

**FREE DOUBLE ENTRY
ACCOUNTING EXERCISES**

**MULTIPLE CHOICE PRACTICE
QUESTIONS**

FREE DOUBLE ENTRY ACCOUNTING EXERCISES MULTIPLE CHOICE PRACTICE QUESTIONS

The subject of this document is the Double Entry Accounting System.

Types of Accounts

Debits are represented by "DR" and credits are represented by "CR".

Asset accounts represent money or any other items that the company owns or something which will provide the company with a future benefit. When assets are increased, they are debited. When assets are decreased, they are credited.

Liability accounts represent money or any other amounts that the company does not own. When liabilities are increased, they are credited. When liabilities are decreased, they are debited.

Revenue accounts represent amounts that the company has earned from their regular operations. When revenues are increased, they are credited. When revenues are decreased, they are debited.

Expense accounts represent amounts that the company has spent through the course of their regular operations. When expenses are increased, they are debited. When expenses are decreased, they are credited.

Contra accounts represent a reduction to an account, which is tracked separately. Examples of contra accounts are sales returns, allowance for doubtful accounts, and accumulated depreciation on the property plant & equipment accounts. Debits and credits to contra accounts are posted in a reverse manner, when compared to the account to which they apply.

The following is a guide for how these entries are posted.

Sell services:

DR Accounts Receivable
CR Sales

Buy inventory:

DR Inventory
CR Accounts Payable

Sell inventory:

DR Accounts Receivable
CR Sales Revenue
DR Cost of Goods Sold
CR Inventory

Sales are returned:

DR Sales Returns
CR Accounts Receivable
DR Inventory
CR Cost of Goods Sold

Pay rent:

DR Rent Expense
CR Accounts Payable

Pay employees:

DR Wages Expense
CR Accounts Payable

Cash is received from accounts receivable for sales:

DR Cash
CR Accounts Receivable

Cash is paid to settle amounts owing in accounts payable for purchases:

DR Accounts Payable
CR Cash

When it is estimated that an amount might not be collectible:

DR Bad Debt Expense
CR Allowance for Doubtful Accounts

When it is confirmed that an amount will not be collectible:

DR Allowance for Doubtful Accounts
CR Accounts Receivable

Buy equipment that will be used by the business for more than one year:

DR Equipment
CR Accounts Payable

Depreciate equipment for the portion of the useful life that has passed:

DR Depreciation Expense
CR Accumulated Depreciation

Buy a building :

DR Building
CR Cash

Depreciate building for the portion of the useful life that has passed:

DR Depreciation Expense
CR Accumulated Depreciation

Receive a loan that is to be repaid over the course of more than one year:

DR Cash
CR Note Payable

Payment is made to repay a long-term loan

DR Interest Expense
DR Note Payable
CR Cash

Pay upfront for expenses that will be incurred in the future:

DR Prepaid Expense
CR Accounts Payable

* NOTE: Prepaid Expense is an asset account because it represents a future benefit whereby the company will receive goods/services in the future.

Amortize a prepaid expense as it is incurred:

DR Expense
CR Prepaid Expense

Receive upfront payment goods/services that will be provided in the future:

DR Cash
CR Unearned Revenue

Provide the goods/services that had been paid for upfront beforehand:

DR Unearned Revenue*

CR Revenue

* NOTE: Unearned Revenue is a liability account because it represents an obligation to provide goods/services in the future.

Pay a dividend to a shareholder:

DR Retained Earnings

CR Cash

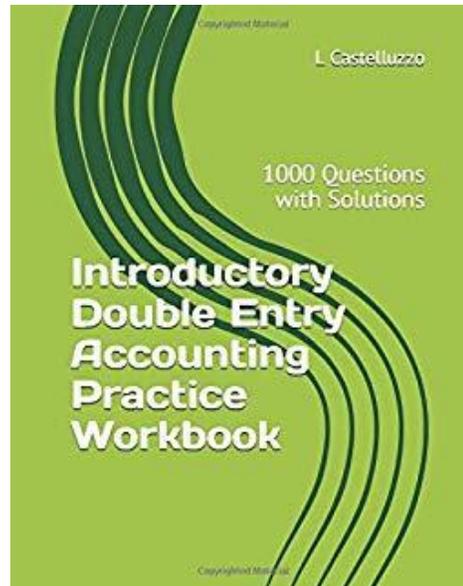
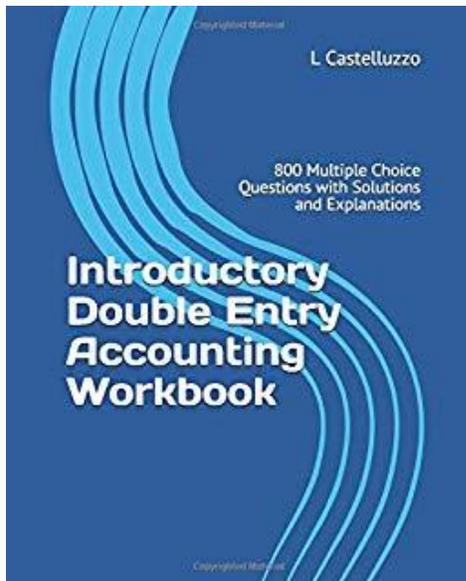
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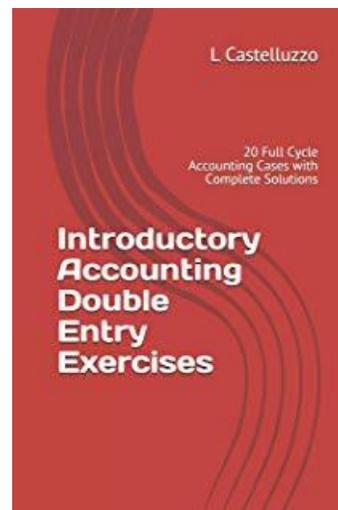
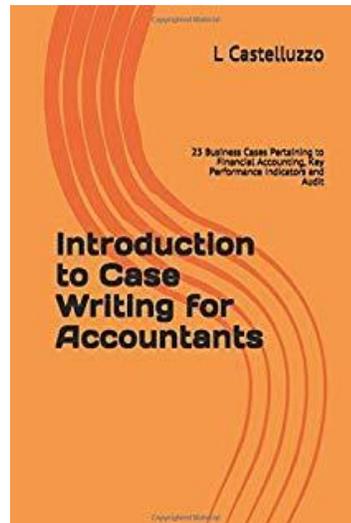
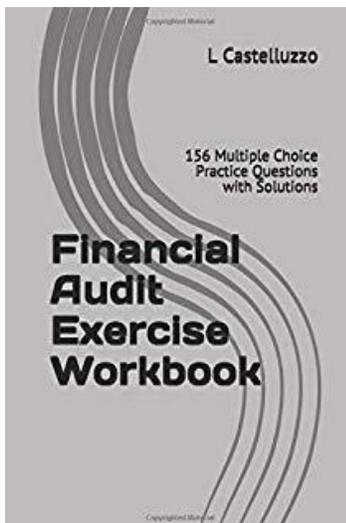
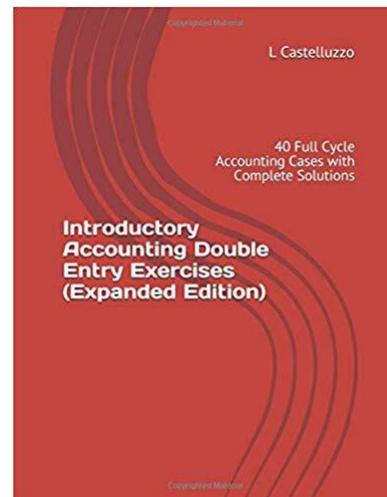
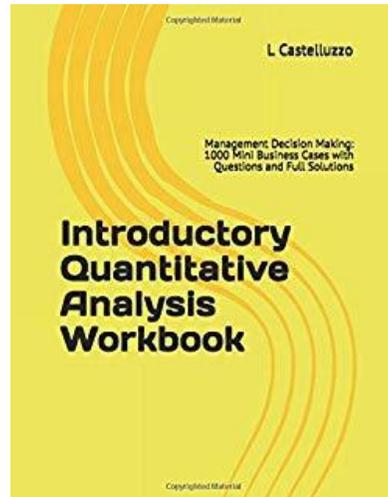
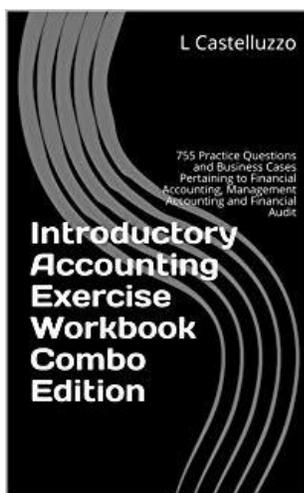
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40 Full Cycle Accounting Cases with Complete Solutions

Introductory Accounting Double Entry Exercises:
20 Full Cycle Accounting Cases with Complete Solutions



1 Mr. Mop sells several different types of household cleaners. Mr. Mop has just received a cash payment for the full amount that this customer owed to the company for all of their purchases to date. The outstanding balance which has now been paid was \$36000.

- A) DR Cash \$3,000
CR Accounts Receivable \$3,000
- B) DR Accounts Receivable \$36,000
CR Cash \$36,000
- C) DR Accounts Receivable \$3,000
CR Cash \$3,000
- D) DR Cash \$36,000
CR Accounts Receivable \$36,000

2 Mount Tessory Academy offers their customers a wide range of private school education. This month, Mount Tessory Academy must amortize 1 month worth of utility bills which they had prepaid at the beginning of the year. The amount that they had paid upfront for the year was \$28800.

- A) DR Prepaid Expense \$28,800
CR Utilities expense \$28,800
- B) DR Utilities expense \$28,800
CR Prepaid Expense \$28,800
- C) DR Utilities expense \$2,400
CR Prepaid Expense \$2,400
- D) DR Prepaid Expense \$2,400
CR Utilities expense \$2,400

3 Jameson & Jameson sells various soap products. Today, Jameson & Jameson received an upfront payment for 4470 truckloads of bars of soap which will be provided to the customer 6 months from now. The payment for each was \$1500.

- A) DR Cash \$6,705,000
CR Unearned Revenue \$6,705,000
- B) DR Unearned Revenue \$1,500
CR Cash \$1,500
- C) DR Unearned Revenue \$6,705,000
CR Cash \$6,705,000
- D) DR Cash \$1,500
CR Unearned Revenue \$1,500

4 AC&C Ltd. is a corporation which sells cell phone plans. This January, AC&C Ltd. has made an advance payment to cover the next 12 months of utility bills, which have a monthly cost of \$2300.

- A) DR Prepaid Expense \$27,600
CR Cash \$27,600
- B) DR Cash \$2,300
CR Prepaid Expense \$2,300
- C) DR Cash \$27,600
CR Prepaid Expense \$27,600
- D) DR Prepaid Expense \$2,300
CR Cash \$2,300

5 David & Johnson is a market leader that is well-known for their brand of legal services. This year, David & Johnson has provided 1100 billable hours each of which earned revenues of \$2740.

- A) DR Sales \$3,014,000
CR Accounts Receivable \$3,014,000
- B) DR Accounts Receivable \$3,014,000
CR Sales \$3,014,000
- C) DR Accounts Receivable \$2,740
CR Sales \$2,740
- D) DR Sales \$2,740
CR Accounts Receivable \$2,740

6 Paytech Ltd is a privately-held corporation which focuses on their niche of premium payroll transaction processing services. Today Paytech Ltd signed up for a loan with a 5% interest rate, and so the bank immediately transferred cash to the company in the amount of \$93000.

- A) DR Loan Payable \$4,650
CR Cash \$4,650
- B) DR Cash \$4,650
CR Loan Payable \$4,650
- C) DR Cash \$93,000
CR Loan Payable \$93,000
- D) DR Loan Payable \$93,000
CR Cash \$93,000

7 Hogtown Records is a company which offers their customers a wide selection of audio services for local musicians to record their music albums. Hogtown Records has just purchased a building using cash, which has an expected useful life of 30 years, and which had a total cost of \$948,000.

- A) DR Cash \$948,000
CR Building \$948,000
- B) DR Building \$948,000
CR Cash \$948,000
- C) DR Building \$31,600
CR Cash \$31,600
- D) DR Cash \$31,600
CR Building \$31,600

8 Fairway Malls is a privately-held corporation which focuses on their niche of premium retail spaces in their shopping centers. This January, Fairway Malls has made an advance payment to cover the next 12 months of utility bills, which have a monthly cost of \$2,700.

- A) DR Prepaid Expense \$2,700
CR Cash \$2,700
- B) DR Cash \$32,400
CR Prepaid Expense \$32,400
- C) DR Cash \$2,700
CR Prepaid Expense \$2,700
- D) DR Prepaid Expense \$32,400
CR Cash \$32,400

9 Sprike Inc sells various athletic apparel. This month, Sprike Inc has estimated that 15% of the accounts receivable might not end up being collectable, based on past experience. The accounts receivable will need to be adjusted from its current balance of \$80,000.

- A) DR Bad Debt expense \$80,000
CR Allowance for Doubtful Accounts \$80,000
- B) DR Allowance for Doubtful Accounts \$12,000
CR Bad Debt expense \$12,000
- C) DR Allowance for Doubtful Accounts \$80,000
CR Bad Debt expense \$80,000
- D) DR Bad Debt expense \$12,000
CR Allowance for Doubtful Accounts \$12,000

10 Hogtown Records is a corporation which sells audio services for local musicians to record their music albums. Today Hogtown Records signed up for a loan with a 5% interest rate, and so the bank immediately transferred cash to the company in the amount of \$69000.

- A) DR Cash \$3,450
CR Loan Payable \$3,450
- B) DR Loan Payable \$69,000
CR Cash \$69,000
- C) DR Loan Payable \$3,450
CR Cash \$3,450
- D) DR Cash \$69,000
CR Loan Payable \$69,000

11 Paytech Ltd provides their customers with payroll transaction processing services. This December, Paytech Ltd recognized 1 year of depreciation on equipment which had a total useful life of 10 years, and which had originally cost \$80000.

- A) DR Depreciation expense \$8,000
CR Accumulated Depreciation \$8,000
- B) DR Accumulated Depreciation \$80,000
CR Depreciation expense \$80,000
- C) DR Accumulated Depreciation \$8,000
CR Depreciation expense \$8,000
- D) DR Depreciation expense \$80,000
CR Accumulated Depreciation \$80,000

12 David & Johnson provides their customers with legal services. Today, David & Johnson bought equipment which has a 5 year useful life, and which had a cost of \$14000.

- A) DR Equipment \$14,000
CR Accounts Payable \$14,000
- B) DR Accounts Payable \$2,800
CR Equipment \$2,800
- C) DR Accounts Payable \$14,000
CR Equipment \$14,000
- D) DR Equipment \$2,800
CR Accounts Payable \$2,800

13 Jameson & Jameson sells several different types of soap products. Today, Jameson & Jameson received an upfront payment for 3240 truckloads of bars of soap which will be provided to the customer 6 months from now. The payment for each was \$1200.

- A) DR Unearned Revenue \$1,200
CR Cash \$1,200
- B) DR Cash \$1,200
CR Unearned Revenue \$1,200
- C) DR Cash \$3,888,000
CR Unearned Revenue \$3,888,000
- D) DR Unearned Revenue \$3,888,000
CR Cash \$3,888,000

14 AC&C Ltd. sells several different types of cell phone plans. This December, AC&C Ltd. recognized 1 year of depreciation on equipment which had a total useful life of 10 years, and which had originally cost \$210000.

- A) DR Depreciation expense \$210,000
CR Accumulated Depreciation \$210,000
- B) DR Accumulated Depreciation \$21,000
CR Depreciation expense \$21,000
- C) DR Accumulated Depreciation \$210,000
CR Depreciation expense \$210,000
- D) DR Depreciation expense \$21,000
CR Accumulated Depreciation \$21,000

15 A to Z Event Guru Ltd is a market leader that is well-known for their brand of start-to-finish event planning services for large gatherings. A to Z Event Guru Ltd has just provided 1500 large orders which had been paid for in advance last year. Each order was in the amount of \$1600.

- A) DR Sales \$2,400,000
CR Unearned Revenue \$2,400,000
- B) DR Unearned Revenue \$2,400,000
CR Sales \$2,400,000
- C) DR Unearned Revenue \$1,600
CR Sales \$1,600
- D) DR Sales \$1,600
CR Unearned Revenue \$1,600

16 Grand Convention Ltd is a privately-held corporation which focuses on their niche of premium banquet hall rentals for corporate meetings. Grand Convention Ltd has just provided 2200 large orders which had been paid for in advance last year. Each order was in the amount of \$1500.

- A) DR Unearned Revenue \$3,300,000
CR Sales \$3,300,000
- B) DR Sales \$1,500
CR Unearned Revenue \$1,500
- C) DR Sales \$3,300,000
CR Unearned Revenue \$3,300,000
- D) DR Unearned Revenue \$1,500
CR Sales \$1,500

17 Grand Convention Ltd provides their customers with banquet hall rentals for corporate meetings. This December, Grand Convention Ltd recognized 1 year of depreciation on a building which had a total useful life of 25 years, and which had originally been bought for \$510000.

- A) DR Depreciation expense \$510,000
CR Accumulated Depreciation \$510,000
- B) DR Accumulated Depreciation \$20,400
CR Depreciation expense \$20,400
- C) DR Accumulated Depreciation \$510,000
CR Depreciation expense \$510,000
- D) DR Depreciation expense \$20,400
CR Accumulated Depreciation \$20,400

18 Mr. Mop is an organization which specializes in providing their customers with household cleaners. Today, Mr. Mop received an upfront payment for 3880 tons of cleaning solution which will be provided to the customer 6 months from now. The payment for each was \$1800.

- A) DR Cash \$1,800
CR Unearned Revenue \$1,800
- B) DR Unearned Revenue \$6,984,000
CR Cash \$6,984,000
- C) DR Unearned Revenue \$1,800
CR Cash \$1,800
- D) DR Cash \$6,984,000
CR Unearned Revenue \$6,984,000

19 Toyonda is an organization which specializes in providing their customers with cars. Today, Toyonda has paid cash to their supplier to fully pay off their account payable balance, which was \$64000.

- A) DR Cash \$64,000
CR Accounts Payable \$64,000
- B) DR Accounts Payable \$64,000
CR Cash \$64,000
- C) DR Accounts Payable \$5,333
CR Cash \$5,333
- D) DR Cash \$5,333
CR Accounts Payable \$5,333

20 NBG Media Corporation sells several different types of broadcasting services for advertising agencies. This month, NBG Media Corporation must amortize 1 month worth of utility bills which they had prepaid at the beginning of the year. The amount that they had paid upfront for the year was \$16800.

- A) DR Utilities expense \$1,400
CR Prepaid Expense \$1,400
- B) DR Prepaid Expense \$16,800
CR Utilities expense \$16,800
- C) DR Prepaid Expense \$1,400
CR Utilities expense \$1,400
- D) DR Utilities expense \$16,800
CR Prepaid Expense \$16,800

21 Cirque du Lune sells several different types of circus performances. This December, Cirque du Lune recognized 1 year of depreciation on a building which had a total useful life of 25 years, and which had originally been bought for \$214000.

- A) DR Accumulated Depreciation \$8,560
CR Depreciation expense \$8,560
- B) DR Depreciation expense \$8,560
CR Accumulated Depreciation \$8,560
- C) DR Depreciation expense \$214,000
CR Accumulated Depreciation \$214,000
- D) DR Accumulated Depreciation \$214,000
CR Depreciation expense \$214,000

22 Hogtown Records is a corporation which sells audio services for local musicians to record their music albums. This January, Hogtown Records has made an advance payment to cover the next 12 months of utility bills, which have a monthly cost of \$1400.

- A) DR Prepaid Expense \$1,400
CR Cash \$1,400
- B) DR Cash \$16,800
CR Prepaid Expense \$16,800
- C) DR Cash \$1,400
CR Prepaid Expense \$1,400
- D) DR Prepaid Expense \$16,800
CR Cash \$16,800

23 Air America is a privately-held corporation which focuses on their niche of premium global flights. Today Air America signed up for a loan with a 5% interest rate, and so the bank immediately transferred cash to the company in the amount of \$50000.

- A) DR Loan Payable \$50,000
CR Cash \$50,000
- B) DR Cash \$50,000
CR Loan Payable \$50,000
- C) DR Cash \$2,500
CR Loan Payable \$2,500
- D) DR Loan Payable \$2,500
CR Cash \$2,500

24 Kola-Nut Ltd sells several different types of soft drinks. This month, Kola-Nut Ltd accepted 6400 batches of soda bottles which were returned by customers. These products had been marked up by 35% and they had originally been bought at a per-unit cost of \$2800.

- A) DR Sales Returns \$3,640
DR Inventory \$2,800
CR Accounts Receivable \$3,640
CR Cost of Goods Sold \$2,800
- B) DR Accounts Receivable \$24,192,000
DR Accounts Receivable \$17,920,000
CR Sales Returns \$24,192,000
CR Inventory \$17,920,000
- C) DR Accounts Receivable \$3,640
DR Accounts Receivable \$2,800
CR Sales Returns \$3,640
CR Inventory \$2,800
- D) DR Sales Returns \$24,192,000
DR Inventory \$17,920,000
CR Accounts Receivable \$24,192,000
CR Cost of Goods Sold \$17,920,000

25 McGerald's is a corporation which sells fast food meals. This week, McGerald's paid each of the 1590 staff members their bi-weekly wages, which per person had a cost of \$2500.

- A) DR Wage expense \$2,500
CR Accounts Payable \$2,500
- B) DR Accounts Payable \$3,975,000
CR Wage expense \$3,975,000
- C) DR Accounts Payable \$2,500
CR Wage expense \$2,500
- D) DR Wage expense \$3,975,000
CR Accounts Payable \$3,975,000

26 Pharma Drug Company Ltd. sells various medications. This December, Pharma Drug Company Ltd. has paid each of the company's 1800 owners an annual dividend in the amount of \$19000.

- A) DR Retained Earnings \$19,000
CR Cash \$19,000
- B) DR Cash \$34,200,000
CR Retained Earnings \$34,200,000
- C) DR Cash \$19,000
CR Retained Earnings \$19,000
- D) DR Retained Earnings \$34,200,000
CR Cash \$34,200,000

27 Air America provides their customers with global flights. Today, Air America bought equipment which has a 5 year useful life, and which had a cost of \$10000.

- A) DR Equipment \$2,000
CR Accounts Payable \$2,000
- B) DR Accounts Payable \$10,000
CR Equipment \$10,000
- C) DR Accounts Payable \$2,000
CR Equipment \$2,000
- D) DR Equipment \$10,000
CR Accounts Payable \$10,000

28 Jameson & Jameson sells several different types of soap products. This month, Jameson & Jameson accepted 24600 truckloads of bars of soap which were returned by customers. These products had been marked up by 35% and they had originally been bought at a per-unit cost of \$1800.

- A) DR Accounts Receivable \$59,778,000
DR Accounts Receivable \$44,280,000
CR Sales Returns \$59,778,000
CR Inventory \$44,280,000
- B) DR Sales Returns \$59,778,000
DR Inventory \$44,280,000
CR Accounts Receivable \$59,778,000
CR Cost of Goods Sold \$44,280,000
- C) DR Sales Returns \$2,340
DR Inventory \$1,800
CR Accounts Receivable \$2,340
CR Cost of Goods Sold \$1,800
- D) DR Accounts Receivable \$2,340
DR Accounts Receivable \$1,800
CR Sales Returns \$2,340
CR Inventory \$1,800

29 Sprike Inc sells several different types of athletic apparel. This month, Sprike Inc must amortize 1 month worth of utility bills which they had prepaid at the beginning of the year. The amount that they had paid upfront for the year was \$25200.

- A) DR Utilities expense \$25,200
CR Prepaid Expense \$25,200
- B) DR Prepaid Expense \$2,100
CR Utilities expense \$2,100
- C) DR Prepaid Expense \$25,200
CR Utilities expense \$25,200
- D) DR Utilities expense \$2,100
CR Prepaid Expense \$2,100

30 Mr. Mop is an organization which specializes in providing their customers with household cleaners. Today Mr. Mop sold 40400 tons of cleaning solution which had a 30% mark-up. They had originally been bought from their suppliers for a unit cost of \$2170.

- A) DR Sales \$113,968,400
DR Sales \$87,668,000
CR Accounts Receivable \$113,968,400
CR Cost of Goods Sold \$87,668,000
- B) DR Accounts Receivable \$113,968,400
DR Cost of Goods Sold \$87,668,000
CR Sales \$113,968,400
CR Inventory \$87,668,000
- C) DR Accounts Receivable \$2,821
DR Cost of Goods Sold \$2,170
CR Sales \$2,821
CR Inventory \$2,170
- D) DR Sales \$2,821
DR Sales \$2,170
CR Accounts Receivable \$2,821
CR Cost of Goods Sold \$2,170

31 Cirque du Lune provides their customers with circus performances. Today Cirque du Lune signed up for a loan with a 5% interest rate, and so the bank immediately transferred cash to the company in the amount of \$99000.

- A) DR Cash \$4,950
CR Loan Payable \$4,950
- B) DR Loan Payable \$99,000
CR Cash \$99,000
- C) DR Loan Payable \$4,950
CR Cash \$4,950
- D) DR Cash \$99,000
CR Loan Payable \$99,000

32 Fairway Malls sells several different types of retail spaces in their shopping centers. Fairway Malls has just purchased a building using cash, which has an expected useful life of 30 years, and which had a total cost of \$238000.

- A) DR Building \$7,933
CR Cash \$7,933
- B) DR Cash \$238,000
CR Building \$238,000
- C) DR Cash \$7,933
CR Building \$7,933
- D) DR Building \$238,000
CR Cash \$238,000

33 David & Johnson is a privately-held corporation which focuses on their niche of premium legal services. This year, David & Johnson has provided 1400 billable hours each of which earned revenues of \$2260.

- A) DR Sales \$3,164,000
CR Accounts Receivable \$3,164,000
- B) DR Accounts Receivable \$3,164,000
CR Sales \$3,164,000
- C) DR Accounts Receivable \$2,260
CR Sales \$2,260
- D) DR Sales \$2,260
CR Accounts Receivable \$2,260

34 LA Met Theatre Company sells various live theatrical performances. Today, LA Met Theatre Company bought equipment which has a 5 year useful life, and which had a cost of \$16000.

- A) DR Equipment \$3,200
CR Accounts Payable \$3,200
- B) DR Accounts Payable \$16,000
CR Equipment \$16,000
- C) DR Accounts Payable \$3,200
CR Equipment \$3,200
- D) DR Equipment \$16,000
CR Accounts Payable \$16,000

35 Kola-Nut Ltd is a corporation which sells soft drinks. This week, Kola-Nut Ltd paid each of the 3580 staff members their bi-weekly wages, which per person had a cost of \$2300.

- A) DR Wage expense \$2,300
CR Accounts Payable \$2,300
- B) DR Accounts Payable \$8,234,000
CR Wage expense \$8,234,000
- C) DR Accounts Payable \$2,300
CR Wage expense \$2,300
- D) DR Wage expense \$8,234,000
CR Accounts Payable \$8,234,000

36 Paytech Ltd sells several different types of payroll transaction processing services. Today, Paytech Ltd received payment upfront for 1300 large orders which will not be provided until early next year. Each order was in the amount of \$1600.

- A) DR Unearned Revenue \$2,080,000
CR Cash \$2,080,000
- B) DR Cash \$2,080,000
CR Unearned Revenue \$2,080,000
- C) DR Cash \$1,600
CR Unearned Revenue \$1,600
- D) DR Unearned Revenue \$1,600
CR Cash \$1,600

37 Mr. Mop provides their customers with household cleaners. Today Mr. Mop sold 16500 tons of cleaning solution which had a 30% mark-up. They had originally been bought from their suppliers for a unit cost of \$2520.

- A) DR Accounts Receivable \$3,276
DR Cost of Goods Sold \$2,520
CR Sales \$3,276
CR Inventory \$2,520
- B) DR Sales \$54,054,000
DR Sales \$41,580,000
CR Accounts Receivable \$54,054,000
CR Cost of Goods Sold \$41,580,000
- C) DR Sales \$3,276
DR Sales \$2,520
CR Accounts Receivable \$3,276
CR Cost of Goods Sold \$2,520
- D) DR Accounts Receivable \$54,054,000
DR Cost of Goods Sold \$41,580,000
CR Sales \$54,054,000
CR Inventory \$41,580,000

38 Kola-Nut Ltd provides their customers with soft drinks. Today, Kola-Nut Ltd received an upfront payment for 5400 batches of soda bottles which will be provided to the customer 6 months from now. The payment for each was \$1800.

- A) DR Cash \$1,800
CR Unearned Revenue \$1,800
- B) DR Unearned Revenue \$9,720,000
CR Cash \$9,720,000
- C) DR Unearned Revenue \$1,800
CR Cash \$1,800
- D) DR Cash \$9,720,000
CR Unearned Revenue \$9,720,000

39 LA Met Theatre Company is a company which offers their customers a wide selection of live theatrical performances. This month, LA Met Theatre Company must amortize 1 month worth of utility bills which they had prepaid at the beginning of the year. The amount that they had paid upfront for the year was \$13200.

- A) DR Prepaid Expense \$1,100
CR Utilities expense \$1,100
- B) DR Utilities expense \$1,100
CR Prepaid Expense \$1,100
- C) DR Utilities expense \$13,200
CR Prepaid Expense \$13,200
- D) DR Prepaid Expense \$13,200
CR Utilities expense \$13,200

40 NY Fitness is a market leader that is well-known for their brand of gym memberships for professional sports teams. This year, NY Fitness has provided 1100 team memberships each of which earned revenues of \$2820.

- A) DR Sales \$3,102,000
CR Accounts Receivable \$3,102,000
- B) DR Accounts Receivable \$3,102,000
CR Sales \$3,102,000
- C) DR Accounts Receivable \$2,820
CR Sales \$2,820
- D) DR Sales \$2,820
CR Accounts Receivable \$2,820

41 Pharma Drug Company Ltd. is a corporation which sells medications. Today Pharma Drug Company Ltd. sold 8700 batches of pills which had a 30% mark-up. They had originally been bought from their suppliers for a unit cost of \$1720.

- A) DR Accounts Receivable \$2,236
DR Cost of Goods Sold \$1,720
CR Sales \$2,236
CR Inventory \$1,720
- B) DR Sales \$19,453,200
DR Sales \$14,964,000
CR Accounts Receivable \$19,453,200
CR Cost of Goods Sold \$14,964,000
- C) DR Sales \$2,236
DR Sales \$1,720
CR Accounts Receivable \$2,236
CR Cost of Goods Sold \$1,720
- D) DR Accounts Receivable \$19,453,200
DR Cost of Goods Sold \$14,964,000
CR Sales \$19,453,200
CR Inventory \$14,964,000

42 Cirque du Lune is an organization which specializes in providing their customers with circus performances. Today, Cirque du Lune bought equipment which has a 5 year useful life, and which had a cost of \$13000.

- A) DR Accounts Payable \$13,000
CR Equipment \$13,000
- B) DR Equipment \$13,000
CR Accounts Payable \$13,000
- C) DR Equipment \$2,600
CR Accounts Payable \$2,600
- D) DR Accounts Payable \$2,600
CR Equipment \$2,600

43 NY Fitness is a company which offers their customers a wide selection of gym memberships for professional sports teams. This December, NY Fitness has paid each of the company's 2000 owners an annual dividend in the amount of \$10000.

- A) DR Cash \$20,000,000
CR Retained Earnings \$20,000,000
- B) DR Retained Earnings \$20,000,000
CR Cash \$20,000,000
- C) DR Retained Earnings \$10,000
CR Cash \$10,000
- D) DR Cash \$10,000
CR Retained Earnings \$10,000

44 Air America sells several different types of global flights. This year, Air America has provided 2400 flights each of which earned revenues of \$2770.

- A) DR Accounts Receivable \$2,770
CR Sales \$2,770
- B) DR Sales \$6,648,000
CR Accounts Receivable \$6,648,000
- C) DR Sales \$2,770
CR Accounts Receivable \$2,770
- D) DR Accounts Receivable \$6,648,000
CR Sales \$6,648,000

45 Kola-Nut Ltd is a market leader that is well-known for their brand of soft drinks. This month, Kola-Nut Ltd paid for 1 month of rent for the warehouse room, which has a monthly costs of \$2700.

- A) DR Accounts Payable \$2,700
CR Rent expense \$2,700
- B) DR Rent expense \$2,700
CR Accounts Payable \$2,700
- C) DR Rent expense \$32,400
CR Accounts Payable \$32,400
- D) DR Accounts Payable \$32,400
CR Rent expense \$32,400

46 David & Johnson provides their customers with legal services. Today, David & Johnson has paid cash to their supplier to fully pay off their account payable balance, which was \$28000.

- A) DR Accounts Payable \$2,333
CR Cash \$2,333
- B) DR Cash \$28,000
CR Accounts Payable \$28,000
- C) DR Cash \$2,333
CR Accounts Payable \$2,333
- D) DR Accounts Payable \$28,000
CR Cash \$28,000

47 Kola-Nut Ltd is a company which offers their customers a wide selection of soft drinks. This week, Kola-Nut Ltd purchased 5020 batches of soda bottles which were placed into the warehouse, and which had a per unit cost of \$1200.

- A) DR Accounts Payable \$1,200
CR Inventory \$1,200
- B) DR Inventory \$1,200
CR Accounts Payable \$1,200
- C) DR Inventory \$6,024,000
CR Accounts Payable \$6,024,000
- D) DR Accounts Payable \$6,024,000
CR Inventory \$6,024,000

48 Jameson & Jameson is an organization which specializes in providing their customers with soap products. Today, Jameson & Jameson received an upfront payment for 4070 truckloads of bars of soap which will be provided to the customer 6 months from now. The payment for each was \$2300.

- A) DR Cash \$2,300
CR Unearned Revenue \$2,300
- B) DR Unearned Revenue \$9,361,000
CR Cash \$9,361,000
- C) DR Unearned Revenue \$2,300
CR Cash \$2,300
- D) DR Cash \$9,361,000
CR Unearned Revenue \$9,361,000

49 Cirque du Lune is a corporation which sells circus performances. This month, Cirque du Lune made 1 monthly loan repayment towards their long-term note payable. The interest portion was 60% of the payment. The total amount paid in cash was \$16000.

- A) DR Interest Expense \$9,600
DR Loan Payable \$6,400
CR Cash \$16,000
- B) DR Cash \$16,000
CR Interest Expense \$6,400
CR Loan Payable \$9,600
- C) DR Cash \$16,000
CR Interest Expense \$9,600
CR Loan Payable \$6,400
- D) DR Interest Expense \$6,400
DR Loan Payable \$9,600
CR Cash \$16,000

50 Air America is a company which offers their customers a wide selection of global flights. This month, Air America has estimated that 30% of the accounts receivable might not end up being collectable, based on past experience. The accounts receivable will need to be adjusted from its current balance of \$27000.

- A) DR Bad Debt expense \$27,000
CR Allowance for Doubtful Accounts \$27,000
- B) DR Allowance for Doubtful Accounts \$8,100
CR Bad Debt expense \$8,100
- C) DR Allowance for Doubtful Accounts \$27,000
CR Bad Debt expense \$27,000
- D) DR Bad Debt expense \$8,100
CR Allowance for Doubtful Accounts \$8,100

SOLUTIONS

1 Mr. Mop sells several different types of household cleaners. Mr. Mop has just received a cash payment for the full amount that this customer owed to the company for all of their purchases to date. The outstanding balance which has now been paid was \$36000.

D) DR Cash \$36,000
CR Accounts Receivable \$36,000

The cash (asset) account has increased, and the accounts receivable (asset) account has decreased by \$36,000.

2 Mount Tessory Academy offers their customers a wide range of private school education. This month, Mount Tessory Academy must amortize 1 month worth of utility bills which they had prepaid at the beginning of the year. The amount that they had paid upfront for the year was \$28800.

C) DR Utilities expense \$2,400
CR Prepaid Expense \$2,400

The utilities (expense) account has increased and the prepaid expense (asset) account has decreased by: \$28,800 for the year, divided by 12 months = \$2,400

3 Jameson & Jameson sells various soap products. Today, Jameson & Jameson received an upfront payment for 4470 truckloads of bars of soap which will be provided to the customer 6 months from now. The payment for each was \$1500.

A) DR Cash \$6,705,000
CR Unearned Revenue \$6,705,000

The cash (asset) and the unearned revenue (liability) accounts have both increased by: 4470 truckloads of bars of soap x \$1,500 = \$6,705,000

4 AC&C Ltd. is a corporation which sells cell phone plans. This January, AC&C Ltd. has made an advance payment to cover the next 12 months of utility bills, which have a monthly cost of \$2300.

A) DR Prepaid Expense \$27,600
CR Cash \$27,600

The prepaid expense (asset) account has increased, and the cash (asset) account has decreased by: 12 months x \$2,300 per month = \$27,600 for the year.

5 David & Johnson is a market leader that is well-known for their brand of legal services. This year, David & Johnson has provided 1100 billable hours each of which earned revenues of \$2740.

B) DR Accounts Receivable \$3,014,000
CR Sales \$3,014,000

The accounts receivable (asset) and the sales (revenue) accounts have both increased by: 1100 billable hours x \$2,740 = \$3,014,000

6 Paytech Ltd is a privately-held corporation which focuses on their niche of premium payroll transaction processing services. Today Paytech Ltd signed up for a loan with a 5% interest rate, and so the bank immediately transferred cash to the company in the amount of \$93000.

C) DR Cash \$93,000
CR Loan Payable \$93,000

The cash (asset) and the loan payable (liability) accounts have both increased by: \$93,000. The interest rate does not affect this initial accounting entry, but it will be used for the calculation of interest expense when repayments are made in the future toward this loan.

7 Hogtown Records is a company which offers their customers a wide selection of audio services for local musicians to record their music albums. Hogtown Records has just purchased a building using cash, which has an expected useful life of 30 years, and which had a total cost of \$948000.

B) DR Building \$948,000
CR Cash \$948,000

The building (asset) account has increased, and the cash (asset) account has decreased by: \$948,000. The useful life does not affect this original accounting entry, but it will be used to calculate depreciation of the asset in the future.

8 Fairway Malls is a privately-held corporation which focuses on their niche of premium retail spaces in their shopping centers. This January, Fairway Malls has made an advance payment to cover the next 12 months of utility bills, which have a monthly cost of \$2700.

D) DR Prepaid Expense \$32,400
CR Cash \$32,400

The prepaid expense (asset) account has increased, and the cash (asset) account has decreased by: 12 months x \$2,700 per month = \$32,400 for the year.

9 Sprike Inc sells various athletic apparel. This month, Sprike Inc has estimated that 15% of the accounts receivable might not end up being collectable, based on past experience. The accounts receivable will need to be adjusted from its current balance of \$80000.

D) DR Bad Debt expense \$12,000
CR Allowance for Doubtful Accounts \$12,000

The bad debts (expense) and the allowance for doubtful accounts (contra-asset) have both increased by: 15% x \$80,000 = \$12,000

10 Hogtown Records is a corporation which sells audio services for local musicians to record their music albums. Today Hogtown Records signed up for a loan with a 5% interest rate, and so the bank immediately transferred cash to the company in the amount of \$69000.

D) DR Cash \$69,000
CR Loan Payable \$69,000

The cash (asset) and the loan payable (liability) accounts have both increased by: \$69,000. The interest rate does not affect this initial accounting entry, but it will be used for the calculation of interest expense when repayments are made in the future toward this loan.

11 Paytech Ltd provides their customers with payroll transaction processing services. This December, Paytech Ltd recognized 1 year of depreciation on equipment which had a total useful life of 10 years, and which had originally cost \$80000.

A) DR Depreciation expense \$8,000
CR Accumulated Depreciation \$8,000

The depreciation (expense) account and the accumulated depreciation (contra-asset) accounts have both increased by: \$80,000 divided by 10 years = \$8,000 depreciation per year.

12 David & Johnson provides their customers with legal services. Today, David & Johnson bought equipment which has a 5 year useful life, and which had a cost of \$14000.

A) DR Equipment \$14,000
CR Accounts Payable \$14,000

The equipment (asset) and the accounts payable (liability) accounts have both increased by: \$14,000. The useful life does not affect this original accounting entry, but it will be used to calculate depreciation of the asset in the future.

13 Jameson & Jameson sells several different types of soap products. Today, Jameson & Jameson received an upfront payment for 3240 truckloads of bars of soap which will be provided to the customer 6 months from now. The payment for each was \$1200.

C) DR Cash \$3,888,000
CR Unearned Revenue \$3,888,000

The cash (asset) and the unearned revenue (liability) accounts have both increased by: 3240 truckloads of bars of soap x \$1,200 = \$3,888,000

14 AC&C Ltd. sells several different types of cell phone plans. This December, AC&C Ltd. recognized 1 year of depreciation on equipment which had a total useful life of 10 years, and which had originally cost \$210000.

D) DR Depreciation expense \$21,000
CR Accumulated Depreciation \$21,000

The depreciation (expense) account and the accumulated depreciation (contra-asset) accounts have both increased by: \$210,000 divided by 10 years = \$21,000 depreciation per year.

15 A to Z Event Guru Ltd is a market leader that is well-known for their brand of start-to-finish event planning services for large gatherings. A to Z Event Guru Ltd has just provided 1500 large orders which had been paid for in advance last year. Each order was in the amount of \$1600.

B) DR Unearned Revenue \$2,400,000
CR Sales \$2,400,000

The unearned revenue (liability) account has decreased and the sales (revenue) account has increased by: $1500 \text{ large orders} \times \$1,600 = \$2,400,000$

16 Grand Convention Ltd is a privately-held corporation which focuses on their niche of premium banquet hall rentals for corporate meetings. Grand Convention Ltd has just provided 2200 large orders which had been paid for in advance last year. Each order was in the amount of \$1500.

A) DR Unearned Revenue \$3,300,000
CR Sales \$3,300,000

The unearned revenue (liability) account has decreased and the sales (revenue) account has increased by: $2200 \text{ large orders} \times \$1,500 = \$3,300,000$

17 Grand Convention Ltd provides their customers with banquet hall rentals for corporate meetings. This December, Grand Convention Ltd recognized 1 year of depreciation on a building which had a total useful life of 25 years, and which had originally been bought for \$510,000.

D) DR Depreciation expense \$20,400
CR Accumulated Depreciation \$20,400

The depreciation (expense) account and the accumulated depreciation (contra-asset) accounts have both increased by: $\$510,000 \text{ divided by } 25 \text{ years} = \$20,400 \text{ depreciation per year.}$

18 Mr. Mop is an organization which specializes in providing their customers with household cleaners. Today, Mr. Mop received an upfront payment for 3880 tons of cleaning solution which will be provided to the customer 6 months from now. The payment for each was \$1800.

D) DR Cash \$6,984,000
CR Unearned Revenue \$6,984,000

The cash (asset) and the unearned revenue (liability) accounts have both increased by: $3880 \text{ tons of cleaning solution} \times \$1,800 = \$6,984,000$

19 Toyonda is an organization which specializes in providing their customers with cars. Today, Toyonda has paid cash to their supplier to fully pay off their account payable balance, which was \$64,000.

B) DR Accounts Payable \$64,000
CR Cash \$64,000

The accounts payable (liability) and cash (asset) accounts have both increased by \$64,000.

20 NBG Media Corporation sells several different types of broadcasting services for advertising agencies. This month, NBG Media Corporation must amortize 1 month worth of utility bills which they had prepaid at the beginning of the year. The amount that they had paid upfront for the year was \$16800.

- A) DR Utilities expense \$1,400
CR Prepaid Expense \$1,400

The utilities (expense) account has increased and the prepaid expense (asset) account has decreased by: $\$16,800$ for the year, divided by 12 months = $\$1,400$

21 Cirque du Lune sells several different types of circus performances. This December, Cirque du Lune recognized 1 year of depreciation on a building which had a total useful life of 25 years, and which had originally been bought for \$214000.

- B) DR Depreciation expense \$8,560
CR Accumulated Depreciation \$8,560

The depreciation (expense) account and the accumulated depreciation (contra-asset) accounts have both increased by: $\$214,000$ divided by 25 years = $\$8,560$ depreciation per year.

22 Hogtown Records is a corporation which sells audio services for local musicians to record their music albums. This January, Hogtown Records has made an advance payment to cover the next 12 months of utility bills, which have a monthly cost of \$1400.

- D) DR Prepaid Expense \$16,800
CR Cash \$16,800

The prepaid expense (asset) account has increased, and the cash (asset) account has decreased by: 12 months x $\$1,400$ per month = $\$16,800$ for the year.

23 Air America is a privately-held corporation which focuses on their niche of premium global flights. Today Air America signed up for a loan with a 5% interest rate, and so the bank immediately transferred cash to the company in the amount of \$50000.

- B) DR Cash \$50,000
CR Loan Payable \$50,000

The cash (asset) and the loan payable (liability) accounts have both increased by: $\$50,000$. The interest rate does not affect this initial accounting entry, but it will be used for the calculation of interest expense when repayments are made in the future toward this loan.

24 Kola-Nut Ltd sells several different types of soft drinks. This month, Kola-Nut Ltd accepted 6400 batches of soda bottles which were returned by customers. These products had been marked up by 35% and they had originally been bought at a per-unit cost of \$2800.

D) DR Sales Returns \$24,192,000
DR Inventory \$17,920,000
CR Accounts Receivable \$24,192,000
CR Cost of Goods Sold \$17,920,000

This transaction increases the sales returns (contra-revenue) account, and the inventory (asset) account. The accounts receivable (asset) account and the cost of goods sold (expense) account have both decreased. $6400 \text{ batches of soda bottles} \times \$2,800 = \$17,920,000$. The 35% markup applies to the sales returns and accounts receivable amounts, i.e. $\$17,920,000 \times 1.35 = \$24,192,000$

25 McGerald's is a corporation which sells fast food meals. This week, McGerald's paid each of the 1590 staff members their bi-weekly wages, which per person had a cost of \$2500.

D) DR Wage expense \$3,975,000
CR Accounts Payable \$3,975,000

The wage (expense) and the accounts payable (liability) accounts have both increased by: $1590 \text{ staff members} \times \$2,500 = \$3,975,000$

26 Pharma Drug Company Ltd. sells various medications. This December, Pharma Drug Company Ltd. has paid each of the company's 1800 owners an annual dividend in the amount of \$19000.

D) DR Retained Earnings \$34,200,000
CR Cash \$34,200,000

The retained earnings (equity) and the cash accounts have both decreased by: $1800 \text{ owners} \times \$19,000 = \$34,200,000$

27 Air America provides their customers with global flights. Today, Air America bought equipment which has a 5 year useful life, and which had a cost of \$10000.

D) DR Equipment \$10,000
CR Accounts Payable \$10,000

The equipment (asset) and the accounts payable (liability) accounts have both increased by: \$10,000. The useful life does not affect this original accounting entry, but it will be used to calculate depreciation of the asset in the future.

28 Jameson & Jameson sells several different types of soap products. This month, Jameson & Jameson accepted 24600 truckloads of bars of soap which were returned by customers. These products had been marked up by 35% and they had originally been bought at a per-unit cost of \$1800.

- B) DR Sales Returns \$59,778,000
DR Inventory \$44,280,000
CR Accounts Receivable \$59,778,000
CR Cost of Goods Sold \$44,280,000

This transaction increases the sales returns (contra-revenue) account, and the inventory (asset) account. The accounts receivable (asset) account and the cost of goods sold (expense) account have both decreased. 24600 truckloads of bars of soap x \$1,800 = \$44,280,000. The 35% markup applies to the sales returns and accounts receivable amounts, i.e. $\$44,280,000 \times 1.35 = \$59,778,000$

29 Sprike Inc sells several different types of athletic apparel. This month, Sprike Inc must amortize 1 month worth of utility bills which they had prepaid at the beginning of the year. The amount that they had paid upfront for the year was \$25200.

- D) DR Utilities expense \$2,100
CR Prepaid Expense \$2,100

The utilities (expense) account has increased and the prepaid expense (asset) account has decreased by: $\$25,200$ for the year, divided by 12 months = $\$2,100$

30 Mr. Mop is an organization which specializes in providing their customers with household cleaners. Today Mr. Mop sold 40400 tons of cleaning solution which had a 30% mark-up. They had originally been bought from their suppliers for a unit cost of \$2170.

- B) DR Accounts Receivable \$113,968,400
DR Cost of Goods Sold \$87,668,000
CR Sales \$113,968,400
CR Inventory \$87,668,000

This transaction increases the accounts receivable (asset) account, the sales (revenue) account, and the cost of goods sold (expense) account. The inventory (asset) account has decreased. 40400 tons of cleaning solution x \$2,170 = \$87,668,000. The 30% markup applies to the sales and accounts receivable amounts, i.e. $\$87,668,000 \times 1.30 = \$113,968,400$

31 Cirque du Lune provides their customers with circus performances. Today Cirque du Lune signed up for a loan with a 5% interest rate, and so the bank immediately transferred cash to the company in the amount of \$99000.

- D) DR Cash \$99,000
CR Loan Payable \$99,000

The cash (asset) and the loan payable (liability) accounts have both increased by: \$99,000. The interest rate does not affect this initial accounting entry, but it will be used for the calculation of interest expense when repayments are made in the future toward this loan.

32 Fairway Malls sells several different types of retail spaces in their shopping centers. Fairway Malls has just purchased a building using cash, which has an expected useful life of 30 years, and which had a total cost of \$238,000.

D) DR Building \$238,000
CR Cash \$238,000

The building (asset) account has increased, and the cash (asset) account has decreased by: \$238,000. The useful life does not affect this original accounting entry, but it will be used to calculate depreciation of the asset in the future.

33 David & Johnson is a privately-held corporation which focuses on their niche of premium legal services. This year, David & Johnson has provided 1400 billable hours each of which earned revenues of \$2260.

B) DR Accounts Receivable \$3,164,000
CR Sales \$3,164,000

The accounts receivable (asset) and the sales (revenue) accounts have both increased by: 1400 billable hours x \$2,260 = \$3,164,000

34 LA Met Theatre Company sells various live theatrical performances. Today, LA Met Theatre Company bought equipment which has a 5 year useful life, and which had a cost of \$16,000.

D) DR Equipment \$16,000
CR Accounts Payable \$16,000

The equipment (asset) and the accounts payable (liability) accounts have both increased by: \$16,000. The useful life does not affect this original accounting entry, but it will be used to calculate depreciation of the asset in the future.

35 Kola-Nut Ltd is a corporation which sells soft drinks. This week, Kola-Nut Ltd paid each of the 3580 staff members their bi-weekly wages, which per person had a cost of \$2300.

D) DR Wage expense \$8,234,000
CR Accounts Payable \$8,234,000

The wage (expense) and the accounts payable (liability) accounts have both increased by: 3580 staff members x \$2,300 = \$8,234,000

36 Paytech Ltd sells several different types of payroll transaction processing services. Today, Paytech Ltd received payment upfront for 1300 large orders which will not be provided until early next year. Each order was in the amount of \$1600.

B) DR Cash \$2,080,000
CR Unearned Revenue \$2,080,000

The cash (asset) and the unearned revenue (liability) accounts have both increased by: 1300 large orders x \$1,600 = \$2,080,000

37 Mr. Mop provides their customers with household cleaners. Today Mr. Mop sold 16500 tons of cleaning solution which had a 30% mark-up. They had originally been bought from their suppliers for a unit cost of \$2520.

D) DR Accounts Receivable \$54,054,000
DR Cost of Goods Sold \$41,580,000
CR Sales \$54,054,000
CR Inventory \$41,580,000

This transaction increases the accounts receivable (asset) account, the sales (revenue) account, and the cost of goods sold (expense) account. The inventory (asset) account has decreased. $16500 \text{ tons of cleaning solution} \times \$2,520 = \$41,580,000$. The 30% markup applies to the sales and accounts receivable amounts, i.e. $\$41,580,000 \times 1.30 = \$54,054,000$

38 Kola-Nut Ltd provides their customers with soft drinks. Today, Kola-Nut Ltd received an upfront payment for 5400 batches of soda bottles which will be provided to the customer 6 months from now. The payment for each was \$1800.

D) DR Cash \$9,720,000
CR Unearned Revenue \$9,720,000

The cash (asset) and the unearned revenue (liability) accounts have both increased by: $5400 \text{ batches of soda bottles} \times \$1,800 = \$9,720,000$

39 LA Met Theatre Company is a company which offers their customers a wide selection of live theatrical performances. This month, LA Met Theatre Company must amortize 1 month worth of utility bills which they had prepaid at the beginning of the year. The amount that they had paid upfront for the year was \$13200.

B) DR Utilities expense \$1,100
CR Prepaid Expense \$1,100

The utilities (expense) account has increased and the prepaid expense (asset) account has decreased by: $\$13,200 \text{ for the year, divided by } 12 \text{ months} = \$1,100$

40 NY Fitness is a market leader that is well-known for their brand of gym memberships for professional sports teams. This year, NY Fitness has provided 1100 team memberships each of which earned revenues of \$2820.

B) DR Accounts Receivable \$3,102,000
CR Sales \$3,102,000

The accounts receivable (asset) and the sales (revenue) accounts have both increased by: $1100 \text{ team memberships} \times \$2,820 = \$3,102,000$

41 Pharma Drug Company Ltd. is a corporation which sells medications. Today Pharma Drug Company Ltd. sold 8700 batches of pills which had a 30% mark-up. They had originally been bought from their suppliers for a unit cost of \$1720.

D) DR Accounts Receivable \$19,453,200
DR Cost of Goods Sold \$14,964,000
CR Sales \$19,453,200
CR Inventory \$14,964,000

This transaction increases the accounts receivable (asset) account, the sales (revenue) account, and the cost of goods sold (expense) account. The inventory (asset) account has decreased. $8700 \text{ batches of pills} \times \$1,720 = \$14,964,000$. The 30% markup applies to the sales and accounts receivable amounts, i.e. $\$14,964,000 \times 1.30 = \$19,453,200$

42 Cirque du Lune is an organization which specializes in providing their customers with circus performances. Today, Cirque du Lune bought equipment which has a 5 year useful life, and which had a cost of \$13000.

B) DR Equipment \$13,000
CR Accounts Payable \$13,000

The equipment (asset) and the accounts payable (liability) accounts have both increased by: \$13,000. The useful life does not affect this original accounting entry, but it will be used to calculate depreciation of the asset in the future.

43 NY Fitness is a company which offers their customers a wide selection of gym memberships for professional sports teams. This December, NY Fitness has paid each of the company's 2000 owners an annual dividend in the amount of \$10000.

B) DR Retained Earnings \$20,000,000
CR Cash \$20,000,000

The retained earnings (equity) and the cash accounts have both decreased by: $2000 \text{ owners} \times \$10,000 = \$20,000,000$

44 Air America sells several different types of global flights. This year, Air America has provided 2400 flights each of which earned revenues of \$2770.

D) DR Accounts Receivable \$6,648,000
CR Sales \$6,648,000

The accounts receivable (asset) and the sales (revenue) accounts have both increased by: $2400 \text{ flights} \times \$2,770 = \$6,648,000$

45 Kola-Nut Ltd is a market leader that is well-known for their brand of soft drinks. This month, Kola-Nut Ltd paid for 1 month of rent for the warehouse room, which has a monthly costs of \$2700.

B) DR Rent expense \$2,700
CR Accounts Payable \$2,700

The rent (expense) and the accounts payable (liability) accounts are both increased by one month's worth of rent, which is \$2,700.

46 David & Johnson provides their customers with legal services. Today, David & Johnson has paid cash to their supplier to fully pay off their account payable balance, which was \$28000.

D) DR Accounts Payable \$28,000
CR Cash \$28,000

The accounts payable (liability) and cash (asset) accounts have both increased by \$28,000.

47 Kola-Nut Ltd is a company which offers their customers a wide selection of soft drinks. This week, Kola-Nut Ltd purchased 5020 batches of soda bottles which were placed into the warehouse, and which had a per unit cost of \$1200.

C) DR Inventory \$6,024,000
CR Accounts Payable \$6,024,000

There was an increase in the inventory (asset) account, and also an increase in the accounts payable (liability) account. 5020 batches of soda bottles x \$1,200 = \$6,024,000

48 Jameson & Jameson is an organization which specializes in providing their customers with soap products. Today, Jameson & Jameson received an upfront payment for 4070 truckloads of bars of soap which will be provided to the customer 6 months from now. The payment for each was \$2300.

D) DR Cash \$9,361,000
CR Unearned Revenue \$9,361,000

The cash (asset) and the unearned revenue (liability) accounts have both increased by: 4070 truckloads of bars of soap x \$2,300 = \$9,361,000

49 Cirque du Lune is a corporation which sells circus performances. This month, Cirque du Lune made 1 monthly loan repayment towards their long-term note payable. The interest portion was 60% of the payment. The total amount paid in cash was \$16000.

A) DR Interest Expense \$9,600
DR Loan Payable \$6,400
CR Cash \$16,000

The interest (expense) account has increased by $\$16,000 \times 0.6 = \$9,600$. The loan payable (liability) has decreased by $\$16,000 \times 0.4 = \$6,400$. The cash (asset) account has decreased by the full amount of the payment, which is \$16,000

50 Air America is a company which offers their customers a wide selection of global flights. This month, Air America has estimated that 30% of the accounts receivable might not end up being collectable, based on past experience. The accounts receivable will need to be adjusted from its current balance of \$27000.

D) DR Bad Debt expense \$8,100
CR Allowance for Doubtful Accounts \$8,100

The bad debts (expense) and the allowance for doubtful accounts (contra-asset) have both increased by: $30\% \times \$27,000 = \$8,100$