1. The balance in the supplies account on June 1 was $5,200, supplies purchased during June were $3,500, and the supplies on hand at June 30 were $3,000. The amount to be used for the appropriate adjusting entry is
   1. $3,500.
   2. $5,700.
   3. $6,500.
   4. $11,700.
2. Meat Puppets Company purchased equipment for $7,200 on December 1. It is estimated that annual depreciation on the equipment will be $1,800. If financial statements are to be prepared on December 31, the company should make the following adjusting entry:
   1. Debit Depreciation Expense, $1,800; Credit Accumulated Depreciation, $1,800.
   2. Debit Depreciation Expense, $150; Credit Accumulated Depreciation, $150.
   3. Debit Depreciation Expense, $5,400; Credit Accumulated Depreciation, $5,400.
   4. Debit Equipment, $7,200; Credit Accumulated Depreciation, $7,200
3. REM Real Estate received a check for $27,000 on July 1 which represents a 6 month advance payment of rent on a building it rents to a client. Unearned Rent Revenue was credited for the full $27,000. Financial statements will be prepared on July 31. REM Real Estate should make the following adjusting entry on July 31:
   1. Debit Unearned Rent Revenue, $4,500; Credit Rent Revenue, $4,500.
   2. Debit Rent Revenue, $4,500; Credit Unearned Rent Revenue, $4,500.
   3. Debit Unearned Rent Revenue, $27,000; Credit Rent Revenue, $24,000.
   4. Debit Cash, $27,000; Credit Rent Revenue, $27,000.
4. As prepaid expenses expire with the passage of time, the correct adjusting entry will be a
   1. debit to an asset account and a credit to an expense account.
   2. debit to an expense account and a credit to an asset account.
   3. debit to an asset account and a credit to an asset account.
   4. debit to an expense account and a credit to an expense account.
5. What is the proper adjusting entry at June 30, the end of the fiscal year, based on a prepaid insurance account balance before adjustment, $18,500, and unexpired amounts per analysis of policies of $6,000?
   1. Debit Insurance Expense, $6,000; Credit Prepaid Insurance, $6,000.
   2. Debit Insurance Expense, $18,500; Credit Prepaid Insurance, $18,500.
   3. Debit Prepaid Insurance, $12,500; Credit Insurance Expense, $12,500.

d. Debit Insurance Expense, $12,500; Credit Prepaid Insurance, $12,500

1. NWA Air Charter signed a four-month note payable in the amount of $20,000 on September 1. The note requires interest at an annual rate of 9%. The amount of interest to be accrued at the end of September is
   1. $150.
   2. $200.
   3. $600.
   4. $1,800.
2. Uncle Tupelo's Gifts signs a three-month note payable to help finance increases in inventory for the Christmas shopping season. The note is signed on November 1 in the amount of $75,000 with annual interest of 12%. What is the adjusting entry to be made on December 31 for the interest expense accrued to that date, if no entries have been made previously for the interest?

a. Interest Expense 1,500

Interest Payable 1,500

b. Interest Expense 2,250

Interest Payable 2,250

c. Interest Expense 1,500

Cash 1,500

d. Interest Expense 1,500

Notes Payable 1,500

8. What is the proper adjusting entry at June 30, the end of the fiscal year, based on a prepaid insurance account balance before adjustment, $15,500, and unexpired amounts per analysis of policies of $6,000?

a. Debit Insurance Expense, $6,000; Credit Prepaid Insurance, $6,000.

b. Debit Insurance Expense, $15,500; Credit Prepaid Insurance, $15,500.

c. Debit Prepaid Insurance, $9,500; Credit Insurance Expense, $9,500.

d. Debit Insurance Expense, $9,500; Credit Prepaid Insurance, $9,500.

Ans: d, LO 5, BT: AP, Difficulty: Medium, TOT: 2 min., AACSB: Analytic, AICPA BB: None, AICPA FN: Reporting, AICPA PC: Problem solving

9. At December 31, 2013, before any year-end adjustments, Murmur Company's Insurance Expense account had a balance of $1,450 and its Prepaid Insurance account had a balance of $3,800. It was determined that $2,800 of the Prepaid Insurance had expired. The adjusted balance for Insurance Expense for the year would be

a. $1,450.

b. $2,450.

c. $2,800.

d. $4,250.

Ans: d

10. Using the facts from question 6, what would be the ending balance in the prepaid insurance account?

1. $2,350
2. $1,000
3. $1,450
4. $5,250

b. Created

11. The balance in the Prepaid Rent account before adjustment at the end of the year is $18,000, which represents three months’ rent paid on December1. The adjusting entry required on December 31 is to

a. debit Rent Expense, $6,000; credit Prepaid Rent, $6,000.

b. debit Rent Expense, $12,000; credit Prepaid Rent $12,000.

c. debit Prepaid Rent, $6,000; credit Rent Expense, $6,000.

d. debit Prepaid Rent, $12,000; credit Rent Expense, $12,000.

12. The income statement for the month of June, 2013 of Camera Obscura Enterprises contains the following information:

Revenues $7,000

Expenses:

Salaries and Wages Expense $3,000

Rent Expense 1,000

Advertising Expense 800

Supplies Expense 300

Insurance Expense 100

Total expenses 5,200

Net income $1,800

The entry to close the revenue account includes a

1. debit to Income Summary for $1,800.
2. credit to Income Summary for $1,800.
3. debit to Income Summary for $7,000.
4. credit to Income Summary for $7,000.

13. The entry to close the expense accounts includes a

1. debit to Income Summary for $1,800.
2. credit to Rent Expense for $1,000.
3. credit to Income Summary for $5,200.
4. debit to Wages Expense for $3,000.

14. After the revenue and expense accounts have been closed, the balance in Income Summary will be

* 1. $0.
  2. a debit balance of $1,800.
  3. a credit balance of $1,800.
  4. a credit balance of $7,000.

15. The entry to close Income Summary to Retained Earnings includes

* 1. a debit to Revenues for $7,000.
  2. credits to Expenses totalling $5,200.
  3. a credit to Income Summary for $1,800
  4. a credit to Retained Earnings for $1,800.

16. At June 1, 2013, Camera Obscura reported retained earnings of $35,000. The company paid no dividends during June. At June 30, 2013, the company will report retained earnings of

* 1. $29,800.
  2. $35,000.
  3. $36,800.
  4. $42,000.

17. Lake of Fire Company purchased supplies costing $7,000 and debited Supplies for the full amount. At the end of the accounting period, a physical count of supplies revealed $1,900 still on hand. The appropriate adjusting journal entry to be made at the end of the period would be

* 1. Debit Supplies Expense, $1,900; Credit Supplies, $1,900.
  2. Debit Supplies, $5,100; Credit Supplies Expense, $5,100.
  3. Debit Supplies Expense, $5,100; Credit Supplies, $5,100.
  4. Debit Supplies, $1,900; Credit Supplies Expense, $1,900.

18. Soundgarden Company collected $18,200 in May of 2015 for 5 months of service which would take place from October of 2015 through February of 2016. The revenue reported from this transaction during 2015 would be

* 1. $0.
  2. $7,280.
  3. $10,920.
  4. $18,200

15. On January 1, 2012, Doolittle Company purchased a computer system for $5,670. The company expects to use the system for 3 years. The asset has no salvage value. The net (book) value of the system at December 31, 2013 is

a. $0.

b. $1,890.

c. $3,780.

d. $5,670.

16. Pioneer paid salaries and wages on Friday, October 26; the next payment of salaries will not occur until Friday, November 9. The employees receive total salaries of $2,000 for a five-day work week, or $400 per day. On October 31, Pioneer should recognize salary expense of:

a. $0

b. $400

c. $1,200

d. $2,000

17. Using the same facts as question 16, on October 31 Pioneer will make the following journal entry.

a. Salary Expense $1,200

Salary Payable $1,200

b. Salary Expense $2,000

Cash $2,000

c. Salary Expense $2,000

Salary Payable $2,000

d. Salary Expense $800

Salary Payable $1,200

Cash $2,000

17. Using the same facts as question 16, on November 2 Pioneer will make the following journal entry.

a. Salary Expense $1,200

Salary Payable $1,200

b. Salary Expense $2,000

Cash $2,000

c. Salary Expense $2,000

Salary Payable $2,000

d. Salary Expense $800

Salary Payable $1,200

Cash $2,000

18. On a classified balance sheet, inventory is classified as

a. an intangible asset.

b. property, plant, and equipment.

c. a long-term investment.

d. a current asset.