

Accounting I--Review problems for ACC101 exam

Realization
Principal

- > On June 5 the shopping newspaper agrees to run ads for for the ABC Co. for every week during the month of July for \$2,000. ABC Co. pays the shopping newspaper \$1,000 on June 5 and the remainder on August 5. Assuming the shopping newspaper uses the accrual basis of accounting, it should recognize this \$2,000 revenue in:
- > JUNE, JULY, AUGUST, HALF IN JUNE; HALF IN AUGUST? July

- > TLClean began providing cleaning service for the XYZ Corp on June 15 for an agreed monthly fee of \$1,200. First payment is to be received on July 15. The adjusting entry required by TLClean on June 30 is:

Cleaning fees Rec. 600 (1/2 Mo.)
Revenue (Cleaning fees) 600

- > A Corporation has assets of \$180,000, liabilities of \$50,000 and capital stock of \$100,000. What is in the retained earnings account?

$$A = L + OE$$

$$180000 = 50000 + 130000 \rightarrow \text{Capital stock } 100,000$$

retained Earnings 30000

- > Lasting Memories Gift Shop purchased graduation cards at an invoice price of \$500-- terms 2/10, n/30. Half the cards had inferior printing and were returned. If Lasting Memories Gifts pays the invoice with the discount period, the amount paid will be:

$$250 \times 98\% = 245$$

AP 245
Inventory 245

Formula: Ending inventory of Lowe's is \$50,000, beginning inventory \$80,000 and Cost of the Goods available for sale \$110,000. What is the COGS?

Beg Inv. + Purch = COGA - End Inv = COGS

80,000 Inventory
+ 30,000 Purchases ~~80,000~~
110,000 COGA
- 50,000 E.I. ~~50,000~~
60,000 COGS ~~30,000~~

> Beg. Inv.	50 units @ \$10	\$500.00
> Apr. 3	30 units @ 10.10	303.00
> May 3	40 units @ 10.20	408.00
> June 16	50 units @ 10.30	515.00

1. Ending inventory is 100 units. What is the COGS if FIFO is used?

$$50 \text{ at } 10.30 = 515$$

$$20 \text{ at } 10.20 = 204 \quad (719)$$

2. Ending inventory is 100 units. What is the COGS if LIFO is used?

$$50 \text{ at } 10.30 = 515$$

$$20 \text{ at } 10.20 = 204 \quad (719)$$

3. Ending inventory is 100 units. What is the COGS if average- cost method is used?

$$\frac{1726}{170} = 10.15 \times 70 = 710.50$$