

**ACC1701XA ACCOUNTING FOR DECISION MAKERS**  
**Semester 1, 2025/26**

**MOCK FINAL EXAM #2 – Questions Only**

**MCQ:**

**Question #: 1**

Which of the following is the reason that the accounting equation is true by definition?

- A. Liabilities are the source that funds the purchase of assets
- B. Assets are the source that funds the purchase of liabilities and equity
- C. Liabilities and equity are the sources that fund the purchase of assets
- D. None of these are true, the accounting equation is merely a coincidence

**Question #: 2**

The transactions carried out by Blue Hoops Corporation during the year caused an increase in total assets of \$25,650 and a decrease in total liabilities of \$12,250. If no additional stock was issued during the year and dividends of \$7,850 were paid, what was the net income for the year?

- A. \$53,600
- B. \$45,750
- C. \$29,100
- D. \$13,400

**Question #: 3**

The adjusted account balances as of December 31, 2022 that were taken from the Adjusted Trial Balance of Yumi Corporation are as follows:

	<u>Debit</u>	<u>Credit</u>
Cash	\$300	
Prepaid Rent	100	
Store Supplies	600	
Unearned Service Fees Revenue		360
Accounts Payable		140
Retained Earnings		100
Dividends	?	
Service Fees Revenue		\$1,450
Wage Expense	400	
Store Supplies Expense	100	

	<u>Debit</u>	<u>Credit</u>
Rent Expense	150	

Given the information above, after all closing entries have been made, the balance in Yumi's Retained Earnings account was \$500, how much of dividends were distributed in 2022?

- A. \$200
- B. \$300
- C. \$400
- D. \$500

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**Question #: 4**

On 2<sup>nd</sup> October 2021, Tessila Car Service accepted a 120 days, \$900,000, 10% note from First Auto Co. Tessila Car Service is on the calendar fiscal year. If First Auto Co. paid the note and the interests on the due date of the note, the entry made by Tessila Car Service on the note's due date is:

- A. Dr Cash                      \$930,000  
     Cr Notes Receivable        \$930,000
- B. Dr Cash                      \$930,000  
     Cr Notes Receivable        \$900,000  
     Cr Interest Receivable      \$ 22,500  
     Cr Interest Revenue        \$ 7,500
- C. Dr Cash                      \$900,000  
     Cr Notes Receivable        \$900,000
- D. Dr Cash                      \$930,000  
     Cr Notes Receivable        \$900,000  
     Cr Interest Revenue        \$ 30,000

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**Question #: 5**

Under the periodic inventory system, if an inventory purchase has been made (FOB shipping point) and recorded but has NOT yet arrived (and thus is not counted), the financial statements will

- A. Overstate assets
  - B. Overstate net income
  - C. Understate net income
  - D. Understate revenues
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**Question #: 6**

Boogie Shoes Co. had the following inventory records for one line of its dancing shoes for the month of January:

Beginning inventory	70 pairs @ \$100 per pair
Sales, Jan. 1 - Jan. 7	50 pairs
Purchase, Jan. 8	46 pairs @ \$104 per pair
Sales, Jan. 9 - 16	59 pairs
Purchase, Jan. 17	62 pairs @ \$110 per pair
Sales, Jan. 18 - 29	56 pairs
Purchase, Jan. 30	18 pairs @ \$112 per pair

Assuming the perpetual FIFO inventory method is used, what is the cost of Boogie Shoes Co.'s ending inventory?

- A. \$3,000
- B. \$3,446
- C. \$3,276
- D. \$3,546

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**Question #: 7**

Which inventory cost method will provide the same amounts for ending inventory and cost of goods sold under both the periodic and perpetual inventory systems?

- A. FIFO
- B. LIFO
- C. Weighted average cost
- D. None of the above

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**Question #: 8**

Maggie Company normally sells its product for \$20 per unit. However, the selling price has fallen to \$15 per unit. Maggie's current inventory consists of 200 units purchased at \$16 per unit. Net realizable value has now fallen to \$13 per unit. Calculate the amount of inventory that Maggie Company will have to report.

- A. \$2,550
  - B. \$2,600
  - B. \$2,700
  - C. \$3,000
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**Question #: 9**

Valkyrie Safe Company is on the periodic inventory system. The following information appears in Valkyrie's records for the year ended December 31:

Inventory, January 1	\$ 325,000
Purchases	1,150,000
Purchase returns	40,000
Freight in	30,000
Sales	1,700,000
Sales discounts	25,000

On December 31, a physical inventory revealed that the ending inventory was only \$210,000. Valkyrie's gross profit margin on net sales has remained constant at 30% in recent years. Valkyrie suspects that some of its inventory may have been stolen by one of the company's employees. At December 31, what is the estimated cost of the missing inventory?

- A. \$75,000
- B. \$82,500
- C. \$210,000
- D. \$292,500

**Question #: 10**

Wangdi company sells computers at a selling price of ¥3,500 each. Each computer has a 2 years warranty that covers replacement of defective parts. It is estimated that 1% of all computers sold will be returned under the warranty at an average cost of ¥230 each.

During November, the company sold 40,000 computers, and 500 computers were serviced under the warranty at a total cost of ¥60,000. The beginning balance in the Warranty Provision account at November 1 was ¥45,000. What is the ending balance in the Warranty Provision account at November 30?

- A. ¥92,000
- B. ¥105,000
- C. ¥77,000
- D. ¥160,000

**Question #: 11**

SamSun Manufacturing Company purchased a new machine on July 1, 2021. It was expected to produce 200,000 units of solar-powered mini fans over its estimated useful life of eight years. Total cost of the machine was \$600,000, and salvage value was estimated to be \$60,000. Actual units produced by the machine in 2021 and 2022 are shown below:

2021	16,000 units
2022	30,000 units

SamSun reports on a calendar-year basis and uses the units-of-production method of depreciation. The amount of depreciation expense for this machine in 2022 would be:

- A. \$124,200
- B. \$90,000
- C. \$81,000
- D. \$74,520

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**Question #: 12**

Poppin-C &Co purchased a machine on 1<sup>st</sup> January 2021, for \$57,600 cash. The machine has an estimated useful life of 8 years and a salvage value of \$15,040. Poppin-C uses the double declining-balance method of depreciation for all its assets. What will be the machine's carrying amount as of 31<sup>st</sup> December 2022?

- A. \$10,800
- B. \$32,400
- C. \$43,200
- D. \$14,400

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**Question #: 13**

Poppin-C &Co purchased a machine on 1<sup>st</sup> January 2021, for \$57,600 cash. The machine has an estimated useful life of 8 years and a salvage value of \$15,040. Poppin-C uses the double declining-balance method of depreciation for all its assets.

On 1<sup>st</sup> January 2023, Poppin-C spent \$17,000 to overhaul the machine, which increased its remaining useful life to 9 years. Salvage value of the machine remains unchanged. Poppin-C also changed its depreciation method to a straight-line basis for all its assets. How much depreciation expense should Poppin-C record in 2023 for this machine (round your answer to the nearest dollar)?

- A. \$4,909
- B. \$3,818
- C. \$5,956
- D. \$5,489

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**Question #: 14**

When Grub Corporation bought Ober Inc., included in the purchase price was a patent valued at \$26,000. The patent still has 10 years remaining of its legal life. However, it is estimated that the useful life of the patent is only 8 years. The journal entry to record the annual patent amortization expense would include a

- A. Debit to Amortization Expense for \$2,600
  - B. Credit to Patent for \$2,600
  - C. Debit to Amortization Expense for \$3,250
  - D. Debit to Patent for \$3,250
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**Question #: 15**

The Swab Company purchased a machine on 1<sup>st</sup> November 2013, for \$148,000. At the time of acquisition, the machine was estimated to have a useful life of 10 years and a salvage value of \$4,000. Swab recorded monthly depreciation using the straight-line method. On 1<sup>st</sup> July 2022, the machine was sold for \$13,000. What should be the loss recognized from the sale of the machine?

- A. \$4,000
  - B. \$5,000
  - C. \$10,200
  - D. \$13,000
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**Question #: 16**

R&M Corporation and V-Hope Corporation are competitors. For the fiscal year 2022, a DuPont analysis of both companies shows that they are comparable in terms of profitability and efficiency. However, VHope's ROE is almost double that of R&M's ROE. Which of the following statements is true?

- A. V-Hope is a much more highly leveraged company than R&M.
  - B. V-Hope is not as highly leveraged as R&M.
  - C. V-Hope's net income is double that of R&M's net income.
  - D. V-Hope's average total equity is less than R&M's average total equity.
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**Question #: 17**

Which of the following transactions could increase a firm's current ratio?

- A. Purchase of inventory for cash
  - B. Payment of accounts payable
  - C. Collection of accounts receivable
  - D. Purchase of temporary investments for cash
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**Question #: 18**

Fangs Family Corporation reported net income of \$45,000 for the year ended 31<sup>st</sup> December 2022. During the year, inventories decreased by \$6,000, accounts payable decreased by \$9,000, depreciation expense was \$10,000 and a gain on disposal of equipment of \$4,500 was recorded. Net cash provided by operating activities in 2022 using the indirect method was:

- A. \$74,500
  - B. \$47,500
  - C. \$53,500
  - D. \$42,500
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**Question #: 19**

HaiShi Company had the following transactions during 2022:

- i. Issued \$50,000 of par value ordinary shares for cash.
- ii. Repaid a 8 year long-term note payable in the amount of \$22,000.
- iii. Acquired land by issuing ordinary shares of par value \$100,000.
- iv. Declared and paid a cash dividend of \$2,000.
- v. Sold an equipment for cash of \$6,000.
- vi. Acquired a new building for cash of \$12,000.

What is the net cash flow from investing activities?

- A. \$12,000
- B. \$32,000
- C. (\$6,000)
- D. \$6,000

## **Essays:**

### **Essay Question #1:**

METAVurse Inc.'s Statement of Comprehensive Income and the Statement of Financial Position for the fiscal year ended **31<sup>st</sup> December 2021** are shown below:

<b>METAVurse Inc.</b>	
<b>Statement of Comprehensive Income</b>	
<b>For the Year Ended 31 December 2021</b>	
Sales Revenue	\$ 900,000
Cost of Goods Sold	(500,000)
<b>Gross Profit</b>	<b>400,000</b>
Salaries Expense	(148,500)
General Admin Expense	(100,000)
Rent Expense	(45,000)
Depreciation Expense	(70,000)
Bad Debt Expense	(2,200)
<b>Operating Income</b>	<b>34,300</b>
Interest Expense	(2,000)
<b>Income before Income Tax</b>	<b>32,300</b>
Income Tax Expense	(1,800)
<b>Net Income</b>	<b>30,500</b>
<b>OCI</b>	<b>-</b>
<b>Net Comprehensive Income</b>	<b>30,500</b>

<b>METAVurse Inc.</b>	
<b>Statement of Financial Position</b>	
<b>As at 31 December 2021</b>	
<b>Assets</b>	
Current Assets:	
Cash	\$ 165,000
Accounts Receivable	75,000
Less: Allowance for Bad Debts	(4,000)
Merchandise Inventory	50,000
Non-current Assets:	
PPE	750,000
Less: Accumulated Depreciation	(250,000)
<b>Total Assets</b>	<b>786,000</b>
<b>Liabilities</b>	
Accounts Payable	90,000
Income Tax Payable	900
Short Terms Notes Payable	20,000
<b>Total Liabilities</b>	<b>110,900</b>
<b>Equity</b>	
Share Capital	535,000
Retained earnings	140,100
<b>Total Stockholders' Equity</b>	<b>675,100</b>
<b>Total Liabilities &amp; Stockholder's Equity</b>	<b>786,000</b>



During the end of the year audit, METAVurse's auditors Earnest & Coopers discovered the following errors:

- (a) On 1<sup>st</sup> Nov, METAVurse made a rent payment of \$18,000 in cash for six months rent. However, the full amount of \$18,000 was recognized as rent expense on 1<sup>st</sup> Nov. No adjusting entries were made to rent expense at year end.
- (b) METAVurse pays its employees on the first of every month for salaries relating to the prior month before. No adjusting entry was made for December 2021 salaries of \$13,500 that will be paid on 1<sup>st</sup> January, 2022
- (c) METAVurse uses the allowance method of accounting for uncollectible accounts. It did not write off any accounts during the fiscal year 2021. As at 31<sup>st</sup> December 2021, its aged list of Accounts Receivable is as shown below:

	Number of Days Unpaid			
Total Accounts Receivable	0 - 30	31 - 60	61 -90	>90
\$75,000	\$50,000	\$10,000	\$10,000	\$5,000
Estimated Uncollectible %	1%	5%	15%	30%

On 5<sup>th</sup> Dec, one of METAVurse's customer Rublox Co. informed METAVurse that it had gone bankrupt and will not be able to pay its outstanding receivable account of \$5,000, which was already more than 180 days past due as of 5<sup>th</sup> Dec. Earnest & Coopers advises METAVurse that Rublox's receivable account must be written off.

- (d) On 15<sup>th</sup> Dec, METAVurse received \$6,800 in cash as prepayment for services that will be performed in March 2022. When METVurse received the cash, it had recorded receipt of cash and recognized the whole amount as sales revenue.
- (e) Earnest & Coopers determined that one of METAVurse's equipment asset, which has a carrying amount of \$15,000, is impaired. The recoverable amount of the equipment is only \$8,500.
- (f) The payment of an accounts payable for \$12,000 was incorrectly recorded twice.

**REQUIRED (40 marks):**

1. Prepare **ALL necessary journal entries** to correct each error for the fiscal year ending 31<sup>st</sup> December 2021. Date and explanations for journal entries are not required. Please label your journal entries according to the event sequence above. **(18 marks)**
2. Prepare the **Statement of Financial Position** for METAVurse Inc. for the fiscal year ending 31<sup>st</sup> December 2021 after the errors have been corrected. **(20 marks)**
3. Compute the correct **net profit margin** after the errors have been corrected (show your workings for the ratio and round to 4 decimal places). **(2 marks)**

### Essay Question #2:

Dempsey Corporation first issued stock on 1<sup>st</sup> January 2019.

Dempsey has the following stock outstanding on 31<sup>st</sup> December 2019:

<b>Preferred Stock</b> (5% cumulative, \$45 par, 10,000 shares authorized, 6,000 shares issued and outstanding)	\$270,000
<b>Common Stock</b> (\$5 par, 100,000 shares authorized, 75,000 shares issued and outstanding)	\$375,000

For the fiscal years 2019 –2022, Dempsey Corporation had the following equity transactions during the year and also paid the following cash dividends at the end of the year:

	<i>Equity Transactions during the period:</i>	<i>Cash Dividends:</i>
2019		\$10,000
2020	(a) Repurchased 1,000 shares of its own common stock at \$7 per share, to be held in treasury.	\$ 0
2021	(b) Reissued 200 shares of treasury stock at \$10 per share.	\$43,500
2022	(c) Reissued 500 shares of treasury stock at \$4 per share	\$30,000

#### REQUIRED (Total 20 marks):

1. Prepare the necessary **journal entries** to record each of the equity transactions (a) to (c) stated above. Date and explanations for journal entries are not required. **(9 marks)**
2. Calculate the **total cash dividends** received by Dempsey's preferred stockholders during each of the years from 2019 to 2022. Show your workings and round your answers to 2 decimal places. **(5.5 marks)**
3. Calculate the **cash dividend per share** received by Dempsey's common stockholders during each of the years from 2019 to 2022. Show your workings and round your answers to 2 decimal places. **(5.5 marks)**

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*End of Mock Final Exam #2*