

**Group 1**

**For Items 1 through 10, write TRUE or FALSE on your answer sheet.**

1. The market value of merchandise on hand is always higher than the original cost.
2. The costing method used to determine the value of ending merchandise inventory will affect the gross profit on sales.
3. If a business uses a perpetual inventory system, a periodic inventory is never needed.
4. The FIFO method assumes that the items still in inventory were the last ones purchased.
5. The LIFO method assumes that the first items purchased are the ones still remaining in inventory.
6. When the inventory is valued using the weighted-average cost method, the value is usually between the values determined by the FIFO and LIFO methods.
7. The weighted-average cost method is always the most accurate of the inventory costing methods.
8. Under a periodic inventory system, the cost of merchandise lost through shoplifting is automatically included in the cost of merchandise sold when a physical inventory is taken and the general ledger is adjusted accordingly.
9. A business with low unit volume of merchandise with high unit prices typically uses the specific identification method of inventory costing.
- \*10. The lower-of-cost-or-market option may not be used with the specific identification method of costing inventory.

**Group 2**

**Crabby Patty's Mobile Snack Shack was completely destroyed by a grease fire on June 6, 2013. Patty scoured her deep-fried documents and could only salvage the following year-to-date information for 2013:**

- **January 1, 2013 merchandise inventory on hand was \$7,610.**
- **Purchases of merchandise totaled \$26,950.**
- **Freight charges on shipped-in merchandise were \$1,350.**
- **Sales equaled \$40,500.**
- **Customers returned \$800 worth of sub-par cuisine.**

**Crabby Patty knows that her average gross profit percentage is 38%. She believes she had about \$5,000 worth of merchandise in inventory at the time of the fire, but she can't really be sure. Patty also knows that, even though you're only a fry-cook, you know how to estimate ending inventory using the gross profit method. Analyze her data and write your answer to Question 11 on your answer sheet.**

- \*\*11. What was the estimated value of the June 6, 2013 inventory that was lost based on the gross profit method of estimating inventory?**

**Group 6**

Analyze each of the following transactions into debit and credit parts using the chart below. (All transactions are independent of each other.) For Items 45 through 56, mark the identifying letter of the correct response on your answer sheet.

<b>A</b>	<b>Accounts Receivable</b>	<b>D</b>	<b>Sales</b>
<b>B</b>	<b>Allowance for Uncollectible Accounts</b>	<b>E</b>	<b>Sales Returns &amp; Allowances</b>
<b>C</b>	<b>Cash</b>	<b>F</b>	<b>Bad Debts Expense</b>

<b>TRANSACTION</b>	<b>DEBIT</b>	<b>CREDIT</b>
The adjusting entry for bad debts expense when the company uses the percent of net sales method to estimate bad debts expense.	<b>#45</b>	<b>#46</b>
The entry to write off an account when the company uses an allowance method of accounting for uncollectible accounts.	<b>#47</b>	<b>#48</b>
A company that uses the direct write-off method chooses to write off a past-due account.	<b>#49</b>	<b>#50</b>
A company uses the direct write-off method for uncollectible accounts. In 2012, the company wrote off Ima Luzer’s account as uncollectible. In October 2013, the company received Ima’s payment and reinstated her account. What is the entry to record the cash receipt in October?	<b>#51</b>	<b>#52</b>
The entry to reinstate an account that had been previously written off using the direct write-off method for uncollectible accounts.	<b>#53</b>	<b>*#54</b>
The entry to reinstate a collected account after it had been previously written off when the company uses an allowance method of accounting for uncollectible accounts.	<b>#55</b>	<b>#56</b>

**Group 7**

For Items 57 through 60, write the identifying letter of the best response on your answer document.

- 57. How often should a physical inventory be taken to determine errors or theft when a perpetual inventory system is used?
  - A. A physical count is not required with a perpetual system.
  - B. A count should be taken every two years.
  - C. A count should be taken at least once a year.
  
- 58. Which inventory system provides constant inventory data?
  - A. Periodic
  - B. Perpetual
  - C. Intermittent
  - D. Sporadic