The next five questions are based on the following information:

At the end of its first year of operations, after adjustments were properly recorded, Jim, Inc. had the following adjusted account balances:

- Prepaid Rent 1,000
- Accumulated Depreciation-Trucks 6,000
- Insurance Expense 5,000
- Interest Expense 4,000
- Supplies Expense 8,000
- Accounts Receivable 39,000
- Service Revenue 162,000
- Prepaid Insurance 2,000
- Trucks 66,000
- Wages Expense 93,000
- Wages Payable 5,000
- Depreciation Expense 6,000
- Dividends 3,000
- Common Stock 44,000
- Interest Revenue 2,000
- Cash 4,000
- Accounts Payable 11,000
- Unearned Revenue 1,000
- Service Revenue 162,000
- Prepaid Insurance 2,000
- Trucks 66,000
- Wages Expense 93,000
- Wages Payable 5,000
- Depreciation Expense 6,000
- Dividends 3,000
- Common Stock 44,000
- Interest Revenue 2,000
- Cash 4,000

Each of these accounts has the normal debit or credit balance.

1. In preparing the closing entries, the DEBIT to the Income Summary account to close expenses will be:
   a. $127,000
   b. $116,000
   c. $110,000
   d. $121,000
   e. None of the above

2. In preparing the closing entries, the CREDIT to the Income Summary to close revenues account will be:
   a. $159,000
   b. $161,000
   c. $164,000
   d. $162,000
   e. None of the above

3. In preparing the closing entries, the fourth closing entry, to close the Dividends account, would include a:
   a. debit to Income Summary of $3,000.
   b. credit to Income Summary of $3,000.
   c. debit to Retained Earnings of $3,000.
   d. credit to Retained Earnings of $3,000.
   e. None of the above

4. After all the necessary closing entries are made, the post-closing trial balance of Jim, Inc. would have a DEBIT balance of:
   a. $225,000
   b. $228,000
   c. $106,000
   d. $112,000
   e. None of the above

5. The purpose of closing entries would include all of the following EXCEPT:
   a. To close the contra asset account Accumulated Depreciation account to the appropriate asset account.
   b. To close the net income for the period to the Retained Earnings account.
   c. To close Dividends to the Retained Earnings account.
   d. To close all temporary accounts for the period.
   e. None of the above

Use the following information to answer the two questions that follow.

In January 2006, Tom Company sold shares of common stock to new investors for $50,000.

6. The journal entry would include a debit to which type of account?
   a. Asset
   b. Liability
   c. Owners’ Equity
   d. Revenue
   e. Expense

7. The journal entry would include a credit to which type of account?
   a. Asset
   b. Liability
   c. Owners’ Equity
   d. Revenue
   e. Expense
Use the following information to answer the eight questions that follow:

The following balances were taken from the ADJUSTED TRIAL BALANCE of Chris Corp. for the fiscal year ending December 31, 2006.

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$9,000</td>
<td>Accounts Receivable</td>
<td>$22,000</td>
</tr>
<tr>
<td>Prepaid Rent</td>
<td>$2,000</td>
<td>Equipment</td>
<td>$41,000</td>
</tr>
<tr>
<td>Accumulated Depreciation – Equipment</td>
<td>$5,000</td>
<td>Accounts Payable</td>
<td>$7,000</td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td>$1,000</td>
<td>Wages Payable</td>
<td>$1,000</td>
</tr>
<tr>
<td>Common Stock</td>
<td>$30,000</td>
<td>Retained Earnings, 1/1/2006</td>
<td>$5,000</td>
</tr>
<tr>
<td>Dividends</td>
<td>$1,000</td>
<td>Service Revenue</td>
<td>$27,000</td>
</tr>
<tr>
<td>Notes Payable, Due 1/1/2011</td>
<td>$22,000</td>
<td>Rent Expense</td>
<td>$3,000</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>$1,000</td>
<td>Wages Expense</td>
<td>$17,000</td>
</tr>
<tr>
<td>Depreciation Expense -- Equipment</td>
<td>$3,000</td>
<td>Notes Payable, Due 5/1/2007</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

*Each of these accounts has the normal debit or credit balance.*

8. The Adjusted Trial Balance has a total CREDIT balance of:
   a. $100,000
   b. $99,000
   c. $104,000
   d. $101,000
   e. None of the above

9. The NET INCOME or (NET LOSS) for the year is:
   a. $8,000
   b. $2,000
   c. $3,000
   d. $4,000
   e. None of the above

10. The TOTAL OWNERS’ EQUITY at the end of the year would be:
    a. $7,000
    b. $8,000
    c. $37,000
    d. $38,000
    e. None of the above

11. The TOTAL CURRENT ASSETS at the end of the year would be:
    a. $41,000
    b. $9,000
    c. $33,000
    d. $31,000
    e. None of the above

12. The TOTAL ASSETS at the end of the year would be:
    a. $70,000
    b. $36,000
    c. $74,000
    d. $69,000
    e. None of the above

13. The TOTAL CURRENT LIABILITIES at the end of the year would be:
    a. $15,000
    b. $7,000
    c. $10,000
    d. $9,000
    e. None of the above

14. The TOTAL LIABILITIES at the end of the year would be:
    a. $10,000
    b. $32,000
    c. $22,000
    d. $37,000
    e. None of the above

15. The TOTAL OWNERS’ EQUITY at the start of the year (1/1/2006) would be:
    a. $35,000
    b. $30,000
    c. $5,000
    d. $38,000
    e. None of the above
Use the following information to answer the three questions that follow:

On December 31, 2006, Gee Company prepared year-end financial statements. Gee failed to record any of the necessary adjusting entries. What would be the effect of failing to record each of the following necessary, but unrecorded, adjusting journal entries on Gee Company's year-end financial statements?

16. Gee Co. failed to record the amount of insurance that had expired at the end of the year; it had originally recorded the cost of the insurance as insurance expense.
   a. Net income is overstated.
   b. Total assets are understated.
   c. Total liabilities are overstated.
   d. Total Owners' Equity is overstated.
   e. None of the above

17. Gee Co. failed to record the amounts owed to them by its customers for services performed but not yet paid to Gee by the end of the year.
   a. Net income is overstated.
   b. Total assets are overstated.
   c. Total liabilities are overstated.
   d. Total Owners' Equity is understated.
   e. None of the above

18. Gee Co. failed to record the office supplies it had remaining at the end of the year; it had originally recorded the cost of the supplies as an asset.
   a. Net income is overstated.
   b. Total assets are understated.
   c. Total liabilities are understated.
   d. Total Owners' Equity is understated.
   e. None of the above

Use the following information to answer the four questions that follow:

On October 1, 2006, Luma Corporation received $8,000 cash in advance for services to be performed in October, November, December 2006, and January 2007. The amount earned is $2,000 per month. A temporary account was credited to record the October 1, 2006 transaction. The Company adjusts its books on December 31 each year.

19. The journal entry on October 1, 2006 would include a credit to which type of account?
   a. Asset
   b. Liability
   c. Owners' Equity
   d. Revenue
   e. Expense

20. The adjusting journal entry on December 31, 2006 would include a debit to which type of account?
   a. Asset
   b. Liability
   c. Owners' Equity
   d. Revenue
   e. Expense

21. The adjusting journal entry on December 31, 2006 would include a credit to which type of account?
   a. Asset
   b. Liability
   c. Owners' Equity
   d. Revenue
   e. Expense

22. The amount of the adjusting journal entry on December 31, 2006 would be?
   a. $8,000
   b. $2,000
   c. $6,000
   d. $4,000
   e. None of the above

23. Fred Company failed to accrue interest on its Notes Payable at the end of the year.
   a. Net income is overstated.
   b. Total assets are understated.
   c. Total liabilities are overstated.
   d. Total Owners' Equity is understated.
   e. None of the above
Use the following to answer questions the seven questions that follow:

<table>
<thead>
<tr>
<th></th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$11,900</td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Musical Equipment</td>
<td>18,500</td>
<td></td>
</tr>
<tr>
<td>Accumulated Depreciation – Musical Equipment</td>
<td>$2,000</td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td></td>
<td>3,000</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td></td>
<td>4,000</td>
</tr>
<tr>
<td>Common Stock</td>
<td>26,000</td>
<td></td>
</tr>
<tr>
<td>Unearned Fee Revenue</td>
<td></td>
<td>7,000</td>
</tr>
<tr>
<td>Salaries Expense</td>
<td>2,700</td>
<td></td>
</tr>
<tr>
<td>Insurance Expense</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Rent Expense</td>
<td>4,800</td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$42,000</strong></td>
<td><strong>$42,000</strong></td>
</tr>
</tbody>
</table>

24. At December 31, 2006 there were $200 of supplies on hand. The adjusting entry would include a:
   a. debit to Supplies of $200.
   b. debit to Supplies Expense of $200.
   c. credit to Supplies Expense of $200.
   d. credit to Supplies of $300.
   e. None of the above

25. The Musical Equipment was purchased on January 1, 2005. It has a useful life of eight years and an estimated salvage value of $2,500. The adjusting entry at December 31, 2006 would include a:
   a. debit to Musical Equipment
   b. credit to Musical Equipment
   c. credit to Accumulated Depreciation – Musical Equipment
   d. credit to Depreciation Expense – Musical Equipment
   e. None of the above

26. Refer to the previous question. The amount of the adjusting journal entry at December 31, 2006 would be:
   a. $2,000.00
   b. $4,000.00
   c. $2,312.50
   d. $4,625.00
   e. None of the above

27. On September 1, 2006, Best paid the landlord for one year’s rent in advance. The amount paid was $4,800. The adjusting entry at December 31, 2006 would include a:
   a. debit to Prepaid Rent
   b. credit to Prepaid Rent
   c. debit to Rent Payable
   d. debit to Rent Expense
   e. None of the above

28. Refer to the previous question. The amount of the adjusting journal entry at December 31, 2006 would be:
   a. $4,800
   b. $3,200
   c. $400
   d. $1,600
   e. None of the above

29. On August 1, 2006, Best received $7,000 in advance for fees to be earned evenly over seven months beginning on that date. The required adjusting journal entry at December 31, 2006 would include a:
   a. debit to Fee Revenue
   b. credit to Unearned Fee Revenue
   c. debit to Cash
   d. credit to Fee Revenue
   e. None of the above

30. Refer to the previous question. The amount of the adjusting journal entry at December 31, 2006 would be:
   a. $7,000
   b. $3,000
   c. $5,000
   d. $4,000
   e. None of the above
The following six questions pertain to the financial statements of Pete Corporation for the years 2006, 2005 and 2004 (all numbers in millions):

<table>
<thead>
<tr>
<th>Year</th>
<th>Total assets</th>
<th>Total liabilities</th>
<th>Total revenues</th>
<th>Total expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$10,000</td>
<td>$6,000</td>
<td>$12,000</td>
<td>$9,000</td>
</tr>
<tr>
<td>2005</td>
<td>$8,400</td>
<td>$5,800</td>
<td>$9,200</td>
<td>$8,400</td>
</tr>
<tr>
<td>2004</td>
<td>$8,000</td>
<td>$5,000</td>
<td>$9,000</td>
<td>$7,000</td>
</tr>
</tbody>
</table>

31. The percent change in total revenues from 2004 to 2006 is approximately (round to one decimal place):
   a. 30.4 % increase.
   b. 25.0 % increase.
   c. 33.3 % increase.
   d. 133.3 % increase.
   e. None of the above.

32. The percent of liabilities to total liabilities and owners’ equity at the end of 2006 is approximately (round to the nearest whole percent):
   a. 40 %.
   b. 50 %.
   c. 60 %.
   d. 75 %.
   e. None of the above.

33. Total asset turnover, based on average total assets, for 2006 is approximately (round to two decimal places):
   a. 1.19 times.
   b. 1.30 times.
   c. 1.42 times.
   d. 1.20 times.
   e. None of the above.

34. The percent change in total assets from 2004 to 2006 is approximately (round to one decimal place):
   a. 20.0 % increase.
   b. 25.0 % increase.
   c. 11.9 % increase.
   d. 120.0 % increase.
   e. None of the above.

35. Return on total assets (ROA), based on average total assets for 2006 is approximately (round to one decimal place):
   a. 30.4 %.
   b. 32.6 %.
   c. 30.0 %.
   d. 40.0 %.
   e. None of the above.

36. In terms of liabilities, at the end of which year did Pete Company have the most risk?
   a. 2006
   b. 2005
   c. 2004
   d. Cannot be determined based on the information presented.

37. During the current year, the liabilities of AI Company increased by $9,000 and the owners’ equity increased by $4,000. The assets must have:
   a. increased by $4,000
   b. decreased by $9,000
   c. decreased by $13,000
   d. increased by $13,000
   e. none of the above

38. During the current year, the assets of Gus Company increased by $2,000 and the liabilities decreased by $5,000. The owner’s equity in the must have:
   a. decreased by $3,000.
   b. decreased by $7,000.
   c. increased by $7,000.
   d. increased by $3,000.
   e. none of the above.
Use the following information to answer the two questions that follow.

39. The December 31, 2006, journal entry would include a debit to which type of account?
   a. Asset
   b. Liability
   c. Owners’ Equity
   d. Revenue
   e. Expense

40. The December 31, 2006, journal entry would include a credit to which type of account?
   a. Asset
   b. Liability
   c. Owners’ Equity
   d. Revenue
   e. Expense

41. On December 31, 2006, Mo Company purchased a delivery truck for cash. The effect on the accounting equation would include:
   a. Total assets decreased.
   b. No change in total assets
   c. Owners’ equity increased
   d. Owners’ equity decreased
   e. None of the above

42. On December 1, 2006, the stockholders of Fall Corporation invested an additional $50,000 in the Corporation and received additional shares of common stock. The effect on the accounting equation would include:
   a. Assets decreased.
   b. Liabilities increased
   c. Liabilities decreased
   d. Owners’ equity decreased
   e. None of the above

Use the following information to answer the two questions that follow.

43. The journal entry would include a debit to which type of account?
   a. Asset
   b. Liability
   c. Owners’ Equity
   d. Revenue
   e. Expense

44. The journal entry would include a credit to which type of account?
   a. Revenue
   b. Liability
   c. Owners’ Equity
   d. Asset
   e. Expense

45. On December 31, 2006, Jen Corporation received cash from a customer for services to be performed in January, 2007. The effect on the accounting on December 31, 2006 would include:
   a. Assets decreased.
   b. Liabilities increased
   c. Owners’ equity increased
   d. Liabilities decreased
   e. None of the above

46. On January 3, 2007, Tony Corporation paid its employees for wages earned in December, 2006. The Company adjusts and closes its books at December 31. The effect on the accounting equation on January 3, 2007 would include:
   a. Assets increased.
   b. Liabilities decreased
   c. Liabilities increased
   d. Liabilities did not change
   e. None of the above
Use the following information to answer the two questions that follow.
In December 31, 2006, Sue Company recorded $5,000 of depreciation on its equipment.

47. The journal entry would include a debit to which type of account?
   a. Asset
   b. Liability
   c. Owners’ Equity
   d. Contra Asset
   e. Expense

48. The journal entry would include a credit to which type of account?
   a. Asset
   b. Liability
   c. Owners’ Equity
   d. Contra Asset
   e. Expense

Use the following information to answer the two questions that follow.
Frank Inc. purchased office equipment on account.

49. The journal entry would include a debit to which type of account?
   a. Asset
   b. Liability
   c. Owners’ Equity
   d. Revenue
   e. Expense

50. The journal entry would include a credit to which type of account?
   a. Asset
   b. Liability
   c. Owners’ Equity
   d. Revenue
   e. Expense