

ACCT230  
Online Quiz

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Pence Inc. trades its used machine (cost \$12,000 less \$4,000 accumulated depreciation) for a new machine. In addition to exchanging the old machine (which had a fair value of \$11,000), Pence also paid cash of \$3,000.

The entry to record the exchange transaction should include:

Select one:

- a. a debit to cash \$3000
- b. a credit to equipment (new) \$14,000
- c. a credit to accumulated depreciation \$4,000
- d. a credit to gain on exchange \$3,000

Ans: b

A company discarded a delivery truck originally purchased for \$8,000. The accumulated depreciation was \$7,200. The company should recognize a(an):

Select one:

- a. \$800 loss.
- b. \$0 gain or loss
- c. \$800 gain.
- d. \$7,200 loss.

Ans: a

Arcadia HS, purchased equipment for \$510,000 which was estimated to have a useful life of 10 years with a salvage value of \$10,000 at the end of that time. Depreciation has been recorded for 5 years on a straight-line basis. In 2015 (year 6), it is determined that the total estimated useful life should be 15 years with a salvage value of \$5,000 at the end of that time.

Instructions: Calculate the depreciation expense for 2015.

(When writing your answer do not use commas or sign of the dollar. For example, if your answer is \$1,500, write it as 1500)

Ans: 82.500

Linton Company purchased a delivery truck for \$34,000 on January 1, 2017. The truck has an expected salvage value of \$2,000, and is expected to be driven 100,000 miles over its estimated useful life of 5 years. Actual miles driven were 15,000 in 2017 and 12,000 in 2018. Instructions: Determine the book value of the delivery truck on December 31, 2017 assuming that the company is using the double-declining balance method.

(When writing your answer do not use commas or sign of the dollar. For example, if your answer is \$1,500, write it as 1500)

Ans: \$0.32 per mile

A coal company invests \$15 million in a mine estimated to have 20 million tons of coal and no salvage value. It is expected that the mine will be in operation for 5 years. In the first year, 100,000 tons of coal are extracted and sold. What is the depletion for the first year?

Select one:

- a. \$75,000
- b. \$750,000
- c. \$3,000,000
- d. \$1,500,000

Ans: b. \$750,000

If an acquired franchise or license has an indefinite life, the cost of the asset is not amortized

Select one:

True

False

Ans: True

If a plant asset is retired before it is fully depreciated and no salvage value is received,

Select one:

- a. neither a gain nor a loss occurs.
- b. a loss on disposal occurs.
- c. either a gain or a loss can occur.
- d. a gain on disposal occurs.

Ans:

- b. a loss on disposal occurs.

On March 1, 2017, Westmorlan Company acquired real estate on which it planned to construct a small office building. The company paid \$75,000 in cash. An old warehouse on the property was razed at a cost of \$8,600; the salvaged materials were sold for \$1,700. Additional expenditures before construction began included \$1,100 attorney's fee for work concerning the land purchase, \$5,000 real estate broker's fee, \$7,800 architect's fee, and \$14,000 to put in driveways and a parking lot.

Instructions: Determine the amount to be reported as the cost of the land improvement. (When writing your answer do not use commas or sign of the dollar. For example, if your answer is \$1,500, write it as 1500)

Ans: \$88,000 total cost of land

Paltel Company purchased a new machine on July 1, 2017, at a cost of \$145,000. The company estimated that the machine will have a salvage value of \$25,000. The machine is expected to be used for 25,000 working hours during its 5-year life.

Instructions: compute the depreciation expense for the year 2017 according to the units-of-activity method, assuming machine usage was 3,200 hours.

(When writing your answer do not use commas or sign of the dollar. For example, if your answer is \$1,500, write it as 1500)

Ans: 15360

Land is not subject to depreciation because it has an unlimited life. This means that expenditures which increase the usefulness of the land such as parking lots are not depreciated.

Select one:

True

False

Ans: True

Orr Corporation purchased a new machine on October 1, 2017, at a cost of \$145,000. The company estimated that the machine will have a salvage value of \$55,000. The machine is expected to be used for 20,000 working hours during its 5-year life. Instructions: compute the depreciation expense for the year 2017 assuming that the company is using the straight-line method. (When writing your answer do not use commas or sign of the dollar. For example, if your answer is \$1,500, write it as 1500)

Ans:

4500

Paltel Company purchased a new machine on July 1, 2017, at a cost of \$145,000. The company estimated that the machine will have a salvage value of \$25,000. The machine is expected to be used for 25,000 working hours during its 5-year life.

Instructions: compute the depreciation expense for the year 2017 according to the units-of-activity method, assuming machine usage was 3,200 hours.

(When writing your answer do not use commas or sign of the dollar. For example, if your answer is \$1,500, write it as 1500)

Ans: 15360

Cantrell Company is required by law to collect and remit sales taxes to the state.

If Cantrell has \$8,000 of cash sales that are subject to an 8% sales tax, what is the journal entry to record the cash sales?

Select one:

- a. Debit Cash \$8,000; credit Sales \$7,360; credit Sales Taxes Payable \$640.
- b. Debit Cash \$8,000; credit Sales \$8,000; and record the taxes when paid.
- c. Debit Sales Taxes Payable \$640; debit Cash \$7,360; credit Sales \$8,000.
- d. Debit Cash \$8,640; credit Sales \$8,000; credit Sales Taxes Payable \$640.

Correct Answer is option d.

An asset's book value is \$18,000 on December 31, Year 5. The asset has been depreciated at an annual rate of \$3,000 on the straight-line method.

Assuming the asset is sold on December 31, Year 5 for \$15,000, the company should record:

Select one:

- a. A gain on sale of \$12,000.
- b. Neither a gain nor a loss is recognized on this transaction.
- c. A loss on sale of \$12,000.
- d. A loss on sale of \$3,000.

Correct Answer is option d.



When originally purchased, a vehicle costing \$23,000 had an estimated useful life of 8 years and an estimated salvage value of \$3,000.

After 4 years of straight-line depreciation,

the asset's total estimated useful life was revised from 8 years to 6 years and there was no change in the estimated salvage value.

The depreciation expense in year 5 equals:

Select one:

- a. \$5,000.
- b. \$11,500.
- c. \$5,750.
- d. \$2,875.

Correct Answer is option a.

Which of the following would be classified as a natural resource?

Select one:

- a. Land improvements.
- b. Land held as an investment.
- c. Patent on an oil extraction process.
- d. Diamond mine.

Correct Answer is option c.

o capitalize an expenditure is to:

Select one:

- a. Credit the owner's capital account.
- b. Debit an expense account.
- c. Debit an asset account.
- d. Credit an expense account.

Correct Answer is option c.

company bought new heating system to replace its old system that had an original cost of \$37,000 and accumulated depreciation of \$34,000.

The company also paid \$40,000 cash. If the transaction has commercial substance, and the company lost \$1,000 in this transaction,

then the company should record the new heating system at:

Select one:

- a. \$42,000.
- b. \$40,000.
- c. \$2,000.
- d. \$3,000.

Correct Answer is option a.

A total asset turnover ratio of 3.5 indicates that:

Select one:

- a. For every \$1 in assets, the firm earned gross profit of \$3.50 during the period.
- b. For every \$1 in sales, the firm acquired \$3.50 in assets during the period.
- c. For every \$1 in assets, the firm produced \$3.50 in net sales during the period.
- d. For every \$1 in assets, the firm earned \$3.50 in net income.

Correct Answer is option c.

The formula to compute annual straight-line depreciation is:

Select one:

- a. Depreciable cost divided by useful life in units.
- b. (Cost minus salvage value) divided by the useful life in years.
- c. (Cost plus salvage value) divided by the useful life in years.
- d. Cost multiplied by useful life in years.

Correct Answer is option b.

A short-term note payable:

Select one:

- a. Is a contingent liability.
- b. Is an estimated liability.
- c. Is not a liability until the due date.
- d. Is a written promise to pay a specified amount on a stated future date within one year or the company's operating cycle, whichever is longer.

Correct Answer is option d.

An asset can be disposed of by all of the following except:

Select one:

- a. Continuing to use it after it is fully depreciated.
- b. Discarding it.
- c. Exchanging it for another asset.
- d. Selling it.

Correct Answer is option a.

A benefit of using an accelerated depreciation method is that:

Select one:

- a. It is the simplest method to calculate.
- b. It yields a higher income in the early years of the asset's useful life.
- c. It is preferred by the tax code.
- d. It yields larger depreciation expense in the early years of an asset's life.

Correct Answer is option d.

The formula to compute annual straight-line depreciation is:

Select one:

- a. Depreciable cost divided by useful life in units.
- b. (Cost minus salvage value) divided by the useful life in years.
- c. (Cost plus salvage value) divided by the useful life in years.
- d. Cost multiplied by useful life in years.

Correct Answer is option b.

Salvage value is:

Select one:

- a. A factor relevant to amortizing an intangible asset with an indefinite life.
- b. Not a factor relevant to determining depletion.
- c. An estimate of the asset's value at the end of its benefit period.
- d. A real value used to determining depreciation.

Correct Answer is option c.

Total asset turnover is used to evaluate:

Select one:

- a. The necessity for asset replacement.
- b. The cash flows used to acquire assets.
- c. The efficient use of assets to generate sales.
- d. The number of times operating assets were sold during the year.

Correct Answer is option c.

A company estimates that warranty expense will be 4% of sales. The company's sales for the current period are \$185,000.

The current period's entry to record the warranty expense is:

Select one:

- a. Debit Estimated Warranty Liability \$7,400; credit Warranty Expense \$7,400.
- b. Debit Warranty Expense \$7,400; credit Estimated Warranty Liability \$7,400.
- c. Debit Estimated Warranty Liability \$7,400; credit Cash \$7,400.
- d. Debit Warranty Expense \$7,400; credit Sales \$7,400.

Correct Answer is option b.

A loss on disposal of a plant asset occurs if the cash proceeds received from the asset sale is less than the asset's book value.

Select one:

- a. TRUE
- b. FALSE

Correct Answer is option a.

One characteristic of plant assets is that they are:

Select one:

- a. Current assets.
- b. Natural resources.
- c. Long-term investments.
- d. Used in operations.

Correct Answer is option c.

The total cost of an asset less its accumulated depreciation is called:

Select one:

- a. Current (market) value.
- b. Historical cost.
- c. Book value.
- d. Present value.

Correct Answer is option c.



If a company has advance ticket sales totaling \$2,000,000 for the upcoming football season, the receipt of cash would be journalized as:

Select one:

- a. Debit Unearned Revenue, credit Cash.
- b. Debit Cash, credit Unearned Revenue.
- c. Debit Unearned Revenue, credit Sales.
- d. Debit Sales, credit Unearned Revenue.

Correct Answer is option b.

A change in an accounting estimate is:

Select one:

- a. Reflected in future financial statements and also requires modification of past statements.
- b. Not allowed under current accounting rules.
- c. Reflected in current and future years' financial statements, not in prior statements.
- d. Reflected in past financial statements.

Correct Answer is option c.

Accounts payable are:

Select one:

- a. Amounts received in advance from customers for future services.
- b. Not usually due on specific dates.
- c. Estimated liabilities.
- d. Amounts owed to suppliers for products and/or services purchased on credit.

Correct Answer is option d.

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Marlow Company purchased a point of sale system on January 1 for \$3,400. This system has a useful life of 10 years and a salvage value of \$400.

What would be the depreciation expense for the second year of its useful life using the double-declining-balance method?

Select one:

- a. \$680.
- b. \$600.
- c. \$480.
- d. \$544.

Correct Answer is option d.

company bought new heating system to replace its old system that had an original cost of \$37,000 and accumulated depreciation of \$34,000.

The company also paid \$40,000 cash. If the transaction has commercial substance, and the company lost \$1,000 in this transaction,

then the company should record the new heating system at:

Select one:

- a. \$40,000.
- b. \$2,000.
- c. \$3,000.
- d. \$42,000.

Correct Answer is option d.

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A company used straight-line depreciation for an item of equipment that cost \$12,000, had a salvage value of \$2,000 and a five-year useful life.

After depreciating the asset for three complete years, the salvage value was reduced to \$1,200 but its total useful life remained the same.

Determine the amount of depreciation to be charged against the equipment during each of the remaining years of its useful life:

Select one:

- a. \$1,800
- b. \$5,400
- c. \$2,400
- d. \$1,000

Correct Answer is option c.

An asset's book value is \$36,000 on January 1, Year 6. The asset is being depreciated \$500 per month using the straight-line method.

Assuming the asset is sold on July 1, Year 7 for \$25,000, the company should record:

Select one:

- a. Neither a gain or loss is recognized on this type of transaction.
- b. A loss on sale of \$1,000.
- c. A gain on sale of \$2,000.
- d. A loss on sale of \$2,000.

Correct Answer is option a.

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Intangible assets do not include:

Select one:

- a. Patents.
- b. Trademarks.
- c. Copyrights.
- d. Land held as an investment.

Correct Answer is option d.

A machine originally had an estimated useful life of 6 years, but after 4 complete years, it was decided that the original estimate of useful life should have been 10 years. At that point the remaining cost to be depreciated should be allocated over the remaining:

Select one:

- a. 4 years.
- b. 2 years.
- c. 6 years.
- d. 16 years.

Correct Answer is option c.

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Martinez owns machinery that cost \$87,000 with accumulated depreciation of \$40,000. The company sells the machinery for cash of \$42,000. T

he journal entry to record the sale would include:

Select one:

- a. A debit to Cash of \$42,000.
- b. A credit to Gain on Sale of \$2,000.
- c. A credit to Accumulated Depreciation of \$40,000.
- d. A credit to Machinery of \$47,000.

Correct Answer is option a.

Salvage value is the true value of an asset, at the end of its useful life.

Select one:

- a. TRUE
- b. FALSE

Correct Answer is option b.

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Contingent liabilities are recorded or disclosed unless they are:

Select one:

- a. Probable and estimable.
- b. Remote (very unlikely).
- c. Reasonably possible.
- d. Probable and not estimable.

Correct Answer is option b.

Hunter Sailing Company exchanged an old sailboat for a new one. The old sailboat had a cost of \$160,000 and accumulated depreciation of \$100,000,

and a fair market value of \$70,000. The company paid \$200,000 cash in addition to the old sailboat to acquire the new sailboat.

If this transaction has commercial substance, what amount of gain or loss should be recorded on this exchange?

Select one:

- a. \$0 gain or loss.
- b. \$60,000 loss.
- c. \$10,000 loss.
- d. \$10,000 gain.

---

A company discarded a computer system originally purchased for \$18,000. The accumulated depreciation was \$17,200. The company should recognize a(an):

Select one:

- a. \$800 loss.
- b. \$8,000 loss.
- c. \$800 gain.
- d. \$0 gain or loss.

Correct Answer is option a.

The useful life of a plant asset is:

Select one:

- a. The length of time it is productively used in a company's operations.
- b. Its productive life, but not to exceed one year.
- c. Determined by the FASB.
- d. Never related to its physical life.

Correct Answer is option a.

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Marks Consulting purchased equipment costing \$45,000 on January 1, Year 1. The equipment is estimated to have a salvage value of \$5,000 and

an estimated useful life of 8 years. Straight-line depreciation is used. If the equipment is sold on July 1, Year 5 for \$20,000,

the journal entry to record the sale will include a:

Select one:

- a. Debit to loss on sale for \$10,000.
- b. Debit to accumulated depreciation for \$22,500.
- c. Credit to loss on sale for \$10,000.
- d. Credit to cash for \$20,000.

Correct Answer is option b.



The straight-line depreciation method and the double-declining-balance depreciation method:

Select one:

- a. Produce the same depreciation expense each year.
- b. Produce the same total depreciation over an asset's useful life.
- c. Are acceptable for tax purposes only.
- d. Produce the same book value each year.

Correct Answer is option b.

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A company's old machine that cost \$40,000 and had accumulated depreciation of \$22,000 was traded in on a new machine. The old machine had a fair market value of \$12,000. The company also paid \$33,000 cash, along with its old machine to acquire the new machine. If this transaction has commercial substance, the new machine should be recorded at:

Select one:

- a. \$18,000.
- b. \$45,000.
- c. \$40,000.
- d. \$33,000.

Correct Answer is option b.

Hunter Sailing Company exchanged an old sailboat for a new one. The old sailboat had a cost of \$160,000

and accumulated depreciation of \$100,000, and a fair market value of \$70,000. The company paid \$200,000

cash in addition to the old sailboat to acquire the new sailboat. If this transaction has commercial substance,

what amount of gain or loss should be recorded on this exchange?

Select one:

- a. \$0 gain or loss.
- b. \$60,000 loss.
- c. \$10,000 loss.
- d. \$10,000 gain.

Correct Answer is option d.

---

Marks Consulting purchased equipment costing \$45,000 on January 1, Year 1.

The equipment is estimated to have a salvage value of \$5,000 and an estimated useful life of 8 years. Straight-line depreciation is used.

If the equipment is sold on July 1, Year 5 for \$20,000, the journal entry to record the sale will include a:

Select one:

- a. Debit to loss on sale for \$10,000.
- b. Debit to accumulated depreciation for \$22,500.
- c. Credit to loss on sale for \$10,000.
- d. Credit to cash for \$20,000.

Correct Answer is option a.

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Plant assets are defined as:

Select one:

- a. Intangible assets used in the operations of a business that have a useful life of more than one accounting period.
- b. Held for sale.
- c. Tangible assets that have a useful life of more than one accounting period and are used in the operation of a business.
- d. Current assets.

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Land improvements are:

Select one:

- a. Expensed in the period incurred.
- b. Included in the cost of the land account.
- c. Assets that increase the usefulness of land, and like land, are not depreciated.
- d. Assets that increase the usefulness of land, but that have a limited useful life and are subject to depreciation.

Correct Answer is option c.

A company sold \$12,000 worth of bicycles with an extended warranty. The company's experience is that warranty expense averages 2% of sales.

The current period's entry to record the warranty expense is:

Select one:

- a. Debit Warranty Expense \$240; credit Cash \$240.
- b. Debit Warranty Expense \$240; credit Estimated Warranty Liability \$240.
- c. Debit Estimated Warranty Liability \$240; credit Cash \$240.
- d. Debit Prepaid Warranties \$240; credit Warranty Expense \$240.

Correct Answer is option b.

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A company purchased a tract of land for its natural resources at a cost of \$1,500,000. It expects to mine 2,000,000 tons of ore from this land.

The salvage value of the land is expected to be \$250,000. The depletion expense per ton of ore is:

Select one:

- a. \$0.875.
- b. \$0.625.
- c. \$0.75.
- d. \$6.00.

Correct Answer is option b.

If Furniture World has \$78,000 of cash sales that are subject to a 6% sales tax,

what is the journal entry to record the cash sales?

Select one:

- a. Debit Cash \$78,000; credit Sales \$73,320; credit Sales Taxes Payable \$4,680.
- b. Debit Cash \$78,000; credit Sales \$78,000; and record the taxes when paid.
- c. Debit Cash \$82,680; credit Sales \$78,000; credit Sales Taxes Payable \$4,680.
- d. Debit Sales Taxes Payable \$4,680; debit Cash \$73,220; credit Sales \$78,000.

Correct Answer is option c.

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Contingent liabilities are recorded or disclosed unless they are:

Select one:

- a. Probable and not estimable.
- b. Probable and estimable.
- c. Reasonably possible.
- d. Remote (very unlikely).

Correct Answer is option d.

Owning a patent:

Select one:

- a. Gives the owner exclusive rights to manufacture and sell a patented item or to use a process for 20 years.
- b. Gives its owner the exclusive right to publish and sell a musical or literary work during the life of the creator plus 17 years.
- c. Indicates that the value of a company exceeds the fair market value of a company's net assets if purchased separately.
- d. Gives the owner the exclusive right to publish and sell a musical or literary work during the life of the creator plus 70 years.

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A loss on disposal of a plant asset occurs if the cash proceeds received from the asset sale is less than the asset's book value.

Select one:

- a. FALSE
- b. TRUE

Correct Answer is option a.

If land is purchased as a building site, the cost of removing existing structures is not charged to the Land account.

Select one:

- a. TRUE
- b. FALSE

Correct Answer is option a.

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An asset can be disposed of by all of the following except:

Select one:

- a. Exchanging it for another asset.
- b. Discarding it.
- c. Continuing to use it after it is fully depreciated.
- d. Selling it.

Correct Answer is option c.

On August 1, Knack Company signed a \$50,000, 3 month, 5% note payable with Central Savings Bank.

What is the journal entry that should be recorded by Knack upon maturity of the note (1 December)?

Select one:

- a. Debit Notes Payable \$50,000; credit Interest Revenue \$625; credit Cash \$49,375.
- b. Debit Interest Expense \$625; credit Interest Payable \$625.
- c. Debit Notes Payable \$50,000; debit Interest Expense \$625; credit Cash \$50,625.
- d. Debit Cash \$50,625; credit Notes Receivable \$50,625.

Correct Answer is option d.

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Revenue expenditures:

Select one:

- a. Are known as balance sheet expenditures because they relate to plant assets.
- b. Are additional costs of plant assets that do not materially increase the asset's life or its productive capabilities.
- c. Extend the asset's useful life.
- d. Substantially benefit future periods.



If a company has advance subscription sales totaling \$45,000 for the upcoming year, when four quarterly journals will mailed to customers,

the receipt of cash would be journalized as:

Select one:

- a. Debit Unearned Revenue \$45,000; credit Sales \$45,000.
- b. Debit Cash \$45,000, credit Accounts Payable \$45,000.
- c. Debit Cash \$45,000; credit Unearned Revenue \$45,000.
- d. Debit Sales \$45,000, credit Unearned Revenue \$45,000.

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Depreciation does not measure the decline in market value of an asset each period.

Select one:

- a. FALSE
- b. TRUE

To capitalize an expenditure is to:

Select one:

- a. Credit the owner's capital account.
- b. Debit an asset account.
- c. Credit an expense account.
- d. Debit an expense account.

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The relevant factors in computing depreciation do not include:

Select one:

- a. Cost.
- b. Market value.
- c. Salvage value.
- d. Useful life.

A company sold \$12,000 worth of bicycles with an extended warranty. The company's experience is that warranty expense averages 2% of sales.

The company should:

Select one:

- a. Recognize warranty expense at the time the warranty work is performed.
- b. Consider the warranty expense a contingent liability.
- c. Consider the warranty expense a remote liability since the rate is only 2%.
- d. Recognize warranty expense and liability in the year of the sale.

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Which of the following would be classified as a natural resource?

Select one:

- a. Land held as an investment.
- b. Patent on an oil extraction process.
- c. Diamond mine.
- d. Land improvements.

Correct Answer is option c.

A company purchased a plant asset for \$60,000. The asset has an estimated salvage value of \$4,000, and an estimated useful life of 7 years.

The annual depreciation expense using the straight-line method is \$4,000 per year.

Select one:

- a. FALSE
- b. TRUE

Correct Answer is option a.

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Plant assets are defined as:

Select one:

- a. Held for sale.
- b. Current assets.
- c. Tangible assets that have a useful life of more than one accounting period and are used in the operation of a business.
- d. Intangible assets used in the operations of a business that have a useful life of more than one accounting period.

Amortization is:

Select one:

- a. The process of allocating to expense the cost of a plant asset to the accounting periods benefiting from its use.
- b. The process of allocating the cost of natural resources to periods when they are consumed.
- c. The systematic allocation of the cost of an intangible asset to expense over its estimated useful life.
- d. An accelerated form of expensing an asset's cost.

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Sales taxes payable is reported as a(n):

Select one:

- a. Contingent liability.
- b. Current liability.
- c. Estimated liability.
- d. Business expense

The formula to compute annual straight-line depreciation is:

Select one:

- a. Cost multiplied by useful life in years.
- b. (Cost plus salvage value) divided by the useful life in years.
- c. Depreciable cost divided by useful life in units.
- d. (Cost minus salvage value) divided by the useful life in years

Marks Consulting purchased equipment costing \$45,000 on January 1, Year 1.

The equipment is estimated to have a salvage value of \$5,000 and an estimated useful life of 8 years.

Straight-line depreciation is used. If the equipment is sold on July 1, Year 5 for \$20,000, the journal entry to record the sale will include a:

Select one:

- a. Debit to loss on sale for \$10,000.
- b. Credit to cash for \$20,000.
- c. Credit to loss on sale for \$10,000.
- d. Debit to accumulated depreciation for \$22,500.

Correct Answer is option d.

Beckman Enterprises purchased a depreciable asset on October 1, Year 1 at a cost of \$100,000. The asset is expected to have a salvage value of \$20,000

at the end of its five-year useful life. If the asset is depreciated on the double-declining-balance method,

the asset's book value on December 31, Year 2 will be:

Select one:

- a. \$16,000
- b. \$54,000
- c. \$36,000
- d. \$42,000

Correct Answer is option b.