Summer 2002
Accounting 2110
Practice Exam 4

Student __________________________________ IDNO _________________

PLEASE ENTER YOUR NAME AND IDNO ON THE SCAN TRON SHEET!

1. Which of the following most likely would be classified as a current liability?

   a. Dividends payable
   b. Bonds payable
   c. Three-year notes payable
   d. Mortgage payable

2. Current liabilities are due

   a. but not receivable for more than one year.
   b. but not payable for more than one year.
   c. and receivable withing one year.
   d. and payable within one year.

3. Lyon County Bank agrees to lend the Grimwood Brick Company $100,000 on January 1. Grimwood Brick Company signs a $100,000, 8%, 9-month note. The entry made by Grimwood Brick Company on January 1 to record the proceeds and issuance of the note is

   a. Interest Expense (debit)........... 6,000
   Cash (debit)......................... 94,000
   Notes Payable (credit)........... 100,000
   b. Cash 100,000
   Notes Payable 100,000
   c. Cash 100,000
   Interest Expense 6,000
   Notes Payable 106,000
   d. Cash 100,000
   Interest Expense 6,000
   Notes Payable 100,000
   Interest Payable 6,000

4. On October 1, Mike's Carpet Service borrows $50,000 from National

Bank on a 3-month, $50,000, 8% note. What entry must Mike's Carpet Service make on December 31 before financial statements are prepared?

a. Interest Payable (debit)..............	1,000	
Interest Expense (credit).......		1,000
b. Interest Expense	4,000	
Interest Payable		4,000
c. Interest Expense	1,000	
Interest Payable		1,000
d. Interest Expense	1,000	
Notes Payable		1,000

5. On January 1, 2000, Brunson Company, a calendar-year company, issued $200,000 of notes payable, of which $50,000 is due on January 1 for each of the next four years. The proper balance sheet presentation on December 31, 2000, is

a. Current Liabilities, $200,000.
b. Long-term Debt , $200,000.
c. Current Liabilities, $50,000; Long-term Debt, $150,000.
d. Current Liabilities, $150,000; Long-term Debt, $50,000.

6. Liquidity ratios measure a company's

a. operating cycle.
b. revenue-producing ability.
c. short-term debt paying ability.
d. long-range solvency.

7. Bonds that are issued against the general credit of the borrower are called

a. callable bonds.
b. debenture bonds.
c. secured bonds.
d. term bonds.

8. A bond with a face value of $100,000 and a quoted price of 98 1/4 has a selling price of

a. $98,250.
b. $98,025.
c. $98,002.
d. $98,500.

9. If the market rate of interest is 10%, a $10,000, 12%, 10-year bond that pays interest semiannually would sell at an amount

a. less than face value.
b. equal to the face value.
c. greater than face value.
d. that cannot be determined.

10. In the balance sheet, the account, Premium on Bonds Payable, is

a. added to bonds payable.
b. deducted from bonds payable.
c. classified as a stockholders' equity account.
d. classified as a revenue account.

11. A measure of a company's solvency is the

a. acid-test ratio.
b. current ratio.
c. times interest earned ratio.
d. asset turnover ratio.

12. Which of the following factors does not affect the initial market price of a stock?

a. The company's anticipated future earnings
b. The par value of the stock
c. The current state of the economy
d. The expected dividend rate per share

13. The amount of stock that may be issued according to the corporation's charter is referred to as the

a. authorized stock.
b. issued stock.
c. unissued stock.
d. outstanding stock.

14. If common stock is issued for an amount greater than par value, the excess should be credited to

a. Cash.
b. Retained Earnings.
c. Paid-in Capital in Excess of Par Value.
d. Legal Capital.

15. Treasury stock is

a. stock issued by the U.S. Treasury Department.
b. stock purchased by a corporation and held as an investment in its treasury.
c. corporate stock issued by the treasurer of a company.
d. a corporation's own stock, which has been reacquired and held for future use.

16. The acquisition of treasury stock by a corporation

a. increases its total assets and total stockholders' equity.
b. decreases its total assets and total stockholders' equity.
c. has no effect on total assets and total stockholders' equity.
d. requires that a gain or loss be recognized on the income statement.

17. Treasury Stock is a(n)

a. contra asset account.
b. retained earnings account.
c. asset account.
d. contra stockholders' equity account.

18. Treasury shares plus outstanding shares equal

a. authorized stock.
b. issued stock.
c. unissued stock.
d. distributable stock.

19. The Ace Corporation issues 10,000 shares of $50 par value preferred stock for cash at $60 per share. In the stockholders' equity section, the effects of the transaction above will be reported

a. entirely within the capital stock section.
b. entirely within the additional paid-in capital section.
c. under both the capital stock and additional paid-in capital sections.
d. entirely under the retained earnings section.

20. Dividends in arrears are dividends on

a. cumulative preferred stock that have been declared but have not been paid.

b. non-cumulative preferred stock that have not been declared for a given period of time.
c. cumulative preferred stock that have not been declared for a given period of time.
d. common dividends that have been declared but have not yet been paid.

21. The board of directors of Essex Company declared a cash dividend on November 15, 2000, to be paid on December 15, 2000, to stockholders owning the stock on November 30, 2000. Given these facts, the date of November 30, 2000, is referred to as the

a. declaration date.
b. record date.
c. payment date.
d. ex-dividend date.

22. The board of directors of Easton Company declared a cash dividend of $1.50 per share on 42,000 shares of common stock on July 15, 2001. The dividend is to be paid on August 15, 2001, to stockholders of record on July 31, 2001. The correct entry to be recorded on July 15, 2001, will include a

a. debit to Dividend Payable
b. debit to Retained Earnings.
c. credit to Cash.
d. credit to Retained Earnings.

23. Which of the following would not affect the balance of the Retained Earnings account?

a. Net income
b. Stock dividend
c. Stock split
d. Gains and losses of a company

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ANSWER KEY

Accounting 2110

Text Chapter	Bank Ref	Exam Question	Answer	Ques Type	Diff Cat	Lrng Lvl	Obj	Page
10	64	1	a	MChoice		1		
10	67	2	d	MChoice		1		
10	69	3	b	MChoice		2		
10	73	4	c	MChoice		2		
10	83	5	c	MChoice		3		
10	101	6	c	MChoice		4		
10	113	7	b	MChoice		5		
10	121	8	a	MChoice		5		
10	131	9	c	MChoice		6		
10	146	10	a	MChoice		6		
10	166	11	c	MChoice		8		
11	70	12	b	MChoice		1		
11	77	13	a	MChoice		1		
11	79	14	c	MChoice		2		
11	83	15	d	MChoice		3		
11	84	16	b	MChoice		3		
11	88	17	d	MChoice		3		
11	90	18	b	MChoice		3		
11	93	19	c	MChoice		4		
11	96	20	c	MChoice		4		
11	99	21	b	MChoice		5		
11	103	22	b	MChoice		5		
11	113	23	c	MChoice		5		