

Choose the correct answer for each question of the following:

Case 1:

Information about an entity that keeps incomplete records is as follows:

| | Assets | | Liabilities |
|----------------------|-----------|----------------|-------------|
| | Cash | Noncash Assets | |
| Dec. 31, 2018 | \$70,000 | \$180,000 | \$90,000 |
| Dec. 31, 2019 | \$100,000 | \$200,000 | \$60,000 |

During 2019, the owner withdrew \$4,000 cash and goods valued \$1,000 for personal use. She made an additional investment of \$21,300 cash. Interest on opening capital and drawings were 10% and 6%, respectively.

From case (1), choose the correct answer for the questions from (1) to (5)

- 1) Capital balance is ascertained by preparing:
 - a) Statement of affairs
 - b) Creditors account
 - c) Cash book
 - d) Debtors account
- 2) The opening capital balance is:
 - a) \$160,000
 - b) \$250,000
 - c) \$300,000
 - d) \$240,000
- 3) The ending capital balance is:
 - a) \$250,000
 - b) \$300,000
 - c) \$160,000
 - d) \$240,000
- 4) The change in capital balance (the difference between opening and closing balance) should be adjusted by:
 - a) \$21,000
 - b) (\$27,260)

c) (\$32,000)

d) \$34,600

5) The net profit (loss) for the year 2019 is:

a) \$51,000

b) \$48,000

c) (\$18,400)

d) \$42,300

Case 2:

From the following table, choose the correct answer for the questions from (6) to (8)

| | | | |
|------------------------------------|-----------|-----------------------|-----------|
| Accounts receivable – Beginning | \$25,500 | Cash – Beginning | \$19,500 |
| Accounts receivable – Ending | \$31,500 | Cash expenses | \$27,000 |
| Credit sales | \$144,000 | Notes Payable paid | \$7,500 |
| Accounts payable – Ending | \$120,000 | Bad debts written off | \$3,000 |
| Accounts payable paid | \$105,000 | Credit purchases | \$135,000 |

6) The Accounts receivable collected during the period is:

a) \$135,000

b) \$90,000

c) \$40,000

d) \$98,000

7) The cash on hand at the end of the period is:

a) \$22,000

b) \$12,000

c) \$15,000

d) \$10,000

8) The opening balance of accounts payable is:

a) \$60,000

b) \$70,000

c) \$80,000

d) \$90,000

Case 3:

On 1st Jan. 2018, goods costing \$100,000 sent from Adam to Zain on consignment at 20% above cost for a commission of 15%. Adam paid \$1,000 cash as a delivery expense. The sales account sent to Adam on Jan.31 showed that one-half of the consigned goods were sold during January for \$96,000. Zain incurred the following expenses related to the consignment sales: \$1600 for rent, \$600 as bad debts, and \$900 for insurance.

From case (3), choose the correct answer for the questions from (9) to (26)

- 9) Adam is the ----- while Zain is the -----
- a) Principal, agent
 - b) Lender, borrower
 - c) Seller, buyer
 - d) Creditor, debtor
- 10) On the dispatch of goods, the journal entry in the books of Zain would be -----
- a) Dr. Goods received on consignment \$100,000 & Cr. Consignment-in \$100,000
 - b) Dr. Inventory \$100,000 & Cr. Consignment-in \$100,000
 - c) Dr. Inventory \$100,000 & Cr. Accounts Payable \$100,000
 - d) No entry
- 11) In the consignor's books, the journal entry to record the shipment of goods is -----
- a) Dr. Consignment-out \$100,000 & Cr. Goods sent on consignment \$100,000
 - b) Dr. Consignment-out \$120,000 & Cr. Goods sent on consignment \$120,000
 - c) Dr. Consignment-out \$80,000 & Cr. Goods sent on consignment \$80,000
 - d) No entry
- 12) In the consignor's books, the expenses incurred by the consignor should be debited to:
- a) Expenses
 - b) Cash
 - c) Consignment-in
 - d) Consignment-out
- 13) In the consignor's books, the expenses incurred by the consignee should be debited to:
- a) Expenses
 - b) Cash
 - c) Consignment-in

d) Consignment-out

14) In this case, the ----- is liable for the bad debts.

a) Seller

b) Customer

c) Consignor

d) Consignee

15) In the consignor's books, the journal entry to recognize the sales made by the consignee is:

a) Dr. Consignment-out \$96,000 & Cr. Sales \$96,000

b) Dr. Cash \$96,000 & Cr. Consignment-out \$96,000

c) Dr. Accounts receivable \$96,000 & Cr. Sales \$96,000

d) None of the above

16) In the books of consignee, the sale of consignment goods is credited to:

a) Sales

b) Cash

c) Consignment-in

d) Consignment-out

17) The net amount due to the consignee is:

a) \$16,800

b) \$17,500

c) \$10,000

d) \$14,500

18) On Jan. 31, 2018, the consignment-in account has a debit balance of:

a) \$93,600

b) \$81,600

c) \$70,600

d) \$78,500

19) The net cash remitted to the consignor is:

a) \$93,600

b) \$81,600

c) \$78,500

d) \$70,600

20) In the consignor's books, the cash remitted from the consignee is credited to:

- a) Consignment-out
- b) The consignee account
- c) Goods sent on consignment
- d) None of the above

21) Consignment-in account is debited for the following transactions except:

- a) Reimbursable expenses incurred by the consignee
- b) Commission earned by the consignee
- c) Sales made by the consignee to a third party
- d) Cash remittances to the consignor

22) The cost of goods sold by the consignee during the period is:

- a) \$78,000
- b) \$60,500
- c) \$40,800
- d) \$138,500

23) The cost of goods unsold at the consignee is:

- a) \$138,500
- b) \$60,500
- c) \$78,000
- d) \$40,800

24) On Jan. 31, 2018, the consignment-out account has a credit balance of:

- a) \$138,500
- b) \$78,000
- c) \$40,800
- d) \$60,500

25) In the books of consignor, the ending balance of the consigned goods would be shown as:

- a) A liability in the balance sheet
- b) An asset in the balance sheet
- c) On the credit side of trading account
- d) On the debit side of consignment account

26) The profit on consignment sales is:

- a) \$25,000
- b) \$72,000
- c) \$18,000
- d) \$13,000

Case 4:

The following items presented in the sales account sent by Hossam, the consignor, to Hassan, the consignee, for the first quarter of 2019:

| | |
|--------------------------------------|---------|
| Units received | 1,000 |
| Units on hand | 300 |
| Units sold @ \$140 each | 1,300 |
| Local freight charges on 1,000 units | \$ 700 |
| Repairs on units sold | \$ 1300 |

Additional information:

- The 1,000 units shipped to the consignee at cost of \$97 each. The consignor paid \$1,000 freight on this shipment.
- The opening balance of the consignment-out account is \$30,000.
- The consignment sales during the quarter was \$155,000 collected in cash, and the remaining was on account. 20% of credit sales became uncollectible.
- Hossam is entitled to receive an ordinary commission of 15% on total sales plus a del-credere commission of 10% on credit sales.

From case (4), choose the correct answer for the questions from (27) to (37)

27) In the consignor's books, the cost of the consignment goods as Jan.1, 2019 is:

- a) \$97,000
- b) \$127,000
- c) \$50,000
- d) \$30,000

28) The cost of goods sold by the consignee during the period is:

- a) \$164,400
- b) \$160,000
- c) \$215,200

d) \$245,800

29)The cost of ending inventory at the consignee is:

a) Zero

b) \$75,000

c) \$65,800

d) \$50,400

30)The total consignment sales is:

a) \$280,000

b) \$155,000

c) \$182,000

d) \$160,000

31)The commission earned by the consignee is:

a) \$27,300

b) \$30,000

c) \$40,800

d) \$10,500

32)The net amount due to the consignee is:

a) \$37,400

b) \$44,000

c) \$57,300

d) \$32,000

33)The net cash remitted to the consignor is:

a) \$144,600

b) \$150,000

c) \$195,000

d) \$197,500

34)In this case, the ----- is responsible for the uncollectible credit sales.

a) Customer

b) Consignor

c) Consignee

d) None of the above

35)The profit on consignment sales is:

- a) \$16,600
- b) \$12,000
- c) \$21,400
- d) \$22,000

36)The revenue recognition principle provides that companies should recognize revenue when:

- a) it is realized or realizable.
- b) It is earned.
- c) both a & b.
- d) None of the above

37)In an instalment sale, Revenues and expenses are recognized at the time of....

- a) Sale.
- b) delivery.
- c) Cash collection.
- d) Both a & c.

Case 5:

On January 1st, 2015, El-Salam company, a furniture company, sold a piece of furniture with a sale price of LE 120000. The cost of the furniture to the company was LE 72000.

The company struck a deal with the customer in which the customer is required to pay LE 20000 as a down payment of the cash sale price and to make instalment payments of LE 25000 each year for the furniture until the full amount is paid.The company applies the instalment sales method to recognize its instalment sales.

From case (5), choose the correct answer for the questions from (38) to (43)

38)The grossprofit is :

- a) 28000
- b) 48000
- c) 38000
- d) 40000

39)The gross profit percentage is :

- a) 28%

- b) 40%
- c) 23.3%
- d) 48%

40) On Dec, 31st, 2015 the instalment accounts receivable will appear in the balance sheet at the balance of

- a) 75000
- b) 25000
- c) 100000
- d) 125000

41) Sales revenues account will appear in the income statement for the year ended Dec, 31st, 2015 at the balance of

- a) 120000
- b) 20000
- c) 25000
- d) 45000

42) Deferred gross profit account will appear in:

- a) The asset side in the balance sheet.
- b) The liabilities side in the balance sheet.
- c) The income statement.
- d) None of the above.

43) For 2016, the entry to recognize revenues is

| | | | |
|---|--|---|--|
| a | Deferred gross profit(Dr) 7000 Cost of goods sold (Dr) 18000 Sales revenues (Cr) 25000 | b | Deferred gross profit(Dr) 10000 Cost of goods sold (Dr) 15000 Sales revenues(Cr) 25000 |
| c | Cash (Dr) 25000 Sales revenues (Cr)25000 | d | cash (Dr) 25000 Instalment accounts receivable (Cr) 25000 |

Case 6:

On January, 1st, 2017, the United company sold merchandise with a sale price LE 70000. the cost of it was LE 56000.

Information related to the sale conditions was:

The buyer has to pay LE 10000 as a down payment of the sale cash price.

The remaining amount is divided into three equal annual instalments deserved on December, 31st each year.

Each instalment amounted to LE 23282 including interest that is calculated at the rate of 8% of the remaining unpaid balance.

The company applies the instalment sales method to recognize its instalment sales.

From case (6), choose the correct answer for the questions from (44) to (51)

44)The gross profit is :

- a) 4000
- b) 14000
- c) 60000
- d) None of the above

45)The gross profit percentage is :

- a) 20%
- b) 6.67%
- c) 15%
- d) None of the above

46)The total interest amount that will be received by the company over the instalment period is

- a) 4800
- b) 64800
- c) 9846
- d) 69846

47)The amount collected from the cash sale price in the first instalment is

- a) 23282
- b) 19961
- c) 19691
- d) 18482

48)The interest amount included in the third instalment is

- a) 18482

- b) 1725
 - c) 1275
 - d) 18842
- 49) For 2017, the amount to be recognized as gross profit is
- a) 14000
 - b) 2000
 - c) 3686.4
 - d) 5686.4
- 50) For 2018, the amount to be recognized as realized interest is
- a) 4800
 - b) 3321
 - c) 3231
 - d) 8400
- 51) For 2019, the amount to be recognized as sales revenues is
- a) 23282
 - b) 19961
 - c) 21557
 - d) None of the above

Case 6:

Information related to the sale conditions was:

- The buyer has to pay LE 50000 as a down payment of the cash sale price.
- The remaining amount is divided into three equal annual instalments deserved on December, 31st each year.
- Each instalment amounted to LE 58205 including interest that is calculated at the rate of 8% of the remaining unpaid balance.
- The company uses the cost recovery method.

From case (6), choose the correct answer for the questions from (52) to (59)

- 52) The gross profit is :
- a) 20000
 - b) 70000

- c) 50000
 - d) None of the above
- 53) For 2015, sales revenues will appear in the income statement at the balance of
- a) 200000
 - b) 108205
 - c) 50000
 - d) None of the above
- 54) For 2015, the balance of the instalment accounts receivable that will appear in the balance sheet is
- a) 174615
 - b) 58205
 - c) 116410
 - d) 150000
- 55) For 2015, the amount to be recognized as gross profit is
- a) 16171.75
 - b) 46205
 - c) Zero
 - d) none of the above
- 56) For 2016, the amount to be recognized as realized gross profit is
- a) 17465.49
 - b) 28106.4
 - c) Zero
 - d) None of the above
- 57) For 2016, the amount to be recognized as realized interest is
- a) 8303.6
 - b) 12000
 - c) Zero
 - d) None of the above
- 58) For 2017, the amount to be recognized as realized gross profit is
- a) Zero
 - b) 18862.76
 - c) 16311.4

d) 41893.6

59) For 2017, the amount to be recognized as realized interest is

a) Zero

b) 26615

c) 16311.4

d) 41893.6

Case 7:

On January 1st 2017, the Egyptian company sold a piece of equipment where its cost was LE 168000. Information related to the sale conditions was: The buyer has to pay LE 30000 as a down payment of the sale cash price (which amounted to LE240000). The remaining amount is divided into three equal annual instalments deserved on 31st December each year. Each instalment amounted LE70000. The company applies the instalment sales method to recognize its instalment sales.

From case (6), choose the correct answer for the questions from (60) to (64)

60) The gross profit is :

a) 72000

b) 42000

c) 70000

d) 40000

61) The gross profit percentage is :

a) 30%

b) 29.16%

c) 17.5%

d) 25%

62) At Dec, 31st, 2017 the instalment accounts receivable will appear in the balance sheet at the balance of

a) 240000

b) 210000

c) 70000

d) 140000

63) Sales revenues account will appear in the income statement for the year ended Dec, 31st, 2017 at the balance of

- a) 100000
- b) 70000
- c) 30000
- d) 240000

64) Deferred gross profit account will appear in

- a) The asset side in the balance sheet.
- b) The liabilities side in the balance sheet.
- c) The income statement.
- d) None of the above.