1. When adjusting entries are made, both the permanent account and the temporary account are affected.	**A. True**	B. False		
2. The Statement of Retained Earnings account is prepared before the Income Statement.	A. True	**B. False**		
3. Transportation charges have no effect on the cost of merchandise purchased.	A. True	**B. False**		
4. It is not necessary to report General Ledger accounts on the Trial Balance if there is a zero balance in the account.	A. True	**B. False**		
5. An example of a contra account is Sales Discounts.	**A. True**	B. False		
6. Temporary accounts will have a zero balance once the closing entries have been posted.	**A. True**	B. False		
7. A Balance Sheet will show the business owner the final balances of all the permanent accounts as of a certain date.	**A. True**	B. False		
8. Merchandise Inventory will only appear on the Balance Sheet.	A. True	**B. False**		
9. Most businesses will conduct a monthly physical inventory of merchandise.	A. True	**B. False**		
10. Accountants use what is called a "costing method" to determine the value of the ending inventory; that in turn affects the gross profit on sales for the accounting period.	**A. True**	B. False		
11. Bad debits are generally called uncollectible accounts.	A. True	B. False		
12. It is not necessary to report allowance for uncollectible accounts on any statement.	A. True	**B. False**		
13. The work sheet is a financial statement.	A. True	**B. False**		
14. The book value of an asset is always equal to the trade-in allowance.	A. True	**B. False**		
15. There are many common aspects between a manufacturing business and a merchandising business.	**A. True**	B. False		
16. To debit an expense account means to decrease it.	A. True	**B. False**		
17. A trial balance in balance is proof that no errors were made in journalizing the transactions, posting to the ledger, and preparing the trial balance.	A. True	**B. False**		
18. A journal is a group of accounts.	A. True	**B. False**		
19. The accrual basis of accounting reflects revenue when it is earned, not when cash is received.	**A. True**	B. False		
20. In recording adjusting entries, all errors will cause the trial balance to be out of balance.	A. True	**B. False**		
21. An asset held for more than half the month is counted for the full month when calculating depreciation.	**A. True**	B. False		
22. A straight line method of calculating depreciation for an asset assumes that higher amounts of depreciation are recorded in the early years rather than in the later years.	A. True	**B. False**		

23. When a business disposes of an asset, the accountant will record depreciation up to the date disposal is made.	**A. True**	B. False		
24. A note payable represents a liability to the business.	**A. True**	B. False		
25. In a partnership, each partner maintains a separate capital account and a separate withdrawal account in accordance with the standards of accounting principles.	**A. True**	B. False		
26. Profits and losses in a partnership are always shared equally between/among the partners.	A. True	**B. False**		
27. When partners agree to dissolve the partnership, they also agree to dissolve the business.	A. True	**B. False**		
28. Organizations that are incorporated as not-for-profit prepare financial statements to measure the organizations performance.	**A. True**	B. False		
29. In a departmental accounting system, each department will usually maintain separated revenue and cost of merchandise accounts.	**A. True**	B. False		
30. If a business uses a voucher system, the business will also use an accounts payable account.	A. True	**B. False**		
31. A journal in which the accountant first records transactions is called:	A. A book of original entry	B. A ledger	C. A General Ledger	**D. A and C**
32. The accountant for ABC Company failed to post a $100 debit to the Postage account. The effect of this error will be that:	A. The account balance will be overstated	**B. The trial balance will not balance**	C. The error will overstate the debits listed in the journal	D. The total debits in the trail balance will be larger than the total credits
33. James Jones purchased a new copier that cost $10,000, made a down payment of $3,000, and signed a note payable for the balance. The entry to record this transaction is:	A. Debit Cash 3,000.00 & Note Payable 7,000.00; Credit Office Equipment 10,000.00	**B. Debit Office Equipment- 10,000.00; Credit Cash 3,000.00 & Jones, Capital 7,000.00**	C. Debit Office Equipment 3,000.00; Credit Cash 3,000.00	D. Debit Office Equipment 10,000.00; Credit Note Payable 7,000.00 & Cash 3,000.00
34. On December 31, 1997, insurance costs, incurred but unpaid, were not recorded. If these insurance costs were related to work-in-process, what would be the effect of the omission on accrued liabilities and retained earnings on the balance sheet?	A. No effect on Accrued Liabilities or Retained Earnings	B. No effect on Accrued Liabilities but Overstated Retained Earnings	**C. Understated Accrued Liabilities but No effect on Retained Earnings**	D. Understated Accrued Liabilities and Overstated Retained Earnings
35. ABC Company pays all employees on a biweekly basis. Overtime pay, however, is paid on the next biweekly period. The company accrues salaries expense only as its December 31 year end. Data relating to salaries earned in December 1997 are as follows: Last payroll was paid on 12/26/97, for the 2-week period ended 12/26/97. Overtime pay earned in the 2-week period ended 12/26/97 was $4,200. Remaining work days in 1997 were December 29, 30, and 31, on which there was no overtime.				
35. The recurring biweekly salaries total $75,000. Assuming a five-day work week, ABC Company should record a liability on December 31 for accrued salaries of:	A. $22,500	B. $49,200	C. $45,000	**D. $26,700**

36. ABC Company's checkbook balance on December 31, 1997 was $5,000. In addition ABC held the following items: Check payable to ABC for $2,000 dated January 2, 1998, in payment of a sale made in December not included in the December 31 checkbook balance. Check payable to ABC for $500 deposited December 15 and included in the December 31 checkbook balance, but returned on December 30 stamped "NSF." The check was redeposited on January 2, and cleared on January 9. Check drawn on ABC account for $300 payable to a supplier, dated and recorded on December 31 but not mailed until January 5.				
36. The proper amount to be shown as Cash on the balance sheet at December 31, 1997 is:	A. $4,800	B. $5,300	C. $6,500	**D. $6,200**
37. On September 1, 1996, a company borrowed cash and signed a two-year interest-bearing note on which both the principal and interest are payable on September 1, 1998. At December 31, 1997, the liability for accrued interest should be for:	A. No liability	**B. 4 months of interest**	C. 12 months of interest	D. 16 months of interest
Items 38 and 39 are based on the following data: In preparing its bank reconciliation at December 31, 1997, FBLA has available the following data: Balance on bank statement, 12/31/97: $38,075 Deposit in transit, 12/31/97: 5,200 Outstanding checks, 12/31/97: 6,750 Amount erroneously credited by bank to account, 12/28/97: 400 Bank service charges for December: 75				
38. FBLA's adjusted cash in bank balance at December 31, 1997 is:	A. $36,525	B. $36,450	**C. $36,125**	D. $36,050
39. A debit to cash is required to adjust the general ledger for:	**A. $ 0**	B. $ 75	C. $ 400	D. $6,750
40. Individual taxpayers itemizing deductions are required to file IRS Form:	**A. 1040**	B. 1040EZ	C. 1040A	D. None of the above
41. ABC Company declared dividends for 1997. The effect will be:	A. Retained Earning is debited and Dividends Declared is credited	**B. Dividends Declared is debited and Dividends Payable is credited**	C. Dividends Declared is debited and Retained Earnings is credited	D. Dividends Payable is debited and Dividends Declared is credited
42. When an uncollectible account is removed from the accounts because the business decides that the account is not going to be paid, the accountant uses which method:	A. Matching principal method	**B. Direct write-off method**	C. Allowance method	D. Aging of accounts receivable method
43. Which of the following means that revenue for a fiscal period must be matched against the expenses incurred in earning that revenue during the same period?	A. Direct write-off method	B. Allowance method	C. Aging of accounts receivable method	**D. Matching principal**
44. What is the maturity date for the following note payable issued May 5 for a term of 90 days?	A. July 4	**B. August 3**	C. September 4	D. August 4
45. Find the interest and maturity value for a 60 day note with principal of $1200 and interest at 12:	A. $144.00 interest; $1.344.00 maturity value	B. $ 3.94 interest; $1,203.94 maturity value	**C. $ 23.67 interest; $1,223.67 maturity value**	D. $394.52 interest; $1,594.52 maturity value
46. On a non-interest bearing note, the face value of the note is the same as the:	A. Maturity date	B. Maturity value	**C. B and D**	D. Principal
47. A fiscal period may be:	A. One month	B. Three months	C. Six months	**D. All of the above, but usually one year**

48. Depreciation on a business' building based on the straight line method is what type of cost?	A. Variable	**B. Fixed**	C. Mixed	D. All of the above
49. An example of a business' variable cost would be:	A. Wages	B. Supplies	C. Truck depreciation bases on miles driven	**D. All of the above**
50. A purchase on account is considered to be a:	A. Cash transaction	**B. Credit transaction**	C. Pre-paid transaction	D. Expense transaction
51. The purchase of a desk on account will increase:	A. Column 1: Office Equipment; Column 2: Cash	**B. Column 1: Office Equipment; Column 2: Accounts Receivable**	C. Column 1: Office Equipment; Column 2: Capital	D. Column 1: Office Equipment; Column 2: Accounts Payable
52. A right given to an individual or business that allows one to use the company's name is called a:	**A. Franchise**	B. Trade agreement	C. Charter	D. Voucher
53. When a business uses a pricing method that adds a markup to the cost of products, the method is called:	A. Full cost plus	B. Standard cost plus	**C. Product cost plus**	D. Cost variance
54. When a corporation sells a bond issue to an investment firm, the firm is known as the:	A. Mortgagor	B. Mortgagee	C. Bond indenture	**D. Underwriter**
55. FASB refers to:	A. Fiscal Accountability Savings Board	B. Financial Accountability Standards Board	**C. Financial Accounting Standards Board**	D. Federal Accounting Standards Board
56. In a partnership when both the partnership and the business end, this is called:	A. Mutual Agency	**B. Liquidation**	C. Dissolution	D. Partnership agreement
57. ABC Company shows the following data for June, 1998: Beginning Inventory at cost: $210,000; at retail: $428,510 Net Purchases at cost: $74,000; at retail: $129,667 Sales totaled $194,000.				
57. If the gross profit percentage has been 28 on average, what is the estimated cost of the ending inventory using the gross profit method?	**A. $144,320**	B. $139,680	C. $229,680	D. $199,987
58. When the ABC Company issues interim statements, they are statements that show:	A. All of the company's adjusting entries	B. Comparative year end balance sheets	**C. Monthly or quarterly financial information**	D. All of the company's closing entries
59. Which one of the following statements is true?	A. Interest received on state and municipal bonds must be included in taxable income.	**B. MACRS is a method to calculate depreciation and may be an advantage to a business for tax purposes.**	C. Federal law does not requires each employer to withhold PICA taxes from each employee's wages; it only requires that the employer furnish a W2 annually for income tax purposes.	D. None of the above
60. Generally, the accountant will prepare financial statements in a specific order. Which is the best order to follow?	A. Balance Sheet, Income Statement, Statement of owner's equity	B. Statement of owner's equity, Income Statement, Balance Sheet	**C. Income Statement, Statement of owner's equity, Balance Sheet**	D. Income Statement, Balance Sheet, Statement of owner's equity
61. When the accountant determines the liquidity ratio for a business, he/she will calculate the data found on the:	**A. Balance Sheet**	B. Income Statement	C. Statement of changes in the Owner's Equity	D. Company's Franchise Agreement
62. When a company pays dividends on preferred stock, it will express the dividend as a:	A. Specific dollar amount	B. Percentage of the stock's par value	C. Percentage of the stock's market value	**D. Both A and B**

63. ABC Company issues 5,000 shares of $10 par common stock at $12.50 per share. What amount will be credited to the Paid-in Capital (excess of par) account?	**A. $12,500**	B. $50,000	C. $62,500	D. None of the above as the account is an inappropriate account to credit
64. Each year, the accountant for ABC company evaluates the business' earning power. He/she is using what is called:	A. Current ratio	B. Quick ratio	C. Portfolio ratio	**D. Profitability ratio**
65. A corporation whose stock is widely held, with large markets, and trades on the stock exchange is a:	A. Privately held corporation	**B. Publicly held corporation**	C. Not-for-profit corporation	D. S-corporation
66. When a cash dividend is paid, the accounts debited and credited are:	A. Retained Earnings and Dividends Payable	B. Cash and Dividends Payable	**C. Dividends Payable and Cash**	D. Cash and Common Stock
67. A general ledger account that appears on both the balance sheet and income statement is:	**A. Merchandise Inventory**	B. Sales Returns and Allowances	C. Cash	D. Purchases
68. In closing accounts, an Income Summary account is used by the accountant to:	A. Adjust the ledger accounts	**B. Close the income and expense accounts**	C. Close the capital account	D. Correct the retained earnings account
69. A multistore business where each store/branch maintains its own accounting records is using what accountants refer to as a:	A. Centralized accounting system	**B. Decentralized accounting system**	C. Personal accounting system	D. Departmental accounting system
70. Which one of the following is considered direct labor?	**A. Wage paid to a person who works on a product**	B. Wage paid to a person who is the supervisor of the production process	C. Wage paid to a security person who overseas the security of the production process	D. None of the above is considered direct labor
71. The actual cost to ABC Company of the merchandise it sold to its customers during 1997 is the:	A. Gross profit on sales	B. Merchandise inventory at the close of the year	**C. Cost of goods sold**	D. Book value of the accounts receivable
Questions 72 through 80 are based on analyzing transactions: whether the account would normally have a Debit or Credit transaction. Use A for Debit and B for Credit.				
72. Allowance for uncollectible accounts	A. Debit	**B. Credit**		
73. Petty cash in	**A. Debit**	B. Credit		
74. Short-term investment	**A. Debit**	B. Credit		
75. Prepaid insurance	**A. Debit**	B. Credit		
76. Purchase returns and allowances	A. Debit	**B. Credit**		
77. Purchase discounts	A. Debit	**B. Credit**		
78. Treasury stock reacquired (corporation's own stock)	**A. Debit**	B. Credit		
79. Paid-in-capital from sale of treasury stock (at above cost)	A. Debit	**B. Credit**		
80. Accumulated Depreciation on equipment	A. Debit	**B. Credit**		
81. When ABC Company writes off a bond premium over the life of the bond issue, the accountant will:	A. Depreciate the bond premium	B. Underwrite the bond premium	**C. Amortize the bond premium**	D. Apply the contract rate to the bond premium
82. To determine the relationship between ABC Company's assets and liabilities, the accountant will determine the:	A. Quick ratio	B. Working capital	**C. Current ratio**	D. Ratio analysis

83. To determine the earnings per share for ABC Company, the accountant will:	**A. Determine the amount of profit to assign to each share of common stock**	B. Determine which current assets exceed current liabilities	C. Determine how many times the company's inventory was sold during the year	D. Determine the amount to pay on each share of common stock in preparation for liquidation
Questions 84 and 85 are based on a company's cost accounting system. Select the accounts to debit and credit.				
84. Purchased production materials for cash:	A. Work in progress inventory, Cash	B. Factory overhead, Cash	**C. Raw materials inventory, Cash**	D. Cash, Raw materials inventory
85. Transferred completed products from the production department to the finished goods department:	A. Cash, Sales	B. Factory overhead, Finished goods inventory	C. Work in progress inventory. Finished goods inventory	**D. Finished goods inventory, Work in progress inventory**