Use the following data for the next five questions:
A partially completed bank reconciliation for Dave Company at March 31, as well as additional data necessary to answer the questions, which follow.

**DAVE COMPANY**

**Bank Reconciliation**

**March 31, 2006**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance per books</td>
<td>$1,800</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
</tr>
<tr>
<td>Deduct:</td>
<td></td>
</tr>
<tr>
<td>Adjusted cash balance</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance per bank statement</td>
<td>$1,100</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
</tr>
<tr>
<td>Deduct:</td>
<td></td>
</tr>
<tr>
<td>Adjusted cash balance</td>
<td>$</td>
</tr>
</tbody>
</table>

**Additional information:**

a. Outstanding checks at March 31, 2006, totaled $1,200.

b. Check no. 999 (for supplies) was written for $300 but erroneously recorded in Dave’s records as $500.

c. Note collected by the bank and credited to Dave’s account, $1,300.

d. An NSF check of Mary Best, one of Dave’s customers, was returned by the bank; amount was $800.

e. Bank service charge for March, $100.

f. Deposits in transit at March 31, 2006, totaled $2,500.

1. In Dave’s completed bank reconciliation at March 31, 2006, what dollar amount should be deducted from the balance per bank statement [indicated by (4) above]?
   A. $2,500
   B. $1,200
   C. $900
   D. $1,100
   E. None of the above.

2. In Dave’s completed bank reconciliation at March 31, 2006, what dollar amount should be added to the balance per Dave’s records [indicated by (1) above]?
   A. $2,500
   B. $1,300
   C. $800
   D. $2,300
   E. None of the above.

3. In Dave’s completed bank reconciliation at March 31, 2006, what dollar amount should be deducted from the balance per Dave’s records [indicated by (2) above]?
   A. $2,500
   B. $1,200
   C. $900
   D. $1,100
   E. None of the above.

4. In Dave’s completed bank reconciliation at March 31, 2006, what dollar amount should be added to the balance per bank statement [indicated by (3) above]?
   A. $2,500
   B. $1,300
   C. $800
   D. $2,300
   E. None of the above.

5. In Dave’s completed bank reconciliation at March 31, 2006, the adjusted cash balance would be:
   A. $1,800
   B. $1,100
   C. $2,600
   D. $2,400
   E. None of the above.
Use the following information to answer the next three questions:
Following is selected information (in millions) for Jen Company, AFTER year-end adjusting entries:

<table>
<thead>
<tr>
<th>Jen Company</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$50,000</td>
<td>$40,000</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>600</td>
<td>1,200</td>
</tr>
</tbody>
</table>

As of December 31:
- Gross Accounts Receivable: $9,900, $3,300
- Allowance for Doubtful Accounts: 95, 100

6. Jen Company financial statement information shows that:
   A. Accounts of $1,200 million were written off as uncollectible in 2005.
   B. Net realizable value of receivables on December 31, 2006 is $9,905 million.
   C. Net realizable value of receivables on December 31, 2006 is $9,900 million.
   D. Gross receivables on December 31, 2006 are $9,995 million.
   E. None of the above.

7. On the basis of the information provided for Jen Company:
   A. The relationship between gross Accounts Receivable and Net Sales is worse in 2006 compared to 2005.
   B. The relationship between gross Accounts Receivable and Net Sales is the same in 2006 compared to 2005.
   C. The relationship between gross Accounts Receivable and Net Sales is better in 2006 compared to 2005.
   D. The relationship between gross Accounts Receivable and Net Sales cannot be determined from data provided.

8. On the basis of the information provided for Jen Company, the Accounts Receivable written off in 2006 were
   A. $95
   B. $600
   C. $605
   D. $1,200
   E. None of the above.

9. Joy’s Supply Co. purchased a new factory machine on January 1, 2006, at a cost of $10,000. It had a residual value of $1,000 and an estimated useful life of 10 years. Using the straight-line depreciation method, the book value of the equipment on December 31, 2009, after 2009 year-end adjusting entries have been recorded would be:
   A. $5,400
   B. $6,400
   C. $7,300
   D. $9,000
   E. None of the above.

10. Frank’s Delivery purchased a new truck. The initial cost would include all of the following except:
    A. Sales tax on the purchase price.
    B. Installing air conditioning before using the truck.
    C. Cost of painting Company logo on truck before using it.
    D. Shipping costs to get the truck to Frank’s.
    E. None of the above.

Use the following information to answer the next two questions:
Vernon Company purchased a computer system having an invoice price of $4,000 on January 1, 2006.
In addition, Vernon paid $310 sales tax and $100 for insurance for the first year of the computer.

11. The amount recorded as the cost of this computer system is:
    A. $4,000
    B. $4,310
    C. $4,410
    D. $4,210
    E. None of the above.

12. The amount of expenses (other than depreciation) recorded by Vernon in 2006 as a result of the above transactions are:
    A. $410
    B. $310
    C. $100
    D. $4,410
    E. None of the above.
Use the following information to answer the next three questions:

Selected information from Sara Company 2006 annual report (December 31 year-end) is shown below:

<table>
<thead>
<tr>
<th>Sara Company</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
<td>$96,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>760,000</td>
<td>580,000</td>
</tr>
</tbody>
</table>

Inventories (footnote):
Inventories are valued by the last in, first out (LIFO) method. Sara has used LIFO since 1980. The excess of current cost over the amount stated for inventories valued by the LIFO method amounted to approximately $10,000 at December 31, 2006 and $8,000 at December 31, 2005 respectively.

13. The approximate current value of the inventory as of December 31, 2006 is:
   A. $96,000.
   B. $106,000.
   C. $114,000.
   D. $86,000.
   E. None of the above.

14. Assuming a 40% income tax rate, the total amount Sara saved in income taxes in 2006 using LIFO is:
   A. $10,000.
   B. $4,000.
   C. $2,000.
   D. $800.
   E. None of the above.

15. The percentage increase in ending inventory from 2005 to 2006 is:
   A. 120%.
   B. 20%.
   C. 25%.
   D. 125%.
   E. None of the above.

Use the following information to answer the next two questions:

Paul Co. borrowed $120,000 by giving an 18%, 90-day, $120,000 note payable dated April 14, 2006 at Camden Bank. Interest is payable at the maturity date.

16. The maturity date of Paul Co.’s note would be:
    A. July 11
    B. July 12
    C. July 13
    D. July 14
    E. None of the above.

17. At maturity, Paul Co. should record the payment of the note with a journal entry that would include:
    A. a debit to Cash for $125,400.
    B. a credit to Cash for $125,400.
    C. a credit to Cash for $141,600.
    D. a debit to Notes Payable for $125,400.
    E. None of the above.

18. MARY Company borrowed $20,000 from Baltimore Bank on May 7, 2006, and gave a 120-day, 15% note bearing interest on the face amount. MARY’s adjusting entry on June 30, 2006, the end of their fiscal year, would include a debit to Interest Expense of:
    A. $3,000.
    B. $550.
    C. $1,000.
    D. $450.
    E. None of the above.

19. The account “Allowance for Bad Debts” is an example of what type of account?
    A. A contra-asset account on the balance sheet.
    B. An owners equity account on the balance sheet.
    C. A contra-liability account on the balance sheet.
    D. An expense account included in the “other expenses” section of the income statement.
    E. None of the above.
Use the following data for the next four questions:
On December 31, 2006, the unadjusted trial balance of Janet, Inc., included the following accounts:

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (80% represent credit sales)</td>
<td>$300,000</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>$200,000</td>
</tr>
<tr>
<td>Allowance for Doubtful Accounts</td>
<td>1,000</td>
</tr>
</tbody>
</table>

20. Assume Janet estimates bad debts expense as 1% of credit sales. The adjusting entry for December 31 should include a debit to bad debt expense of:
   A. $3,000.
   B. $600.
   C. $2,400.
   D. $1,400.
   E. None of the above.

21. Assume Janet estimates bad debts based on an aging of accounts receivable. If the aging indicates the estimated uncollectible portion should be $6,900, the adjusting entry for December 31 should include a debit to bad debt expense of:
   A. $4,900
   B. $5,900
   C. $6,900
   D. $7,900
   E. None of the above.

22. Assume Janet estimates bad debts expense as 4% of year-end accounts receivable. After the adjusting entry, the net realizable value of Janet accounts receivable in the December 31 balance sheet is:
   A. $200,000.
   B. $193,000.
   C. $192,000.
   D. $191,000.
   E. None of the above.

23. Janet estimates bad debts expense using the allowance method, as above. When Janet writes off a specific customer’s Account Receivable, the following impact occurs on the financial statements:
   A. Total owners’ equity decreases.
   B. Total current liabilities increase.
   C. Net income for the period decreases.
   D. Total current assets decreases.
   E. None of the above.

24. If Pam was using the direct write-off method for bad debts, the entry to write off an uncollectible account receivable balance of $75 in April 2006 would be:
   A. Accounts Receivable 75
      Allowance for Doubtful Accounts 75
   B. Bad Debts Expense 75
      Allowance for Doubtful Accounts 75
   C. Allowance for Doubtful Accounts 75
      Accounts Receivable 75
   D. Bad Debts Expense 75
      Accounts Receivable 75
   E. None of the above.

25. If Bill Company uses the allowance method, the entry to write off an uncollectible account receivable balance of $40 in June 2006 would be:
   A. Bad Debts Expense 40
      Allowance for Doubtful Accounts 40
   B. Bad Debts Expense 40
      Accounts Receivable 40
   C. Allowance for Doubtful Accounts 40
      Accounts Receivable 40
   D. Accounts Receivable 40
      Allowance for Doubtful Accounts 40
   E. None of the above.
Use the following data for the next three questions:

On January 1, Tom Company purchased a delivery truck for $28,000. The estimated useful life of the truck is four years, during which time it will be driven about 200,000 miles. Estimated residual value is $4,000.

26. If Tom uses the sum-of-the-years’-digits method of depreciation, the depreciation expense for the third year will be:
   A. $8,400
   B. $5,600
   C. $7,200
   D. $4,800
   E. None of the above.

27. If Tom Company uses the double-declining-balance method of depreciation, the accumulated depreciation balance at the end of the second year (after adjusting entries) will be:
   A. $18,000
   B. $14,000
   C. $12,000
   D. $21,000
   E. None of the above.

28. If Tom Company uses the straight-line method of depreciation, the book value of the asset at the end of the second year (after adjusting entries), will be:
   A. $7,000
   B. $6,000
   C. $12,000
   D. $16,000
   E. None of the above.

29. Mary Products uses the last-in, first-out method of inventory valuation and maintains a periodic inventory system. The following transactions related to item E, one of the items of merchandise carried by Mary Products, took place in January, 2006.
   Jan. 1 Units on hand, 10; unit cost, $15 each.
   Jan. 5 Purchased 4 units; unit cost, $16.
   Jan. 10 Sold 5 units.
   Jan. 12 Purchased 8 units; unit cost, $17.

   The total cost of goods sold for January, 2006, is:
   A. $85
   B. $75
   C. $79
   D. $80
   E. None of the above.

30. Kathie Company used the retail method to estimate its ending inventory in its monthly financial statements. On May 31 goods available for sale during the month had cost $20,000 and had been given retail prices of $25,000. Sales for the month amounted to $12,500. The estimated cost of the ending inventory to appear in the May 31 balance sheet is:
   A. $12,500
   B. $10,000
   C. $7,500
   D. $32,500
   E. None of the above.

31. For the last several years Chris Company has operated with a gross margin rate of 60%. Purchases of merchandise during March amounted to $50,000, and sales for the month of March were $100,000. On March 1, the beginning of the month, Chris Company had inventory on hand with a cost of $20,000. With the gross profit method, the estimated inventory at March 31 is:
   A. $40,000
   B. $30,000
   C. $60,000
   D. $70,000
   E. None of the above.
Use the following information to answer the next six questions:
The following selected information is taken from the books of the Hass Company for the year 2006:
(Note: You may not need to use all of the information below to answer these questions) All accounts have normal balances. Balance sheet accounts are shown as of 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>100</td>
<td>Sales returns and allowances</td>
<td>20</td>
</tr>
<tr>
<td>Sales discounts</td>
<td>10</td>
<td>Purchases returns and allowances</td>
<td>5</td>
</tr>
<tr>
<td>Sales</td>
<td>1,200</td>
<td>Inventory, 1/1/2006</td>
<td>225</td>
</tr>
<tr>
<td>Purchases</td>
<td>500</td>
<td>Inventory, 12/31/2006</td>
<td>130</td>
</tr>
<tr>
<td>Selling expense</td>
<td>60</td>
<td>Purchases discounts</td>
<td>15</td>
</tr>
<tr>
<td>Administrative expense</td>
<td>90</td>
<td>Transportation - in</td>
<td>50</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>200</td>
<td>Transportation - out</td>
<td>25</td>
</tr>
<tr>
<td>Allowance for Bad Debts</td>
<td>10</td>
<td>Bad Debts Expense</td>
<td>5</td>
</tr>
</tbody>
</table>

32. Net Sales for the period is:
   A. $ 1,200  
   B. $ 1,180  
   C. $ 1,190  
   D. $ 1,170  
   E. None of the above

33. Net cost of purchases for the period is:
   A. $ 500  
   B. $ 480  
   C. $ 430  
   D. $ 530  
   E. None of the above

34. Cost of Goods Available for Sale for the period is:
   A. $ 225  
   B. $ 755  
   C. $ 725  
   D. $ 500  
   E. None of the above

35. Cost of Goods Sold for the period is:
   A. $ 545  
   B. $ 725  
   C. $ 625  
   D. $ 500  
   E. None of the above

36. Gross Margin on Sales for the period is:
   A. $ 545  
   B. $ 700  
   C. $ 445  
   D. $ 530  
   E. None of the above

37. Net realizable value of the accounts receivable is:
   A. $ 190  
   B. $ 195  
   C. $ 205  
   D. $ 210  
   E. None of the above

38. Segui Company, which has a credit balance in its Allowance for Doubtful Accounts, writes off as uncollectible an account receivable from a bankrupt customer, Mr. Clemens. This action will have what effect on Segui Company’s balance sheet:
   A. Decrease the net realizable value of accounts receivable.  
   B. Decrease total current assets.  
   C. Decrease net income for the period.  
   D. Decrease owner's equity.  
   E. Decrease total accounts receivable.
Use the following data for the next five questions:
Andy Inc., has an inventory for item #3A3 on January 1 and purchases of this item during 2006 as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Type</th>
<th>Units</th>
<th>@ Cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 1</td>
<td>Beginning</td>
<td>400</td>
<td>$3.00</td>
<td>$1,200</td>
</tr>
<tr>
<td>Apr. 2</td>
<td>Purchase</td>
<td>900</td>
<td>$4.00</td>
<td>$3,600</td>
</tr>
<tr>
<td>Sept. 3</td>
<td>Purchase</td>
<td>1,000</td>
<td>$5.00</td>
<td>$5,000</td>
</tr>
<tr>
<td>Nov. 4</td>
<td>Purchase</td>
<td>500</td>
<td>$7.00</td>
<td>$3,500</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2,800</td>
<td></td>
<td>$13,300</td>
</tr>
</tbody>
</table>

During 2006, Andy sold 2,100 units at $9.00 each. Assume Andy uses a Periodic Inventory System.

39. Determine the cost of the ending inventory based on the LIFO method of inventory valuation.
   A. $ 2,400
   B. $ 4,500
   C. $ 8,800
   D. $10,900
   E. None of the above.

40. Compute the cost of goods sold for the current year based on the LIFO method of inventory valuation.
    A. $ 2,400
    B. $ 4,500
    C. $ 8,800
    D. $10,900
    E. None of the above.

41. Determine the cost of ending inventory based on the FIFO method of inventory valuation.
    A. $ 2,400
    B. $ 4,500
    C. $ 8,800
    D. $10,900
    E. None of the above.

42. Compute the cost of goods sold for the current year based on the FIFO method of inventory valuation.
    A. $ 2,400
    B. $ 4,500
    C. $ 8,800
    D. $10,900
    E. None of the above.

43. Compute the cost of ending inventory based on the weighted average-cost method of inventory valuation.
    A. $3,800
    B. $3,325
    C. $9,700
    D. $9,975
    E. None of the above.

44. Which of the following costs would be considered revenue expenditure?
    A. Payment for the sales tax on a newly purchased asset.
    B. Payment for a 3,000 mile oil change for a truck
    C. Payment for the installation costs for a newly acquired machine
    D. Payment for painting the Company Logo on a new truck.
    E. None of the above.

45. Which of the following costs would be considered capital expenditures?
    A. Payment for extensive repairs to make a newly acquired building fit for occupancy
    B. Payment for the salary of a machine operator
    C. Payment for insurance on a building owned by your company
    D. Payment for the cost of cleaning the factory
    E. None of the above.

46. The account “Purchase Discounts” would show up on the financial statements as:
    A. An expense account on the balance sheet.
    B. A liability account on the balance sheet.
    C. A contra-purchases account on the income statement.
    D. A revenue account included in the “other revenue” section of the income statement.
    E. None of the above.
47. The account “Sales Returns and Allowances” would show up on the financial statements as:
   A. A contra-revenue account on the income statement.
   B. An owners equity account on the balance sheet.
   C. A contra-purchases account on the income statement.
   D. An expense account included in the “other expenses” section of the income statement.
   E. None of the above.

48. Cost of goods sold on the income statement will normally reflect current market costs if:
   A. the weighted or moving average cost flow assumption is used.
   B. the specific identification method is used.
   C. the LIFO cost flow assumption is used.
   D. the FIFO cost flow assumption is used.

49. During a period of rising prices, which inventory cost flow assumption will generally reflect the highest gross margin on sales?
   A. LIFO.
   B. FIFO.
   C. Weighted average.
   D. Specific identification.

50. During a period of rising prices, which inventory cost flow assumption will reflect the lowest cost of ending inventory?
   A. LIFO.
   B. FIFO.
   C. Weighted average.
   D. Specific identification.