

Walsh College
Intermediate Accounting I
Practice Evaluation Exam

Student Name: _____

Phone/Email: _____

Date: _____

This evaluation exam will be used to determine your knowledge of Financial Accounting and to assist the College in determining your appropriate curriculum.

Topics:

The following topics appear on this exam. Some of these topics are addressed in several questions, while others appear only once. This list is not meant to be all-inclusive; there are topics on the exam not on this list. Preparation for the exam should include review of these topics, referring to a Financial Accounting textbook.

Adjusting journal entries	Accrued expense
Freight-In	FIFO vs LIFO Effects
Book Value	Gross profit/Gross margin
Journal entries	Dividends declared
The accounting equation	Annuity dues
Current ratio	Future value computations
Treasury Stock	Present value computations
Prepaid Insurance	Accounts receivable
Unearned subscription revenue	Allowance for doubtful accounts
Cash-to-accrual basis	NSF checks
Ending inventory errors: effect on net incomes, retained earnings, working capital	Deposits in transit
Cost of goods sold	Outstanding checks
Working capital	Bank service charges
Retained earnings	Inventory computations: FIFO (periodic) LIFO (periodic) Weighted-average F.O.B. shipping point F.O.B. destination Goods in transit
Notes Receivable	
Gross Profit Method to estimate inventory	
Capital stock	
Additional paid-in-capital	Fixed asset sales
Prepaid expense	Fixed asset exchanges: Exchanges with commercial substance Exchanges without commercial substance
Accrued revenue	Computation of Goodwill
Depreciation expense Straight-line Sum-of-the-Years'-Digits Double-declining balance	

Exam Procedures:

You may take the exam at the Troy Campus Testing Center in room 120, the University Center at Macomb Community College, or the Novi Campus. Present this form and the proctor will provide you with the appropriate evaluation exam. Please visit the testing center website for additional guidance. <http://www.walshcollege.edu/testingcenter>

If you have any questions, please contact Deborah Mourray, Accounting Academic Advisor at:

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Score: _____	Pass/Fail
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Routing	Name	Date
Advisor		
Testing Center		
D Barrantes		
D Mourray		

Name _____ Start Time _____
Date _____ End Time _____

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1. This exam is 20 multiple choice questions. All answers must go on the Scantron card. Be sure to fully erase any stray marks on the Scantron before completion of the exam. Note that the Scantron card is “scrambled” and you must carefully mark the proper line. For example, your answer to Question #1 will not be marked on the top line of the Scantron; instead, you must locate the line for #1, which is included in the top ten lines of the Scantron.
2. You may make notations on the exam, but they will not be a factor in your score. No reference to books or notes is allowed. You are allowed the following during this exam:
 - ✓ Pencils
 - ✓ Erasers
 - ✓ Calculator and scrap paper, both provided by Walsh College
3. Attached to the end of the exam are present and future value tables.
4. Answer all 20 questions. Be sure your name is on both the Scantron card and the exam. Do not include your social security number. Provide your signature and today’s date in the box below.
5. You are allowed 1.25 hours for this exam. Passing score is 75%.
6. When you have completed the Exam, place the Exam, the scrap paper and the Scantron in the white envelope. Write your name and date on the white envelope. Seal the white envelope. Return the gold envelope and the white envelope to the Proctor.
7. The academic advisor will inform you of your score. You will not be allowed to review the exam or your Scantron card.

I acknowledge that I have been directed to work individually on this exam.

I certify that I have not referred to notes, books, additional calculators, communication devices, or received information from other individuals during the exam.

Signature _____

Date _____

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1. Information pertaining to Forest Company's manufacturing operations:

<u>Inventories</u>	March 1	March 31
Raw Materials	\$36,000	\$30,000
Work-in-process	12,000	18,000
Finished goods	54,000	72,000

Additional information for the month of March:

Raw Materials purchased	\$ 84,000
Direct Labor payroll	60,000
Factory overhead	80,000

For the month of March, cost of goods manufactured was:

- a) \$218,000
 - b) \$224,000
 - c) \$230,000
 - d) \$236,000
 - e) None of the above
2. Decker Company assigns some of its patents to other enterprises under a variety of licensing agreements. In some instances advance royalties are received when the agreements are signed, and in others, royalties are remitted within sixty days after each license year-end. The following data are included in Decker's December 31 balance sheet:

	<u>2015</u>	<u>2016</u>
Royalties receivable	\$90,000	\$75,000
Unearned royalties	60,000	40,000

During 2016 Decker received royalty remittances of \$200,000. In its income statement for the year ended December 31, 2016, Decker should report royalty income of:

- a) \$195,000
- b) \$235,000
- c) \$220,000
- d) \$205,000
- e) \$165,000

3. During 2016, Paul Company discovered that the ending inventories reported on its financial statements were incorrect by the following amounts:

2014	\$60,000 understated
2015	75,000 overstated

Prior to any adjustments for these errors and ignoring income taxes, Paul's retained earnings at December 31, 2016, would be:

- a) Correct
 b) \$15,000 overstated
 c) \$15,000 understated
 d) \$135,000 overstated
 e) \$75,000 overstated
4. At the end of 2015, Ritzcar Co. failed to accrue wages earned by employees during 2015 but paid in 2016. Ritzcar recorded the expense when the wages were paid early in 2016. Ritzcar properly accrued wages at the end of 2016. What was the effect of the error on 2016 ending working capital and on the 2015 ending retained earnings balance?

	<u>2016 ending working capital</u>	<u>2015 ending retained earnings</u>
a)	Overstated	Overstated
b)	No effect	Overstated
c)	No effect	No effect
d)	Overstated	No effect
e)	Understated	Overstated

5. A machine is purchased on 1/1/16 for \$15,000. Estimated life is 6 years and the estimated salvage value is \$3,000. Straight-line depreciation is used. What will be the Depreciation Expense listed on the Income Statement for the year ended 12/31/18 and the Book Value on the 12/31/18 Balance Sheet?

	<u>Depreciation Expense</u>	<u>Book Value</u>
a)	\$2,000	\$3,000
b)	\$2,000	\$6,000
c)	\$6,000	\$6,000
d)	\$6,000	\$7,500
e)	\$2,000	\$7,500

6. In a period of rising prices, the inventory method which tends to give the lowest reported inventory is:
- a) FIFO
 - b) Moving average
 - c) LIFO
 - d) Weighted-average
 - e) Specific identification

7. The following changes in Vel Corp.'s account balances occurred during 2016:

Assets	\$89,000 increase
Liabilities	27,000 increase
Capital stock	60,000 increase
Additional paid-in-capital	6,000 increase

Except for a \$13,000 dividend payment and the year's net income, there were no changes in retained earnings for 2016. No other equity changes existed.

What was Vel's net income for 2016?

- a) \$ 4,000
 - b) \$ 9,000
 - c) \$50,000
 - d) \$37,000
 - e) \$63,000
8. For Merando Company, the following information is available:

Cost of goods sold	\$ 90,000
Dividend revenue	4,000
Sales Returns	9,000
Operating expenses	35,000
Sales	150,000

In Merando's multiple-step income statement, gross profit is:

- a) \$25,000
- b) \$20,000
- c) \$60,000
- d) \$64,000
- e) \$51,000

9. A horizontal analysis of the balance sheet shows that Inventory decreased 28% from the prior year amount. The ending balance in Inventory was \$285,760. What was the beginning balance in Inventory?

- a) \$651,533
- b) \$396,889
- c) \$223,250
- d) \$125,300
- e) \$205,747

10. All of Roberts Company's sales are on a credit basis. The following information is available for 2015:

Allowance for doubtful accounts, 1/1/15 (Normal Balance)	\$ 19,000
Sales	475,000
Sales returns	40,000
Accounts written off as uncollectible	10,000

Roberts provides for doubtful accounts expense at the rate of 3% of net sales. Following adjusting entries at December 31, 2015, the allowance for doubtful accounts balance will be:

- a) \$ 5,950
- b) \$32,050
- c) \$13,050
- d) \$12,050
- e) \$22,050

Use the following information to answer the next two questions

On January 1, 2012 the Donnelly Company rendered services to the Johnson Company at an agreed upon price of \$100,000, accepting \$10,000 down and agreeing to accept the balance in three equal installments of \$30,000, receivable each December 31 beginning 12/31/12. Assume an effective interest rate of 10%, and use of the effective method of amortization. Refer to the present value tables located on the final page of this exam to answer this question.

11. Donnelly's journal entry on 1/1/12 to record service revenue will include:

- a) A credit to Discount on Notes Receivable \$25,395
- b) A debit to Service Revenue \$74,606
- c) A debit to Discount on Notes Receivable \$15,395
- d) A credit to Service Revenue \$84,606
- e) A credit to Discount on Notes Receivable \$10,000

12. Donnelly's interest to be recorded in the year 2012 is approximately:

- a) \$ 7,461
- b) \$15,395
- c) \$ 8,461
- d) \$ 5,132
- e) \$25,394

13. In preparing its bank reconciliation for the month of April, Gregg, Inc. has available the following bank balance and 4/30 reconciling items:

Balance per books, 4/30	\$39,140
NSF check returned with 4/30 bank statement	450
Deposits in transit, 4/30	5,000
Outstanding checks, 4/30	5,200
Bank service charges for April	20

What should be the correct balance of cash for the balance sheet at April 30?

- a) \$39,370
- b) \$38,940
- c) \$38,490
- d) \$38,670
- e) \$38,960

Use the following information to answer the next two questions

Dexter, Inc. is a calendar-year corporation. Its financial statements for the years 2017 and 2016 contained errors as follows:

	<u>2017</u>	<u>2016</u>
Ending inventory	\$3,000 overstated	\$8,000 overstated
Depreciation expense	\$2,000 overstated	\$6,000 overstated

14. Assume that no correcting entries were made at December 31, 2016. By how much will retained earnings at December 31, 2017 be overstated or understated?

- a) \$1,000 understated
- b) \$5,000 overstated
- c) \$5,000 understated
- d) \$9,000 understated
- e) \$9,000 overstated

15. Assume that no correcting entries were made at December 31, 2016, or December 31, 2017, and that no additional errors occurred in 2018. By how much will retained earnings at December 31, 2018 be overstated or understated?
- a) \$0
 - b) \$2,000 overstated
 - c) \$2,000 understated
 - d) \$8,000 understated
 - e) \$8,000 overstated

16. During January, Neff Co., which maintains a periodic inventory system, recorded the following information pertaining to its inventory:

	<u>Units</u>	<u>Unit cost</u>	<u>Total cost</u>	<u>Units on hand</u>
Balance on 1/1	1,000	\$1	\$1,000	1,000
Purchased on 1/7	600	3	1,800	1,600
Sold on 1/20	900			700
Purchased on 1/25	400	5	2,000	1,100

Under the LIFO method, what amount should Neff report as inventory at January 31?

- a) \$1,300
 - b) \$2,700
 - c) \$3,900
 - d) \$4,100
17. The following information is available for October for Jordan Company:

Beginning inventory	\$70,000
Net purchases	150,000
Net sales	240,000
Percentage markup on cost	66.67%

A fire destroyed Jordan's October 31 inventory, leaving undamaged inventory with a cost of \$3,000. Using the gross profit method, the estimated ending inventory destroyed by fire is:

- a) \$37,000
- b) \$73,000
- c) \$80,000
- d) \$137,000
- e) \$97,000

18. Starr Company purchased a depreciable asset for \$140,000. The estimated salvage value is \$10,000, and the estimated useful life is 8 years. The double-declining balance method will be used for depreciation. What is the depreciation expense for the second year on this asset?
- a) \$16,250
 - b) \$26,250
 - c) \$24,375
 - d) \$30,625
 - e) \$37,500

Use the following information to answer the next two questions

Equipment that cost \$66,000 and has accumulated depreciation of \$30,000 is exchanged for equipment with a fair value of \$42,000 and \$14,000 cash is received.

19. Assuming the exchange had commercial substance, the gain to be recognized from the exchange is:
- a) \$4,800
 - b) \$6,000
 - c) \$18,000
 - d) \$24,000
 - e) \$20,000
20. Assuming the exchange lacked commercial substance, the gain to be recognized on the exchange is:
- a) \$7,000
 - b) \$24,000
 - c) \$14,000
 - d) \$5,000
 - e) \$0

Time Value of Money Tables: 10%

(n) Periods	Future Value of \$1	Present Value of \$1	Future Value of an Ordinary Annuity	Present Value of an Ordinary Annuity
2	1.21000	.82645	2.10000	1.73554
3	1.33100	.75132	3.31000	2.48685
4	1.46410	.68301	4.64100	3.16986
5	1.61051	.62092	6.10510	3.79079
6	1.77156	.56447	7.71561	4.35526
7	1.94872	.51316	9.48717	4.86842

Intermediate Accounting I
Practice Evaluation Answer Key

1. b
2. d
3. a
4. b
5. b
6. c
7. b
8. e
9. b
10. e
11. d
12. a
13. d
14. c
15. d
16. a
17. b
18. b
19. e
20. d