

**To the Student:**

After your registration is complete and your proctor has been approved, you may take the Credit by Examination for Accounting 1B.

The exam will consist of 100 multiple choice questions. You will have three hours to complete the exam.

**WHAT TO BRING**

- sharpened No. 2 pencils
- You may also bring a calculator.

**ABOUT THE EXAM**

The examination is based on the Essential Knowledge and Skills for this subject. Since questions are not taken from any one source, you can prepare by reviewing any of the state-adopted textbooks that are used at your school. You must review all of the concepts of accounting. If you do not have a textbook or any other study material available locally, you may contact the Outreach & Distance Education Bookstore. The bookstore carries the textbook used with our Accounting 1B Distance Education course. The textbook is *Century 21 Accounting: First Year Course* (6th ed.) by Southwestern Publishing Company (1995).

There is also a sample examination included with this letter. The sample exam will give you a model of the types of questions that will be asked on your examination. It is not a duplicate of the actual examination. It is provided to illustrate the format of the exam, not to serve as a review sheet. In order to be successful on the examination, you must study and review all of the concepts of accounting.

For more information about CBE policies, visit <http://www.ode.ttu.edu/takeacbe/> or see your course Policies & Forms Guide.

Good luck on your examination!

## Sample Exam

1. Each unit of ownership in a corporation is
  - A. capital stock.
  - B. a share of stock.
  - C. a trade discount.
  - D. none of the above
  
2. Total shares of ownership in a corporation is
  - A. a share of stock.
  - B. an accounts payable.
  - C. a trade discount.
  - D. capital stock.
  
3. Keeping information in a corporation's accounting system separate from the personal records of the owner is an application of the accounting concept
  - A. Business Entity
  - B. Objective Evidence.
  - C. Unit of Measurement.
  - D. Going Concern.
  
4. Recording all transactions in dollar value is an application of the accounting concept
  - A. Going Concern.
  - B. Objective Evidence.
  - C. Unit of Measurement.
  - D. Adequate Disclosure.
  
5. Recording purchases at their cost is an application of the accounting concept
  - A. Historical Cost.
  - B. Going Concern.
  - C. Objective Evidence.
  - D. Unit of Measurement.
  
6. A special journal used to record only cash payment transactions is a
  - A. cash payments journal.
  - B. purchases journal.
  - C. cash receipts journal.
  - D. none of the above

7. Since contra accounts are offsets to their related accounts, contra account normal balances are
- A. debits.
  - B. credits.
  - C. opposite the normal balance of their related accounts.
  - D. the same as the normal balance of their related accounts.
8. To replenish a \$200.00 petty cash fund, if the petty cash custodian had receipts totaling \$124.00 and cash of \$74.00 in the petty cash box, one part of the journal entry is
- A. debit to Cash Short and Over for \$2.00.
  - B. credit to Cash for \$124.00.
  - C. credit to Cash for \$200.00.
  - D. credit to Petty Cash for \$165.00.
9. A special journal used to record only sales of merchandise on account transactions is a
- A. sales journal.
  - B. cash receipts journal.
  - C. general journal.
  - D. none of the above
10. For a sale on account of \$1,500.00 with sales tax of \$90.00, the amount recorded in the Accounts Receivable amount column of a sales journal is
- A. \$1,090.00.
  - B. \$1,590.00.
  - C. \$1410.00.
  - D. \$90.00.
11. A special journal in which only receipts of cash are recorded is a
- A. cash payments journal.
  - B. cash receipts journal.
  - C. sales journal.
  - D. none of the above
12. Credit terms of 2/10, n/30 means that if the account is paid in
- A. 10 days, a 30% discount will be allowed.
  - B. 10 days, a 2% discount will be allowed.
  - C. 2 days, a 10% discount will be allowed.
  - D. 30 days, a 2% discount will be allowed.

13. The amount of cash received for a sale on account of \$2,000.00 with sales tax of \$160.00 when the cash is received within the 2 percent discount period is
- A. \$2,160.00.
  - B. \$1,840.00.
  - C. \$2116.80.
  - D. \$2120.00.
14. Sales returns and allowances
- A. affect only sales on account.
  - B. increase sales.
  - C. decrease sales.
  - D. have no affect on sales.
15. The loss from an uncollectible account is
- A. a liability.
  - B. a regular expense of doing business.
  - C. an asset.
  - D. an increase in revenue.
16. An account that reduces a related account is known as
- A. a contra account.
  - B. an uncollectible account.
  - C. an expense.
  - D. an allowance.
17. When the percentage of total sales on account method is used, the estimated uncollectible accounts expense is calculated by
- A. dividing total sales by the percentage
  - B. multiplying total sales on account times the percentage.
  - C. dividing total sales on account by the percentage.
  - D. multiplying total sales times the percentage.
18. Canceling the balance of a customer account because the customer does not pay is
- A. an adjusting entry.
  - B. opening an account.
  - C. a closing entry.
  - D. writing off an account.
19. Cash and other assets expected to be exchanged for cash or consumed within a year are
- A. plant assets.
  - B. current assets.
  - C. liabilities.
  - D. both A and B

20. Some examples of current assets are
- A. cash, accounts receivable, computers.
  - B. cash, accounts receivable, accounts payable.
  - C. cash, merchandise inventory, furniture.
  - D. cash, accounts receivable, supplies.
21. Some examples of plant assets are
- A. prepaid insurance, computers, supplies.
  - B. cash, supplies, furniture.
  - C. computers, cash register, furniture.
  - D. cash, supplies, accounts payable.
22. The portion of a plant asset's cost transferred to an expense account in each fiscal period during a plant asset's useful life is
- A. depreciation expense.
  - B. gain on plant assets.
  - C. current assets.
  - D. loss on plant assets.
23. Generally, a business removes a plant asset from use and disposes of it
- A. only when they can make a profit.
  - B. when the asset is no longer usable.
  - C. when the asset is three years old.
  - D. at the end of each fiscal year.
24. The total depreciation expense for a computer purchased for \$2000.00 with an estimated salvage value of \$500.00 is
- A. \$500.00.
  - B. \$1500.00.
  - C. \$2000.00.
  - D. \$2500.00.
25. The **annual** depreciation expense for a computer purchased for \$2000.00 with an estimated salvage of 200.00 and a useful life of **3** years is
- A. \$200.00.
  - B. \$600.00.
  - C. \$666.67.
  - D. \$733.33.

26. Book value of a plant asset is original cost
- A. plus salvage value.
  - B. minus salvage value.
  - C. plus accumulated depreciation.
  - D. minus accumulated depreciation.
27. If a plant asset costs \$1,500.00, has accumulated depreciation of \$1,000.00, and is sold for \$200.00, the gain or loss on disposal is
- A. \$200.00 gain.
  - B. \$300.00 loss.
  - C. no gain or loss.
  - D. \$1,000.00 loss.
28. The purpose of recording depreciation is to
- A. earn revenue.
  - B. recover the cash spent on plant assets.
  - C. record an expense in the periods in which the asset is used to earn revenue.
  - D. earn money to replace the asset.
29. Depreciation Expense for a plant asset is recorded
- A. when the asset is bought.
  - B. after the asset is sold.
  - C. when the asset is repaired.
  - D. at the end of each fiscal period during the asset's estimated useful life.
30. The journal entry to record the payment of property tax is
- A. debit Cash; credit Taxes Expense.
  - B. debit Taxes Expense; credit Cash.
  - C. debit Cash; credit Property Tax Expense.
  - D. debit Property Tax Expense; credit Cash.
31. A merchandise inventory determined by counting, weighing, or measuring items of merchandise on hand is a
- A. perpetual inventory.
  - B. gross profit method of estimating inventory.
  - C. periodic inventory.
  - D. weighted-average inventory costing method.

32. A merchandise inventory determined by keeping a continuous record of increases, decreases, and balance on hand is a
- A. perpetual inventory.
  - B. gross profit method of estimating inventory.
  - C. periodic inventory.
  - D. weighted-average inventory costing method.
33. A periodic inventory normally is taken
- A. at the end of every month.
  - B. quarterly.
  - C. at the end of a fiscal period.
  - D. only when a stock shortage is suspected.
34. The value of ending inventory using the fifo method for merchandise that has a beginning inventory of 20 units @ \$5.00 each, purchases during the year of 10 units @ \$6.00 each, and ending inventory of 12 units is
- A. \$60.00.
  - B. \$62.00.
  - C. \$70.00.
  - D. \$72.00.
35. The value of ending inventory using the lifo method for merchandise that has a beginning inventory of 20 units @ \$5.00 each, purchases during the year of 10 units @ \$6.00 each, and ending inventory of 12 units is
- A. \$60.00.
  - B. \$62.00.
  - C. \$70.00.
  - D. \$72.00.
36. Using the average cost of beginning inventory plus merchandise purchased during a fiscal period to calculate the cost of merchandise sold is the
- A. fifo method.
  - B. lifo method.
  - C. gross profit method.
  - D. weighted-average method.
37. Using the same inventory method for all fiscal periods is an application of the accounting concept
- A. Historical Cost.
  - B. Accounting Cycle.
  - C. Consistent Reporting.
  - D. Objective Evidence.

38. The person to whom the amount of a note is payable is
- A. the account receivable.
  - B. the customer.
  - C. the payee of the note.
  - D. none of the above
39. The date a note is due is the
- A. time of a note.
  - B. date of a note.
  - C. principal of a note.
  - D. maturity date of a note.
40. An amount paid for use of money for a period of time is
- A. principal of a note.
  - B. interest.
  - C. interest rate.
  - D. none of the above
41. The interest on a 10 percent note for \$1,000.00 for one year is
- A. \$10.00.
  - B. \$12.00.
  - C. \$100.00.
  - D. \$120.00.
42. The interest on a 12 percent note for \$1,000.00 for 60 days is
- A. \$20.00.
  - B. \$30.00.
  - C. \$60.00.
  - D. \$80.00.
43. The interest on a 12 percent note for \$1,000.00 for 6 months is
- A. \$20.00.
  - B. \$30.00.
  - C. \$60.00.
  - D. \$80.00.
44. A 90-day note dated March 15 would be due on
- A. June 13.
  - B. June 14.
  - C. June 15.
  - D. June 16.

45. A 3 month note dated June 20 would be due on
- A. August 20.
  - B. September 20.
  - C. September 22.
  - D. October 20.
46. Notes Payable are classified as
- A. current assets.
  - B. current liabilities.
  - C. expenses.
  - D. revenue.
47. Notes receivable are classified as
- A. other expense.
  - B. current liabilities.
  - C. current assets.
  - D. other revenue.
48. rest on a promissory note is stated as
- A. a number of cents on the dollar.
  - B. a given amount of money.
  - C. a percentage of the principal.
  - D. the total of the principal plus the interest.
49. During a period of rising prices, the cost of merchandise sold will be
- A. lowest using the lifo method.
  - B. lowest using the fifo method.
  - C. lowest using the weighted-average method.
  - D. the same using either fifo or lifo method.
50. Purchase returns and allowances
- A. increase the amount of purchases.
  - B. decrease the amount of purchases.
  - C. do not affect the amount of purchases.
  - D. affect the cash flow.

### Sample Exam Answer Key

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|-------|-------|-------|-------|
| 1. B  | 14. C | 27. B | 40. B |
| 2. D  | 15. B | 28. C | 41. C |
| 3. A  | 16. A | 29. D | 42. A |
| 4. C  | 17. B | 30. D | 43. C |
| 5. A  | 18. D | 31. C | 44. A |
| 6. A  | 19. B | 32. A | 45. B |
| 7. C  | 20. D | 33. C | 46. B |
| 8. A  | 21. C | 34. C | 47. C |
| 9. A  | 22. A | 35. A | 48. C |
| 10. B | 23. B | 36. D | 49. B |
| 11. B | 24. B | 37. C | 50. B |
| 12. B | 25. B | 38. C |       |
| 13. C | 26. D | 39. D |       |