1. If Ace Inc. accrues $3,000 for interest payable at the end of the year:
   a. assets do not change and liabilities increase by $3,000.
   b. assets increase and liabilities increase $3,000.
   c. assets and owner's equity do not change.
   d. assets decrease $3,000.
   e. none of the above.

2. Read Magazine Publishing Company sells magazine subscriptions on an annual basis covering 12 issues. Subscriptions totaling $12,000 were collected on August 1, 2006 and the total amount collected was recorded in a temporary account. The monthly magazines were delivered in August through December. The required adjusting entry at December 31, 2006 would include:
   a. a debit to Magazine Revenues.
   b. a credit to Accounts Receivable.
   c. a credit to Magazine Revenues.
   d. a debit to Accounts Receivable.
   e. none of the above.

3. Refer to the above question. The amount of the adjusting entry required at December 31, 2006 would be:
   a. $5,000.
   b. $12,000.
   c. $6,000.
   d. $7,000.
   e. none of the above.

4. If Bill Company records revenue for consulting services of $12,000 performed for a client in December 2006 that were collected in cash upon completion in December 2006:
   a. assets increase and liabilities decrease.
   b. assets decrease and liabilities increase.
   c. total assets and owner's equity do not change.
   d. assets increase and owners' equity increases.
   e. none of the above.

5. On December 1, 2006, Linda Company paid three month's rent for office space for December 2006, January 2007 and February 2007 totaling $4,500. The payment was originally recorded in Rent Expense. Linda’s required adjusting entry at December 31, 2006 would include:
   a. a debit to Rent Expense.
   b. a debit to Rent Payable.
   c. a debit to Prepaid Rent.
   d. a credit to Prepaid Rent.
   e. none of the above.

6. Refer to the above question. The amount of the adjusting entry required at December 31, 2006 would be:
   a. $1,500.
   b. $4,500.
   c. $3,000.
   d. $6,000.
   e. none of the above.

7. A company's cash flow from investing activities includes
   a. cash paid for income taxes.
   b. cash paid for the purchase of treasury stock.
   c. cash paid for dividends.
   d. cash paid for employee salaries.
   e. none of the above.

8. BMW Sales had net credit sales in 2006 of $120,000. Accounts receivable are $40,000 and Allowance for Doubtful Accounts has a $200 credit balance on December 31, 2006. If BMW estimates bad debt losses as 2% of net credit sales, the net realizable value of the accounts receivable after the adjusting entry is:
   a. $37,600.
   b. $37,200.
   c. $37,400.
   d. $39,800.
   e. none of the above
Use the following information for the next three questions.
Beginning inventory for Ted Company at January 1, 2006, under the periodic inventory system is $20,000. Other information includes: ending inventory (12/31/06) was $22,000; purchases during 2006 were $44,000; sales returns for 2006 were $3,000, purchases returns for 2006 were $2,000; salary expense for 2006 was $25,000, and transportation-in was $1,000. Gross sales for 2006 were $97,000.

9. The net cost of purchases for Ted Company
   a. $44,000.
   b. $43,000.
   c. $47,000.
   d. $45,000.
   e. None of the above.

10. The net income for Ted Company
    a. $29,000.
    b. $28,000.
    c. $30,000.
    d. $32,000.
    e. None of the above.

11. The gross margin on sales for Ted Company
    a. $57,000.
    b. $54,000.
    c. $53,000.
    d. $55,000.
    e. None of the above.

Use the following to answer the next three questions.
On August 11, 2006, Jim Co. sold $50,000 of merchandise to Frank Co. Frank gave Jim its 12%, 120-day note for the total.

12. The maturity value of the note is:
    a. $50,000
    b. $52,000
    c. $56,000
    d. $51,000
    e. None of the above

13. The due date of the Frank note is:
    a. December 10, 2006
    b. December 9, 2006
    c. December 8, 2006
    d. December 11, 2006
    e. None of the above

14. At the maturity date, the total interest expense on the note is:
    a. $6,000
    b. $2,000
    c. $4,000
    d. $1,000
    e. None of the above

15. Chevy Sales had net credit sales in 2006 of $200,000. Accounts receivable are $60,000 and Allowance for Doubtful Accounts has a $200 debit balance on December 31, 2006. If Chevy estimates bad debt losses based on an aging of accounts receivable as $4,000, the bad debt expense for 2006 is:
    a. $4,000.
    b. $3,800.
    c. $3,600.
    d. $4,200.
    e. None of the above

16. Fred Company has a $5,000 credit balance in its Allowance for Doubtful Accounts account. During September it wrote off $1,000 as uncollectible from a bankrupt customer. This action will:
    a. Decrease net income for the period.
    b. Increase total assets.
    c. Decrease total assets.
    d. Decrease gross accounts receivable.
    e. None of the above.
Use the following information to answer the next four questions.

Mary Industries purchased specialized equipment on July 1, 2006, that cost $400,000, has a residual value of $40,000, and a useful life of four years.

17. The amount of depreciation expense for the year ended December 31, 2007, under the sum-of-the-years'-digits method is:
   a. $120,000.
   b. $108,000.
   c. $144,000.
   d. $126,000.
   e. none of the above.

18. The amount of depreciation expense for the year ended December 31, 2006, under the double-declining balance method is:
   a. $ 180,000.
   b. $ 100,000.
   c. $ 200,000.
   d. $ 150,000.
   e. none of the above.

19. The accumulated depreciation balance on December 31, 2009 (after recording depreciation expense for 2009) under the straight-line method is:
   a. $270,000.
   b. $225,000.
   c. $315,000.
   d. $360,000.
   e. none of the above.

20. The net book value of the equipment at the end of 2007, (after recording depreciation expense for 2007), using the straight-line method would be
   a. $265,000.
   b. $220,000.
   c. $225,000.
   d. $185,000.
   e. none of the above.

21. How would total retained earnings be affected by the declaration of a stock dividend?
   a. Decrease
   b. No effect
   c. Increase
   d. Cannot tell based on this information

22. How would total retained earnings be affected by the declaration of a cash dividend?
   a. Decrease
   b. No effect
   c. Increase
   d. Cannot tell based on this information

23. During 2006, cost of goods sold for Leanne Company were $550,000. Accounts receivable increased by $40,000; merchandise inventory increased by $50,000; accounts payable decreased by $20,000; and salaries payable decreased by $1,000. The amount of cash paid to suppliers for 2006 is:
   a. $480,000.
   b. $580,000.
   c. $520,000.
   d. $620,000.
   e. none of the above.

24. During 2006, cost of goods sold for Chris Company were $600,000. Accounts receivable increased by $70,000; merchandise inventory decreased by $40,000; accounts payable decreased by $30,000; and salaries payable decreased by $8,000. The amount of cash paid to suppliers for 2006 is:
   a. $670,000.
   b. $590,000.
   c. $530,000.
   d. $600,000.
   e. none of the above.
Use the following information for the next four questions:
William Clothiers uses a periodic inventory system. It sold 700 suits in 2006. Other data for 2006 includes:

Merchandise inventory and purchases: (suits inventory)

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
<th>Quantity @ Price</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 1</td>
<td>Balance</td>
<td>200 suits @ $70.00</td>
<td>$14,000</td>
</tr>
<tr>
<td>March 6</td>
<td>Purchased</td>
<td>500 suits @ $80.00</td>
<td>$40,000</td>
</tr>
<tr>
<td>July 15</td>
<td>Purchased</td>
<td>200 suits @ $90.00</td>
<td>$18,000</td>
</tr>
<tr>
<td>Oct. 23</td>
<td>Purchased</td>
<td>100 suits @ $100.00</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

AVAILABLE: 1,000 suits $82,000

25. Ending Inventory under the FIFO method is:
   a. $28,000.
   b. $54,000.
   c. $22,000.
   d. $60,000.
   e. none of the above.

26. Cost of Goods Sold under the FIFO method is:
   a. $60,000.
   b. $54,000.
   c. $57,400.
   d. $82,000.
   e. none of the above.

27. Ending Inventory under the LIFO method is:
   a. $24,600.
   b. $28,000.
   c. $22,000.
   d. $24,000.
   e. none of the above.

28. Cost of Goods Sold under the Average Cost method is:
   a. $60,000.
   b. $57,000.
   c. $54,000.
   d. $57,400.
   e. none of the above.

29. A company's cash flow from financing activities includes
   a. cash paid for interest expense.
   b. cash paid for dividends.
   c. cash paid for the purchase of equipment.
   d. cash paid for employee salaries.
   e. none of the above.

30. Net income for 2006 is $80,000 and Sales are $400,000 for Top Corp. During 2006, accounts receivable increased by $60,000; merchandise inventory decreased by $20,000; land increased by $3,000; accounts payable increased by $4,000; and salaries payable decreased by $1,000. The amount of cash collected from sales for 2006 is:
   a. $20,000.
   b. $460,000.
   c. $320,000.
   d. $340,000.
   e. none of the above

31. During a period of RISING prices, the cost flow assumption that will generally result in the highest amount of income taxes paid is:
   a. FIFO
   b. LIFO
   c. Weighted average
Use the following information for the next seven questions:
Stan Corporation’s ledger includes the following account balances at December 31, 2006:

- Paid-in Capital in Excess of Par Value, Preferred $400,000
- Paid-in Capital in Excess of Par Value, Common 600,000
- Premium on Bonds Payable 20,000
- Retained Earnings 300,000
- Dividends Payable 8,000
- Treasury Stock, Common, 4,000 shares 30,000
- Preferred Stock, 12% $100 par value, 5,000 shares issued 500,000
- Bonds Payable 900,000
- Common Stock, $1 par value, 40,000 shares issued 40,000

32. The balance sheet prepared at December 31, 2006, would report total paid-in-capital of:
   a. $1,520,000.
   b. $540,000.
   c. $1,560,000.
   d. $1,540,000.
   e. none of the above.

33. The balance sheet prepared at December 31, 2006, would report total legal capital of:
   a. $600,000.
   b. $540,000.
   c. $1,560,000.
   d. $1,000,000.
   e. none of the above.

34. The balance sheet prepared at December 31, 2006, would report total stockholders’ equity of:
   a. $1,870,000.
   b. $1,860,000.
   c. $1,840,000.
   d. $1,810,000.
   e. none of the above.

35. The number of common shares outstanding at December 31, 2006 would be:
   a. 40,000.
   b. 44,000.
   c. 45,000.
   d. 36,000.
   e. none of the above.

36. Assuming the Preferred Stock is “Cumulative”, the preferred shareholders would be entitled to receive total annual dividends of:
   a. $30,000.
   b. $60,000.
   c. $90,000.
   d. $500,000.
   e. none of the above.

37. How much is the book value per share of common stock, assuming the preferred stock’s liquidation value is equal to the par value and there are no dividends in arrears? (Round answer to the nearest whole cent.)
   a. $36.39
   b. $51.11
   c. $50.28
   d. $45.25
   e. none of the above.

38. How much is the book value per share of common stock, assuming the preferred stock is cumulative, its liquidation value is equal to the par value, and there are two years (2006 and 2005) of dividends in arrears? (Round answer to the nearest whole cent.)
   a. $27.03
   b. $33.06
   c. $34.72
   d. $28.25
   e. none of the above.
USE THE FOLLOWING INFORMATION FOR THE NEXT SEVEN QUESTIONS:

**Selected Balance Sheet account balances are:**

<table>
<thead>
<tr>
<th></th>
<th>MOSS COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>December 31</strong></td>
<td><strong>2006</strong></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 50,000</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>40,000</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>130,000</td>
</tr>
<tr>
<td>Bonds Payable</td>
<td>100,000</td>
</tr>
<tr>
<td>Salaries Payable</td>
<td>2,000</td>
</tr>
<tr>
<td>Merchandise Inventory</td>
<td>80,000</td>
</tr>
<tr>
<td>Common Stock</td>
<td>100,000</td>
</tr>
<tr>
<td>Rent Payable</td>
<td>22,000</td>
</tr>
<tr>
<td>Income Tax Payable</td>
<td>3,000</td>
</tr>
</tbody>
</table>

**Selected items for the year 2006 are:**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>940,000</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>520,000</td>
</tr>
<tr>
<td>Salary Expense</td>
<td>200,000</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>50,000</td>
</tr>
<tr>
<td>Rent Expense</td>
<td>60,000</td>
</tr>
<tr>
<td>Loss on Sale of Land</td>
<td>6,000</td>
</tr>
<tr>
<td>Dividends Declared and Paid</td>
<td>10,000</td>
</tr>
<tr>
<td>Income Tax Expense</td>
<td>30,000</td>
</tr>
</tbody>
</table>

39. Net income (loss) for 2006 is:
   a. $64,000.
   b. $80,000.
   c. $74,000.
   d. $130,000.
   e. none of the above.

40. Cash payments to suppliers for merchandise inventory during 2006 amounted to:
   a. $557,000.
   b. $529,000.
   c. $527,000.
   d. $513,000.
   e. none of the above.

41. Cash collections from customers during 2006 amounted to:
   a. $ 940,000.
   b. $1,000,000.
   c. $ 880,000.
   d. $1,130,000.
   e. none of the above.

42. Cash payments for salaries during 2006 amounted to:
   a. $207,000.
   b. $200,000.
   c. $191,000.
   d. $193,000.
   e. none of the above.

43. Cash payments for rent during 2006 amounted to:
   a. $75,000.
   b. $60,000.
   c. $67,000.
   d. $53,000.
   e. none of the above.

44. Cash payments for depreciation during 2006 amounted to:
   a. $ 50,000.
   b. $ 40,000.
   c. $ 56,000.
   d. $ 6,000.
   e. none of the above.

45. Cash payments for income taxes during 2006 amounted to:
   a. $30,000.
   b. $31,000.
   c. $29,000.
   d. none of the above.
Use the following information for the next five questions:
Assume that the following information is relevant for one of the bond issues of Curt Company:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Face value</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Bond term</td>
<td>10 years</td>
</tr>
<tr>
<td>Stated interest rate</td>
<td>10% (paid semiannually)</td>
</tr>
<tr>
<td>Market interest rate</td>
<td>8%</td>
</tr>
<tr>
<td>Issue date</td>
<td>January 1, 2006</td>
</tr>
<tr>
<td>Interest payment dates</td>
<td>June 30 and December 31 each year</td>
</tr>
</tbody>
</table>

### Present Value Factors:

<table>
<thead>
<tr>
<th>Periods</th>
<th>4%</th>
<th>5%</th>
<th>6%</th>
<th>8%</th>
<th>10%</th>
<th>12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of 1 for 10 periods</td>
<td>0.676</td>
<td>0.614</td>
<td>0.558</td>
<td>0.463</td>
<td>0.386</td>
<td>0.322</td>
</tr>
<tr>
<td>Present value of 1 for 20 periods</td>
<td>0.456</td>
<td>0.377</td>
<td>0.312</td>
<td>0.215</td>
<td>0.149</td>
<td>0.104</td>
</tr>
</tbody>
</table>

46. On January 1, 2006, the amount the bonds should sell for is:
   a. $1,999,200.
   b. $2,711,000.
   c. $2,000,200.
   d. $2,271,000.
   e. none of the above.

47. The total amount of interest to be paid over the life of the bonds is:
   a. $1,600,000
   b. $1,000,000
   c. $2,000,000
   d. $800,000
   e. none of the above.

48. The amount of interest expense to be recognized for the 2006 fiscal year using the effective interest method is:
   a. $159,936
   b. $181,680
   c. $227,100
   d. $216,880
   e. none of the above.

49. The amount of bond interest paid in cash for the 2006 fiscal year is:
   a. $160,000
   b. $200,000
   c. $100,000
   d. $80,000
   e. none of the above.

50. Assume that the stated rate on the Curt bonds was 10% and the market rate was now 12%. All other facts remain the same in this problem. On January 1, 2006, the amount the bonds should sell for is:
   a. $1,791,000.
   b. $1,901,000.
   c. $2,059,000.
   d. $1,771,000.
   e. none of the above.