

Chapter 4

MULTIPLE CHOICE QUESTIONS

1. 54. After the adjusting entries are journalized and posted to the accounts in the general ledger, the balance of each account should agree with the balance shown on the
- adjusted trial balance.
 - post-closing trial balance.
 - the general journal.
 - adjustments columns of the worksheet.

2. Which of the following permanent account is changed during the closing process?
- Share Capital-ordinary.
 - Retained Earnings.
 - Unearned Revenue.
 - None of the above.

because in closing entries we close div and income summary in retained earnings, so it will change

3. The temporary account balances ultimately wind up in what account?
- Income Summary.
 - Retained Earnings.
 - Share Capital-ordinary.
 - Comprehensive Income.

4. The permanent accounts appear on which financial statement?
- Statement of Financial Position.
 - Income Statement.
 - Retained Earning Statements.
 - Statement of Cash Flows.

5. 76. Closing entries are necessary for
- permanent accounts only.
 - temporary accounts only.
 - both permanent and temporary accounts.
 - permanent or real accounts only.

6. Each of the following accounts is closed to Income Summary *except*
- Expenses.
 - Dividends
 - Revenues.
 - All of these are closed to Income Summary.
7. Closing entries are made
- in order to terminate the business as an operating entity.
 - so that all assets, liabilities, and equity accounts will have zero balances when the next accounting period starts.
 - in order to transfer net income (or loss) and dividends to Retained Earnings.
 - so that financial statements can be prepared.
8. Closing entries are
- an optional step in the accounting cycle.
 - posted to the ledger accounts from the worksheet.
 - made to close permanent or real accounts.
 - journalized in the general journal.
9. The income summary account
- is a permanent account.
 - appears on the statement of financial position.
 - appears on the income statement.
 - is a temporary account.
10. If Income Summary has a credit balance after revenues and expenses have been closed into it, the closing entry for Income Summary will include a
- debit to Retained Earnings.
 - debit to Dividends
 - credit to Retained Earnings.
 - credit to Dividends.
- لان اھوا كر دت فل من بنصكره نكسه
نخليه دبت و بالمقابل الرتيد ايرننق بكون
كر دت
11. Closing entries are journalized and posted
- before the financial statements are prepared.
 - after the financial statements are prepared.
 - at management's discretion.
 - at the end of each interim accounting period.

12. Closing entries
- are prepared before the financial statements.
 - reduce the number of permanent accounts.
 - cause the revenue and expense accounts to have zero balances.
 - summarize the activity in every account.
13. Which of the following is a true statement about closing the books of a corporation?
- Expenses are closed to the Expense Summary account.
 - Only revenues are closed to the Income Summary account.
 - Revenues and expenses are closed to the Income Summary account.
 - Revenues, expenses, and the dividends account are closed to the Income Summary account.
14. Closing entries may be prepared from all but which one of the following sources?
- Adjusted balances in the ledger
 - Income statement and statement of financial position columns of the worksheet
 - statement of financial position
 - Income and retained earnings statements
15. In order to close the Dividends account, the
- income summary account should be debited.
 - income summary account should be credited.
 - retained earnings account should be credited.
 - retained earnings account should be debited.
16. In preparing closing entries
- each revenue account will be credited.
 - each expense account will be credited.
 - the retained earnings account will be debited if there is net income for the period.
 - the dividends account will be debited.
17. The most efficient way to accomplish closing entries is to
- credit the income summary account for each revenue account balance.
 - debit the income summary account for each expense account balance.
 - credit the dividends account balance directly to the income summary account.
 - credit the income summary account for total revenues and debit the income summary account for total expenses.

div is dr account, when we close it we cr it, so RE is dr

Exp is dr account, when we close it we cr it.

18. The closing entry process consists of closing
- all asset and liability accounts.
 - out the retained earnings account.
 - all permanent accounts.
 - all temporary accounts.
19. The final closing entry to be journalized is typically the entry that closes the
- revenue accounts.
 - dividends account.
 - retained earnings account.
 - expense accounts.
20. An error has occurred in the closing entry process if
- revenue and expense accounts have zero balances.
 - the retained earnings account is credited for the amount of net income.
 - the dividends account is closed to the retained earnings account.
 - the Statement of financial position accounts have zero balances.
21. The Income Summary account is an important account that is used
- during interim periods.
 - in preparing adjusting entries.
 - annually in preparing closing entries.
 - annually in preparing correcting entries.
22. The balance in the income summary account before it is closed will be equal to
- the net income or loss on the income statement.
 - the beginning balance in the retained earnings account.
 - the ending balance in the retained earnings account.
 - zero.

عباره عن income statement لان

revenues - expense

بنصكر فيه income summary او ال

الريفنيو و الاكسبنس ايضاً , فالرصيد يكون الفرق بين الريفنيو و الاكسبنس

23. After closing entries are posted, the balance in the retained earnings account in the ledger will be equal to
- the beginning retained earnings reported on the retained earnings statement.
 - the amount of the retained earnings reported on the statement of financial positions.
 - zero.
 - the net income for the period.

24. The income statement for the month of June, 2011 of Taylor Enterprises contains the following information:

£7,000	Revenues
	Expenses:
£2,000	Wages Expense
1,000	Rent Expense
300	Supplies Expense
200	Advertising Expense
<u>100</u>	Insurance Expense
<u>3,600</u>	Total expenses
<u>£3,400</u>	Net income

The entry to close the revenue account includes a

- debit to Income Summary for £3,400.
- credit to Income Summary for £3,400.
- debit to Income Summary for £7,000.
- credit to Income Summary for £7,000.

Rev	7000
income sum	7000

The entry to close the expense accounts includes a

- debit to Income Summary for £3,400.
- credit to Rent Expense for £1,000.
- credit to Income Summary for £3,600.
- debit to Wages Expense for £2,000.

a- should dr for 3,600
b- right
c- should be dr not cr

After the revenue and expense accounts have been closed, the balance in Income Summary will be

- A. £0.
- B. a debit balance of £3,400.
- C. a credit balance of £3,400.
- D. a credit balance of £7,000.

income summary

$$\text{rev} - \text{exp}$$
$$7000 - 3,600 = 3,400$$

rev > exp

The entry to close Income Summary to Retained Earnings includes

- A. a debit to Revenue for £7,000.
- B. credits to Expenses totalling £3,600.
- C. a credit to Income Summary for £3,400
- D. a credit to Retained Earnings for £3,400.

IS = Income summary

the balance of IS will be closed in RE

IS = cr 3400

when we close it, we dr it

and RE will be cr in the same amount

At June 1, 2011, Taylor reported Retained Earnings of £35,000. The company paid no dividends during June. At June 30, 2011, the company will report Retained Earnings of

- A. £35,000.
- B. £42,000.
- C. £38,400.
- D. £31,600.

$$\text{End RE} = \text{Beg RE} + \text{NI} - \text{Div}$$
$$35,000 + 3,400 - 0$$

25. The income statement for the year 2011 of Poole Co. contains the following information:

\$70,000	Revenues
	Expenses:
\$45,000	Wages Expense
12,000	Rent Expense
6,000	Advertising Expense
6,000	Supplies Expense
2,500	Utilities Expense
<u>2,000</u>	Insurance Expense
<u>73,500</u>	Total expenses
<u>\$(3,500)</u>	Net income (loss)

The entry to close the expense accounts includes a

- A. debit to Income Summary for \$3,500.
- B. credit to Income Summary for \$3,500.
- C. debit to Income Summary for \$73,500.
- D. debit to Wages Expense for \$2,500.

a- should dr for 73,500

-إمالة شغل

c- right

After the revenue and expense accounts have been closed, the balance in Income Summary will be

- A. \$0.
- B. a debit balance of \$3,500.
- C. a credit balance of \$3,500.
- D. a credit balance of \$70,000.

IS balance = Net income (loss)

we have net loss, this means EXP > REV

The entry to close Income Summary to Retained Earnings includes

- A. a debit to Revenue for \$70,000.
- B. credits to Expenses totalling \$73,500.
- C. a credit to Income Summary for \$3,500.
- D. a credit to Retained Earnings for \$3,500.

as said in question 29

IS is Dr, when we close it we Cr

i

At January 1, 2011, Poole reported Retained Earnings of \$50,000. Dividends for the year totalled \$10,000. At December 31, 2011, the company will report Retained Earnings of

- A. \$13,500.
- B. \$36,500.
- C. \$40,000.
- D. \$43,500.

$$\text{End RE} = \text{Beg RE} + \text{NI} - \text{Div}$$

$$50,000 - 3,500 - 10,000$$

After all closing entries have been posted, the Income Summary account will have a balance of

- A. \$0.
- B. \$3,500 debit.
- C. \$3,500 credit.
- D. \$36,500 credit.

because we close everything

After all closing entries have been posted, the revenue account will have a balance of

- A. \$0.
- B. \$70,000 credit.
- C. \$70,000 debit.
- D. \$3,500 credit.

26. A post-closing trial balance is prepared

- a. after closing entries have been journalized and posted.
- b. before closing entries have been journalized and posted.
- c. after closing entries have been journalized but before the entries are posted.
- d. before closing entries have been journalized but after the entries are posted.

27. All of the following statements about the post-closing trial balance are correct *except* it

- a. shows that the accounting equation is in balance.
- b. provides evidence that the journalizing and posting of closing entries have been properly completed.
- c. contains only permanent accounts.
- d. proves that all transactions have been recorded.

28. A post-closing trial balance will show
- only permanent account balances.
 - only temporary account balances.
 - zero balances for all accounts.
 - the amount of net income (or loss) for the period.
29. A post-closing trial balance should be prepared
- before closing entries are posted to the ledger accounts.
 - after closing entries are posted to the ledger accounts.
 - before adjusting entries are posted to the ledger accounts.
 - only if an error in the accounts is detected.
30. A post-closing trial balance will show
- zero balances for all accounts.
 - zero balances for statement of financial position accounts.
 - only statement of financial position accounts.
 - only income statement accounts.
31. The purpose of the post-closing trial balance is to
- prove that no mistakes were made.
 - prove the equality of the statement of financial position account balances that are carried forward into the next accounting period.
 - prove the equality of the income statement account balances that are carried forward into the next accounting period.
 - list all the statement of financial position accounts in alphabetical order for easy reference.
32. The balances that appear on the post-closing trial balance will match the
- income statement account balances after adjustments.
 - statement of financial position account balances after closing entries.
 - income statement account balances after closing entries.
 - statement of financial position account balances after adjustments.
33. Which account listed below would be double ruled in the ledger as part of the closing process?
- Cash
 - Retained Earnings
 - Dividends
 - Accumulated Depreciation

34. A double rule applied to accounts in the ledger during the closing process implies that
- the account is an income statement account.
 - the account is a statement of financial position account.
 - the account balance is not zero.
 - a mistake has been made, since double ruling is prescribed.
35. The heading for a post-closing trial balance has a date line that is similar to the one found on
- a statement of financial position.
 - an income statement.
 - a retained earnings statement.
 - the worksheet.
36. Which account balance will change between the adjusted trial balance and the post-closing trial balance?
- Retained Earning
 - Share Capital-Ordinary
 - Interest Payable
 - Accumulated Depreciation
37. Which one of the following is usually prepared only at the end of a company's annual accounting period?
- Preparing financial statements
 - Journalizing and posting adjusting entries
 - Journalizing and posting closing entries
 - Preparing an adjusted trial balance
38. The step in the accounting cycle that is performed on a periodic basis (i.e., monthly, quarterly) is
- analyzing transactions.
 - journalizing and posting adjusting entries.
 - preparing a post-closing trial balance.
 - posting to ledger accounts.
39. The final step in the accounting cycle is to prepare
- closing entries.
 - financial statements.
 - a post-closing trial balance.
 - adjusting entries.

الباجي عادي نسويهم كل 3 اشهر كل سنة
كل 6 اشهر

40. Which of the following steps in the accounting cycle would *not* generally be performed daily?
- Journalize transactions
 - Post to ledger accounts
 - Prepare adjusting entries
 - Analyze business transactions
41. Which of the following steps in the accounting cycle may be performed most frequently?
- Prepare a post-closing trial balance
 - Journalize closing entries
 - Post closing entries
 - Prepare a trial balance
42. Which of the following depicts the proper sequence of steps in the accounting cycle?
- Journalize the transactions, analyze business transactions, prepare a trial balance
 - Prepare a trial balance, prepare financial statements, prepare adjusting entries
 - Prepare a trial balance, prepare adjusting entries, prepare financial statements
 - Prepare a trial balance, post to ledger accounts, post adjusting entries
43. The first required step in the accounting cycle is
- reversing entries.
 - journalizing transactions in the book of original entry.
 - analyzing transactions.
 - posting transactions.
44. Correcting entries
- always affect at least one balance sheet account and one income statement account.
 - affect income statement accounts only.
 - affect statement of financial position accounts only.
 - may involve any combination of accounts in need of correction.

45. Topeka Bike Company received a \$940 check from a customer for the balance due. The transaction was erroneously recorded as a debit to Cash \$490 and a credit to Service Revenue \$490. The correcting entry is

- a. debit Cash, \$940; credit Accounts Receivable, \$940.
- b. debit Cash, \$450 and Accounts Receivable, \$490; credit Service Revenue, \$940.
- c. debit Cash, \$450 and Service Revenue, \$490; credit Accounts Receivable, \$940.
- d. debit Accounts Receivable, \$940; credit Cash, \$450 and Service Revenue, \$490.

استلم جيك بمبلغ 940, كان يطالب فيه شخص

لمن قدم الخدمة للشخص

A/R 940

service revenue 940

الحين الشخص دفعه فراح يسجل

cash 940

A/R 940

لكن اهو سجل

46. A correcting entry

- a. must involve one statement of financial position account and one income statement account.
- b. is another name for a closing entry.
- c. may involve any combination of accounts.
- d. is a required step in the accounting cycle.

47. An unacceptable way to make a correcting entry is to

- a. reverse the incorrect entry.
- b. erase the incorrect entry.
- c. compare the incorrect entry with the correct entry and make a correcting entry to correct the accounts.
- d. correct it immediately upon discovery.

48. Farr Company paid the weekly payroll on January 2 by debiting Wages Expense for \$45,000. The accountant preparing the payroll entry overlooked the fact that Wages Expense of \$27,000 had been accrued at year end on December 31. The correcting entry is

- a. Wages Payable 27,000
Cash..... 27,000
- b. Cash..... 18,000
Wages Expense 18,000
- c. Wages Payable 27,000
Wages Expense 27,000
- d. Cash..... 27,000
Wages Expense 27,000

Ans: C

مسجلين
wages exp 45000
wages payable 45000
لكن شافو ان 27000
تخص فترة شهر 12 مو الحين شهر واحد
فبشيلون 27000
بقالون الاكسبنس و الايبلتيز

49. Stine Company paid €530 on account to a creditor. The transaction was erroneously recorded as a debit to Cash of €350 and a credit to Accounts Receivable, €350. The correcting entry is

a. Accounts Payable	530
Cash	530
b. Accounts Receivable	350
Cash	350
c. Accounts Receivable	350
Accounts Payable	350
d. Accounts Receivable	350
Accounts Payable	530
Cash	880

Ans: I

دفعو 530 لشخص بطالبيهم

مفروض يسجلون

A/P 530

Cash 530

لكن سجلو

cash 350

A/R 350

فالحين لمن بعدلون بيعكسون الرسيڤيل لان مفروض ما يتسجل, بقللون البايابل,

بقللون الكاش ب 880

لان زادوه اهو ب 350 و مفروض يقللونه ب 530

فيقللونه بالي زادو اول شي و يقللونه بالي مفروض يقللونه اول مرا

50. A lawyer collected \$830 of legal fees in advance. He erroneously debited Cash for \$380 and credited Accounts Receivable for \$380. The correcting entry is

- | | |
|---------------------------|-----|
| a. Cash | 380 |
| Accounts Receivable | 450 |
| Unearned Revenue | 830 |
| b. Cash | 830 |
| Service Revenue | 830 |
| c. Cash | 450 |
| Accounts Receivable | 380 |
| Unearned Revenue | 830 |
| d. Cash | 450 |
| Accounts Receivable | 450 |

Ans: C,

استلم مقدم 830 مفروض يسجل
cash 830
unearned revenue
اهوا سجل
cash 380
A/R 30
فالحين بعدل قيمة الكاش بالفرق
بصكر الرسيفل لان مفروض ما يسجله, فيعكسه
unearned rev و يسجل

On May 25, Carlin Company received a \$550 check from Andy Jeter for services to be performed in the future. The bookkeeper for Carlin Company incorrectly debited Cash for \$550 and credited Accounts Receivable for \$550. The amounts have been posted to the ledger. To correct this entry, the bookkeeper should:

- A. debit Cash \$550 and credit Unearned Service Revenue \$550.
- B. debit Accounts Receivable \$550 and credit Service Revenue \$550.
- C. debit Accounts Receivable \$550 and credit Cash \$550.
- D. debit Accounts Receivable \$550 and credit Unearned Service Revenue \$550.

استلم مقدم 550 لخدمة بخدمها بعدين
مفروض يسجل

cash 550

unearned revenue 550

اهوا سجل

cash 550

A/R 550

الكاش صح , بس الرسيفل مفروض ما
يسجله

فبسكر الرسيفل لان مفروض ما يسجله,
فيعكسه

unearned rev و يسجل

51. On March 8, Ferneti Company bought office supplies on account from the Flint Company for \$880. Ferneti Company incorrectly debited Office Equipment for \$800 and credited Accounts Payable for \$800. The entries have been posted to the ledger. the correcting entry should be:

- | | |
|--------------------------|-----|
| a. Office Supplies | 880 |
| Accounts Payable | 880 |
| b. Office Supplies | 880 |
| Accounts Payable | 800 |
| Office Equipment | 80 |
| c. Office Supplies | 880 |
| Office Equipment | 880 |
| d. Office Supplies | 880 |
| Office Equipment | 800 |
| Accounts Payable | 80 |

Ans: D

المفروض تسجله
supplies 880
A/P 880
اهيا سجلت
Equip 800

52. The following information (in thousands) is for Zháng Office Supplies:

Zháng Office Supplies
Statement of Financial Position
December 31, 2011

Trademark	70,000			Share capital	120,000	
Land	90,000			R/E	250,000	
Bulding	100,000					370,000
Lesss: accum	(20,000)	80,000		A/P	60,000	
Land held for Investment	75,000			Salariea payable	10,000	
Prepaid insurance	30,000			Mortage payable	90,000	
Inventory	70,000					160,000
A/R	50,000			Total equity and liabilities		530,000
Cash	65,000					
Total assets	530,000					

The total dollar amount of assets to be classified as current assets is

- A. ¥290,000.
B. ¥215,000.
C. ¥180,000.
D. ¥145,000.

30+70+50+65

The total dollar amount of assets to be classified as property, plant, and equipment is

- A. ¥320,000.
 - B. ¥170,000.
 - C. ¥245,000.
 - D. ¥190,000.
- 90+80

The total dollar amount of assets to be classified as investments is

- A. ¥0.
- B. ¥150,000.
- C. ¥75,000.
- D. ¥180,000.

The total dollar amount of liabilities to be classified as current liabilities is

- A. ¥70,000.
 - B. ¥60,000.
 - C. ¥150,000.
 - D. ¥160,000.
- 10+60

53. All of the following are property, plant, and equipment *except*

- a. supplies.
- b. machinery.
- c. land.
- d. buildings.

54. The first item listed under current liabilities is usually

- a. accounts payable.
- b. notes payable.
- c. salaries payable.
- d. taxes payable.

55. Office Equipment is classified in the statement of financial position as

- a. a current asset.
- b. property, plant, and equipment.
- c. an intangible asset.
- d. a long-term investment.

56. A current asset is

- a. the last asset purchased by a business.
- b. an asset which is currently being used to produce a product or service.
- c. usually found as a separate classification in the income statement.
- d. an asset that a company expects to convert to cash or use up within one year.

57. An intangible asset
- does not have physical substance, yet often is very valuable.
 - is worthless because it has no physical substance.
 - is converted into a tangible asset during the operating cycle.
 - cannot be classified on the statement of financial position because it lacks physical substance.
58. Liabilities are generally classified on a statement of financial position as
- small liabilities and large liabilities.
 - present liabilities and future liabilities.
 - tangible liabilities and intangible liabilities.
 - current liabilities and non-current liabilities.
59. Which of the following would *not* be classified a Non-current liability?
- Current maturities of long-term debt
 - Bonds payable
 - Mortgage payable
 - Lease liabilities
60. Which of the following liabilities are *not* related to the operating cycle?
- Wages payable
 - Accounts payable
 - Utilities payable
 - Bonds payable
61. Intangible assets include each of the following *except*
- copyrights.
 - goodwill.
 - land improvements.
 - patents.
62. It is *not* true that current assets are assets that a company expects to
- realize in cash within one year.
 - sell within one year.
 - use up within one year.
 - acquire within one year.
63. The operating cycle of a company is the average time that is required to go from cash to
- sales in producing revenues.
 - cash in producing revenues.
 - inventory in producing revenues.
 - accounts receivable in producing revenues.

64. 156. On a classified statement of financial position, current assets are customarily listed
- a. in alphabetical order.
 - b. with the largest dollar amounts first.
 - c. in the reverse order of liquidity.
 - d. in the order of acquisition.
65. Intangible assets are
- a. listed under current assets on the statement of financial position.
 - b. not listed on the statement of financial position because they do not have physical substance.
 - c. noncurrent resources.
 - d. listed as a long-term investment on the statement of financial position.
66. The relationship between current assets and current liabilities is important in evaluating a company's
- a. profitability.
 - b. liquidity.
 - c. market value.
 - d. accounting cycle.
67. The most important information needed to determine if companies can pay their current obligations is the
- a. net income for this year.
 - b. projected net income for next year.
 - c. relationship between current assets and current liabilities.
 - d. relationship between short-term and non-current liabilities.

68. The following items (in thousands) are taken from the financial statements of Huang Company for the year ending December 31, 2011:

¥ 18,000	Accounts payable
11,000	Accounts receivable
28,000	Accumulated depreciation – equipment
21,000	Advertising expense
15,000	Cash
42,000	Share Capital-ordinary
14,000	Dividends
12,000	Depreciation expense
210,000	Equipment
3,000	Insurance expense
70,000	Note payable, due 6/30/12
6,000	Prepaid insurance (12-month policy)
17,000	Rent expense
60,000	Retained earnings (1/1/11)
32,000	Salaries expense
133,000	Service revenue
4,000	Supplies
6,000	Supplies expense

What is the company's net income for the year ending December 31, 2011?

- A. ¥133,000
- B. ¥42,000
- C. ¥28,000
- D. ¥12,000

revenues - expenses

revenues = 133

What is the balance that would be reported for equity at December 31, 2011?

- A. ¥102,000
- B. ¥130,000
- C. ¥144,000
- D. ¥158,000

$$\begin{aligned} \text{Equity} &= \text{RE} + \text{SH.C} \\ \text{SH.C} &= 42 \\ \text{RE ending} &= \text{beg} + \text{NI} - \text{Div} \\ \text{RE end} &= 60 + 42 - 14 = 88 \end{aligned}$$

What are total current assets at December 31, 2011?

- A. ¥26,000
 - B. ¥32,000
 - C. ¥36,000
 - D. ¥218,000
- 11+15+6+4

What is the book value of the equipment at December 31, 2011?

- A. ¥218,000
 - B. ¥190,000
 - C. ¥182,000
 - D. ¥150,000
- 210-28

What are total current liabilities at December 31, 2011?

- A. ¥18,000
 - B. ¥70,000
 - C. ¥88,000
 - D. ¥0
- 18+70

What are total Non-current liabilities at December 31, 2011?

- A. ¥0
- B. ¥70,000
- C. ¥88,000
- D. ¥90,000

What is total equity and liabilities at December 31, 2011?

- A. ¥176,000
 - B. ¥190,000
 - C. ¥218,000
 - D. ¥232,000
- 130+88+0

The sub-classifications for assets on the company's classified statement of financial position would include all of the following except:

- A. Current Assets.
- B. Property, Plant, and Equipment.
- C. Intangible Assets.
- D. Long-term Assets.

The current assets should be listed on Dinkel's statement of financial position in the following order:

- A. accounts receivable, prepaid insurance, equipment, cash.
- B. accounts receivable, prepaid insurance, supplies, cash.
- C. prepaid insurance, supplies, accounts, receivable, cash.
- D. equipment, supplies, prepaid insurance, accounts receivable, cash.

69. Which statement about long-term investments is not true?

- a. They will be held for more than one year.
- b. They are not currently used in the operation of the business.
- c. They include investments in stock of other companies and land held for future use.
- d. They can never include cash accounts.

70. What is the order in which assets are generally listed on a classified statement of financial position?

- A. Current and long-term.
- B. Intangible assets; long-term investments; property, plant, and equipment; current.
- C. Long-term investments; property, plant, and equipment; intangible assets; current
- D. Intangible assets; property, plant, and equipment; long-term investments; current.

71. These are selected account balances on December 31, 2011.

\$100,000	Land (location of the corporation's office building)
150,000	Land (held for future use)
600,000	Corporate Office Building
200,000	Inventory
450,000	Equipment
100,000	Office Furniture
300,000	Accumulated Depreciation

What is the total amount of property, plant, and equipment that will appear on the statement of financial position?

- A. \$1,300,000
- B. \$1,100,000
- C. \$1,600,000
- D. \$950,000
 $100+600+450+100-300$

72. Which classification of assets will appear first in the Statement of Financial Position?

- a. Current Assets.
- b. Long-term investments.
- c. Property, Plant and Equipment.
- d. Intangible Assets.

73. Which classification of assets will appear last in the Statement of Financial Position?

- a. Intangible Assets.
- b. Current Assets.
- c. Long-term investments.
- d. Property, Plant and Equipment.

74. Which account will appear last under the current assets classification on the Statement of Financial Position?

- a. Accounts Receivable.
- b. Prepaid Expenses.
- c. Short-term investments.
- d. cash.

75. Which of the following classification appears last in the Statement of Financial Position?

- a. Non-current Liabilities.
- b. Equity.
- c. Current Liabilities.
- d. Reserves.

76. Which of the following is in the proper position?

- a. Equity;Current Liabilities;Non-current Liabilities.
- b. Equity;Non-current Liabilities;Current Liabilities.
- c. Current Liabilities;Non-current Liabilities;Equity.
- d. Non-Current Liabilities; current Liabilities;Equity.

Use the following data (in thousands) for questions 86 – 89

¥ 943		Long-term debt
	¥ 880	Prepaid expenses
	11,500	Equipment
	264	Patents
	3,690	Short-term investments
481		Notes payable in 2012
	2,668	Cash
5,655		Accumulated depreciation
1,444		Accounts payable
368		Notes payable after 2012
10,000		Share capital-ordinary
3,063		Retained earnings
	1,696	Accounts receivable
	<u>1,256</u>	Inventories
¥ <u>21,954</u>	¥ <u>21,954</u>	Total

77. Total assets on the Statement of Financial Position for 2012 are:

- a. ¥21,954
 - b. ¥16,299
 - c. ¥27,609
 - d. ¥15,419
- 880+11500+264+3690+2668+1696+1256-5655**

78. The subtotal of the last asset classification on the 2012 Statement of Financial Position is:

- a. ¥5,845
- b. ¥9,310
- c. ¥11,500
- d. ¥10,190

last asset clasification is current assets: $880+3690+2668+1696+1256$

79. The subtotal of the first asset classification on the 2012 Statement of Financial Position is:

- a. ¥10,190
- b. ¥9,310
- c. ¥264
- d. ¥3,690

First asset clasification is intangible assets

80. The subtotal of the last equity and liabilities classification on the 2012 Statement of Financial Position is:

- a. ¥1,925
- b. ¥1,311
- c. ¥13,063
- d. ¥1,444

last clasification is current Liabilities : $481+1444$

81. Which of the following is in the proper order?

- a. Cash; Short-termInvestment; Accounts Receivable; Inventories; Supplies.
- b. Cash; Short-termInvestment; Inventories; Accounts Receivable; Supplies.
- c. Supplies; Inventories; Accounts Receivables; Short-term Investments; Cash.
- d. Supplies; AccountsReceivables; Inventories; Short-term Investments; Cash.

أول شي تنتبهون ان الكاش لازم اخر شي

82. Which of the following accounts does not appear in the Statement of Financial Position?

- a. Retained Earning
- b. Unearned Revenues
- c. Dividends
- d. Share Capital-ordinary

83. Statement of financial position accounts are considered to be

- a. temporary owner's equity accounts.
- b. permanent accounts.
- c. capital accounts.
- d. nominal accounts.

84. Income Summary has a credit balance of \$12,000 in J. Wenger Co. after closing revenues and expenses. The entry to close Income Summary is
- credit Income Summary \$12,000, debit Retained Earnings \$12,000.
 - credit Income Summary \$12,000, debit Dividends \$12,000.
 - debit Income Summary \$12,000, credit Dividends \$12,000.
 - debit Income Summary \$12,000, credit Retained Earnings \$12,000.

85. The post-closing trial balance contains only
- income statement accounts.
 - statement of financial position accounts.
 - statement of financial position and income statement accounts.
 - income statement, statement of financial position, and equity statement accounts.

86. Which of the following is an optional step in the accounting cycle?
- Adjusting entries
 - Closing entries
 - Correcting entries
 - Reversing entries

87. Which one of the following statements concerning the accounting cycle is *incorrect*?
- The accounting cycle includes journalizing transactions and posting to ledger accounts.
 - The accounting cycle includes only one optional step.
 - The steps in the accounting cycle are performed in sequence.
 - The steps in the accounting cycle are repeated in each accounting period.

88. Correcting entries are made
- at the beginning of an accounting period.
 - at the end of an accounting period.
 - whenever an error is discovered.
 - after closing entries.

89. On September 23, Riley Company received a \$350 check from Jack Colaw for services to be performed in the future. The bookkeeper for Riley Company incorrectly debited Cash for \$350 and credited Accounts Receivable for \$350. The amounts have been posted to the ledger. To correct this entry, the bookkeeper should

- A. debit Cash \$350 and credit Unearned Service Revenue \$350.
- B. debit Accounts Receivable \$350 and credit Unearned Service Revenue \$350.
- C. debit Accounts Receivable \$350 and credit Cash \$350.
- D. debit Accounts Receivable \$350 and credit Service Revenue \$350.

90. 194. All of the following are equity accounts *except*

- a. Retained Earnings.
- b. Common Stock.
- c. Investment in Stock.
- d. Dividends.
it is asset

91. Current liabilities

- a. are obligations that the company is to pay within the forthcoming year.
- b. are listed in the statement of financial position in order of their expected maturity.
- c. are listed in the statement of financial position starting with accounts payable.
- d. should not include long-term debt that is expected to be paid within the next year.

MULTIPLE CHOICE QUESTIONS

01. Net income from operations is gross profit less
 - a. financing expenses.
 - b. operating expenses.
 - c. other income and expense.
 - d. other expenses.
02. Which of the following would not be considered a merchandising company?
 - a. Retailer
 - b. Wholesaler
 - c. Service firm
 - d. Dot Com firm
03. A merchandising company that sells directly to consumers is a
 - a. retailer.
 - b. wholesaler.
 - c. broker.
 - d. service company.
04. Two categories of expenses for merchandising companies are
 - a. cost of goods sold and financing expenses.
 - b. operating expenses and financing expenses.
 - c. cost of goods sold and operating expenses.
 - d. sales and cost of goods sold.
05. The primary source of revenue for merchandising companies is
 - a. investment income.
 - b. service fees.
 - c. the sale of merchandise.
 - d. the sale of fixed assets the company owns.
06. Sales revenue less cost of goods sold is called
 - a. gross profit.
 - b. net profit.
 - c. net income.
 - d. marginal income.
07. Cost of goods sold is determined only at the end of the accounting period in
 - a. a perpetual inventory system.
 - b. a periodic inventory system.
 - c. both a perpetual and a periodic inventory system.
 - d. neither a perpetual nor a periodic inventory system.
08. Detailed records of the cost of each inventory purchase and sale are not maintained under a
 - a. perpetual inventory system.
 - b. periodic inventory system.
 - c. double entry accounting system.
 - d. single entry accounting system.

09. Which of the following is a true statement about inventory systems?
- Periodic inventory systems require more detailed inventory records.
 - Perpetual inventory systems require more detailed inventory records.
 - A periodic system requires cost of goods sold be determined after each sale.
 - A perpetual system determines cost of goods sold only at the end of the accounting period.
10. In a perpetual inventory system, cost of goods sold is recorded
- on a daily basis.
 - on a monthly basis.
 - on an annual basis.
 - with each sale.
11. Under a perpetual inventory system, acquisition of merchandise for resale is debited to the
- Inventory account.
 - Purchases account.
 - Supplies account.
 - Cost of Goods Sold account.
12. The journal entry to record a return of merchandise purchased on account under a perpetual inventory system would credit
- Accounts Payable.
 - Purchase Returns and Allowances.
 - Sales.
 - Inventory.
13. The Inventory account is used in each of the following except the entry to record
- goods purchased on account.
 - the return of goods purchased.
 - payment of freight on goods sold.
 - payment within the discount period.
14. A buyer would record a payment within the discount period under a perpetual inventory system by crediting
- Accounts Payable.
 - Inventory.
 - Purchase Discounts.
 - Sales Discounts.
15. If a purchaser using a perpetual system agrees to freight terms of FOB shipping point, then the
- Inventory account will be increased.
 - Inventory account will not be affected.
 - seller will bear the freight cost.
 - carrier will bear the freight cost.
16. Freight costs paid by a seller on merchandise sold to customers will cause an increase
- in the selling expense of the buyer.
 - in operating expenses for the seller.
 - to the cost of goods sold of the seller.
 - to a contra-revenue account of the seller.

17. Hicks Company purchased merchandise from Beyer Company with freight terms of FOB shipping point. The freight costs will be paid by the
 a. seller.
b. buyer.
 c. transportation company.
 d. buyer and the seller.
18. Geran Company purchased merchandise inventory with an invoice price of \$12,000 and credit terms of 2/10, n/30. What is the net cost of the goods if Geran Company pays within the discount period?
 a. \$12,000
b. \$11,760
 c. \$10,800
 d. \$11,040
19. Tony's Market recorded the following events involving a recent purchase of merchandise:
 Received goods for \$80,000, terms 2/10, n/30.
 Returned \$1,600 of the shipment for credit.
 Paid \$400 freight on the shipment.
 Paid the invoice within the discount period.
 As a result of these events, the company's inventory
 a. increased by \$76,832.
 b. increased by \$78,800.
 c. increased by \$77,224.
d. increased by \$77,232.
20. Under the perpetual system, cash freight costs incurred by the buyer for the transporting of goods are recorded in
 a. Freight Expense.
 b. Freight In.
c. Inventory.
 d. Freight-Out.
21. Rasner Co. returned defective goods costing \$8,000 to Markum Company on April 19, for credit. The goods were purchased April 10, on credit, terms 3/10, n/30. The entry by Rasner Co. on April 19, in receiving full credit is:

a. Accounts Payable.....	8,000	
Inventory.....		8,000
<hr/>		
b. Accounts Payable.....	8,000	
Inventory.....	240	
Cash.....		8,240
<hr/>		
c. Accounts Payable.....	8,000	
Purchase Discounts.....		240
Inventory.....		7,760
<hr/>		
d. Accounts Payable.....	8,000	
Inventory.....		240
Cash.....		7,760

22. Mather Company made a purchase of merchandise on credit from Underwood Company on August 8, for \$6,000, terms 3/10, n/30. On August 17, Mather makes the appropriate payment to Underwood. The entry on August 17 for Mather Company is:

a. Accounts Payable	6,000	
Cash		6,000
b. Accounts Payable	5,820	
Cash		5,820
c. Accounts Payable	6,000	
Purchase Returns and Allowances.....		180
Cash		5,820
d. Accounts Payable	6,000	
Inventory		180
Cash		5,820

23. Touch Tronix, Inc. sells component parts to Advanced Communications, Inc. a cell phone manufacturer. On December 10, 2014, Touch Tronix, Inc. sold €1,020,000 of goods to Advanced Communications, Inc. on account for €1,320,000. Terms of the sale were 2/10, net 30. On December 18, 2014, Advanced Communications, Inc. paid the account in full. Advanced Communications, Inc. uses a perpetual inventory system. Which of the following is true regarding the impact on the statement of financial position for Advanced Communications, Inc. when the payment is made on December 18, 2014?

- Cash decreased by €999,600.
- Inventory decreased by €20,400.
- Accounts payable decreases by €1,020,000.
- Inventory decreased by €26,400.

24. Touch Tronix, Inc. sells component parts to Advanced Communications, Inc. a cell phone manufacturer. On December 10, 2014, Touch Tronix, Inc. sold €1,020,000 of goods to Advanced Communications, Inc. on account for €1,320,000. Terms of the sale were 2/10, net 30. On December 18, 2014, Advanced Communications, Inc. paid the account in full. Advanced Communications, Inc. uses a perpetual inventory system. Which of the following is true regarding the impact on the statement of financial position for Advanced Communications, Inc. when the payment is made on December 18, 2014?

- Assets decreased by €1,320,000.
- Assets increased by €26,400.
- Liabilities decreased by €1,293,600.
- Liabilities decreased by €1,020,000.

25. On November 2, 2014, Griffey Company has cash sales of €7,000 from merchandise having a cost of €5,000. The entries to record the day's cash sales will include:

- a €5,000 credit to Cost of Goods Sold.
- a €7,000 credit to Cash.
- a €5,000 credit to Inventory.
- a €7,000 debit to Accounts Receivable.

26. A credit sale of £3,200 is made on April 25, terms 2/10, n/30, on which a return of £200 is granted on April 28. What amount is received as payment in full on May 4?

- £2,940
- £3,136
- £3,200
- £3,000

27. The entry to record the receipt of payment within the discount period on a sale of ¥12,500 with terms of 2/10, n/30 will include a credit to
- Sales Discounts for ¥250.
 - Cash for ¥1,225.
 - Accounts Receivable for ¥12,500.
 - Sales Revenue for ¥12,500.
28. Birk Company sells merchandise on account for \$5,000 to Kiner Company with credit terms of 2/10, n/30. Kiner Company returns \$1,000 of merchandise that was damaged, along with a check to settle the account within the discount period. What is the amount of the check?
- \$4,900
 - \$4,920
 - \$4,000
 - \$3,920
29. The collection of a \$1,200 account after the 2 percent discount period will result in a
- debit to Cash for \$1,176.
 - debit to Accounts Receivable for \$1,200.
 - debit to Cash for \$1,200.
 - debit to Sales Discounts for \$24.
30. The collection of a ¥9,000 account after the 2 percent discount period will result in a
- debit to Cash for ¥8,820.
 - credit to Accounts Receivable for ¥9,000.
 - credit to Cash for ¥9,000.
 - debit to Sales Discounts for ¥180.
31. In a perpetual inventory system, the Cost of Goods Sold account is used
- only when a cash sale of merchandise occurs.
 - only when a credit sale of merchandise occurs.
 - only when a sale of merchandise occurs.
 - whenever there is a sale of merchandise or a return of merchandise sold.
32. Sales revenues are usually considered earned when
- cash is received from credit sales.
 - an order is received.
 - goods have been transferred from the seller to the buyer.
 - adjusting entries are made.
33. A sales invoice is a source document that
- provides support for goods purchased for resale.
 - provides evidence of incurred operating expenses.
 - provides support for credit sales.
 - serves only as a customer receipt.
34. Sales revenue
- may be recorded before cash is collected.
 - will always equal cash collections in a month.
 - only results from credit sales.
 - is only recorded after cash is collected.

35. The Sales Returns and Allowances account is classified as a(n)
 a. asset account.
 b. contra-asset account.
 c. expense account.
d. contra-revenue account.
36. A credit sale of \$3,600 is made on July 15, terms 2/10, n/30, on which a return of \$200 is granted on July 18. What amount is received as payment in full on July 24?
 a. \$3,600
b. \$3,332
 c. \$3,400
 d. \$3,528
37. When goods are returned that relate to a prior cash sale,
 a. the Sales Returns and Allowances account should not be used.
b. the Cash account will be credited.
 c. Sales Returns and Allowances will be credited.
 d. Accounts Receivable will be credited.
38. The Sales Returns and Allowances account does **not** provide information to management about
 a. inferior merchandise.
b. the percentage of credit sales versus cash sales.
 c. inefficiencies in filling orders.
 d. errors in billing customers.
39. The credit terms offered to a customer by a business firm are 2/10, n/30, which means that
 a. the customer must pay the bill within 10 days.
 b. the customer can deduct a 2% discount if the bill is paid between the 10th and 30th day from the invoice date.
c. the customer can deduct a 2% discount if the bill is paid within 10 days of the invoice date.
 d. two sales returns can be made within 10 days of the invoice date and no returns thereafter.

40. Moses Company sells merchandise on account for \$6,000 to Lane Company with credit terms of 2/10, n/30. Lane Company returns \$900 of merchandise that was damaged, along with a check to settle the account within the discount period. What entry does Moses Company make upon receipt of the check?

a. Cash.....	5,100	
Accounts Receivable.....		5,100
b. Cash.....	4,998	
Sales Returns and Allowances	1,002	
Accounts Receivable.....		6,000
c. Cash.....	4,998	
Sales Returns and Allowances	900	
Sales Discounts	102	
Accounts Receivable.....		6,000
d. Cash.....	5,880	
Sales Discounts	120	
Sales Returns and Allowances.....		900
Accounts Receivable.....		5,100

41. Which of the following would **not** be classified as a contra account?
a. Sales Revenue
 b. Sales Returns and Allowances
 c. Accumulated Depreciation
 d. Sales Discounts
42. When a seller grants credit for returned goods, the account that is credited is
 a. Sales Revenue.
 b. Sales Returns and Allowances.
 c. Inventory.
d. Accounts Receivable.
43. The respective normal account balances of Sales Revenue, Sales Returns and Allowances, and Sales Discounts are
 a. credit, credit, credit.
 b. debit, credit, debit.
c. credit, debit, debit.
 d. credit, debit, credit.
44. The sales revenue section of an income statement for a retailer would **not** include
 a. Sales discounts.
 b. Sales revenue.
 c. Net sales.
d. Gross profit.

45. Rowland Company reported the following balances at June 30, 2014:

Sales Revenue	\$27,000
Sales Returns and Allowances	1,000
Sales Discounts	500
Cost of Goods Sold	12,500

Net sales for the month is

- a. \$27,000.
 b. \$26,000.
c. \$25,500.
 d. \$13,000.
46. Maxwell Company's financial information is presented below.
- | | | | | |
|------------------------------|---|---------|--------------------|----------|
| Sales Revenue | € | ???? | Cost of Goods Sold | €450,000 |
| Sales Returns and Allowances | | 50,000 | Gross Profit | ???? |
| Net Sales | | 750,000 | | |
- The missing amounts above are:
- | | | |
|----|----------------------|---------------------|
| | <u>Sales Revenue</u> | <u>Gross Profit</u> |
| a. | €800,000 | €300,000 |
| b. | €700,000 | €300,000 |
| c. | €800,000 | €350,000 |
| d. | €700,000 | €350,000 |
47. The operating expense section of an income statement for a wholesaler would **not** include
 a. freight-out.
 b. utilities expense.
c. cost of goods sold.
 d. insurance expense.

48. Income from operations will always result if
- the cost of goods sold exceeds operating expenses.
 - revenues exceed cost of goods sold.
 - revenues exceed operating expenses.
 - gross profit exceeds operating expenses.
49. If a company has net sales of \$800,000 and cost of goods sold of \$480,000, the gross profit rate is
- 60%.
 - 40%.
 - 20%.
 - 100%.

50. A company shows the following balances:

Sales Revenue	¥1,500,000
Sales Returns and Allowances	270,000
Sales Discounts	30,000
Cost of Goods Sold	840,000

What is the gross profit rate?

- 56%
- 70%
- 44%
- 30%

51. The gross profit rate is computed by dividing gross profit by
- cost of goods sold.
 - net income.
 - net sales.
 - sales revenue.

52. On a classified statement of financial position, inventory is classified as
- an intangible asset.
 - property, plant, and equipment.
 - a current asset.
 - a long-term investment.

53. During 2014, Yoder Enterprises generated revenues of \$120,000. The company's expenses were as follows: cost of goods sold of \$60,000, operating expenses of \$24,000 and a loss on the sale of equipment of \$4,000.

Yoder's gross profit is

- \$120,000.
- \$60,000.
- \$36,000.
- \$32,000.

54. During 2014, Yoder Enterprises generated revenues of \$120,000. The company's expenses were as follows: cost of goods sold of \$60,000, operating expenses of \$24,000 and a loss on the sale of equipment of \$4,000.

Yoder's income from operations is

- a. \$120,000.
 - b. \$60,000.
 - c. \$36,000.
 - d. \$24,000.
55. During 2014, Yoder Enterprises generated revenues of \$120,000. The company's expenses were as follows: cost of goods sold of \$60,000, operating expenses of \$24,000 and a loss on the sale of equipment of \$4,000.

Yoder's net income is

- a. \$120,000.
- b. \$60,000.
- c. \$36,000.
- d. \$32,000.

56. Financial information is presented below:

Operating Expenses	€ 180,000
Sales Returns and Allowances	52,000
Sales Discounts	24,000
Sales Revenue	640,000
Cost of Goods Sold	308,000

The amount of net sales on the income statement would be

- a. €616,000.
 - b. €564,000.
 - c. €640,000.
 - d. €664,000.
57. Murray's Fashions sold merchandise for \$114,000 cash during the month of July. Returns that month totaled \$2,400. If the company's gross profit rate is 40%, Murray's will report monthly net sales revenue and cost of goods sold of
- a. \$114,000 and \$45,600.
 - b. \$111,600 and \$44,640.
 - c. \$111,600 and \$66,960.
 - d. \$114,000 and \$66,960.

58. During August, 2014, Joe's Supply Store generated revenues of \$90,000. The company's expenses were as follows: cost of goods sold of \$36,000 and operating expenses of \$6,000. The company also had rent revenue of \$1,500 and a gain on the sale of a delivery truck of \$3,000.

Joe's other income and expense (loss) for the month of August, 2014 is

- a. \$0.
- b. \$1,500.
- c. \$3,000.
- d. \$4,500.

59. Sampson Company's accounting records show the following for the year ending December 31, 2014:

Purchase Discounts	£	14,000
Freight-In		19,500
Purchases		500,025
Beginning Inventory		58,750
Ending Inventory		72,000
Purchase Returns		16,000

Using the periodic system, the cost of goods purchased is

- a. £450,525.
b. £510,525.
c. £521,525.
d. £489,525.
60. The following information is available for Norton Company:
- | | | | |
|------------------|-----------|---------------------------------|----------|
| Sales Revenue | \$390,000 | Freight-In | \$30,000 |
| Ending Inventory | 36,000 | Purchase Returns and Allowances | 15,000 |
| Purchases | 270,000 | Beginning Inventory | 45,000 |
- Norton's cost of goods sold is
- a. \$345,000.
b. \$330,000.
c. \$294,000.
d. \$285,000.
61. During the year, Carla's Pet Shop's merchandise inventory decreased by \$40,000. If the company's cost of goods sold for the year was \$600,000, purchases must have been
- a. \$640,000.
b. \$560,000.
c. \$520,000.
d. Unable to determine.
62. Cost of goods available for sale is computed by adding
- a. beginning inventory to net purchases.
b. beginning inventory to the cost of goods purchased.
c. net purchases and freight-in.
d. purchases to beginning inventory.
63. The Freight-In account
- a. increases the cost of merchandise purchased.
b. is contra to the Purchases account.
c. is a permanent account.
d. has a normal credit balance.
64. Net purchases plus freight-in determines
- a. cost of goods sold.
b. cost of goods available for sale.
c. cost of goods purchased.
d. total goods available for sale.

- 65 . Under a periodic inventory system, acquisition of merchandise is debited to the
- Inventory account.
 - Cost of Goods Sold account.
 - Purchases account.
 - Accounts Payable account.
66. The respective normal account balances of Purchases, Purchase Discounts, and Freight-In are
- credit, credit, debit.
 - debit, credit, credit.
 - debit, credit, debit.
 - debit, debit, debit.
- 67 . Net sales is sales revenue less
- sales discounts.
 - sales returns.
 - sales returns and allowances.
 - sales discounts and sales returns and allowances.

1. Each of the following accounts is closed to Income Summary account except

- a. Expenses
- b. Dividends → R.E
- c. Revenues
- d. All of the above accounts are closed to income summary account.

ANS: b

2. When a ^{خسارة} net loss has occurred, income summary account is:

- a. Debited and Retained Earnings is credited.
- b. Credited and Retained Earnings is debited.
- c. Debited and Dividends is credited.
- d. Credited and dividends is debited.

ANS: b

RE
Income Summary

3. Cost of goods sold is determined only at the end of the accounting period in

- a. A perpetual inventory system.
- b. A periodic inventory system.
- c. Both a perpetual and a periodic inventory system.
- d. Neither a perpetual nor a periodic inventory system.

ANS: b

Perpetual → ^{أي وقت في} _{Inventory CGS} ^{الوقت نعرفه}
Periodic → ^{فقط في آخر السنة}
Inv. + CGS

4. In perpetual inventory system, cost of goods sold is recorded

- a. On a daily basis
- b. On a monthly basis
- c. On annual basis
- d. With each sales transaction

ANS: d

كل ما ابيع اذهب له

5. If buyer using a perpetual system agrees to shipping terms of FOB shipping point, then the

- a. Merchandise inventory account will not be affected.
- b. Merchandise inventory account will be increased by freight in cost.
- c. Seller will pay the freight cost.
- d. Carrier will pay the freight cost.

ANS: b

Inventory
A/P
الشراء

Inventory
cash
المكافئ
النقل

6. The sales returns and allowance account is classified as

- a. Assets account.
- b. Contra assets account.
- c. Expenses account.
- d. Contra revenue account.

ANS: d

7. Which of the following should be included in the physical count of inventory of a company
- Goods held on consignment from another company.
 - Goods in transit which is sold to another company and shipped FOB destination point.
 - Goods in transit which is purchased from another company shipped FOB shipping point.
 - Both B and C above.

ANS: D

8. The sales revenue usually considered earned when
- cash is received from credit sales.
 - an order is received.
 - goods have been transferred from the seller to the buyer.
 - adjusting entries are made.

ANS: C

9. If goods in transit are shipped FOB destination point
- The seller has the legal ownership on the goods until they arrive to the buyer store.
 - The transportation cost is paid by the buyer.
 - The transaction cost is paid by the seller.
 - Both a and c are correct.

ANS: d

10. ABC Co. uses perpetual inventory system. On July 1, 2011 ABC Purchased merchandise inventory for \$3,200 on account. On July 22, 2011 ABC sold this merchandise inventory for \$5,000 in cash. ABC Co, record the sales of this merchandise as follows:

- Debit to cash for \$5,000 and credit to sales revenue for \$5,000
- Debit to cost of goods sold for \$3,200 and credit to sales revenue for \$5,000.
- Debit to accounts receivables for \$5,000 and credit to sales revenue for \$5,000.
- Both a and b above are correct.

ANS: a

11. At year-end, Soliman Corporation has 2,000 units of Speakers, 2,000 units of Monitors. And 3,000 units of Keyboards in its ending inventory. Specific data with respect to each product follows.

Item	# of Units	Cost per Unit	Net Realizable Value per unit
Speakers	2,000	\$55	\$48
Monitors	2,000	\$70	\$77
Keyboards	3,000	\$98	\$94

What amount will Soliman report for ending inventory using Lower of Cost or net realizable value item by item (individual items) method?

- \$532,000
- \$518,000
- \$544,000
- \$558,000

ANS: b

Item	Total Cost	Total NRV	LCNRV
Speakers	\$110,000	\$96,000	\$96,000
Monitors	\$140,000	\$154,000	\$140,000
Keyboards	\$294,000	\$282,000	\$282,000
			\$518,000

Total cost = # of unit X Cost per unit
 Total NRV = # of unit X NRV per unit
 LCNRV = 518,000

Chapter 5

Use the following information to answer the next five questions:

On December 31, 2014 Salem Co. has the following selected balances.

Sales revenue	\$ 95,000	Sales Discount	\$ 3,000
Rent revenue	6,000	Cost of goods sold	45,000
Operating expenses	18,000	Loss on sale of equipment	3,000
Interest expenses	2,000	Sales returns and allowance	2,000
Income tax expenses	4,000	Unearned rent revenue	5,000

12. Salem's net sales is?:

- a. \$95,000
b. \$92,000
c. \$93,000
d. \$90,000

ANS: d

Sales Revenue	\$ 95,000
(-) Sales Returns	(2,000)
(-) Sales Discount	(3,000)
(=) Net Sales	90,000

13. Salem's gross profit is?:

- a. \$90,000
b. \$45,000
c. \$27,000
d. \$27,000

ANS: b

Net Sales	\$ 90,000
(-) Cost of Goods Sold	45,000
(=) Gross Profit	45,000

14. Salem's income from operations is?:

- a. \$27,000
b. \$45,000
c. \$30,000
d. \$25,000

ANS: a

Gross Profit	\$ 45,000
(-) Operating Expenses	18,000
(=) Income from operations	27,000

15. Salem's income before income tax is?:

- a. \$27,000
b. \$28,000
c. \$30,000
d. \$24,000

ANS: b

Income from operations	27,000
(-) Other Income and expenses	
(Loss on sale of Equipment)	-(3,000)
Rent Revenue	6,000
(-) Interest Expenses	(2,000)
(=) Income Before tax	28,000

16. Salem's net income is?:

- a. \$27,000
b. \$28,000
c. \$30,000
d. \$24,000

ANS: d

(=) Income Before tax	28,000
(-) Income Tax Expenses	4,000
(=) Net Income	24,000

Use the following information to answer the next three questions.

The ledger accounts for Ali's Rentals include the following normal balances as of December 31, 2014

Accumulated depreciation (Equipment)	\$ 2,000
Cash	7,300
Equipment	15,000
Share Capital	?
Retained Earnings	2,200
Accounts Receivable	3,600
Accounts Payable	7,800
Inventory	1,200
Notes Payable (Due March 1, 2015)	1,600
Notes Payable (Due December 31, 2019)	7,500

17. What are the total Current assets and total assets respectively?:

- a. \$12,100 and \$25,100
- b. \$11,100 and \$27,100
- c. \$13,700 and \$25,100
- d. \$13,700 and \$27,100

ANS: a

Cash	7,300	
Accounts receivables	3,600	
Inventory	1,200	
Total Current Assets		12,100
Equipment	15,000	
(-) Accumulated depreciation	(2,000)	
Total Non Current Assets		13,000
Total Assets		25,100

18. What are the total Current Liabilities and total Liabilities respectively?:

- a. \$7,800 and \$16,900
- b. \$9,400 and \$16,900
- c. \$11,100 and \$16,900
- d. \$9,400 and \$18,900

ANS: b

Accounts Payable	7,800	
Note Payable (Due 2015)	1,600	
Total Current Liabilities		9,400
Note Payable (Due 2019)	7,500	
Total Non Current Assets		7,500
Total Liabilities		16,900

19. What are the amount of Share Capital?:

- a. \$10,200
- b. \$8,200
- c. \$8,000
- d. \$6,000

ANS: d

Total Assets	25,100
(-) Total Liabilities	16,900
= Total Equity	8,200
(-) Retained Earnings	2,200
= Share Capital	6,000

Use the following information to answer the next five questions.

The following data were taken from the records of Car Company which uses a periodic inventory system

Fright out	\$ 1,100	Sales revenue	\$ 400,000
Fright in	20,000	Beginning inventory	70,000
Sales Discount	18,000	Purchase	200,000
Purchase returns and allowance	32,000	Purchase Discount	10,000
Sales returns and allowance	35,000	Ending Inventory	80,000
Operating Expenses	85,000		

20. Net Purchase for Car Company is:

- a. \$158,000
- b. \$340,000
- c. \$230,000
- d. \$213,000

ANS: a

Purchase	200,000
(-) Purchase Returns	32,000
(-) Purchase Discount	10,000
= Net Purchase	158,000

21. Cost of Purchase for Car Company is:

- a. \$178,000
- b. \$360,000
- c. \$215,000
- d. \$205,000

ANS: a

= Net Purchase	158,000
+ Fright in	20,000
= Cost of Purchase	178,000

22. Cost of goods available for Car Company is:

- a. \$155,000
- b. \$225,000
- c. \$248,000
- d. \$250,000

ANS: c

Cost of Purchase	178,000
+ Beginning Inventory	70,000
= Cost of Goods Available	248,000

23. Cost of goods sold for Car Company is:

- a. \$168,000
- b. \$170,000
- c. \$250,000
- d. \$275,000

ANS: a

Cost of Goods Available	248,000
(-) Cost of ending Inventory	80,000
= Cost of Goods Sold	168,000

24. Net Income for Car Company is:

- a. \$90,000
- b. \$92,900
- c. \$81,000
- d. \$89,000

Sales Revenue	400,000	
(-) Sales Discount	18,000	
(-) Sales Returns and Allowance	35,000	
= Net Sales		347,000
(-) Cost of Goods Sold		168,000
= Gross Profit		179,000
(-) Operating Expenses		85,000
= Income from operation		94,000

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