# ACC 250 — Exam 2 Example (Answer Key)

Fall 2026  Chapters 3, 4, 6, 7

**First name:** _____

**Last name:** _____

**Global ID in CAPITAL LETTERS, one per box**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | |

Ex. Y U 1 0 J (start at the left box)

**Section**

mark one

1. MW 12:30
2. MW 14:00
3. MW 15:30

## Read this before you start

- **Time.** The exam lasts **1 hour**. You may leave after the first **30 minutes**. Arriving late does not add time.
- **Closed book.** No notes, textbooks or slides. Put your phone and any other device away.
- **You may use** a **calculator**, a **pencil**, an **eraser** and **scratch paper**.
- **All questions are equally weighted.** Part A: multiple choice, answers A–E. Part B: journal entries, choose the correct account, A–J. Part C: numeric, two-digit answers.
- **Only the answer card is graded.** Mark every answer on the card with a **dark pencil**, one bubble per question, filled completely. Marking two answers counts as wrong. To change an answer, either **erase it completely** or **draw an X** over that bubble, then fill your new answer **clearly and darkly**. Anything you write on this paper is not graded.

  **Ex.** M3 (A) (B, crossed out) (C) (D, filled) (E) → B crossed out, D filled: the answer graded is **D**.

  M3 (A) (B, erased) (C) (D, filled) (E) → B erased, D filled: the answer graded is **D**.

- **Fill in your name, Global ID and section on the card.** Your Global ID is the first part of your CMU e-mail address; write it in **CAPITAL letters**, one per box, starting at the left box, as in the example above.
- **Numeric answers.** Round as the question says. **Mark both digits**: if the answer is 7, mark it as **07**.

  **Ex.** N1 | 0 | 7 |

  | | |
  |---|---|
| ● | 0 |
| 1 | 1 |
| 2 | 2 |
| 3 | 3 |
| 4 | 4 |
| 5 | 5 |
| 6 | 6 |
| 7 | ● |
| 8 | 8 |
| 9 | 9 |

  → the answer 7 is marked **07**: both digits, 0 in the first column and 7 in the second.

- **Hand in** your answer card when you leave.

**Do not turn this page until you are told to begin.**

# ACC 250 — Exam 2 Example (Answer Key)

Fall 2026  Chapters 3, 4, 6, 7  Session example: the questions are Exam 2's own.

## Part A: Multiple choice (Q1–Q7)

**1.** Under the matching principle, **which question decides the period in which an expense is recognized?**

A. In which period was the cash paid?

B. In which period was the supplier's invoice received?

C. In which period was the resource used up to generate revenue?

D. In which period was the purchase order signed?

E. In which period was the resource delivered to the company?

**2. The carrying value (book value) of equipment reported on the balance sheet equals which of the following?**

A. Its acquisition cost.

B. Its acquisition cost less accumulated depreciation.

C. Its acquisition cost less the current year's depreciation expense.

D. Its current market value.

E. Its accumulated depreciation.

**3.** A sporting goods store buys tennis rackets to resell to customers and printer paper for its own office. **Which statement is correct?**

A. The rackets are Inventory until they are sold; the paper is Supplies until it is used.

B. The rackets are Supplies until they are used; the paper is Inventory until it is sold.

C. Both are recorded as Inventory, because both were bought from suppliers.

D. Both are recorded as expenses when they are bought.

E. The rackets are recorded as Cost of Goods Sold when they are bought; the paper is recorded as Supplies.

**4.** A company prepares both a single-step and a multi-step income statement for the same year. **Which amount appears, and is the same, on both?**

A. Gross Profit.

B. Income from Operations.

C. Income before Income Tax.

D. Net Income.

E. None of these; the two statements report different results.

**5.** A retailer buys goods for $60 each and lists them for sale at $100 each. **On its balance sheet, each unit still on hand is reported at**

A. $0

B. $40

C. $60

D. $80

E. $100

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**Q1** C  **Q2** B  **Q3** A  **Q4** D  **Q5** C

**6. Which statement about managing inventory is correct?**

A. Holding more inventory always increases net income, because more goods are available to sell.

B. Damaged or obsolete inventory lowers expenses, because it no longer has to be stored.

C. The amount of inventory a company holds has no effect on its expenses.

D. Holding too little inventory can cause stockouts, which lower revenues.

E. Holding too much inventory lowers expenses, because the goods were bought in bulk.

**7. What does a company's choice of inventory costing method (specific identification, FIFO or LIFO) decide?**

A. How the cost of goods available for sale is split between Cost of Goods Sold and Ending Inventory.

B. Which units physically leave the warehouse first.

C. How much cash the company pays its suppliers for inventory.

D. How much the company paid for the goods it had available for sale.

E. Whether the company uses the periodic or the perpetual inventory system.

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**Q6** D **Q7** A

## Part B: Journal entries

**Sky Blue Corporation** (Q8–Q13)

Sky Blue Corporation records the following adjustments on October 31. **Complete the journal entries by choosing the correct account for each blank.**

**Transaction a.** Collected $2,400 rent for the period October 1 to December 31, which was credited to Deferred Revenue on October 1.

| | | |
|---|---|---|
| [ 8 ] | 800 | |
| [ 9 ] | | 800 |

**Transaction b.** Paid $1,200 for a two-year insurance premium on October 1 and debited Prepaid Insurance for that amount.

| | | |
|---|---|---|
| [ 10 ] | 50 | |
| [ 11 ] | | 50 |

**Transaction c.** Used a machine purchased on October 1 for $48,000. The company estimates annual depreciation of $4,800.

| | | |
|---|---|---|
| [ 12 ] | 400 | |
| [ 13 ] | | 400 |

**Accounts**

A. Accounts Payable
B. Accumulated Depreciation
C. Cash
D. Deferred Revenue
E. Depreciation Expense
F. Equipment
G. Insurance Expense
H. Prepaid Insurance
I. Rent Expense
J. Rent Revenue

**Q8** D **Q9** J **Q10** G **Q11** H **Q12** E **Q13** B

**Buying and selling inventory** (Q14–Q19)

A company uses the perpetual inventory system. **Complete the journal entries by choosing the correct account for each blank.**

**Transaction 1.** The company purchased $50 of inventory on account.

| | | | |
|---|---|---|---|
| [14] | | 50 | |
| | [15] | | 50 |

**Transaction 2.** The company sold that inventory for $100 on account. Record the revenue.

| | | | |
|---|---|---|---|
| [16] | | 100 | |
| | [17] | | 100 |

**Transaction 3.** The inventory sold in 2 had cost $50. Record its cost.

| | | | |
|---|---|---|---|
| [18] | | 50 | |
| | [19] | | 50 |

**Accounts**

A. Accounts Payable
B. Accounts Receivable
C. Cash
D. Cost of Goods Sold
E. Deferred Revenue
F. Inventory
G. Notes Payable
H. Sales Revenue
I. Supplies
J. Supplies Expense

**Q14** F **Q15** A **Q16** B **Q17** H **Q18** D **Q19** F

## Part C: Numeric (Q20–Q26)

**20.** A shop that counts its inventory at the end of each month began June with $4,000 of inventory, bought $15,000 more during June, and counted $3,000 on hand at the end of June. **What was its Cost of Goods Sold for June?**

Cost of Goods Sold: $ _____ ,000

**21.** A jeweler had three rings in inventory that cost $400, $550 and $900. It sold the $400 ring and the $900 ring. **Under specific identification, what is its Cost of Goods Sold?**

Cost of Goods Sold: $ _____ 00

**Q22–Q26.** A company uses the periodic inventory system. On October 1 it had 10 units in inventory that cost $7 each. It bought 30 units at $8 each on October 3 and 10 units at $10 each on October 5. On October 6 it sold 35 units for $20 each. **Fill in Q22–Q26.**

| | | |
|---|---|---|
| **Q22.** | Cost of goods available for sale. | $ _____ 0 |
| **Q23.** | FIFO: Cost of Goods Sold. | $ _____ 0 |
| **Q24.** | FIFO: Ending Inventory. | $ _____ 0 |
| **Q25.** | LIFO: Cost of Goods Sold. | $ _____ 0 |
| **Q26.** | LIFO: Ending Inventory. | $ _____ 0 |

**Q20** 16 **Q21** 13 **Q22** 41 **Q23** 27 **Q24** 14 **Q25** 30 **Q26** 11

# Solutions

## Part A: Multiple choice

**Q1.** **C.** In which period was the resource used up to generate revenue?
Every expenditure raises two separate questions: when is the cash paid, and when is the resource used up? Only the second one fixes the expense. Cash can leave before, after or in the same period, and it changes nothing. Delivery is when an asset is recognized, not an expense.

**Q2.** **B.** Its acquisition cost less accumulated depreciation.
The asset itself stays at acquisition cost, and everything depreciated so far, accumulated depreciation, is subtracted from it. Subtracting only this year's expense forgets the earlier years.

**Q3.** **A.** The rackets are Inventory until they are sold; the paper is Supplies until it is used.
Both are current assets bought from suppliers; they differ in what turns them into an expense. Inventory is goods bought but not yet sold, so the rackets become Cost of Goods Sold when a customer buys them. Supplies are goods bought but not yet used, so the paper becomes Supplies Expense as the office uses it.

**Q4.** **D.** Net Income.
The two formats list the same revenues and expenses and arrive at the same Net Income. The multi-step statement adds subtotals on the way down (Gross Profit, Income from Operations, Income before Income Tax), none of which a single-step statement shows.

**Q5.** **C.** $60
Inventory is an asset recorded at its cost, what the company gave up to get it. The $100 price matters only when the unit is sold, and only then does the $40 difference show up, as gross profit.

**Q6.** **D.** Holding too little inventory can cause stockouts, which lower revenues.
A shelf that runs empty loses sales, so too little inventory lowers revenues. Too much has a cost as well: storing and insuring it raises expenses, and goods that are damaged, expired or obsolete cannot be sold, which raises expenses too.

**Q7.** **A.** How the cost of goods available for sale is split between Cost of Goods Sold and Ending Inventory.
The method is a cost flow assumption: it decides which costs are assumed to be sold, not which boxes actually ship. Cash paid and the cost of goods available for sale are fixed by the purchases before any method is applied.

## Part B: Journal entries

### Sky Blue Corporation (Q8–Q13)

**a.** Collected $2,400 rent for the period October 1 to December 31, which was credited to Deferred Revenue on October 1.

| | | | |
|---|---|---|---|
| Dr | **Q8 = D** | Deferred Revenue | $800 |
| Cr | **Q9 = J** | Rent Revenue | $800 |

**b.** Paid $1,200 for a two-year insurance premium on October 1 and debited Prepaid Insurance for that amount.

| | | | |
|---|---|---|---|
| Dr | **Q10 = G** | Insurance Expense | $50 |
| Cr | **Q11 = H** | Prepaid Insurance | $50 |

**c.** Used a machine purchased on October 1 for $48,000. The company estimates annual depreciation of $4,800.

| | | | |
|---|---|---|---|
| Dr | **Q12 = E** | Depreciation Expense | $400 |
| Cr | **Q13 = B** | Accumulated Depreciation | $400 |

### Buying and selling inventory (Q14–Q19)

**1.** The company purchased $50 of inventory on account.

| | | | |
|---|---|---|---|
| Dr | **Q14 = F** | Inventory | $50 |
| Cr | **Q15 = A** | Accounts Payable | $50 |

**2.** The company sold that inventory for $100 on account. Record the revenue.

| | | | |
|---|---|---|---|
| Dr | **Q16 = B** | Accounts Receivable | $100 |
| Cr | **Q17 = H** | Sales Revenue | $100 |

**3.** The inventory sold in 2 had cost $50. Record its cost.

| | | | |
|---|---|---|---|
| Dr | **Q18 = D** | Cost of Goods Sold | $50 |
| Cr | **Q19 = F** | Inventory | $50 |

## Part C: Numeric

**Q20.** **16**
$4,000 + $15,000 = $19,000 available; $19,000 − $3,000 still on hand = $16,000.

**Q21.** **13**
Specific identification uses the cost of the units actually sold: $400 + $900 = $1,300.

**Q22.** **41**
$10 \times \$7 + 30 \times \$8 + 10 \times \$10 = \$70 + \$240 + \$100 = \$410$, the same under every method.

**Q23.** **27**
FIFO sells the oldest 35 units: $10 \times \$7 + 25 \times \$8 = \$270$.

**Q24.** **14**
The newest 15 units remain: $5 \times \$8 + 10 \times \$10 = \$140$ (= $410 − $270).

**Q25.** **30**
LIFO sells the newest 35 units: $10 \times \$10 + 25 \times \$8 = \$300$.

**Q26.** **11**
The oldest 15 units remain: $10 \times \$7 + 5 \times \$8 = \$110$ (= $410 − $300).