WRITE YOUR VERSION # ON YOUR SCANTRON!!
Please answer questions #1-25 on your green scantron and the rest in the space provided.

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

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

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

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

5. 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  B) Accrued expenses  C) Prepaid expenses  D) All of these

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

7. One of the accounting concepts upon which adjustments for prepayments and accruals are based is
   A) economic entity.  B) matching.  C) cost.  D) monetary unit.

8. Closing entries
   A) summarize the activity in every account.
   B) are prepared before the financial statements.
   C) reduce the number of permanent accounts.
   D) cause the revenue and expense accounts to have zero balances.
9. A company usually determines the amount of supplies used during a period by
A) taking the difference between the balance of the Supplies account and the cost of
supplies on hand.
B) taking the difference between the supplies purchased and the supplies paid for during
the period.
C) adding the supplies on hand to the balance of the Supplies account.
D) summing the amount of supplies purchased during the period.

10. Expenses sometimes make their contribution to revenue in a different period than when
the expense is paid. When wages are incurred in one period and paid in the next period,
this often leads to which account appearing on the balance sheet at the end of the first
period?
A) Wages Payable
B) Wages Expense
C) Due to Employer
D) Due from Employees

11. At the end of the fiscal year, the usual adjusting entry for accrued salaries owed to
employees was omitted. Which of the following statements is true?
A) Liabilities at the end of the year are understated.
B) Assets at the end of the year are understated.
C) Stockholders' equity at the end of the year is understated.
D) Salary Expense for the year is overstated.

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

13. Colt Company sells merchandise on account for $1,800 to James Company with credit
terms of 2/10, n/30. Jones Company returns $300 of merchandise that was damaged,
along with a check to settle the account within the discount period. What is the amount
of the check?
A) $1,350
B) $1,464
C) $1,476
D) $1,470

14. Freight costs incurred by a seller on merchandise sold to customers will cause an
increase
A) to the cost of goods sold of the seller.
B) to a contra-revenue account of the seller.
C) in operating expenses for the seller.
D) in the selling expenses of the buyer.

15. The compounding effect of interest causes the amount of interest to grow...
A) Exponentially smaller
B) Linear
C) Geopracitcally
D) Exponentially greater
16. A company using a perpetual inventory system that returns goods previously purchased on credit would
   A) debit Accounts Payable and credit Purchases.
   B) debit Accounts Payable and credit Merchandise Inventory.
   C) debit Sales and credit Accounts Payable.
   D) debit Cash and credit Accounts Payable.

17. If a company sells goods for $100,000, but the payment will not be made for 5 years and there is no interest, GAAP requires:
   A) The sale be recorded when earned, but based upon the above facts, for more than 100,000
   B) The sale be recorded when earned for 100,000
   C) The sale be recorded when earned, but based upon the above facts, for less than 100,000
   D) None of these

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

19. If a resource has been consumed but a bill has not been received at the end of the accounting period, then
   A) an expense should be recorded when the cash is paid out.
   B) it is optional whether to record the expense before the bill is received.
   C) an expense should be recorded when the bill is received.
   D) an adjusting entry should be made recognizing the expense.

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

21. A company using the periodic inventory method has $50,000 of opening inventory and during the month purchased $300,000 more. At the end of the month, they count $200,000 of inventory. What was the cost of the goods sold during the period?
   A) $200,000
   B) Not enough information is available to compute.
   C) $150,000
   D) $300,000
22. Income from operations appears on
A) a multiple-step income statement.
B) a single-step income statement.
C) both a multiple-step and a single-step income statement.
D) neither a multiple-step nor a single-step income statement.

Use the following to answer questions 23-25:

Financial information is presented below:
Operating Expenses $45,000
Sales 150,000
Cost of Goods Sold 77,000

23. Gross Profit would be
A) $73,000. B) $150,000. C) $28,000. D) $105,000.

24. The gross profit rate would be

25. The profit margin ratio would be

26. 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:

27. Where did Anderson think he had to go since the last exam (a town mentioned in lecture) but was grateful to learn that he did not need to?
28. The Marson Company prepares monthly financial statements. Below are listed some selected accounts and their balances on the September 30 trial balance before any adjustments have been made for the month of September.

MARSON COMPANY
Trial Balance (Selected Accounts)
September 30, 2007

<table>
<thead>
<tr>
<th>Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Supplies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid Insurance</td>
<td>$ 2,700</td>
<td></td>
</tr>
<tr>
<td>Office Equipment</td>
<td>5,250</td>
<td></td>
</tr>
<tr>
<td>Accumulated Depreciation—Office Equipment</td>
<td>16,200</td>
<td>$ 900</td>
</tr>
<tr>
<td>Unearned Rent Revenue</td>
<td></td>
<td>1,200</td>
</tr>
</tbody>
</table>

(Note: Debit column does not equal credit column because this is a partial listing of selected account balances.)

An analysis of the account balances by the company's accountant provided the following additional information:
1. A physical count of office supplies revealed $1,200 on hand on September 30.
2. A two-year life insurance policy was purchased on June 1 for $6,000.
3. Office equipment depreciates $3,600 per year.
4. The amount of rent received in advance that remains unearned at September 30 is $700.

Instructions
Using the information given, prepare the adjusting entries that should be made by the Marson Company on September 30.

29. A company with opening accounts receivable of $100,000 and an allowance for doubtful accounts of $3,000 on January 1, 1008 has subsequently sold $200,000 of goods on credit, another $20,000 in cash, collected $210,000 on open accounts receivable and has estimated and reported an additional $6,000 of bad debt expense during the year ended December 31, 2008. Based upon these facts:

A) What is the ending balance of accounts receivable on 12/31/08? ____________.
B) What is the ending balance of the allowance for doubtful accounts on 12/31/08? ____________.
C) What is the net book value of accounts receivable on 12/31/08? ____________.
D) What is the bad debt expense for the year ended 12/31/08? ____________.
E) What was the President's name in 1968? ____________.
30. Record the journal entries for each of the following:

1. Accrued interest on notes receivable is $45.

2. $1,000 of unearned revenues have been earned.

3. Three years' rent, totaling $48,000, was paid in advance at the beginning of the year.

3a. For (3) above, assuming 12 months has gone by and no entries recorded since the one you reported in (3) above, what if any adjusting entry is required?

4. Services totaling $2,900 had been performed but not yet billed at the end of the year.

4a. $2,900 of the amounts not billed above are billed.

5. Depreciation on equipment totaled $6,500 for the year.

6. Supplies purchased totaled $850.

6a. By year end, only $175 of supplies remained.
7. Salaries owed to employees at the end of the year total $960 but the next payroll will not be paid for one more week.

7a. Payroll is paid one week after (7) above, the amount of the payment is $1,960.
31. 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.

Revenue is a ________ account (temporary or permanent?)

Accounts receivable is a _____________ account (temporary or permanent?)

What is the story this accounting entry is telling?
Wage expenses $100,000
Wages payable $125,000
Cash $225,000
Answer Key

1. C
2. A
3. C
4. B
5. D
6. B
7. B
8. D
9. A
10. A
11. A
12. A
13. D
14. C
15. D
16. B
17. C
18. B
19. D
20. A
21. C
22. A
23. A
24. C
25. C
26. I. Inventory $100,000
   Accounts payable $100,000
II. Accounts payable $100,000
   Cash $98,000
   Inventory (or discounts) 2,000
27. Lancaster
28. (10 min.)

1. Office Supplies Expense ................................................................. 1,500
   Office Supplies ................................................................. 1,500
   (To record the amount of office supplies used $2,700 - 1,200)

2. Insurance Expense ................................................................. 250
   Prepaid Insurance ............................................................... 250
   (To record insurance expired $6,000 ÷ 24)

3. Depreciation Expense – Office Equipment ................................. 300
   Accumulated Depreciation—Office Equipment ......................... 300
   (To record monthly depreciation $3,600 ÷ 12)

4. Unearned Rent Revenue ............................................................. 500
   Rent Revenue ......................................................................... 500
   (To record rent revenue earned $1,200 - $700)

29. A) $90,000
    B) $9,000
    C) $81,000
    D) $6,000
    E) Obama
30. (10 min.)

1. Accrued interest on notes receivable is $45.
   - **Interest receivable** 45
   - **Interest income** 45

2. $1,000 of unearned revenues have been earned.
   - **Unearned revenue** 1,000
   - **Revenue** 1,000

3. Three years' rent, totaling $48,000, was paid in advance at the beginning of the year.
   - **Prepaid expense (rent)** 48,000
     - **Cash** 48,000

3a. For (3) above, assuming 12 months has gone by and no entries recorded since the one you reported in (3) above, what if any adjusting entry is required?
   - **Rent expense** 16,000
     - **Prepaid expense (rent)** 16,000

4. Services totaling $2,900 had been performed but not yet billed at the end of the year.
   - **Unbilled (receivable)** 2,900
     - **Revenue** 2,900

4a. $2,900 of the amounts not billed above are billed.
   - **Accounts receivable** 2,900
     - **Unbilled (receivable)** 2,900

5. Depreciation on equipment totaled $6,500 for the year.
   - **Depreciation expense** 6,500
     - **Accumulated depreciation** 6,500

6. Supplies purchased totaled $850.
   - **Supplies** 850
     - **Cash** 850

6a. By year end, only $175 of supplies remained.
   - **Supplies expense** 675
     - **Supplies** 675

7. Salaries owed to employees at the end of the year total $960 but the next payroll will not be paid for one more week.
   - **Payroll expense (or wages)** 960
     - **Accrued payroll (or wages payable)** 960

7a. Payroll is paid one week after (7) above, the amount of the payment is $1,960.
   - **Accrued payroll (or wages payable)** 960
   - **Payroll expense (or wages)** 1,000
     - **Cash** 1,960
31. 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 REVNUE**
, which is an (asset, liability, revenue or expense- circle one)

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.

Revenue is a _**temporary**_ account (temporary or permanent?)

Accounts receivable is a _**permanent**_ account (temporary or permanent?)

What is the story this accounting entry is telling?

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage expenses</td>
<td>$100,000</td>
</tr>
<tr>
<td>Wages payable</td>
<td>$125,000</td>
</tr>
<tr>
<td>Cash</td>
<td>$225,000</td>
</tr>
</tbody>
</table>

Payroll is paid, but after an adjusting entry was previously recorded to accrue some portion of that payment to a prior period.
1. Which inventory method utilizes bar codes and computers?
   A) Perpetual  B) Post-particulant  C) Latent  D) Periodic

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

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

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

5. 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) Accrued expenses  B) Prepaid expenses  C) Unearned revenues  D) All of these

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

7. A company usually determines the amount of supplies used during a period by
   A) taking the difference between the balance of the Supplies account and the cost of supplies on hand.  
   B) taking the difference between the supplies purchased and the supplies paid for during the period.  
   C) adding the supplies on hand to the balance of the Supplies account.  
   D) summing the amount of supplies purchased during the period.
8. The compounding effect of interest causes the amount of interest to grow...
   A) Geopractically    B) Exponentially greater   C) Exponentially smaller   D) Linear

9. A company using the periodic inventory method has $50,000 of opening inventory and
during the month purchased $300,000 more. At the end of the month, they count
$200,000 of inventory. What was the cost of the goods sold during the period?
   A) $200,000    B) $300,000    C) Not enough information is available to compute.
   D) $150,000

10. Closing entries
    A) cause the revenue and expense accounts to have zero balances.
    B) are prepared before the financial statements.
    C) summarize the activity in every account.
    D) reduce the number of permanent accounts.

11. Expenses sometimes make their contribution to revenue in a different period than when
    the expense is paid. When wages are incurred in one period and paid in the next period,
    this often leads to which account appearing on the balance sheet at the end of the first
    period?
    A) Wages Payable    C) Wages Expense
    B) Due from Employees    D) Due to Employer

12. If a resource has been consumed but a bill has **not** been received at the end of the
    accounting period, then
    A) an expense should be recorded when the cash is paid out.
    B) it is optional whether to record the expense before the bill is received.
    C) an expense should be recorded when the bill is received.
    D) an adjusting entry should be made recognizing the expense.

13. If a company sells goods for $100,000, but the payment will not be made for 5 years and
    there is no interest, GAAP requires:
    A) The sale be recorded when earned, but based upon the above facts, for more than
       100,000
    B) The sale be recorded when earned for 100,000
    C) The sale be recorded when earned, but based upon the above facts, for less than 100,000
    D) None of these
14. Inventory becomes part of cost of goods sold when a company
   A) purchases the inventory.  C) receives payment from the customer.
   B) sells the inventory.        D) pays for the inventory.

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

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

17. Income from operations appears on
   A) a single-step income statement.
   B) a multiple-step income statement.
   C) neither a multiple-step nor a single-step income statement.
   D) both a multiple-step and a single-step income statement.

18. At the end of the fiscal year, the usual adjusting entry for accrued salaries owed to
    employees was omitted. Which of the following statements is true?
    A) Assets at the end of the year are understated.
    B) Stockholders' equity at the end of the year is understated.
    C) Liabilities at the end of the year are understated.
    D) Salary Expense for the year is overstated.

19. Freight costs incurred by a seller on merchandise sold to customers will cause an
    increase
    A) in operating expenses for the seller.  C) in the selling expenses of the buyer.
    B) to a contra-revenue account of the seller. D) to the cost of goods sold of the seller.

20. One of the accounting concepts upon which adjustments for prepayments and accruals
    are based is
    A) monetary unit.  B) matching.  C) economic entity.  D) cost.
21. A company using a perpetual inventory system that returns goods previously purchased on credit would
   A) debit Cash and credit Accounts Payable.
   B) debit Accounts Payable and credit Merchandise Inventory.
   C) debit Accounts Payable and credit Purchases.
   D) debit Sales and credit Accounts Payable.

22. Colt Company sells merchandise on account for $1,800 to James Company with credit terms of 2/10, n/30. Jones Company returns $300 of merchandise that was damaged, along with a check to settle the account within the discount period. What is the amount of the check?
   A) $1,470  B) $1,464  C) $1,350  D) $1,476

Use the following to answer questions 23-25:

Financial information is presented below:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td>$45,000</td>
</tr>
<tr>
<td>Sales</td>
<td>$150,000</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>$77,000</td>
</tr>
</tbody>
</table>

23. Gross Profit would be
   A) $ 73,000.  B) $150,000.  C) $ 28,000.  D) $105,000.

24. The profit margin ratio would be

25. The gross profit rate would be
26. 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:

27. Where did Anderson think he had to go since the last exam (a town mentioned in lecture) but was grateful to learn that he did not need to?
28. 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.

Revenue is a _________ account (temporary or permanent?)

Accounts receivable is a ___________ account (temporary or permanent?)

What is the story this accounting entry is telling?

Wage expenses $100,000
Wages payable $125,000
Cash $225,000
29. A company with opening accounts receivable of $100,000 and an allowance for doubtful accounts of $3,000 on January 1, 1008 has subsequently sold $200,000 of goods on credit, another $20,000 in cash, collected $210,000 on open accounts receivable and has estimated and reported an additional $6,000 of bad debt expense during the year ended December 31, 2008. Based upon these facts:

A) What is the ending balance of accounts receivable on 12/31/08? ____________.
B) What is the ending balance of the allowance for doubtful accounts on 12/31/08? ____________.
C) What is the net book value of accounts receivable on 12/31/08? ____________.
D) What is the bad debt expense for the year ended 12/31/08? ____________.
E) What was the President's name in 1968? ____________.

30. The Marson Company prepares monthly financial statements. Below are listed some selected accounts and their balances on the September 30 trial balance before any adjustments have been made for the month of September.

**MARSON COMPANY**
**Trial Balance (Selected Accounts)**
**September 30, 2007**

<table>
<thead>
<tr>
<th>Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Supplies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid Insurance</td>
<td>$ 2,700</td>
<td></td>
</tr>
<tr>
<td>Office Equipment</td>
<td>5,250</td>
<td></td>
</tr>
<tr>
<td>Accumulated Depreciation—Office Equipment</td>
<td>16,200</td>
<td>$ 900</td>
</tr>
<tr>
<td>Unearned Rent Revenue</td>
<td>1,200</td>
<td></td>
</tr>
</tbody>
</table>

(Note: Debit column does not equal credit column because this is a partial listing of selected account balances.)

An analysis of the account balances by the company's accountant provided the following additional information:
1. A physical count of office supplies revealed $1,200 on hand on September 30.
2. A two-year life insurance policy was purchased on June 1 for $6,000.
3. Office equipment depreciates $3,600 per year.
4. The amount of rent received in advance that remains unearned at September 30 is $700.

**Instructions**
Using the information given, prepare the adjusting entries that should be made by the Marson Company on September 30.
31. Record the journal entries for each of the following:

1. Accrued interest on notes receivable is $45.

2. $1,000 of unearned revenues have been earned.

3. Three years' rent, totaling $48,000, was paid in advance at the beginning of the year.

3a. For (3) above, assuming 12 months has gone by and no entries recorded since the one you reported in (3) above, what if any adjusting entry is required?

4. Services totaling $2,900 had been performed but not yet billed at the end of the year.

4a. $2,900 of the amounts not billed above are billed.

5. Depreciation on equipment totaled $6,500 for the year.

6. Supplies purchased totaled $850.

6a. By year end, only $175 of supplies remained.
7. Salaries owed to employees at the end of the year total $960 but the next payroll will not be paid for one more week.

7a. Payroll is paid one week after (7) above, the amount of the payment is $1,960.
Answer Key

1. A
2. C
3. C
4. A
5. D
6. C
7. A
8. B
9. D
10. A
11. A
12. D
13. C
14. B
15. A
16. D
17. B
18. C
19. A
20. B
21. B
22. A
23. A
24. C
25. C
26. I. Inventory $100,000
   Accounts payable $100,000
   II. Accounts payable $100,000
       Cash $98,000
       Inventory (or discounts) 2,000
27. Lancaster
28. 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 REVNU**E, which is an (asset, liability, revenue or expense- circle one)

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.

Revenue is a _**temporary**_ account (temporary or permanent?)

Accounts receivable is a _**permanent**_ account (temporary or permanent?)

What is the story this accounting entry is telling?

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage expenses</td>
<td>$100,000</td>
</tr>
<tr>
<td>Wages payable</td>
<td>$125,000</td>
</tr>
<tr>
<td>Cash</td>
<td>$225,000</td>
</tr>
</tbody>
</table>

Payroll is paid, but after an adjusting entry was previously recorded to accrue some portion of that payment to a prior period.

29. A) $90,000
   B) $9,000
   C) $81,000
   D) $6,000
   E) Obama
30. (10 min.)

1. Office Supplies Expense .............................................. 1,500
   Office Supplies ....................................................... 1,500
   (To record the amount of office supplies used $2,700 – 1,200)

2. Insurance Expense ..................................................... 250
   Prepaid Insurance ..................................................... 250
   (To record insurance expired $6,000 ÷ 24)

3. Depreciation Expense – Office Equipment .......................... 300
   Accumulated Depreciation—Office Equipment .................. 300
   (To record monthly depreciation $3,600 ÷ 12)

4. Unearned Rent Revenue ............................................... 500
   Rent Revenue ........................................................... 500
   (To record rent revenue earned $1,200 – $700)
31. (10 min.)

1. Accrued interest on notes receivable is $45.
   
   Interest receivable 45
   
   Interest income 45

2. $1,000 of unearned revenues have been earned.
   
   Unearned revenue 1,000
   
   Revenue 1,000

3. Three years' rent, totaling $48,000, was paid in advance at the beginning of the year.
   
   Prepaid expense (rent) 48,000
   
   Cash 48,000

3a. For (3) above, assuming 12 months has gone by and no entries recorded since the
one you reported in (3) above, what if any adjusting entry is required?
   
   Rent expense 16,000
   
   Prepaid expense (rent) 16,000

4. Services totaling $2,900 had been performed but not yet billed at the end of the year.
   
   Unbilled (receivable) 2,900
   
   Revenue 2,900

4a. $2,900 of the amounts not billed above are billed.
   
   Accounts receivable 2,900
   
   Unbilled (receivable) 2,900

5. Depreciation on equipment totaled $6,500 for the year.
   
   Depreciation expense 6,500
   
   Accumulated depreciation 6,500

6. Supplies purchased totaled $850.
   
   Supplies 850
   
   Cash 850

6a. By year end, only $175 of supplies remained.
   
   Supplies expense 675
   
   Supplies 675

7. Salaries owed to employees at the end of the year total $960 but the next payroll will
not be paid for one more week.
   
   Payroll expense (or wages) 960
   
   Accrued payroll (or wages payable) 960

7a. Payroll is paid one week after (7) above, the amount of the payment is $1,960.
   
   Accrued payroll (or wages payable) 960
   
   Payroll expense (or wages) 1,000
   
   Cash 1,960
1. Which inventory provides the best "matching"?
   A) Latent  B) Periodic  C) Lavendar  D) Perpetual

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

3. 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  B) Accrued expenses  C) Prepaid expenses  D) All of these

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

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

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

7. The compounding effect of interest causes the amount of interest to grow...
   A) Linear  B) Geopractically  C) Exponentially smaller  D) Exponentially greater

8. One of the accounting concepts upon which adjustments for prepayments and accruals are based is
   A) monetary unit.  B) economic entity.  C) cost.  D) matching.
9. Income from operations appears on
A) a single-step income statement.
B) a multiple-step income statement.
C) neither a multiple-step nor a single-step income statement.
D) both a multiple-step and a single-step income statement.

10. Colt Company sells merchandise on account for $1,800 to James Company with credit terms of 2/10, n/30. Jones Company returns $300 of merchandise that was damaged, along with a check to settle the account within the discount period. What is the amount of the check?
   A) $1,476  B) $1,350  C) $1,464  D) $1,470

11. 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.

12. A company using the periodic inventory method has $50,000 of opening inventory and during the month purchased $300,000 more. At the end of the month, they count $200,000 of inventory. What was the cost of the goods sold during the period?
   A) $300,000  
   B) Not enough information is available to compute.  
   C) $200,000  
   D) $150,000

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

14. A company usually determines the amount of supplies used during a period by
   A) taking the difference between the balance of the Supplies account and the cost of supplies on hand.  
   B) adding the supplies on hand to the balance of the Supplies account.  
   C) summing the amount of supplies purchased during the period.  
   D) taking the difference between the supplies purchased and the supplies paid for during the period.
15. Freight costs incurred by a seller on merchandise sold to customers will cause an increase
   A) in operating expenses for the seller.  C) in the selling expenses of the buyer.
   B) to a contra-revenue account of the seller.  D) to the cost of goods sold of the seller.

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

17. If a resource has been consumed but a bill has not been received at the end of the accounting period, then
   A) an expense should be recorded when the cash is paid out.
   B) it is optional whether to record the expense before the bill is received.
   C) an expense should be recorded when the bill is received.
   D) an adjusting entry should be made recognizing the expense.

Use the following to answer questions 18-20:

Financial information is presented below:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td>$ 45,000</td>
</tr>
<tr>
<td>Sales</td>
<td>150,000</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>77,000</td>
</tr>
</tbody>
</table>

18. The gross profit rate would be

19. Gross Profit would be
   A) $150,000.  B) $105,000.  C) $ 28,000.  D) $ 73,000.

20. The profit margin ratio would be

21. At the end of the fiscal year, the usual adjusting entry for accrued salaries owed to employees was omitted. Which of the following statements is true?
   A) Assets at the end of the year are understated.
   B) Salary Expense for the year is overstated.
   C) Stockholders' equity at the end of the year is understated.
   D) Liabilities at the end of the year are understated.
22. A company using a perpetual inventory system that returns goods previously purchased on credit would
   A) debit Cash and credit Accounts Payable.
   B) debit Accounts Payable and credit Purchases.
   C) debit Sales and credit Accounts Payable.
   D) debit Accounts Payable and credit Merchandise Inventory.

23. Closing entries
   A) cause the revenue and expense accounts to have zero balances.
   B) summarize the activity in every account.
   C) reduce the number of permanent accounts.
   D) are prepared before the financial statements.

24. If a company sells goods for $100,000, but the payment will not be made for 5 years and there is no interest, GAAP requires:
   A) The sale be recorded when earned, but based upon the above facts, for more than 100,000
   B) The sale be recorded when earned for 100,000
   C) The sale be recorded when earned, but based upon the above facts, for less than 100,000
   D) None of these

25. Expenses sometimes make their contribution to revenue in a different period than when the expense is paid. When wages are incurred in one period and paid in the next period, this often leads to which account appearing on the balance sheet at the end of the first period?
   A) Wages Payable
   B) Due from Employees
   C) Wages Expense
   D) Due to Employer

26. 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:
27. Where did Anderson think he had to go since the last exam (a town mentioned in lecture) but was grateful to learn that he did not need to?

28. A company with opening accounts receivable of $100,000 and an allowance for doubtful accounts of $3,000 on January 1, 2008 has subsequently sold $200,000 of goods on credit, another $20,000 in cash, collected $210,000 on open accounts receivable and has estimated and reported an additional $6,000 of bad debt expense during the year ended December 31, 2008. Based upon these facts:

A) What is the ending balance of accounts receivable on 12/31/08? ____________.
B) What is the ending balance of the allowance for doubtful accounts on 12/31/08? ____________.
C) What is the net book value of accounts receivable on 12/31/08? ____________.
D) What is the bad debt expense for the year ended 12/31/08? ____________.
E) What was the President's name in 1968? ____________.
29. Record the journal entries for each of the following:

1. Accrued interest on notes receivable is $45.

2. $1,000 of unearned revenues have been earned.

3. Three years' rent, totaling $48,000, was paid in advance at the beginning of the year.

3a. For (3) above, assuming 12 months has gone by and no entries recorded since the one you reported in (3) above, what if any adjusting entry is required?

4. Services totaling $2,900 had been performed but not yet billed at the end of the year.

4a. $2,900 of the amounts not billed above are billed.

5. Depreciation on equipment totaled $6,500 for the year.

6. Supplies purchased totaled $850.

6a. By year end, only $175 of supplies remained.
7. Salaries owed to employees at the end of the year total $960 but the next payroll will not be paid for one more week.

7a. Payroll is paid one week after (7) above, the amount of the payment is $1,960.
30. 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.

Revenue is a _______ account (temporary or permanent?)

Accounts receivable is a ____________ account (temporary or permanent?)

What is the story this accounting entry is telling?

| Wage expenses | $100,000 |
| Wages payable | $125,000 |
| Cash          | $225,000 |
31. The Marson Company prepares monthly financial statements. Below are listed some selected accounts and their balances on the September 30 trial balance before any adjustments have been made for the month of September.

MARBON COMPANY
Trial Balance (Selected Accounts)
September 30, 2007

<table>
<thead>
<tr>
<th>Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Supplies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid Insurance</td>
<td>$2,700</td>
<td></td>
</tr>
<tr>
<td>Office Equipment</td>
<td>5,250</td>
<td></td>
</tr>
<tr>
<td>Accumulated Depreciation—Office Equipment</td>
<td>16,200</td>
<td>$900</td>
</tr>
<tr>
<td>Unearned Rent Revenue</td>
<td></td>
<td>1,200</td>
</tr>
</tbody>
</table>

(Note: Debit column does not equal credit column because this is a partial listing of selected account balances.)

An analysis of the account balances by the company's accountant provided the following additional information:
1. A physical count of office supplies revealed $1,200 on hand on September 30.
2. A two-year life insurance policy was purchased on June 1 for $6,000.
3. Office equipment depreciates $3,600 per year.
4. The amount of rent received in advance that remains unearned at September 30 is $700.

Instructions
Using the information given, prepare the adjusting entries that should be made by the Marson Company on September 30.
Answer Key

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

26. I. Inventory $100,000
    Accounts payable $100,000

    II. Accounts payable $100,000
        Cash $98,000
        Inventory (or discounts) 2,000

27. Lancaster

28. A) $90,000
    B) $9,000
    C) $81,000
    D) $6,000
    E) Obama
29. (10 min.)
   1. Accrued interest on notes receivable is $45.
   \[
   \begin{align*}
   \text{Interest receivable} & \quad 45 \\
   \text{Interest income} & \quad 45
   \end{align*}
   \]
   2. $1,000 of unearned revenues have been earned.
   \[
   \begin{align*}
   \text{Unearned revenue} & \quad 1,000 \\
   \text{Revenue} & \quad 1,000
   \end{align*}
   \]
   3. Three years' rent, totaling $48,000, was paid in advance at the beginning of the year.
   \[
   \begin{align*}
   \text{Prepaid expense (rent)} & \quad 48,000 \\
   \text{Cash} & \quad 48,000
   \end{align*}
   \]
   3a. For (3) above, assuming 12 months has gone by and no entries recorded since the one you reported in (3) above, what if any adjusting entry is required?
   \[
   \begin{align*}
   \text{Rent expense} & \quad 16,000 \\
   \text{Prepaid expense (rent)} & \quad 16,000
   \end{align*}
   \]
   4. Services totaling $2,900 had been performed but not yet billed at the end of the year.
   \[
   \begin{align*}
   \text{Unbilled (receivable)} & \quad 2,900 \\
   \text{Revenue} & \quad 2,900
   \end{align*}
   \]
   4a. $2,900 of the amounts not billed above are billed.
   \[
   \begin{align*}
   \text{Accounts receivable} & \quad 2,900 \\
   \text{Unbilled (receivable)} & \quad 2,900
   \end{align*}
   \]
   5. Depreciation on equipment totaled $6,500 for the year.
   \[
   \begin{align*}
   \text{Depreciation expense} & \quad 6,500 \\
   \text{Accumulated depreciation} & \quad 6,500
   \end{align*}
   \]
   6. Supplies purchased totaled $850.
   \[
   \begin{align*}
   \text{Supplies} & \quad 850 \\
   \text{Cash} & \quad 850
   \end{align*}
   \]
   6a. By year end, only $175 of supplies remained.
   \[
   \begin{align*}
   \text{Supplies expense} & \quad 675 \\
   \text{Supplies} & \quad 675
   \end{align*}
   \]
   7. Salaries owed to employees at the end of the year total $960 but the next payroll will not be paid for one more week.
   \[
   \begin{align*}
   \text{Payroll expense (or wages)} & \quad 960 \\
   \text{Accrued payroll (or wages payable)} & \quad 960
   \end{align*}
   \]
   7a. Payroll is paid one week after (7) above, the amount of the payment is $1,960.
   \[
   \begin{align*}
   \text{Accrued payroll (or wages payable)} & \quad 960 \\
   \text{Payroll expense (or wages)} & \quad 1,000 \\
   \text{Cash} & \quad 1,960
   \end{align*}
   \]
30. An item paid for in advance of receiving its benefit is called a **PREPAID EXPENSE**, which is an (asset, liability, revenue or expense-circletone)

Receipt of cash before providing the good or service results in this balance sheet account: **UNEARNED REVENUE**, which is an (asset, liability, revenue or expense-circleone)

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

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

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.

Revenue is a _temporary________ account (temporary or permanent?)

Accounts receivable is a _permanent________ account (temporary or permanent?)

What is the story this accounting entry is telling?  
Wage expenses $100,000 
Wages payable $125,000  
Cash $225,000

**Payroll is paid, but after an adjusting entry was previously recorded to accrue some portion of that payment to a prior period.**
31. (10 min.)

1. Office Supplies Expense ................................................................. 1,500
   Office Supplies ................................................................. 1,500
   (To record the amount of office supplies used $2,700 - $1,200)

2. Insurance Expense ................................................................. 250
   Prepaid Insurance ............................................................... 250
   (To record insurance expired $6,000 ÷ 24)

3. Depreciation Expense – Office Equipment ................................. 300
   Accumulated Depreciation—Office Equipment ...................... 300
   (To record monthly depreciation $3,600 ÷ 12)

4. Unearned Rent Revenue ........................................................... 500
   Rent Revenue ................................................................. 500
   (To record rent revenue earned $1,200 - $700)
1. Which inventory method provides a "control" measure by allowing physical counts to be compared to expected amounts?
   A) Loquacious  B) Periodic  C) Perpetual  D) Latent

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  B) Accrued expenses  C) Prepaid expenses  D) All of these

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

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

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

6. 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 of the inventory when the inventory is sold  
   C) A reduction to sales immediately  
   D) An addition to inventory

7. Freight costs incurred by a seller on merchandise sold to customers will cause an increase
   A) to a contra-revenue account of the seller.  
   B) in the selling expenses of the buyer.  
   C) in operating expenses for the seller.  
   D) to the cost of goods sold of the seller.
8. If a purchaser using a perpetual inventory system pays the transportation costs, then the
   A) Merchandise Inventory account is not affected.
   B) Delivery Expense account is increased.
   C) Merchandise Inventory account is increased.
   D) Freight-out account is increased.

9. If a company sells goods for $100,000, but the payment will not be made for 5 years and
   there is no interest, GAAP requires:
   A) The sale be recorded when earned, but based upon the above facts, for more than
      100,000
   B) The sale be recorded when earned for 100,000
   C) The sale be recorded when earned, but based upon the above facts, for less than 100,000
   D) None of these

10. At the end of the fiscal year, the usual adjusting entry for accrued salaries owed to
    employees was omitted. Which of the following statements is true?
    A) Stockholders' equity at the end of the year is understated.
    B) Assets at the end of the year are understated.
    C) Salary Expense for the year is overstated.
    D) Liabilities at the end of the year are understated.

11. A company using a perpetual inventory system that returns goods previously purchased
    on credit would
    A) debit Cash and credit Accounts Payable.
    B) debit Accounts Payable and credit Purchases.
    C) debit Sales and credit Accounts Payable.
    D) debit Accounts Payable and credit Merchandise Inventory.

12. The compounding effect of interest causes the amount of interest to grow...
    A) Linear    B) Geopractically    C) Exponentially smaller    D) Exponentially greater

13. Closing entries
    A) reduce the number of permanent accounts.
    B) summarize the activity in every account.
    C) are prepared before the financial statements.
    D) cause the revenue and expense accounts to have zero balances.

14. The first required step in the accounting cycle is
    A) posting transactions.       C) adjusting entries.
    B) analyzing transactions.    D) journalizing transactions.
15. Colt Company sells merchandise on account for $1,800 to James Company with credit terms of 2/10, n/30. Jones Company returns $300 of merchandise that was damaged, along with a check to settle the account within the discount period. What is the amount of the check?
   A) $1,470  B) $1,350  C) $1,476  D) $1,464

16. Income from operations appears on
   A) a single-step income statement.
   B) a multiple-step income statement.
   C) neither a multiple-step nor a single-step income statement.
   D) both a multiple-step and a single-step income statement.

Use the following to answer questions 17-19:

Financial information is presented below:

<table>
<thead>
<tr>
<th>Operating Expenses</th>
<th>$ 45,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>150,000</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>77,000</td>
</tr>
</tbody>
</table>

17. Gross Profit would be
   A) $150,000.  B) $105,000.  C) $ 28,000.  D) $ 73,000.

18. The gross profit rate would be

19. The profit margin ratio would be

20. A company using the periodic inventory method has $50,000 of opening inventory and during the month purchased $300,000 more. At the end of the month, they count $200,000 of inventory. What was the cost of the goods sold during the period?
   A) $150,000
   B) $300,000
   C) $200,000
   D) Not enough information is available to compute.
21. A company usually determines the amount of supplies used during a period by 
A) taking the difference between the supplies purchased and the supplies paid for during the period. 
B) adding the supplies on hand to the balance of the Supplies account. 
C) taking the difference between the balance of the Supplies account and the cost of supplies on hand. 
D) summing the amount of supplies purchased during the period.

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

23. Expenses sometimes make their contribution to revenue in a different period than when the expense is paid. When wages are incurred in one period and paid in the next period, this often leads to which account appearing on the balance sheet at the end of the first period? 
A) Due to Employer 
B) Wages Payable 
C) Wages Expense 
D) Due from Employees

24. If a resource has been consumed but a bill has not been received at the end of the accounting period, then 
A) it is optional whether to record the expense before the bill is received. 
B) an adjusting entry should be made recognizing the expense. 
C) an expense should be recorded when the bill is received. 
D) an expense should be recorded when the cash is paid out.

25. One of the accounting concepts upon which adjustments for prepayments and accruals are based is 
A) monetary unit. 
B) matching. 
C) economic entity. 
D) cost.
26. 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:

27. Where did Anderson think he had to go since the last exam (a town mentioned in lecture) but was grateful to learn that he did not need to?

28. A company with opening accounts receivable of $100,000 and an allowance for doubtful accounts of $3,000 on January 1, 1008 has subsequently sold $200,000 of goods on credit, another $20,000 in cash, collected $210,000 on open accounts receivable and has estimated and reported an additional $6,000 of bad debt expense during the year ended December 31, 2008. Based upon these facts:

A) What is the ending balance of accounts receivable on 12/31/08? ____________.
B) What is the ending balance of the allowance for doubtful accounts on 12/31/08? ____________.
C) What is the net book value of accounts receivable on 12/31/08? ____________.
D) What is the bad debt expense for the year ended 12/31/08? ____________.
E) What was the President's name in 1968? ____________.
29. The Marson Company prepares monthly financial statements. Below are listed some selected accounts and their balances on the September 30 trial balance before any adjustments have been made for the month of September.

MARSON COMPANY
Trial Balance (Selected Accounts)
September 30, 2007

<table>
<thead>
<tr>
<th>Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Supplies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid Insurance</td>
<td>$ 2,700</td>
<td></td>
</tr>
<tr>
<td>Office Equipment</td>
<td>5,250</td>
<td></td>
</tr>
<tr>
<td>Accumulated Depreciation—Office Equipment</td>
<td>16,200</td>
<td>$ 900</td>
</tr>
<tr>
<td>Unearned Rent Revenue</td>
<td></td>
<td>1,200</td>
</tr>
</tbody>
</table>

(Note: Debit column does not equal credit column because this is a partial listing of selected account balances.)

An analysis of the account balances by the company's accountant provided the following additional information:
1. A physical count of office supplies revealed $1,200 on hand on September 30.
2. A two-year life insurance policy was purchased on June 1 for $6,000.
3. Office equipment depreciates $3,600 per year.
4. The amount of rent received in advance that remains unearned at September 30 is $700.

**Instructions**

Using the information given, prepare the adjusting entries that should be made by the Marson Company on September 30.
30. Record the journal entries for each of the following:

1. Accrued interest on notes receivable is $45.

2. $1,000 of unearned revenues have been earned.

3. Three years' rent, totaling $48,000, was paid in advance at the beginning of the year.

3a. For (3) above, assuming 12 months has gone by and no entries recorded since the one you reported in (3) above, what if any adjusting entry is required?

4. Services totaling $2,900 had been performed but not yet billed at the end of the year.

4a. $2,900 of the amounts not billed above are billed.

5. Depreciation on equipment totaled $6,500 for the year.

6. Supplies purchased totaled $850.

6a. By year end, only $175 of supplies remained.
7. Salaries owed to employees at the end of the year total $960 but the next payroll will not be paid for one more week.

7a. Payroll is paid one week after (7) above, the amount of the payment is $1,960.
31. 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.

Revenue is a _________ account (temporary or permanent?)

Accounts receivable is a ____________ account (temporary or permanent?)

What is the story this accounting entry is telling?

<table>
<thead>
<tr>
<th>Wage expenses</th>
<th>$100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages payable</td>
<td>$125,000</td>
</tr>
<tr>
<td>Cash</td>
<td>$225,000</td>
</tr>
</tbody>
</table>
Answer Key

1. C
2. D
3. D
4. D
5. A
6. D
7. C
8. C
9. C
10. D
11. D
12. D
13. D
14. B
15. A
16. B
17. D
18. A
19. D
20. A
21. C
22. D
23. B
24. B
25. B
26. I. Inventory $100,000
   Accounts payable $100,000

   II. Accounts payable $100,000
      Cash $98,000
      Inventory (or discounts) 2,000

27. Lancaster
28. A) $90,000
    B) $9,000
    C) $81,000
    D) $6,000
    E) Obama
29. (10 min.)

1. Office Supplies Expense .................................................. 1,500
   Office Supplies .......................................................... 1,500
   (To record the amount of office supplies used $2,700 - 1,200)

2. Insurance Expense ........................................................... 250
   Prepaid Insurance ....................................................... 250
   (To record insurance expired $6,000 / 24)

3. Depreciation Expense – Office Equipment ............................ 300
   Accumulated Depreciation—Office Equipment .................... 300
   (To record monthly depreciation $3,600 / 12)

4. Unearned Rent Revenue ................................................... 500
   Rent Revenue .................................................................. 500
   (To record rent revenue earned $1,200 - $700)
30. (10 min.)
1. Accrued interest on notes receivable is $45.
   - **Interest receivable** 45
   - **Interest income** 45
2. $1,000 of unearned revenues have been earned.
   - **Unearned revenue** 1,000
     - **Revenue** 1,000
3. Three years' rent, totaling $48,000, was paid in advance at the beginning of the year.
   - **Prepaid expense (rent)** 48,000
     - **Cash** 48,000
3a. For (3) above, assuming 12 months has gone by and no entries recorded since the one you reported in (3) above, what if any adjusting entry is required?
   - **Rent expense** 16,000
     - **Prepaid expense (rent)** 16,000
4. Services totaling $2,900 had been performed but not yet billed at the end of the year.
   - **Unbilled (receivable)** 2,900
     - **Revenue** 2,900
4a. $2,900 of the amounts not billed above are billed.
   - **Accounts receivable** 2,900
     - **Unbilled (receivable)** 2,900
5. Depreciation on equipment totaled $6,500 for the year.
   - **Depreciation expense** 6,500
     - **Accumulated depreciation** 6,500
6. Supplies purchased totaled $850.
   - **Supplies** 850
     - **Cash** 850
6a. By year end, only $175 of supplies remained.
   - **Supplies expense** 675
     - **Supplies** 675
7. Salaries owed to employees at the end of the year total $960 but the next payroll will not be paid for one more week.
   - **Payroll expense (or wages)** 960
     - **Accrued payroll (or wages payable)** 960
7a. Payroll is paid one week after (7) above, the amount of the payment is $1,960.
   - **Accrued payroll (or wages payable)** 960
   - **Payroll expense (or wages)** 1,000
     - **Cash** 1,960
31. 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 (asset, liability, revenue or expense- circle one)

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.

Revenue is a __temporary______ account (temporary or permanent?)

Accounts receivable is a __permanen______ account (temporary or permanent?)

What is the story this accounting entry is telling?

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage expenses</td>
<td>$100,000</td>
</tr>
<tr>
<td>Wages payable</td>
<td>$125,000</td>
</tr>
<tr>
<td>Cash</td>
<td>$225,000</td>
</tr>
</tbody>
</table>

**Payroll is paid, but after an adjusting entry was previously recorded to accrue some portion of that payment to a prior period.**