

York University AP/ADMS 2500.03
Introduction to Financial Accounting
Midterm Examination #1 – Topic A

Time: 3 hours

Fall 2016

Questions: 50

Instructions:

1. **Submit:** Only the pink mark sense sheet will be collected: you may keep this midterm examination paper. Mark your answers on it for later reference.

2. **Mark Sense Sheet:**

- Record your name and student number and answer all questions on the computer mark sense sheet provided with an HB (soft lead) pencil. Bring several pencils in case one breaks. The computer will not recognize ink or hard lead pencils
- **Test Form is 'A' and Code is your Section (in the left column)**
- Fill in the bubbles for your name and student number in pencil (your phone number is not required). Leave the last column of the student number BLANK
- If you change an answer, use a high-quality eraser to completely remove the previous mark. If the computer senses two answers to a question, only the first scanned will be recognized.

3. **Exam Aids:**

- Only calculators without alphanumeric programmable memories are allowed. It is strongly suggested you bring a couple of cheap 4 function computers to the exam in case one fails. Be prepared to be challenged by invigilators if you bring a “fancy” calculator.
- Compact foreign language/English dictionaries may be used. However, these will be examined by invigilators. If there are any loose pages or handwriting in the dictionary, it will be seized and you will be charged with academic dishonesty.
- In 2500, invigilators answer no questions of interpretation. They will pass along questions regarding possible errors/typos/missing data to the head invigilator. If you believe a question contains an error and do not receive a response, make a detailed note at the back of your answer (pink) sheet.

4. **Exam Strategy**

- Careful budgeting of time on an accounting exam is essential. Bring a watch and check your progress regularly. Poor time management is the most common reason for poor exam performance in accounting.
- It is always a good idea to attempt the questions you deem easiest first. In an interrupted exam that is not restarted, your exam will be scored based on questions attempted.
- It is essential to transfer your answers to the grading sheet after each question in case the exam is interrupted by fire alarm.
- The last ten minutes of an exam should be devoted to double checking your transfers. What you submit is what is graded. If you have not transferred your answers to the mark sense sheet at the end of the exam, the invigilator will not wait. Your answer sheet will be seized and it will be graded based on whatever questions have choices filled in.
- Remember there is no penalty for guessing on a multiple-choice computer graded exam. Submit a choice for every question. Also note that in 2500, the choice of *None of the above* does indeed represent a frequent correct choice to questions.

5. **Exam room regulations:**

- All personal belongings should be placed either on the floor or at the front of the exam room. All items on your desk will be examined by invigilators
- Bring appropriate ID as proof of registration. You will be required to sign in and show appropriate documentation. No need to sign out from the exam, if a student has signed in but no exam is collected the mark to be reported is zero. Students without ID will be allowed to write the exam, but will be photographed and asked to submit registration and photo ID to the School of Administrative Studies the next day.
- No student may leave the exam in the first hour. No student may start the exam after an hour. Students requiring restroom visits must be accompanied by an invigilator.
- The proctors will announce when there are 15 minutes remaining and any answers not transferred should be recorded at this time. No one is to leave their seat in the last 15 minutes.
- When time is called, the proctors will go down the rows collecting your answer sheets, you can keep this exam paper for your records. They will not wait and they will not accept your sheet once they have passed. Any violation of this protocol will result in a grade of zero recorded for the exam.

6. Fire Alarms

- A frequent occurrence in York exams. In the event of a fire alarm, you are to leave your exam and answer sheet face down on your desk and immediately proceed outside with coats and all personal belongings. Print your surname on the back of the exam so you know which seat to return to. An invigilator will lead the group outside to a place of safety.
- There is to be no talking during the evacuation or outside. Most rooms are cleared within 30 minutes of the alarm so that exams can recommence. You will be told after this time whether to reenter the room and recommence the exam or to go home.

7. Academic Dishonesty

- You are reminded that cheating is a serious offense which can result in expulsion from university.
- Exams at York are held in regular classrooms, which may involve tiered seating. Consequently, neck exercises are not allowed during exams. First instance of wandering eyes has the student relocated to the front of the room or a verbal warning being made by the course director. Second instance results in seizure of paper.

8. Special Instructions

- This exam is divided into two parts. Part 1 is a minicase that is related to a series of questions based on the case. While an attempt has been to minimize the impact of carryforward errors in question design, some questions of necessity are related to multiple computations or previous questions, so an error potentially can have multi-mark impact. Part 2 are questions based on different and independent scenarios unrelated to the case of Part 1.

9. Reminder

This is a reminder to submit the pink mark sense sheet only; this exam paper will not be collected. Ensure your name is on the pink mark sense sheet and that you have marked your answers in this paper so you can check your answers when the correct answers are published in the course website. If you have signed in but no scantron (pink) sheet is handed in, the mark obtained in the exam is a zero and the administrative process for academic dishonesty might be initiated.

Part 1 - Case: Sally's Ice Cream Parlour

Questions 1 to 45 are based on this case

Sally Barnes a third year Accounting student finished her exams early from York University this year and went back home to Huntsville Ontario to look for a summer job. If Sally doesn't find a job in town she would have to work in the families Ice Cream factory, and outlet store. Barnes Ice Cream uses milk from Jersey cows which is the best for making ice cream from local farmers to manufacture fresh custom Ice Cream for Restaurants and specialty stores in Southern Ontario.

Going back and living at home was so comforting and nice since Huntsville during the summer is a hot bed of all types of activities. She started walking down Main Street with her resume in hand looking and applying for a summer job. The town of Huntsville has over 20,000 plus residence and another 25,000 from the surrounding cottages. It is busy for three seasons a year with something going on every Friday, Saturday and Sunday. A lot has changed with the "Huntsville Festival of the Arts" running daily for the entire months of July and August to Labour Day weekend. "Concerts in the Park and on the Docks" every Wednesday at noon and night, starting in May until the end of August, and her favorite growing up as child was Thursday Night movies in the Park all summer long.

Sally walked into the corner Drug Store located on Main Street beside the Swing Bridge and the Park were all of the Summer activities happen, where she had her first Part time job when she was a high school student. Dr. Bob Wilder owns the drug store which has been in the family for over 80 years. In the early 1950's Bob's grandfather built a fully functional Ice Cream Parlor in the front half of the store with a counter and six ice cream parlor type stools. Dr. Wilder was talking to Ted Lee the local handyman about redesigning the store and wanted to make the Ice Cream Parlor smaller since it was seasonal, taking too much of his time managing the staff at the Ice Cream stand, handling different operational issues and taking up too much of the floor space in the store year round.

It was perfect timing when Sally walked into the Drug Store. Sally overheard the conversation between Dr. Wilder and Ted about the redesigning of the Ice Cream parlor and the problems he had making it work.

Sally was thinking out loud and said this sounded like a Business Case from her ADMS2500 course. She could purchase the Ice Cream, cups, spoons, cones, and other material from the family business, rent the floor space at the drug store, hire her own staff, and have different hours then the Drug Store so the business can be open for business when the activities in town are on. She approached both Dr. Wilder and Ted to bring up her idea. After hearing the details, Ted suggested that this can be done by placing a movable wall between the Drug Store and the Ice Cream Parlor section of the store, placing wheels on the Ice Cream freezers for scooping Ice Cream, by adding another door to the front of the store, and then placing the movable wall between the two doors and the wall where the Ice Cream Parlor is. Ted said that this design would allow one to go into either store when the other is not open, also by placing the wheels on the freezers then can be moved to the wall to sale Ice Products in the winter since Ice Cream Parlor would be open from the May 1st to October 31st.

Sally called her mother about this business venture who congratulated her on a great idea. Mrs. Barnes suggested to Sally that the family Ice Cream business could supply Ice Cream products in the freezer under consignment for November to April since the freezers can move against the wall.

The next day Sally met with Dr. Wilder to work out the details. The meeting was very productive and they agreed to the following:

- Dr. Wilder would pay for the design work, the movable wall, plumbing, doors, wheels on the freezer that is owned by Dr. Wilder, installation of signs to the store, and any other for the new Ice Cream Parlor.
- Sally will pay the first and last months of rent on May 1st and then on the first day of each month for that month to Dr. Wilder. The rent included the front of the store where the Ice Cream Parlour is and a small supply room for storage and to place another freezer for extra Ice Cream.
- A fee of 4% of monthly gross sales will be paid to Dr. Wilder for the cleaning of the Ice Cream Parlor area, electricity, water, internet, use of the Ice Cream freezers owned by the Drugstore, and garbage removal. This is to be paid on the first day of the month on last month's sales.
- All other expenses for the Parlor will be paid by Sally.

Sally did the following:

April 22-29, 2016

Ordered three signs from Huntsville Sign Company for the business, one to be placed over the counter that has the price list, a sandwich board sign will be placed outside when the store is open for business, the other to be placed on the outside of the building, these signs will be used all year round since Ice Cream will be sold in the Drug store on consignment from November to April. Purchase price of all signs \$1,200, however the owner of Huntsville Sign Company was her uncle and sold it to her for less. The signs will last three years before needing replacement. To be paid in full upon delivery.

Conducted interviews and hire students that will make \$15.00 per hour, an assistant manager will make \$19.00 an hour to work when Sally is not working. Since the students will be working less than 20 hours per week withhold taxes and other source deductions do not apply. The Ice Cream Parlour will be open seven days a week from May 1st to October 30th, payroll wage cost will be \$475.00 per day from May 1st to September 6th. After September 6th the Ice Cream Parlour will require only one person to operate and two people on the weekends. All students hired will start working May 1st. The employer will be paying 14% in benefits for each employee of their gross wage. These Benefits are payable 45 days after the date on pay cheque. The employees first pay cheque will be dated May 14th for the first week of work (7 days) and every two weeks after that.

Sally made arrangements with her parents for the purchase of supplies and ice cream. Since she is family, her father would give her next morning delivery before the Parlour opens, the deliveries will be paid in full 10 days after received. Her father suggested that for inventory keeping all of the Ice Cream related inventory items can be kept together as one amount (the

value of all the Ice Cream, Cones, spoons, and syrup be one lump sum). Barnes Ice Cream does this for the Factory store and makes inventory record keeping easier.

May 1, 2016

Borrowed \$10,000 from her mother at 6% per ann to have money to start the business. To be paid December 1st 2016.

Opened a Bank account for the business and placed \$10,000 from her savings in the account. While at the bank she negotiated for the use of Credit card device and processing, the credit card sales are immediately deposited to the bank minus the cost of 4% per transaction. The bank also offered a \$25,000 Line of Credit at 8% if the business needed it.

Wrote cheque to paid Dr. Wilder the first and last month of rent. As per the agreement last month (\$500 per month).

Huntsville Sign Company delivered the sign, as per agreement \$990 was paid in cash.

May 2, 2016

Ordered and received 16 drums of Ice Cream @\$38.00 each, 800 cones @\$0.25 each, 600 waffle cones @\$0.70 each waffle cones, 500 sample spoons @\$0.08 each, Cholate dipping syrup 3 drums @\$27.00, from Barnes Ice Cream (the family business).

Purchased and paid by cheque a used cash register (four years old) for \$1,440. When new the cost price was \$8,400 with expected life of 10 years, the cash register is estimated to have a 6 year life.

Sally needed a computer for the business so she gave the business her computer, monitor, and colour printer, when she purchased it August 2, 2015 at Best Buy's Back to School sale the package was on sale for \$1,500 regular price was \$2,100. The Computer Geek Squad at Best Buy said the new computer, monitor, and printer would last 5 years when it was purchased.

May 3, 2016

Paid by cheque \$158.00 to Staples for office supplies – 1,000 sheets paper for \$10.00, six printer toners for \$130.00, 6 rolls of paper for cash register \$6.00 and assorted office supplies of pens, pencils, paper clips, and post-it-notes for \$12.00.

May 4, 2016

Sally printed from her printer 500 flyers to advertising the New Ice Cream Parlour with its hours of operations for May and June. To print the flyers she used paper acquired at Staples for \$5.00 and three colour cartages for \$65.00 also acquired at Staples (purchased on May 2nd, 2016).

Purchased a freezer, to be paid by cheque, \$4,800, the manufacturer suggested retail price is \$5,400 and expected to last 10 years. The additional freezer will be owned by Sally to store extra products.

Purchased advance advertising totaling \$1,080 for twice a month ad placement in Muskoka Regional newspaper for six months \$90 per issue. First newspaper ad to appear May 14th.

May 5, 2016

Business insurance for six months Prepaid \$1,800.00, the agent graduated from York and gave Sally a discount – the regular price was \$2,100.00.

Cellphone \$75.00 per month and paid two months in advance, this package included all long distance calls in Canada and unlimited day and night calling, and 2G data.

May 6, 2016

Sally distributed half of the flyers she printed for the business.

May 10, 2016

Ordered and received 18 drums of Ice Cream @\$38.00 each, 950 cones @\$0.25 each, 700 waffle cones @\$0.70 each waffle cones, 400 sample spoons @\$0.08 each, Chocolate dipping syrup 4 drums at @\$27.00, from Barnes Ice Cream.

May 12, 2016

Paid for the first shipment of Ice Cream and supplies from Barnes Ice cream

First week cash sales \$1,012.00 and \$2,213.00 credit card sales.

May 14, 2016

Paid employees for the first week plus benefits, 7 days of pay. Second week cash sales \$6,801.00 and \$10,621.00 in credit card sales.

Ordered and received 18 drums of Ice Cream @\$38.00 each, 950 cones @\$0.25 each, 700 waffle cones @\$0.70 each waffle cones, 400 sample spoons @\$0.08 each, Chocolate dipping syrup 4 drums at @\$27.00, from Barnes Ice Cream.

Third Week Sales – cash \$15,234.50 and \$20,387.50 in credit card sales.

May 20, 2016

Paid for the second shipment of Ice Cream and supplies from Barnes Ice cream.

Ordered and received 20 drums of Ice Cream @\$38.00 each, 950 cones @\$0.25 each, 800 waffle cones @\$0.70 each waffle cones, 400 sample spoons @\$0.08 each, Chocolate dipping syrup 4 drums at @\$27.00, from Barnes Ice Cream.

May 24 2016

Paid for the third shipment of Ice Cream and supplies from Barnes Ice cream.

May 25, 2016

Ordered and received 20 drums of Ice Cream @\$38.00 each, 950 cones @\$0.25 each, 800 waffle cones @\$0.70 each waffle cones, 300 sample spoons @\$0.08 each, Cholate dipping syrup 4 drums at @\$27.00, from Barnes Ice Cream.

May 28, 2016

Paid employees for two weeks plus benefits, 14 days of pay.

Sally was going to distribute the other half of the flyers she created and could not find them. She asked the staff if they show them, they said they threw them out in the garbage yesterday when they were cleaning the Ice Cream Parlour.

May 30 2016

Paid for the fourth shipment of Ice Cream and supplies from Barnes Ice cream.

Sally took \$4,000 out of the business to pay her first installment for her fourth year at York University.

May 31

Week four sales to the end of the month – Cash \$19,987.00 and \$18,745.00 in credit card sales.

The last week was very busy, no one had time to sit down. At the end of the day Sally noticed that the Ice Cream freezers in the front of the store were close to empty so she went to the supply room and was shocked. The room and freezer were empty except for a handful of sample spoons – no one informed her to order more products. She looked at the inventory sign out sheet – no one stole the supplies, there was a “post it note” on the sheet that said “we need to order more”. She then ordered supplies for delivery on June 1st, 20 drums of Ice Cream @\$38.00 each, 950 cones @\$0.25 each, 800 waffle cones @\$0.70 each waffle cones, 300 sample spoons @\$0.08 each, Cholate dipping syrup 4 drums at @\$27.00, from Barnes Ice Cream.

Calculated rental fee of 4% of monthly gross sales to Dr. Wilder for the second part of rental agreement. Included in this cheque is the store rent for June which is to be paid ahead of time as per the agreement when Sally started the business.

Inventory of Office Supplies left on hand \$44.

Prepare journal entries and “T” Accounts in ACCRUAL Basis for this case using the following chart of accounts and then answer the questions.

Cash (use only one account for all cash/cheque transactions)	
Inventory Ice Cream	Office supplies
Advertising Flyers	Prepaid Rent
Prepaid Newspaper Advertising	Prepaid Insurance
Prepaid Phone	Depreciation Expense
Sign	Accumulated Depreciation Sign
Cash Register	Accumulated Depreciation Cash Register
PC package	Accumulated Depreciation PC Package
Freezer	Accumulated Depreciation Freezer
AP Barnes Ice Cream	Rent Payable Dr Wilder
AP Benefits Employees	Interest Payable
Loans Payable - Mother	Insurance Payable
Wages Payable	Capital Sally
Revenue	Cost of Goods Sold
Advertising Expense	Wage Expense
Credit Card Fee Expense	Employees Benefit Expense
Rent Expense	Interest Expense
Insurance Expense	Office Supplies Expense
Phone Expense	Rent Dr. Wilder Expense

Students are asked to round numbers to fit 2 decimal places in all questions. When the answer obtained is not materially different from one of the stated alternatives, students are advised to select that alternative and not “e) none of the above”.

If you think that for some reason that an assumption is called for, then also state it clearly on your exam paper (at the back of the pink scantron sheet).

It is estimated that you will need 60 minutes to prepare the T accounts, Income statement and Balance Sheet

Part 1: Questions on the Case

This Section Questions ONLY APPLIES TO ACCURAL ACCOUNTING for the case for the date ending May 31st:

Sally's Ice Cream Parlour, during the month of May, 2016.

This section's questions are from the unadjusted Trial Balance

1. What was the unadjusted Prepaid Rent balance as of May 31?
 - a. \$4,300.04
 - b. \$1,000.00
 - c. \$ 500.00
 - d. \$3,800.04
 - e. None of the above are correct

2. What was the unadjusted Cash balance as of May 31?
 - a) \$115,001.00
 - b) \$ 83,458.50
 - c) \$ 81,379.84
 - d) \$ 81,480.48
 - e) None of the above is correct

3. What was the unadjusted Inventory balance as of May 31?
 - a). \$ 0.00
 - b). \$7,839.00
 - c). \$1,689.50
 - d). \$3,379.00
 - e). None of the above is correct

4. What was the unadjusted Prepaid Insurance balance as of May 31?
 - a). \$1,500.00
 - b). \$1,800.00
 - c). \$1,750.00
 - d). \$2,100.00
 - e). None of the above is correct

5. What was the unadjusted Sign Asset balance as of May 31?
 - a). \$1,166.67
 - b). \$ 990.00
 - c). \$ 962.50
 - d). \$1,200.00
 - e). None of the above is correct

6. What was the unadjusted Freezer Asset balance as of May 31?

- a). \$5,355.00
- b). \$5,400.00
- c). \$4,764.00
- d). \$4,800.00
- e). None of the above are correct

7. What was the unadjusted Accounts Payable Barnes Ice Cream balance as of May 31?

- a). \$1,689.50
- b). \$7,839.00
- c). \$ 0.00
- d). \$3,379.00
- e). None of the above are correct

8. What was the unadjusted Revenue Earned balance as of May 31?

- a). \$92,922.34
- b). \$43,034.50
- c). \$95,001.00
- d). \$97,079.66
- e). None of the above are correct

9. What was the unadjusted Advertising Expense for Flyers balance as of May 31?

- a). \$ 0.00
- b). \$35.00
- c). \$65.00
- d). \$70.00
- e). None of the above are correct

10. What was the unadjusted Credit Card processing fee expense balance as of May 31?

- a). \$1,990.14
- b). \$1,328.86
- c). \$2,078.66
- d). \$3,800.01
- e). None of the above are correct

11. What was the unadjusted Interest Payable balance as of May 31?

- a). \$1,689.50
- b). \$7,839.00
- c). \$ 0.00
- d). \$3,379.00
- e). None of the above are correct

12. What was the unadjusted Accounts Payable Wages balance as of May 31?

- a). \$1,689.50
- b). \$7,839.00
- c). \$ 0.00
- d). \$3,379.00
- e). None of the above are correct

13. What was the unadjusted Rent Expense balance as of May 31?

- a). \$ 0.00
- b). \$ 500.00
- c). \$1,000.00
- d). \$4,300.04
- e). None of the above are correct

14. What was the unadjusted Total of all Depreciation expenses balance as of May 31?

- a). \$183.33
- b). \$152.50
- c). \$122.50
- d). \$112.50
- e). None of the above are correct

15. What was the unadjusted Insurance expense balance as of May 31?

- a). \$ 350.00
- b). \$1,800.00
- c). \$ 300.00
- d). \$2,100.00
- e). None of the above are correct

16. What was the unadjusted Office Supplies expense balance as of May 31?

- a). \$ 79.00
- b). \$ 88.00
- c). \$ 44.00
- d). \$158.00
- e). None of the above are correct

This section's questions are from the adjusted Trial Balance or taken directly from the financial statements. Use ACCRUAL ACCOUNTING.

17. What was the adjusted Cash balance as of May 31?

- a). \$ 72,781.84
- b). \$ 81,379.84
- c). \$ 81,879.84
- d). \$115,001.00
- e). None of the above are correct

18. What was the adjusted Inventory balance as of May 31?

- a). \$ 0.00
- b). \$6,149.50
- c). \$7,839.00
- d). \$9,528.50
- e). None of the above are correct

19. What was the adjusted Prepaid Insurance balance as of May 31?

- a). \$ 300.00
- b). \$ 350.00
- c). \$1,500.00
- d). \$1,800.00
- e). None of the above are correct

20. What was the adjusted Total Depreciation expense balance as of May 31?

- a). \$183.33
- b). \$152.50
- c). \$122.50
- d). \$112.50
- e). None of the above are correct

21. What was the adjusted Cash Register carrying net cost value balance as of May 31?

- a). \$1,370.00
- b). \$1,420.00
- c). \$4,970.00
- d). \$5,040.00
- e). None of the above are correct

22. What was the adjusted PC Pkg (PC, Monitor and Printer) carrying net cost balance as of May 31?

- a). \$1,240.00
- b). \$1,250.00
- c). \$1,750.00
- d). \$1,785.00
- e). None of the answers above are correct

23. What was the adjusted Accounts Payable Dr. Wilder Rent balance as of May 31?

- a). \$ 500.00
- b). \$1,000.00
- c). \$3,800.04
- d). \$4,300.04
- e). None of the above

24. What was the adjusted Accounts Payable Wages balance as of May 31?

- a). \$14,725.00
- b). \$ 9,975.00
- c). \$ 6,650.00
- d). \$ 4,750.00
- e). None of the above are correct

25. What was the adjusted Cost of Goods Sold balance as of May 31?

- a). \$ 6,149.50
- b). \$ 7,839.00
- c). \$ 9,528.50
- d). \$17,466.50
- e). None of the above are correct

26. What was the adjusted Advertising Expense balance as of May 31?

- a). \$ 0.00
- b). \$ 70.00
- c). \$180.00
- d). \$250.00
- e). None of the above are correct

27. What was the adjusted Credit Processing Expense balance as of May 31?

- a). \$ 0.00
- b). \$2,078.66
- c). \$3,800.04
- d). \$5,878.70
- e). None of the above are correct

28. What was the adjusted Wages Expense balance as of May 31?

- a). \$ 4,750.00
- b). \$ 6,650.00
- c). \$ 9,975.00
- d). \$14,725.00
- e). None of the above are correct

29. What was the adjusted Insurance expense balance as of May 31?

- a). \$ 350.00
- b). \$1,800.00
- c). \$ 300.00
- d). \$2,100.00
- e). None of the above are correct

30. What was the adjusted Office Supplies expense balance as of May 31?

- a). \$ 79.00
- b). \$ 88.00
- c). \$ 44.00
- d). \$158.00
- e). None of the above are correct

31. What was the adjusted Net Income balance as of May 31?

- a). \$65,226.80
- b). \$63,165.30
- c). \$69,126.84
- d). \$74,688.50
- e). None of the above are correct

32. What was the adjusted Total of All Assets balance as of May 31?

- a). \$ 81,379.84
- b). \$ 92,791.34
- c). \$ 93,291.34
- d). \$100,630.34
- e). None of the above are correct

33. What was the adjusted Total Liabilities balance as of May 31?

- a). \$17,501.01
- b). \$17,786.00
- c). \$22,351.04
- d). \$22,251.04
- e). None of the above are correct

34. What was the adjusted Statement of Owners Equity balance as of May 31?

- a). \$6,000.00
- b). \$7,275.00
- c). \$70,440.30
- d). \$74,840.34
- e). None of the above are correct

35. What was the adjusted Interest Expense balance as of May 31?

- a). \$ 0.00
- b). \$ 20.00
- c). \$ 50.00
- d). \$600.00
- e). None of the above are correct

36. What was the adjusted Dr. wilder Rent Expense balance as of May 31?

- a). More than \$5,000
- b). Between \$3,500 and \$4,999
- c). Between \$2,000 and \$3,499
- d). Between \$300 and \$1,999
- e). Less than \$300

37. What was the adjusted Store Signs Carrying cost balance as of May 31?

- a). \$990.00
- b). \$975.00
- c). \$962.50
- d). \$825.00
- e). None of the above are correct

38. What was the adjusted Accumulated Depreciation Store Signs balance as of May 31?

- a). \$40.00
- b). \$27.50
- c). \$25.00
- d). \$20.00
- e). None of the above are correct

This Section Question ONLY APPLIES TO CASH BASIS ACCOUNTING for Sally's Ice Cream Parlour, during the month of May, 2016.

Prepare "T" Accounts in CASH Basis for this case using the following relevant accounts from the chart of accounts provided above and then answer the questions.

If you think that for some reason that an assumption is called for, then also state it clearly on your exam paper (at the back of the pink scantron sheet).

It is estimated that you will need 30 minutes to prepare the T accounts, Income statement and Balance Sheet

This section's questions are from the adjusted Trial Balance or taken directly from the financial statements. Use CASH ACCOUNTING.

39. What is the Cash Receipt balance as of May 31?

- a). \$ 81,379.84
- b). \$ 83,458.50
- c). \$112,922.30
- d). \$115,001.00
- e). None of the above are the correct answer.

40. What is the Cash Balance as of May 31?

- a). \$81,379.84
- b). \$83,616.50
- c). \$83,458.50
- d). \$81,661.00
- e). None of the above are the correct answer

41. What is the Net Income balance as of May 31?

- a). More than \$80,000
- b). Between \$76,000 and \$79,999
- c). Between \$74,000 and \$75,999
- d). Between \$70,000 and \$73,999
- e). Less than \$70,000

42. What is the total Revenue collected during the month of May?

- a). \$115,000.00
- b). \$112,922.30
- c). \$105,000.00
- d). \$102,922.30
- e). None of the above are the correct answer

43. What is the total Office Supplies Expense paid during the month of May?

- a). \$ 0.00
- b). \$ 70.00
- c). \$ 88.00
- d). \$158.00
- e). None of the above are the correct answer

44. What is the balance of Prepaid Rent as of May 31?

- a). \$ 0.00
- b). \$ 500.00
- c). \$ 1,000.00
- d). \$ 3,800.04
- e). None of the above are the correct answer

45. What is the balance of Prepaid Insurance as of May 31?

- a). \$ 0.00
- b). \$ 300.00
- c). \$1,500.00
- d). \$1,800.00
- e). None of the above are the correct answer

PART 2: INDEPENDENT QUESTIONS

(the remaining questions are totally unrelated to the case of Part 1)

This Section Question ONLY APPLIES TO the information provided in each question. They are not related to the case.

46. The account "Accumulated Depreciation" reflects depreciation:

- a). for the most current period only
- b). taken since acquisition of the asset
- c). still to be taken on the asset in future periods
- d). equal to the amount of revenue from that asset
- e). equal to the salvage value of the asset

47. An "accrued" expense is an expense that:

- a). Does not involve real sums of money
- b). Is estimated because it has been incurred but the cash flow happens later.
- c). Sits in the section of current liabilities called "Accrued Liabilities"
- d). An expense that does not show in the income statement
- e). None of the above

48. Company A receives \$10,000 in advance this month for work to be performed next month. This month, the company should:

- a). Debit Inventory \$10,000 and credit Sales Revenue \$10,000.
- b). Debit Cash \$10,000 and credit Unearned Revenue \$10,000
- c). Debit Inventory \$10,000 and credit Accounts Payable \$10,000
- d). Debit Accounts Payable \$10,000 and credit Cash \$10,000
- e). None of the above

49. Which of these statements concerning the rules of debit and credit is incorrect?

- a). Debits are always recorded on the left
- b). Debits reduce shareholders' equity
- c). Assets have debit balances
- d). Credits always mean decreases
- e). None of the others alternatives are correct

50. Which of the following best describes the matching concept in accounting?
- a). Revenues should be recorded in the same period as the expenses related to it are paid.
 - b). Revenue should be recorded in the same period as the cash is received.
 - c). Expenses should be recorded when paid.
 - d). Expenses should be recorded in the same period as the revenue they helped earn is recorded.
 - e). None of the others alternatives are correct

End of exam