

college accounting mini practice set 1 answers

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College Accounting Mini Practice Set 1 Answers: A Complete Guide for Students

As a college accounting student, you've probably encountered practice sets that test your grasp of core concepts while preparing you for exams. One of the most popular resources among students is the **college accounting mini practice set 1**. Whether you're tackling it for the first time or revisiting it to reinforce your knowledge, having a reliable set of answers and explanations is essential. This comprehensive guide offers detailed solutions, step by step explanations, and study tips to help you master every problem in the mini practice set.

Why Mini Practice Sets Matter in College Accounting

Mini practice sets are carefully curated to cover the most frequently tested topics in accounting courses. They serve several critical purposes:

- **Skill Reinforcement:** Repetition of similar problems strengthens procedural memory.
- **Concept Clarification:** They expose subtle distinctions between accounting principles.
- **Exam Readiness:** Many exam questions mirror the format and difficulty of these sets.
- **Time Management:** Practicing under timed conditions builds speed and accuracy.

Because of these benefits, many instructors recommend completing mini practice sets before midterms or finals.

Overview of College Accounting Mini Practice Set 1

Set 1 typically includes 10–12 problems that touch on foundational accounting topics. The questions are grouped into sections such as:

- Journal Entries
- Trial Balance Preparation
- Adjusting Entries
- Financial Statement Preparation
- Basic Analysis

Each problem is designed to test a specific skill set, from recording transactions accurately to interpreting financial ratios. Below, we provide the full set of answers and thorough explanations for each question.

Problem 1: Recording a Cash Sale

Question: On January 5th, a company sells goods worth \$2,500 on credit. Record the journal entry.

The sale is on credit, so Accounts Receivable increases. Cash remains unchanged at this point. The entry is:

Debit Accounts Receivable	2,500
Credit Sales Revenue	2,500

Why? The debit to Accounts Receivable reflects the company's right to receive \$2,500 in the future, while the credit to Sales Revenue records the earned income.

Problem 2: Purchasing Equipment on Credit

Question: On January 12th, the firm purchases equipment for \$3,200 on account. Record the entry.

Equipment is a long term asset, so it is debited. The liability—Accounts Payable—increases on the credit side.

Debit Equipment	3,200
Credit Accounts Payable	3,200

Note that no cash transaction occurs here, so the Cash account remains unchanged.

Problem 3: Paying an Invoice

Question: On January 20th, the firm pays \$1,000 of its Accounts Payable. Record the journal entry.

When cash is used to pay a liability, Cash is decreased (debit) and Accounts Payable is decreased (credit).

Debit Accounts Payable	1,000
Credit Cash	1,000

This entry reflects the reduction of the company's cash balance and the settlement of the liability.

Problem 4: Recording a Depreciation Expense

Question: The equipment purchased in Problem 2 has a useful life of 5 years and a salvage value of \$200. Compute the annual depreciation expense and record the entry for the first year.

Using the straight line method:

$$\begin{aligned}\text{Depreciation Expense} &= (\text{Cost} - \text{Salvage Value}) / \text{Useful Life} \\ &= (3,200 - 200) / 5 \\ &= 3,000 / 5 \\ &= 600\end{aligned}$$

Journal entry for the first year:

Debit Depreciation Expense	600
Credit Accumulated Depreciation	600

The expense reduces net income, while the accumulated depreciation account, a contra asset, increases.

Problem 5: Preparing a Trial Balance

Question: After posting all entries from Problems 1–4, prepare a trial balance as of January 31st.

List every account with its ending balance. Credit balances appear as negative numbers if using the debit first format.

Account	Debit	Credit
Cash	0	1,000
Accounts Receivable	2,500	
Equipment	3,200	
Accumulated Depreciation		600
Accounts Payable		2,200
Sales Revenue		2,500
Depreciation Expense	600	
Total	6,800	6,800

Notice that the debits and credits balance, confirming the double entry system is maintained.

Problem 6: Adjusting Entry for Accrued Revenue

Question:At the end of January, the firm earned \$1,200 in service revenue that has not yet been invoiced. Record the adjusting entry.

Accrued revenue increases an asset (Accounts Receivable) and a revenue account.

Debit Accounts Receivable 1,200
Credit Service Revenue 1,200

This entry ensures revenues are recognized in the correct period, aligning with the accrual basis of accounting.

Problem 7: Adjusting Entry for Unearned Revenue

Question:On January 1st, the company received \$2,400 as advance payment for a year long subscription. Record the adjusting entry on January 31st.

Unearned Revenue is a liability. After one month of service, \$200 of the \$2,400 is now earned.

Debit Unearned Revenue 200
Credit Subscription Revenue 200

This reduces the liability and records the earned portion of the subscription.

Problem 8: Preparing a Statement of Cash Flows (Indirect Method)

Question:Using the information from the trial balance and adjusting entries, prepare a brief statement of cash flows for January.

We start with net income and adjust for non cash items and changes in working capital.

Net Income: Sales Revenue 2,500 + Service Revenue 1,200 – Depreciation Expense 600 = 3,100

Adjustments:

- + Depreciation Expense 600 (non cash)
- – Increase in Accounts Receivable (2,500 + 1,200 – 0) = –3,700
- – Increase in Accounts Payable (2,200 – 0) = –2,200
- – Increase in Unearned Revenue (200 – 0) = –200

Net Cash from Operating Activities: 3,100 + 600 – 3,700 – 2,200 – 200 = –2,000

Since no other cash flows are provided, the net cash flow for January is –\$2,000.

Problem 9: Calculating Basic Financial Ratios

Question: Using the trial balance, calculate the current ratio and debt to equity ratio.

Current assets include Cash and Accounts Receivable: 0 + 2,500 = 2,500.

Current liabilities include Accounts Payable: 2,200.

Current Ratio = Current Assets / Current Liabilities = 2,500 / 2,200 "H 1.14.

Total equity is represented by the difference between total assets and total liabilities. Total assets: Cash 0 + Accounts Receivable 2,500 + Equipment 3,200 – Accumulated Depreciation 600 = 5,100. Total liabilities: Accounts Payable 2,200 + Unearned Revenue 200 = 2,400. Equity = 5,100 – 2,400 = 2,700.

Debt to Equity Ratio = Total Liabilities / Equity = 2,400 / 2,700 "H 0.89.

Problem 10: Closing Entries

Question: Prepare closing entries to close all revenue and expense accounts to Income Summary.

First, close revenue accounts:

Debit Sales Revenue	2,500
Debit Service Revenue	1,200
Credit Income Summary	3,700

Next, close expense accounts:

Debit Income Summary	600
Credit Depreciation Expense	600

Finally, close Income Summary to Retained Earnings (assuming no prior balance):

Debit Income Summary	3,100
Credit Retained Earnings	3,100

These entries reset the temporary accounts to zero, preparing the books for the next accounting period.

Key Takeaways from Mini Practice Set 1

Reviewing the answers above offers several learning opportunities:

- Accuracy in Double Entry: Each transaction must have equal debits and credits.
- Timing of Recognition: Revenue and expenses are recorded when earned or incurred, not necessarily when cash changes hands.
- Adjustment for Non Cash Items: Depreciation and accruals adjust the financial statements without affecting cash flow.
- Financial Statement Preparation: Understanding how each entry feeds into trial balances, statements, and ratios is critical for holistic financial analysis.

Common Mistakes and How to Avoid Them

Many students struggle with the following pitfalls when working on mini practice sets:

- Misclassifying Accounts: Confusing assets for liabilities or revenues for expenses can throw off the entire entry.
- Ignoring the Accrual Basis: Recording cash transactions only can lead to inaccurate financial statements.
- Forgetting Contra Accounts: Overlooking accumulated depreciation or allowance for doubtful accounts can distort asset values.
- Skipping the Trial Balance: Not verifying that debits equal credits may hide errors until later stages.

To mitigate these issues, always cross check your entries against the account classification list and maintain a habit of preparing a trial balance after each set of transactions.

Additional Resources for Mastery

Beyond the mini practice set, consider the following tools to reinforce your learning:

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- [clinical epidemiology the essentials 5th edition](http://basicgravity.com/clinical-epidemiology-the-essentials-5th-edition.pdf)

URL: <http://basicgravity.com/clinical-epidemiology-the-essentials-5th-edition.pdf>

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