1. FastForward had cash inflows from operations $62,500; cash outflows from investing activities of $47,000; and cash inflows from financing of $25,000. The net change in cash flows was:
   a. $40,500 increase.
   b. $40,500 decrease.
   c. $134,500 decrease.
   d. $134,000 increase.

2. A liability created by the receipt of cash from customers in payment for products or services that have not yet been delivered to the customers is:
   a. Recorded as a debit to an unearned revenue account.
   b. Recorded as a debit to a prepaid expense account.
   c. Recorded as a credit to an unearned revenue account.
   d. Recorded as a credit to a prepaid expense account.

3. On April 30, Holden Company had an Accounts Receivable balance of $18,000. During the month of May, total credits to Accounts Receivable were $52,000 from customer payments. The May 31 Accounts Receivable balance was $13,000. What was the amount of credit sales during May?
   a. $5,000.
   b. $47,000.
   c. $52,000.
   d. $57,000.

4. Due to an oversight, a company made no adjusting entry for accrued and unpaid employee wages of $24,000 on December 31. This oversight would:
   a. Understate net income by $24,000.
   b. Overstate net income by $24,000.
   c. Have no effect on net income.
   d. Overstate assets by $24,000.
5. If a company failed to make the end-of-period adjustment to remove from the Unearned Management Fees account the amount of management fees that were earned, this omission would cause:
   a. An overstatement of net income.
   b. An overstatement of assets.
   c. An overstatement of liabilities.
   d. An overstatement of equity.

6. A company's Office Supplies account shows a beginning balance of $600 and an ending balance of $400. If office supplies expense for the year is $3,100, what amount of office supplies was purchased during the period?
   a. $2,700.
   b. $2,900.
   c. $3,300.
   d. $3,500.

7. If a company records prepayment of expenses in an asset account, the adjusting entry would:
   a. Result in a debit to an expense and a credit to an asset account.
   b. Cause an adjustment to prior expense to be overstated and assets to be understated.
   c. Cause an accrued liability account to exist.
   d. Result in a debit to a liability and a credit to an asset account.

8. The following information is available for the Travis Travel Agency. After these closing entries what will be the balance in the Jay Travis, Capital account?
   Total revenues ...................... $125,000
   Total expenses ...................... 60,000
   Jay Travis, Capital ............... 80,000
   Jay Travis, Withdrawals .......... 15,000
   a. $ 65,000.
   b. $ 80,000.
   c. $130,000.
   d. $145,000.

9. The Income Summary account is used:
   a. To adjust and update asset and liability accounts.
   b. To close the revenue and expense accounts.
   c. To determine the appropriate withdrawal amount.
   d. To replace the income statement under certain circumstances.
10. An error is indicated if the following account has a balance appearing on the post-closing trial balance:
   a. Office Equipment.
   b. Accumulated Depreciation-Office Equipment.
   c. Depreciation Expense-Office Equipment.
   d. Ted Nash, Capital.

11. A company purchased $1,800 of merchandise on December 5. On December 7, it returned $200 worth of merchandise. On December 8, it paid the balance in full, taking a 2% discount. The amount of the cash paid on December 8 equals:
   a. $200.
   b. $1,564.
   c. $1,568.
   d. $1,600.

12. The understatement of the ending inventory balance causes:
   a. Cost of goods sold to be overstated and net income to be understated.
   b. Cost of goods sold to be overstated and net income to be overstated.
   c. Cost of goods sold to be understated and net income to be understated.
   d. Cost of goods sold to be understated and net income to be overstated.

13. Toys "R" Us had cost of goods sold of $9,421 million, ending inventory of $2,089 million, and average inventory of $1,965 million. Its inventory turnover equals:
   a. 0.21.
   b. 4.51
   c. 4.79.
   d. 76.1 days.

14. A company has inventory of 10 units at a cost of $10 each on June 1. On June 3, they purchased 20 units at $12 each. 12 units are sold on June 5. Using the FIFO perpetual inventory method, what is the cost of the 12 units that were sold?
   a. $120.
   b. $124.
   c. $128.
   d. $130.
15. A company that has operated with a 30% average gross profit ratio for a number of years had $100,000 in sales during the first quarter of this year. If it began the quarter with $18,000 of inventory at cost and purchased $72,000 of inventory during the quarter, its estimated ending inventory by the gross profit method is:
   a. $30,000.
   b. $21,000.
   c. $20,000.
   d. $18,000.

16. Perkins Company assembled the following information in completing its March bank reconciliation: balance per bank $3,820; outstanding checks $775; deposits in transit $1,250; NSF check $80; bank service charge $25; cash balance per books $4,400. As a result of this reconciliation, Perkins will
   a. reduce its cash account by $475.
   b. reduce its cash account by $25.
   c. increase its cash account by $55.
   d. reduce its cash account by $105.

17. An aging of a company's accounts receivable indicates that $9,000 are estimated to be uncollectible. If Allowance for Doubtful Accounts has a $1,100 credit balance, the adjustment to record bad debts for the period will require a
   a. debit to Bad Debts Expense for $9,000.
   b. debit to Allowance for Doubtful Accounts for $7,900.
   c. debit to Bad Debts Expense for $7,900.
   d. credit to Allowance for Doubtful Accounts for $9,000.

18. Using the percentage of receivables method for recording bad debts expense, estimated uncollectible accounts are $25,000. If the balance of the Allowance for Doubtful Accounts is $8,000 debit before adjustment, what is the amount of bad debts expense for that period?
   a. $25,000
   b. $8,000
   c. $33,000
   d. $17,000
19. Porter Company purchased equipment for $450,000 on January 1, 2007, and will use the double-declining-balance method of depreciation. It is estimated that the equipment will have a 3-year life and a $20,000 salvage value at the end of its useful life. The amount of depreciation expense recognized in the year 2009 will be
   a. $50,000.
   b. $30,000.
   c. $54,440.
   d. $34,440.

20. A plant asset was purchased on January 1 for $50,000 with an estimated salvage value of $10,000 at the end of its useful life. The current year's Depreciation Expense is $5,000 calculated on the straight-line basis and the balance of the Accumulated Depreciation account at the end of the year is $25,000. The remaining useful life of the plant asset is
   a. 10 years.
   b. 8 years.
   c. 5 years.
   d. 3 years.

21. Equipment was purchased for $60,000. Freight charges amounted to $2,800 and there was a cost of $8,000 for building a foundation and installing the equipment. It is estimated that the equipment will have a $12,000 salvage value at the end of its 5-year useful life. Depreciation expense each year using the straight-line method will be
   a. $14,160.
   b. $11,760.
   c. $9,840.
   d. $9,600.

22. Ordinary repairs are expenditures to maintain the operating efficiency of a plant asset and are referred to as
   a. capital expenditures.
   b. expense expenditures.
   c. improvements.
   d. revenue expenditures.
23. All of the following are intangible assets except
   a. copyrights.
   b. goodwill.
   c. patents.
   d. research costs.

24. On July 1, Dexter Shoe Store paid $8,000 to Ace Realty for 4 months rent beginning July 1. Prepaid Rent was debited for the full amount. If financial statements are prepared on July 31, the adjusting entry to be made by Dexter Shoe Store is
   a. Debit Rent Expense, $8,000; Credit Prepaid Rent, $2,000.
   b. Debit Prepaid Rent, $2,000; Credit Rent Expense, $2,000.
   c. Debit Rent Expense, $2,000; Credit Prepaid Rent, $2,000.
   d. Debit Rent Expense, $8,000; Credit Prepaid Rent, $8,000.

25. The asset turnover ratio is computed by dividing
   a. net income by average total assets.
   b. net sales by average total assets.
   c. net income by ending total assets.
   d. net sales by ending total assets.

26. Bryce Company has $500,000 of bonds outstanding. The unamortized premium is $7,200. If the company redeemed the bonds at 101, what would be the gain or loss on the redemption?
   a. $2,200 gain
   b. $2,200 loss
   c. $5,000 gain
   d. $5,000 loss

27. The purchase of treasury stock
   a. decreases common stock authorized.
   b. decreases common stock issued.
   c. decreases common stock outstanding.
   d. has no effect on common stock outstanding.
28. On January 2, 2005, Riley Corporation issued 20,000 shares of 6% cumulative preferred stock at $100 par value. On December 31, 2008, Riley Corporation declared and paid its first dividend. What dividends are the preferred stockholders entitled to receive in the current year before any distribution is made to common stockholders?
   a. $0
   b. $120,000
   c. $360,000
   d. $480,000

29. The effect of the declaration of a cash dividend by the board of directors is to
   Increase   Decrease
   a. Stockholders' equity   Assets
   b. Assets   Liabilities
   c. Liabilities   Stockholders' equity
   d. Liabilities   Assets

30. Stock dividends and stock splits have the following effects on retained earnings:

<table>
<thead>
<tr>
<th>Stock Splits</th>
<th>Stock Dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Increase</td>
<td>No change</td>
</tr>
<tr>
<td>b. No change</td>
<td>Decrease</td>
</tr>
<tr>
<td>c. Decrease</td>
<td>Decrease</td>
</tr>
<tr>
<td>d. No change</td>
<td>No change</td>
</tr>
</tbody>
</table>

31. Manner, Inc. has 5,000 shares of 6%, $100 par value, noncumulative preferred stock and 20,000 shares of $1 par value common stock outstanding at December 31, 2008. There were no dividends declared in 2007. The board of directors declares and pays a $55,000 dividend in 2008. What is the amount of dividends received by the common stockholders in 2008?
   a. $0
   b. $30,000
   c. $55,000
   d. $25,000
32. Lopez, Inc. has 2,000 shares of 6%, $50 par value, cumulative preferred stock and 50,000 shares of $1 par value common stock outstanding at December 31, 2007, and December 31, 2008. The board of directors declared and paid a $4,000 dividend in 2007. In 2008, $20,000 of dividends are declared and paid. What are the dividends received by the preferred and common shareholders in 2008?

<table>
<thead>
<tr>
<th>Preferred</th>
<th>Common</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. $12,000</td>
<td>$8,000</td>
</tr>
<tr>
<td>b. $10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>c. $8,000</td>
<td>$12,000</td>
</tr>
<tr>
<td>d. $6,000</td>
<td>$14,000</td>
</tr>
</tbody>
</table>

33. Accumulated Depreciation is
a. an expense account.
b. an owner's equity account.
c. a liability account.
d. a contra asset account.

34. Prepaid expenses are
a. paid and recorded in an asset account before they are used or consumed.
b. paid and recorded in an asset account after they are used or consumed.
c. incurred but not yet paid or recorded.
d. incurred and already paid or recorded.

35. Accrued expenses are
a. paid and recorded in an asset account before they are used or consumed.
b. paid and recorded in an asset account after they are used or consumed.
c. incurred but not yet paid or recorded.
d. incurred and already paid or recorded.

36. Unearned revenues are
a. received and recorded as liabilities before they are earned.
b. earned and recorded as liabilities before they are received.
c. earned but not yet received or recorded.
d. earned and already received and recorded.
37. Identify the effect the declaration of a stock dividend has on the par value per share and book value per share.

<table>
<thead>
<tr>
<th>Par Value per Share</th>
<th>Book Value per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Increase</td>
<td>Decrease</td>
</tr>
<tr>
<td>b. No effect</td>
<td>Increase</td>
</tr>
<tr>
<td>c. Decrease</td>
<td>Decrease</td>
</tr>
<tr>
<td>d. No effect</td>
<td>Decrease</td>
</tr>
</tbody>
</table>

38. Which of the following show the proper effect of a stock split and a stock dividend?

<table>
<thead>
<tr>
<th>Item</th>
<th>Stock Split</th>
<th>Stock Dividend</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Total paid-in capital</td>
<td>Increase</td>
<td>Increase</td>
</tr>
<tr>
<td>b. Total retained earnings</td>
<td>Decrease</td>
<td>Decrease</td>
</tr>
<tr>
<td>c. Total par value (common)</td>
<td>Decrease</td>
<td>Increase</td>
</tr>
<tr>
<td>d. Par value per share</td>
<td>Decrease</td>
<td>No change</td>
</tr>
</tbody>
</table>

39. Prior period adjustments
   a. may only increase retained earnings.
   b. may only decrease retained earnings.
   c. may either increase or decrease retained earnings.
   d. do not affect retained earnings.

40. On January 2, Matthews Corporation acquired 20% of the outstanding common stock of Dennehy Company for $450,000. For the year ended December 31, Dennehy reported net income of $90,000 and paid cash dividends of $30,000 on its common stock. At December 31, the carrying value of Matthews' investment in Dennehy under the equity method is
   a. $444,000.
   b. $450,000.
   c. $456,000.
   d. $462,000.

41. Cline Company issued common stock for proceeds of $186,000 during 2008. The company paid dividends of $33,000 and issued a long-term note payable for $45,000 in exchange for equipment during the year. The company also purchased treasury stock that had a cost of $7,000. The financing section of the statement of cash flows will report net cash inflows of
   a. $146,000.
   b. $202,000.
42. In Gentry Company, land decreased $120,000 because of a cash sale for $120,000, the equipment account increased $40,000 as a result of a cash purchase, and Bonds Payable increased $130,000 from issuance for cash at face value. The net cash provided by investing activities is
   a. $120,000.
   b. $210,000.
   c. $80,000.
   d. $90,000.

43. Buster Company reported a net loss of $3,000 for the year ended December 31, 2008. During the year, accounts receivable increased $7,000, merchandise inventory decreased $5,000, accounts payable decreased by $10,000, and depreciation expense of $5,000 was recorded. During 2007, operating activities
   a. used net cash of $10,000.
   b. used net cash of $14,000.
   c. provided net cash of $14,000.
   d. provided net cash of $9,000.

44. Harbor Company reported net income of $60,000 for the year ended December 31, 2008. During the year, inventories decreased by $12,000, accounts payable decreased by $18,000, depreciation expense was $20,000 and a gain on disposal of equipment of $9,000 was recorded. Net cash provided by operating activities in 2008 using the indirect method was
   a. $119,000.
   b. $65,000.
   c. $77,000.
   d. $55,000.

45. Expenses paid and recorded as assets before they are used are called
   a. accrued expenses.
   b. interim expenses.
   c. prepaid expenses.
   d. unearned expenses.
46. Blue Corporation issued a one-year, 12%, $200,000 note on August 31, 2008. Interest expense for the year ended December 31, 2008 was
   a. $24,000.
   b. $10,000.
   c. $8,000.
   d. $6,000.

47. If an adjusting entry is not made for an accrued revenue,
   a. assets will be overstated.
   b. expenses will be understated.
   c. owner's equity will be understated.
   d. revenues will be overstated.

48. Unearned revenue is classified as
   a. an asset account.
   b. a revenue account.
   c. a contra-revenue account.
   d. a liability.

49. Carter Company reports the following:

<table>
<thead>
<tr>
<th></th>
<th>End of Year</th>
<th>Beginning of Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory</td>
<td>$25,000</td>
<td>$40,000</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>30,000</td>
<td>10,000</td>
</tr>
</tbody>
</table>

If cost of goods sold for the year is $170,000, the amount of cash paid to suppliers is
   a. $175,000.
   b. $165,000.
   c. $135,000.
   d. $205,000.

50. During the year, Salaries Payable decreased by $6,000. If Salary Expense amounted to $190,000 for the year, the cash paid to employees (including deductions from gross pay) is
   a. $196,000.
   b. $190,000.
   c. $184,000.
   d. $202,000.