



The following questions were taken directly from your ADMS2500.com past midterms.

This package contains only questions that relate to the ***INVENTORY*** module.

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Fall 2015 Midterm 2

The following information relates to March transactions for the Toy Factory, a company which uses LIFO and a perpetual inventory system.

March 1	Beginning inventory	75 toys at \$30/toy
March 10	Purchase	50 toys at \$35/toy
March 15	Sale	90 toys
March 27	Purchase	80 toys at \$36/toy

At what cost were the 90 toys sold on March 15?

- A. All at \$30
- B. All at \$35
- C. We need to know the closing balance from the previous month to calculate the answer
- D. 83.5% of the 90 toys at \$30 and 16.5% of the 90 toys at \$35
- E. 44.5% of the 90 toys at \$30 and 55.5% of the 90 toys at \$35

Fall 2015 Midterm 2

Company XYZ purchased toy merchandise for resale for a total of \$10,000 with terms 2/10, n/30. If company XYZ uses the net method and returns \$500 worth of merchandise to its supplier, the entry to record the return of merchandise to the toy supplier includes which of the following:

- A. Debit to Discounts Lost \$10
- B. Credit to Purchases Returns and Allowances \$490
- C. Debit to Purchases Returns and Allowances \$490
- D. Debit to Accounts Payable \$500
- E. e. None of the above

Fall 2015 Midterm 2

Review the information in the chart below for Company X, Y, and Z and determine the values for the missing figures.

	X	Y	Z
Beginning inventory	8,000	?	?
Inventory produced	14,000	26,000	57,000
Inventory available	?	?	89,000
Inventory sold	17,000	27,000	?
Ending inventory	?	12,000	15,000

- a. Company Y: Inventory available is \$22,000, ending inventory is \$5,000.
 Company X: Beginning inventory is \$13,000, Available inventory is \$39,000.
 Company Z: Beginning inventory is \$32,000, Inventory sold is \$74,000
- b. Company X: Inventory available is \$22,000, ending inventory is \$5,000.
 Company Y: Beginning inventory is \$13,000, Available inventory is \$39,000.
 Company Z: Beginning inventory is \$32,000, Inventory sold is \$74,000
- c. Company X: Inventory available is \$22,200, ending inventory is \$5,000.
 Company Y: Beginning inventory is \$13,000, Available inventory is \$39,000.
 Company Z: Beginning inventory is \$32,000, Inventory sold is \$74,000
- d. Company X: Inventory available is \$22,200, ending inventory is \$5,000.
 Company Y: Beginning inventory is \$13,000, Available inventory is \$39,000.
 Company Z: Beginning inventory is \$32,000, Inventory sold is \$74,400
- e. Company X: Inventory available is \$22,000, ending inventory is \$5,000.
 Company Z: Beginning inventory is \$13,000, Available inventory is \$39,000.
 Company Y: Beginning inventory is \$32,000, Inventory sold is \$74,000

Fall 2015 Midterm 2

The following represents information for Company X for a period of four years

Year	Purchases (units)	Purchases (cost/unit)	Sales (units)	Sales (per unit)
2000	12,000	\$10	9,000	\$15
2001	11,000	\$11	10,000	\$17
2002	10,000	\$12	11,000	\$19
2003	9,000	\$13	12,000	\$21
	42,000		42,000	

What is cost of goods sold for Year 2000 and what is the gross margin for Year 2001 using FIFO?

- A. Cost of goods sold \$90,000, Income \$45,000
- B. Cost of goods sold is \$90,000, Income is \$63,000
- C. Cost of goods sold is \$90,000, Income is \$60,000
- D. Cost of goods sold is \$110,000, Income is \$60,000
- E. None of the above is correct

Fall 2015 Midterm 2

The following information relates to Anne's Bakery:

Date	Transaction	Amount
March 1	Opening inventory	550 items @ \$26/item
March 8	Purchases	1,000 items @ \$28/item
March 19	Sales	1,200 units @ \$40/item
March 28	Purchases	750 units @ \$30/item

If Anne's Bakery uses a perpetual inventory system and a LIFO cost flow assumption, what is the cost of goods sold for the month of March?

- A. \$33,200
- B. \$31,200
- C. \$35,100
- D. \$32,550
- E. \$32,500

Fall 2015 Midterm 2

Freddy's Frogs sells inventory that had cost the company \$1,800 for \$2,500 whereby \$2,000 is received in cash and the remainder is to be paid by the customer in 10 days (specific identification method is used). Which of the following is the correct journal entry to record the transaction if a perpetual inventory method is used by the company?

- A. Dr. Cash \$2000, Dr. Loss on sale \$500, Cr. Sales \$2,500. Dr. Cost of goods sold \$1,800, Cr. Purchases \$1,800
- B. Dr. Cash \$2000, Dr. A/R \$500, Cr. Sales \$2,500. Dr. Cost of goods sold \$1,800, Cr. Purchases \$1,800
- C. Dr. cash \$2,000. Dr. A/R \$500, Cr. Sales \$2,500
- D. Dr. Cash \$2000, Dr. A/R \$500, Cr. Sales \$2,500. Dr. Cost of goods sold \$1,800, Cr. Inventory \$1,800
- E. None of the above is the correct journal entry for this transaction

Fall 2015 Midterm 2

Allan's General Store sold \$7,600 worth of merchandise to Bernie's General Store with terms 2/10, n/30, FOB shipping point. Allan's General store paid freight charges of \$400 and added it to the amount of the invoice for the merchandise. How should this transaction be recorded on the books of Bernie's General store (net method is used)?

- a. Dr. Purchases \$7,600, Dr. Transport in \$400, Cr. Accounts Payable \$\$8,000
- b. Dr. Purchases \$8,000 Cr. Accounts Payable \$8,000
- c. Dr. Purchases \$7,600 Cr. Accounts Payable \$7,600
- d. Dr. Purchases \$8,000 Cr. Accounts Payable \$7,600 Cr. Gain on sale \$400
- e. None of the above is correct

Winter 2016 Midterm 2

CAISCO Sales Inc. had a beginning inventory of May comprising of 700 units that had a cost of \$80/unit. A summary of purchases and sales during the month of May are as follows:

Date	Unit Cost	Units Purchased	Units sold
May2			400
May6	\$83	1,200	
May10			900
May19	\$85	800	
May23			500
May30	\$88	300	

If CAISCO Sales Inc. uses a periodic inventory system, which of the following statements is true?

- A. CAISCO Sales Inc. must use the FIFO cost flow assumption since a periodic inventory system is used.
- B. CAISCO Sales Inc.'s ending inventory consists of 1,200 units regardless of cost flow method assumed.
- C. CAISCO Sales Inc.'s ending inventory will be higher if FIFO is used than if LIFO is used.
- D. LIFO is used.
- E. B and C are both true.

Winter 2016 Midterm 2

Assume that CAISCO Sales Inc. uses a periodic inventory system. What is the value of ending inventory using FIFO?

- A. \$97,500
- B. \$99,600
- C. \$102,700
- D. \$105,600
- E. None of the above.

Winter 2016 Midterm 2

Assume that CAISCO Sales Inc. uses a periodic inventory system. What is the value of ending inventory using LIFO?

- A. \$97,500
- B. \$99,600
- C. \$102,700
- D. \$105,600
- E. None of the above.

Winter 2016 Midterm 2

The Toy Emporium Inc. has compiled the following information for the year ended December 31, 2015.

Item	Cost	Market
Puzzles	\$27,500	\$28,500
Gameboys	\$19,200	\$17,000
Dolls	\$57,600	\$65,200

The Toy Emporium Inc. reviews inventory on an item-by-item basis. What is the total write down of inventory for the year ended December 31, 2015?

- A. We need to know the cost flow assumption to calculate if there is a write down.
- B. \$2,200
- C. \$6,400
- D. \$8,600
- E. There is no write down of inventory required.

Winter 2016 Midterm 2

The following information relates to the inventory of ABC Inc. who uses a perpetual inventory system:

Date	Transaction	# Units	Unit cost/sales price
December 4	Opening inventory	300	\$15
December 10	Purchase inventory	100	\$18
December 15	Sell inventory	320	\$27
December 20	Purchase inventory	150	\$20
December 29	Sell inventory	100	\$30

What is the value of inventory on hand after the December 29 sale if FIFO is used?

- A. \$1,950
- B. \$2,200
- C. \$2,600
- D. \$3,900
- E. \$2,400

Winter 2016 Midterm 2

Alex's Tea House uses a perpetual inventory system. When Alex's Tea House purchases inventory, which of the following journal entries does it record?

- A. Dr. Inventory and Cr. Cash.
- B. Dr. Inventory and Cr. Accounts Payable.
- C. Dr. Purchases and Cr. Cash.
- D. Alex's Tea House may record A or B.
- E. Alex's Tea House records C. unless it pays on account.

Winter 2016 Midterm 2

Which of the following represents the main difference between a merchandising firm and a manufacturing firm?

- A. Merchandising firms usually use FIFO and manufacturing firms usually use weighted average cost to value ending inventory.
- B. Merchandising firms usually use a periodic system whereas manufacturing firms usually use a perpetual method.
- C. Merchandising firms purchase goods for resale whereas manufacturing firms manufacture inventory for original resale.
- D. Merchandising firms have three components of inventory on the balance sheet and manufacturing firms have one component of inventory on the balance sheet.
- E. C and D are correct.

Summer 2016 Midterm 2

When prices are rising, which method of inventory valuation results in the highest relative net cash inflow?

- A. FIFO
- B. LIFO
- C. Weighted Average
- D. Specific Identification Method
- E. None of the above

Summer 2016 Midterm 2

If beginning inventory is understated by \$1,100 and ending inventory is overstated by \$700, pre-tax income for the period will be:

- A. Understated by \$400.
- B. Overstated by \$400.
- C. Understated by \$1,800.
- D. Overstated by \$1,800.
- E. Overstated by \$700

Summer 2016 Midterm 2

Use the following information for the following 2 questions

The following simplified information is for the inventory of item A at Wholesale Crop. for year 2015.

Date	Purchases		Sales	
	Quantity	Unit Cost	Quantity	Unit Price
January 1 (beginning inventory)	200	\$90		
5-Feb	400	105		
23-Apr			500	\$150
15-Jul	700	116		
26-Oct			400	\$165
December 31 (ending inventory)	400			

The cost of the ending inventory for item A assuming that Wholesale Corp. uses a periodic inventory system and the First-in First-out (FIFO) method is:

- a) \$46,400.
- b) \$45,600.
- c) \$43,800.
- d) \$45,400.
- e) None of the above

Summer 2016 Midterm 2

The cost of the ending inventory for item A for a perpetual inventory system and the moving weighted average cost method (round all unit costs to the nearest cent).

- a) \$46,400.
- b) \$45,600.
- c) \$43,800.
- d) \$45,400
- e) None of the above

Summer 2016 Midterm 2

Stephen Company developed the following information about its inventories in applying the lower of cost and Net Realizable Value (LC NRV) basis in valuing inventories:

<u>Product</u>	<u>Cost</u>	<u>Net realizable Value</u>
A	\$70,000	\$75,000
B	\$50,000	\$48,000
C	\$100,000	\$102,000

If Stephen Company applies the LC NRV basis to the aggregate total inventory, the value of the inventory reported on the balance sheet would be:

- a) \$227,000.
- b) \$220,000.
- c) \$225,000.
- d) \$218,000.
- e) \$222,000.

Fall 2016 Midterm 2

A company who engages in “merchandising operations” does which of the following:

- A. Buys and then sells finished goods to its customers
- B. May buy and sell finished goods to its customers or manufacture goods for sale
- C. Will always have a large value for inventory on its balance sheet, no matter the balance sheet date
- D. Likely uses a perpetual inventory system
- E. None of the above are conducted by a company who engages in “merchandising operations”

Fall 2016 Midterm 2

Which of the following considerations would come into play when a merchandising firm decides whether to adopt a perpetual or periodic system:

- A) Financial cost differential between the two systems
- B) Internal resources such as a competent bookkeeper
- C) Volume of transactions processed daily/monthly/annual
- D) A and B and C
- E) Both A and B

Fall 2016 Midterm 2

Which of the following are typical CONTRA ACCOUNTS used in the sales cycle?

- A) The “Sales Discounts” account
- B) The “Accumulated depreciation” account
- C) The “Sales returns and allowances” account
- D) A and C
- E) None of the above choices are correct.

Fall 2016 Midterm 2

Use the following information for the following 2 questions

Company A sells merchandise to Company B. On Jan 5 year 20X1 Company A sold merchandise to Company B worth \$2,600 with terms 2/10, n/30. On Jan 9, 20X1 Company B returned \$200 of merchandise for which the seller issued a credit memo. Full payment for the amount owing was paid on January 12 year 20X1.

Which of the following is correct regarding Company A recording these transactions?

- A) If Company A uses the gross method, on Jan 9 Company A would record a Dr. to Sales Returns and Allowances for \$200 and a credit to Revenue for \$200.
- B) If Company A uses the net method, on Jan 5 Company A would record a Dr. to Accounts receivable \$2,600 and a Cr. to Sales \$2,600.
- C) If Company A uses the gross method, on Jan 12 no discount would be given or recorded regarding its sale to Company B.
- D) If Company A uses the gross method, the amount collected in cash on Jan 12 will not equal the balance owing from Company B which is in the accounts receivable account regarding the Jan 5 sale.
- E) None of the above

Use the same information above for Company A and B. Which of the following is correct regarding Company B recording these transactions?

- A. Using the gross method, on Jan 5, Company B records a Dr. to Purchases \$2,548 and a Cr. to accounts payable \$2,548.
- B. Ultimately Company B does get a discount on the Jan 5 purchase of merchandise, therefore a debit to “purchase discounts” will be required for record keeping on Jan 5.
- C. Using the gross method, on Jan 9, Company B needs to record a debit to “Purchase returns and allowances” to reflect the returned merchandise.
- D. Using the gross method, on Jan 9, Company B needs to record a credit to “Purchase returns and allowances” to reflect the returned merchandise.
- E. None of the above is correct

Fall 2016 Midterm 2

Menchy Mario’s Incorporated (Mario’s) counted and valued its inventory using FIFO on

December 31, 2013 and reported the calculated values on balance sheet. Mario’s had some consignment on hand at December 31, 2013. If consignment inventory had mistakenly been counted and included in inventory in the December 31, 2013 inventory count, which of the following must be correct?

- A. Net income was understated in 2013
- B. Inventory account balance was understated at December 31, 2013
- C. Inventory account balance was overstated at December 31, 2013
- D. Inventory account balance remains unchanged at December 31, 2013
- E. None of the above statements is correct

Fall 2016 Midterm 2

The Orlando Company sells inventory that had cost \$1,800 for \$2,500 whereby \$2,000 is received in cash and the remainder is to be paid by the customer in 10 days. Which of the following is the correct journal entry to record the transaction if a perpetual inventory method is used by The Orlando Company?

- A. Dr. Cash \$2000, Dr. Loss on sale \$500, Cr. Sales \$2,500. Dr. Cost of goods sold \$1,800, Cr. Purchases \$1,800
- B. Dr. Cash \$2000, Dr. A/R \$500, Cr. Sales \$2,500. Dr. Cost of goods sold \$1,800, Cr. Purchases \$1,800
- C. Dr. cash \$2,000. Dr. A/R \$500, Cr. Sales \$2,500
- D. Dr. Cash \$2000, Dr. A/R \$500, Cr. Sales \$2,500. Dr. Cost of goods sold \$1,800, Cr. Inventory \$1,800
- E. None of the above is the correct journal entry for this transaction

Fall 2016 Midterm 2

Which of the following indicates a key difference between a periodic and perpetual inventory system?

- A. A company with fewer, larger inventory items (e.g. an antique merchandiser specializing in Royals Royces with typically only 5 on hand at any given time) is more likely to use a perpetual accounting system compared to a massive retailer such as Dollarama who is more likely to use a periodic accounting system.
- B. An inventory count is likely to take place just as many times in Company X who maintains a perpetual inventory system as Company Z who maintains a periodic system.
- C. A customer is not affected whatsoever by a company's decision to use a periodic versus a perpetual inventory system.
- D. A part-time employee who is stealing small amounts of inventory on a monthly basis (totaling approximately \$100 a month) is more likely to be caught more quickly if working for a company using a perpetual accounting system than a company using a periodic accounting system
- E. None of the above

Fall 2016 Midterm 2

Use the following information for the next two questions:

Denero's buys flower-pots wholesale and sells them, marked up, to customers. The following information for the month of October was noted by Denero's bookkeeper:

Date	Nature of Transaction	Number of Units (#)	Unit cost/sales price (\$)
October 1	Beginning inventory	300	\$15
October 7	Purchase	100	\$18
October 15	Sale	320	\$27
October 19	Purchase	150	\$20
October 25	Sale	100	\$30

Denero's uses FIFO. What was the cost of inventory on hand after the October 25th sale if a periodic inventory system or a perpetual inventory system was used, respectively?

- | | Periodic | Perpetual |
|----|-------------------|------------------|
| A) | \$2,600 | \$2,600 |
| B) | \$2,200 | \$1,950 |
| C) | \$2,200 | \$2,600 |
| D) | \$2,600 | \$2,200 |
| E) | None of the above | |

Fall 2016 Midterm 2

If Denero's has a LIFO perpetual inventory system in place, what was the cost of the inventory on hand after the October 25th sale and what was the cost of goods sold for the month of October?

- | | Inventory on Hand | Cost of Goods Sold |
|----|--------------------------|---------------------------|
| A) | \$2,200 | \$7,350 |
| B) | \$1,950 | \$7,350 |
| C) | \$2,200 | \$7,100 |
| D) | \$1,950 | \$7,100 |
| E) | None of the above | |

Fall 2016 Midterm 2

Use the following information for the next two questions:

The following information has been compiled by the very competent bookkeeper of The Rosemary Recreation Centre Inc. for March 2015:

Date	Transaction	Units and cost
March 1, 2015	Opening inventory	500 units at \$24 each
March 10, 2015	Buy	1000 units at \$27 each
March 20, 2015	Sell	1200 units at \$40 each
March 30, 2015	Buy	500 units at \$30 each

The Rosemary Recreation Centre Inc. has had a very well maintained perpetual inventory system in place since the company's inception in 1998. Using the weighted average cost flow, what is the cost of goods sold figure for March 2015 that should be reflected on the March 2015 financial statements? (Round to the nearest dollar).

- A) \$32,400
- B) \$38,250
- C) \$31,200
- D) \$38,667
- E) None of the above

Fall 2016 Midterm 2

If the Rosemary Recreation Centre Inc. uses the weighted average cost flow assumption under a periodic inventory system, what would the cost of goods sold for March 2015 be? (Round to the nearest dollar).

- A) \$32,400
- B) \$38,250
- C) \$31,200
- D) \$38,667
- E) None of the above

Fall 2016 Midterm 2

Ben and Larry's Inc. owes Sally and Mary's Inc. for merchandised purchase during 2015. Ben and Larry's Inc. has a cash flow shortage and is stretching its supplier payments as thin as possible, paying on the last day possible within standard trade terms of n/30. Some suppliers have set up trade terms of n/60 and even n/90 with Ben and Larry's Inc. but Sally and Mary's Inc. has not. Which do you think is the most likely initial course of action that Sally and Mary's will take upon getting fed up with Ben and Larry's Inc.'s constant payment after n/30?

- A) Begin charging Ben and Larry's interest on outstanding amounts owing.
- B) Sally and Mary's Inc. senior management will agree never to sell to Ben and Larry's Inc. again to avoid credit losses.
- C) Bombard Ben and Larry's with calls multiple times a day until they are forced into paying, destroying the existing relationship between the two parties.
- D) Request Ben and Larry's to convert all accounts receivables into a note receivable with a very high interest rate.
- E) None of the above

Winter 2017 Midterm 2

ABC INC. prepares monthly financial statements for internal use. The accountant is currently preparing February 2017 financial statements and is given a list of various transactions from February that require recording before the financial statements can be finalized. See the list of transactions below

February 1	Sale of \$2,600 merchandise with terms of 2/10, n/30 F.O.B. Shipping point. ABC INC paid the freight charges of \$40 and included it on the sales invoice.
February 4	Customer from February 1st sale returned \$200 of merchandise for which ABC INC. issued a credit memo.
February 8	ABC INC. receives full payment for amount due from the February 1st sale.

How should ABC INC. appropriately record the February 1st transaction if ABC INC. uses the gross method?

- A) Dr. Accounts Receivable \$2,600 and Cr. Sales \$2,600.
- B) Dr. Accounts Receivable \$2,640, Cr. Sales \$2,600 and Cr. Cash \$40.
- C) Dr. Accounts Receivable \$2,640 and Cr. Sales \$2,640.
- D) Dr. Accounts Receivable \$2,548 and Cr. Sales \$2,548.
- E) None of the above.

Winter 2017 Midterm 2

How should ABC INC's customer appropriately record the February 4th transaction using the gross method?

- A) Dr. Accounts payable \$196, Cr. Inventory \$196.
- B) Dr. Accounts Payable \$196, Cr. Purchases Returns and Allowances \$196.
- C) Dr. Accounts Payable \$200, Cr. Purchases Returns and Allowances \$200.
- D) Dr. Accounts Payable \$200, Cr. Sales Returns and Allowances \$200.
- E) None of the above

Winter 2017 Midterm 2

How should ABC INC. appropriately record the February 8th transaction?

- A) Dr. Cash \$2,392, Dr. Sales Discounts \$48, Cr. Accounts Receivable \$2,440
- B) Dr. Cash \$2,400, Cr. Accounts Receivable \$2,400.
- C) Dr. Cash \$2,392, Cr. Accounts Receivable \$2,392
- D) Dr. Cash \$2,392, Dr. Holding Loss on sale \$48, Cr. Accounts Receivable \$2,440
- E) None of the above

Winter 2017 Midterm 2

Which of the following document does not initiate a journal entry being made in the accounting records?

- A) Sales invoice
- B) Purchase invoice
- C) Purchase order
- D) Credit memo
- E) Expense reimbursement approval

Winter 2017 Midterm 2

Which of the following is correct regarding recognizing cost of goods sold (COGS)?

- A) Cost of goods sold must always be recorded as soon as goods are purchased
- B) Cost of goods sold must always be recorded as soon as goods are sold.
- C) The timing of recognition of cost of goods sold depends on whether the company has merchandising or manufacturing operations.
- D) It does not matter when cost of goods sold is recorded as it is a self-correcting account
- E) None of the above

Winter 2017 Midterm 2

Which of the following is true regarding the concept of "Lower of Cost and Market" (LCM) in relation to inventory?

- A) The LCM concept applies only to companies using a FIFO cost flow assumption.
- B) The LCM concept applies only to companies using a LIFO cost flow assumption.
- C) The LCM concept may require an adjustment to revenue.
- D) The application of LCM is required regardless of which cost flow assumption is selected.
- E) None of the above.

Winter 2017 Midterm 2

The following are inventory values at XYZ Inc. at the year end date December 31, 2016:

	Cost	Market
Item 1	\$62,000	\$64,000
Item 2	\$230,000	\$235,000
Item 3	\$33,000	\$29,000

What is the inventory write-down required, if any, by applying the concept of "Lower of Cost or Market" (LCM) on an item-by-item basis?

- A) \$3,000
- B) \$4,000
- C) \$5,000
- D) No write down is required
- E) None of the above

Winter 2017 Midterm 2

If a company has a fire and records are destroyed so that the actual value of inventory cannot be determined at period end, what should the company do?

- A) Request an experienced auditor to calculate the value of inventory and use the number the auditor comes up with.
- B) Use judgement to determine a reasonable figure such as the average value of inventory at year end over the past three years.
- C) Estimate the value of inventory using the retail method or gross profit method.
- D) Either B or C is acceptable.
- E) None of the above.

Winter 2017 Midterm 2

Bella Berets Inc. included \$2,500 of inventory in its 2016 ending balance but the related invoice for the purchase of the inventory was not recorded until 2017. Which of the following statements is correct regarding the result of this inventory error?

- A) Cost of Goods Sold in 2016 is understated.
- B) Retained earnings in 2016 is understated.
- C) Accounts payable in 2017 is understated.
- D) All of the above.
- E) None of the above.

Winter 2017 Midterm 2

The following relates to Memories Inc.'s inventory for April 2016:

April 1	Opening	60 units	\$10/unit
April 5	Purchase	100 units	\$11/unit
April 10	Purchase	100 units	\$13/unit
April 19	Purchase	40 units	\$15/unit

Sales during April totalled 220 units at \$20 each. Memories Inc. uses a periodic inventory system and the LIFO cost flow assumption. What is the value of ending inventory for April 2016?

- A) \$1,040
- B) \$1,120
- C) \$960
- D) \$820
- E) None of the above

Winter 2017 Midterm 2

The following inventory information relates to Nonsense Inc. for the month of June 2016:

June 1	Opening balance	550 units	\$26/unit
June 11	Purchases	1,000 units	\$28/unit
June 19	Sales	1,200 units	\$40/unit
June 29	Purchases	750 units	\$30/unit

If Nonsense Inc. uses a perpetual inventory system and the FIFO cost flow assumption, what is cost of goods sold for the month of June?

- A) \$32,500
- B) \$42,300
- C) \$32,748
- D) \$33,804
- E) None of the above

Winter 2017 Midterm 2

The following relates to the inventory of Nonsense Inc. for the month of June 2016:

June 1	Opening balance	550 units	\$26/unit
June 11	Purchases	1,000 units	\$28/unit
June 19	Sales	1,200 units	\$40/unit
June 29	Purchases	750 units	\$30/unit

If Nonsense Inc. uses a periodic inventory system and the FIFO cost flow assumption, what is the value of ending inventory at the end of June?

- A) \$31,600
- B) \$32,052
- C) \$32,300
- D) \$30,987
- E) None of the above

Summer 2017 Midterm 2

In a perpetual inventory system, if merchandise is returned to a supplier, which is true for the buyer:

- A. Inventory is credited
- B. Purchase returns is credited
- C. Inventory is debited
- D. Purchase returns is debited
- E. None of the above

Summer 2017 Midterm 2

David's Inc. uses the periodic inventory system. Information for 2017 is as follows:

Sales	\$2,650,000
Beginning inventory	680,000
Purchases	1,200,000
Purchases returns	12,000
Ending inventory	740,000

David Inc.'s cost of goods sold for 2017 is:

- A. 1,140,000
- B. 1,128,000
- C. 1,522,000
- D. 1,175,000
- E. None of the above

Summer 2017 Midterm 2

Bella's Ltd. purchases \$5,000 of merchandise from a supplier. In addition to this purchase price, there are shipping costs of \$100 with terms F.O.B. shipping point. How should Bella's LTD record the shipping costs for this purchase.

- A. Debit transportation-in account \$100
- B. Debit cost of goods sold account \$100
- C. Debit delivery expenses account \$100
- D. Nothing to record since the supplier pays shipping
- E. None of the above

Summer 2017 Midterm 2

Berry Merry Inc. allows customers to prepay for purchases as it gives them confidence that Berry Merry Inc. will order the merchandise the customer desires and speed up the delivery time. On October 1, 2016 Customer A purchased \$2,000 of merchandise up front and on November 1, 2016 Customer B purchased \$5,000 of merchandise up front. Berry Merry Inc. promises delivery of merchandise 3 months after payment. On October 1 and November 1 Berry Merry Inc. recorded a credit to revenue in the amount of \$2,000 and \$5,000 respectively. What journal entry is required regarding these transactions if Berry Merry Inc. has a December 31, 2016 year-end date and delivers on all promises made?

- A. Dr. Revenue \$7,000 and Cr. Customer Advances \$7,000
- B. Dr. Customer Advances \$7,000 and Cr. Revenue \$7,000
- C. Dr. Customer Advances \$2,000 and Cr. Revenue \$2,000
- D. Dr. Customer Advances \$5,000 and Cr. Revenue \$5,000
- E. None of the above

Summer 2017 Midterm 2

Use the following data to answer the following 3 questions:

Giraldi's Inc., had 800 units of inventory on hand at June 1, 2017, costing \$20 each. Purchases and sales of inventory during the month of June were as follows:

Date	Purchases	Sales
June 8		600 units
15	400 units @ 22 each	
22	400 units @ 24 each	
27		400 units

Giraldi's Inc., uses the periodic inventory system. There were 600 units on hand at the end of June as per inventory count.

The cost of inventory at the end of June applying the *FIFO* method is:

- A) \$14,000
- B) \$12,900
- C) \$12,000
- D) \$13,800
- E) None of the above

The cost of inventory at the end of June applying the *LIFO* method is:

- A) \$14,000
- B) \$12,900
- C) \$12,000
- D) \$13,800
- E) None of the above

The cost of inventory at the end of June applying the *average cost* method is:

- A) \$14,000
- B) \$12,900
- C) \$12,000
- D) \$13,800
- E) None of the above

Summer 2017 Midterm 2

On June 10, Company X Inc. made a \$10,000 credit sale under the terms 3/10, n/30. If Company receives full payment of the account on June 19, the amount of cash received is:

- A. \$9,700
- B. \$10,000
- C. \$9,800
- D. \$10,300
- E. None of the above

Summer 2017 Midterm 2

A company uses the LIFO method of inventory valuation. Which inventory will be reported as ending inventory on the balance sheet?

- A. The last inventory purchased during the year
- B. The first inventory purchased during the year
- C. An average of all inventory purchased during the year
- D. The actual inventory which has not been sold at the end of the year
- E. None of the above

Summer 2017 Midterm 2

A manager may choose to use the LIFO method of inventory valuation during a period of high inflation due to the following reason:

- A. To provide timely information to external decision-makers
- B. To report lower net income
- C. To report higher net income
- D. To achieve proper matching
- E. None of the above

Summer 2017 Midterm 2

How is inventory reported on the balance sheet?

- A. At its market value
- B. At its historical cost
- C. At lower of cost or market value
- D. At lower of net realizable value or market value
- E. None of the above