

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:
- ☒ 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.
 - ☒ 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~~aterial and have an economic benefit to the entity that extends beyond the current year.
14. The journal entry to record depreciation expense:
- a. ~~X~~creases 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. ~~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. ~~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

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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. ~~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. ☒ 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
- ☒ 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. ~~\$~~42,864
- d. \$399,281