

1

Which of the following internal control systems does TAP Technology, Inc. use when it updates its employee handbook to reflect new company policies?

- ☐ Control environment
- ☐ Control activity
- ☐ Monitoring process
- ☒ Information and communication system

## CONCEPT

[Internal Controls and Reconciliations](#)

2

Given the information provided above, what is the gross margin percentage?

- ☐ 79%
- ☐ 71%
- ☒ 73%
- ☐ 83%

## CONCEPT

[Merchandising Financial Statement Analysis](#)

3

When preparing a trial balance worksheet, what step would Tom complete next if he has already prepared a trial balance, adjusted entries and prepared an adjusted trial balance?

- ☐ Prepare an income statement

- ☐ Prepare a balance sheet
- ☒ Close temporary accounts
- ☐ Make closing entries

## CONCEPT

[End of Period Activities](#)

4

**Which business below would likely use Specific ID?**

- ☒ A jewelry store
- ☐ An ice cream shop
- ☐ An Italian foods market
- ☐ An office supply store

## CONCEPT

[Inventory Cost Flow Assumptions](#)

5

**The purpose of the general journal is to show accounting events in their \_\_\_\_\_ sequence.**

- ☐ ending
- ☒ chronological
- ☐ beginning
- ☐ active

## CONCEPT

[General Journal and General Ledger](#)

6

Examine the partial balance sheet vertical analysis below.

**Based on the information shown, what is the correct amount and percentage of accounts payable?**

- ☐ \$20,000; 25%
- ☒ \$18,000; 22.5%
- ☐ \$22,000; 25%
- ☐ \$20,000; 20%

## CONCEPT

[Vertical Analysis and Horizontal Analysis](#)

7

**What is the name of the accounting system documented in the 15th century by Luca Pacioli?**

- ☒ Double-entry
- ☐ Monetary unit
- ☐ Managerial
- ☐ Cost

## CONCEPT

[Origins and Ethics](#)

8

**The statement of changes in owner's equity is a financial statement \_\_\_\_\_ that provides information about changes to the equity of a business for \_\_\_\_\_.**

- ☐ prepared third, a specific date

- ☐ prepared third, a given time period
- ☐ prepared first, a specific date
- ☒ prepared second, a given time period

## CONCEPT

[Statement of Changes in Owner's Equity](#)

9

Based on the above company history, which of the numbers below is the percentage of credit sales that are typically uncollectible?

- ☐ 3%
- ☒ 5%
- ☐ 4%
- ☐ 6%

## CONCEPT

[Allowance Method: Percentage of Net Credit Sales and Percentage of Receivables](#)

10

Which of the following statements is true for a multi-step income statement?

- ☐ Includes temporary and permanent accounts
- ☐ Shows the amount of equity
- ☐ Shows a higher net income



Has subtotals for gross profit and operating income

## CONCEPT

[Preparing Income Statements](#)

11

**Given the information in the partial income statement below, what is the cost of goods sold?**



\$45,500



\$50,000



\$68,000



\$53,500

## CONCEPT

[Expanded Income Statement](#)

12

**Which of the following is responsible for conducting an independent examination of a company's financial statements and records?**



Bookkeeper



Stakeholder



Auditor



Controller

## CONCEPT

[Accounting in Practice](#)

13

If Karla spent \$200 on Wednesday to have the windows in her building washed, recorded the accounting event that afternoon and on Friday paid \$550 for a repair to the water heater and recorded that event on Friday evening, which of the accounting principles below is she following?

- ☐ Cost Principle
- ☐ Expense Recognition Principle
- ☒ Time Period Principle
- ☐ Full Disclosure Principle

## CONCEPT

[Conceptual Framework and Principles](#)

14

What are the total liabilities of John's Tackle if the total assets are \$142,000 and the equity is \$39,000?

- ☐ \$181,000
- ☒ \$103,000
- ☐ \$220,000
- ☐ \$284,000

## CONCEPT

[Preparing Balance Sheets](#)

15

This month, Julia paid \$2.50 each for 125 dog collars. She sold 72 dog collars for \$5.95 each.

What is Julia's cost of goods sold for this month?

- ☒ \$180.00

• ☐

\$312.50

• ☐

\$215.00

• ☐

\$428.40

## CONCEPT

[Merchandising](#)

16

**Which of the following statements is true about GAAP?**

• ☐

As long as a publicly-traded U.S. company uses GAAP, they are not required to report to the Securities and Exchange Commission.

• ☐

GAAP refers to the international accounting rules that U.S. companies must follow for their international operations.

• ☐

GAAP was created to educate the public about how to invest in U.S. securities markets.

• ☒

GAAP contains the procedures, standards and rules for accounting information in the U.S.

## CONCEPT

[Governance](#)

17

**Which of the following examples can be classified as an accounts receivable?**

• ☐

Terry issued a paycheck to his receptionist.

• ☒

Terry took a \$500 deposit for the upcoming stay of the boa constrictor.

• ☐

Terry sent a specialty cage supplier a payment on account.

• ☐

Terry placed an order for food for the spotted genet. The terms of sale were cash in advance.

## CONCEPT

Ann bought three sweaters online. Each of the sweaters was normally priced at \$75. She received a sales discount for paying for her sweaters in full within 10 days. She ultimately paid \$180 for all three.

**Which discount percentage did she receive?**

- ☐ 25%
- ☐ 5%
- ☒ 20%
- ☐ 10%

## CONCEPT

**What is the total of Tim's assets if he has recorded \$9,000 in liabilities and \$3,000 as equity on a balance sheet?**

- ☐ \$15,000
- ☒ \$12,000
- ☐ \$3,000
- ☐ \$6,000

## CONCEPT

**Which asset below is a current asset?**



- ☐ Delivery truck
- ☐ Office building
- ☐ Commercial kitchen
- ☒ Prepaid insurance premium

## CONCEPT

[Long Term Assets](#)

21

The value of a machine was \$400,000 when purchased new one year ago. It has an expected life of five years and the income statement shows the straight line depreciation rate as 20%.

**Using double declining balance depreciation, what is the value of the machine at the end of year two?**

- ☒ \$144,000
- ☐ \$240,000
- ☐ \$160,000
- ☐ \$96,000

## CONCEPT

[Accelerated Depreciation](#)

22

**Which of the following is a major advantage to forming a corporation?**

- ☐

Lenders of a corporation do not have the right to claim the corporation's assets to pay its debts.

• ☒

A corporation is usually managed by its owners.

• ☐

Stockholders have limited liability for the debts of the corporation.

• ☐

The income from a corporation is not taxed.

## CONCEPT

[Businesses and Organizations](#)

23

Which of the following describes unearned revenues?

• ☐

\$1,500 in sales tax collected

• ☐

\$45,000 in total payroll owed to employees on May 1

• ☒

\$3,500 paid to a company for services it will provide next week

• ☐

The accounts payable totals \$9,500

## CONCEPT

[Current Liabilities](#)

24

The statues and garden decorations in the warehouse belonging to Woodman's Flowers and Gifts are considered which of the following?

• ☐

Equity

• ☐

Profits

• ☒

Assets

• ☐

Expenses

## CONCEPT

**Which of the following internal controls has Jim implemented at his company if he hires an outside auditing firm to review the company's financial records?**

- ☐ Information and communication systems
- ☐ Monitoring processes
- ☐ Control environment
- ☒ Risk assessment