Accounting competency exam sample exam flashcard

ACCOUNTING COMPETENCY EXAM SAMPLE EXAM 1. The accounting process does not include: a. b. c. interpreting reporting purchasing d. observing e. classifying 2. The financial statement or statements that pertain to a stated period of time is (are) the: a. b. c. d. e. balance sheet balance sheet and journals balance sheet and income statement income statement none of the above 3. External users of financial accounting information include: a. b. c. lenders prospective owners customers d. e. labor unions all of the above 4. Expenses can be found in the: a. . c. statement of owner's equity income statement balance sheet d. e. both b and c all of the above 5. This account does not appear on the income statement: a. b. c. accumulated depreciation depreciation expense sales revenue d. e. marketing expense interest expense 6. A brand new company has a building costing $10, 000, machinery costing $5, 000, cash of $700, and a bank loan of $7, 850. What is the owner's equity? a. b. c. $8, 850 $15, 700 $7, 750 d. e. cannot be determined $7, 850 7. An example of an economic exchange includes: a. . c. d. e. a business owner purchases inventory on credit a dry cleaning business cleans 3 dresses for a customer an insurance agent sells a whole life policy a contractor purchases a new truck for cash all of the above 8. If a company has owner's equity of $100, 000, a. b. c. d. e. assets minus liabilities equal $100, 000 total assets must equal $100, 000 net income for the past year was $100, 000 a total of $100, 000 was invested by the owner none of the above 9. Providing services on account for $40, 000 would: a. b. c. d. e. ncrease cash $40, 000, decrease accounts receivable $40, 000 decrease accounts receivable $40, 000, decrease owner's equity $40, 000 increase accounts receivable $40, 000, increase owner's equity $40, 000 increase accounts receivable $40, 000, decrease owner's equity $40, 000 none of the above Use the following information to answer the next four questions. Joseph Forbes is the owner of his own business. On December 31, Forbes' assets, liabilities, revenues and expenses were: Insurance Expenses Miscellaneous Expenses Rent Expenses Salaries Expense Supplies Expense Services Performed 10. 3, 000 900 2, 500 19, 000 1, 200 45, 000 Accounts Payable Accounts Receivable Cash Equipment Notes Payable Supplies on hand $4, 000 5, 000 14, 000 11, 000 4, 600 700 On December 31, total assets are equal to: a. b. c. $25, 700 $19, 700 $22, 100 d. e. $30, 700 none of the above 11. On December 31, net income is equal to: a. b. $18, 400 $45, 000 d. e. $17, 400 none of the above 12. On December 31, if net income equals $15, 000 and the ending owner's equity is $20, 000, and Forbes invested an additional $2, 600 in his business, while withdrawing $6, 000 during the year, the beginning owner's equity for this year was: a. . c. $7, 100 $7, 400 $8, 400 d. e. $7, 430 none of the above 13. On December 31, current assets equal: a. b. c. d. e. $9, 000 $19, 700 $19, 000 $23, 000 none of the above 14. New Font Software provided services for customers of $7, 000. What is the entry if it billed customers for the total amount. a. b. c. d. e. Debit accounts receivable $7, 000; credit service revenue $7, 000 Debit notes receivable $7, 000; credit service revenue $7, 000 Debit cash $7, 000; credit service revenue $7, 000 Debit service revenue $3, 000; credit accounts receivable $7, 000 none of the above 5. Current Landscaping paid salaries of $560 in cash. The accounting entry is: a. b. c. d. e. Debit salaries expense $560; credit salaries payable $560 Debit salaried expense $560; credit cash $560 Debit cash $560; credit salaries expense $560 Debit accounts payable $560; credit cash $560 none of the above 16. The Philip

Company received a bill for natural gas. The bill is for $550 and is payable in 30 days. The accounting entry is: a. b. c. d. e.

Debit accounts receivable $550; credit service revenue $550 Debit accounts payable $550; credit cash $550 Debit natural gas expense $550; credit accounts payable $550 Debit natural gas expense $550; credit cash $550 none of the above 17. The following includes the accounts of the Perry Company on December 31. What is the total trial balance? Accounts Receivable Cash Equipment Salaries Expense Revenue Earned Rent Expense a. b. c. $11, 900 $12, 000 $9, 100 $1, 000 4, 500 4, 000 1, 600 2, 800 200 Supplies Expense Drawing Account Advertising Expense Accounts Payable Capital Account 250 300 50 3, 050 6, 050 . e. $11, 600 none of the above 18. Which of the following transactions require a compound journal entry? a. b. c. d. e. An owner invests personal cash on his/her business Purchase of $ 100 of supplies; some cash and the rest on account Purchase three kinds of supplies for cash Received cash from customers as payment for services none of the above 19. Cross-indexing: a. b. c. d. e. shows the analysis of each transaction. ties the journal and ledger together. supplies an explanation of each transaction removes complicated explanations from the accounts. c and d 0. A truck was purchased on July 1 for $20, 000. The estimated salvage value is $2, 000. The estimated useful life is 3 years. Using straight-line method of depreciation, the amount of depreciation in the adjusting entry at fiscal year-end on December 31 is: a. b. c. d. Depreciation Expense-Truck Accumulated Depreciation-Truck Accumulated Depreciation-Truck Depreciation Expense- Truck Depreciation Expense- Truck Accumulated Depreciation- Truck Depreciation Expense- Truck Accumulated

Depreciation- Truck $555. 56 $555. 56 $1, 500 $1, 500 $500 $500 $3, 000 3, 000 21.

A company paid in advance $4, 800 for two years of prepaid insurance, which started on May 1. The adjusting entry on fiscal year ending December 31 of that year is: a. b. c. d. Debit Insurance Expense; Credit Prepaid Insurance, $1, 200 Debit Insurance Expense; Credit Prepaid Insurance, $800 Debit Prepaid Insurance; Credit Insurance Expense , $1, 600 Debit Insurance Expense; Credit Prepaid Insurance, $1, 600 22. On December 1 a company purchased supplies for $1, 300. On December 31, an actual physical inventory showed that $800 of supplies were on hand. The closing adjusting entry is: a. b. . d. Debit Supplies Expense; Credit Supplies on Hand, $800 Debit Supplies Expense; Credit Supplies on Hand, $1, 300 Debit Supplies Expense; Credit Supplies on Hand, $500 Debit Supplies on Hand; Credit Cash, $500 23. The first step in the accounting cycle is: a. b. c. d. Prepare financial statements Post journal entries to the accounts in the ledger Journalize transactions in the journal Analyze transactions by examining source documents 24. The Futures Company had revenues of $50, 000 and expenses of $30, 000 for the year. Mr. Futures withdrew $5, 000 from the business during the year.

The accounting entry to close the Income Summary Account is: a. b. c. d. Income Summary Mr. Futures capital Mr. Futures capital Income Summary Income Summary Mr. Futures Drawing Mr. Futures, Drawing Income Summary $20, 000 $20, 000 $20, 000 $20, 000 $5, 000 $5, 000 $5, 000 $ 5, 000 25. An example of an adjusting entry for deferred items is: a. b. expense to asset asset to expense c. d. revenue to liability liability to expense 26.

CMU Corp, has 4 500, 000 of accounts receivable and has found an average 3 percent of its credit sales are uncollectible. Suppose CMU Corp. etermines that a customer owing $10, 000 will never pay. What would be the journal entry? a. b. c. d. Uncollectible Accounts Expense $300 Allowance for Uncollectible Accounts Allowance for Uncollectible Accounts 300 Accounts Receivable Uncollectible Accounts Expense 10, 000 Allowance for Uncollectible Accounts Allowance for Uncollectible Accounts 10, 000 Accounts Receivable $300 300 10, 000 10, 000 27. Rowe Inc. has a contract to construct a building for a price of $100. So far it has spent $60 of costs and it estimates an additional $20 will be needed to finish the building.

How much profit can be recognized using the percentage of completion method? a. b. c. 0 $15 $20 d. e. $40 none of the above 28. Warriner, Ltd. Sells widgets for $100, costing $70 with payments to be made in 10 equal installments of $10. If 3 payments have been received this year, using the installment basis of revenue recognition, what is the realized profit? a. b. o $3 c. d. $9 $30 29. Identify the advantage(s) of recognizing revenue at the time of sale. a. b. c. d. The actual transaction is an observable event. The likelihood of the sold item being returned for credit is remote.

All of the above None of the above 30. Rowe, Inc. has a contract to construct a building for a price of $100. So far it has spent $60 of costs and it estimates an additional $20 will be needed to finish the building. How much profit can be recognized using the completed contract method? a. b. 0 $15 c. d. $20 $40 Using the following 2 tables, answer the next four questions. Table of Inventory Purchases Units Unit Cost 10 $3 5 4 15 5 12 7 20 8 62

Date Beginning Inventory February 3 April 10 June 12 August 20 Total Total cost $30 20 75 84 160 369 Date March 5 May 2 July 4 September 1

Units Identified February April June June Sales Units 5 10 2 8 25 Price $6 6 10 10 Total $30 60 20 80 $190 31. Determine the cost of ending inventory under specific a. b. $190 $229 c. d. $160 $369 identification 32. Determine the FIFO cost of ending inventory a. b. $179 $190 c. d. $269 $369 33. Determine the LIFO cost of ending inventory a. b. $185 $174 c. d. $190 $369 34. Determine the ending inventory under weighted average method. a. b. $190 $220 c. d. $249 $369 35. From merchandiser's income statement you know that Sales revenue is $ 650, 000 and the gross margin is 20%. What is the cost of Goods Sold? . b. $650, 000 $130, 000 c. d. $26, 000 $520, 000 36. A manufacturer has beginning and ending finished goods inventory of $70, 000 and $90, 000 respectively. Also, the cost of goods manufactured is $200, 000. What is the Cost of Goods Sold? a. b. $20, 000 $70, 000 c. d. $180, 000 $270, 000 Using the following table answer the next four questions. Machine Purchase price Estimated Salvage Value Estimated Useful Life Estimated Units of Production1 37. $80, 000 $20, 000 5 years 2, 000 What is the depreciation on the second year using the straight-line method? a. b. 0 $5, 000 c. d. $12, 000 $16, 000 38.

What is the depreciation using the units of production method in the second year when 4, 000 units are made? a. b. $4, 000 $10, 000 c. d. $20, 000 $27, 000 39. What is the depreciation in the second year using the sum-of-the-years'-digits method? a. b. $36, 000 $48, 000 c. d. $16, 000 $21, 333 40. What is the depreciation using the double declining balance method in the second year? a. b. $32, 000 $11, 520 c. d. $19, 200 $8, 800 41. When a plant asset is retired from productive service and has no salvage value, and that originally cost $50, 000 and had accumulated depreciation of $40, 000, the correct accounting treatment is: a.

Plant Asset $50, 000 Accumulated Depreciation $40, 000 Loss 10, 000 Loss 10, 000 Accumulated Depreciation 40, 000 Plant Asset 50, 000 Loss on Plant Asset 10, 000 Plant Asset 10, 000 Nothing. The firm still has it. b. c. d. 42. Brooks Company declared a cash dividend of $5, 000 on June 1 and paid it on September 1. What would be the journal entry or entries? a. b. c. d. Depletion Expense $5, 000 Accumulated Depletion Depletion Expense 5, 000 Cash Depletion Expense 5, 000 Depletable Asset Accumulated Depletion 5, 000 Depletion Expense $5, 000 5, 000 5, 000 5, 000 43. Smith. Corp. old 100 shares of $50 par value common stock for $70 per share. What would be the correct journal entry? a. b. Cash Common Stock Cash Common Stock Paid in Capital Common Stock Cash Cash Common Stock Paid in Capital 7, 000 5, 000 2, 000 7, 000 7, 000 7, 000 2, 000 5, 000 $7, 000 $7, 000 c. d. 44. Park Inc. earned EBIT $10, 000, 000 last year. If its tax rate was 40%, interest expense $2, 000, 000 and number of common shared 1, 000, 000 what would be the EPS? a. b. $8. 00 $6. 00 c. d. $4. 80 $4. 00 45. Brooks Co. declared and paid a cash dividend of $5, 000. What would be the journal entries? a. b. c.

Retained Earnings $5, 000 Cash Retained Earnings 5, 000 Dividends Payable Dividends Payable 5, 000 Cash Retained Earnings 5, 000 Dividends Payable Retained Earnings 5, 000 Dividend Payable Dividends Payable 5, 000 Cash $5, 000 5, 000 5, 000 5, 000 5, 000 5, 000 d. 46. A corporation issues $50, 000 of a 8% coupon, $1, 000 par value bond. What would be the semi-annual interest payment journal entry? a. b. c. d. Bands Payable Cash Bonds Interest Expense Cash Bonds Payable Cash Bond Interest expense Chas $4, 000 $4, 000 4, 000 4, 000 2, 000 2, 000 2, 000 2, 000 47. Given the following balance sheets of three firms, which appears to have greater financial leverage?

Firm A $2 $8 $10 Firm B $40 $60 $100 Firm C $15 $35 $50 Debt Equity Total Assets a. b. c. d. Firm A Firm B Firm C All the same 48. Given the following income statements of three companies, which appears to have greater financial leverage based upon the times interest earned ratio which is EBIT divided by interest? Firm A $50 10 40 20 20 Firm A Firm B Firm C All the same Firm B $100 15 85 45 40 Firm C $75 5 70 50 20 EBIT Interest EBT Taxes EAT a. b. c. d. 49. What is the maximum life that the intangible asset patent value can be amortized? a. b. c. d.

The asset’s legal life The useful life 17 years 40 years 50. A company is being sued for $100, 000. What would be recorded on the balance sheet? a. b. c. d. Nothing $100, 000 Set-aside Cash $100, 000 Liability $100, 000 Contingent Liability SAMPLE EXAM KEY 1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. c, see p. R4 d, see p. R9 e, see pp. R5-R6 b, see p. R9 a, see p. R9 e, see p. R13 e, see p. R17 a, see pp. R18-R19 c, see p. R22 d, see pp. R11, R25 a, see pp. R9, R25 c, see pp. R9-R10 b, see p. R11 a, see p. R36 b, see p. R37 c, see p. R36 a, see p.

R43 b, see pp. R42-R43 b, see p. R41 d, see p. R52 d, see p. R49 c, see p. R51 d, see p. R46 a, see p. R58 b, see p. R47 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. d, see p.

R65 b, see p. R64 c, see p. R63 a, see p. R62 a, see p. R64 b, see p. R72 c, see p. R73 b, see pp. R73-R74 b, see p. R74-75 d, see p. R69 c, see p. R69 c, see p. R80 c, see p. R80 c, see p. R80 c, see pp. R80-R81 b, see p. R82 a, see p. R81 b, see p. R91 c, see p. R93 d, see p. R92 d, see p. R88 b, see pp. R93-R94 a, see pp. R93-R94 c, see p. R78 a, see p. R88