

A disadvantage of the direct write-off method is that the uncollectible accounts expense may not be recorded in the same fiscal period as the revenue from the sale.	A) True	B) False		
1) An accounts receivable turnover rate of 12.0 times is considered acceptable for a business selling on terms of n/30.	A) True	B) False		
2) An accounts receivable turnover ratio of 9.2 indicates that accounts receivable are being collected in 9.2 days.	A) True	B) False		
3) The decrease in the value of a plant asset because of the removal of the natural resource is called depletion.	A) True	B) False		
4) When using a special journal, the journalizing and posting processes are much more complicated than when using the general journal.	A) True	B) False		
5) The Statement of Retained Earnings account is prepared before the Income Statement.	A) True	B) False		
6) 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		
7) The Work Sheet is a financial statement.	A) True	B) False		
8) 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		
9) An example of a contra account is Sales Discounts.	A) True	B) False		
10) When a sales discount is granted, the liability account Sales Tax Payable must be decreased to reflect the change in sales tax liability.	A) True	B) False		
11) Legally, a partnership must be formed with a written agreement.	A) True	B) False		
12) One partner cannot bind a partnership in a contract without the approval of other partners.	A) True	B) False		
13) The amount by which allowances to partners exceed net income is called a deficit.	A) True	B) False		
14) Assets that will be used for a number of years in the operation of a business are called plant assets.	A) True	B) False		
15) The amount of total current assets less total current liabilities is called working capital.	A) True	B) False		
16) A ratio that shows the numeric relationship of current assets to current liabilities is called current ratio.	A) True	B) False		

17) A ratio that shows the numeric relationship of quick assets to current liabilities is called the acid-test ratio.	A) True	B) False		
18) On monthly departmental statements of gross profit, the ending merchandise inventory for one month is the beginning merchandise inventory for the following month.	A) True	B) False		
19) Using fractions based on the years of a plant asset's useful life is called declining balance method of figuring depreciation.	A) True	B) False		
20) Figuring estimated annual depreciation based on the amount of production expected from a plant asset is called the production-unit method of figuring depreciation.	A) True	B) False		
21) To determine cash received from customers for the cash flow statement using the direct method, a decrease in accounts receivable is added to sales.	A) True	B) False		
22) A ledger that is summarized in a single general ledger account is a/an _____.	A. general ledger	B. subsidiary ledger	C. accounts receivable ledger	D. accounts payable ledger
23) A listing of vendor accounts, account balances, and total amount due all vendors is a _____.	A. schedule of accounts payable	B. schedule of accounts receivable	C. schedule of vendors	D. schedule of creditors
24) A ledger that contains all accounts needed to prepare financial statements is a _____.	A. general ledger	B. subsidiary ledger	C. income statement ledger	D. balance sheet ledger
25) The account debited when a customer returns merchandise is _____.	A. the appropriate departmental sales account	B. Account Receivable	C. Accounts Payable	D. Sales Returns and Allowances
26) Individual amounts in the Accounts Receivable Debit column of a departmental sales journal are _____.	A. posted often	B. posted only at the end of the month	C. posted only as part of the column	D. not posted
27) If \$4,900.00 is paid for a purchase of \$5,000 less a discount of \$100, the amount written in the check register's Voucher's Payable Debit column is _____.	A. \$5,000	B. \$5,100	C. \$4,900	D. None of these
28) The number of times the average amount of accounts receivable is collected during a specified period is the _____.	A. accounts turnover equity	B. accounts receivable turnover ratio	C. turnover ratio	D. average turnover rate
29) When 10,000 shares of \$10 par-value common stock are issued at \$14 per share, Paid-In Capital in Excess Par, Common Stock is credited for _____.	A. \$140,000	B. \$40,000	C. \$100,000	D. None of the above
30) A journal in which the accountant first records transactions is called a _____.	A. book of original entry	B. ledger	C. General Ledger	D. A and C

31) The accountant for XYZ Widgets 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 trial balance will be larger than the total credits.
32) South Telecommunications received invoice Number 483, dated December 13 from Gatlin Brothers in the amount of \$1,430.70 plus 5% sales tax. Terms of the invoice were 2/10, n/30. On December 15, South American Telecommunications returned damaged goods included on the invoice in the amount of \$150 and Credit Memorandum was issued. The entry to account for the return for merchandise would be	A. Debit Cash, Credit Purchases.	B. Debit Cash, Sales Tax Payable; Credit Purchases Returns.	C. Debit Purchases Returns and Allowances, Sales Tax Payable; Credit Cash.	D. Debit Accounts Payable/Gatlin Brothers; Credit Purchases Returns and Allowances.
33) XYZ Company issued 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.
34) In closing accounts, an Income Summary account is used by the accountant to	A. adjust the ledger account.	B. close the capital account.	C. adjust the capital account.	D. correct the retained earnings account.
Questions 36 and 37 are based on a company's cost accounting system. Select the accounts to debit and credit.				
35) 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
36) 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
37) When current assets exceed current liabilities, payments to creditors on the last day of the month will _____.	A. increase capital	B. decrease current ratio	C. increase current ratio	D. have no effect
38) The _____ is used to determine the liquidity ratio of a business.	A. Income Statement	B. Work Sheet	C. Statement of Owner's Equity	D. Balance Sheet
39) All of the information needed to journalize the closing entries is found in the	A. Balance Sheet section of the work sheet.	B. Income Statement section of the work sheet.	C. General Journal.	D. Trial Balance section of the work sheet.
40) When a corporation issued preferred stock to its stockholders, the result will be	A. a decrease of preferred stock outstanding.	B. an increase of preferred stock outstanding.	C. an increase of preferred stock authorized. D. both an increase and decrease of preferred stock outstanding.	
41) The total of beginning inventory plus purchases represents the	A. gross profit on sales.	B. merchandise available for sale.	C. cost of goods sold.	D. book value of the accounts receivable.

42) On what statement and in what section will the Budgetary Fund Balance be reported?	A. Statement of Revenues & Expense section	B. Balance Sheet & Assets	C. Neither A or B																
43) On what statement and in what section will Reserve for Encumbrances—Prior Year be reported?	A. Balance Sheet and Fund Equity	B. Balance Sheet and Assets	C. Statement of Revenues and Revenues																
44) Credit card sales are recorded in the _____.	A. sales journal	B. cash receipts journal	C. accounts receivable journal	D. cash payments journal															
45) Using the price of merchandise purchased first to calculate the cost of merchandise sold first is the _____.	A. FIFO method	B. LIFO method	C. weighted–average method	D. estimated method															
46) Responsibility accounting traces revenues, costs, and expenses to	A. the accounting department.	B. the income statement.	C. each employee.	D. individual managers who are responsible for making decisions about those revenues, costs and expenses.															
47) Revenues for a governmental organization are recorded when they _____.	A. become measurable and available	B. are received in cash	C. are budgeted	D. are deposited															
ITEMS 49 and 50 are based on the following data:																			
In preparing its bank reconciliation on December 31, 1999, ABC has available the following data:																			
<table><tr><td>Balance on bank statement, 12/31/99</td><td>\$37,075</td><td></td></tr><tr><td>Deposit in transit, 12/31/99</td><td></td><td>5,200</td></tr><tr><td>Outstanding checks, 12/31/99</td><td>6,750</td><td></td></tr><tr><td>Amount erroneously credited by bank to account, 12/17/99</td><td>300</td><td></td></tr><tr><td>Bank service charges for December</td><td>50</td><td></td></tr></table>					Balance on bank statement, 12/31/99	\$37,075		Deposit in transit, 12/31/99		5,200	Outstanding checks, 12/31/99	6,750		Amount erroneously credited by bank to account, 12/17/99	300		Bank service charges for December	50	
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Amount erroneously credited by bank to account, 12/17/99	300																		
Bank service charges for December	50																		
48) ABC’s adjusted cash in bank balance on December 31, 1999 is _____.	A. \$35,525.00	B. \$35,225.00	C. \$35,175.00	D. \$36,050.00															
49) A debit to cash is required to adjust the general ledger for _____.	A. \$0	B. \$50	C. \$300	D. \$6,750															
50) Individual taxpayers whose itemized deductions exceed their standard deduction must file which IRS Form in order to take advantage of itemizing?	A. 1040EX	B. 1040A	C. 1040	D. Both B & C															
51) A student, who is being claimed by his/her parents on their income tax return, may avoid withholding tax during the tax year by filing _____.	A. W2	B. W4	C. W4N	D. Schedule A															
52) An FBLA member will always get their refund faster by filing _____.	A. 1040EZ	B. Tele Tax	C. 1040A	D. 1040															
53) When a taxpayer itemizes deductions, they must use _____.	A. Schedule A	B. Schedule B	C. Schedule D	D. Schedule E															

54) An organization of practicing public accountants (CPA's) is the _____.	A. AICPA	B. FASB	C. NAA	D. SEC
55) A type of business that commonly uses a departmental accounting system is a _____.	A. toy store	B. car wash	C. department store	D. flower shop
56) The Certificate in Management Accounting (CMA) is granted	A. only to public accountants	B. to persons with required education and experience.	C. by the National Association of Accountants.	D. All of these
57) Accumulated Depreciation appears on the	A. balance sheet in the current assets section.	B. balance sheet in the fixed assets section.	C. balance sheet in the long-term liabilities section.	D. Income statement as an operating expense.
58) A purchase on account is considered to be a/an _____.	A. cash transaction	B. credit transaction	C. pre-paid transaction	D. expense transaction
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 require each employer to withhold FICA 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) <i>MACRS is a method to calculate depreciation.</i> This statement is	A. true, and may be an advantage to a business for tax purposes.	B. true, but MACRS has no impact on a business's tax situation.	C. false, as MACRS is not a method to calculate depreciation.	D. None of the above are correct.
61) Generally, the accountant will prepare financial statements in a specific order. Which of the following 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
62) On a business' departmental merchandising work sheet, indirect expenses should be extended to	A. an Adjustments column.	B. a Balance Sheet column.	C. the appropriate Departmental Margin Statement column.	D. an Income Statement column.
63) A business that prepares departmental margin statements has separate departmental accounts for	A. direct and indirect expenses.	B. purchases and direct expenses.	C. sales and indirect expenses.	D. merchandise inventory and net income.
64) A business that prepares departmental margin statements for two departments should have	A. one income summary account.	B. two income summary accounts.	C. three income summary accounts.	D. five income summary accounts.
65) When a corporation accepts assets other than cash in exchange for its stock, the journal entry is	A. debit the assets fair market value, credit stock.	B. debit the stock, credit the assets fair market value.	C. debit the assets book value, credit the stock.	D. Stock should never be issued for non-cash assets.
66) When a dividend is paid in cash, the accounts debited and credited are	A. Dividends Received and Dividends Payable.	B. Cash and Dividends Payable.	C. Dividends Payable and Cash.	D. Common Stock and Cash.

67) Based on the following information, what is the rate earned on average total assets for the year? Net income after federal income tax \$ 222,300 January 1 total assets 1,759,700 December 31 total assets 2,067,000	A. 8%	B. 72%	C. 11.6%	D. 12.63%
68) On December 31, 1999, insurance costs, incurred but unpaid, were not recorded. If these insurance costs were related to work in progress, what would be the effect of the omission on accrued liabilities and retained earnings on the balance sheet?	A. No effect on Accrued Liabilities; No effect on Retained Earnings	B. No effect on Accrued Liabilities; Overstated Retained Earnings	c. Understated Accrued Liabilities; No effect on Retained Earnings	D. Understated Accrued Liabilities; Overstated Retained Earnings
69) XYZ Inc. pays all employees on a biweekly basis. Overtime pay, however is paid on the next biweekly period. The company accrues salaries expense only at its December 31 year end. Data relating to salaries earned in December 1999 is as follows: Last payroll was paid on 12/26/99, for the two-week ended 12/26/99. Overtime pay earned in the two-week period 12/26/99 was \$4,200. Remaining workdays in 1999 were December 29, and 31, on which there was no overtime. The recurring biweekly salaries total \$75,000. Assuming a five-day work week, XYZ, Inc., should record a liability on December 31 for accrued salaries of _____.	A. \$22,500	B. \$49,200	C. \$45,000	D. \$26,700
Questions 71 through 79 are based on analyzing whether the account would normally have a debit or credit transaction. Use "A" for Debit and "B" for Credit.				
70) Certificates of Deposit	A. Debit	B. Credit		
71) Grants Receivable	A. Debit	B. Credit		
72) Purchase Returns and Allowances	A. Debit	B. Credit		
73) Gain on Plant Assets	A. Debit	B. Credit		
74) Capital Stock	A. Debit	B. Credit		
75) Accumulated Depreciation Store Equipment	A. Debit	B. Credit		
76) Prepaid Insurance	A. Debit	B. Credit		
77) Finished Goods	A. Debit	B. Credit		
78) Allowance for Uncollectible Accounts	A. Debit	B. Credit		

79) James Smith and Joe Blow have equity of \$33,000 each in an existing partnership. The existing partners agree to admit Jane Doe as a partner with a one-third interest for a \$24,000 cash investment. Ms. Doe's equity is _____.	A. \$24,000	B. \$33,000	C. \$30,000	D. None of the above
80) Jared Pick and John Pick are partners in an existing business. Each partner's equity is \$30,000. The existing partners agree to admit Lori Dalrymple as a partner with one-third interest for \$40,000 cash investment. Ms. Dalrymple is willing to pay \$40,000 for a one third equity. She believes the total equity value is worth \$120,000 after her investment. The increase in equity from goodwill is _____.	A. \$20,000	B. \$10,000	C. \$40,000	D. \$50,000
81) Syracuse City Council approved the operating budget on January 3, 2000. The journal entry by the City Treasurer will be	A. Debit to Estimated Revenues and Credits to Appropriations and Budgetary Fund Balance.	B. Debits to Appropriations and Budgetary Fund Balance and Credit to Estimated Revenues.		
Indicate the Debit and Credit part for the following transactions:				
82) Received cash from the sale of treasury stock for cost price.	A. Debit Cash, Credit Capital Stock	B. Debit Cash, Credit Treasury Stock	C. Debit Treasury Stock, Credit Cash	D. None of the above
83) Paid cash to a bond trustee for the first annual deposit to the bond sinking fund.	A. Debit Bonds Payable, Credit Cash	B. Debit Bond Sinking Fund, Credit Cash	C. Debit Cash, Credit Bond Sinking Fund	D. None of the above
84) Received notice that the bond trustee had used the bond sinking fund to retire bond issue.	A. Debit Bonds Payable, Credit Cash	B. Debit Bonds Payable, Credit Bond Sinking Fund	C. Debit Bond Sinking Fund, Credit Bonds Payable	D. None of the above

APPLICATION PROBLEM

The XYZ Company has been looking for new investors who will be able to bring new capital to the business to finance an expansion of the business. A potential new partner has expressed an interest in joining the company, but has several questions she would like to have answered before committing to the investment. As the controller of XYZ Company, you have been asked to find the answers to the following questions.

In making your calculations, use the following information:

Accounts Receivable, December 31	\$ 60,640.00
Merchandise Inventory, January 1	\$106,250.00
Merchandise Inventory, December 31	\$ 91,080.00
Capital, January 1	\$149,870.00
Purchases	\$152,940.00
Sales	\$201,600.00
Capital on Worksheet	\$155,870.00
Total Expenses	\$ 41,360.00
Additional Investment	\$ 6000.00
Drawing Account	\$ 8000.00

85) What is the cost of merchandise sold by the company during the previous year?	A. \$137,770	B. \$168,110	C. \$165,040	D. \$ 15,170
86) What was the gross profit for the company last year?	A. \$ 33,490	B. \$ 63,830	C. \$ 35,560	D. \$145,070
87) What was the net income or net loss for the company last year?	A. \$22,470	B. (\$7,870)	C. (\$4,800)	D. \$95,710
88) What was the total value of capital held in the company at the end of the year?	A. \$170,340	B. \$143,070	C. \$251,580	D. \$140,000
89) If the new partner wants to own 1/3 of the new company, how much does she need to invest? Assume that capital is owned in proportion to any investments made.	A. \$ 85,170	B. \$ 70,000	C. \$ 71,535	D. \$125,790