

Question 1

A business purchases a truck by signing a note payable to the seller. Such a transaction would include a:

- A) credit to Truck
- B) debit to Note Payable
- C) credit to Note Payable
- D) debit to an expense account

Answer: <https://biology-forums.com/index.php?topic=805105>

Question 2

Koffler Corp. reported the following shareholders' equity:

Share capital:

Preferred shares, 30,000 shares authorized,
7,500 shares issued, redemption value, \$53.50 \$ 393,750

Common shares, 200,000 shares authorized,
135,000 shares issued 607,500

Total share capital \$1,001,250

Retained earnings 218,500

Total shareholders' equity \$1,219,750

Required:

- a. The board of directors declared a 10% common stock dividend when the market price of the shares was \$7 per share. Prepare the necessary journal entries to record the declaration and distribution of the common shares dividend.
- b. What effect did the distribution of the common shares dividend have on:
 - 1. total assets
 - 2. total liabilities
 - 3. total share capital
 - 4. total shareholders' equity
- c. Assuming all required preferred shares dividends have been paid, calculate the book value of a share of common shares before and after the common shares dividend. If Smith Jones owned 100 shares of Koffler's common shares before the stock dividend, what is the total book value of Smith's shares before and after the stock dividend?

Answer: <https://biology-forums.com/index.php?topic=806149>

Question 3

What will be the result if the adjusting entry to record the current period's depreciation on equipment is not recorded?

- A) The net income for the period will be understated.
- B) The net income for the period will be overstated.
- C) The net income for the period will not be affected.
- D) The assets for the period will be understated.

Answer: <https://biology-forums.com/index.php?topic=805286>

Question 4

The sale of repurchased shares would be reported on a statement of cash flows as a:

- A) cash inflow under the operating activities
- B) cash outflow under the financing activities
- C) cash inflow under the financing activities
- D) cash inflow under the investment activities

Answer: <https://biology-forums.com/index.php?topic=806299>

Question 5

Identify three cash flow signs of a healthy company.

Answer: <https://biology-forums.com/index.php?topic=806470>

Question 6

An organization's list of all its accounts and the related account numbers is called a:

- A) journal
- B) ledger
- C) trial balance
- D) chart of accounts

Answer: <https://biology-forums.com/index.php?topic=805198>

Question 7

Glenmore Reservoir Corporation paid \$4,000,000 in a lump-sum purchase of land, a building, and equipment. The payment consisted of \$1,500,000 cash and a note payable for the balance. An appraisal indicated the following fair values at the time of the purchase:

Land \$ 1,600,000

Building 2,500,000

Equipment 500,000

Prepare the journal entry to record this lump-sum purchase (round all percentage calculations to two decimal places).

Answer: <https://biology-forums.com/index.php?topic=805773>

Question 8

Depreciation computed under double-declining-balance will decrease each year because:

A) the book value used in the computation each year increases

B) the rate used in the computation each year increases

C) the rate used in the computation each year decreases

D) the book value used in the computation each year decreases

Answer: <https://biology-forums.com/index.php?topic=805791>

Question 9

Under the effective-interest method of amortizing bond premiums, the interest expense recorded for each semi-annual interest payment:

A) will increase over the life of the bond

B) is equal to the carrying value of the bond times the contract rate of interest for each semi-annual interest period

C) is at the same percentage of the bond's carrying value for every interest payment

D) will equal the amount of cash paid for each semi-annual interest payment

Answer: <https://biology-forums.com/index.php?topic=806025>

Question 10

On December 1, 2013, Cream Ale Ltd. receives \$1,800 in advance for an agreement to brew beer during the months of December, January, and February. As of December 31, 2013, Cream Ale Ltd.:

A) would have a \$1,200 liability to its client under accrual accounting, and would have a \$1,800 liability to its client under cash-basis accounting

B) would have recognized \$600 revenue under accrual accounting, and would have recognized \$1,800 revenue under cash-basis accounting

C) would have a \$0 liability to its client under accrual accounting, and would have a \$1,200 liability to its client under cash-basis accounting

D) would have recognized \$600 cash under accrual accounting, and would have recognized 1,800 cash under cash-basis accounting

Answer: <https://biology-forums.com/index.php?topic=805262>

Question 11

Data for Flat Panel Ltd. for the year ended December 31, 2013, are as follows:

Sales revenue \$130,000

Cost of goods sold 90,000

Beginning inventory 35,000

Ending inventory 40,000

Inventory turnover for 2013 is:

A) 2.40

B) 2.25

C) 1.07

D) 3.47

Answer: <https://biology-forums.com/index.php?topic=805697>

Question 12

Which of the following statements regarding accounts is true?

A) Assets are decreased by debits.

B) Expenses are decreased by debits.

C) Revenues are increased by debits.

D) Liabilities are decreased by debits.

Answer: <https://biology-forums.com/index.php?topic=805123>

Question 13

Following is a list of errors made during the posting process. Indicate the exact dollar impact each error would have on total assets, total liabilities, and shareholders' equity. Complete the chart below by using (+) to indicate overstated, (-) to indicate understated, and (0) to indicate no effect. Transaction (a) is completed as an example.

- a. A \$200 credit to the Accounts Payable account was posted as \$2,000.
- b. A \$50 debit to Cash was never posted.
- c. A \$550 credit to the Revenue account was credited to the Accounts Receivable account.
- d. A \$45,000 debit to the Land account was debited to an expense account.
- e. A \$200 payment on an account payable was credited to Accounts Receivable instead of Cash.
- f. A \$350 debit to the Dividends account was posted as \$530.

Total Assets Total Liabilities Shareholders' Equity

- a. 0 +\$1,800 0
- b.
- c.
- d.
- e.
- f.

Answer: <https://biology-forums.com/index.php?topic=805178>

Question 14

Which of the following is not an indicator of a high earnings quality?

- A) Gain on the disposition of a discontinued operation
- B) Proper revenue and expense recognition
- C) Improving earnings from operations as a percentage of sales
- D) Low operating expenses as a percentage of sales

Answer: <https://biology-forums.com/index.php?topic=806172>

Question 15

Accumulated depreciation is classified as a(n):

- A) expense account
- B) contra-asset account
- C) asset account
- D) liability account

Answer: <https://biology-forums.com/index.php?topic=805275>

Question 16

On January 1, 2013, Proven Technology Corporation's common shares account had a balance of \$250,000, representing 25,000 shares issued at \$10 per share. On May 15, 2013, 12,000 shares were issued for \$150,000 cash. On August 31, 2013, a 10% stock dividend was declared and distributed. What is the balance in Common Shares appearing on the statement of shareholders' equity on December 31, 2013?

- A) \$440,000
- B) \$300,000
- C) \$400,000
- D) \$415,000

Answer: <https://biology-forums.com/index.php?topic=806225>

Question 17

The following data represent selected information from the comparative income statement and balance sheet for Hot Rolled Corporation for the years ended December 31, 2014 and 2013:

2014 2013

Cash \$ 10,000 \$ 15,000

Net accounts receivable 30,000 25,000

Inventory 43,000 40,000

Prepaid expenses 5,000 7,000

Total current assets 88,000 87,000

Total non-current assets 112,000 114,000

Total current liabilities 70,000 60,000

Total non-current liabilities 40,000 45,000

Common shares 60,000 60,000

Retained earnings 30,000 36,000

Net credit sales 370,000 333,000

Cost of goods sold 150,000 160,000

Gross margin 220,000 173,000

Income from operations 95,000 87,000

Interest expense 8,000 8,000

Net income 70,000 57,000

•10,000 shares of common shares have been issued and outstanding since the company was established. They had a market value of \$90 per share on December 31, 2013, and they were selling for \$91.50 on December 31, 2014.

Refer to the table above. The debt ratio for Hot Rolled Corporation on December 31, 2014, was:

- A) 87
- B) 1.82
- C) 0.55
- D) 0.54

Answer: <https://biology-forums.com/index.php?topic=806452>

Question 18

Amortization of a discount or premium on the bond affects all of the following except:

- A) the carrying value of the bonds on the investor's books
- B) retained earnings of the investor
- C) the amount of cash received when interest payments are made
- D) interest revenue of the investor

Answer: <https://biology-forums.com/index.php?topic=805934>

Question 19

In a bank reconciliation, a deposit in transit is:

- A) added to the bank balance in the general ledger
- B) added to the bank balance on the bank statement
- C) deducted from the bank balance in the general ledger
- D) deducted from the bank balance on the bank statement

Answer: <https://biology-forums.com/index.php?topic=805414>