

First Question:

Choose the right answer a, b, c, or d:

1. A merchandising company that sells directly to consumers is a
a. retailer.
b. wholesaler.
c. broker.
d. service company.
2. Sales revenue less cost of goods sold is called
a. gross profit.
b. net profit.
c. net income.
d. marginal income.
3. After gross profit is calculated, operating expenses are deducted to determine
a. gross margin.
b. net income.
c. gross profit on sales.
d. net margin.
4. Cost of goods sold is determined only at the end of the accounting period in
a. a perpetual inventory system.
b. a periodic inventory system.
c. both a perpetual and a periodic inventory system.
d. neither a perpetual nor a periodic inventory system.
5. In a perpetual inventory system, cost of goods sold is recorded
a. on a daily basis.
b. on a monthly basis.
c. on an annual basis.
d. with each sale.
6. Under a periodic inventory system, purchase of merchandise is debited to the
a. Merchandise Inventory account.
b. Cost of Goods Sold account.
c. Purchases account.
d. Accounts Payable account.
7. The journal entry to record a return of merchandise purchased on account under a perpetual inventory system would credit
a. Accounts Payable.
b. Purchase Returns and Allowances.
c. Sales.
d. Merchandise Inventory.

8. A buyer would record a payment within the discount period under a perpetual inventory system using total invoice value by crediting
- Accounts Payable.
 - Merchandise Inventory.
 - Purchase Discounts (taken).
 - Sales Discounts (given).
9. Which of the following accounts has a normal credit balance?
- Sales Returns and Allowances
 - Sales Discounts
 - Sales
 - Selling Expense
10. The journal entry to record a return of merchandise purchased on account under a perpetual inventory system would be
- Accounts Payable
Purchase Returns and Allowances
 - Purchase Returns and Allowances
Accounts Payable
 - Accounts Payable
Inventory
 - Inventory
Accounts Payable
11. The journal entry to record a return of merchandise purchased on account under a periodic inventory system would be
- Accounts Payable
Purchase Returns and Allowances
 - Purchase Returns and Allowances
Accounts Payable
 - Accounts Payable
Inventory
 - Inventory
Accounts Payable
12. Which of the following accounts has a normal credit balance?
- Purchases
 - Sales Returns and Allowances
 - Transportation-in
 - Purchase Discounts (taken).
13. Flynn Company purchased merchandise inventory with an invoice price of \$5,000 and credit terms of 2/10, n/30. What is the net cost of the goods if Flynn Company pays within the discount period?
- \$5,000
 - \$4,900
 - \$4,500
 - \$4,600
14. The entry to record the collection of the sale amount within the discount period on a sale of \$750 with terms of 2/10, n/30 will include a credit to

- a. Discount given for \$15.
- b. Cash for \$735.
- c. Accounts Receivable for \$750.
- d. Sales for \$750.

15. The entry to record the collection of the sale amount within the discount period on a sale of \$750 with terms of 2/10, n/30 will include a debit to

- a. Discount given for \$15.
- b. Cash for \$750.
- c. Accounts Receivable for \$750.
- d. Sales for \$750.

16. Company X sells \$400 of merchandise on account to Company Y with credit terms of 2/10, n/30. If Company Y issued a check taking advantage of the discount offered, what is the amount of Company Y's check?

- a. \$280
- b. \$392
- c. \$360
- d. \$320

17. Holt Company sells merchandise on account for \$2,000 to Jones Company with credit terms of 2/10, n/30. Jones Company returns \$400 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. \$1,960
- b. \$1,968
- c. \$1,600
- d. \$1,568

18. Company A sells \$500 of merchandise on account to Company B with credit terms of 2/10, n/30. If Company B issued a check taking advantage of the discount offered, what is the amount of Company B's check?

- a. \$350
- b. \$490
- c. \$450
- d. \$400

19. Hale Company sells merchandise on account for \$1,500 to Kear Company with credit terms of 2/10, n/30. Kear 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. \$1,476
- c. \$1,200
- d. \$1,176

20. Feine Company sells merchandise on account for \$2,000 to Tang Company with credit terms of 2/10, n/30. Tang Company returns \$300 of merchandise that was damaged, along with a check to settle the account within the discount period. What entry does Feine Company make upon receipt of the check?

a. Cash	1,700
Accounts Receivable	1,700
b. Cash	1,666
Sales Returns and Allowances	334
Accounts Receivable	2,000
<u>c. Cash</u>	<u>1,666</u>
<u>Sales Returns and Allowances</u>	<u>300</u>
<u>Sales Discounts (given)</u>	<u>34</u>
Accounts Receivable	2,000
d. Cash	1,960
Sales Discounts	40
Sales Returns and Allowances	300
Accounts Receivable	1,700

21. Logan Company made a purchase of merchandise on credit from Claude Corporation on August 3, for \$6,000, terms 2/10, n/45. On August 10, Logan makes the appropriate payment to Claude. The entry to record the cash payment on August 10 in Logan Company books using net cost method is

a. Accounts Payable	6,000
Cash	6,000
<u>b. Accounts Payable</u>	<u>5,880</u>
<u>Cash</u>	<u>5,880</u>
c. Accounts Payable	6,000
Purchase Returns and Allowances	120
Cash	5,880
d. Accounts Payable	6,000
Discount taken	120
Cash	5,880

22. The credit terms offered to a customer by a business firm are 2/10, n/30, which means that

- a. the customer must pay the bill within 10 days.
- b. the customer can deduct a 2% discount if the bill is paid between the 10th and 30th day from the invoice date.
- c. the customer can deduct a 2% discount if the bill is paid within 10 days of the invoice date.
- d. two sales returns can be made within 10 days of the invoice date and no returns thereafter.

Use the following information for questions 23–26.

A company using periodic inventory system and just starting business, made the following four inventory purchases in June:

June 1	1500 units	\$ 9000
June 10	2000 units	14000
June 15	3000 units	24000
June 28	<u>1500 units</u>	<u>15000</u>
Total	8000 units	\$ 62000

A physical count of inventory on June 30 reveals that there are 2000 units on hand.

23. Using the LIFO inventory method, the value of the ending inventory on June 30 is
a. \$ 12500
b. \$ 19000
c. \$ 12000
d. \$ 20000

24. Using the FIFO inventory method, the amount allocated to cost of goods sold for June is
a. \$ 49500
b. \$ 42000
c. \$ 43000
d. \$ 50000

25. Using the average-cost method, the amount allocated to the ending inventory on June 30 is
a. \$ 16000
b. \$ 15500
c. \$ 14000
d. \$ 12000

26. The inventory method which results in the highest gross profit for June is
a. the FIFO method.
b. the LIFO method.
c. the weighted average unit cost method.
d. not determinable.

Use the following information for questions 27–29.

At May 1, 2008, Treeline Company had beginning inventory consisting of 100 units with a unit cost of \$7. During May, the company purchased inventory as follows:

200 units at \$7 each

300 units at \$8 each

The company sold 500 units during the month for \$12 per unit. Treeline uses the average cost method.

27. The average cost per unit for May is
a. \$7.00.
b. \$7.50.
c. \$7.60.
d. \$8.00.

28. The value of Treeline's inventory at May 31, 2008 is
a. \$700.
b. \$750.
c. \$800.
d. \$4,500.

29. Treeline's gross profit for the month of May is
a. \$2,250.
b. \$3,750.
c. \$4,500.
d. \$6,000.

Use the following information for questions 30-33.

Tier II Company uses a periodic inventory system. Details for the inventory account for the month of January, 2008 are as follows:

	Units	Per unit price	Total
Balance, 1/1/08	200	\$5.00	\$1,000
Purchase, 1/15/08	100	5.30	530
Purchase, 1/28/08	100	5.50	550

An end of the month (1/31/08) inventory showed that 120 units were on hand.

30. How many units did the company sell during January, 2008?

- a. 80
- b. 120
- c. 200
- d. 280

31. If the company uses FIFO, what is the value of the ending inventory?

- a. \$520
- b. \$600
- c. \$656
- d. \$1,424

32. If the company uses LIFO, what is the value of the ending inventory?

- a. \$520
- b. \$600
- c. \$656
- d. \$1,480

33. If the company uses FIFO and sells the units for \$10 each, what is the gross profit for the month?

- a. \$1,376
- b. \$1,424
- c. \$2,800
- d. \$3,000

Use the following inventory information for questions 34–36.

July 1 Beginning Inventory	20 units at \$19	\$ 380
July 7 Purchases	70 units at \$20	1,400
July 22 Purchases	10 units at \$22	<u>220</u>
	Total	\$2,000

A physical count of merchandise inventory on July 31 reveals that there are 30 units on hand.

34. Using the average-cost method, the value of ending inventory is

- a. \$580.
- b. \$600.
- c. \$610.
- d. \$620.

35. Using the FIFO inventory method, the amount of cost of goods sold for July is
- a. \$580.
 - b. \$620.
 - c. \$1,380.
 - d. \$1,420.

36. Using the LIFO inventory method, the amount allocated to cost of goods sold for July is
- a. \$580.
 - b. \$620.
 - c. \$1,380.
 - d. \$1,420.

Use the following information for questions 37–39.

- Nov. 1 Inventory 15 units @ \$8.00 each
- Nov. 8 Purchase 60 units @ \$8.60 each
- Nov. 17 Purchase 30 units @ \$8.40 each
- Nov. 25 Purchase 45 units @ \$8.80 each

A physical count of merchandise inventory on November 30 reveals that there are 50 units onhand. Assume a periodic inventory system is used.

37. Cost of goods sold under the average-cost method is
- a. \$860.
 - b. \$856.
 - c. \$845.
 - d. \$800.

38. Ending inventory under FIFO is
- a. \$438.
 - b. \$846.
 - c. \$421.
 - d. \$863.

39. Ending inventory under LIFO is
- a. \$438.
 - b. \$421.
 - c. \$846.
 - d. \$863.

Use the following inventory information for questions 40–42.

- July 1 Beginning Inventory 200 units at \$ 30 each
- 5 Purchases 800 units at \$25 each
- 14 Sale 700 units
- 21 Purchases 1700 units at \$20 each
- 30 Sale 1500 units

40. Assuming that a perpetual inventory system is used, what is the cost of ending inventory on a FIFO basis?
- a. \$15000
 - b. \$10000

- c. \$12500
- d. \$12000

41. Assuming that a perpetual inventory system is used, what is the cost of ending inventory on a LIFO basis?

- a. \$15000
- b. \$10000
- c. \$12500
- d. \$12000

42. Assuming that a perpetual inventory system is used, what is the cost of ending inventory under the average-cost method?

- a. \$10650
- b. \$10000
- c. \$12500
- d. \$10450

Second Question:

Choose the right answer a, b, c, or d:

43. Current assets of a company would *not* include

- a. inventory.
- b. accounts receivable.
- c. notes payable.
- d. cash.

44. Current liabilities of a company would include

- a. inventory.
- b. accounts receivable.
- c. notes payable.
- d. cash.

45. Long-term assets of a company would include

- a. inventory.
- b. building
- c. accounts receivable.
- d. cash.

46. Cash in transit is:

- a. cash sent to the bank but not recorded yet in the company records.
- b. cash sent to the bank but not recorded yet in the bank records.
- c. cash sent to the company but not recorded yet in the company records.
- d. cash sent to the company but not recorded yet in the bank records..

47. NSF check is:

- a. check rejected by the bank and this rejection not recorded yet in the company records.
- b. check rejected by the company and this rejection not recorded yet in the bank records.

- c. check rejected by the bank and this rejection not recorded yet in the bank records.
- d. check rejected by the company and this rejection not recorded yet in the company records.

48. The journal entry to record the NSF check is:

- a. Accounts Receivable..... XXX
cashXXX
- b. Accounts Receivablexxx
 Allowance for doubtful accounts.....xxx
- c. Allowance for doubtful accounts.....xxx
 Cashxxx
- d. Cashxxx
 . Accounts Receivable.....xxx

49. Outstanding checks are:

- a. checks issued by the bank but not paid or recorded yet by the company.
- b. checks issued by the bank but not paid or recorded yet by the bank.
- c. checks issued by the company but not paid or recorded yet by the company.
- d. checks issued by the company but not paid or recorded yet by the bank.

Use the following inventory information for questions 47–49

Allowance for doubtful accounts 1/1/2019 \$50000
 Actual uncollectible accounts (bad debts) during 2019 \$70000
 Recovery of previous uncollectible accounts, collected in cash, \$5000
 Accounts receivable 31/12/2019 \$800000
 New allowance is 5% of accounts receivable
 The company uses the balance sheet approach

50. The journal entry to record actual uncollectible accounts:

- a. Allowance for doubtful accounts..... 70000
Accounts Receivable 70000
- b. Accounts Receivable 70000
 Allowance for doubtful accounts.....70000
- c. Allowance for doubtful accounts..... 70000
 Cash 70000
- d. Cash 70000
 Allowance for doubtful accounts..... 70000

51. The journal entry to record recovery of previous uncollectible accounts:

- a. Allowance for doubtful accounts..... 5000
 Accounts Receivable 5000
- b. Accounts Receivable 5000
 Allowance for doubtful accounts..... 5000
- c. Allowance for doubtful accounts..... 5000
 Cash 5000
- d. Cash5000
 Allowance for doubtful accounts..... 5000

52. The adjusting entry to record the settlement of allowance at 31/12/2019:

- a. Allowance for doubtful accounts..... 55000
 Accounts Receivable 55000

b. Uncollectible accounts expense.....	55000
Allowance for doubtful accounts.....	55000
c Uncollectible accounts expense.....	25000
Allowance for doubtful accounts.....	25000
d. Cash	55000
Allowance for doubtful accounts.....	55000

Use the following inventory information for questions 53-55

Allowance for doubtful accounts 1/1/2019 \$60000
 Actual uncollectible accounts (bad debts) during 2019 \$52000
 Recovery of previous uncollectible accounts, collected in cash, \$12000
 Accounts receivable 31/12/2019 \$500000
 Net credit sales \$600000
 New allowance is 5% of net credit sales
 The company uses the income statement approach

53. The journal entry to record actual uncollectible accounts:

a. Accounts Receivable	52000
Allowance for doubtful accounts.....	52000
b. Allowance for doubtful accounts.....	52000
Accounts Receivable	52000
c. Allowance for doubtful accounts.....	52000
Cash	52000
d. Cash	52000
Allowance for doubtful accounts.....	52000

54. The journal entry to record recovery of previous uncollectible accounts:

a. Allowance for doubtful accounts.....	12000
Accounts Receivable	12000
b. Cash	12000
Allowance for doubtful accounts.....	12000
c. Allowance for doubtful accounts.....	12000
Cash	12000
d. Accounts Receivable	12000
Allowance for doubtful accounts.....	12000

55. The adjusting entry to record the settlement of allowance at 31/12/2019:

a. Allowance for doubtful accounts.....	10000
Accounts Receivable	10000
b. Uncollectible accounts expense.....	10000
Allowance for doubtful accounts.....	10000
c Uncollectible accounts expense.....	30000
Allowance for doubtful accounts.....	30000
d. Cash	30000
Allowance for doubtful accounts.....	30000

Comment:

All above questions are required in addition to exercises were solved in lectures.

Best Wishes