EXAM REVIEW – CHAPTERS 4, 5, 6

STUDY SUGGESTIONS

- Review your class notes, homework exercises and problems.
- Be sure to review any chapter appendicies assigned on the General Course Outline.
- Review **Demonstration Problem, Summary and Key Terms** at the end of each chapter.
- Answer the **Multiple Choice Quiz** at the end of each chapter.
- Answer **Multiple Choice Quiz A and B** on the textbook website www.mhhe.com/wild .
- Know accounting terms and concepts by answering the **Discussion Questions** at the end of each chapter.
- Know the account classification (i.e. asset, liability, or owner's equity) and normal balance of all accounts.
- Know the what the financial ratios mean and how to calculate them.
- Other online help is available ay a variety of sites such as:

Key Terms and Concepts to Know

Chapter 4 - Accounting for Merchandising Operations

- The revenue account is Sales, not Fees Earned.
- Multiple-Step Income Statement
  - Sales - Sales Returns and Allowances - Sales Discounts = Net Sales
  - Net Sales - Cost of Merchandise Sold = Gross Profit
  - Gross Profit - Operating Expenses = Net Income
- Accounting terms related to merchandising companies:
  - Merchandise Inventory
  - Perpetual inventory system
  - Periodic inventory system
  - Physical inventory
  - Merchandise Inventory Shrinkage
- Credit Terms, such as 2/10, n/30 and the credit period.
- Transportation costs (FOB Shipping Point or FOB Destination) and how they are recorded by the buyer and seller.
- Journalizing merchandise transactions for both buyer and seller.

Chapter 5 – Accounting for Inventories

- Effect of inventory errors on the financial statements.
- Four inventory cost flow assumptions: specific identification, FIFO, LIFO and Average Cost.
- Computing the cost of goods sold and ending inventory under the periodic and perpetual inventory systems using specific identification and FIFO and LIFO and Average Cost.
- Compute the proper valuation of inventory using the Lower of Cost or Market rules.

Chapter 6 – Accounting for Cash and Internal Controls

- Principles of internal control and how they are applied.
- Prepare the bank reconciliation and the related journal entries.
- Prepare the journal entries to open, replenish and adjust the balance for a petty cash fund.
- Cash short and over account is and how it is used.

Practice Problems

Problem 1 - Purchase related transaction

Merchandise is purchased on account from a supplier, List price $15,000, trade discount 40%, terms 2/10, n/30 FOB shipping point with transportation costs of $150 paid by the seller, and added to the invoice. The purchaser returned $1,000 of the merchandise prior to payment. The invoice was paid within the discount period; what is the amount of cash paid by the buyer?

Problem 2 - Sales related and purchase related transactions

Merchandise is sold on account to a customer for $15,000, terms 1/10, n/30, FOB destination. The merchandise cost $10,000. The seller paid transportation costs of $750. The buyer returned some of the merchandise and the seller prior to receiving payment issued a credit memorandum for $1,500 for returned merchandise. The returned merchandise cost $1,000.

a) What is the journal entry recorded by the seller for the sale of the merchandise?
b) What is the journal entry recorded by the seller for the return of the merchandise?
c) What is the journal entry recorded by the seller for the receipt of payment if the invoice is paid within the discount period?

d) What is the journal entry recorded by the buyer for the purchase of the merchandise?
e) What is the journal entry recorded by the buyer for the return of the merchandise?
f) What is the journal entry recorded by the buyer for the payment, if the invoice is paid within the discount period?

Problem 3 - Sales related transactions

What are the correct journal entries for the following transactions using the perpetual inventory system?

a) Sale of $ 1,000 of merchandise for cash or bank credit card (MasterCard), the cost of the merchandise is $600.
b) Sale of $500 of merchandise on account or a non-bank credit card (American Express), when the sale is subject to a sales tax of 8% and the merchandise cost $300.

Problem 4 - Merchandise inventory shrinkage

The perpetual inventory records indicate that $210,725 of merchandise should be on hand on December 31, 1998. The physical inventory indicates that $204,975 of merchandise is actually on hand. What is the adjusting journal entry required to record inventory shrinkage for the year ended December 31, 1998?

Problem 5 - Subsidiary ledgers and general ledger accounts

a) What are subsidiary ledgers and what do they contain?
b) Which accounts in the general ledger are called controlling accounts?
c) What do they control?

Problem 6 - Perpetual inventory using FIFO

The company uses a perpetual inventory system. On the basis of the following inventory, purchases, and sales data, determine the cost of the merchandise sold and the value of the ending inventory using the first-in, first-out method.

January 1	Inventory	45 units	$10.00
February 15	Sale	25 units	
March 10	Purchase	50 units	$9.00
May 30	Sale	50 units	
July 31	Purchase	25 units	$8.00
October 1	Sale	15 units	

Problem 7 - Perpetual inventory using LIFO

Assume that the business in problem 14 uses a perpetual inventory system, costing by the last-in, last-out method; determine the cost of merchandise sold and the value of ending inventory.

Problem 8 - Periodic inventory by three methods

There are 50 units of the item in the physical inventory at December 3 1. The periodic inventory system is used.
The units of an item available for sale during the year were as follows:

January 1	Inventory	50 units	$9.06
March 10	Purchase	45 units	$10.00
July 31	Purchase	35 units	$11.00
November 5	Purchase	40 units	$12.00

a) Determine the cost of ending inventory by the first-in, first-out (FIFO) method.
b) Determine the cost of ending inventory by the last-in, first-out (LEFO) method.
c) Determine the cost of ending inventory by the average cost method.

Problem 9 - Lower of cost or market inventory

On the basis of the following data, determine the value of the inventory at the lower of cost or market.

Commodity	Inventory Quantity	Unit Cost Price	Unit Market Price
Corn	15,000	2.75	3.00
Wheat	10,000	4.25	4.00
Soybeans	20,000	6.50	6.75
Oats	5,000	4.45	4.35

Problem 10 - Compute inventory turnover and the number of days' sales in inventory

The cost of merchandise sold for the Nicholas Company was $4,380,000 in 1998. The beginning and ending inventories were $525,000 and 615,000 respectively.

a) Compute inventory turnover for 1998
b) Compute the number of days' sales in year-end inventory.

Problem 11 - Cash Short and Over Account

a) What is the journal entry to record cash sales if the actual cash received was $13,180.30 and the amount indicated by the cash register total was $13,189.70?
b) What is the normal balance of the Cash Short and Over account?
c) If the Cash short and over account has a debit balance at the end of the month, how is it reported on the financial statements?

Problem 12 - Petty Cash Fund

a) What is the journal entry to establish a petty cash fund in the amount of $250?
b) What account(s) is or are debited in the journal entry to reimburse the petty cash fund?
c) What account(s) is or are credited in the journal entry to reimburse the petty cash fund?

Problem 13 - Bank reconciliation and related journal entries

The following transaction occurred during the month:

a) The bank statement balance was $10,520; the cash account balance in the general ledger was $14,075.
b) Cash received on account of $510 was recorded as $150.
c) Deposit of $5,000 made on the last day of the month was not recorded on the bank statement.
d) Bank service charges were $ 50.
e) The bank returned a check from a customer in the amount of $495 because of insufficient funds.
f) There were outstanding checks at the end of the month of $355.
g) The bank collected a non-interest-bearing note in the amount of $1,500.
h) A check written in payment of a $250 supplier's invoice was recorded as $25.
i) The bank statement balance was $10,520; the cash account balance in the general ledger was $14,075.

Required:

a) Prepare the bank reconciliation.
b) What is the amount of cash that should be on the balance sheet?
c) Which of the items appearing on the bank reconciliation require a journal entry?
d) Journalize the entry or entries required.

Practice True / False Questions

1. Inventory shrinkage refers to unrecorded decreases in inventory resulting from breakage, theft, and sales of inventory.
   True False

2. Sales Discounts is shown as a reduction of cost of goods sold in the income statement.
   True False

3. The contra-revenue accounts, Sales Returns and Allowances and Sales Discounts, should be closed by crediting these accounts and debiting Income Summary for each account.
   True False

4. In a periodic inventory system, Inventory and Cost of Goods Sold accounts are kept up-to-date throughout the accounting period.
   True False

5. When using a perpetual inventory system, the Purchases account is debited when merchandise is acquired.
   True False

6. Under the perpetual inventory system, two entries are required when goods are sold.
   True False

7. If ending inventory and cost of goods sold are added together, they should equal gross profit.
   True False

8. The first step in a bank reconciliation is to update the depositor's accounting records for any deposits-in-transit.
   True False

9. The balance shown on a bank statement is always less than the month-end balance of a company's cash account in the general ledger.
   True False

10. Entries made in the general journal after preparing a bank reconciliation are called closing entries.
    True False

11. Cash equivalents include money market funds, U.S. Treasury bills, and high-grade commercial paper.
    True False

12. A credit memoranda from a bank indicates that they have decreased the depositor's cash balance.
    True False

13. Cash on the balance sheet is equal to the amount of cash on deposit minus the balance of the Cash Over and Short account.
    True False

14. An advantage of the average cost method of accounting for inventory is that the inventory is valued in the balance sheet at current replacement costs.
    True False

15. An advantage to the LIFO method of accounting for inventory is that it values the cost of goods sold at current replacement costs.
    True False

16. Merchandise that has been sold but not yet recorded in the accounts should not be included in the physical inventory at year-end.
    True False

17. During periods of inflation, the specific identification cost flow assumption will yield a higher cost of goods sold than LIFO.
    True False

18. If the terms of a sale are F.O.B. shipping point, the sale should not be recorded until the goods are delivered to the buyer.
    True False

19. Companies with perpetual inventories need not take a physical inventory because inventory amounts are perpetually available.
    True False

20. Overstating the ending inventory will result in understating the cost of goods sold and overstating profits.
    True False

Practice Multiple Choice Questions

1. Which account listed below is classified as a contra-revenue account?
   a) Cost of Goods Sold.
   b) Gross profit
   c) Sales Discounts
   d) Purchases.

2. Which of the following would not tend to make a manufacturer choose a perpetual inventory system?
   a) Management wants information about quantities of specific products.
   b) A low volume of sales transactions and a computerized accounting system.
   c) A high volume of sales transactions and a manual accounting system.
   d) Items in inventory with high per unit costs.

3. Sales revenue is recognized in the period in which:
   a) Merchandise is delivered to the customer.
   b) The customer orders the merchandise.
   c) Cash payment is received by the seller.
   d) Purchases are made to replace the merchandise sold.

4. In a perpetual inventory system, two entries usually are made to record each sales transaction. The purposes of these entries are best described as follows:
   a) One entry recognizes the sales revenue, and the other recognizes the cost of goods sold.
   b) One entry records the purchase of the merchandise, and the other records the sale.
   c) One entry records the cost of goods sold, and the other reduces the balance in the Inventory account.
   d) One entry updates the general ledger, and the other updates the subsidiary ledgers.

5. Jayson Products uses a perpetual inventory system. At year-end, the Inventory account had a balance of $280,000, but a complete year-end physical inventory indicated goods on hand costing only $273,000. Jayson should:
   a) Reduce its cost of goods sold by $7,000.
   b) Record a $7,000 current liability.
   c) Reduce the balance in its Inventory controlling account and inventory subsidiary ledger by $7,000.
   d) Reduce the balance in the Inventory controlling account and record a current liability, both in the amount of $7,000.

6. The cost of delivering merchandise to the customer is:
   a) Part of cost of goods sold.
   b) Used in the calculation of net sales.
   c) An operating expense.
   d) A reduction of gross profit.

7. The cost of the transportation of inventory purchased:
   a) Are expensed in the current period.
   b) Increases income.
   c) Becomes part of the cost of inventory.
   d) Reduces the sales price.

8. Which of the following does not contribute toward achieving internal control over cash payments?
   a) The practice of making small cash disbursements directly from the current day's cash receipts.
   b) The use of a voucher system.
   c) The use of a petty cash fund.
   d) The practice of approving every expenditure before the cash disbursement is made.

9. The bookkeeper prepared a check for $68 but accidentally recorded it as $86. When preparing the bank reconciliation, this should be corrected by:
   a) Adding $18 to the bank balance.
   b) Subtracting $18 from the bank balance.
   c) Adding $18 to the book balance.
   d) Subtracting $18 from the book balance.

10. After preparing a bank reconciliation, a journal entry would be required for which of the following?
    a) A deposit in transit.
    b) A check for $48 given to a supplier but not yet recorded by the company's bank.
    c) Interest earned on the company's checking account.
    d) A deposit made by a company with a similar name and credited to your account.

11. All the following are steps included in the preparation of a bank reconciliation except:
    a) Comparing deposits listed on the bank statement with the deposits shown in the accounting records.
    b) Arranging checks by serial numbers and comparing with those listed in the accounting records.
    c) Deducting any debit memoranda from the balance on the bank statement.
    d) Preparing journal entries for any adjustments to the depositor's records.

12. Which of the following is not an example of internal control over cash?
    a) Preparation of a cash budget.
    b) Daily deposits of cash receipts at the bank.
    c) Combining the functions of signing checks with the approval of expenditures.
    d) Preparation of bank reconciliation.

13. The purpose of establishing a petty cash fund is to:
    a) Achieve internal control over small cash disbursements not made by check.
    b) Keep track of expenditures paid out of cash receipts from customers prior to deposit.
    c) Ensure that the amount of cash in the bank does not become excessive.
    d) Keep enough cash on hand in the office to cover all normal operating expenses of the business for a period of time.

14. When preparing a bank reconciliation, an NSF check will:
    a) Increase the balance per depositor's records.
    b) Decrease the balance per depositor's records.
    c) Increase the balance per the bank statement.
    d) Decrease the balance per the bank statement.

15. In reconciling a bank statement, which of the following items could cause the cash per the bank statement to be greater than the balance of cash shown in the depositor's accounting records?
    a) An outstanding check.
    b) A check returned to the depositor marked NSF.
    c) Check 457 written for $643 was recorded by the depositor as $463.
    d) A bank service charge.

16. In preparing a bank reconciliation, a service charge shown on the bank statement should be:
    a) Added to the balance per the bank statement.
    b) Deducted from the balance per the bank statement.
    c) Added to the balance per the depositor's records.
    d) Deducted from the balance per the depositor's records.

17. When a bank reconciliation has been satisfactorily completed, the only related entries to be made in the depositor's records are:
    a) To correct errors made by the bank in recording the dollar amounts of cash transactions during the period.
    b) To reconcile items that explain the difference between the balance per the books and the balance per the bank statement.
    c) To record outstanding checks and bank service charges.
    d) To record items that explain the difference between the balance per the accounting records and the adjusted cash balance.

18. The lower of cost or market rule may be applied by comparing the market value of the inventory to the cost of the inventory based on:
    a) Individual inventory items.
    b) Major inventory categories.
    c) The entire inventory.
    d) Any of the three: individual inventory items, major inventory categories, or the entire inventory.

19. When prices are increasing, which inventory method will produce the highest cost of goods sold?
    a) FIFO
    b) LIFO
    c) Average
    d) Cost of goods sold will not change.

20. In a perpetual inventory system, two entries are normally made to record each sales transaction. The purpose of these entries is best described as follows:
    a) One entry recognizes the sales revenue and the other recognizes the cost of goods sold.
    b) One entry records the purchase of merchandise and the other records the sale.
    c) One entry records the cost of goods sold and the other reduces the balance in the Inventory account.
    d) One entry updates the subsidiary ledger and the other updates the general ledger.

21. If the ending inventory is overstated in the current year:
    a) Net income will be understated in the current year.
    b) Next year's beginning inventory will also be overstated.
    c) Next year's net income will be overstated.
    d) Next year's beginning inventory will be understated.

22. During periods of inflation, when comparing LIFO with FIFO:
    a) LIFO inventory and cost of sales would be higher.
    b) LIFO inventory and cost of sales would be lower.
    c) LIFO inventory would be lower and cost of sales would be higher.
    d) LIFO inventory would be higher and cost of sales would be lower.

23. Which of the following results in the inventory being stated at the most current acquisition costs?
    a) Specific identification.
    b) LIFO
    c) FIFO
    d) Average cost.

24. The write-down of inventory:
    a) Only affects the balance sheet and not the income statement.
    b) Only affects the income statement and not the balance sheet.
    c) Affects both the income statement and the balance sheet.
    d) Affects neither the income statement nor the balance sheet.

25. Which of the following inventory cost flow assumptions is not in accord with the physical flow of merchandise in most businesses?
    a) LIFO
    b) FIFO
    c) Specific identification.
    d) Average.

26. As a result of taking an annual physical inventory, it usually is necessary in a perpetual inventory system to make an entry:
    a) Reducing assets and increasing the cost of goods sold.
    b) Reducing assets and increasing liabilities.
    c) Reducing the cost of goods sold.
    d) Increasing assets and increasing the cost of goods sold.

27. The inventory turnover rate provides an indication of how quickly the average quantity of inventory on hand:
    a) Spoils
    b) Sells
    c) Increases
    d) Converts into cash.

Solutions to Practice Problems

Problem 1 - Purchase related transaction

List price for merchandise	$15,000
Less Trade discount of 40%	(6,000)
Invoice amount	9,000
Less return	(1,000)
Amount subject to discount	8,000
Less 2% cash discount	160
	7,840
Plus transportation	150
Amount paid by the buyer	$7,990

Problem 2 - Sales related and purchase related transactions

a. Journal entry recorded by the seller for the sale of the merchandise:

Accounts Receivable	15,000	
Sales		15,000
Cost of Merchandise Sold	10,000	
Merchandise Inventory		10,000
Transportation Out	750	
Cash		750

b. Journal entry recorded by the seller for the return of the merchandise:

Sales Returns and Allowances	1,500	
Accounts Receivable		1,500
Merchandise Inventory	10,000	
Cost of Merchandise Sold		10,000

c. Journal entry recorded by the seller for the receipt of payment:

Cash	13,365	
Sales Discounts	135	
Accounts Receivable		13,500

d. Journal entry recorded by the buyer for the purchase of the merchandise:

Merchandise Inventory	15,000	
Accounts Payable		15,000

e. Journal entry recorded by the buyer for the return of the merchandise:

Accounts Payable	1.500	
Merchandise Inventory		1,500

f. Journal entry recorded by the buyer for the payment:

Accounts Payable	13,500	
Merchandise Inventory		135
Cash		13,365

Problem 3 - Sales related transactions

a. Sale of $1,000 of merchandise for cash or bank credit card, the cost of the merchandise is $600.

Cash	1,000	
Sales		1,000
Cost of Merchandise Sold	600	
Merchandise Inventory		600

b. Sale of $500 of merchandise on account or a non-bank credit card, when the sale is subject to a sales tax of 8% and the merchandise cost $300.

Accounts Receivable	540	
Sales		500
Sales Tax Payable		40
Cost of Merchandise Sold	300	
Merchandise Inventory		300

Problem 4 - Merchandise inventory shrinkage

Cost of Merchandise Sold	5,750	
Merchandise Inventory		5,750

Problem 5 Subsidiary ledgers and general ledger accounts

A **subsidiary ledger** is a ledger containing individual accounts with a common characteristic.

The **accounts receivable subsidiary ledger** contains an account for each credit customer that shows the amounts of sales and cash received.

The **accounts payable subsidiary ledger** contains an account for each creditor that shows the amounts of purchases and cash payments.

General ledger controlling accounts are **Accounts Receivable and Accounts Payable.**

A **control account** in the general ledger summarizes the balances of the accounts in a subsidiary ledger.

Problem 6 - Perpetual inventory using FIFO

Date	Purchases	Cost of Merchandise Sold	Inventory
January 1			45 units at $ 10
February 15		25 units at $10 = 250	20 units at $ 10
March 10	50 units at $9		20 units at $ 10 50 units at $ 9
May 30		20 units at $10 = 200 30 units at $ 9 = 270	20 units at $ 9
July 31	25 units at $8		20 units at $ 9 25 units at $ 8
October 1		15 units at $ 9 = 135	5 units at $ 9 = 45 25 units at $ 8 = 200
		Total cost of merchandise sold = $855	Ending inventory = $245

Problem 7 - Perpetual inventory using LIFO

Date	Purchases	Cost of Merchandise Sold	Inventory
January 1			45 units at $ 10
February 15		25 units at $10 = 250	20 units at $ 10
March 10	50 units at $9		20 units at $ 10 50 units at $ 9
May 30		50 units at $ 9 = 450	20 units at $10
July 31	25 units at $8		20 units at $10 25 units at $ 8
October 1		15 units at $ 8 = 120	20 units at $10 = 200 10 units at $ 8 = 80
		Total cost of merchandise sold = $820	Ending inventory = $280

Problem 8 - Periodic inventory by three methods

a) The inventory cost by the first-in, first-out (FIFO) method is:
$590: (40 at $12 + 10 at $11)

b) The inventory cost by the last-in, first-out (LFIFO) method is:
$453: (50 at $9.06)

c) The inventory cost by the average cost method is $$520; (50 at $10.40)

January 1	Inventory	50 units at $ 9.06	453.00
March 10	Purchase	45 units at $10.00	450.00
July 31	Purchase	35 units at $11.00	385.00
November 5	Purchase	40 units at $12.00	480.00
Total Units		170 Total Cost	1,768.00

(Average cost $1,768 / 170 units = $10.40)

Problem 9 - Lower of cost or market inventory

Commodity	Quantity	Unit Cost	Unit Market Price	LCM	Total
Corn	15,000	$2.75	$3.00	$2.75	$41,250
Wheat	10,000	4.25	4.00	4.00	40,000
Soybeans	20,000	6.50	6.75	6.50	130,000
Oats	5,000	4.45	4.35	4.35	21,750
					$233,000

Problem 10 - Compute inventory turnover and the number of days' sales in inventory

a) The inventory turnover for 1998 was 7.7
4,380,000 / (525,000 + 615,000) / 2 = 7.68

b) The number of days' sales in year end inventory was 51.3 days
615,000 / (4,380,000 / 365) = 51.25

Problem 11 - Cash Short and Over Account

The journal entry to record cash sales if the actual cash received was $13,180.30 and the amount indicated by the cash register total was $13,189.70:

a)

Cash	13,180.30	
Cash Short and Over	9.40	
Sales		13,189.70

b) The Cash Short and Over account does not have a normal balance.

c) If the Cash Short and Over account has a debit balance at the end of the month, it is included in Miscellaneous Administrative Expense in the income statement. A credit balance is included in the Other Income section.

Problem 12 - Petty Cash Fund

a)

Petty Cash	250	
Cash		250

b) The accounts debited in the journal entry to reimburse the petty cash fund are the various expense or asset accounts for which the petty cash was disbursed.

c) The cash account is credited in the journal entry to reimburse the petty cash fund.

Problem 13 - Bank reconciliation and related journal entries

a)

Balance per bank statement		$10,520
Add: Deposit in transit		5,000
		15,520
Deduct: Outstanding checks		(355)
Adjusted bank balance		$15,165
Cash balance per general ledger		$14,075
Add: Error in recording deposit	360	
Note collected by bank	1,500	1,860
		$15,935
Deduct: Error in recording check	225	
Bank service charges	50	
NSF check	495	770
Adjusted book balance		$ 15,165

b)
The amount of cash to be reported on the balance sheet at the end of the accounting period is $15,165.

c)
The items appearing on the above bank reconciliation that require a journal entry are:

a) Cash received on account of $510 was recorded as $150.
b) Bank service charges were $50.
c) A check, of a customer, in the amount of $495 was returned by the bank because of insufficient funds.
d) A short-term, non-interest bearing note in the amount of $1,500 was collected by the bank.
e) A check written in payment of a supplier's invoice in the amount of $250 was recorded as $25.

d)

Cash	1,860	
Accounts Receivable		360
Notes Receivable		1,500
Accounts Receivable	495	
Miscellaneous Administrative Expense	50	
Accounts Payable	225	
Cash		770

Solutions to True / False Questions

1. False – unrecorded sales are not shrinkage.
2. False – sales discounts is a contra revenue account.
3. True
4. False – in a periodic inventory system, cost of goods sold is recorded at the end of the period.
5. False – purchases account is used with a periodic inventory system. Purchases are debited to merchandise inventory when using a perpetual inventory system.
6. True
7. False – gross profit equals sales less cost of goods sold.
8. False – deposits in transit are recorded on the bank side of the reconciliation.
9. False – the balance on the bank statement may be greater than or less than the general ledger balance.
10. False – closing entries are and at the end of one fiscal year to prepare for the next fiscal year. They are not related to bank reconciliations.
11. True
12. False – since the depositor's account is a liability to the bank, a credit memo would increase the balance in the depositor's account.
13. False – Cash Over and Short is not a bank account and is not included in cash on the balance sheet.
14. True
15. False – inventory is valued at average cost.
16. True
17. True
18. False – LIFO will produce the highest cost of sales.
19. False – F.O.B. shipping point means that title transfers at the shipping point, at which time the sales is recorded.
20. False – physical inventories are required to be taken by all companies with inventory to verify the accuracy if the general ledger balance.
21. True

Solutions to Multiple Choice Questions

1.	C
2.	C
3.	A
4.	A
5.	C
6.	C
7.	C
8.	A
9.	C
10.	C
11.	C
12.	C
13.	A
14.	B
15.	A
16.	D
17.	D
18.	D
19.	B
20.	A
21.	B
22.	C
23.	C
24.	C
25.	A
26.	A
27.	B