MODEL COC EXAMS (MULTIPLE CHOICES)

1. The accounting cycle starts with the:
   a. preparation of ledger accounts
   b. preparation of trial balance
   c. analysis of business transaction
   d. preparation of adjusting entries

2. After proper analysis, the business transaction is recorded in journal in a:
   a. chronological order
   b. reverse chronological order
   c. random order
   d. none of the above

3. In accounting/bookkeeping, the term posting refers to:
   a. transfer of information from ledger to trial balance
   b. transfer of entries from journal to ledger
   c. preparation of financial statements from trial balance
   d. none of the above

4. The Fast Company purchases land for $12,000. The payment is made by issuing 1,200 shares of common stock of $10 each. The proper journal entry for this transaction would be:
   a. Land 12,000 Dr. & Cash 12,000 Cr.
   b. Land 12,000 Dr. & Accounts payable 12,000 Cr.
   c. Common stock 12,000 Dr. & Land 12,000 Cr.
   d. Land 12,000 Dr. & Common stock 12,000 Cr.

5. The collection or group of accounts in an organization is known as:
   a. general journal
   b. general ledger
   c. trial balance
   d. balance sheet

6. The right hand side of a T-account is termed as:
   a. debit side
   b. credit side
   c. income side
   d. expense side

7. How would you post the following journal entry to ledger?

Rent expense $200 Dr.
Cash $200 Cr.

   a. Cash account would be debited by $200 and rent expense account would be credited by $200.
   b. Rent expense account would be debited by $200 and A/C P.A account would be credited by $200.
   c. Cash account would be debited by $200 and loss account would be credited by $200.
   d. Rent expense account would be debited by $200 and cash account would be credited by $200.

8. A credit may signify:
   a. an increase in a liability account
   b. a decrease in a liability account
   c. an increase in an asset account
   d. an increase in an expense account

9. A form or statement that lists the titles and balances of ledger accounts at a given date is known as:
    a. balance sheet
    b. income statement
    c. trial balance
    d. statement of retained earnings

10. The receipt of cash from customers to whom the goods have already been sold on credit would be recorded by a:
    a. debit to cash account & credit to accounts payable account
    b. debit to cash account & credit to accounts receivable account
    c. debit to accounts payable account & credit to cash account
    d. debit to accounts receivable account and credit to cash account

11. The trial balance in which total debits equal total credits provides a proof that:
    a. the ledger is in balance
    b. the transactions have been correctly analyzed and recorded in proper accounts
    c. the correct debit and credit balances have been computed for each account
    d. no transaction has been completely omitted during the posting process

12. Which of the following is used to compute the net income for a specific period?
    a. Balance sheet
    b. Statement of retained earnings
    c. Income statement
    d. Cash account

13. Which of the following is helpful in determining the financial position of the business at a specific date?
    a. statement of cash flows
    b. statement of retained earnings
    c. asset accounts of the business
    d. balancesheet

14. A statement that shows the changes in the amount of retained earnings during a specific period is known as:
    a. statement of financial position
    b. statement of retained earnings
    c. statement of retained assets
    d. statement of retained liabilities

15. The amount of retained earnings at the end of a period is equal to:
    a. Retained earnings at the beginning of the period + Dividends declared – Net income
    b. Net income + Dividends declared – Retained earnings at the beginning of the period
    c. Retained earnings at the beginning of the period + Net income – Dividends declared
    d. Retained earnings at the beginning of the period + Net income – Operating expenses

16. Which one of the following is not a fixed asset?
    a. Machinery
    b. Plant
    c. Equipment
    d. Inventory

17. Which of the following is not an intangible asset?
    a. Goodwill
    b. Patent
    c. Prepaid expenses
    d. Copyright

18. Which of the following financial statements is generally prepared first?
    a. Balance sheet
    b. Statement of cash flows
    c. Income statement
    d. Statement of retained earnings

19. ABC is a profitable company. Which of the following journal entries would it make to close its income summary account?
    a. Credit income summary account & debit capital stock account
    b. Debit income summary account & credit capital stock account
    c. Debit income summary account & credit retained earnings account
    d. Credit income summary account & debit retained earnings account

20. Which if the following accounts is not closed to income summary account at the end of the accounting period?
    a. Accumulated depreciation
    b. Wages expenses
    c. Depreciation expenses
    d. Advertising expenses

21. The steps of the operating cycle for a retailer usually take place in which order?
    a. Purchases of merchandise → Sale of merchandise on account → Collection of the receivables
    b. Sale of merchandise on account → Purchases of merchandise → Collection of the receivables
    c. Collection of the receivables → Purchases of merchandise → Sale of merchandise on Account
    d. Purchases of merchandise → Collection of the receivables → Sale of merchandise on Account

22. Sales were $600,000, *gross profit* was $220,000, operating expenses were $120,000, and the income tax rate is 30%. Calculate the *cost of goods sold* and *net income*.
    a. $380,000 and $30,000, respectively
    b. $380,000 and $100,000, respectively
    c. $380,000 and $70,000, respectively
    d. $100,000 and $70,000, respectively

23. In a *perpetual inventory system*, as *inventory* is purchased, it is initially recorded as (1) _____. When inventory is sold to customers, it is converted to (2) _____.
    a. (1) an asset (2) an expense
    b. (1) an expense (2) revenue
    c. (1) an expense (2) cost of goods sold
    d. (1) an asset (2) revenue

24. Sales were $424,000. Beginning *inventory* was $45,000. Purchases were $245,000. Ending inventory is $38,000. Operating expenses were $124,000. Calculate the *cost of goods sold*.
    a. $252,000
    b. $172,000
    c. $290,000
    d. $128,000

25. A company using a *periodic inventory system* can complete its closing procedures in the same manner as if a *perpetual inventory system* is being used:
    a. when there is no inventory shrinkage.
    b. when there are no accounts payables outstanding.
    c. By creating a Cost of Goods Sold account.
    d. when there are no sales returns and allowances.

26. Which of the following is a factor suggesting the use of a *periodic inventory system*?
    a. Items of inventory have a high per-unit cost.
    b. Merchandise is stored in multiple locations.
    c. A low volume of sales transactions.
    d. The inventory includes many different kinds of low-cost items.

27. A company purchased $10,000 of merchandise *inventory* from a vendor who offers credit terms of 2/10 n/30. The company uses the *net cost* method of recording purchases of merchandise. The company paid the vendor 30 days after receiving the invoice. The journal entry *to record the payment* would include which of the following?
    a. A debit to Purchase Discounts Lost for $200
    b. A debit to Accounts Payable for $10,000
    c. A credit to Cash for $10,000
    d. Both (A) and (C)

28. You delivered a printing press to your customer. When it was delivered, it was slightly dented on one side, but the dent had no effect on the performance of the printing press. To maintain company goodwill, you authorized a $500 reduction in the invoice price if the customer would keep the printing press. The customer accepted the offer. The journal entry to record the $500 would include which of the following?
    a. A debit to Sales Discount for $500
    b. A credit to Sales Discount for $500
    c. A debit to Sales Returns and Allowances for $500
    d. A credit to Sales Returns and Allowances for $500

29. Which of the following is *not* true about the use of *special journals*?
    a. Transactions are recorded faster and more efficiently.
    b. Automation may reduce the risk of errors.
    c. Repetitive transactions are handled quickly and efficiently.
    d. Different accounting principles are applied.

30. If an accounting manager asks you to delay recording an invoice for the purchase of merchandise until after the closing of the general ledger, but include the merchandise in the physical count of the ending merchandise *inventory* (*periodic inventory method*), the manager is attempting to do which of the following?

a. Increase the reported net income in the income statement of the current period
b. Take advantage of the credit terms related to the purchase
c. Follow the matching principle
d. Employ the net cost method of recording purchases

31. The “Matching Principle" is best described as:
    a. An increase in the financing activities.
    b. The principle that revenue should be recorded when a resource has been earned.
    c. An increase in resources resulting from the sale of goods or the provision of services.
    d. The principle that expenses should be recorded in the period resources are used to generate revenues.

32. Which of the following would appear on an income statement?
    a. Cost of Sales
    b. Unearned Revenue
    c. Dividends
    d. Retained Earnings

33. The telephone bill for the current period is received and recorded, but payment will be made later. What effect does this transaction have on the accounting equation?
    a. Liabilities increase and retained earnings decrease.
    b. Assets and liabilities decrease.
    c. Assets and liabilities increase.
    d. Assets and contributed capital increase.

34. Under accrual accounting when is revenue recognized?
    a. When cash is received, and expenses when cash is paid
    b. When cash is received, and expenses when the costs are incurred
    c. When earned, and expenses when the costs are incurred
    d. When earned, and expenses when cash is paid

35. Payment is made for the telephone bill which was recorded previously. What effect does this transaction have on the accounting equation?
    a. Assets and liabilities increase.
    b. Assets and retained earnings increase.
    c. Liabilities increase and contributed decreases.
    d. Assets and liabilities decrease.

36. Payment is made for machinery purchases previously on credit. What effect does this transaction have on the accounting equation?
    a. Assets and liabilities decrease.
    b. Assets and contributed capital increase.
    c. Assets and liabilities increase.
    d. Liabilities decrease and retained earnings increase.

37. Subtracting total operating expenses from gross profit on the Multiple-Step Income Statement is called?

a. Gross Profit
b. Operating Income
c. Income before taxes
d. NetIncome

38. The list below contains several items that appear on an income statement. 1. Other income and expense 2. Income before income taxes 3. Net Income 4. Operating expenses 5. Gross margin 6. Net sales 7. Income from operations Select the choice that lists the items in the order they would appear on an income statement.

a. 6, 7, 4, 1, 2, 3, 5
b. 6, 5, 4, 1, 7, 2, 3
c. 6, 5, 4, 7, 1, 2, 3
d. 7, 6, 1, 4, 2, 3, 5

39. Use the following to determine what Trump Company's income from operations is: Trump Company Other Revenue (Expense) $80,000 General and Administrative Expense $220,000 Dividends paid $120,000 Operating Revenues $600,000 Selling Expenses $180,000 Income Tax Expense $60,000

a. $160,000
b. $200,000
c. $220,000
d. $120,000

40. When a firm borrows money, one effect on the accounting equation is a(n)

a. decrease in liabilities.
b. decrease in assets.
c. increase in assets.
d. decrease in contributed capital.

41. Andre's Tennis Club sells season memberships for $1,200 each. During January of 2010, 50 season memberships were sold. As of March 31, 2010, only $30,000 of season membership fees had been collected from customers. The tennis season runs for 6 months starting April 01, 2010. Which one of the following is an amount reported on the Balance Sheet dated March 31, 2010?

a. Unearned tennis membership revenue of $30,000
b. Tennis membership revenue of $30,000
c. Accounts Receivable $60,000
d. Unearned tennis membership revenue of $60,000

42. Which of the following statements present financial information based on the cash basis of accounting?

a. Balance Sheet
b. Income Statement
c. Statement of Retained Earnings
d. Statement of Cash Flows

43. Court Corporation purchased supplies at a cost of $24,000 during 2010. At January 1, 2010, supplies on hand were $2,000. At December 31, 2010, supplies on hand are $2,100. Calculate supplies expense for 2010.
    a. $24,100
    b. $24,000
    c. $23,900
    d. $28,100

44. A company forgot to record four adjustments during 2010. Which one of the following omissions of adjustments will understatement income?
    a. Income taxes owed but not yet paid are ignored.
    b. Interest on monies borrowed has not yet been recorded.
    c. Sales made during the last week of the period are not recorded.
    d. Prepaid insurance is not reduced for the portion of the policy that has expired during the period.

45. Hesson Properties, Inc. Transactions for Hesson Properties are provided below. Nov. 1 Hesson purchases two new maintenance carts on credit at $375 each. The carts are added to Hesson's property, plant, and equipment records. Payment is due in 30 days. Nov. 8 Hesson accepts $75 of advance payments from customers for services to be provided in December. Nov. 15 Hesson receives the utility bill for $150. Payment is due in 30 days. Nov. 20 Customers are billed $750 by Hesson for property services. Payment is due from the customers in 30 days. Nov. 30 Hesson received $500 from customers who were billed on November 20th. Refer to the transactions that occurred at Hesson Properties. The journal entry to record the November 1st transaction is:
    a. Dr. Cash 750 Cr. Equipment 750
    b. Dr. Equipment 750 Cr. Accounts Payable 750
    c. Dr. Accounts Payable 750 Cr. Equipment 750
    d. Dr. Equipment 750 Cr. Cash 750

46. On October 1, 2010, Zane Corporation paid $9,000 rent in advance. The rent per month is $1,000. If Zane's accounting period ends on December 31, 2010, what will be reported on the financial statements?
    a. Rent Revenue of $6,000 on its 2010 income statement
    b. Prepaid Rent of $6,000 on its balance sheet at December 31, 2010
    c. Rent Expense of $9,000 on its 2010 income statement
    d. Prepaid Rent of $9,000 on its balance sheet at December 31, 2010

47. FedZ is a local package delivery service. Conceptually, when should FedZ recognize revenue from its package delivery service?
    a. At the date the packages are delivered
    b. At the date the invoice is mailed to the customer
    c. At the date the customer places the order
    d. At the date the customer's payment is received

48. Pro Incorporated operates five days per week with a daily payroll of $5,000. Employees are paid every Saturday for the workweek just completed (Monday through Friday). The last day of the month is Wednesday, October 31. What is the effect of the correct adjustment at October 31?
    a. Increases Shareholders' equity and Wages Payable by $15,000
    b. Decreases Shareholders' equity and increases Wages Payable by 15,000
    c. Increases Wages Payable and increases Wages Expense by $25,000
    d. Increases Wages Payable and decreases Cash by $10,000

49. What happens to the accounting equation when the adjustment for depreciation expense for the accounting period is recorded?
    a. Assets decrease and shareholders'' equity decreases
    b. Assets increase and shareholders' equity increases
    c. Assets decrease and liabilities decrease
    d. Liabilities increase and shareholders' equity decreases

50. Joe's Auto Company pays its agents on commission. Which situation violates the matching principle during 2010?
    a. Sales commissions are charged to expense in 2010 on all sales revenue recognized in 2010 even though some of the commissions have not been paid.
    b. Rent expenses are recognized as expenses in 2010 even though the last bill received in 2010 will not be paid until 2011.
    c. Sales commissions paid in 2010 for 2011 commissions are recorded as prepaid expenses for 2010.
    d. Insurance expense is recognized for the total cost of a 1-year policy purchased in May, 2010.

51. Wolf Industries plant operates five days per week with a daily payroll of $40,000. Employees are paid every Saturday for the work week just completed (Monday through Friday). The last day of the month is Wednesday, May 31. The correct adjusting entry at May 31 is
    a. Dr. Wages Expense 120,000 Cr. Wages Payable 120,000
    b. Dr. Wages Expense 40,000 Cr. Wages Payable 40,000
    c. Dr. Wages Expense 120,000 Cr. Cash 120,000
    d. Dr. Wages Payable 40,000 Cr. Cash 40,000

52. Saturn Co. rented office space to a tenant on January 1 and received a total of $90,000 for the first nine months of rent. The amount was recorded as Rent Collected in Advance when received. Adjustments are recorded only at the end of every quarter. What effect does the adjustment at March 31 have on Saturn's net income for the quarter ending March 31?
    a. Increase by $30,000
    b. Decrease by $30,000
    c. Increase by $90,000
    d. Decrease by $60,000

53. Under accrual accounting when is revenue recognized?
    a. When cash is received, and expenses when cash is paid
    b. When earned, and expenses when cash is paid
    c. When cash is received, and expenses when the costs are incurred
    d. When earned, and expenses when the costs are incurred

54. The Rebecca Company purchased equipment for $60,000 cash. What is the effect on assets?
    a. No net effect
    b. Cannot be determined from this limited information.
    c. Increase
    d. Decrease

55. Which one of the following is an example of an accrued liability?
    a. An insurance policy that expires in a future period has been acquired.
    b. Equipment that will benefit several periods has been purchased.
    c. Rent that has been incurred, but have not been paid at the end of the period.
    d. Supplies are purchased and used over several months.

56. While preparing the February 28th bank reconciliation for the checking account for Willow's Tree Services, the accountant identified the following items:
Willow's balance according to the general ledger, $46,200 Outstanding checks, 1,100
Interest earned on the savings account, 50 A customer's NSF cheque returned by the bank, 500. In addition, Willow made an error in recording a customer's cheque: the amount was recorded in cash receipts as $150, while the bank correctly recorded the amount as $510. What amount will Willow report as its actual cash balance on February 28th?

    a. $46,110
    b. $45,890
    c. $46,250
    d. $44,650

57. Which of the following adjusting entries involves the cash account?
    a. None of these
    b. Deferred Revenues
    c. Accrued Expenses
    d. Deferred Liabilities

58. Which internal control activity is followed when the work of one department acts as a check on the work of another?
    a. Physical security
    b. Segregation of duties
    c. Independent verification
    d. Establishing responsibility

59. Which of the following is not included in Cash and Cash Equivalents on a company's balance sheet (statement of financial position)?
    a. A savings account at the bank
    b. A chequing account at the bank
    c. A bank certificate of deposit for one year (a one year bond certificate)
    d. Petty cash

60. Which of the following is an essential element of internal control?
    a. Verification by government agencies
    b. Computerized accounting systems
    c. An outsourced internal audit function
    d. Procedures for proper authorization of transactions

61. Which of the following procedures is incorrect for establishing and maintaining a petty cash fund?
    a. A cheque is prepared for a small, fixed amount; when the check is cashed, the money is entrusted to a petty cash custodian.
    b. When the petty cash fund needs to be replenished, an entry is recorded to recognize an increase in the petty cash account.
    c. When appropriate documentation is presented, cash payments are made from the fund; the petty cash custodian retains the documentation.
    d. The company must obtain the cash needed for the fund and record an entry for the establishment of the fund.

62. Cash collected and recorded by a company but not yet reflected in a bank statement are known as
    a. Outstanding cheques
    b. Debit memos
    c. Credit memos
    d. Deposits in transit

63. Which internal control activity is followed when inventory storage areas are secured with limited access?
    a. Physical security
    b. Segregation of duties
    c. Establishing responsibility
    d. Independent verification

64. If a company erroneously records a $500 deposit as $50 in its records, which of the following must occur when reconciling its bank statement?
    a. The company must increase the balance per its records by $450.
    b. The company must increase the balance per its records by $500
    c. The company must decrease the balance per its records by $500.
    d. The company must decrease the balance per its records by $450.

65. Which of the following is not a generally recognized internal control activity?
    a. Establishment of clear lines of authority to carry out specific tasks
    b. Preparation of bank reconciliations on a monthly basis
    c. Reducing the cost of hiring seasonal employees
    d. Limiting access to computerized accounting records

66. Honey Hut's unadjusted bank balance is $3,000. Outstanding cheques amount to $500 and deposits in transit total $300. Based on this information alone, Honey Hut's adjusted cash balance is

a. $2,800
b. $3,300
c. $3,200
d. $2,700

67. How are cash equivalents reported or disclosed in the financial statements?

a. They are only reported on the statement of cash flows.
b. They are only disclosed in the notes to the financial statements.
c. They are included with cash as a current asset on the balance sheet.
d. They are included with short-term investments as a current asset on the balance sheet

68. Having one employee prepare company checks and sign those checks relates to which internal control activity?

a. A violation of adequate documentation
b. A good example of establishing responsibility
c. A good example of independent verification
d. A violation of proper segregation of duties

69. Donnay Corporation established a petty cash fund in the amount of $300. Which of the following is the correct entry for Donnay to record this event?

a. Dr. Petty Cash Fund 300
Cr. Cash 300
b. None of these, as no entry is necessary to record an exchange of cash.
c. Dr. Cash 300
Cr. Petty Cash Fund 300
d. Dr. Miscellaneous Expense 300
Cr. Petty Cash Fund 300

70. Ready Corp.'s accounts receivable balance after posting net collections from customers for 2012 is $150,000. Management feels that uncollected accounts should be based on the following aging of accounts receivable and uncollected percentages. There are $100,000 that are 1-30 past due at 2% and $50,000 that are 31 to 60 days past due at 10%. The net realizable value of the accounts receivable is;

a. $148,000
b. $147,500
c. $150,000
d. $143,000

71. On January 2, Well Corporation sold merchandise with a gross price of $100,000 to Priority Corporation with terms of 2/10, n/30. How much Sales Discounts would be recorded if payment was received on January 8?

a. $ 98,000
b. $ 0
c. $ 100.000
d. 2,000

72. What is the distinguishing characteristic between accounts receivable and notes receivable?
    a. Accounts receivable require payment of interest while notes receivable does not have payment of interest.
    b. Notes receivable result from credit sale transactions for merchandising companies, while accounts receivable result from credit sale transactions for service companies.
    c. Accounts receivable are usually current assets while notes receivable are usually long-term assets.
    d. Notes receivable generally specify an interest rate and a maturity date at which any interest and principle must be repaid.

73. The Allowance for Bad Debts represents:
    a. The difference between total sales made on credit and the amount collected from those credit sales
    b. The difference between the recorded value of accounts receivable and the net realizable value of accounts receivable
    c. Bad debt losses incurred in the current period
    d. The amount of uncollected accounts written off to date

74. Which of the following statements is true regarding the two allowance approaches used to estimate bad debts?
    a. The percentage-of-receivables approach takes into account the existing balance in the Allowance for Bad Debts account.
    b. The percentage-of-sales approach takes into account the existing balance in the Allowance for Bad Debts account.
    c. The direct write-off method does a better job of matching revenues and expenses.
    d. The direct write-off method takes into account the existing balance in the Allowance for Bad Debts account.

75. What should a company do to improve its accounts receivable turnover rate?
    a. Increase its sales force.
    b. Give customers credit terms of 2/10, n/30 rather than 1/10, n/30.
    c. Lower its selling prices.
    d. Reduce the number of employees working in the credit department.

76. If a company uses the direct write-off method of accounting for bad debts,
    a. When an account is written off, total assets will stay the same.
    b. It will reduce the accounts receivable account at the end of the accounting period for estimated uncollected accounts.
    c. It establishes an estimate for the allowance for doubtful accounts.
    d. It will record bad debt expense only when an account is determined to be uncollected.

77. Forrest Corp. uses the direct write-off method to account for bad debts. What are the effects on the accounting equation of the entry to record the write-off of a customer's account balance?
    a. Assets and Shareholders' equity decrease
    b. Assets and liabilities decrease
    c. Assets increase and Shareholders' equity decrease
    d. Shareholders' equity and liabilities decrease

78. Forrest Corp. uses the direct write-off method to account for bad debts. What are the effects on the accounting equation of the entry to record the write-off of a customer's account balance?
    a. Assets and liabilities decrease
    b. Shareholders' equity and liabilities decrease
    c. Assets and Shareholders' equity decrease
    d. Assets increase and Shareholders' equity decrease

79. If a company uses the allowance method to account for doubtful accounts, when will the company's shareholders' equity decrease?
    a. When the accounts receivable amount becomes past due
    b. At the date a customer's account is written off
    c. At the end of the accounting period when an adjusting entry for bad debts is recorded
    d. At the date a customer's account is determined to be uncollected

80. Digital Corporation
    The following data concern Digital Corporation for 2011. Credit sales during the year $2,400,000 Accounts Receivable--December 31, 2010 410,000 Allowance for Bad Debts--December 31, 2010 55,000 Bad debt expense for the year 70,000 Refer to Digital Corporation. What amounts will Digital show on its year-end balance sheet for the net realizable value of its accounts receivable?
    a. $355,000
    b. $410,000
    c. $285,000
    d. $340,000

81. During 2012, the accounts receivable turnover rate for Upward Company increased from 10 to 15 times per year. Which one of the following statements is the most likely explanation for the change?
    a. The company has decreased sales to its most credit worthy customers.
    b. The company's credit department has followed up with customers whose account balances are past due in order to generate quicker collections.
    c. The company has increased the amount of time customers have to pay their accounts before they are past due.
    d. The company has extended credit to more risky customers in order to increase sales.

82. The following information was presented in the balance sheet of Diablo Company as of December 31, 2012: Trade accounts receivable, net of allowance for doubtful accounts of $255,000; [$1,700,000]. Which one of the following statements is true?
    a. The net realizable value Diablo's accounts receivable is $1,700,000
    b. The balance in the Accounts Receivable account in Diablo's general ledger is $1,700,000
    c. Diablo expects to collect only $1,445,000 from its customers
    d. Diablo expects that $1,855,000 of accounts receivable will be collected after year end

83. Bradford Corp. reported net credit sales of $3,200,000 and cost of goods sold of $2,600,000 for 2012. On January 1, 2012, accounts receivable was $450,000. Amounts owed by customers increased by $50,000 during 2012. Rounding to two decimal places, what is Bradford's receivable turnover rate for 2012?
    a. 7.11
    b. 6.40
    c. 6.74
    d. 5.47

84. Which one of the following is an accurate description of the Allowance for Bad Debts?
    a. Revenue Account
    b. Contra Account
    c. Expense Account
    d. Liability Account

85. What effects on a retail store's accounting equation occur when it records merchandise on account, assuming the use of a perpetual inventory system?
    a. No net effect.
    b. Assets and shareholders' equity decrease.
    c. Assets and shareholders' equity increase.
    d. Assets and liabilities increase.

86. In order to determine inventory for its balance sheet, a company must count the inventory at the end of its accounting period according to:
    a. the periodic inventory system.
    b. the perpetual inventory system.
    c. both the periodic and perpetual inventory systems.
    d. neither the periodic nor perpetual inventory systems.

87. Which inventory cost flow method assigns the cost of the most recent items purchased to ending inventory?
    a. Specific identification
    b. LIFO
    c. FIFO
    d. Weighted average cost

88. Silvermark Enterprises The following information is from Silvermark's 2012 accounting records. Gross Purchases $182,000, Transportation-in 11,000 Inventory, January 1, 2012 26,500 Inventory, December 31, 2012 28,800 Purchase Returns and Allowances 8,400 Refer to the information provided for Silvermark Enterprises. How much will Silvermark report as net purchases for 2012?
    a. $201,400
    b. $193,000
    c. $184,600
    d. $211,100

89. The cost of goods sold is equal to:
    a. the amount of inventory on hand at the end of the accounting period
    b. purchases less beginning inventory plus ending inventory.
    c. the inventory account as reported on the balance sheet.
    d. the cost of goods available for sale less ending inventory.

90. Which inventory cost flow method assigns the cost of the most recent items purchased to cost of goods sold?
    a. Weighted average cost
    b. Specific identification
    c. FIFO
    d. LIFO

91. Transportation-in is:
    a. an operating expense.
    b. part of purchase returns and allowances.
    c. added to transportation-out as part of the calculation of cost of goods sold.
    d. part of the net cost of purchases.

92. Billit Corporation Billit Corporation is a merchandising company. Selected account balances are listed below. Sales $500,000, Purchases 225,000 Beginning Inventory 16,000 Ending Inventory 30,000 Operating Expenses 148,000 Income Tax Expense 10,000 Beginning Retained Earnings 53,000 Dividends 15,000 Calculate the Cost of Goods Sold for Billit Corporation.
    a. $259,000
    b. $211,000
    c. $275,000
    d. $241,000

93. The inventory turnover ratio is represented by which of the following formulas?
    a. Cost of goods sold / average inventory
    b. Average inventory / net credit sales
    c. Average inventory / cost of goods sold
    d. Net credit sales / average inventory

94. Inventory turned over seven times during the year at Prosser Electronics. Similar electronics retailers have an inventory turnover equal to twelve times per year. What explains Prosser's state of inventory management?
    a. Prosser is performing much better than its competitors.
    b. Prosser should increase the amount of goods on hand to accommodate the growth in inventory demand.
    c. Prosser sold too much inventory during the year.
    d. Prosser needs to increase sales and decrease the amount of inventory on hand.

95. Jensan Co.

Jensan uses a perpetual inventory system and had the following inventory transactions for the month of June.

June 1 On hand, 50 units at $15.00 each $ 750.00
4 Purchased 115 units at $15.10 each 1,736.50
5 Sold 100 units
10 Purchased 75 units at $15.20 each 1,140.00
24 Sold 50 units
Total cost of goods available for sale $3,626.50
30 On hand, 90 units

The June 30th inventory included 45 units from the June 4th purchase and 45 units from the June 10th purchase. Refer to the information provided for Jensan Co. Jensan's cost of ending inventory at June 30th under the specific identification method is:

a. $1,363.50
b. $1,350.00
c. $1,368.00
d. $1,359.00

96. For which type of merchandise would a company most likely use the specific identification method of inventory costing?

a. Fine Jeweller
b. Cases of bottled water
c. Gasoline held in storage tanks
d. Barbie dolls

97. The income statement would be which part of David Jones' master budget?

a. The capital expenditure budget
b. None of the above
c. The operating budget
d. The financial budget

98. Refer to the information below; Suppose 'Regal Marines' reports the following information (in hundreds of thousands of dollars); Beginning materials inventory $6 Ending materials inventory $5 Beginning work in process inventory $2 Ending work in process inventory $1 Beginning Finished goods Inventory $3 Ending finished goods inventory $5 Direct labour $30 Purchases of direct materials $100 Manufacturing overhead $20 What is the cost of the direct materials that Regal used?

a. $100
b. $106
c. $99
d. $101

99. In calculating cost of goods sold, which of the following is the manufacturer's counterpart of the retailer's purchases?

a. Total manufacturing costs incurred during the period
b. Total manufacturing costs to account for
c. Direct materials used
d. Cost of goods manufactured

100. Which is not a characteristic of management accounting information?
   a. Emphasizes relevance
   b. Focuses on the future
   c. Emphasizes reliability
   d. Provides detailed information about parts of the company, not just the company as a whole

101. Which of the following is the cornerstone (or most critical element) of the master budget?
   a. The sales budget
   b. The inventory budget
   c. The operating expenses budget
   d. The purchases and cost of goods sold budget

102. Refer to the information below; Suppose 'Regal Marines' reports the following information (in hundreds of thousands of dollars); Beginning materials inventory $6 Ending materials inventory $5 Beginning work in process inventory $2 Ending work in process inventory $1 Beginning Finished goods Inventory $3 Ending finished goods inventory $5 Direct labour $30 Purchases of direct materials $100 Manufacturing overhead $20 What is the cost of goods sold?
   a. $152
   b. $153
   c. $150
   d. $154

103. Refer to the information below; Suppose 'Regal Marines' reports the following information (in hundreds of thousands of dollars); Beginning materials inventory $6 Ending materials inventory $5 Beginning work in process inventory $2 Ending work in process inventory $1 Beginning Finished goods Inventory $3 Ending finished goods inventory $5 Direct labour $30 Purchases of direct materials $100 Manufacturing overhead $20 What is the cost of goods manufactured?
   a. $151
   b. $152
   c. $150
   d. $149

104. The journal entry for recording accounts receivable is:
   a. Sales Dr. & Accounts Receivable Cr.
   b. Accounts Receivable Dr. & Sales Cr.
   c. Cash Dr. & Sales Cr.
   d. Sales Dr. & Accounts Payable Cr.

105. The payment terms 2/10, n/30 tell us that
   a. a 10% discount will be awarded if the payment is made within 2 days of invoice date; otherwise, the full amount is payable within 30 days of invoice date.
   b. a 2% discount will be awarded if the payment is made within 10 months of invoice date; otherwise, the full amount is payable within 30 months of invoice date.
   c. a 0.5% discount will be awarded if the payment is made within 10 days of invoice date; otherwise, the full amount is payable within 30 days of invoice date.

d. a 2% discount will be awarded if the payment is made within 10 days of invoice date; otherwise, the full amount is payable within 30 days of invoice date.

106. The cash discount (also known as purchase discount or sale discount) is given to customers for:

a. early payments
b. bulk purchase
c. frequent purchases
d. good business relations

107. The accounts receivable that cannot be collected because of their bankruptcy or another reason are termed as:

a. collectible accounts
b. bad customers
c. doubtful accounts
d. uncollectible accounts

108. Under allowance method, the journal entry to record uncollectible accounts expense is:

a. Allowance for Doubtful Accounts Dr. & Uncollectible Accounts Expense Cr.
b. Uncollectible Accounts Expense Dr. & Allowance for Doubtful Accounts Cr.
c. Uncollectible Accounts Expense Dr. & Accounts Receivable Cr.
d. Accounts Receivable Dr. & Uncollectible Accounts Expense Cr.

109. The Fortune Company uses allowance method to recognize uncollectible accounts expense. It provides you the following selected information:

i. Accounts receivable on December 31, 2017: $380,000
ii. Required balance in Allowance for Doubtful Accounts account on December 31, 2017: $3,000
iii. Existing balance in Allowance for Doubtful Accounts account on December 31, 2017: $2,500

The journal entry required to recognize uncollectible accounts expense on December 31, 2017 is:

a. Uncollectible Accounts Expense 500 Dr. & Accounts Receivable 500 Cr.
b. Uncollectible Accounts Expense 2,500 Dr. & Accounts Receivable 2,500 Cr.
c. Uncollectible Accounts Expense 500 Dr. & Allowance for Doubtful Accounts 500 Cr.
d. Uncollectible Accounts Expense 3,000 Dr. & Allowance for Doubtful Accounts 3,000 Cr.

110. Allowance for doubtful accounts is an example of:

a. asset account
b. liability account
c. expense account
d. contra asset account

111. Under allowance method, the journal entry to write off an uncollectible account is:

a. Allowance for Doubtful Accounts Dr. & Accounts receivable Cr.
b. Accounts receivable Dr. & Allowance for Doubtful Accounts Cr.
c. Uncollectible Accounts Expense Dr. & Accounts Receivable Cr.
d. Accounts Receivable Dr. & Uncollectible Accounts Expense Cr.

112. Under direct write off method, the journal entry to recognize uncollectible accounts expense is:
   a. Accounts receivable Dr.; Sales Cr.
   b. Uncollectible Accounts Expense Dr.; Sales Cr.
   c. Uncollectible Accounts Expense Dr.; Accounts Receivable Cr.
   d. Accounts Receivable Dr.; Uncollectible Accounts Expense Cr.

113. Under allowance method, the correct journal entry to reinstate a previously written off account is:
   a. Allowance for Doubtful Accounts Dr.; Uncollectible accounts expense Cr.
   b. Accounts Receivable Dr.; Allowance for Doubtful Accounts Cr.
   c. Allowance for Doubtful Accounts Dr.; Accounts Receivable Cr.
   d. Accounts Receivable Dr.; Sales Cr.

114. The correct journal entry for collection of accounts receivable is:
   a. Cash Dr.; Accounts Receivable Cr.
   b. Cash Dr.; Sales Cr.
   c. Cash Dr.; Accounts Payable Cr.
   d. Accounts Receivable Dr.; Cash Cr.

115. A promissory note is written by:
   a. a creditor in favor of a debtor
   b. a customer in favor of another customer
   c. a seller in favor of another seller
   d. a debtor in favor of a creditor

116. In a promissory note, the debtor makes:
   a. a conditional promise to pay a certain sum of money
   b. an unconditional promise to pay a certain sum of money
   c. a conditional promise to buy a certain quantity of goods
   d. an unconditional promise to buy a certain quantity of goods

117. Which of the following journal entries converts an account receivable into a note receivable?
   a. Accounts Receivable Dr.; Note Receivable Cr.
   b. Notes Receivable Dr.; Accounts Receivable Cr.
   c. Notes Receivable Dr.; Sales Cr.
   d. Notes Receivable Dr.; Customers Cr.

118. Accounts receivable are reported in the balance sheet:
   a. at face value
   b. at gross value
   c. at net realizable value
   d. at net credit sales value

119. The John & Stewart Company provides you the following selected information:

i. Balance in accounts receivable account on December 31, 2017: $70,000
ii. Balance in allowance for doubtful accounts account on December 31, 2017 after making adjusting entry for uncollectible accounts expense: $2,000
iii. Uncollectible accounts expense for the year 2017: $500

On the basis of above information, the net realizable value of accounts receivable to be shown in the balance sheet as at December 31, 2017 would be:

a. $72,000
b. $69,500
c. $68,000
d. 70,500

120. The US Company uses sales method to estimate its credit losses. It provides you the following selected information:

- Total credit sales for the year 2017: $800,000
- Estimated uncollectible credit sales for the year 2017: 1%
- Balance in allowance for doubtful accounts account on December 31, 2017 before making adjusting entry for uncollectible accounts expense: $5,000

The uncollectible accounts expense to be reported in the income statement for the year 2017 is:

a. $13,000
b. $3,000
c. $8,000
d. $5,000

121. The main purpose of factoring accounts receivable is:

a. to create an additional guarantee of collection
b. to establish a legal proof for future use
c. to meet immediate cash needs
d. to invest accounts receivable in another business

122. In a factoring with recourse, the loss resulting from bad debts is born by:

a. the organization buying the accounts receivable
b. the organization selling the accounts receivable
c. the intermediate organization
d. all of the above

123. In a factoring without recourse transaction, the loss resulting from bad debts is born by:

a. an intermediate organization
b. the CEO of the organization
c. the organization selling the accounts receivable
d. the organization buying the accounts receivable

124. Double column cash book has two money column as follows:

a. One for discount and the other for bank.
b. One for discount and the other for cash.
c. One for cash and other for bank.
d. One for cash receipt and the other for cash payment.

125. Contra entries are recorded in:
   a. Cash book with discount column.
   b. Cash book with discount and bank column.
   c. Simple cash book.
   d. Petty cash book.

126. Office cash deposited into bank is recorded in cash book on:
   a. Debit side
   b. Credit side
   c. Debit side and on the credit side
   d. None of the above

127. Cash discount allowed is:
   a. Recorded on the debit side of cash book
   b. Recorded on the credit side of cash book
   c. Recorded in petty cash book
   d. Not recorded in cash book

128. Cash withdrawn from bank for office use is recorded in cash book on:
   a. Debit side
   b. Credit side
   c. Debit side and credit side
   d. None of the above

129. Cash withdrawn from bank for personal use of the owner is recorded in cash book on:
   a. Debit side
   b. Credit side
   c. Both sides

130. Cash book is meant for recording:
   a. All cash transactions
   b. Only cash payment
   c. Only cash receipts
   d. Petty expenses

131. Cash sales are recorded in:
   a. Sales book
   b. Cash book
   c. Journal
   d. None of the above.

132. Petty cash book is used for recording:
   a. Petty cash receipts
   b. Petty cash payments
   c. All cash payments
   d. Petty cash receipts and payments

133. In case of cash book if nature of balance is not mentioned then it will be:
   a. Debit balance
   b. Credit balance
   c. Overdraft of cash book
   d. None of the above

134. Budget sales, plus target ending finished goods inventory, minus beginning finished goods inventory is equal to:
   a. budget production
   b. planned production
   c. setup production
   d. stand by production

135. An inventory, which consists of partially worked goods or work in progress is called
   a. direct materials inventory
   b. work in process inventory
   c. finished goods inventory
   d. indirect material inventory

136. Inventory of final goods that are not yet sold is called:
   a. finished goods inventory
   b. indirect material inventory
   c. direct materials inventory
   d. work in process inventory

137. An inventory which consists of stock waiting to be used In process of manufacturing is known as
   a. finished goods inventory
   b. indirect material inventory
   c. direct materials inventory
   d. work in process inventory

138. In cost accounting, types of inventory do not include
   a. direct materials inventory
   b. work in process inventory
   c. finished goods inventory
   d. indirect material inventory

139. Which of following is an example of purchasing costs?
   a. incoming freight
   b. storage costs
   c. insurance
   d. spoilage

140. If an average inventory is 2000 units, annual relevant carrying cost of each unit is $5, then annual relevant carrying cost will be:
   a. $5,000
   b. $4,500
   c. $5,500
   d. $6,000

141. If demand of one year is 25,000 units, relevant ordering cost for each purchase order is $210, carrying cost of one unit of stock is $25 then economic order quantity will be:
   a. 678 packages
   b. 648 packages
   c. 658 packages
   d. 668 packages

142. Cost of product failure, error prevention and appraisals can be classified under
   a. stocking costs
   b. stock-out costs
   c. costs of quality
   d. shrinkage costs

143. Activities related to coordinating, controlling and planning flow of inventory are classified as:
   a. decisional management
   b. throughput management
   c. inventory management
   d. manufacturing management

144. The inventory costing method that charges the most recent costs incurred against revenue
   a. Lifo
   b. Fifo
   c. Average Cost

145. The following units of a particular item were purchased and sold during the period:

Beginning inventory	40 units at P20
First purchase	50 units at P21
Second purchase	50 units at P22
First sale	110 units
Third purchase	50 units at 23
Second sale	45 units

What is the cost of the 35 units on hand at the end of the period as determined under the perpetual inventory system by the lifo costing method

a. 715
b. 700
c. 705
d. 805

146. The following units of a particular item were purchased and sold during the period:

Beginning inventory	40 units at P20
First purchase	50 units at P21
Second purchase	50 units at P22
First sale	110 units
Third purchase	50 units at 23
Second sale	45 units

What is the cost of the 35 units on hand at the end of the period as determined under the periodic inventory system by the fifo costing method

a. 20
b. 21
c. 22
d. 23

147. If the merchandise inventory is being valued at cost and the price level is steadily rising, the method of costing that will yield the highest net income is:

a. Lifo
b. Fifo
c. Average Cost

148. One advantage of operating as a partnership would include:

a. Access to a larger amount of initial capital
b. Being able to raise capital through share issues
c. Limited liability for all partners
d. Greater power than a sole trader for decision making

149. In normal trading circumstances, which of the following would not be found in a partner's current account?

a. Drawings
b. Salaries
c. Goodwill
d. Interest on drawings

150. Haslem and Stringer are in partnership sharing profits in a 3:2 ratio. Net profit for the year ended 31.12.20X5 was £12,000. Interest on capital was allocated as £400 to Haslem and £250 to Stringer. Stringer received a partnership salary of £5,000. How much was Haslem's share of profit?

a. £3,060
b. £2,540
c. £3,810
d. £4,950

151. A financial statement that shows the inflows and outflows of cash during a particular period of time is known as:

a. income statement
b. statement of retained earnings
c. balance sheet
d. statement of cash flows

152. A statement of cash flows has:

a. 3 sections
b. 4 sections
c. 5 sections
d. 6 sections

153. Which of the following is not an operating cash flow?

a. collection of cash from receivables
b. payment of income tax
c. payment of cash for operating expenses
d. purchase of equipment for cash

154. Which of the following is not an investing cash flow?

a. purchase of marketable securities for $25,000 cash
b. sale of land for $28,000 cash
c. sale of 2,500 shares of common stock for $15 each
d. purchase of equipment for $500 cash

155. Which of the following is not a financing activity:
    a. Issuance of bonds payable
    b. Sale of investment
    c. Purchase of treasury stock
    d. Issuance of common stock

156. Which of the following is not a non-cash investing and financing activity?
    a. Conversion of bonds into common stock
    b. Purchase of land by issuing common stock
    c. Conversion of preferred stock into common stock
    d. Repayment of short-term loan

157. Significant non-cash investing and financing activities are reported in the:
    a. operating activities section of statement of cash flows
    b. investing activities section of statement of cash flows
    c. foot notes or separate notes to the financial statements
    d. financing activities section of statement of cash flows

158. The following data belongs to Care Company:

- Accounts receivable on December 31, 2016: $60,000
- Accounts receivable on December 31, 2017: $40,000
- Net credit sales during the year 2017: $200,000

Based on the above information, the net cash collected from customers by Care Company during the year 2017 is:

    a. $180,000
    b. $220,000
    c. 240,000
    d. 260,000

159. The following data belongs to Soft Company:

- Accounts receivable on December 31, 2016: $20,000
- Accounts receivable on December 31, 2017: $25,000
- Net credit sales during the year 2017: $100,000

Based on the above information, the total cash collected from customers by Soft Company during the year 2017 is:

a. 75,000
b. 120,000
c. 105,000
d. $95,000

160. Inventory on December 31, 2016: $5,000
Inventory on December 31, 2017: $3,000
Accounts payable on December 31, 2016: $12,000
Accounts payable on December 31, 2017: $15,000
Cost of goods sold for the year 2017: $50,000

Based on the above information, the net cash paid to suppliers of inventory during the year 2017 is:

a.$49,000 b.$55,000 c. $45,000 d. $51,000

161. Under indirect method of preparing statement of cash flows, depreciation expense affects:
a. operating activities section
b. investing activities section
c. financing activities section
d. notes to the financial statements

162. A company sells an old piece of equipment for $5,000 cash. The book value of the equipment sold is $4,500. Under indirect method, the gain of $500 ($5,000 – $4,500) would affect:
a. operating activities section
b. investing activities section
c. financing activities section
d. notes to the financial statements

163. A company sells old plant for $12,000 cash. The book value of the plant is $7,000. This transaction would affect:
a. operating activities & financing activities
b. operating activities & investing activities
c. financing activities & investing activities
d. operating activities and foot notes

164. The John Company sells its delivery truck in current year. The relevant information is given below:

- Cost of delivery truck (purchased several years ago): $25,000
- Book value of delivery truck: $5,000
- Proceeds from sale of delivery truck: $4,000

Based on the above information, the operating activities section of the statement of cash flows of current year would be affected by:

a. $5,000
b. $25,000
c. $4,000
d. $1,000

165. Which of the following items affects net income but does not affect cash?
a. Depreciation of fixed assets
b. Amortization of intangible assets & bond discounts
c. Depletion of natural resources
d. All of the above

166. The indirect method of preparing a statement of cash flows is also known as:
a. income statement method
b. reconciliation method
c. balance sheet method
d. reverse method

167. The following information belongs to Noor Merchandising Company:

- Net income: $25,000
- Depreciation expenses: $2,000
- Loss on sale of equipment: $100
- Proceeds from sale of equipment: $500
- Increase in accounts receivable: $1,000
- Increase in accounts payable: $2,000
- Decrease in inventory: $400

Based on the above information, the net cash provided by operating activities is:

a. $29,000
b. $28,500

c. 27,500
d. 24,300

168. The statement of cash flows is designed with the purpose of helping users to assess each of the following, except:
a. the major sources of cash receipts during the period
b. the reasons why net cash flows from operating activities differ from net income
c. the ability of a entity to remain liquid
d. the profitability of the entity

169. The Northern Company reported income tax expense of $30,500 on its income statement for the year December 31, 2017. The comparative balance sheet of the company showed that income tax payable on December 31, 2016 and December 31, 2017 was $4,000 and $6,500 respectively.

Based on the above information, cash payment for the income tax during the year 2017 was:

a. $28,000
b. $33,000
c. $34,500
d. $37,000

170. The land account was debited by $60,000 and credited by $25000 during the current year. The income statement reported a loss on sale of land in the amount of $2,000. All transactions related to land account was cash transactions. These transactions would be shown in the statement of cash flows as:
a. $60,000 cash provided by investing activities, and $25,000 cash disbursed for investing activities
b. $23,000 cash provided by investing activities, and $60,000 cash disbursed for investing activities
c. $25,000 cash provided by investing activities, and $60,000 cash disbursed for investing activities
d. $27,000 cash provided by investing activities, and $60,000 cash disbursed for investing activities

171. A person who purchases common stock of a corporation is known as:
a. preferred stockholder

b. creditor
c. bond holder
d. common stockholder

172. A person who purchases preferred stock of a corporation is known as:
a. preferred owner
b. preferred creditor
c. preferred stockholder
d. preferred investor

173. Which of the following statements is not true about preferred stock?
a. The rate of dividend is usually fixed
b. Stockholders always have a voting right
c. Stockholders' usually have a preference as to assets upon liquidation of the corporation
d. Stockholders' usually have a preference as to dividends

174. Who is known as the real owner of the corporation?
a. A creditor
b. A preferred stockholder
c. A common stockholder
d. A director

175. According to current standards, mandatorily redeemable preferred stock is required to be reported as:
a. Liability
b. Equity
c. Asset
d. none of the above

176. The shares of common and preferred stock that have been issued and outstanding are reported in which section of balance sheet?
a. Fixes assets section
b. Stockholders' equity section
c. Current assets
d. Liabilities section

177. Any unpaid dividend is carried forward to the future periods for which type of stock?
a. Common stock

b. Cumulative preferred stock
c. Non-cumulative preferred stock
d. All of the above

178. The Southern company issued 5,000 shares of its $10 par value common stock. These shares were issued at a price of $25 per share. The correct journal entry to record this transaction is:

a. Cash $125,000 Dr; Common stock $125,000 Cr.
b. Cash $50,000 Dr; Common stock $50,000 Cr.
c. Common stock $50,000 Dr; Additional paid-in capital - common stock $75,000 Dr; Cash $125,000 Cr.
d. Cash $125,000 Dr; Common stock $50,000 Cr; Additional paid-in capital - common stock $75,000 Cr.

179. Which of the following is not affected as a result of stock split?

a. Number of shares outstanding
b. Par value per share
c. Market value per share
d. Par value of total shares outstanding

180. The following information has been extracted from the balance sheet of Washington Corporation as on December 31, 2017:

- Number of shares of common stock authorized: 200,000 shares
- Number of shares of common stock issued and outstanding: 80,000 shares
- Par value per share: $10

On January 1, 2018, the board of directors proposed a 7-for-5 stock split which was approved. The 7-for-5 stock split would increase the number of shares issued and outstanding by:

a. 80,000
b. 280,000
c. 32,000
d. 112,000

181. Which of the following cannot be a component of stockholders' equity section of the balance sheet?

a. Additional paid-in capital
b. Treasury stock

c. Long term loan
d. Retained earnings

182. Sometime companies buyback their own shares which are known as:
a. holding stock
b. acquired stock
c. common stock
d. treasury stock

183. Which of the following is not true about treasury stock?
a. Shares held as treasury stock are not entitled to dividends
b. Shares held as treasury stock are not entitled to assets upon liquidation
c. Shares held as treasury stock include shares that has been retired or cancelled
d. Shares held as treasury stock has no voting right

184. The US Company repurchased its own shares of common stock. The relevant information is given below:

- Number of shares repurchased: 5,000 shares
- Par value per share of US Company: $10
- The price at which shares were repurchased: $20 per share

Based on the above information, the journal entry to record the repurchase of 5,000 shares under cost method would be:

a. Treasury stock 50,000 Dr; Cash 50,000 Cr.
b. Treasury stock 100,000 Dr; Cash 100,000 Cr.
c. Common stock 50,000 Dr; Cash 50,000 Cr.
d. Common stock 100,000 Dr; Cash 100,000 Cr.

185. Book value per share of common stock = ?
a. Total assets/No. of shares of common stock outstanding
b. Net income/No. of shares of common stock outstanding
c. (Stockholders' equity - Preferred stock)/No. of shares of common stock outstanding
d. Stockholders' equity/No. of shares of preferred stock outstanding

186. Which of the following factors may affect the market price of preferred stock?
a. Rate of dividend
b. Rate of interest on debt securities
c. Features of preferred stock
d. All of the above

187. Treasury stock is a(n)

a. asset account
b. liability account
c. contra equity account
d. none of the above

188. The following information has been extracted from the balance sheet of London Corporation as on December 31, 2017:

- Total stockholders' equity: $25,000,000
- Preferred stock (issued and outstanding): $5,000,000
- Average No. of shares of common stock outstanding: 2,000,000 shares

On the basis of above information, the book value per share of common stock is:

a. $10.00
b. $15.00
c. $2.50
d. $12.50

189. Dividends in arrears on cumulative preferred stock are disclosed as:

a. short-term liabilities
b. long-term liabilities
c. notes to the balance sheet
d. deduction from stockholders' equity

190. Which of the following statements is not true about common stock of a large, publicly owned corporation?

a. The shares may be transferred from one stockholder to another
b. Stockholders have voting rights in the election of the board of directors
c. Stock holders have cumulative right to receive dividends
d. After issuance, the market value of the stock is unrelated to its par value

191. **If a partner cannot clear his debts on dissolution, the other partners must clear these debts in the following manner:**

a. In the ratio of their last agreed capital balance
b. Debts are shared equally
c. Partnership profit/loss sharing ratio
d. Debts should not be cleared by other partners

192. The main account for dealing with partnership dissolution would be:
   a. Appropriation
   b. Revaluation
   c. Dissolution
   d. Realization

193. **Yates & Wells were in partnership sharing profit and losses equally. They admit Sparks as a partner and decide to share profits equally between the three partners. Goodwill is valued at £60,000 but is to be immediately written off. The effect of this on Yates' capital would be to:**

   a. Decrease it by £10,000
   b. Decrease it by £20,000
   c. Increase it by £10,000
   d. Increase it by £30,000

194. **Which of the following would not be found in a partnership appropriation account?**

   a. Interest on loan by partner to partnership
   b. Interest on drawings
   c. Salaries
   d. Interest on capital

195. **If partners maintain both fixed capital and current accounts, which of the following would normally be credited to a partner's capital account?**

   a. Interest on capital
   b. Profits on revaluation
   c. Goodwill being written off
   d. Losses on revaluation

196. **A debit balance on a partner's current account must indicate that:**

   a. Drawings are higher than the profit share for that year
   b. They have withdrawn more than they have earned in the partnership
   c. They have a credit balance on their capital account
   d. They are insolvent

197. Which of the following would not appear in a limited company's appropriation account?

   a. Interim dividends
   b. Transfer to general reserve
   c. Transfer to revaluation reserve
   d. Proposed taxation

198. Which of the following statement is not true?

   a. Capital contributions do not have to be equal from each partner
   b. Interest on capital is a reward for the different amounts of work partners may perform

c. Not all partners can have limited liability in a limited partnership
d. The partnership agreement will override the 1890 Partnership Act

199. **Which of the following is not a requirement made on a firm becoming a public limited company?**

a. At least two members
b. It must have the words 'public limited company' or the abbreviation 'plc' after its name
c. Shares must be offered for sale on the Stock exchange
d. An authorized capital of at least £50,000

200. **A company has issued 50,000, £1 ordinary shares and 60,000 5% preference shares of £1 each. If profits available for dividends are £5,000 and the firm wishes to give out all available profits as dividends then the amount given out per ordinary share would be:**

a. £0.06
b. £0.40
c. £0.10
d. £0.04

201. In normal trading circumstances, which of the following would not be found in a partner's capital account?

a. Goodwill.
b. Profits on revaluation.
c. Losses on dissolution.
d. Drawings.

202. **Which of the following is not a capital reserve?**

a. Share premium.
b. Fixed asset replacement.
c. Revaluation.
d. Capital redemption.

203. One advantage of operating as a partnership would include:

a. greater power than a sole trader for decision making.
b. access to a larger amount of initial capital.
c. limited liability for all partners.
d. being able to raise capital through share issues.

204. Which of the following would not be found in a partnership appropriation account?

a. Interest on loan by partner to partnership.
b. Salaries.
c. Interest on drawings.
d. Interest on capital.

205. **Hinge and Backett are in a partnership. There net profit for the year was £45,000. Interest on capital was £250 for Hinge and £375 for Backett. Hinge was also entitled to a salary of £5,000 per annum. If Brackett is entitled to 2/5 of any residual profits, then her share of the profits for the year would be:**

a. £15,750.
b. £26,625.
c. £17,750.

d. £23,625.

206. **Harker & Bell were in partnership sharing profit and losses equally. They admit Traverse as a partner and decide to share profits in the ratio of 2:2:1, with Traverse receiving the smaller share. Goodwill from the old partnership is valued at £100,000 but is to be immediately written off. The effect of this on Harker's capital would be to:**
a. increase it by £50,000.
b. decrease it £20,000.
c. increase it by £10,000.
d. decrease it by £10,000.

207. An advantage of operating as a limited company rather than a partnership would not include:

a. potential access to greater capital resources.
b. firm is not constrained by retirement of partners.
c. those who run the company may have different objectives from those who own the company.
d. all owners benefit from limited liability.