Multiple Choice: Please mark your answer on the Bubble sheet AND on this test. (5 points each)

1) Darby wants to have $100,000 in his savings account 5 years from today. His account earns 8% and is compounded quarterly. How much does he need to deposit today?
   A) $69,440.00
   B) $61,156.68
   C) $65,453.59
   D) $67,300.00
   E) None of the above

\[ FV = 100,000 \times \left(1 + \frac{0.08}{4}\right)^{4 \times 5} \]
\[ \frac{20,000}{10} \times 5 = 1000 \]
\[ PV = \frac{100,000}{1.1^4} \]
\[ CPT \ PV = 67,300 \]

2) How much do you need to put in the bank today if you want to withdraw $20,000 per year for the next 7 years? The bank pays interest at 5% compounded annually and you will make your first withdrawal exactly 1 year from today.
   A) $82,004
   B) $115,728
   C) $140,000
   D) $127,562
   E) None of the above

\[ PV = \frac{20,000}{1.05^7} \]
\[ CPT \ PV = 115,728 \]

3) How much will you have 1 year from today if you invest $100 at 24% compounded monthly?
   A) $124.00
   B) $126.82
   C) $102.00
   D) $112.00
   E) None of the above

\[ FV = 100 \times (1 + \frac{0.24}{12})^{12 \times 1} \]
\[ CPT \ FV = 126.82 \]

4) How much do you need to invest today at 10% compounded annually in order to have $1,000,000 20 years from today?
   20 per 10%
   A) $161,500
   B) $177,459
   C) $148,600
   D) $238,521
   E) None of the above

\[ PV = \frac{1,000,000}{1.1^{20}} \]
\[ CPT \ PV = 148,643 \]

5) Which of the following financial statements reports as of a specific date?
   A) Income Statement
   B) Balance Sheet
   C) Statement of Journal Entries
   D) Statement of Owners' Equity
   E) None of these

6) Which of the following changes describes the receipt of $1,000 as payment on a customer's account?
   A) Assets and owners' equity increase by $1,000
   B) Assets and owners' equity decrease by $1,000
   C) Assets and liabilities increase by $1,000
   D) Assets and liabilities decrease by $1,000
   E) No changes in total assets, liabilities, nor owners' equity

7) If the beginning and ending balances in retained earnings are $10,000 and $18,000, respectively, and dividends during the year are $20,000, then net income for the year is
   A) $8,000
   B) $30,000
   C) $28,000
   D) $38,000
   E) Indeterminable from the data given

\[ Retained \ Earnings \]
\[ \begin{array}{cc}
   \text{Beginning Balance} & 10,000 \\
   \text{Dividends} & -20,000 \\
   \text{Net Income} & 20,000 \\
   \text{Ending Balance} & 18,000 \\
\end{array} \]

8) Which account will NEVER be included in a closing journal entry?
   A) Sales
   B) Retained Earnings
   C) Cost of Sales
   D) Wages Payable
   E) Depreciation Expense

9) The accounting equation is
   A) Debits = Credits
   B) Assets = Liabilities + Owners' Equity
   C) Revenues - Cost of Goods Sold = Gross Margin
   D) Recording all expenses incurred in generating the revenues of the period
   E) Having the same number of asset accounts on the balance sheet as the prior year

10) A revenue account
   A) Is increased with a credit
   B) Ultimately increases retained earnings
   C) Is closed at the end of the accounting period
   D) Is an income statement account
   E) All of the above are correct

11) Kyle is buying a computer for $3,000, with $200 down and the balance to be paid in 4 equal annual payments which include interest at 10%. How
11) Kylie is buying a computer for $3,000, with $200 down and the balance to be paid in 4 equal annual payments which include interest at 10%. How much are the payments?

A) $ 700.00
B) $ 946.40
C) $ 802.88
D) $ 883.31
E) None of the above

\[ 200 \quad 4 \quad \text{N} \quad 10 \quad 1/4 \]

\[ A = 883.31 \]

\[ \text{CPT} \quad \text{PMT} = 883.31 \]

12) On January 1, 20x5 your company purchased a new piece of equipment for $40,000. You estimate that you will use the equipment for 5 years and then sell it for $10,000. Using the straight-line method, depreciation expense for 20x7 would be:

A) $ 6,000
B) $ 6,000
C) $ 5,000
D) $ 4,000
E) Some other number

\[ (40,000 - 10,000) / 5 = \text{Depreciation Expense per year} \]

\[ 30,000 / 5 = 6,000 \]

13) For the equipment in problem 12, the accumulated depreciation account at the end of 20x6 (the second year) would have a balance of:

A) $ 8,000
B) $16,000
C) $10,000
D) $12,000
E) Some other number

\[ \text{Accumulated Depreciation} \]

\[ \begin{array}{ccc}
10,000 & 20x5 \\
6,000 & 20x6 \\
\end{array} \]

14) Debit means

A) asset
B) liability
C) right side
D) left side
E) can be either right or left side

15) Use the balances for J & K, Inc. at December 31, 2004. What was J & K’s book value per share at 12/31/04?

A) $36.36
B) $38.10
C) $40.90
D) $33.33
E) None of these

\[ 120,000 / 3,000 = 40.00 \]

16) Assume that the earnings per share for J & K, Inc. for 2005 is $5.00. What is J & K’s P/E ratio?

A) 80
B) 5
C) 6.25%
D) 16
E) None of these

\[ 80 / 5 = 16 \]

17) Josh is purchasing a big, big truck for $100,000, with 20% down and the balance to be paid in 5 equal annual payments which include interest at 8%. How much will the interest expense be for year 3?

\[ 5 \text{ per } 8\% \]

\[ 100,000 - 20,000 = A (3.9927) \]

\[ A = 80,000 / 3.9927 \]

\[ A = 20,036.57 \]

\[ \text{Applied To} \quad \text{Ending} \]

\[ \begin{array}{ccc}
\text{Year} & \text{Payments} & \text{Interest 8%} & \text{Principal} & \text{Principal Balance} \\
\hline
\text{Cost} & 100,000.00 & & & \\
\text{Down} & 20,000.00 & 20,000.00 & 80,000.00 & \\
1 & 20,036.57 & 6,400.00 & 13,636.57 & 66,363.43 \\
2 & 20,036.57 & 5,309.07 & 14,727.50 & 51,635.93 \\
3 & 20,036.57 & 4,130.87 & & \\
\end{array} \]

18) Still on Josh – What will the ending principal balance be after the 2nd payment

Has been made?

A) $67,566.24
B) $64,566.24
C) $51,635.93
D) $47,829.66
E) None of the above

\[ \text{CPT} \quad \text{PMT} = 20,036.57 \]

19) If you had a beginning inventory of 10 Things that cost you $10 each and you sold 1 for $30 in June and in July you bought 3 more for $20 each and then sold 2 more in August for $40 each, what would your ending inventory be if you are using the LIFO method of inventory valuation?

A) $ 50
B) $110
C) $130
D) $100
E) Some other number

\[ \begin{array}{ccc}
\text{Inventory} & \text{June BB} & \text{June 1@10} \\
\hline
\text{Cost} & 100 & 10 \\
\text{# left} & 9 & \\
\text{CPT} & 160 & 50 \\
\end{array} \]

20) Bella Company had wages payable at the beginning of the year of $1,000. During the year her company paid cash wages of $25,000 and at the end of the year she owed wages of $9,000. Write an equation for the year to show wages expense of
(20) Sheila's company paid wages payable at the beginning of the year of $1,100. During the year her company paid cash wages of $25,000 and at the end of the year she owed wages of $3,000. Her income statement for the year will show wage expense of:

A) $24,000  \[25,000 - 1,000 = 24,000\] cash paid for current year wages
B) $25,000  \[3,000\] wages for current year still owed
C) $27,000  \[27,000\] wage expense for the year
D) $28,000
E) $26,000

Extra Credit

21) According to the article AHow You Speak Shows Where You Rank, a person who feels confident and in control will

A) Be more inclined to ask numerous questions
B) Not make jokes
C) Encourage other speakers
D) Stave off interruptions