

3 Indicate the classification, increase, decrease, and normal balance side for the following accounts (the first two are done for you):

Prepaid Insurance	
+	-
Dr.	Cr.
Balance	

Classification

asset

Classification

expense

Insurance Expense	
+	-
Dr.	Cr.
Balance	

Accounts Receivable	

Notes Receivable	

Accounts Payable	

Notes Payable	

Equipment	

Accumulated Depreciation - Equipment	

Common Stock	

Preferred Stock	

Cash Dividends	

Stock Dividends	

Rent Expense	

Depreciation Expense	

Classification

Classification

Professional Fees Earned



Interest Expense



Interest Receivable



Retained Earnings



Sales



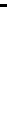
Cost of Merchandise Sold



Unearned Professional Fees



Interest Income



Interest Payable



Sales Returns and Allowances



Sales Discounts



Delivery Expense



Ch 3 The Adjusting Process

4 Under the accrual basis of accounting, revenues are recorded when _____ and expenses are recorded when _____.

5 Briefly explain the matching principle:

6 Based on the information below, prepare the adjusting entries for insurance, rent, supplies, wages, fees, and depreciation:

On November 1st, paid \$24,000 for 6 months of insurance.

On September 1st, paid \$120,000 for 12 months of rent.

Beginning supplies balance was \$500, purchased \$1,600 of supplies during period, ending supplies balance is \$600.

Owe \$10,000 of wages earned through December 31, to be paid on January 7th.

Performed professional service for prepaid client, earning \$400 of fees.

Annual depreciation on machinery equals \$750.

Date	Description	Post Ref	Debit	Credit
2012	Adjusting Entries			
Dec 31				
31				
31				
31				
31				
31				
31				
31				
31				

Ch 5 Accounting for Merchandising Businesses

6 Show the formulas for calculating the following items:

$$\underline{\hspace{10em}} - \underline{\hspace{10em}} = \underline{\hspace{10em}} \text{ Gross Profit}$$

$$\underline{\hspace{10em}} - \underline{\hspace{10em}} = \underline{\hspace{10em}} \text{ Operating Income}$$

7 Identify which exhibit is a single-step income statement and briefly describe how it differs from a multi-step income statement:

Exhibit A:

NetSolutions Income Statement For the Year Ended December 31, 2013		
Revenues:		
Net sales		\$708,255
Rent revenue		<u>600</u>
Total revenues		\$708,855
Expenses:		
Cost of merchandise sold	\$525,305	
Selling expenses	70,820	
Administrative expenses	34,890	
Interest expense	<u>2,440</u>	
Total expenses		633,455
Net income		<u>\$ 75,400</u>

Exhibit B:

NetSolutions Income Statement For the Year Ended December 31, 2013		
Revenue from sales:		
Sales		\$720,185
Less: Sales returns and allowances	\$ 6,140	
Sales discounts	<u>5,790</u>	11,930
Net sales		\$708,255
Cost of merchandise sold		<u>525,305</u>
Gross profit		\$182,950
Operating expenses:		
Selling expenses:		
Sales salaries expense	\$53,430	
Advertising expense	10,860	
Depreciation expense—store equipment	3,100	
Delivery expense	2,800	
Miscellaneous selling expense	<u>630</u>	
Total selling expenses		\$ 70,820
Administrative expenses:		
Office salaries expense	\$21,020	
Rent expense	8,100	
Depreciation expense—office equipment	2,490	
Insurance expense	1,910	
Office supplies expense	610	
Other income and expense:		
Rent revenue		\$ 600
Interest expense		<u>(2,440)</u>
Net income		<u>\$ 75,400</u>

8 What is the difference between an periodic and a perpetual inventory system?

9 Identify which account is debited and credited for each of the following sales transactions in a perpetual inventory system:

Date	Description	Post Ref	Debit	Credit
2012				
Jan 3			1,800	
				1,800
	to record cash sales - receipt 25			
3			1,200	
				1,200
	to record cost of merchandise sold - receipt 25			
12			510	
				510
	to record credit sales - invoice 1234			
12			280	
				280
	to record cost of merchandise sold - invoice 1234			
17			1,470	
			30	
				1500
	collect payment on account less 2% discount - receipt 346			
23			1,200	
				1,200
	record sales return - credit memo 14			
23			510	
				510
	record cost of merchandise returned - credit memo 14			

10 Identify which account is debited and credited for each of the following purchase transactions in a perpetual inventory system:

Date	Description	Post Ref	Debit	Credit
2012				
May 2			5,000	
				5,000
	purchased merchandise on account FOB destination - invoice BH12			
4			3,000	
				3,000
	returned portion of merchandise purchased - debit memo 9			
12			2,000	
				1,960
				40
	paid invoice less 2% discount - check 1456			
22			900	
				900
	purchased merchandise on account FOB shipping point - inv. BH26			
22			50	
				50
	paid shipping cost on merchandise purchased - check 3453			

Ch 6 Inventories

11 What are the two most widely used methods for determining the cost of inventory?

_____ and _____

12 Use the inventory data below to calculate ending inventory under a perpetual system using LIFO:

Date	Purchase			Cost of Merchandise Sold			Inventory		
	Qty	Cost	Ttl	Qty	Cost	Ttl	Qty	Cost	Ttl
Nov 1	200	10	2000				200	10	2000
4				50	10	500	150	10	1500
10	300	12	3600				150	10	5100
							300	12	
17				100					
30	120	15	1800						

13 Use the inventory data below to calculate ending inventory under a perpetual system using FIFO:

Date	Purchase			Cost of Merchandise Sold			Inventory		
	Qty	Cost	Ttl	Qty	Cost	Ttl	Qty	Cost	Ttl
Nov 1	200	10	2000				200	10	2000
4				50	10	500	150	10	1500
10	100	12	1200				150	10	2700
							100	12	
17				100					
30	120	15	1800						

14 Use the inventory data below to calculate ending inventory under a periodic system using FIFO, LIFO, and Weighted Average:

Date			Qty	Cost	Ttl
Jan	1	Beginning Inventory	10	45	450
Jul	7	Purchase	18	50	900
Nov	23	Purchase	15	54	810
Available for Sale			43		2160
Ending Inventory FIFO			11		
Ending Inventory LIFO			11		
Ending Inventory Wtd Avg			11		

Ch 7 Internal Control and Cash

15 List four things from which cash must be protected:

16 Identify seven internal control procedures:

17 Identify seven different potential reconciling items on a bank reconciliation:

No Journal Entry Needed	Require Journal Entries	
_____	_____	_____
_____	_____	_____

18 Which reconciling items are:

added to the bank balance? _____

subtracted from the bank balance? _____

added to the checkbook balance? _____

subtracted from the checkbook balance? _____

19 Show the journal entries for the three items that typically affect the checkbook balance:

Date 2012	Description	Post Ref	Debit	Credit
May 31			27	
				27
	record bank interest			
31			15	
				15
	record bank fees			
31			2,000	
				2,000
	record NSF check			

20 Show the journal entries that typically affect the Petty Cash Fund:

Date 2012	Description	Post Ref	Debit	Credit
Jan 1			500	
				500
	establish petty cash fund			
31			125	
				5
				120
	replenish petty cash for misc items and cash overage			

Ch 8 Receivables

21 True or False? Businesses usually collect 100% of their accounts receivable? _____

22 What account is missing from the formula for calculating the book value of accounts receivable and how is it classified?

$$\underline{\text{A/R}} \quad - \quad \underline{\hspace{15em}} \quad = \quad \underline{\text{Book Value of A/R}}$$

Classification: _____

23 Show the journal entry to record bad debt expense given the following information:

Allowance for Doubtful Accounts ending balance (before adjustment) is 5,000

Uncollectible accounts expense estimated at 2% of Net Sales

Net Sales for the year equals 100,000

Date 2012	Description	Post Ref	Debit	Credit
	<i>Adjusting Entries</i>			
Dec 31				
	record allowance for uncollectible accounts			

24 What is the formula for calculating interest?

_____ x _____ x _____

25 What is the formula for calculating maturity value?

_____ + _____

26 Show the journal entries to record the issuance of a 60-day, 5% note receivable in exchange for equipment worth \$1,000 on May 5th and the subsequent receipt of the maturity value on the maturity date (calculate maturity date also):

Date 2012	Description	Post Ref	Debit	Credit
May 5				
	sold equipment - 5% 60-day note			
Jul __				
	received payment on 5% 60-day note			

Ch 9 Fixed Assets

27 What is the definition of depreciation?

28 What is the definition of accumulated depreciation?

29 Show the journal entries to record the cash purchase of equipment with a useful life of three years at a cost of \$1,000 on January 1st. Assuming the equipment has a residual value of \$100, record the year one straight-line depreciation on December 31st.

Date 2012	Description	Post Ref	Debit	Credit
Jan 1				
	purchased equipment			
Dec 31				
	record annual depreciation			

30 Calculate the yearly depreciation based on the following information:

<u>Sandblaster</u>			<u>Carpet</u>		
Initial Cost	\$	6,400.00	Initial Cost	\$	1,500.00
Residual Value	\$	400.00	Residual Value	\$	-
Depreciable Cost			Depreciable Cost		
Useful Life		4	Useful Life		3
First Year Use		6 months	Purchase Date		April 1st
Annual Depreciation			Annual Depreciation		
		<u>Year 1</u>	<u>Year 2</u>		
Straight-line Depreciation				Straight-line Depreciation	
Book Value at Beginning of year				Book Value at Start of year	
Double-declining Depreciation				Double-declining Depreciation	

	<u>Truck 1</u>	<u>Truck 2</u>	<u>Truck 3</u>	<u>Truck 4</u>
Initial Cost	\$ 75,000.00	\$ 38,000.00	\$ 72,900.00	\$ 90,000.00
Residual Value	\$ 15,000.00	\$ 3,000.00	\$ 9,900.00	\$ 20,000.00
Depreciable Cost				
Useful Life in Miles	200,000	200,000	300,000	250,000
Cost per Hour				
Actual Use in Miles	19,500	36,000	25,000	26,000
Annual Depreciation				

- 31** Record the journal entries for the disposal of a fixed asset with a cost of \$40,000 and accumulated depreciation of \$38,000.
- trade for similar asset priced at \$50,000 with \$1,900 trade-in allowance
 - sell for \$500
 - sell for \$1,200
 - discard as worthless
 - sell at book value

Date	Description	Post Ref	Debit	Credit
2012				
Jan 2			50,000	
			38,000	
			100	
				40,000
				48,100
	purchased new equipment - with trade-in allowance			
2			500	
				40,000
	sold equipment			
2			1,200	
				40,000
	sold equipment			
2				
	discarded equipment as worthless			
2				
	sold equipment at book value			

Ch 10 Current Liabilities

32 Show the journal entry to record the exchange of Accounts Payable for a 2-month 3% \$1,000 Note Payable on April 15th and record the payment of that note on the maturity date.

Date 2012	Description	Post Ref	Debit	Credit
Apr 15				
	exchange A/P for 3% 2-month note			
Jun 15				
	paid off 3% 2-month note			

33 Show the journal entry to record the issuing of \$1,000 2-month note discounted at 3% on April 15th in exchange for cash and record the payment of that note on the maturity date.

Date 2012	Description	Post Ref	Debit	Credit
Apr 15				
	borrowed cash with discounted note			
Jun 15				
	paid off discounted note			

34 What is a contingent liability?

35 Show the journal entry to record accrued product warranty liability equal to 5% of a \$60,000 product.

Date 2012	Description	Post Ref	Debit	Credit
Jun 30				
	record warranty expense			

Ch 11 Accounting for Corporations

36 Show the main advantages and disadvantages of the corporate form of ownership:

Advantages	Disadvantages

37 Define and describe the main characteristics of the following types of stock:

Common	Preferred
Participating Preferred	Cumulative Preferred

38 Describe what happens on the following dates as it relates to dividends:

Declaration Date:

Date of Record:

Payment Date:

- 39** Record the journal entries assuming 100,000 outstanding shares of \$100 par common stock and 10,000 shares of 5% preferred stock.
- acquire land with unknown fair market value for 10,000 shares of common stock currently trading at \$250 per share
 - issue 5000 shares of common stock at \$250 per share
 - purchased 2000 shares of treasury stock at \$250 per share
 - sold 100 shares of above treasury stock at \$240 per share
 - declared cash dividend equal to \$60,000
 - declared 2% common stock dividend with market price of \$250

Date	Description	Post Ref	Debit	Credit
2012				
Jan 2				
	issued common stock at \$250 per share for land			
3				
	issued 5,000 common shares at \$250			
14				
	purchased 2,000 shares treasury stock at \$250			
25				
	sold 100 shares treasury stock at \$240			
26				
	declared cash dividend			
27				
	declared 2% stock dividend at \$250			