

REPASO # 2 CONT 3105





**Preguntas de repaso para el Examen Coordinado
Número 2 de CONT 3105, 1 de noviembre de 2013**

Laboratorio CONT 3105

REVIEW 2

1. The principal reason for reconciling the cash balance per books with the balance shown on the bank statement is to:
 - a. determine the amount of cash in the account actually available to the entity
 - b. satisfy generally accepted accounting principles
 - c. verify the amount of petty cash on hand
 - d. determine whether or not the entity has issued a Not Sufficient Funds check
2. When a manufacturer invests in short-term marketable securities:
 - a. the market value of securities is likely to fluctuate significantly
 - b. risk avoidance is of great importance
 - c. the return on investment is more important than the risk involved
 - d. the securities are likely to have a maturity date more than a year in the future

REVIEW 2

3. The Allowance for doubtful or uncollectible accounts is a(n):

- a. Asset
- b. Expense
- c. Contra revenue
- d. Contra current asset

4. A cash equivalent is a current asset that :

- a. Will be converted to cash within one year.
- b. Will be converted to cash within one month.
- c. Is readily convertible into cash with substantial risk.
- d. Is readily convertible into cash with a minimal risk.
- e. None of the above.

REVIEW 2

- 5. If an entity purchases \$700 of supplies on account with terms of 2/15, n50 means the following:
 - X a. \$686 can be paid within 15 days of the invoice date, or \$700 must be paid within 50 days of the invoice date.
 - b. \$650 must be paid within 15 days of the invoice date.
 - c. \$698 must be paid within 50 days of the invoice date.
 - d. \$686 can be paid within 15 days of the invoice date, or \$714 must be paid within 50 days of the invoice date.

- 6. Bad debt expense is recognized in the same accounting period as the revenue that is related to the receivable because:
 - a. the accounts receivable asset should be stated at original cost.
 - b. the exact amount of the losses from bad debts is known.
 - c. revenues should be stated at their realizable value.
 - X d. All costs incurred in the current period should be subtracted from current period revenues.

REVIEW 2

7. Trading and Available-for-Sale marketable securities are reported on a firm's balance sheet at:
- a. Net realizable value
 - b. Historical cost
 - c. Weighted average cost
 - d. ~~X~~Market value
8. When a firm uses the LIFO inventory cost flow assumption:
- a. Cost of goods sold will be greater than if FIFO were used.
 - b. Net income will be greater than if FIFO were used. \$1,097,000
 - c. Cost of goods sold will be the same as if FIFO were used.
 - d. ~~X~~Better matching of revenues and expenses is achieved than under FIFO.

REVIEW 2

9. An accounts receivable results from the sale of:
- a. Property, plant and equipment for cash.
 - b. Goods and services to customers on account.
 - c. Goods and services to customers for cash.
 - d. The firm's common stock.
10. Accounts receivable are reported on a firm's balance sheet at:
- a. Net realizable value.
 - b. Historical cost.
 - c. Weighted average cost.
 - d. Market value.

REVIEW 2

11. Which of the following inventory accounting systems has been made more feasible as a result of computer systems developments?

- a. Periodic
- b. Physical
- c. ~~X~~erpetual
- d. Just-in-time

12. The effect of an error resulting in an understatement of ending inventory is to:

- a. Overstate the next period's beginning inventory.
- b. Understate cost of goods sold of the current period
- c. ~~X~~verstate cost of goods sold of the current period
- d. Overstate operating expenses of the current period

REVIEW 2

13. Expenditures capitalized as long-lived assets generally include those expenditures that are:
- a. Made for normal repairs to maintain the usefulness of the asset.
 - b. For items that have a physical life of more than a year, regardless of their cost.
 - c. Material and have an economic benefit to the entity only in the current year.
 - d. ~~X~~ Material and have an economic benefit to the entity that extends beyond the current year.
14. The journal entry to record depreciation expense:
- a. ~~X~~ Increases a contra long-term asset and decreases net income.
 - b. Decreases a contra long-term asset and decreases net income.
 - c. Decreases working capital and decreases net income.
 - d. Decreases a long-term asset and increases a contra long-term asset.

REVIEW 2

15. The net book value of a depreciable asset is:

- a. The fair market value of the asset.
- b. The amount for which the asset should be insured.
- c. ~~X~~ The difference between the asset's cost and accumulated depreciation.
- d. The difference between the asset's cost and depreciation expense.

16. One inventory cost flow assumption will result in a different cost of goods sold from another inventory cost flow assumption only if:

- a. Inventory quantities change from the beginning to the end of the year.
- b. A new product is added to inventory during the year.
- c. ~~X~~ The cost of inventory items changes during the year.
- d. Price levels do not change during the year.

REVIEW 2

Moped, Inc. purchased machinery at a cost of \$22,000 on January 1, 2007. The expected useful life is 5 years and the asset is expected to have a salvage value of \$2,000. Moped depreciates its assets via the double-declining balance method.

17. What is the firm's depreciation expenses for the year ended December 31, 2007?
- a. \$ 2,000
 - b. \$ 4,400
 - c. \$ 6,000
 - d. ~~X~~ 8,800
18. What is the accumulated depreciation for this asset on December 31, 2008?
- a. \$ 4,400
 - b. \$ 5,280
 - c. \$ 8,800
 - d. ~~x~~\$ 14,080

REVIEW 2

19. What is the firm's gain or loss if the machinery is sold for \$11,000 on December 31, 2008?

- a. Gain of \$4,000
- b. Gain of \$3,080
- c. Loss of \$600
- d. Loss of \$4,000.

20. The accountant for Bellows Corp. was preparing a bank reconciliation as of April 30, 2010. The following items were identified:

Bellows' book balance	\$46,200
Outstanding checks	1,100
Interest earned on checking account	50
Customer's NSF check returned by bank	500

In addition, Bellows made an error in recording a customer's check; the amount was recorded in cash receipts as \$150; the bank recorded the amount correctly as \$510. What amount will Bellows report as its adjusted cash balance at April 30, 2010?

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

REVIEW 2

21. *Watson uses a perpetual inventory system.*

Jan. 1	On hand, 10 units at \$2 each	\$20
4	Sold 8 units for \$10 each	80
22	Purchased 50 units at \$4 each	200
26	Sold 48 units for \$10 each	480

If Watson uses the FIFO method, how much is cost of goods sold for the month of January?

- a. \$ 204
- b. \$ 208
- c. \$ 212
- d. \$ 560

22. If Watson uses the LIFO method, how much is cost of goods sold for the month of January?

- a. \$ 204
- b. \$ 208
- c. \$ 212
- d. \$ 560

REVIEW 2

23. If Watson uses the FIFO method, how much is ending inventory on January 31?

- a. \$ 8
- b. \$12
- c. ~~16~~
- d. \$40

Mills Corporation

Sales	\$500,000	Operating expenses	\$148,000
Purchases	225,000	Income tax expense	10,000
Inventory-beginning	16,000	Retained earnings (beg.)	53,000
Inventory-ending	30,000	Dividends	15,000

24. Calculate the cost of goods sold for Mills Corporation.

- a. \$ 275,000
- b. \$ 259,000
- c. \$ 241,000
- d. ~~X~~211,000

REVIEW 2

25. Calculate the gross profit for Mills Corporation.

- a. \$ 241,000.
- b. \$ 275,000.
- c. ~~X~~ 289,000.
- d. \$ 425,000.

26. Calculate the net income for Mills Corporation.

- a. \$ 289,000
- b. \$ 141,000.
- c. ~~X~~ 131,000.
- d. \$ 116,000.

REVIEW 2

27. Garfunkel counted its ending inventory as \$178,000 at year-end on January 31, 2010. Upon review of its records, it was noted that the following items were in transit during the physical count:

1. \$2,000 of goods shipped by a supplier to Garfunkel sent FOB destination on January 31 were received on February 5, and were not counted by Garfunkel.
2. \$5,000 of goods shipped by a supplier to Garfunkel sent FOB shipping point on January 30 were received on February 2, and were not counted by Garfunkel.
3. \$6,000 of goods shipped by Garfunkel to a customer FOB shipping point on January 31, and were received by the customer on February 3, and were counted by Garfunkel.

Determine the correct ending inventory balance at January 31:

- a. \$ 178,000
- b. X 177,000
- c. \$ 174,000
- d. \$ 172,000

28. On January 2, 2009, Larue Company sold a machine for \$1,000 that it had used for several years. The machine cost \$12,000, and had accumulated depreciation of \$9,000 at the time of sale. What gain or loss will be reported on the income statement for the sale of the machine?

- a. Gain of \$2,000
- b. Loss of \$11,000
- X c. Loss of \$2,000
- d. Gain of \$3,000

REVIEW 2

29. Lakespur Company purchased a Patent for \$170,000 at the beginning of 2009, and estimated that its expected useful life was 10 years. The Patent has a legal life of 17 years. What amount should be recorded as amortization expense for the Patent in 2009?

- a. \$ -0-
- b. \$ 7,000
- c. \$ 10,000
- d. ~~X~~17,000

30. Paul Gibbs bought a pub. The purchase price was \$695,000. An appraiser provided the following appraisal values: land \$320,000; building \$370,000; and equipment \$60,000. What cost should be allocated to the building?

- a. \$370,000
- b. \$695,000
- c. ~~X~~42,864
- d. \$399,281