

Unit 4 Exam (Chapters 1-12 Review)

1. Mannix Company issued \$1,000,000 of 5%, 5-year bonds at 98. Assuming straight-line amortization and annual interest payments, how much bond interest expense is recorded on the next interest date?
- \$46,000
 - \$49,000
 - \$54,000
 - \$50,000
2. Mannix Company issued \$1,000,000 of 5%, 5-year bonds at 105. Assuming straight-line amortization and annual interest payments, how much bond interest expense is recorded on the next interest date?
- \$52,500
 - \$50,000
 - \$60,000
 - \$40,000
3. If the market rate of interest is 10%, a \$100,000, 8%, 10-year bond that pays interest annually would sell at an amount
- less than face value.
 - equal to face value.
 - greater than face value.
 - that cannot be determined.
4. West County Bank agrees to lend Drake Builders Company \$400,000 on January 1. Drake Builders Company signs a \$400,000, 6%, 6-month note. The entry made by Drake Builders Company on January 1 to record the proceeds and issuance of the note is
- | | | | |
|----|------------------------|---------|---------|
| a. | Interest Expense | 6,000 | |
| | Cash | 194,000 | |
| | Notes Payable..... | | 400,000 |
| | | | |
| b. | Cash | 400,000 | |
| | Notes Payable..... | | 400,000 |
| | | | |
| c. | Cash | 400,000 | |
| | Interest Expense | 12,000 | |
| | Notes Payable..... | | 412,000 |
| | | | |
| d. | Cash | 400,000 | |
| | Interest Expense | 12,000 | |
| | Notes Payable..... | | 400,000 |
| | Interest Payable..... | | 12,000 |
5. Bonds with a face value of \$600,000 and a quoted price of 98½ have a selling price of
- \$589,500.
 - \$588,300.
 - \$588,030.
 - \$591,000.

6. Johnson Company issued \$100,000 of 6%, 5-year bonds at 95. Assuming straight-line amortization and annual interest payments, what is the amount recorded to Discount on Bonds Payable at each interest payment point?

- a. \$1,000
- b. \$6,000
- c. \$7,000
- d. \$5,000

7. A cash register tape shows cash sales of \$3,000 and sales taxes of \$200. The journal entry to record this information is

a.	Cash	3,200		
	Sales Revenue.....		3,200	
b.	Cash	3,200		
	Sales Tax Payable.....		200	
	Sales Revenue.....		3,000	
c.	Cash	3,000		
	Sales Tax Expense	200		
	Sales Revenue.....		3,200	
d.	Cash	3,200		
	Sales Revenue.....		3,000	
	Sales Tax Revenue		200	

8. The interest charged on a \$300,000 note payable, at the rate of 6%, on a 90-day note would be

- a. \$18,000.
- b. \$9,000.
- c. \$4,500.
- d. \$1,500.

9. Love Inc. began business by issuing 100,000 shares of \$10 par value common stock for \$30 per share. During its first year, the corporation sustained a net income of \$10,000. The year-end balance sheet would show

- a. Common Stock of \$30,000,000.
- b. Common Stock of \$1,000,000.
- c. total paid-in capital of \$29,000,000.
- d. total paid-in capital of \$29,990,000

10. Which of the following statements is considered an advantage of the corporate form of organization?

- a. Additional taxes.
- b. Government regulations.
- c. Limited liability of stockholders.
- d. Separation of ownership and management

11. If Lantz Company issues 10,000 shares of \$5 par value common stock for \$210,000, the account
- Common Stock will be credited for \$50,000.
 - Paid-in Capital in Excess of Par Value will be credited for \$50,000.
 - Paid-in Capital in Excess of Par Value will be credited for \$210,000.
 - Cash will be debited for \$160,000
12. The board of directors of Yancey Company declared a cash dividend of \$1.50 per share on 42,000 shares of common stock on July 15, 20X1. The dividend is to be paid on August 15, 20X1, to stockholders of record on July 31, 20X1. The correct entry to be recorded on July 15, 20X1, will include a
- debit to Dividends Payable.
 - debit to Cash Dividends.
 - credit to Cash.
 - credit to Cash Dividends.
13. On January 1, Hamblin Corporation had 120,000 shares of \$10 par value common stock outstanding. On March 17 the company declared a 10% stock dividend to stockholders of record on March 20. Market value of the stock was \$13 on March 17. The entry to record the transaction of March 17 would include a
- credit to Stock Dividends for \$36,000.
 - credit to Cash for \$156,000.
 - credit to Common Stock Dividends Distributable for \$120,000.
 - debit to Common Stock Dividends Distributable for \$120,000
14. Outstanding stock of the Hall Corporation included 40,000 shares of \$5 par common stock and 20,000 shares of 5%, \$10 par non-cumulative preferred stock. In 20X1, Hall declared and paid dividends of \$8,000. In 20X2, Hall declared and paid dividends of \$24,000. How much of the 20X2 dividend was distributed to preferred shareholders?
- \$12,000.
 - \$24,000.
 - \$10,000.
 - None of these answer choices are correct.
15. Assume that the E-Zip Corporation uses the indirect method to depict cash flows. Indicate where, if at all, treasury stock purchased with cash would be classified on the statement of cash flows.
- Operating activities section.
 - Investing activities section.
 - Financing activities section.
 - Does not represent a cash flow.
16. XYZ Company reported net income of \$100,000 for the year. During the year, accounts receivable increased by \$20,000, prepaid insurance increased by \$10,000, salaries and wages payable increased by \$8,000, accounts payable increased by \$5,000, amortization expense of \$15,000 was recorded, and common stock was issued for \$60,000. Net cash provided by operating activities for the year is
- \$118,000.
 - \$143,000.
 - \$158,000.
 - \$98,000.

17. Assume that the Boldin Corporation uses the indirect method to depict cash flows. Indicate where, if at all, an inventory increase with cash would be classified on the statement of cash flows.
- Operating activities section.
 - Investing activities section.
 - Financing activities section.
 - Does not represent a cash flow.
18. Cash flows from operating activities, as reported on the statement of cash flows under the indirect method, would include
- cash from the sale of land.
 - gain from the sale of a building.
 - purchase of treasury stock.
 - payment for bond redemption.
19. Significant noncash transactions would not include
- conversion of bonds into common stock.
 - asset acquisition through bond issuance.
 - treasury stock acquisition.
 - exchange of plant assets.
20. Assume that the Brown Corporation uses the indirect method to depict cash flows. Indicate where, if at all, a loss from the sale of land would be classified on the statement of cash flows.
- Operating activities section.
 - Investing activities section.
 - Financing activities section.
 - Does not represent a cash flow.
21. Which of the following is not properly classified as property, plant, and equipment?
- Building used as a factory.
 - Land used in ordinary business operations.
 - A truck held for resale by an automobile dealership.
 - Land improvement, such as parking lots and fences.
22. Which of the following is the first step in the accounting cycle?
- prepare a post-closing trial balance.
 - journalize business transactions.
 - analyze business transactions.
 - post transactions to the general ledger.
23. Powers Corporation received a cash advance of \$500 from a customer. As a result of this event,
- assets increased by \$500.
 - equity increased by \$500.
 - liabilities decreased by \$500.
 - Both assets and equity increased by \$500.
24. The expense recognition principle

- a. requires that all credit losses be recorded when an individual customer cannot pay.
 - b. results in the recording of an estimated amount for bad debts.
 - c. results in the recording of a known amount for bad debt losses.
 - d. is not involved in the decision of when to expense a credit loss.
25. Which of the following is not considered an asset?
- a. Inventory
 - b. Land
 - c. Accounts Payable
 - d. Accounts Receivable
26. The left side of an account
- a. is the credit side
 - b. is the debit side
 - c. is the increase side for all accounts
 - d. is the decrease side for all accounts
27. A system of internal control
- a. is always effective.
 - b. can be rendered ineffective by employee collusion.
 - c. will have costs exceeding benefits in every case.
 - d. is premised on the concept of absolute assurance.
28. The collection of an \$2,000 account within the 3 percent discount period will result in a
- a. debit to Sales Discounts for \$60.
 - b. debit to Accounts Receivable for \$1,940.
 - c. credit to Cash for \$1,940.
 - d. credit to Accounts Receivable for \$1,940.
29. Receivables are
- a. one of the most liquid assets and thus are always considered current assets.
 - b. claims that are expected to be collected in cash.
 - c. shown on the income statement at cash realizable value.
 - d. always the result of revenue recognition.
30. The FIFO inventory method assumes that the cost of the oldest units purchased are
- a. the last to be allocated to cost of goods sold.
 - b. the first to be allocated to ending inventory.
 - c. the first to be allocated to cost of goods sold.
 - d. not allocated to cost of goods sold or ending inventory.

Solutions

1. C

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