

### Summary Note # 7

The following is the trail balance of Gulf Industries Company: Use the following information to answer questions 1-7.

Account Name	Debit	Credit
Cash	300,000	
Beginning Inventory	60,000	
Sales		650,000
Sales Returns and Allowances	4000	
Purchases	200,000	
Purchases Returns and Allowances		3000
Purchase Delivery Fees	5000	
Rent Expenses	25,000	
Selling Expenses	15,000	
Buildings	68,000	
Account Receivable	34,000	
Account Payable		8000
Capital		50,000
<b>Total</b>	<b>711,000</b>	<b>711,000</b>

At the closing date, the ending inventory was 80,000

**1. Net Sales:**

- A. K.D. 650,000
- B. K.D. 646,000
- C. K.D 647,000
- D. K.D 654,000

**2. Cost of Goods Sold:**

- A. K.D. 178,000
- B. K.D. 188,000
- C. K.D 180,000
- D. K.D 182,000

**3. Gross Profit:**

- A. K.D. 472,000
- B. K.D. 458,000
- C. K.D 467,000
- D. K.D 464,000

**4. Total operational Expenses:**

- A. K.D. 25,000
- B. K.D. 15,000
- C. K.D 40,000
- D. K.D 68,000

**5. Net Profit:**

- A. K.D. 447,000
- B. K.D. 443,000
- C. K.D 439,000
- D. K.D 424,000

**6. Current Asset:**

- A. K.D. 300,000
- B. K.D. 414,000
- C. K.D 334,000
- D. K.D 394,000

**7. Owner's Equity :**

- A. K.D. 482,000
- B. K.D. 484,000
- C. K.D 424,000
- D. K.D 474,000

**8. The financial statement that reports the revenues and expenses for a period of time such as a year or a month is the:**

- A. Income statement
- B. Owner's equity statement.
- C. Balance sheet.
- D. Statement of cash flow.

**9. The financial statement that reports assets, liabilities, and owner's equity is the:**

- A. Income statement
- B. Owner's equity statement.
- C. Balance sheet.
- D. Statement of cash flow.

**10. Another name of the balance sheet is:**

- A. Statement of operations
- B. Owner's equity statement.
- C. Statement of financial position
- D. Statement of cash flow.

**11. Assets are reported on the financial statement known as the:**

- A. Income statement
- B. Owner's equity statement
- C. Balance sheet
- D. Statement of cash flow

**12. The financial statement that reports the components of a company's earnings is the:**

- A. Statement of cash flow
- B. Owner's equity statement
- C. Balance sheet
- D. Income statement

**13. An asset that generally will turn to cash or will be used up within one year of the balance sheet date is called:**

- A. Fixed Asset
- B. Property, plant, and equipment
- C. Current Asset
- D. Long term asset

**14. A resource that has future economic value describes an:**

- A. Expense
- B. Liability
- C. Revenue
- D. Asset

**15. An obligation due within one year of the balance sheet date is a generally called:**

- A. Long term liability
- B. Owner's equity
- C. Short term liability
- D. Long term asset

**16. Balance sheet accounts are known as:**

- A. Temporary accounts
- B. Nominal accounts
- C. Short term accounts
- D. Permanent accounts

**17. Income statement accounts are known as:**

- A. Temporary accounts
- B. Nominal accounts
- C. Short term accounts
- D. Permanent accounts

**18. The main revenue account of a retail store is:**

- A. Other revenue account
- B. Purchases account
- C. Sales account
- D. discount account

**19. Sales minus the cost of goods sold equals:**

- A. Net profit
- B. Gross profit
- C. Operating profit
- D. Total profit

**20. Sales minus 1) Sales Discounts, and 2) Sales Returns and Allowances equals:**

- A. Gross sales
- B. Total sales
- C. Net sales
- D. Operating sales

**21. The cost of goods sold is the cost of goods available minus the costs in:**

- A. Ending inventory
- B. Gross inventory
- C. Beginning inventory
- D. Net inventory

**22. Generally, a merchandiser's largest expense on its income statement is the:**

- A. Administrative expenses
- B. Cost of goods sold
- C. Other expenses
- D. Selling expenses

**23. Revenue and expense accounts are which type of accounts?**

- A. Permanent accounts
- B. Real accounts
- C. Temporary accounts
- D. Long term accounts

**24. The income statement heading of *Other Revenue* refers to:**

- A. Operating revenues
- B. Selling revenues
- C. Gross revenues
- D. Non-operating revenues

**25. The income statement of an economic entity reports:**

- A. An excess of revenues over expenses as income
- B. An excess of expenses over revenue as income
- C. An excess of revenues over expenses as a loss
- D. An excess of expenses over revenues as equity

**26. Financial statement items such as revenue, cost of goods sold, and administrative expenses are normally found in :**

- A. Statement of cash flow
- B. Owner's equity statement
- C. Balance sheet
- D. Income statement

**27. Financial statement items such as cash, building, and account payable are normally found in:**

- A. Statement of cash flow
- B. Owner's equity statement
- C. Balance sheet
- D. Income statement

**28. The elements of an income statement include:**

- A. Revenues, assets, expenses, liabilities, and owner's equity
- B. Revenues, liabilities and expenses
- C. Expenses, revenues, and owner's equity
- D. Revenues, expenses, gross profit, and net income

**29. The customary presentation of assets in a balance sheet is by:**

- A. Size of the balance
- B. Nearness of the maturity date
- C. Likelihood of collection
- D. Degree liquidity

**30. Fixed assets (Non-current) include:**

- A. Cash, inventory, equipment
- B. Cash, bank, and account receivables
- C. Marketable securities, inventory, note receivables
- D. Buildings, equipments, and land

**31. The shareholder's equity section of a company's balance sheet includes:**

- A. Long-term liabilities
- B. Capital
- C. Fixed assets
- D. Current assets

**32. This account does not appear on the income statement:**

- A. Accumulated depreciation
- B. Depreciation expense
- C. Sales revenue
- D. Marketing expense

**33. The elements of balance sheet include:**

- A. Assets, liabilities, and income
- B. Cash flows, liabilities, and equity
- C. Assets, liabilities, and equity
- D. Assets, cash flows, and equity

**34. Which of the following relationships is true in every balance sheet, regardless of its format?**

- A.  $\text{Assets} + \text{Equity} = \text{Liabilities}$
- B.  $\text{Assets} - \text{Liabilities} = \text{Equity}$ .
- C.  $\text{Cash flows} + \text{Liabilities} = \text{Equity}$
- D.  $\text{Income} + \text{Liabilities} = \text{Assets}$

**35. The balance sheet of an entity reports:**

- A. Assets, which are the entity's obligations to others.
- B. Liabilities, which are the entity's property rights.
- C. Assets, liabilities, and equity
- D. Income

**36. Which list places assets in order of liquidity, from most liquid to least liquid?**

- A. Buildings, inventory, accounts receivable
- B. Accounts receivable, cash, inventory, land
- C. Inventory, equipment, accounts receivables.
- D. Cash, accounts receivable, inventory, equipment

**30. The financial statement or statements that pertain to a stated period of time is (are) the:**

- A. Balance sheet
- B. Income statement
- C. Balance sheet and income statement
- D. None of the above



**37. The principal financial statements of an entity are (is): the Statement of:**

- A. Balance sheet
- B. Statement of cash flows
- C. Income statement
- D. Income statement and balance sheet

**38. The financial statement or statements that pertain to a specific date is (are) the:**

- A. Balance sheet
- B. Income statement
- C. Balance sheet and income statement
- D. None of the above

**39. Which of the following accounts is not a temporary account?**

- A. Sales revenues
- B. Capital
- C. Loss on sale of equipment
- D. Interest expense

**40. If an entity's revenues are greater than its expenses in an accounting period, then:**

- A. Its net income will be closed to equity, and equity will increase.
- B. Its net loss will be closed to equity, and equity will increase.
- C. Its net income will be closed to equity, and equity will decrease.
- D. Its net loss will be closed to equity, and equity will decrease.

**41. Fixed assets (non-current ) provides benefits:**

- A. That will be realized in cash in the next 6-12 months
- B. In future years, but not in the current year
- C. In future years in addition to the current year
- D. Only when they are sold for cash