1. What do you debit when you purchase inventory using the periodic inventory method?
   A) Purchases    B) Accounts payable    C) Accounts receivable    D) Inventory

2. Which of the following balances on the trial balance would tend to indicate the possible
   need for an adjusting journal entry at the end of an accounting period?
   A) Unearned revenues    C) Prepaid expenses
   B) Accrued expenses    D) All of these

3. The cost of freight to receive inventory purchased by a company should be reported as:
   A) An expense as incurred
   B) A reduction to sales immediately
   C) An addition to inventory
   D) A reduction to sales of the inventory when the inventory is sold

4. Which inventory method provides a "control" measure by allowing physical counts to
   be compared to expected amounts?
   A) Latent    B) Periodic    C) Loquacious    D) Perpetual

5. Hunter Company purchased merchandise inventory with an invoice price of $6,000 and
   credit terms of 2/10, n/30. What is the net cost of the goods if Hunter Company pays
   within the discount period?
   A) $5,880    B) $5,400    C) $5,520    D) $6,000

6. Failure to prepare an adjusting entry at the end of the period to record an accrued
   expense would cause
   A) an understatement of expenses and an understatement of liabilities.
   B) an overstatement of expenses and an overstatement of liabilities.
   C) an overstatement of assets and an overstatement of liabilities.
   D) net income to be understated.

7. Net income will result if gross profit exceeds
   A) operating expenses.
   B) cost of goods sold plus operating expenses.
   C) cost of goods sold.
   D) purchases.
8. A merchandiser will earn an operating income of exactly $0 when
   A) gross profit equals operating expenses.  C) cost of goods sold equals gross margin.
   B) net sales equals cost of goods sold.  D) operating expenses equal net sales.

9. Which inventory method utilizes bar codes and computers?
   A) Latent  B) Post-particulant  C) Periodic  D) Perpetual

10. A credit sale of $800 is made on April 25, terms 2/10, net/30, on which a return of $50
    is granted on April 28.  What amount is received as payment in full on May 3?
    A) $784  B) $800  C) $750  D) $735

11. Which inventory provides the best "matching"?
    A) Latent  B) Periodic  C) Lavendar  D) Perpetual

12. If a purchaser using a perpetual inventory system pays the transportation costs, then the
    A) Delivery Expense account is increased.
    B) Freight-out account is increased.
    C) Merchandise Inventory account is increased.
    D) Merchandise Inventory account is not affected.

13. Employees at B Corporation are paid $5,000 cash every Friday for working Monday
    through Friday.  The calendar year accounting period ends on Wednesday, December
    31.  How much salary expense should be recorded two days later on January 2?
    A) $2,000
    B) $5,000
    C) $3,000
    D) None, matching requires the weekly salary to be accrued on December 31.

14. In the credit terms of 1/10, n/30, the “1” represents the
    A) full amount of the invoice.
    B) percent of the cash discount.
    C) number of days in the discount period.
    D) number of days when the entire amount is due.

15. Which account will have a zero balance after closing entries have been journalized and
    posted?
    B) Prepaid Insurance.  D) Service revenue.

16. Nova Real Estate signed a four-month note payable in the amount of $6,000 on
    September 1.  The note requires interest at an annual rate of 12%.  The amount of interest
    to be accrued at the end of September is
    A) $180.  B) $60.  C) $120.  D) $720.
17. The closing entry process consists of closing
   A) all temporary accounts. C) all asset and liability accounts.
   B) all permanent accounts. D) out the Retained Earnings account.

18. Detailed records of goods held for resale are not maintained under a
   A) single entry accounting system. C) perpetual inventory system.
   B) double entry accounting system. D) periodic inventory system.

19. Inventory becomes part of cost of goods sold when a company
   A) receives payment from the customer. C) purchases the inventory.
   B) pays for the inventory. D) sells the inventory.

20. Which of the following would not be considered a merchandising operation?
   A) Service firm B) Merchandising company C) Wholesaler D) Retailer

21. The accounts receivable account has a beginning balance of $52,000 and an ending
   balance of $74,000. If $32,000 was sold on account during the year, what were the total
   collections on account?
   A) $54,000 B) $94,000 C) $10,000 D) $84,000

22. Gross profit equals the difference between
   A) net sales revenues and operating expenses.
   B) net sales revenues and cost of goods sold plus operating expenses.
   C) net sales revenues and cost of goods sold.
   D) net income and operating expenses.

23. Which of the following items does not result in an adjustment in the merchandise
   inventory account under a perpetual system?
   A) Payment of freight costs for goods received from a supplier
   B) A purchase of merchandise.
   C) A return of merchandise inventory to the supplier
   D) Payment of freight costs for goods shipped to a customer

24. The first required step in the accounting cycle is
   A) posting transactions. C) journalizing transactions.
   B) adjusting entries. D) analyzing transactions.

25. Which of the following expressions is incorrect?
   A) Net income + operating expenses = gross profit
   B) Gross profit - operating expenses = net income
   C) Operating expenses - cost of goods sold = gross profit
   D) Sales - cost of goods sold - operating expenses = net income

26. Where did Anderson learn about waves breaking?
27. A company purchased a building for $4,000,000 on January 1, 2004 and depreciates $10,000 each month. Based on these facts, please answer the following questions in the space provided:

What was the President Elect's name in 1988? _______________________
What is the name of the contra-asset account related to buildings? ____________________________
Over what period is land depreciated? ____________________________.
What should be the balance in the "building" account as of October 31, 2008? ________________.
How much depreciation expense should be presented on the income statement for the 10 month period ended October 31, 2008? ________________.
How much accumulated depreciation should be recorded as of October 31, 2008? ________________.
What is the "Net Book Value" of the equipment as of October 31, 2008? ________________.

28. You have $100,000 of inventory at the beginning of the year and use periodic inventory. During the year, you purchase $700,000 more inventory, sell a bunch of it and count $75,000 of inventory remaining at the end of the year. You use periodic inventory and have not reported any COGS. How much was your COGS during the year? ________________.
29. An item paid for in advance of receiving its benefit is called a
_____________________, which is an (asset, liability, revenue or expense- circle one)

Receipt of cash before providing the good or service results in this balance sheet
account: ________________, which is an (asset, liability, revenue or expense- circle one)

Recording revenue in advance of collection (or even before billed) is referred to as
_____________________, which is an (asset, liability, revenue or expense- circle one)

Recording an expense before or without receiving a bill is an example of an
_______________________, which is an (asset, liability, revenue or expense- circle one)

When wages have not been paid, but there is an entry to record wage expense, this is an
example of an ________________.

The entries to "zero-out" the temporary accounts to retained earnings are called
"______________" entries.

What is the story this accounting entry is telling?

<table>
<thead>
<tr>
<th>Accounts receivable</th>
<th>$25,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unbilled receivable</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

30. Given the following information, please report journal entries in the space provided:

I. Purchase inventory with a list price of $100,000 using a perpetual inventory system,
and with discount terms of 2/10 n30 using the "Gross" method of reflecting discounts:

II. Pay the entire balance due for the above inventory purchase less than 10 days from
receipt of the inventory:
31. It is October 31, 2008 and we last paid payroll on October 24, 2008. We pay every other Friday and it is always $10,000 for the two weeks. Therefore, on October 31, 2008, it has been one week since we last paid payroll. Report any journal entry which is required on October 31, 2008:

Report the journal entry which will be required when payroll is next paid on November 7, 2008:
Answer Key

1. A
2. D
3. C
4. D
5. A
6. A
7. A
8. A
9. D
10. D
11. D
12. C
13. A
14. B
15. D
16. B
17. A
18. D
19. D
20. A
21. C
22. C
23. D
24. D
25. C
26. Campbell Hall

27. What was the President Elect's name in 1988? Obama

What is the name of the contra-asset account related to buildings? accumulated depreciation

Over what period is land depreciated? indefinite, or not depreciated

What should be the balance in the "building" account as of October 31, 2008? $4,000,000

How much depreciation expense should be presented on the income statement for the 10 month period ended October 31, 2008? $100,000

How much accumulated depreciation should be recorded as of October 31, 2008? $580,000

What is the "Net Book Value" of the equipment as of October 31, 2008? $3,420,000

28. 100,000+700,000-75,000= 725,000

29. An item paid for in advance of receiving its benefit is called a PREPAID EXPENSE, which is an (asset, liability, revenue or expense- circle one)

Receipt of cash before providing the good or service results in this balance sheet
account: **UNEARNED REVENUE**, which is an LIABILITY

Recording revenue in advance of collection (or even before billed) is referred to as **ACCRUED REVENUE**, which is an (asset, liability, revenue or expense- circle one)

Recording an expense before or without receiving a bill is an example of an **ACCRUED EXPENSE**, which is an (asset, liability, revenue or expense- circle one)

When wages have not been paid, but there is an entry to record wage expense, this is an example of an **ADJUSTING ENTRY OR ACCRUAL ENTRY**.

The entries to "zero-out" the temporary accounts to retained earnings are called "CLOSING” entries.

**What is the story this accounting entry is telling?**

**Accounts receivable** $25,000

*Unbilled receivable* $25,000

A revenue which had been earned but not billed or collected was billed.

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<th>Account Description</th>
<th>Debit</th>
<th>Credit</th>
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<td>Inventory</td>
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<td>Accounts payable</td>
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