Name: _________________________ Date: ____________

1. On March 1, Squire Company purchased a new stamping machine with a list price of $24,000. The Company paid cash for the machine; therefore, it was allowed a 3% discount. Other costs associated with the machine were: transportation costs, $550; sales tax paid, $1,680; installation costs, $450; routine maintenance during the first month of operation, $500. The cost recorded for the machine was:
   A) $23,730.
   B) $24,000.
   C) $25,960.
   D) $26,680.

2. Crickett Company paid $375,000 for a basket purchase that included office furniture, a building and land. An appraiser provided the following estimates of the market values of the assets if they had been purchased separately: Office furniture – $75,000; Building – $320,000, Land – $36,000. Based on this information the amount of cost that would be allocated to the office furniture is:
   A) $31,323.
   B) $65,255.
   C) $75,000.
   D) $278,422.

3. Mobley Company purchased an asset with a list price of $35,000. Mobley received a 2% cash discount. The asset was delivered under terms FOB shipping point and freight costs amounted to $700. Mobley paid $800 to have the asset installed. Insurance costs to protect the asset from fire and theft amounted to $400 for the first year of operations. Based on this information, the cost capitalized in the asset account would be:
   A) $36,500.
   B) $36,900.
   C) $35,000.
   D) $35,800.

4. Evelyn Company purchased equipment that cost $55,000 cash on January 1, 2005. The equipment had an expected useful life of six years and an estimated salvage value of $4,000. Assuming that Evelyn depreciates its assets under the straight-line method, the amount of depreciation expense appearing on the December 31, 2007 income statement and the amount of accumulated depreciation appearing on the December 31, 2007 balance sheet would be:

	Depreciation Expense	Accumulated Depreciation
A)	$8,500	$25,500
B)	$8,500	$8,500
C)	$25,500	$8,500
D)	$25,500	$25,500

5. Digger Company purchased a truck that cost $26,000. The company expected to drive the truck 100,000 miles. The truck had an estimated salvage value of $2,000. If the truck is driven 36,000 miles in the current accounting period, which of the following amounts should be recognized as depreciation expense?
   A) $8,640.
   B) $9,360.
   C) $8,000.
   D) $8,280.

6. Markum Company owned an asset that had cost $32,000. The company sold the asset on January 1, 2006 for $8,000. Accumulated depreciation on the day of sale amounted to $26,000. Based on this information, the sale would result in:
   A) an $8,000 increase in total assets.
   B) a $6,000 cash inflow in the financing activities section of the cash flow statement.
   C) a $2,000 gain in the operating activities section of the statement of cash flows.
   D) an $8,000 cash inflow in the investing activities section of the cash flow statement.

7. Equipment was purchased for $60,000. Freight charges amounted to $2,800 and there was a cost of $8,000 for building a foundation and installing the equipment. It is estimated that the equipment will have a $12,000 salvage value at the end of its 5-year useful life. Depreciation expense each year using the straight-line method will be
   A) $14,160.
   B) $11,760.
   C) $9,840.
   D) $9,600.

8. A truck costing $30,000 and on which $25,000 of accumulated depreciation has been recorded was discarded as having no value. The entry to record this event would include a
   A) gain of $5,000.
   B) loss of $5,000.
   C) credit to Accumulated Depreciation for $25,000.
   D) credit to Accumulated Depreciation for $30,000.

9. During 2007, Sitter Corporation reported net sales of $2,000,000, net income of $1,200,000, and depreciation expense of $100,000. Sitter also reported beginning total assets of $1,000,000, ending total assets of $1,500,000, plant assets of $800,000, and accumulated depreciation of $500,000. Sitter's asset turnover ratio is
   A) 2 times.
   B) 1.6 times.
   C) 1.3 times.
   D) .96 times.

10. A factory machine was purchased for $60,000 on January 1, 2007. It was estimated that it would have a $12,000 salvage value at the end of its 5-year useful life. It was also estimated that the machine would be run 40,000 hours in the 5 years. If the actual number of machine hours ran in 2007 was 4,000 hours and the company uses the units-of-activity method of depreciation, the amount of depreciation expense for 2007 would be
    A) $6,000.
    B) $9,600.
    C) $12,000.
    D) $4,800.

11. A machine with a cost of $160,000 has an estimated salvage value of $10,000 and an estimated useful life of 5 years or 15,000 hours. It is to be depreciated using the units-of-activity method of depreciation. What is the amount of depreciation for the second full year, during which the machine was used 5,000 hours?
    A) $50,000
    B) $30,000
    C) $43,333
    D) $53,333

12. Equipment with a cost of $240,000 has an estimated salvage value of $15,000 and an estimated life of 4 years or 15,000 hours. It is to be depreciated using the units-of-activity method. What is the amount of depreciation for the first full year, during which the equipment was used 3,300 hours?
    A) $60,000
    B) $67,800
    C) $49,500
    D) $56,250

13. Vickers Company uses the units-of-activity method in computing depreciation. A new plant asset is purchased for $36,000 that will produce an estimated 100,000 units over its useful life. Estimated salvage value at the end of its useful life is $3,000. What is the depreciation cost per unit?
    A) $3.30
    B) $3.60
    C) $0.33
    D) $0.36

14. Interline Trucking purchased a tractor trailer for $98,000. Interline uses the units-of-activity method for depreciating its trucks and expects to drive the truck 1,000,000 miles over its 12-year useful life. Salvage value is estimated to be $14,000. If the truck is driven 90,000 miles in its first year, how much depreciation expense should Interline record?
    A) $7,000
    B) $8,820
    C) $7,560
    D) $8,167

15. On January 2, 2005, the Voom Corporation issued 25,000 shares of $20 stated-value common stock for $24 per share. Which of the following statements is true?
    A) The Paid-in Excess account will increase by $100,000.
    B) The Cash account will increase by $500,000.
    C) The Stock Payable account will increase by $600,000.
    D) The Common Stock account will increase by $600,000.

16. Logan Company purchased 1,000 shares of its own $5 par value common stock. The market price of the stock was $14 per share. Select the journal entry that correctly records Logan's purchase of treasury stock.

A)

Treasury Stock	5,000	
Addition Paid-in Capital		5,000

B)

Treasury Stock	14,000	
Cash		14,000

C)

Treasury Stock	14,000	
Common Stock		5,000
Addition Paid-in Capital		9,000

D)

Cash	14,000	
Treasury Stock		5,000
Additional Paid-in Capital		9,000

17. The recognition of the declaration of a cash dividend will act to:
A) decrease assets and equity.
B) increase liabilities and decrease equity.
C) decrease liabilities and increase equity.
D) increase assets and liabilities.

18. Madison Co. paid dividends of $3,000; $6,000; and $10,000 during 2005, 2006 and 2007 respectively. The company had 500 shares of preferred stock outstanding that paid a $10 per share cumulative dividend. The amount of dividends received by the common shareholder's during 2007 would be:
A) $5,000.
B) $4,000.
C) $3,000.
D) $2,000.

19. Flint Company issued 2,000 shares of $10 par value common stock at a market price of $16. As a result of this accounting event contributed capital would:
A) increase by $12,000.
B) be unaffected by the event.
C) increase by $32,000.
D) increase by $20,000.

20. Harriet, Incorporated decides to issue a 15% stock dividend on 20,000 outstanding shares of $10 stated value common stock. The distribution is made at the time the market value of the stock is $50 a share. How will the entry to record this transaction affect the company's equity accounts.

	Common Stock	Paid in Excess	Retained Earnings
A)	$200,000	800,000	($1,000,000)
B)	$ 30,000	$ 120,000	($ 150,000)
C)	$ 30,000	n/a	($ 30,000)
D)	$200,000	n/a	($ 200,000)

21. The board of directors of Weston Company declared a cash dividend of $1.50 per share on 42,000 shares of common stock on July 15, 2007. The dividend is to be paid on August 15, 2007, to stockholders of record on July 31, 2007. The correct entry to be recorded on August 15, 2007, will include a
    A) debit to Retained Earnings.
    B) credit to Retained Earnings.
    C) credit to Dividends Payable.
    D) debit to Dividends Payable.

22. The board of directors of Weston Company declared a cash dividend of $1.50 per share on 42,000 shares of common stock on July 15, 2007. The dividend is to be paid on August 15, 2007, to stockholders of record on July 31, 2007. The effects of the journal entry to record the payment of the dividend on August 15, 2007, are to
    A) decrease stockholders' equity and decrease liabilities.
    B) decrease liabilities and decrease assets.
    C) increase stockholders' equity and increase liabilities.
    D) increase stockholders' equity and decrease assets.

23. The board of directors of Weston Company declared a cash dividend of $1.50 per share on 42,000 shares of common stock on July 15, 2007. The dividend is to be paid on August 15, 2007, to stockholders of record on July 31, 2007. The correct entry to be recorded on July 15, 2007, will include a
    A) debit to Dividends Payable
    B) debit to Retained Earnings.
    C) credit to Cash.
    D) credit to Retained Earnings.

24. DEN Inc. has 1,000 shares of 4%, $100 par value, cumulative preferred stock and 50,000 shares of $1 par value common stock outstanding at December 31, 2007. What is the annual dividend on the preferred stock?
    A) $40 per share
    B) $4,000 in total
    C) $400 in total
    D) $0.40 per share

25. Sun Inc. has 5,000 shares of 6%, $100 par value, cumulative preferred stock and 50,000 shares of $1 par value common stock outstanding at December 31, 2007. What is the annual dividend on the preferred stock?
    A) $60 per share
    B) $30,000 in total
    C) $3,000 in total
    D) $0.60 per share

26. A corporation purchases 20,000 shares of its own $20 par common stock for $35 per share, recording it at cost. What will be the effect on total stockholders' equity?
    A) Increase by $700,000
    B) Decrease by $400,000
    C) Decrease by $700,000
    D) Decrease by $400,000

Use the following to answer questions 27-29:

ABD Corporation was established on February 15, 2005. ABD is authorized to issue 500,000 shares of $8.00 par value common stock. As of December 2007, ABD's stockholders' equity accounts report the following balances:

Common Stock, $12 par, 500,000 shares authorized, 53,000 shares issued and outstanding		$ 636,000
Retained Earnings		
Appropriated	$150,000	
Unappropriated	625,000	
Total Retained Earnings		775,000
Total Stockholders' Equity		$1,411,000

At the end of 2007, ABD decides to issue a 15% stock dividend.
At the time of issue, the market price of the stock was $14 per share.

27. Determine the dollar of the stock dividend issued by ABD Corporation.
    A) $95,400
    B) $111,300
    C) $900,000
    D) $1,050,000

28. Calculate the number of shares outstanding after the stock dividends are issued.
    A) 7,950 shares
    B) 53,000 shares
    C) 60,950 shares
    D) 507,950 shares

29. What is the correct journal entry to record this transactions?
    A)

Retained Earnings	111,300	
Common Stock		95,400
Paid in Capital in excess of Par		15,900

    B)

Retained Earnings	95,400	
Common Stock		95,400

    C)

Common Stock	900,000	
Paid in Capital in excess of Par	150,000	
Retained Earnings		1,050,000

    D)

Common Stock	900,000	
Retained Earnings		900,000

30. If Morgan Company issues 2,000 shares of $5 par value common stock for $140,000, the account
    A) Common Stock will be credited for $140,000.
    B) Paid-in Capital in Excess of Par Value will be credited for $10,000.
    C) Paid-in Capital in Excess of Par Value will be credited for $130,000.
    D) Cash will be debited for $130,000.

31. Kim, Inc. issued 5,000 shares of stock at a stated value of $10/share. The total issue of stock sold for $15/share. The journal entry to record this transaction would include a
    A) debit to Cash for $50,000.
    B) credit to Common Stock for $50,000.
    C) credit to Paid-in Capital in Excess of Par Value for $25,000.
    D) credit to Common Stock for $75,000.

32. 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.

33. Allstate, Inc., has 10,000 shares of 6%, $100 par value, cumulative preferred stock and 100,000 shares of $1 par value common stock outstanding at December 31, 2007. If the board of directors declares a $50,000 dividend, the
    A) preferred stockholders will receive 1/10th of what the common stockholders will receive.
    B) preferred stockholders will receive the entire $50,000.
    C) $50,000 will be held as restricted retained earnings and paid out at some future date.
    D) preferred stockholders will receive $25,000 and the common stockholders will receive $25,000.

34. Archer, Inc., has 10,000 shares of 8%, $100 par value, non-cumulative preferred stock and 40,000 shares of $1 par value common stock outstanding at December 31, 2007. There were no dividends declared in 2006. The board of directors declares and pays a $120,000 dividend in 2007. What is the amount of dividends received by the common stockholders in 2007?
    A) $0
    B) $80,000
    C) $120,000
    D) $40,000

35. Luther Inc., has 2,000 shares of 8%, $50 par value, cumulative preferred stock and 100,000 shares of $1 par value common stock outstanding at December 31, 2007, and December 31, 2006. The board of directors declared and paid a $6,000 dividend in 2006. In 2007, $24,000 of dividends are declared and paid. What are the dividends received by the preferred stockholders in 2007?
    A) $14,000
    B) $12,000
    C) $10,000
    D) $8,000