

Question 1 (17 points)

Please choose the best answer.

1. Which of the following statements about the Securities and Exchange Commission (SEC) is not true?
 - a. SEC has been setting accounting standards since the first day of its establishment.
 - b. SEC never sets accounting standards.
 - c. SEC delegates accounting standard-setting to private organizations.
 - d. SEC in most cases is in agreement with FASB.

2. Suppose you decide to purchase a computer and an independent store dealer offers to sell you a computer that retails for \$200,000 for a price of \$185,000. After some negotiation, you purchase the computer for \$180,000. Based on the Arm's-length Transaction Assumption and The Cost Principle, how much is considered the accounting measurement for the transaction?
 - a. \$180,000
 - b. \$185,000
 - c. \$200,000
 - d. The answer cannot be determined from the data given.

3. Here is a conversation among three people:
 - Emily: *The Assumption of Arm's-Length Transactions* means that both parties of a transaction must be rational and free to act independently.
 - Albert: *The Cost Principle* means that the assets and liabilities must be measured at fair value so that the relevance of accounting information can be improved.
 - Sophia: *The Going Concern Assumption* means that an accounting entity will have a continuing existence for the foreseeable future.Based on the above conversation, how many people are speaking correctly?
 - a. 0
 - b. 1
 - c. 2
 - d. 3

4. Transactions are typically entered into the General Journal in which order?
 - a. Alphabetically by account
 - b. By account number, lowest to highest
 - c. By dollar amount, lowest to highest
 - d. By transaction date

5. IFRS stands for
 - a. International Federation of Reporting Services.
 - b. International Financial Reporting Standards.
 - c. Independent Financial Reporting Standards.
 - d. Integrated Financial Reporting Services.

6. Which of the following information is provided primarily and sometimes exclusively to the management of a company?
 - a. 10K report
 - b. Financial accounting
 - c. Government accounting
 - d. Management accounting

7. Listed below are several qualitative characteristics, accounting principles and assumptions. Match the letter of each with the appropriate phrase that states its application. (Items a through e may be used more than once or not at all.)
 - a. Economic entity assumption
 - b. Going concern assumption
 - c. Monetary unit assumption
 - d. Periodicity assumption
 - e. Historical cost principle
 - 1) Yearly financial reports.
 - 2) Useful standard measuring unit for business transactions.
 - 3) Affairs of the business distinguished from those of its owners.
 - 4) Business enterprise assumed to have a long life.
 - 5) Valuing assets at amounts originally paid for them.

Question 2 (36 points)

George, Inc. had the following transactions during a recent month:

- a. Issued capital stock for \$180,000 cash.
- b. Arranged for a \$225,000 line of credit (the right to borrow funds as needed) from the bank. No funds have yet been borrowed.
- c. Borrowed \$90,000 from a bank. Signed a note to secure the debt.
- d. Purchased inventory from a supplier on credit for \$12,600.
- e. Collected \$17,000 from customers.
- f. Purchased \$100,000 of equipment, with 20% down and 80% on a mortgage payable.
- g. Received a \$2,000 deposit from a customer for a product to be sold and delivered to that customer next month.
- h. Declared and paid a \$10,000 cash dividend to its stockholders.
- i. Paid cash \$48,000 for a three-year insurance policy.
- j. Advertised the opening of the driving range and miniature golf course, paying advertising expenses of \$4,100.
- k. Sold inventory for \$200,000 on account. The inventory cost \$140,000.
- l. Paid \$50,000 mortgage payment, of which \$30,000 represents interest expense.

Required

Please prepare journal entries to record these transactions. If no appropriate entries can be made, please specify "No entry."

Please use the following account title:

"Cash; Accounts Receivable; Inventory; Prepaid Insurance; Equipment; Unearned Sales Revenue; Accounts Payable; Notes Payable; Mortgage Payable; Capital Stock; Sales Revenue; Interest Expense; Advertising Expense; Insurance Expense, Cost of Goods Sold; Dividends"

Question 3 (18 points)

The following information was from the accounting record of NTU Corporation as of December 31, 2023. The main business of NTU Corporation is to sell coffee and pastry.

Gain on sale of computers	4,000
Sales revenue	1,000,000
Unearned revenue	50,000
Cash	156,800
Accounts payable	80,000
Income tax expense	50,000
Dividends	60,000
Cost of goods sold	555,700
Advertising expense	4,000
Other comprehensive income	0
Salaries expense	264,000
Retained earnings, 1/1/2023	403,200
Interest income	16,300

Required

Please use the information above to prepare a statement of comprehensive income (income statement) for the year ended December 31, 2023. Hint/Tip: Please classify revenues and expenses into operating and non-operating sections, and present gross profit, operating profit, and net income. Please pay attention to the formatting issues we discussed in class.

Question 4 (16 points)

Palmer Pen Co. has the following adjusted trial balance:

Palmer Pen Co.
Adjusted Trial Balance
December 31, 2022

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 85,000	
Accounts Receivable	30,000	
Supplies (used within <u>6 months</u>)	4,000	
Machinery and Equipment	40,500	
Buildings	200,000	
Prepaid insurance (used within <u>one year</u>)	15,000	
Land	20,000	
Accounts Payable		\$ 49,180
Notes Payable (due within <u>10 years</u>)		62,820
Bond Payable (due within <u>one month</u>)		15,000
Capital Stock		100,000
Retained Earnings (1/1/22)		111,000
Service Revenue		189,850
Unearned revenue		70,000
Salaries Expense	125,000	
Insurance Expense	6,000	
Dividends	40,000	
Utilities Expense	12,000	
Income Tax Expense	<u>20,350</u>	
Total	<u>\$597,850</u>	<u>\$597,850</u>

Required

Please prepare a balance sheet in good form for Palmer Pen Co. using the information above.

Hint/Tip: Please classify assets and liabilities into current and non-current assets and liabilities, paying attention to the order of liquidity for assets and the due date for liability. In addition, you need to update the ending balance of retained earnings.

Question 5 (13 points)

Capital stock (1,500 shares @ \$100)		\$30,000
Retained earnings, July 1, 2021		15,360
Dividends		1,300
Ski rental revenue		155,800
<u>Expenses:</u>		
Rent expense	\$ 1,200	
Salaries expense	7,720	
Utilities expense	480	
Advertising expense	1,500	
Miscellaneous expense	1,540	
Income taxes	420	

Required

Prepare a statement of retained earnings for Big Sky Corporation for the year ended June 30, 2022, based on the information above.

選擇題解答：

1. a

2. a

3. c

4. d

5. b

6. d

7.

(1) d

(2) c

(3) a

(4) b

(5) e