

Final Examination Booklet

Financial Accounting

Financial Accounting

EXAMINATION NUMBER:

06158300

Complete the following exam by answering the questions and compiling your answers into a word-processing document. When you're ready to submit your answers, refer to the instructions at the end of your exam booklet. It's not necessary to type the questions. Type only the solution to the question. Be certain to indicate the proper question number before each of your answers. Remember to show your work if an answer requires a mathematical solution.

Answer each of the following questions. Each answer is worth 4 points.

1. A company has Liabilities of \$23,500 and Stockholders' Equity of \$56,500. How much does the company have in Assets?
2. Beginning Retained Earnings are \$65,000; sales are \$29,500; expenses are \$33,000; and dividends paid are \$3,500. How much is the net income or loss for the company?
3. The account "Salaries Expense" began with a zero balance and then had the following changes: increase of \$450, decrease of \$175, increase of \$600, and an increase of \$350. What is the final balance of the "Salaries Expense" account, and is it a debit or credit?
4. A \$375 purchase of supplies on account was recorded by debiting Supplies for \$375 and crediting Cash for \$375. What is the journal entry needed to correct this error?
5. Allied, Inc. bought a two-year insurance policy on August 1 for \$3,600. What is the adjusting journal entry on December 31?

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6. A company started the year with no supplies. During the year they bought \$200 worth of supplies on account and later paid \$150 of this debt. If there were \$40 worth of supplies left at the end of the year, what is the supply expense for the period?
7. ABC Corporation has received an invoice for \$4,500 with terms of 3/15, n/50. If ABC pays the invoice on the seventeenth day, what is the effect on the Cash account and will the Cash account be debited or credited?
8. Bond and Associates has the following account balances listed in alphabetical order: Accumulated Depreciation, \$23,000; Accounts Payable, \$8,500; Accounts Receivable, \$12,000; Cash, \$3,500; Equipment, \$44,000; Land, \$21,000; Mortgage Payable, \$45,000; Prepaid Insurance, \$7,500; Supplies, \$2,000; Unearned Revenue, \$6,000; Wages Payable, \$4,500. How much are Bond and Associates' current liabilities?
9. Olympic Enterprises has the following inventory data:

Date		Quantity	Unit cost
June 1	Beginning inventory	5	\$52
June 4	Purchase	10	\$55
June 7	Sale	12	
June 11	Purchase	9	\$58
June 14	Sale	8	

Assuming average cost, what is the cost of goods sold for the June 14 sale?

10. A company has \$4,500 in net sales, \$3,200 in gross profit, \$1,300 in ending inventory, and \$1,800 in beginning inventory. What is the company's cost of goods sold?
11. Goods available for sale are \$40,000; beginning inventory is \$16,000; ending inventory is \$20,000; and the cost of goods sold is \$50,000. What is the inventory turnover?
12. Which element of internal control deals with establishing procedures for things such as handling of incoming checks, and which element deals with the oversight of the internal control systems?
13. What is an audit opinion?

14. A company has \$235,000 in credit sales. The company uses the allowance method to account for uncollectible accounts. The Allowance for Doubtful Accounts now has a \$7,250 credit balance. If the company estimates 7% of credit sales will be uncollectible, what is the amount of the journal entry to record estimated uncollectible accounts?
15. Bestway, Inc. had credit sales of \$142,000 for the period. The balance in Allowance for Doubtful Accounts is a debit of \$643. If Bestway estimates that 2% of credit sales will be uncollectible, what is the required journal entry to record estimated uncollectible accounts?
16. An asset has a cost of \$50,000, with a residual value of \$10,000. It has a life of 5 years and was purchased on January 1. Under double-declining-balance, what is the asset's fourth full year of depreciation expense?
17. A truck costing \$56,000 has accumulated depreciation of \$50,000. The truck is sold for \$8,500. What is the journal entry for this transaction?
18. On January 1, Bixby Machine signed a \$210,000, 6%, 30-year mortgage that requires semiannual payments of \$7,585 on June 30 and December 31 of each year. What is the correct journal entry for recording the second semiannual payment (round interest calculation to the nearest dollar)?
19. On January 1, \$500,000 of 8%, 10-year bonds were sold for \$530,000. The bonds require semiannual interest payments on June 30 and December 31. What is the correct entry for recording the June 30 interest payment on the bonds?
20. Motor Works, Inc. has declared a \$20,000 cash dividend to shareholders. The company has 5,000 shares of \$15-par, 10% preferred stock and 10,000 shares of \$20-par common stock. The preferred stock is non-cumulative. How much will the preferred and common stockholders receive on the date of payment?
21. Allied Industries, Inc. has 250,000 shares of \$7-par common stock outstanding. They have declared a 7% stock dividend. The current market price of the common stock is \$11/share. What is the amount that will be credited to Paid-in Capital in Excess of Par Common Stock on the date of declaration?
22. Accounts receivable amounts to \$215,000 for the beginning of the year and \$245,000 for the end of the year. Income reported on the income statement for the year is \$300,000. How much is the cash flow from operating activities on the cash flow statement using the indirect method?

23. Operating expenses other than depreciation for the year were \$400,000. Accrued expenses increased by \$35,000. What are the cash payments for operating expenses reported on the cash flow statement using the direct method?
24. Red Line, Inc. has a cash balance of \$80,000, short-term investments of \$20,000, net receivables of \$60,000, and inventory of \$450,000. Current liabilities total \$200,000. What is Red Line's quick ratio?
25. River City, Inc. reported the following for 2014:

Net sales	\$220,000
Net income	\$37,000
Market price per share of common stock	\$28.75
Dividends	\$4,100
Average number of shares of common stock outstanding	10,000

What are the earnings per share for River City, Inc. (to the nearest cent)?