

## Study Guide - Final Exam Accounting I

### True/False

Indicate whether the sentence or statement is true or false.

- 1. Entries in a sales journal affect account balances in both the accounts receivable ledger and the general ledger.
- 2. Each amount in the sales journal's Accounts Receivable Debit column is posted to the accounts receivable ledger.
- 3. A vendor account is opened by writing the vendor name and vendor number on the heading of the ledger account.
- 4. The total amount earned by all employees for a pay period is a payroll.
- 5. A business may decide to pay employee salaries every week, every two weeks, twice a month, or once a month.
- 6. The information used to prepare payroll checks is taken from a payroll register.
- 7. Federal unemployment insurance laws require that employers and employees pay taxes for unemployment compensation.
- 8. The 12-month period that ends on June 30th of the prior year is called the lookback period.
- 9. If an employee's accumulated earnings are \$6,500.00, and the employee earns another \$1,500.00, the amount of new earnings subject to unemployment tax is \$1,500.00.
- 10. The payment of payroll taxes with the government is referred to as a deposit.
- 11. All businesses must use the Electronic Federal Tax Payment System to deposit payroll taxes.
- 12. A corporation's board of directors is elected by the stockholders.
- 13. The adjustment for merchandise inventory is common for all businesses.
- 14. Most accounts needing adjustment at the end of a fiscal period have a related temporary account.
- 15. Federal income tax is an expense of a corporation.
- 16. The amount of federal income tax expense a corporation must pay is calculated using a tax rate table furnished by the Internal Revenue Service.
- 17. Merchandise Inventory is an asset account with a normal credit balance.
- 18. Increasing sales revenue while keeping cost of merchandise sold the same will decrease gross profit on sales.
- 19. The total amount of stockholders' equity is shown on the last line of a statement of stockholders' equity.
- 20. A supporting schedule is always prepared for principal financial statements.
- 21. Financial statements provide the primary source of information needed by owners and managers to make decisions on the future activity of a business.
- 22. An income statement is used to report a business's financial progress.
- 23. Information from a completed work sheet is used to prepare the income statement.
- 24. Reporting financial information the same way from one fiscal period to the next is an application of the Adequate Disclosure accounting concept.

- \_\_\_ 25. A corporation prepares only two financial statements: an income statement and a balance sheet.
- \_\_\_ 26. Separate payroll accounts for each employee are kept in the general ledger.
- \_\_\_ 27. The payroll register and employee earnings records provide all the payroll information needed to prepare a payroll.
- \_\_\_ 28. The column totals of an employee earnings record provide the debit and credit amounts needed to journalize a payroll.
- \_\_\_ 29. The source document for payment of a payroll is the time card.
- \_\_\_ 30. Amounts recorded in the General columns of a journal are posted individually to general ledger accounts.
- \_\_\_ 31. The transaction to record employer payroll taxes expense is journalized at the end of the quarter.
- \_\_\_ 32. The source document for journalizing employer payroll taxes is a check.
- \_\_\_ 33. Each employer who withholds income tax and social security and Medicare tax from employee salaries must furnish each employee with a quarterly statement.
- \_\_\_ 34. The tax base for Medicare tax is usually the same as the tax base for social security tax.
- \_\_\_ 35. An employee who earns \$1,000.00 semimonthly will have unemployment taxable earnings until the middle of May.

### Multiple Choice

*Identify the letter of the choice that best completes the statement or answers the question.*

- \_\_\_ 36. The special amount column totals of the cash receipts journal are \_\_\_\_\_.
  - a. posted monthly to a customer account
  - b. posted to the general ledger controlling account at the end of each month
  - c. not posted
  - d. posted often
- \_\_\_ 37. Until payment is made, payroll taxes for an employer are \_\_\_\_\_.
  - a. an asset
  - b. a liability
  - c. capital
  - d. an expense
- \_\_\_ 38. Each employee name is listed in a payroll register along with \_\_\_\_\_.
  - a. employee number
  - b. marital status
  - c. withholding allowances
  - d. all of the above
- \_\_\_ 39. Individual payroll checks are usually written on \_\_\_\_\_.
  - a. a company's regular checking account
  - b. a special payroll checking account
  - c. a special purposes account
  - d. an employee earnings account
- \_\_\_ 40. The Accumulated Earnings column of the employee earnings record \_\_\_\_\_.
  - a. shows net pay for the year
  - b. is the total earnings since the first of the year
  - c. shows net pay for one quarter
  - d. is the gross earnings for one quarter
- \_\_\_ 41. All the payroll information needed to prepare a payroll and tax reports is found on \_\_\_\_\_.
  - a. Form W-4 and the employee earnings record
  - b. Form W-4 and the payroll register
  - c. Form W-4
  - d. the payroll register and the employee earnings record

- \_\_\_ 42. In the entry to journalize employer payroll taxes expense for a semimonthly period, an account credited would be \_\_\_\_.
- a. Salary Expense
  - b. Unemployment Tax Payable-Federal
  - c. Payroll Taxes Expense
  - d. Cash
- \_\_\_ 43. Each employer must file a federal tax return showing the federal income tax and social security and Medicare taxes due the government on a Form \_\_\_\_.
- a. W-2
  - b. W-3
  - c. 940
  - d. 941
- \_\_\_ 44. The total of the Net Pay column of the payroll register is credited to \_\_\_\_.
- a. a revenue account
  - b. an expense account
  - c. an asset account
  - d. a liability account
- \_\_\_ 45. A federal tax used for state and federal administrative expenses of the unemployment program is \_\_\_\_.
- a. social security tax
  - b. Medicare tax
  - c. federal unemployment tax
  - d. state unemployment tax
- \_\_\_ 46. A business prepares a summary of financial information at least once each fiscal period because financial information \_\_\_\_.
- a. is needed to make management decisions
  - b. shows whether a profit is being made or a loss is being incurred
  - c. is needed to prepare tax reports
  - d. all of the above
- \_\_\_ 47. The entry to journalize the adjustment for office supplies at the end of a fiscal period is \_\_\_\_.
- a. debit Supplies--Office; credit Supplies Inventory
  - b. debit Supplies Inventory; credit Supplies--Office
  - c. debit Supplies--Office; credit Supplies Expense--Office
  - d. debit Supplies Expense--Office; credit Supplies--Office
- \_\_\_ 48. The entry to journalize the adjustment for prepaid insurance at the end of a fiscal period is \_\_\_\_.
- a. debit Prepaid Insurance; credit Cash
  - b. debit Cash; credit Prepaid Insurance
  - c. debit Insurance Expense; credit Prepaid Insurance
  - d. debit Prepaid Insurance; credit Insurance Expense
- \_\_\_ 49. The portion of the insurance premiums that has expired during a fiscal period is classified as \_\_\_\_.
- a. capital
  - b. an expense
  - c. a liability
  - d. an asset
- \_\_\_ 50. Which account is used for the investment of all owners of a corporation?
- a. Owners' Equity
  - b. Dividends
  - c. Retained Earnings
  - d. Capital Stock
- \_\_\_ 51. Cost of merchandise sold is found by taking the amount of beginning merchandise inventory \_\_\_\_.
- a. less purchases plus ending inventory
  - b. plus gross profit on sales
  - c. less expenses
  - d. plus purchases less ending inventory
- \_\_\_ 52. One way to improve an unacceptable component percentage for cost of merchandise sold is \_\_\_\_.
- a. to sell more merchandise
  - b. to increase selling prices
  - c. to purchase from different vendors who offer better prices
  - d. none of the above
- \_\_\_ 53. An asset's book value is reported on a balance sheet by listing \_\_\_\_.
- a. the balance of the asset account
  - b. the balance of the asset's contra account
  - c. the book value
  - d. all of the above

- \_\_\_ 54. How is the price-earnings ratio calculated?
- Market price per share multiplied by the earnings per share
  - Market price per share divided by the earnings per share
  - Market price per share plus the earnings per share
  - Market price per share minus the earning per share
- \_\_\_ 55. Until the amounts withheld from employee salaries are paid by the employer, they are recorded as \_\_\_\_.
- assets
  - liabilities
  - salary expense
  - revenue
- \_\_\_ 56. The entry to journalize paying a semimonthly payroll less deductions for employee income tax, social security and Medicare tax, and U.S. Savings Bonds is a credit to Cash and the liability accounts and a debit to \_\_\_\_.
- Salary Expense
  - Unemployment Tax Payable-Federal
  - Payroll Taxes Expense
  - Cash
- \_\_\_ 57. An income statement has three main sections for \_\_\_\_.
- assets, liabilities, and owner's equity
  - revenue, expenses, and inventory
  - revenue, cost of merchandise sold, and expenses
  - owner's equity, share of net income, and drawing
- \_\_\_ 58. The revenue remaining after cost of merchandise sold has been deducted is \_\_\_\_.
- gross profit on sales
  - cost of merchandise sold
  - net sales
  - total sales
- \_\_\_ 59. Liabilities owed for more than a year are called \_\_\_\_.
- current liabilities
  - long-term liabilities
  - short-term liabilities
  - debts
- \_\_\_ 60. The amount of net income after federal income tax belonging to a single share of stock is called \_\_\_\_.
- financial ratio
  - earnings per share
  - price-earnings ratio
  - par value
- \_\_\_ 61. How is the earnings per share calculated?
- Net income after federal income tax plus the value of shares outstanding
  - Net income after federal income tax minus the value of shares outstanding
  - Net income after federal income tax multiplied by the number of shares outstanding
  - Net income after federal income tax divided by the number of shares outstanding
- \_\_\_ 62. Total sales less sales discount and sales returns and allowances is called \_\_\_\_.
- net profit
  - net income
  - net sales
  - none of the above
- \_\_\_ 63. The general ledger account in which merchandise inventory is recorded is titled \_\_\_\_.
- Merchandise Inventory
  - Inventory
  - Purchases
  - Purchases Inventory
- \_\_\_ 64. A work sheet is used to \_\_\_\_.
- plan adjustments
  - summarize information necessary to prepare financial statements
  - both A and B
  - neither A nor B
- \_\_\_ 65. What is the formula for calculating book value?
- Original Cost – Accumulated Depreciation = Ending Book Value
  - Original Cost + Accumulated Depreciation = Ending Book Value
  - Original Cost × Accumulated Depreciation = Ending Book Value
  - Original Cost ÷ Accumulated Depreciation = Ending Book Value
- \_\_\_ 66. The total original price of all merchandise sold during a fiscal period is \_\_\_\_.

- a. the cost of merchandise sold
  - b. the cost of goods sold
  - c. the cost of sales
  - d. all of the above
- \_\_\_ 67. Recording the total original price of all merchandise sold as the cost of merchandise sold is an application of the accounting concept \_\_\_\_.
- a. Consistent Reporting
  - b. Adequate Disclosure
  - c. Historical Cost
  - d. Matching Expenses with Revenue
- \_\_\_ 68. For a merchandising business, every sales dollar reported on the income statement includes \_\_\_\_.
- a. cost of merchandise sold and total expenses only
  - b. total expenses and gross profit on sales only
  - c. total expenses and net income only
  - d. cost of merchandise sold, gross profit on sales, total expenses, and net income before income tax
- \_\_\_ 69. Acceptable component percentages should be determined \_\_\_\_.
- a. based only on industry standards
  - b. based only on comparisons with prior fiscal periods
  - c. based on industry standards and comparisons with prior fiscal periods
  - d. based on the amount of each sales dollar that is considered acceptable
- \_\_\_ 70. One way to increase gross profit on sales is to \_\_\_\_.
- a. decrease expenses
  - b. decrease sales revenue
  - c. increase sales revenue
  - d. increase cost of merchandise sold
- \_\_\_ 71. A financial statement that summarizes the changes in a corporation's ownership for a fiscal period is \_\_\_\_.
- a. an income statement
  - b. a balance sheet
  - c. a statement of stockholders' equity
  - d. a distribution of net income statement
- \_\_\_ 72. A financial statement that reports a corporation's assets, liabilities, and stockholders' equity on a specific date is \_\_\_\_.
- a. an income statement
  - b. a balance sheet
  - c. an owners' equity statement
  - d. a distribution of net income statement
- \_\_\_ 73. To prepare the corporation's balance sheet, use the information from \_\_\_\_.
- a. the Balance Sheet columns of a work sheet
  - b. the owners' equity statement
  - c. both A and B
  - d. neither A nor B
- \_\_\_ 74. A report prepared to give details about an item on a principal financial statement is \_\_\_\_.
- a. an income statement
  - b. a balance sheet
  - c. a supporting schedule
  - d. none of the above
- \_\_\_ 75. The relationship between the market value per share and earnings per share of a stock is called the \_\_\_\_.
- a. price-earnings ratio
  - b. financial ratio
  - c. earnings value
  - d. par value