

PRACTICE TEST -- The following is a practice test for Accounting 1, Chapters 3 and 4. It is only a representation of what the test could be like. It is not a guarantee in any way that ONLY these types of questions will be asked, on the number of questions, nor on the breakdown between multiple choice and problems.

- 1 Which of the following is a type of adjusting journal entry?
 - A) Prepaid (Deferred) expenses.
 - B) Unearned (Deferred) revenues.
 - C) Accrued revenues.
 - D) Accrued expenses.
 - E) All of the above

- 2 At the beginning of the year, a business had a two-year, \$2,400 insurance policy on its office equipment. On July 1, it purchased a three-year, \$3,600 policy on a newly constructed building. Which of the following will be the December 31, year-end, adjusting entry?
 - A) Insurance Expense, debit, \$6,000; Prepaid Insurance, credit, \$6,000
 - B) Insurance Expense, debit, \$2,400; Prepaid Insurance, credit, \$2,400
 - C) Insurance Expense, debit, \$2,100; Prepaid Insurance, credit, \$2,100
 - D) Insurance Expense, debit, \$1,800; Prepaid Insurance, credit, \$1,800
 - E) None of the journal entries in this group

- 3 At the end of the accounting period, the business had \$4,500 of office supplies on hand. At the beginning of the period, the amount of supplies on hand was \$3,000. If the business purchased \$12,000 of office supplies during the year, what amount of office supplies were used during year?
 - A) \$16,500
 - B) \$14,250
 - C) \$10,500
 - D) \$ 9,750
 - E) None of the above

- 4 At the end of the fiscal year, an adjusting entry was made for accrued salaries of \$1,500. The salaries for one week, \$3,750, were paid on the first Friday of the new fiscal period. Which of the following is the entry to record paying the salaries expense for the week?
 - A) Salaries Expense, debit, \$3,750; Cash, credit, \$3,750
 - B) Salary Exp., debit, \$1,500; Salaries Payable, debit, \$2,250; Cash, credit, \$3,750
 - C) Salaries Expense, debit, \$3,750; Salaries Payable, credit, \$3,750
 - D) Salary Exp., debit, \$2,250; Salaries Payable, debit, \$1,500; Cash, credit, \$3,750
 - E) None of the journal entries shown above

- 5 A tenant rented space in your company's office building on November 1 at \$1,800 per month, paying six months' rent in advance. The bookkeeper recognized a current liability of \$10,800. The December 31, year-end adjusting entry would be which of the following?
- A) Unearned Rent, debit, \$7,200; Rent Revenue, credit, \$7,200
 - B) Rent Revenue, debit, \$3,600; Unearned Rent, credit, \$3,600
 - C) Unearned Rent, debit, \$3,600; Rent Revenue, credit, \$3,600
 - D) Cash, debit, \$10,800; Rent Rev., Credit., \$7,200; Unearned Rent, credit, \$3,600
 - E) None of the above

6	Cash \$15,000	Accounts Payable \$15,000
	Accounts Receivable 35,000	Notes Payable 25,000
	Supplies 4,000	Mortgage Payable 85,000
	Prepaid Insurance 3,000	Capital, Mary Ling 195,000
	Other Prepaids 1,000	Withdrawals, Mary Ling 22,000
	Equipment 65,000	Revenues 190,000
	Buildings 140,000	Salaries Expense 73,000
	Land 40,000	Rent Expense 65,000
	Patents 10,000	Utilities Expense 37,000

Assuming all of the accounts have normal balances, what is the total of the trial balance?

- A) \$532,000
 - B) \$508,000
 - C) \$488,000
 - D) \$510,000
 - E) Does not balance
- 7 The notion that the life of a business is divisible into time periods of equal length is known as which of the following?
- A) Continuing-concern principle
 - B) Monetary unit principle
 - C) Recognition principle
 - D) Time-period principle
 - E) Business entity principle
- 8 An NBA basketball team sells season tickets worth \$40 million before the basketball season starts late in the year. Assume this \$40 million is debited to Cash and credited to Unearned Ticket Revenue. By the end of the year, 15% of the games have been played. What adjusting journal entry should be made at the end of the year?
- A) Unearned Ticket Revenue, debit, \$6 million; Cash, credit, \$6 million
 - B) Ticket Revenue, debit, \$6 million; Unearned Ticket Revenue, credit, \$6 million
 - C) Unearned Ticket Revenue, debit, \$6 million; Ticket Revenue, credit, \$6 million
 - D) Ticket Revenue, debit, \$6 million; Cash, credit, \$6 million
 - E) None of the above

- 9 Which of the following accounts is a temporary account?
- A) Accounts Payable
 - B) Unearned Revenue
 - C) Capital, Lola Delong
 - D) Withdrawals
 - E) Office Equipment
- 10 Before the closing process is performed at the end of the accounting period, revenues and expenses should have which of the following?
- A) A balance of zero
 - B) Balances of cumulative amounts of activity during the period
 - C) A net balance (credits minus debits) equal to the capital account
 - D) A net balance equal to assets minus liabilities
 - E) None of the above
- 11 Which of the following closing entries is usually recorded last?
- A) Closing the Income Summary account
 - B) Closing the expense accounts
 - C) Closing the withdrawals account
 - D) Closing the revenue accounts
 - E) Closing the Capital account
- 12 Which of the following is listed on the post-closing trial balance for a sole proprietorship?
- A) Income Summary account
 - B) Withdrawals account
 - C) Revenue account
 - D) Expense account
 - E) Liability account
- 13 Which of the following statements about the accounting cycle is false?
- A) Posting is done after transactions have been analyzed
 - B) Preparing the post-closing trial balance is done after the temporary account have been closed
 - C) Adjusting the accounts is done prior to preparing the adjusted trial balance
 - D) Journalizing the transactions is performed before preparing the unadjusted trial balance
 - E) Financial statements are prepared before preparing the adjusted trial balance.

14 Current assets total \$120,000, plant and equipment assets \$24,000, current liabilities \$48,000, and long-term liabilities \$12,000. What is the current ratio of the business?

- A) 1.0:1
- B) 2.0:1
- C) 2.5:1
- D) 3.0:1
- E) None of the above

15 Which year shows the best current ratio? Year Ratio

- A) 1999 2.15:1
- B) 2000 2.97:1
- C) 2001 2.45:1
- D) 2002 1.68:1
- E) 2003 1.43:1

PROBLEM #1

Prepare adjusting journal entries for the year ended (or date of) December 31, 2005, for each of these separate situations.

- a. Depreciation on the company's equipment for 2005 is computed to be \$16,000.
- b. The Prepaid Insurance account had a \$7,000 debit balance at December 31, 2005, before adjusting for the costs of any expired coverage. An analysis of the company's insurance policies showed that \$680 of unexpired insurance coverage remains.
- c. The Office Supplies account had a \$415 debit balance on December 31, 2004; and \$2,680 of office supplies was purchased during the year. The December 31, 2005, physical count showed \$489 of supplies available.
- d. One-fifth of the work related to \$10,000 cash received in advance was performed this period.
- e. The Prepaid Insurance account had a \$5,600 debit balance at December 31, 2005, before adjusting for the costs of any expired coverage. An analysis of insurance policies showed that \$4,920 of coverage had expired.
- f. Wage expenses of \$4,000 have been incurred but are not paid as of December 31, 2005.

PROBLEM #2

Frisco Management has nine part-time employees, each of whom earns \$220 per day. They are normally paid on Fridays for work completed Monday through Friday of the same week. They were paid in full on Friday, December 28, 2005. The next week, the nine employees worked only four days because New Year's Day was an unpaid holiday. Show (a) the adjusting entry that would be recorded on Monday, December 31, 2005, and (b) the journal entry that would be made to record payment of the employees' wages on Friday, January 4, 2006

PROBLEM #3

Susan White has her own business as a performer at children's birthday parties. She can dress up and perform as a clown, or she can perform as a magician. Kids love her. Her business is set up as a sole proprietorship with a fiscal year end of June 30. Below are account balances as of June 30, 2003., in ALPHABETICAL order. REQUIRED: a) Please prepare CLOSING journal entries for year end AND b) Prepare a post-closing Trial Balance as of June 30, 2003.

<u>Account</u>	<u>Balance at year end</u>
Cash	1,750
A/R	425
Supplies	1,657
Equipment	2,700
Automobile	8,500
Accumulated Depreciation	4,500
A/P	2,950
Unearned revenue	550
Capital -- Susan White	6,319
Withdrawals - Susan White	23,500
Magician revenue	18,335
Clown revenue	7,950
Miscellaneous revenue	770
Advertising Expense	890
Depreciation Expense (Auto)	550
Supplies Expense	252
Miscellaneous expense	665
Wardrobe expense	485