

Unit 3 Exam (Chapters 7-9 Review)

1. A \$200 petty cash fund has cash of \$32 and receipts of \$172. The journal entry to replenish the account would include a
 - a. debit to Cash for \$168.
 - b. credit to Petty Cash for \$168.
 - c. credit to Cash Over and Short for \$4.
 - d. credit to Cash for \$172.

2. Which of the following is not an internal control activity for cash?
 - a. The number of persons who have access to cash should be limited.
 - b. The functions of record keeping and maintaining custody of cash should be combined.
 - c. Surprise audits of cash on hand should be made occasionally.
 - d. All cash receipts should be recorded promptly.

3. The following information was taken from Hurlbert Company cash budget for the month June

Beginning cash balance	\$69,000
Cash receipts	93,000
Cash disbursements	117,000

If the company has a policy of maintaining an end of the month cash balance of \$60,000, the amount the company would have to borrow is

- a. \$36,000.
 - b. \$15,000.
 - c. \$24,000.
 - d. \$0.
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4. If a check correctly written and paid by the bank for \$628 is incorrectly recorded on the company's books for \$682, the appropriate treatment on the bank reconciliation would be to
 - a. add \$54 to the book's balance.
 - b. subtract \$54 from the book's balance.
 - c. deduct \$54 from the bank's balance.
 - d. deduct \$628 from the book's balance.

 5. Which of the following would be added to the balance per books on a bank reconciliation?
 - a. Outstanding checks.
 - b. Deposits in transit.
 - c. Notes collected by the bank.
 - d. NSF check.

 6. Which of the following would not be reported on the balance sheet as a cash equivalent?
 - a. Money market fund.
 - b. Commercial paper.
 - c. Treasury bill.
 - d. Restricted cash.

7. Outstanding checks

- a. have been recorded on the company's books but not yet by the bank.
- b. have been recorded by the bank but not yet by the company.
- c. have not been recorded by the bank or the company.
- d. are customers' checks that have not yet been received by the company.

8. Dobler Company gathered the following reconciling information in preparing its June bank reconciliation:

Cash balance per books, 6/30	\$12,600
Deposits in transit	900
Notes receivable and interest collected by bank	2,220
Bank charge for check printing	75
Outstanding checks	4,500
NSF check	420

The adjusted cash balance per books on June 30 is

- a. \$15,225.
- b. \$14,820.
- c. \$14,325.
- d. \$15,165.

9. A 90-day note dated August 31 would mature on

- a. November 28
- b. November 30
- c. November 29
- d. November 27

10. The direct write-off method of accounting for uncollectible accounts

- a. emphasizes the matching of expenses with revenues.
- b. emphasizes balance sheet relationships.
- c. emphasizes cash realizable value.
- d. is not generally accepted as a basis for estimating bad debts.

11. An aging of a company's accounts receivable indicates that \$9,000 are estimated to be uncollectible. If Allowance for Doubtful Accounts has a \$2,400 credit balance, the adjustment to record bad debts for the period will require a

- a. debit to Bad Debt Expense for \$9,000.
- b. debit to Allowance for Doubtful Accounts for \$6,600.
- c. debit to Bad Debt Expense for \$6,600.
- d. credit to Allowance for Doubtful Accounts for \$9,000.

12. Rosen Company receives a \$9,000, 3-month, 6% promissory note from Bay Company in settlement of an open accounts receivable. What entry will Rosen Company make upon receiving the note?

a. Notes Receivable	9,135	
Accounts Receivable—Bay Company		9,135
b. Notes Receivable	9,135	
Accounts Receivable—Bay Company		9,000
Interest Revenue		135
c. Notes Receivable	5,000	
Interest Receivable	135	
Accounts Receivable—Bay Company		9,000
Interest Revenue		135
d. Notes Receivable	9,000	
Accounts Receivable—Bay Company		9,000

13. Company A noticed that one of their customers declared bankruptcy and will not make any future payments. The customer had a balance of \$2,000 that it owed to Company A. Assuming Company A uses the allowance method, the entry they would make is

a. Allowance for Doubtful Accounts	2,000	
Accounts Receivable		2,000
b. Allowance for Doubtful Accounts	2,000	
Bad Debt Expense		2,000
c. Bad Debt Expense	2,000	
Allowance for Doubtful Accounts		2,000
d. Bad Debt Expense	2,000	
Accounts Receivable		2,000

14. Using the percentage-of-receivables method for recording bad debt expense, estimated uncollectible accounts are \$45,000. If the balance of the Allowance for Doubtful Accounts is \$6,000 debit before adjustment, what is the amount of bad debt expense for that period?

- \$45,000
- \$39,000
- \$51,000
- \$6,000

15. Company P has credit sales for the month are \$1,500,000. The accounts receivable balance is \$500,000. The allowance is calculated as 8% of the receivables balance using the percentage-of-receivables basis. If the Allowance for Doubtful Accounts has a debit balance of \$10,000 before adjustment, what is the balance after adjustment?
- \$120,000
 - \$30,000
 - \$50,000
 - \$40,000
16. Patents are generally shown on the balance sheet under
- Intangibles.
 - Investments.
 - Property, Plant, and Equipment.
 - Current Assets.
17. A plant asset with a cost of \$300,000 and accumulated depreciation of \$285,000 is sold for \$35,000. What is the amount of the gain or loss on disposal of the plant asset?
- \$35,000 loss.
 - \$20,000 loss.
 - \$20,000 gain.
 - \$35,000 gain.
18. Equipment with a cost of \$500,000 has an estimated salvage value of \$50,000 and an estimated life of 10 years or 100,000 hours. It is to be depreciated by the **straight-line method**. What is the amount of depreciation for the first full year, during which the equipment was used 12,000 hours?
- \$100,000.
 - \$54,000.
 - \$50,000.
 - \$45,000.
19. A change in the estimated useful life of equipment requires
- a retroactive change in the amount of periodic depreciation recognized in previous years.
 - that no change be made in the periodic depreciation so that depreciation amounts are comparable over the life of the asset.
 - that the amount of periodic depreciation be changed in the current year and in future years.
 - that income for the current year be increased.
20. Burke Company purchases land for \$180,000 cash. Burke assumes \$5,000 in property taxes due on the land. The title and attorney fees totaled \$2,000. Burke has the land graded for \$4,400. They paid \$20,000 for paving of a parking lot. What amount does Burke record as the cost for the land?
- \$186,400.
 - \$211,400.
 - \$191,400.
 - \$180,000.

21. Equipment with a cost of \$500,000 has an estimated salvage value of \$50,000 and an estimated life of 10 years or 100,000 hours. It is to be depreciated by the **units of activity method**. What is the amount of depreciation for the first full year, during which the equipment was used 12,000 hours?
- \$100,000.
 - \$54,000.
 - \$50,000.
 - \$45,000.
22. Equipment with a cost of \$500,000 has an estimated salvage value of \$50,000 and an estimated life of 10 years or 100,000 hours. It is to be depreciated by the **double-declining balance method**. What is the amount of depreciation for the first full year, during which the equipment was used 12,000 hours?
- \$100,000.
 - \$54,000.
 - \$50,000.
 - \$45,000.
23. On October 1, 2017, Mann Company places a new asset into service. The cost of the asset is \$120,000 with an estimated 5-year life and \$30,000 salvage value at the end of its useful life. What is the depreciation expense for 2017 if Mann Company uses the straight-line method of depreciation?
- \$4,500.
 - \$24,000.
 - \$6,000.
 - \$12,000.
24. Equipment costing \$60,000 with a salvage value of \$12,000 and an estimated life of 8 years has been depreciated using the straight-line method for 2 years. Assuming a revised estimated total life of 5 years and no change in the salvage value, the depreciation expense for Year 3 would be
- \$7,200.
 - \$16,000.
 - \$12,000.
 - \$9,600.
25. Equipment with a cost of \$500,000 has an estimated salvage value of \$50,000 and an estimated life of 10 years or 100,000 hours. It is to be depreciated by the **double-declining balance method**. What is the amount of depreciation for the second year, during which the equipment was used 20,000 hours?
- \$100,000.
 - \$90,000.
 - \$80,000.
 - \$45,000.

Solutions

1. C
2. B
3. B
4. A
5. C
6. D
7. A
8. C
9. C
10. D
11. C
12. D
13. A
14. C
15. D
16. A
17. C
18. D
19. C
20. C
21. B
22. A
23. A
24. C
25. C