

Acct 2037 Exam 2: Spring 2010 (100 points; 75 minutes)

Name Answer Key Lab Time _____
Student ID# _____ Lab Instructor: _____

Instructions:

1. This exam consists of 6 problems. (Problem 1 consists of 15 multiple choice and fill-in-the-blank questions.) **You should use the template on the back of this page to show your answers to the multiple choice and fill-in-the-blank questions.** If you are missing a problem or page, notify your TA before beginning this exam. **Do not tear any pages out of this exam.**
2. This is a long test. Allocate your time wisely--do troublesome items last. **Show and label all your work on the exam in the space provided. We cannot give ANY credit on the open-ended problems without seeing your work!**
3. When you are finished, turn the exam in to your TA. At this time, have your Student ID ready so it can be checked.

Multiple Choice / Fill-in-the-blank Answer Sheet

COMPLETION

1. Specific ID
2. FOB destination
3. Average rate of return
4. Capital rationing
5. Goodwill
6. Units-of-production
7. Lessee

MULTIPLE CHOICE

8. D
9. C
10. C
11. A
12. B
13. D
14. D
15. B

Problem 1. Completion

(Place answer on the template. Complete each sentence or statement with one of the phrases below.)

1. The _____ assigns a specific cost to each unit of inventory that it sells and to each unit that it holds in ending inventory.
2. _____ means that the selling company transfers ownership to the buyer at the place of delivery, after transit is completed.
3. A capital budgeting decision model that computes the return on investment, but which ignores the time value of money, is the _____.
4. _____ occurs when a company cannot obtain sufficient cash to make all of the investments that it would like to make.
5. _____ is recorded when one company purchases another company, and is the difference between the price paid and the market value of the identifiable net assets it acquired.
6. The _____ method computes depletion expense based on the actual production from the asset for the year.
7. The _____ is the party that acquires the right to use an item under a lease.

Average rate of return
Double declining balance
Lessee
Perpetual system

Capital budgeting
FOB destination
Lessor
Software production costs

Capital rationing
FOB shipping point
Net present value
Specific ID method

Compound interest
Goodwill
Periodic system
Units of production

Multiple Choice

Identify the letter of the choice that best completes the statement or answers the question.

8. The cost of inventory includes all of the following, except:
 - a. Freight in.
 - b. Sales Tax.
 - c. Purchase price.
 - d. Commission paid to sell inventory.

9. When the market value of a company's inventory falls below its cost:
 - a. They can report the market value at their discretion.
 - b. They must use cost.
 - c. They must use the market value.
 - d. None of the above.

10. The return on an investment in new equipment may come in all of the following forms, except:
 - a. Future cash inflows only.
 - b. Future cash inflows in excess of future cash outflows.
 - c. Depreciation expense on the new equipment.
 - d. Savings of future cash outflows.