

ACCOUNTING ENTRANCE EXAM PRACTICE QUESTION SET
ACCOUNTING ENTRANCE EXAMINATION PRACTICE QUESTION SET

**J.M. TULL SCHOOL OF ACCOUNTING ENTRANCE EXAMINATION
PRACTICE QUESTION SET**

Important: PRINT your response (A,B,C,D or E) that best completes the statement or answers the question next to the following Multiple Choice Questions.

TOPIC: Introducing Accounting in Business

1. If the liabilities of a business increased \$75,000 during a period of time and the equity in the business decreased \$30,000 during the same period, the assets of the business must have:
A) Decreased \$105,000.
B) Decreased \$45,000.
C) Increased \$30,000.
D) Increased \$45,000.
E) Increased \$105,000.

2. A company paid off \$30,000 of its accounts payable in cash. What would be the effects of this transaction on the accounting equation?
A) Assets, \$30,000 increase; liabilities, no effect; equity, \$30,000 increase.
B) Assets, \$30,000 decrease; liabilities, \$30,000 decrease; equity, no effect.
C) Assets, \$30,000 decrease; liabilities, \$30,000 increase; equity, no effect.
D) Assets, no effect; liabilities, \$30,000 decrease; equity, \$30,000 increase.
E) Assets, \$30,000 decrease; liabilities, no effect; equity \$30,000 decrease.

3. Determine the net income of a company for which the following information is available.

Employee salaries expense...	\$180,000
Interest expense.....	10,000
Rent expense	20,000
Consulting revenue	400,000

A) \$190,000.
B) \$210,000.
C) \$230,000.
D) \$400,000.
E) \$610,000.

4. A company collected \$42,000 cash on its accounts receivable. The effects of this transaction as reflected in the accounting equation are:
A) Total assets decrease and equity increases.
B) Both total assets and total liabilities decrease.
C) Total assets, total liabilities, and equity are unchanged.
D) Both total assets and equity are unchanged and liabilities increase.
E) Total assets increase and equity decreases.

5. How would the accounting equation of a company be affected by the billing of a client for \$10,000 of consulting work completed?
A) +\$10,000 accounts receivable, -\$10,000 accounts payable.
B) +\$10,000 accounts receivable, +\$10,000 accounts payable.
C) +\$10,000 accounts receivable, +\$10,000 cash.
D) +\$10,000 accounts receivable, +\$10,000 revenue.
E) +\$10,000 accounts receivable, - \$10,000 revenue.

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TOPIC: Analyzing and Recording Business Transactions

6. On September 30, the Cash account of Value Company had a normal balance of \$5,000. During September, the account was debited for a total of \$12,200 and credited for a total of \$11,500. What must have been the balance in the Cash account on September 1?
- A) A \$0 balance.
 - B) A \$4,300 debit balance.
 - C) A \$4,300 credit balance.
 - D) A \$5,700 debit balance.
 - E) A \$5,700 credit balance.
7. Wisconsin Rentals purchased office supplies on credit. The general journal entry made by Wisconsin Rentals will include a:
- A) Debit to Accounts Payable.
 - B) Debit to Accounts Receivable.
 - C) Credit to Cash.
 - D) Credit to Accounts Payable.
 - E) Credit to Retained Earnings.
8. Zed Bennett opened an art gallery and as a dealer and completed these transactions:
- 1. Started the gallery, Artery, by investing \$40,000 cash and equipment valued at \$18,000 in exchange for common stock.
 - 2. Purchased \$70 of office supplies for cash.
 - 3. Paid \$1,200 cash for the receptionist's salary.
 - 4. Sold a painting for an artist and collected a \$4,500 cash commission on the sale.
 - 5. Completed an art appraisal and billed the client \$200.
- What was the balance of the cash account after these transactions were posted?
- A) \$12,230.
 - B) \$12,430.
 - C) \$43,230.
 - D) \$43,430.
 - E) \$61,430.
9. Of the following errors, which one by itself will cause the trial balance to be out of balance?
- A) A \$200 cash salary payment posted as a \$200 debit to Cash and a \$200 credit to Salaries Expense.
 - B) A \$100 cash receipt from a customer in payment of his account posted as a \$100 debit to Cash and a \$10 credit to Accounts Receivable.
 - C) A \$75 cash receipt from a customer in payment of his account posted as a \$75 debit to Cash and a \$75 credit to Cash.
 - D) A \$50 cash purchase of office supplies posted as a \$50 debit to Office Equipment and a \$50 credit to Cash.
 - E) An \$800 prepayment from a customer for services to be rendered in the future was posted as an \$800 debit to Unearned Revenue and an \$800 credit to Cash..

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10. An asset created by prepayment of an expense is:
- A) Recorded as a debit to a prepaid expense account.
 - B) Recorded as a debit to an unearned revenue account.
 - C) Recorded as a credit to an unearned revenue account.
 - D) Recorded as a credit to a prepaid expense account.
 - E) Not recorded in the accounting records until the earnings process is complete.

TOPIC: Adjusting Accounts and Preparing Financial Statements

11. ABC Co. leased a portion of its store to another company for eight months beginning on October 1, 2004. This other company paid the entire rent of \$6,400 cash on October 1, which ABC Co. recorded as unearned revenue. The journal entry made by ABC Co. at year- end on December 31, 2004 would include:
- A) A debit to Rent Earned for \$2,400.
 - B) A credit to Unearned Rent for \$2,400.
 - C) A debit to Cash for \$6,400.
 - D) A credit to Rent Earned for \$2,400.
 - E) A debit to Unearned Rent for \$4,000.
12. Prior to recording adjusting entries, the Office Supplies account had a \$359 normal balance. A physical count of the supplies showed \$105 of unused supplies. The required adjusting entry is:
- A) Debit Office Supplies \$105 and credit Office Supplies Expense \$105.
 - B) Debit Office Supplies Expense \$105 and credit Office Supplies \$105.
 - C) Debit Office Supplies Expense \$254 and credit Office Supplies \$254.
 - D) Debit Office Supplies \$254 and credit Office Supplies Expense \$254.
 - E) Debit Office Supplies Expense \$105 and credit Office Supplies \$254.
13. A company purchased a new truck at a cost of \$42,000 on July 1, 2004. The truck is estimated to have a useful life of 6 years and a salvage value of \$3,000. Which of the following will be included in the journal entry recorded on December 31, 2004?
- A) Debit Depreciation Expense \$3,500.
 - B) Credit Accumulated Depreciation \$3,250.
 - C) Debit Depreciation Expense \$4,000.
 - D) Credit Accumulated Depreciation \$6,500.
 - E) Debit Depreciation Expense \$7,000.
14. On April 30, 2004, a three-year insurance policy was purchased for \$18,000 cash with coverage to begin immediately. What is the amount of Prepaid Insurance that would appear on the company's financial statements for the year ended December 31, 2004?
- A) \$ 500.
 - B) \$ 4,000.
 - C) \$ 6,000.
 - D) \$14,000.
 - E) \$13,500
15. The Retained Earnings account has a credit balance of \$17,000 before closing entries are made. If total revenues for the period are \$55,200, total expenses are \$39,800, and dividends are \$9,000, what is the ending balance in the Retained Earnings account after all closing entries are made?
- A) \$23,400.
 - B) \$15,400.
 - C) \$32,400.
 - D) \$17,000.
 - E) \$32,400.
16. A company pays its two employees every Friday \$500 each for a five-day workweek that begins on Monday. If the monthly accounting period ends on Tuesday and the employees worked on both Monday and Tuesday, the month-end adjusting entry is:
- A) Debit Unpaid Salaries \$600 and credit Salaries Payable \$600.
 - B) Debit Salaries Expense \$400 and credit Cash \$400.
 - C) Debit Salaries Expense \$600 and credit Salaries Payable \$600.
 - D) Debit Salaries Expense \$200 and credit Salaries Payable \$200.
 - E) Debit Salaries Expense \$400 and credit Salaries Payable \$400.

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TOPIC: Reporting and Analyzing Merchandising Operations

17. Andy Store sold merchandise in the amount of \$5,800 to a customer on October 1, with credit terms of 2/10, n/30. The cost of the items sold is \$4,000. Andy uses the perpetual inventory system. The journal entries that Andy will make on October 1 will include:
- A) Debit to Accounts Receivable for \$4,000
 - B) Credit to Merchandise Inventory for \$5,800
 - C) Debit to Cost of Goods Sold for \$5,800
 - D) Credit to Merchandise Inventory for \$4,000
 - E) Credit to Net Income for \$1,800
18. Jennifer Store sold merchandise in the amount of \$5,800 to a customer on October 1, with credit terms of 2/10, n/30. The cost of the items sold is \$4,000. Jennifer uses the perpetual inventory system. On October 4, the customer returns some of the merchandise, which were put back into the inventory. The selling price and the cost of the returned merchandise are \$500 and \$350, respectively. The entries that Jennifer must make on October 4 will **NOT** include:
- A) Debit to Sales Returns and Allowances for \$500
 - B) Credit to Accounts Receivable for \$500
 - C) Debit to Merchandise Inventory for \$500
 - D) Debit to Merchandise Inventory for \$350
 - E) Credit to Cost of goods Sold for \$350
19. Lindsay Store sold merchandise in the amount of \$5,800 to a customer on October 1, with credit terms of 2/10, n/30. The cost of the items sold is \$4,000. Lindsay uses the perpetual inventory system. On October 4, the customer returns some of the merchandise, which were not defective. The selling price and the cost of the returned merchandise is \$500 and \$350, respectively. The journal entry that Lindsay makes on October 8, when the customer pays the invoice will include:
- A) Debit Cash for \$5,684
 - B) Credit Accounts Receivable \$5,800
 - C) Debit Sales discounts \$116
 - D) Credit Sales Discounts \$109
 - E) Debit Sales Discounts \$106
20. Tyler Company purchased merchandise in the amount of \$4,800 from Sam's Store, with credit terms of 1/10, n/45 on October 1. Tyler uses the perpetual inventory system. On October 4, Tyler returns some of the merchandise, which were not defective, and received a credit memorandum for \$1,500. The journal entry that Tyler makes on October 8, while paying the invoice will include:
- A) Debit to Accounts Payable for \$4,800
 - B) Credit to Merchandise Inventory \$33
 - C) Credit Merchandise Inventory \$1,500
 - D) Credit to Sales Returns and Allowances for \$1,500
 - E) Credit to Cash \$4,752
21. Maya Company reports the following amounts for the year ending on December 31, 2004:
- | | |
|---|--|
| Merchandise Inventory, January 1, 2004 : \$70,000 | Cost of Transportation : \$2,300 |
| Invoice Cost of Merchandise Purchases : \$195,000 | Purchase Returns and Allowances: \$4,650 |
| Purchase Discounts Received: \$3,500 | Cost of Goods Sold: \$158,700 |
| Cost of merchandise returned by customers and restored to inventory: \$17,300 | |
- Calculate the Merchandise Inventory, December 31, 2004.
- A) \$117,750
 - B) \$83,150
 - C) \$45,150
 - D) \$113,150
 - E) \$129,450

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22. Stephen Company had the following partial list of account balances at year-end:
- | | |
|------------------------------|---------------------------------------|
| Accounts Receivable: \$9,000 | Cost of Goods Sold: \$34,100 |
| Sales Revenue: \$57,200 | Accounts Payable: \$7,500 |
| Sales Discounts: \$1,600 | Merchandise Inventory: \$5,900 |
| Operating Expenses: \$8,400 | Sales Returns and Allowances: \$4,300 |
- The amount of Gross Profit shown on the income statement would be:
- A) \$ 26,200
 - B) \$ 8,800
 - C) \$ 17,200
 - D) \$ 8,200
 - E) \$ 11,300

TOPIC: Reporting and Analyzing Inventories

23. Alex Company has inventory of 15 units at a cost of \$12 each on August 1. On August 5, they purchased 10 units at \$13 per unit. On August 12 they purchased another 12 units at \$11 per unit. On August 15, they sold 30 units. Using the FIFO perpetual inventory method, what is the value of the inventory on August 15 after the sale?
- A) \$86.
 - B) \$81.
 - C) \$77.
 - D) \$84.
 - E) \$82.
24. During a period of steadily rising costs, the inventory valuation method that yields the lowest reported net income is:
- A) Specific identification method.
 - B) Average cost method.
 - C) Weighted-average method.
 - D) FIFO method.
 - E) LIFO method.
25. Bonnie Company had inventory on November 1 of 5 units at a cost of \$20 each. On November 2, they purchased 10 units at \$22 each. On November 6 they purchased 6 units at \$25 each. On November 8, 8 units were sold for \$55 each. Using the LIFO perpetual inventory method, what was the value of the inventory on November 8 after the sale?
- A) \$304
 - B) \$296
 - C) \$288
 - D) \$276
 - E) \$280
26. Chris Company uses the perpetual inventory system and had the following activity during the current monthly period.
- | | |
|--------------|--|
| November 1: | Beginning Inventory of 100 units @\$20 |
| November 5: | Purchased 100 units @ \$22 |
| November 8: | Purchased 50 units @\$23 |
| November 16: | Sold 200 units @ \$45 |
| November 19: | Purchased 50 units @ \$25 |
- Using the weighted-average inventory method, the company's ending inventory would be reported at:
- A) \$2,200.
 - B) \$2,320.
 - C) \$2,250.
 - D) \$2,400.
 - E) \$2,270.

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27. Daniel Company uses the perpetual inventory system to account for its merchandise. The beginning balance of the inventory and its transactions during January were as follows:
- January 1: Beginning Balance of 18 units at \$13 each
 - January 12: Purchased 15 units at \$14 each
 - January 19: Sold 24 units at a selling price of \$28 each
 - January 20: Purchased 24 units at \$17 each
 - January 27: Sold 27 units at a selling price of \$32 each
- If the company uses the FIFO inventory method, what would be the Gross Profit for the month of January?
- A) \$786.
 - B) \$750.
 - C) \$774.
 - D) \$762.
 - E) \$756

TOPIC: Reporting and Analyzing Receivables

28. Timothy Company sold merchandise to a customer on October 17 of 2004. They accepted a \$4,800, 90-day, 10% note as payment. If Timothy Company's accounting period ends on December 31, 2004 [Oct 17 to Dec 31 = 75 days], Timothy Company's journal entry on January 15 (when the note plus interest is received) will include:
- A) Credit to Interest Revenue for \$120
 - B) Credit to Interest Revenue for \$480
 - C) Credit to Interest Receivable for \$20
 - D) Credit to Interest Receivable for \$100
 - E) Debit to Cash for \$5,280
29. Charles company used the percent of sales method to determine its bad debts expense. At the end of the current year, the company's unadjusted trial balance reported the following selected amounts:
- | | |
|---------------------------------|-----------------|
| Accounts Receivable | \$245,000 debit |
| Allowance for doubtful Accounts | \$300 credit |
| Net Credit Sales | \$900,000 |
- Based on past experience, the company estimates 0.5% of credit sales to be uncollectible. What amount would be reported in the Balance Sheet under Accounts Receivable, net of doubtful accounts?
- A) \$245,000
 - B) \$244,700
 - C) \$240,200
 - D) \$240,500
 - E) \$240,800
30. Dennis Company's Allowance for Doubtful Accounts, showed a credit balance of \$950 on January 1, 2004. During the year, the company wrote off \$3,200 of uncollectible accounts, and reinstated \$1,300 of previously written off accounts. The Dec 31, 2004 balance of Accounts Receivable is \$97,500, and 6% of outstanding accounts receivable are assumed to be uncollectible. What will be the company's Bad Debts Expense for 2004?
- A) \$4,900
 - B) \$8,700
 - C) \$5,850.
 - D) \$3,000
 - E) \$6,800

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31. Mark Company uses the allowance method of accounting for uncollectible accounts. On May 3, they wrote off the \$3,000 uncollectible account of its customer, P. Basu. On July 10, Mark received a check for \$2,000 from Basu. On July 10, Mark Company's books will include the following entry:
- A) Debit to Accounts Receivable - P.Basu \$3,000
 - B) Credit to Allowance for Doubtful Accounts \$2,000
 - C) Debit to Allowance for Doubtful Accounts \$2,000
 - D) Credit to Accounts Receivable - P.Basu \$3,000
 - E) Credit to Allowance for Doubtful Accounts \$3,000
32. Nancy Company has a balance of \$15,000 in accounts receivable on December 31, of which \$1,500 is more than 30 days overdue. The company has a beginning debit balance of \$45 in the Allowance for Doubtful Accounts. They estimate the uncollectible accounts to be 1% of current accounts and 10% of accounts over thirty days. The adjusting entry on December 31 will include:
- A) \$285 credit to Allowance for Doubtful Accounts
 - B) \$240 debit to Bad Debts Expense
 - C) \$195 debit to Bad Debts Expense
 - D) \$285 Debit to Allowance for Doubtful Accounts
 - E) \$330 credit to Allowance for Doubtful Accounts
33. Karen Company had the following account balances prior to the write off of a \$100 customer account:
- | | |
|---------------------------------|---------|
| Accounts receivable | \$9,500 |
| Allowance for doubtful accounts | 400 |
- The net realizable value of the receivables before and after the write-off was:
- | <u>BEFORE</u> | <u>AFTER</u> |
|---------------|--------------|
| A) \$9,100 | \$9,100 |
| B) \$9,500 | \$9,000 |
| C) \$9,100 | \$9,000 |
| D) \$9,000 | \$9,000 |
| E) \$9,400 | \$9,100 |

TOPIC: Reporting and Analyzing Long-Term Assets

34. Cara Company purchased a vehicle for \$23,000, and estimated its useful life to be 8 years and its salvage value to be \$4,000. After 6 years of straight-line depreciation, Cara decided to do a major overhaul at a cost of \$9,500, which are expected to extend the life of the vehicle by 5 years beyond the original estimate. The new estimated salvage value is \$2,000. The depreciation expense in year 7 equals:
- A) \$ 2,464
 - B) \$ 2,321
 - C) \$ 2,035
 - D) \$ 1,893.
 - E) \$ 1,750
35. Ashley Company paid \$150,000, plus a 6% commission and \$4,000 in closing costs for a property. The property included land appraised at \$87,500, land improvements appraised at \$35,000, and a building appraised at \$52,500. What should be the allocation of this property's costs in the company's accounting records?
- A) Land \$75,000; Land Improvements, \$30,000; Building, \$45,000.
 - B) Land \$75,000; Land Improvements, \$30,800; Building, \$46,200.
 - C) Land \$81,500; Land Improvements, \$32,600; Building, \$48,900.
 - D) Land \$79,500; Land Improvements, \$32,600; Building, \$47,700.
 - E) Land \$87,500; Land Improvements; \$35,000; Building; \$52,500.
36. Regina Company purchased a Cash register on January 1 for \$5,400. This register has a useful life of 10 years and a salvage value of \$400. What would be the depreciation expense for the *second*-year of its useful life using the double-declining-balance method?
- A) \$500.
 - B) \$800.
 - C) \$1,080
 - D) \$1,000.
 - E) \$864.

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37. Edward Company purchased a bulldozer on July 1, 2003, for \$120,000, and estimated the useful life of the bulldozer to be 60,000 hours of use, and a salvage value of \$30,000. In 2003, they used the bulldozer for 12,000 hours, and in 2004, it was used for 16,000 hours before it was destroyed by a fire. The proceeds from the insurance company were \$80,000. The journal entry to record the disposal of the bulldozer will include a:
- A) debit to loss on disposal of \$7,000
 - B) credit to gain on disposal of \$2,000
 - C) debit to loss on disposal of \$2,000
 - D) debit to loss on disposal of \$16,000
 - E) credit to gain on disposal of \$16,000
38. Gilbert Company purchased a mineral deposit for \$800,000. It expects this property to produce 1,200,000 tons of ore and to have a salvage value of \$50,000. In the current year, the company mined and sold 90,000 tons of ore. Its depletion expense for the current period equals:
- A) \$ 15,000.
 - B) \$ 60,000.
 - C) \$150,000.
 - D) \$ 56,250.
 - E) \$139,500.

TOPIC: Reporting and Analyzing Current Liabilities

39. Julie Convenience Store sold merchandise for cash to a customer, and recorded a debit to Cash for \$371, which included a 6% Sales tax. In the same transaction, they must also:
- A) credit Sales Revenue for 300
 - B) credit Sales Tax Payable for \$22.26
 - C) credit Sales Tax Payable for \$21
 - D) credit Sales Revenue for \$371
 - E) credit Sales Revenue for \$393.26
40. Dale Company sells computers at a selling price of \$1,800 each. Each computer has a 2 year warranty that covers replacement of defective parts. It is estimated that 2% of all computers sold will be repaired under the warranty at an average cost of \$150 each. During November, the company sold 30,000 computers, and 400 computers were serviced under the warranty during November at a total cost of \$55,000. The balance in the Estimated Warranty Liability account on November 1 was \$29,000. What is the balance in the Estimated Warranty Liability account on November 30?
- A) \$6,000
 - B) \$35,000
 - C) \$55,000
 - D) \$90,000
 - E) \$64,000
41. An employee earns two weeks' paid vacation for every 50 weeks of work in a year. The employee is paid weekly, and earns an annual salary of \$35,360. What is the **total** weekly Salary Expense for the employer?
- A) \$680.00
 - B) \$707.20
 - C) \$736.67
 - D) \$27.20
 - E) \$2,946.67
42. Martin Company signed a \$5,000, 3-month, 6% note payable, on December 1, 2004, with the principle plus interest due on March 1, 2005. If the accounting period ends on December 31, which of the following statements is TRUE? A)
- A) On December 31, 2004, Martin will debit Interest Expense for \$50
 - B) On December 31, 2004, Martin will credit Interest Payable for \$75
 - C) On March 1, 2005, Martin will debit Interest Expense for \$75
 - D) On March 1, 2005, Martin will debit Interest Payable for \$25
 - E) On March 1, 2005, Martin will debit Notes Payable for \$5,075

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TOPIC: Reporting and Analyzing Long-Term Liabilities

43. Michael Company issued 8% bonds with a par value of \$1,000,000, receiving a \$20,000 premium. On the interest date 5 years later, after the bond interest was paid and after 40% of the premium had been amortized, the corporation purchased the entire issue on the open market at 99 and retired it. The gain or loss on this retirement is:
- A) \$0.
 - B) \$10,000 gain.
 - C) \$10,000 loss.
 - D) \$22,000 gain.
 - E) \$22,000 loss.
44. Matthew Company issued 10-year, 7% bonds (paying semiannual interest) with a par value of \$100,000. The market rate of interest when the bonds were issued was 6%. Compute the price of the bonds when they were issued.
- A) \$107,360.70
 - B) \$93,206.05
 - C) \$107,441.25
 - D) \$93,290.70
 - E) \$107,018.80

TOPIC: Reporting and Analyzing Equity

Use the following stockholders' equity section of Marcy Company on December 31, 2004 to answer questions 45 through 50. Treat each question independent of the other questions - so your answer to question 46 should not be influenced by the answer to question 45, and so on:

Preferred Stock - 6% cumulative, \$20 par value, 10,000 shares authorized, 5,000 shares issued and outstanding . . .	\$100,000
Contributed Capital in excess of par value, Preferred Stock	250,000
Common Stock, \$5 par value, 20,000 shares authorized, 10,000 shares issued and outstanding	50,000
Contributed Capital in excess of par value, Common Stock	<u>450,000</u>
Total Contributed Capital	<u>\$ 850,000</u>
Retained Earnings	<u>150,000</u>
Total Stockholders' Equity	<u>\$ 1,000,000</u>

45. The average issue price per share of preferred stock must have been:
- A) \$20.00
 - B) \$50.00
 - C) \$70.00
 - D) \$35.00
 - E) \$45.00
46. Marcy Company did not pay any dividends in 2004. In 2005, they declared and paid total dividends of \$4,000, and in 2006, they declared total dividends of \$20,000. How much dividends will be paid to preferred and common stockholders in 2006?
- A) Preferred \$20,000, Common \$0
 - B) Preferred \$8,000, Common \$12,000
 - C) Preferred \$18,000, Common \$2,000
 - D) Preferred \$14,000, Common \$6,000
 - E) Preferred \$12,000, Common \$8,000

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47. Marcy Company issues 2,000 shares of common stock in exchange for a building, with a market value of \$100,000. The journal entry to record the exchange will cause Total Contributed Capital to:
- A) increase by \$10,000
 - B) increase by \$100,000
 - C) increase by \$90,000
 - D) increase by \$80,000
 - E) remain unchanged
48. Marcy Company declared and issued a 15% common stock dividend on January 1, 2005, when the market price of their common stock was \$12 per share. The journal entry to record the stock dividend will:
- A) debit Retained Earnings by \$18,000.
 - B) credit Common Stock Dividend Distributable, \$15,000
 - C) credit Contributed Capital in excess of par, Common Stock, \$21,000
 - D) credit Common Stock Dividend Distributable, \$10,500
 - E) credit Contributed Capital in excess of par, Common Stock, \$7,500
49. Marcy Company declared a 100% common stock dividend on January 1, 2005, when the market price of the stock was \$7.50. The entry to record this dividend will:
- A) debit Retained Earnings, \$100,000
 - B) credit Common Stock Dividend Distributable, \$50,000
 - C) credit Contributed Capital in excess of par, Common Stock, \$25,000
 - D) credit Common Stock Dividend Distributable, \$100,000
 - E) Since this is considered a stock split, no journal entry is made
50. On January 1, 2005, Marcy Company purchased 1,000 shares of its own common stock for \$22,000. On February 1, 2005, they sold 600 of these shares for \$25 per share, and on March 1, 2005, they sold the remaining 400 shares for \$15 per share. The journal entry required on March 1 will include:
- A) credit Contributed Capital, Treasury Stock, \$1,800
 - B) debit Retained Earnings for \$1,800
 - C) debit Retained Earnings for \$2,800
 - D) debit Contributed Capital, Treasury Stock, \$2,800
 - E) debit Contributed Capital, Treasury Stock, \$1,800

TOPIC: Reporting and Analyzing Cash Flows

51. Henry Company's Accounts Receivable increased by \$800 during the year. If they also reported Net Credit Sales of \$29,800, how much cash was received from their credit customers?
- A) \$26,400.
 - B) \$29,000.
 - C) \$29,800.
 - D) \$30,600.
 - E) \$32,400.
52. Maria Company showed the following information in its Statement of Cash Flows for 2004:
- | | |
|--------------------------------------|------------|
| Cash Flows from Financing Activities | \$ 114,000 |
| Cash Flows from Investing Activities | (82,000) |
| Net Increase in Cash | 154,000 |
- Determine the Cash Flows from *Operating Activities*:
- A) \$186,000
 - B) \$42,000
 - C) \$122,000.
 - D) \$350,000
 - E) Cannot be determined

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53. Teresa Company reported the following for the year of 2005:
- | | |
|---|-----------|
| Salaries Expense | \$168,000 |
| Salaries Payable, January 1 | 6,400 |
| Salaries Payable, December 31 | 10,600 |
- Calculate the cash paid for salaries in 2005:
- A) \$157,400.
 - B) \$174,400.
 - C) \$168,000.
 - D) \$172,200.
 - E) \$163,800.
54. Lynette Company's Inventory balance at 12/31/04 was \$200,000 and was \$188,000 at 12/31/05. Its Accounts Payable balance at 12/31/04 was \$80,000 and was \$84,000 at 12/31/05, and its cost of goods sold for 2005 was \$720,000. The company's total amount of cash payments for merchandise in 2005 equals:
- A) \$704,000.
 - B) \$712,000.
 - C) \$720,000.
 - D) \$728,000.
 - E) \$736,000.
55. Billy Company's income statement showed the following: net income, \$124,000; depreciation expense, \$30,000; and gain on sale of plant assets, \$14,000. An examination of the company's current assets and current liabilities showed the following changes as a result of operating activities: accounts receivable decreased \$9,400; merchandise inventory increased \$18,000; prepaid expenses decreased \$6,200; accounts payable increased \$3,400. Calculate the net cash provided or used by operating activities.
- A) \$139,000.
 - B) \$155,000.
 - C) \$145,800.
 - D) \$141,000.
 - E) \$167,000.
56. Dennis Company reported that its bonds with a par value of \$50,000 and a carrying value of \$57,000 are retired, resulting in a loss of \$3,000. The amount to be reported under cash flows from financing activities is:
- A) \$ (3,000).
 - B) \$(60,000).
 - C) \$(57,000).
 - D) \$(50,000)
 - E) Zero. This is an investing activity.

ACCOUNTING ENTRANCE EXAM PRACTICE QUESTION SET

Answer Key

1. D
2. B
3. A
4. C
5. D
6. B
7. D
8. C
9. B
10. A
11. D
12. C
13. B
14. D
15. A
16. E
17. D
18. C
19. E
20. B
21. A
22. C
23. C
24. E
25. D
26. B
27. A
28. D
29. C
30. E
31. B
32. E
33. A
34. B
35. C
36. E
37. B
38. D
39. C
40. E
41. B
42. D
43. D
44. C
45. C
46. D
47. B
48. A
49. B
50. E
51. B
52. C
53. E
54. A
55. D
56. B

ACCOUNTING ENTRANCE EXAM PRACTICE QUESTION SET