

**Bank Reconciliation Answer Sheet**

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8. \_\_\_\_\_

**Group 1**

**It is company policy to record any necessary journal entries and to update the checkbook balance after the bank reconciliation is completed.**

**Data: Bank Service Charge for March is \$16.04**

**Deposits in transit on March 31 are \$1,615.10 and \$1,429.07**

**Reconciled bank balance on March 31 is \$5,698.25**

**Outstanding checks on March 31 are \$226.19, \$14.15, and \$456.84**

**For questions 1 and 2, write the correct amount on your answer sheet.**

- \*1. Given the above facts, what was the amount that was printed on the bank statement as the closing balance for March?
2. What was the balance in the cash account in the accounting records prior to reconciling the bank statement?

**Group 2**

**It is company policy to record any necessary journal entries and to update the checkbook balance after the bank reconciliation is completed.**

**Data: Bank Service Charge for December is \$18.95**

**Deposits in transit on December 31 are \$4,624.15 and \$608.42**

**Reconciled bank balance on December 31 is \$8,447.06**

**Outstanding checks on December 31 are \$2,145.67, \$419.19, and \$604.54**

**For questions 3 and 4, write the correct amount on your answer sheet.**

3. Given the above facts, what was the amount that was printed on the bank statement as the closing balance for December?
4. What was the balance in the cash account in the accounting records prior to reconciling the bank statement?

### **Group 3**

**On January 3, 2013 Shaun Casey, owner of Casey Consulting Services, received a bank statement dated December 29, 2012. It is company policy to record any necessary journal entries and to update the checkbook balance after the bank reconciliation is completed. Shaun compared the company's checkbook records with the bank statement and found the following:**

- The December bank statement shows an ending balance of \$6,742.18
- The statement shows the December bank service charge of \$12.50
- A check from Joe Rogers for \$152.10 that was deposited in the business bank account on December 26 was returned by the bank. Casey's bank charged his account with a \$15 fee for handling the dishonored check. (Both the dishonored check and the fee were first discovered upon receipt of the bank statement.)
- A deposit of \$890 was made on December 30 but does not appear on the bank statement.
- Four December checks do not appear on the bank statement:

Check #4070 for \$684.15

Check #4078 for \$11.50

Check #4071 for \$2,641.19

Check #4080 for \$837.92

**For questions 6 and 6, write the correct amount on your answer sheet.**

5. What is the reconciled (adjusted) bank balance on December 31, 2012?

\*6. What was the balance in the checkbook immediately before the bank reconciliation was prepared?

**Group 4**

**Reconcile the bank statement using the following T-account form. (The form will not be reviewed by graders.) Then answer questions 35 and 36.**

Ben's Skate Shop			
Bank Reconciliation			
December 31, 2012			
Bank Statement Balance, 12/29		Checkbook Balance, 12/31	
Add:		Add:	
Deduct:		Deduct:	

On December 31, Ben received the company bank statement dated Dec. 29 and reviewed it along with other accounting records and found the following facts:

1. The ending bank balance was \$234.63
2. The checkbook balance on Dec. 31 before reconciliation was \$4,399.45
3. The following checks were written in November, were outstanding in November, and still did not appear on this bank statement:  
check #6042...\$2,468.74                      check #6048...\$18.00
4. The following checks were written in December and did not appear on this bank statement:  
check #6118...\$367.41                      check #6121...\$7.32  
check #6120...\$749.73                      check #6122...\$320.00
5. The bank charged \$27.45 for the month's service charge
6. A check in the amount of \$147.50 from Betty Ford that Ben deposited on Dec. 20 was returned by the bank for insufficient funds. The bank charged Ben's account \$18.50 for handling the NSF check. No journal entry has been made yet by Ben for the NSF check or its related fee.
7. A deposit of \$8,349.67 made on Dec. 30 does not appear on the bank statement.
8. A check Ben wrote in early December for \$865 made out to Fast Rolling Supply was lost in the mail and never found. Ben requested a stop payment order, which cost \$25 and was issued by Ben's bank on Dec. 29. Ben needs to record this fee and the voided check in the checkbook. He plans to write a replacement check on Jan. 2.
9. Ben's review of the bank statement reminded him that he had used the debit card on this account to make a \$45 payment at the post office and forgot to record it in the company checkbook.
10. The bank statement revealed an electronic funds transfer to a vendor for \$347.90 that Ben forgot to record in the company checkbook. This forgetfulness caused him to schedule a long-overdue family vacation.

**For questions 7 and 8 write the correct amount on your answer sheet.**

7. What is the total of the deductions listed on the checkbook side of the T account form?

\*8. What is the reconciled bank balance as of December 31, 2012?

### Group 1

The following chart correctly summarizes the activity in the petty cash fund of a business for four months although much of the information is missing. All vouchers were prepared correctly and according to company policies. The company reconciles petty cash on the last day of each month and has always maintained a \$200 balance in the account until May 15th when the company increased the fund by \$50.

		Actual Cash	Cash	Amount
	Vouchers	Before	Over	Needed to
Month	Totaling	Replenishment	<short>	Replenish
Mar 31			<.85>	180.28
Apr 30		16.45	.60	
May 31		46.92	<1.34>	
June 30			1.30	214.60

For questions 1 and 2, write the identifying letter of the best response on your answer sheet.

- The check needed to replenish petty cash on May 31 is  
A. \$46.92   B. \$153.08   C. \$154.82   D. \$201.74   E. \$203.08
- The vouchers for the months of March through June added together equal  
A. \$780.93   B. \$781.22   C. \$781.51   D. \$781.80

### Group 2

Information about petty cash transactions for four different companies is given in the chart below.

#### INSTRUCTIONS:

For each company, determine the amount, if any, of petty cash short or petty cash over. Indicate petty cash short with brackets (<\$>).

Company	Petty Cash Record				Amount of Cash in Cash Box	Amount of Cash Over Or Cash Short
	Beginning Balance	Distribution of Payments				
		Supplies	Advertising Expense	Miscellaneous Expense		
1	\$300.00	\$46.25	\$76.32	\$91.87	\$85.56	<u>3.</u>
2	250.00	24.76	82.35	18.21	120.68	<u>4.</u>
3	150.00	12.43	51.45	14.15	78.97	<u>5.</u>
4	200.00	53.98	25.34	34.25	84.43	<u>6.</u>

### **Group 3**

**For questions 7 through 11, write the identifying letter of the best response on your answer sheet.**

**On the first day of June, the Petty Cash account had a balance of \$150, which agreed to the amount of actual cash in the petty cash box. During the month the fund was increased by \$50. Actual vouchers in the box on June 30 before replenishment totaled \$184.20. At the time of replenishment on June 30, it was determined that the fund was short by \$1.47.**

7. Prior to June, the entry to first establish the petty cash fund consisted of
  - A. a credit to the Petty Cash account for \$150
  - B. a debit to the Petty Cash account for \$150
  - C. a credit to Cash in Bank for \$200
  - D. a credit to Cash in Bank for \$50
  - E. both A and B
  
8. The entry during the month of June to record the increase in the Petty Cash fund included a
  - A. debit to the Petty Cash account for \$51.47
  - B. credit to the Petty Cash account for \$51.47
  - C. credit to the Petty Cash account for \$50.00
  - D. debit to the Petty Cash account for \$50.00
  
9. The entry on June 30 to replenish the petty cash fund would include a
  - A. debit to the Petty Cash account for \$184.20
  - B. credit to the Cash in Bank account for \$182.73
  - C. credit to the Cash in Bank account for \$184.20
  - D. credit to the Cash in Bank account for \$185.67
  
10. The entry on June 30 to replenish the petty cash fund would include a
  - A. debit to the Petty Cash account for \$1.47
  - B. debit to Cash Short and Over for \$1.47
  - C. credit to Cash Short and Over for \$1.47
  - D. credit to Petty Cash for \$1.47
  
11. The actual amount of cash in the petty cash box on June 30 prior to the replenishment was
  - A. zero
  - B. \$1.47
  - C. \$14.33
  - D. \$15.80
  - E. \$17.27
  - F. \$34.20
  - G. \$182.73
  - H. \$184.20

#### **Group 4**

**For question 12 through 16, write the identifying letter of the best response on your answer sheet.**

**On the first day of May, the Petty Cash account had a balance of \$100, which agreed to the amount of actual cash in the petty cash box. During the month the fund was increased by \$50. Actual vouchers in the box on May 31 before replenishment totaled \$137.12. At the time of replenishment on May 31, it was determined that the fund was over by \$1.62.**

12. Prior to May, the entry to first establish the petty cash fund consisted of
  - A. a credit to the Petty Cash account for \$100
  - B. a debit to the Petty Cash account for \$100
  - C. a credit to Cash in Bank for \$150
  - D. a debit to Cash in Bank for \$100
  - E. both A and D
  
13. The entry during the month of May to record the increase in the Petty Cash fund included a
  - A. debit to the Petty Cash account for \$48.38
  - B. credit to the Petty Cash account for \$48.38
  - C. debit to the Petty Cash account for \$50.00
  - D. credit to the Petty Cash account for \$50.00
  
14. The entry on May 31 to replenish the petty cash fund would include a
  - A. debit to the Petty Cash account for \$137.12
  - B. credit to the Petty Cash account for \$137.12
  - C. credit to the Cash in Bank account for \$135.50
  - D. credit to the Cash in Bank account for \$137.12
  
15. The entry on May 31 to replenish the petty cash fund would include a
  - A. debit to the Petty Cash account for \$1.62
  - B. debit to Cash Short and Over for \$1.62
  - C. credit to Cash Short and Over for \$1.62
  - D. credit to Petty Cash for \$1.62
  
16. The actual amount of cash in the petty cash box on May 31 prior to the replenishment was
  - A. zero
  - B. \$1.62
  - C. \$12.88
  - D. \$14.50
  - E. \$16.12



### **Group 1**

Determine when each of the following items 37 through 46 would be journalized with the salary expense entry, or the payroll tax expense entry, or both. Write the correct identifying letter on your answer sheet using the following code:

<b>A</b>	<b>with the salary expense entry only</b>
<b>B</b>	<b>with the payroll tax expense entry only</b>
<b>C</b>	<b>with both the salary expense entry and the payroll tax expense entry</b>

1. Medicare taxes
2. gross earnings for the period
3. net pay for the period
4. health insurance premiums paid by employees
5. employees' federal income taxes
6. payroll tax expense for the period
7. state unemployment taxes (in this state employees are exempt)
8. federal unemployment taxes (in this state employees are exempt)
9. Social Security taxes
10. Union Dues Payable

### **Group 2**

**Emperor Company pays employees in one of three ways based on their position: 1) a salary plus commission based on sales; 2) an hourly wage plus a piece rate; and 3) an hourly wage only. Hourly wage employees also earn overtime at 1½ times the regular hourly rate of pay for hours worked over 40 in a week.**

**For questions 19 through 22, write the correct amount of gross pay for each employee on your answer sheet.**

11. Mumble receives a salary of \$325 per week plus a 3% commission on sales, and he was responsible for \$23,400 worth of sales this week.
12. Gloria earns an hourly wage of \$7.50, and she worked 38 and ½ hours this week.
13. Lovelace earns an hourly wage of \$9 and he worked 52 hours this week.
- \*14. Ramon earns an hourly wage of \$8 and a piece rate of 11 cents. He worked 49 hours and produced 3,100 pieces.

**Group 3**

Determine when each of the following items 12 through 21 would be journalized with the salary expense entry, or the payroll tax expense entry, or both. Write the correct identifying letter on your answer sheet using the following code:

<b>A</b>	<b>with the salary expense entry only</b>
<b>B</b>	<b>with the payroll tax expense entry only</b>
<b>C</b>	<b>with both the salary expense entry and the payroll tax expense entry</b>

- 15. Social Security taxes
- 16. state unemployment taxes (in this state employees are exempt)
- 17. employees' federal income taxes
- 18. payroll tax expense for the period
- 19. federal unemployment taxes (in this state employees are exempt)
- 20. gross earnings for the period
- 21. Medicare taxes
- 22. Union Dues Payable
- 23. health insurance premiums paid by employees
- 24. net pay for the period

**Group 4**

For question #11, write the correct amount on your answer sheet. Melville Company has three employees who are paid weekly as follows:

<b>Sam Moby</b>	<b>\$8 per hour with overtime for hours worked over 40 hours in a week at a rate of time and a half</b>
<b>David Ishmael</b>	<b>\$500 salary per week</b>
<b>Lan Ahab</b>	<b>\$400 salary per week plus 1.75% commission on sales</b>

Last week each employee worked standard hours except Sam who worked 54 hours. Mr. Ahab sold \$21,200 of merchandise.

- \*25. What is the total gross pay for the week on the Payroll Register for all three employees?

**Group 5**

Use the following information for questions 62 and 63. Write the correct amount on your answer sheet. Payroll tax expense per employee is based on the following:

<b>Social Security</b>	<b>6.2% on gross earnings up to \$113,700</b>
<b>Medicare</b>	<b>1.45% on all earnings</b>
<b>Federal Unemployment Tax</b>	<b>.8% on first \$7,000 of gross earnings</b>
<b>State Unemployment Tax</b>	<b>1.6% on first \$9,000 of gross earnings</b>

\*26. An employee has cumulative gross wages of \$6,300 in the first quarter. In the second quarter, if the current gross wages are \$2,520, what is the total amount of employer's payroll tax expense on this employee for the second quarter only?

\*27. A second employee has cumulative gross wages of \$6,840 in the first quarter. In the second quarter, if current gross wages are \$2,320, what is the total amount of employer's payroll tax expense on this employee for the second quarter only?

**Group 6**

The following rates and maximums per employee per year are in effect:

<b>Social Security</b>	<b>6.2% on gross earnings up to \$106,800</b>
<b>Medicare</b>	<b>1.45% on all earnings</b>
<b>Employee Federal Income Tax</b>	<b>15% on all earnings</b>
<b>Employee State Income Tax</b>	<b>2% on all earnings</b>
<b>Federal Unemployment Tax</b>	<b>.8% on first \$7,000 of gross earnings</b>
<b>State Unemployment Tax</b>	<b>2.7% on first \$9,000 of gross earnings</b>
<b>Overtime</b>	<b>1½ times regular rate for hours worked in excess of 40 hours in a 5-day work week</b>

The applicable employer matching taxes are at the same rate as the employee rate. In this state only employers are subject to unemployment taxes.

Selected information from a weekly payroll register for one employee is presented below with some amounts intentionally omitted. Prior to this week's paycheck the employee had accumulated gross earnings of \$8,690. The payroll clerk is new to the job and was unsure what to deduct.

<b>Gross Earnings:</b>	
Regular	
Overtime (5 hours)	<b>60.00</b>
Total Gross Earnings	
<b>Deductions: ????</b>	
Social Security	
Medicare	
Federal Income Tax	
State Income Tax	
Health Insurance Premium	<b>75.00</b>
Federal Unemployment Tax	
State Unemployment Tax	
Total Deductions	
<b>Net Pay:</b>	

For questions 47 and 48, write the correct amount on your answer sheet.

- \*28. What is the correct amount of the employee's paycheck?
- \*29. What is the correct amount of the employer's payroll tax expense for this employee for this week?

**Group 7**

Use the following information for questions 22 and 23. Write the identifying letter of the best response on your answer sheet. Payroll tax expense per employee is based on the following:

<b>Social Security</b>	<b>6.2% on gross earnings up to \$106,800</b>
<b>Medicare</b>	<b>1.45% on all earnings</b>
<b>Federal Unemployment Tax</b>	<b>.8% on first \$7,000 of gross earnings</b>
<b>State Unemployment Tax</b>	<b>1.4% on first \$9,000 of gross earnings</b>

\*30. An employee has cumulative gross wages of \$6,400 in the first quarter. In the second quarter, if the current gross wages are \$2,140, what is the total amount of employer's payroll tax expense on this employee for the second quarter only?

\*31. A second employee has cumulative gross wages of \$6,990 in the first quarter. In the second quarter, if current gross wages are \$2,060, what is the total amount of employer's payroll tax expense on this employee for the second quarter only?

**Table 2**  
(for questions 32 through 39)

Jack Watson has worked for Hutch Company as an engineer for 20 years and receives an annual salary of \$117,600, paid monthly. His voluntary deductions include \$400 per month to a savings plan.

Also employed by Hutch Company are Jamie Pool who is paid \$9.00 per hour in a standard 40-hour work week and Jon Shaffer who is paid \$8.00 per hour in a standard 40-hour work week. Neither Jamie nor Jon has any voluntary deductions.

Hutch Company prepares adjusting entries monthly and closing entries only at the end of the fiscal year, which is December 31. Calculations should be rounded to the nearest cent.

- The employee and employer pay Social Security tax at a rate of 6.2% on the first \$106,800 in earnings.
- The employee and employer pay Medicare tax at the rate of 1.45% on all earnings.
- State unemployment taxes are paid on the first \$9,000 in wages per employee at a rate of 1.4%.
- Federal unemployment taxes are paid on the first \$7,000 in wages per employee at a rate of .8%.
- Overtime pay is one and one-half times the regular rate of pay.
- In the month of November, Jack was not absent from work; Jamie worked 168 regular hours and 8 hours of overtime; Jon worked 140 regular hours.

**Federal income tax withholding is as follows:**

Jack Watson \$2,660 per month  
Jamie Pool 15% of gross wages  
Jon Shaffer is exempt (\$0)

**The accumulated earnings for the calendar year 2011 through October 31 are as follows:**

Jack Watson \$98,000  
Jamie Pool \$7,460  
Jon Shaffer \$6,840

**Group 8**

**Refer to the information in Table 2 on page 9. For questions 31 through 38, write the identifying letter of the best response on your answer sheet.**

32. If the employee earnings record for Jack Watson is totaled at the end of October, what is the year-to-date total of net pay?  
A. \$59,903    B. \$63,903    C. \$87,443    D. \$90,503    E. \$98,000
33. What is the amount of Jamie's gross wages for November?  
A. \$1,368    B. \$1,440    C. \$1,512    D. \$1,584    E. \$1,620
- \*34. What is the net pay for Jack for November?  
A. \$5,990.30    B. \$6,052.30    C. \$6,066.80    D. \$6,452.30    E. \$9,800
35. What is the net pay for Jamie for November?  
A. \$1,058.14    B. \$1,113.84    C. \$1,169.54    D. \$1,225.22    E. \$1,253.07
- \*36. Hutch Company will need to pay November's liability for employee income tax and the employer and employee portion of Social Security and Medicare taxes by December 15 in the amount of  
A. \$1,794.62                      D. \$4,821.62  
B. \$3,800.31                      E. \$5,097.62  
C. \$4,697.62                      F. \$5,221.62
37. When the employer's payroll tax entry for November is journalized, what amount must be credited to Federal Unemployment Tax Payable?  
A. zero    B. \$1.28    C. \$27.34    D. \$37.24    E. \$166.72
38. When the employer's payroll tax entry for November is journalized, what amount must be credited to State Unemployment Tax Payable?  
A. zero    B. \$1.28    C. \$27.34    D. \$37.24    E. \$166.72    F. \$363.44
- \*\*39. After the November payroll entries are posted, what is the balance of the account called Payroll Tax Expense?  
A. \$9,083.87                      D. \$10,081.70  
B. \$9,488.26                      E. \$123,840  
C. \$10,019.70                      F. \$124,840

**Group 1**

Mavis Davis started a new business. Each item (#1 through #8) represents the accounting equation after a transaction has been recorded.

	Cash	+	Accounts Receivable	+	Equip.	=	Accounts Payable	+	Davis Capital	+	Revenue	-	Expenses
1.	50,000								50,000				
2.	45,000				25,000		20,000		50,000				
3.	44,400				25,000		20,000		50,000				600
4.	44,400		1,200		25,000		20,000		50,000		1,200		600
5.	45,400		1,200		25,000		20,000		50,000		2,200		600
6.	46,000		600		25,000		20,000		50,000		2,200		600
7.	44,000		600		27,000		20,000		50,000		2,200		600
8.	40,000		600		27,000		16,000		50,000		2,200		600

Analyze the above equations. Write the identifying letter that describes each transaction numbered above using the following code:

- A. Bought an asset for cash only
- B. Bought an asset on credit only
- C. Bought an asset with cash paid down and the balance on credit
- D. Owner invests in business
- E. Payment of a liability
- F. Billed a customer for services provided
- G. Took out a loan and deposited the proceeds
- H. Performed a service and received cash
- I. Customer paid on account
- J. Recorded an expense paid with cash
- K. Owner withdrawal of cash

**Group 2**

Determine the unknown amount in each of the following independent situations. The amounts in the Beginning and Ending Balance columns represent normal balances. Answer questions 9 through 11 by writing the correct amount on your answer sheet.

Account	Beginning Balance	Ending Balance	Other Information
Accounts Payable	16,471	14,205	Paid on account \$33,960
Prepaid Insurance	3,730	4,900	Premiums paid during the period \$10,650
Owner's Capital	62,940	41,763	Owner's withdrawals \$25,000

- 9. What amount was purchased on account from vendors during the period?
- \*10. What amount did the owner invest in the business during the period if net loss for the period was \$3,427?
- 11. What amount of insurance premiums expired during the period?



**Group 3**

For question #12, write the correct amount on your answer sheet. Some of the subtotals on a worksheet before net income or net loss is calculated are as follows:

<b>Income Statement Debit</b>	<b>\$95,129</b>
<b>Balance Sheet Debit</b>	<b>72,956</b>
<b>Balance Sheet Credit</b>	<b>73,428</b>

12. What is the amount of the Income Statement Credit column subtotal before net income or net loss is calculated?

**Group 4**

Use the following information of a sole proprietorship to answer questions 13 through 16. Consider each question independently. Write the identifying letter of the best response on your answer sheet.

	<b>ASSETS</b>	<b>LIABILITIES</b>
<b>Beginning of Year</b>	<b>74,350</b>	<b>12,750</b>
<b>End of Year After Closing</b>	<b>89,840</b>	<b>14,730</b>

13. The owner made an investment of \$2,000 in the business during the year and withdrew nothing. The amount of net income or net loss for the year was:

- A. \$11,510 net loss
- B. \$11,510 net income
- C. \$15,470 net loss
- D. \$15,470 net income
- E. \$15,510 net loss
- F. \$15,510 net income

14. The owner made no investments in the business during the year and withdrew \$16,000. The amount of net income or net loss for the year was:

- A. \$2,490 net loss
- B. \$2,490 net income
- C. \$27,510 net loss
- D. \$27,510 net income
- E. \$29,510 net loss
- F. \$29,510 net income

15. The owner made no investments in the business during the year and withdrew nothing. The amount of net income or net loss for the year was:
- A. zero
  - B. \$13,510 net loss
  - C. \$13,510 net income
  - D. \$27,510 net loss
  - E. \$27,510 net income
  - F. \$29,510 net income
16. The owner made an investment of \$6,000 and withdrew \$25,000 during the year. The amount of net income or net loss for the year was:
- A. \$5,490 net loss
  - B. \$5,490 net income
  - C. \$7,510 net income
  - D. \$32,510 net loss
  - E. \$32,510 net income
  - F. \$38,510 net income



**Group 6**

For items 21 through 24, write the correct amount on your answer sheet. None of the owners invested additional capital in their respective businesses during the time period shown.

Company Name	Ending Amt. of Assets	Ending Amt. of Liabilities	Beginning Amt. of Owner's Equity	Withdrawals for the period	Revenue for the period	Expenses for the period
Alvin Co.	32,414	27,482	15,749	8,500	Q#21	34,782
Theodore Co.	87,269	39,400	Q#22	15,790	63,729	40,916
Simon Co.	*Q#23	27,416	35,438	25,800	96,723	*Q#24
	<b>Simon Company's total owner's equity after closing net income but before closing withdrawals is \$84,819.</b>					

## Group 7

Some amounts are omitted in each of the following financial statements:

### Income Statement For the Year Ended December 31, 2012

	Chevy Company	Ford Company	Lexus Company
Revenues	(a)	115,312	40,528
Expenses	86,720	40,617	(g)

### Owner's Equity Statement For the Year Ended December 31, 2012

	Chevy Company	Ford Company	Lexus Company
Capital, January 1	38,465	57,294	(h)
Additional Capital Investment	(b)	15,000	5,800
Net Income <Loss>	3,742	(d)	<6,293>
Drawing	25,000	50,000	-0-
Capital, Dec. 31	27,207	(e)	38,967

### Balance Sheet December 31, 2012

	Chevy Company	Ford Company	Lexus Company
Total assets	(c)	104,458	51,527
Total liabilities	15,879	(f)	(i)
Total owner's equity			

Determine the missing amounts for items "a" through "i" and write the correct amount for each on your answer sheet. A net loss must be indicated by brackets or parentheses.

25. Item a
26. Item b
27. Item c
28. Item d
29. Item e
30. Item f
31. Item g
32. Item h
33. Item i

**Group 8**

A business with a fiscal year end of Dec 31 has the following normal account balances and other information for the dates given in the year 2011. The company prepares monthly adjusting entries, but closes the accounts only at the end of the fiscal year. Therefore, the date Dec. 31 refers to balances after closing entries are posted.

Cash, Jan 1	8,745	Accounts Payable, Jan 1	5,850
Cash, Dec 31	16,215	Accounts Payable, Dec 31	....?...
Accounts Receivable, Jan 1	3,520	Jake Sims, Capital, Jan 1	....?...
Accounts Receivable, Dec 31	4,710	Jake Sims, Capital, Dec 31	....?...
Merchandise Inventory, Jan 1	15,780		
Merchandise Inventory, Dec 31	18,410	Net Loss, Jan 1 – Dec 31	4,078
Owner withdrew cash for personal use on May 23, 2011			8,000
Owner made additional investment in his business on November 14, 2011			25,000

For questions 34 through 37, write the identifying letter of the best response on your answer sheet.

34. Total owner's equity on January 1, 2011 was  
 A. \$22,195    B. \$35,117    C. \$39,195    D. \$43,273    E. \$47,195
35. Total owner's equity on December 31, 2011 was  
 A. \$22,195    B. \$33,485    C. \$35,117    D. \$39,195    E. \$43,273
- \*36. By what amount did the Accounts Payable account increase or decrease from January 1, 2011 to December 31, 2011?  
 A. \$1,190 increase                      C. \$1,632 increase                      E. \$1,912 increase  
 B. \$1,190 decrease                      D. \$1,632 decrease                      F. \$1,912 decrease
- \*37. In 2011 the company had net sales of \$90,000 and a gross profit of 38%. What was the amount of merchandise purchases for the year?  
 A. \$34,190    B. \$34,200    C. \$55,800    D. \$58,430    E. \$74,210