ACCT 2101 Financial Accounting

# Sample Exam

Part I: Multiple Choice Answers (**Please write your multiple choice answers here!**)

1. \_\_\_\_\_ 6. \_\_\_\_\_
2. \_\_\_\_\_ 7. \_\_\_\_\_
3. \_\_\_\_\_ 8. \_\_\_\_\_
4. \_\_\_\_\_ 9. \_\_\_\_\_
5. \_\_\_\_\_ 10. \_\_\_\_\_

I. Multiple choices

Choose the **one** best answer for each of the following questions. **Please write your answers in the space provided on the cover page.**

1. Which of the following is a separate legal entity?

a. Proprietorship

b. Sole proprietorship

c. Corporation

d. Partnership

2. .A financial statement that reports accounting data at a specific date is the

a. balance sheet.

b. retained earnings statement.

c. income statement.

d. statement of cash flows.

3. Which is an indicator of profitability?

a. Current ratio.

b. Earnings per share.

c. Free cash flow.

d. Working capital.

4. If total liabilities decreased by $30,000 during a period of time and owners equity increased by $35,000 during the same period, the amount and direction (increase or decrease) of the period’s change in total assets is a:

a. $65,000 increase.

b. $5,000 increase.

c. $5,000 decrease.

d. $65,000 decrease.

5. Financial statements combining the operations of Kohls and Target would violate the

a. monetary unit assumption.

b. economic entity assumption.

c. cost principle.

d. full disclosure principle.

6. Limited liability (no liability beyond investment) is **not** enjoyed by the owner(s) of a

a. partnership and proprietorship.

b. partnership and corporation.

c. proprietorship and corporation.

d. corporation.

7. The Retained Earnings account had a beginning balance of $60,000 and an ending balance of $70,000. If $20,000 of dividends were declared and paid during the period, net income must have been

a. $20,000.

b. $30,000.

c. $10,000.

d. $50,000.

8. Issuing shares of stock in exchange for cash is an example of a(n)

a. delivering activity.

b. investing activity.

c. financing activity.

d. operating activity.

9. In the annual report, where would a financial statement reader find out if the company’s financial statements give a fair depiction of its financial position and operating results?

a. Notes to the financial statements

b. Management discussion and analysis section

c. Balance sheet

d. Auditor’s report

10. The agency of the United States Government that oversees the U.S. financial markets is the

a. Department of the Treasury

b. Securities and Exchange Commission

c. Financial Accounting Standards Board

d. Federal Reserve Bank

II. Matching

1). For each of the independent situations described below, list the qualitative characteristic that has been **violated, if any**.

1. Reliability (i.e., faithful representation)
2. Relevance
3. Comparability
4. Consistency
5. No violation

\_\_\_\_\_ 1. Facklam Company is in its third year of operation and has yet to issue financial statements.

\_\_\_\_\_ 2. Rodman Corporation has selected the FIFO inventory costing method during the current year. Last year it used the LIFO method and next year it plans to use the average cost method in order to boost reported earnings.

\_\_\_\_\_ 3. Strong Company expenses some office equipment that is inexpensive even though it has a useful life that exceeds 1 year.

2). Match the account titles given below with the appropriate Balance Sheet classification. An individual classification may be used more than once, or **not** at all. An account may also **not** appear in the balance sheet.

Classifications

A. Current Assets E. Current Liabilities

B. Long-term Investments F. Long-term Liabilities

C. Property, Plant and Equipment G. Stockholders’ Equity

D. Intangible Assets H. Not separately presented on the Balance Sheet

Account Titles

1. Common Stock 10. Prepaid Insurance

2. Office furniture 11. Bonds Payable

3. Supplies 12. Income Taxes Payable

4. Accounts Payable 13. Copyrights

5. Patents 14. Accounts Receivable

6. Salaries Payable 15. Mortgage Payable

7. Equipment 16. Dividends

8. Service Revenue 17. Accumulated Depreciation – Equipment

9. Rent Expense 18. Retained Earnings

III. Ratios and analyses

**1)** Selected information from the financial statements of Stiller Company for the year ended December 31, 2014, appears below:

2007

Current assets $ 525,000

Total assets 1,375,000

Current liabilities 150,000

Long-term liabilities 400,000

Sales 1,500,000

Net income 150,000

**Required:**

Answer the following questions relating to the year ended December 31, 2014. The average number of shares outstanding in 2014 was 10,000.

1. The current ratio for 2014 is \_\_\_\_\_\_\_\_\_\_.

2. The debt to total assets ratio for 2014 is \_\_\_\_\_\_\_\_\_\_.

3. The working capital for 2014 is \_\_\_\_\_\_\_\_\_\_.

4. The earnings per share for 2014 is \_\_\_\_\_\_\_\_\_\_.

**2)** Use the following information to calculate for the year ended December 31, 2013 (a) net income (net loss), (b) ending retained earnings, and (c) total assets.

Supplies $ 500 Revenues $16,000

Operating expenses 10,000 Cash 15,000

Accounts payable 11,000 Dividends 6,000

Accounts receivable 4,000 Notes payable 1,000

Common stock 10,000 Equipment 7,500

Retained earnings (beginning) 5,000

1. Net income (net loss)
2. Ending retained earnings
3. Total assets

IV. Financial Statements

The Caltor Company gathered the following condensed data for the year ended December 31, 2014:

Cost of sales $ 710,000

Sales 1,279,000

Administrative expenses 239,000

Interest expenses 68,000

Dividends paid 38,000

Selling expenses 45,000

#### Required:

Prepare an income statement for the year ended December 31, 2014.

ACCT 2101

Key to sample exam

1. Multiple choice

1 C 2 A 3 B 4 B 5 B 6 A 7 B 8 C 9 D 10 B

1. Matching

1) 1 B 2 D 3 E

2) 1 G 2 C 3 A 4 E 5 D 6 E 7 C 8 H 9 H 10 A 11 F 12 E 13 D 14 A 15 F 16 H 17 C 18 G

1. Ratio analysis

1)

1. 525000 / 150000 = 3.5

2. (150000+400000)/1375000 = 0.4

3. 525000 – 150000 = 375000

4. 150000/10000 = 15

2)

a. 16000 – 10000 = 6000

b. 5000 + 6000 – 6000 = 5000

c. 500 + 4000 + 15000 + 7500 = 27000

1. Financial statements

|  |  |  |
| --- | --- | --- |
| **Caltor Company**  **Income Statement**  **For the year ended Dec. 31, 2014** | | |
| **Revenues**  Sales |  | $ 1279000 |
|  |  |  |
| **Expenses** |  |  |
| Cost of sales | $ 710000 |  |
| Administrative expenses | 239000 |  |
| Interest expenses | 68000 |  |
| Selling expenses | 45000 | 1062000 |
|  |  |  |
| **Net income** |  | 217000 |