Principles of Accounting I
Exam II Chapters 5-10
300 Points

Name ______________________

Be sure to show all calculations on exam for possible partial credit.

Problem #1 (90 points)

The following data are available for Atlantic Co. for the month of October:

October 1, Balance	30 units @$14 each
October 10, purchase	20 units @$15 each
October 18, purchase	35 units @$16 each
October 27 purchase	20 units @$17 each
October 31 units in ending inventory	15 units

Required:

1) Calculate the Cost of Goods Available for Sale (30 points)

2) Calculate the ending inventory amount under: (30 points)
   a) FIFO
   b) LIFO
   c) Average Cost

3) Calculate Cost of Goods sold for: (30 points)
   a) FIFO
   b) LIFO
   c) Average Cost

Show all calculations and circle your final answer.

Problem #2 (60 points)

On April 1, 2014, Sneezy Corp purchased and placed in service a plant asset. The following information is available regarding the plant asset:

Acquisition cost	130,000
Estimated Salvage Value	15,000
Estimated Useful Life	5 years

Make the necessary adjusting journal entries at 12/31/14 and 12/31/15 to record depreciation for each year under the straight-line method

Date	Account	Debit	Credit

Multiple Choice (150 points)
Circle the letter of the appropriate answer. (10 points each)

Use the following situation for Questions 1, 2 & 3

Green Company purchased $100,000 worth of inventory from Blue Company with the terms of 1/10,n/30. Green used the perpetual inventory system.

1) The journal entry to record the purchase of the inventory is:

a	Inventory	99,000	
	Accounts Payable-Green		99,000
b	Inventory	100,000	
	Accounts Payable-Green		99,000
	Purchase Discounts		1,000
c	Inventory	100,000	
	Accounts Payable-Green		100,000
d	Inventory	99,000	
	Purchase Discounts	1,000	
	Accounts Payable-Green		100,000

2) The journal entry to record the return of $10,000 worth of merchandise is:

a	Inventory	10,000	
	Accounts Payable-Green		10,000
b	Accounts Payable-Green	10,000	
	Purchase Discounts		1,000
	Inventory		9,000
c	Purchase Returns	10,000	
	Inventory		10,000
d	Accounts Payable-Green	10,000	
	Inventory		10,000

3) The journal entry to record the payment for the merchandise (less the return) within the discount period is:

a	Accounts Payable-Green	100,000	
	Inventory		100,000
b	Cash	100,000	
	Accounts Payable-Green		99,100
	Purchase Discount		900
c	Accounts Payable-Green	100,000	
	Cash		99,100
	Inventory		900
d	Accounts Payable-Green	90,000	
	Cash		89,100
	Inventory		900

4) An inventory count at the end of the year is necessary because:

a An actual amount is needed to verify perpetual inventory accounting records
b Some items may be unaccounted for due to theft.
c There may be some obsolete items (like an old computer) that need to be discarded.
d There may be some items that are spoiled (such as food items) that need to be discarded.
e All of the above

5) The term FOB Destination means:

a Ownership of merchandise transfers upon delivery to the seller's loading dock.
b Ownership of merchandise transfers upon delivery to the buyer's place of business.
c Shipping costs should be paid by the buyer.
d Shipping costs should be paid by the seller.
e Both a & c.
f Both b & d.

6) A seller of inventory records all returns of merchandise in the _____account.

a Sales
b Inventory
c Sales Discounts
d Sales Returns & Allowances
e None of the above

7) When recording a sale of inventory, the journal entries would include:

a A debit to Inventory.
b A debit to Cost of Goods Sold.
c A credit to Accounts Payable
d A credit to Trade Discounts

8) Specific Identification method of inventory valuation would most likely be used by:

a Quick Trip convenience store
b Wal-Mart discount store
c Honest Marsha's Used Car Lot
d Price Chopper grocery store
e None of the above

9) As interest rates rise, the price of bonds:

a Rise
b Fall
c Stay the same
d Not enough information to determine

10) Happy company issued 3-year 8% bonds with a par value of $400,000 when the market rate was 8.5%. The company received $372,064 in cash proceeds.
The bonds pay interest semiannually on January 1 and July 1.
The entry to record the sale of the bonds on 1/1/14 is:

a	Bonds Payable	400,000	
	Cash		400,000
b	Cash	400,000	
	Bonds Payable		400,000
c	Cash	372,064	
	Discount on Bonds Payable	27,936	
	Bonds Payable		400,000
d	Cash	372,064	
	Bonds Payable		372,064

11) Mary receives $750 in gross pay for the week. What is the amount of Mary's net pay assuming the following:

Federal withholding	10%
State withholding	4%
FICA withholding	7.65%
(Round to nearest penny)	

a $750.00
b $162.38
c $587.63
d None of the above

12) The employer must pay payroll taxes for which of the following:

a FICA-Social Security
b Federal Unemployment Tax (FUTA)
c State Unemployment Tax (SUTA)
d FICA-Medicare
e All of the above

13) A main accounting issue for plant assets is:

a Computing the cost of the plant assets.
b Recording depreciation (use) of the plant asset.
c Accounting for repairs and improvements to plant assets.
d The disposal of plant assets.
e All of the above.

14) A company sold a machine that originally cost $100,000 for $60,000 cash. The accumulated depreciation on the machine was $40,000. The company should recognize a:

a $0 gain or loss.
b $20,000 gain
c $20,000 loss
d $40,000 loss
e $60,000 gain

15) A company discarded a display case originally purchased for $8,000. The accumulated depreciation was $7,200. the company should recognize a(n):

a $0 gain or loss
b $800 loss
c $800 gain
d $8,000 loss
e $7,200 loss