercedes Toronto	Maintenance Expense
Prepaid Computer Rental	A/P - Register Depot	Renovation Expense
Prepaid Lease	A/P - The Sign Guys	Repair Expense
Display Cases	A/P - The Brick	Wages Expense
LEGO Sign	L. Londoner, Capital	Income Summary
Accumulated Depreciation: LEGO Sign	L. Londoner, Drawings	Lease Expense
Smart Car	Sales	Computer Rental Expense
Accumulated Depreciation: Smart Car	Purchases	Cash Register Rental Expense
Supplies	HST Recoverable / Payable	

(You are only required to post journal entries to the General Ledger for the following accounts:)

Bank	Display Cases	L.Smithers, Capital
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Jan-01 Larry finds a fantastic location to set up his business. He pays \$24,000 cash for a two year lease.

Jan-31 Renovations begin immediately. Paint, nails, shelving, and other items come to \$5234 + HST. They are paid by cheque.

Jan-31 Larry orders 10 display cases. They are \$433 each. They are purchased, on account, from The Brick. There is no HST.

Feb-01 A cash register is rented as well. It is \$3600 for a three year lease. It is on account to Register Depot.

Feb-01 A large purchase of lego (to be resold) arrives. The order is for \$32,987 (+HST) worth of lego blocks. There is \$1450 (+HST) of shipping charges. It is all on account from Lego Inc.

Feb-15 Four artists come in and create a large lego display. They are paid \$450 each. They don't charge HST.

Feb-20 A large LEGO sign is purchased, for \$5200 (+HST) from the Sign Guys. Half is on account.

Feb-22 \$3444 (+HST) worth of supplies are purchased. Some are for cleaning, some are for the office, a dust pan, and there are a few other things.

Feb-28 A smart car is purchased, for \$26,000 (+HST) from the local Mercedes dealer. It is put on account

Mar-01 Graphics are put on the car. The graphics cost \$4000 (+HST) and are considered an advertising expense.

Mar-15 The cars windows are tinted, and new rims, a stereo, and an engine package are installed. It comes to \$5800, which is paid in cash. It adds \$5800 in value to the vehicle.

Mar-30 It is the grand opening! \$4867 is spent on the daily festivities. (It is all part of the advertising for the business.) The day is a huge success. Sales for the day also come in at \$47,823 (+HST) all in cash.

Mar-31 Wages are paid to the employees. \$4307 in cheques are given to them.

Mar-31 HST is remitted to the government. (Please use \$5200 for HST Payable & \$3200 for HST Recoverable)

Apr-01 Larry withdraws \$450 for his own use.

Apr-02 Larry goes out to 'La Finetre' for dinner. His bill comes to \$89.34. He leaves the waitress a \$15 tip.

Apr-05 The \$3600 that is owed to Register Depot is paid, in full.

Apr-08 Three of the \$433 display cases are damaged beyond repair. They are thrown away.

Apr-10 Two more display cases are damaged. This time, only one is beyond repair. The other one is able to be repaired for \$38. There is no HST.

Apr-15 There is a great deal on some land, just a mile away. Larry purchases it for \$210,000 as a future site for Lego Land. Larry puts \$21,000 in cash, and gets a bank loan for the rest.

Apr-20 Larry withdraws another \$575 for his own use.

May-01 Larry finds a great computer integrated LEGO display. He pays \$12,000 cash to rent the computer for a full year.

May-15 More renovations are required. They come to \$2138 + HST. They are also paid by cheque.

May-16 Larry orders 3 more display cases. They are still \$433 each. They are purchased, on account, from The Brick. There is no HST.

May-20 Larry pays off the \$5629 he owes to The Brick.

May-21 Sales Invoice 001: to Gymboree. It is for \$88,000 (+HST) worth of Lego blocks.

May-22 Another large purchase of lego (to be resold) arrives. The order is for \$23,900 (+HST) worth of lego blocks. There is \$1450 (+HST) of shipping charges. It is all on account from Lego Inc.

Jun-20 \$20,000 of the Lego Inc. account is paid off.

Jun-21 Some maintenance is done on the LEGO sign. It comes to \$506.50. This amount includes HST, paid in cash.

Jun-22 \$556 (+HST) worth of supplies are purchased.

Jun-22 Wages are again paid to the employees. \$4307 in cheques are given to them.

Jun-30 HST is again remitted to the government. (Please use the amounts \$10,000 for HST Payable & \$5100 for HST Recoverable)

Jun-30 Larry withdraws another \$450 for his own use.

Jul-01 Larry wins \$625 in the Lotto Max.

Dec-31 Adjusting Entries are made to the following accounts:

Supplies (\$222 worth of supplies are remaining at the year end.)

**Calculation:**

Prepaid Lease

**Calculation:**

Prepaid Computer Rental

**Calculation:**

Prepaid Cash Register Rental

**Calculation:**

Depreciation for LEGO sign (25 year useful life. No Residual Value)

**Calculation:**

Depreciation for the Smart Car (10 year useful life. \$2500 Residual Value)

**Calculation:**















The following adjusted trial balance has been taken off.  
 (These are not the numbers from the case - they are for this question only.)

LEGO Land Adjusted Trial Balance Dec 31, 20--		
ACCOUNT	DEBIT	CREDIT
Bank	65,000	
A/R - Gymboree	88,000	
Inventory	0	
Prepaid Cash Register Rental	2,000	
Prepaid Computer Rental	3,000	
Prepaid Lease	4,000	
Display Cases	5,000	
LEGO Sign	12,000	
Accumulated Depreciation: LEGO Sign		2,000
Smart Car	26000	
Accumulated Depreciation: Smart Car		6,000
Land	210,000	
Bank Loan		200,000
A/P - Lego Inc.		14,000
A/P - Mercedes Toronto		15,000
A/P - Register Depot		16,000
A/P - The Sign Guys		10,000
L. Londoner, Capital		7,400
L. Londoner, Drawings	2,500	
Sales		250,000
Purchases	56,000	
Freight In	6,500	
Advertising Expense	10,000	
Depreciation Expense	5,000	
Maintenance Expense	3,000	
Renovation Expense	12,000	
Repair Expense	3400	
Wages Expense	7000	
Income Summary		0
	520,400	520400

**From the numbers given in the adjusted trial balance, create your:**

- 4) Income Statement**
- 5) Closing Entries (Physical inventory indicates \$21,250 remaining.)**
- 6) Classified Balance Sheet**



