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accounting mini practice set 2 answers

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Accounting Mini Practice Set 2 Answers: A Complete Guide for Students and Professionals

Accounting can feel like a maze of numbers, rules, and deadlines. Whether you're a university student preparing for exams or a working professional sharpening your skills, practice is the key to mastery. One of the most effective ways to reinforce learning is through **accounting mini practice sets**. These bite size problem collections focus on core concepts and common exam scenarios, allowing you to test your knowledge quickly and efficiently.

In this article, we'll dive deep into the **accounting mini practice set 2 answers**. You'll find thorough explanations, step by step solutions, common pitfalls, and study tips that will help you ace your exams and excel in the workplace. Let's get started.

1. What Is an Accounting Mini Practice Set?

An accounting mini practice set is a curated group of short, targeted problems that cover specific topics within the broader field of accounting. Unlike full-length textbooks or long exam papers, these sets are designed for quick review sessions, usually lasting 10–20 minutes. They typically include:

- Financial statement analysis
- Journal entries and ledger postings
- Adjusting entries and closing processes
- Cash flow statements
- Basic managerial accounting problems

Because they focus on high yield concepts, mini practice sets are ideal for:

1. Reinforcing theory after lectures.
2. Identifying weak areas before exams.
3. Building confidence for real world accounting tasks.

2. Why Use Mini Practice Sets?

Here are the top reasons you should incorporate **accounting mini practice set 2 answers** into your study routine:

- Focused Learning: Each set tackles a specific topic, ensuring you master the fundamentals before moving on.
- Time Efficiency: Quick sessions fit easily into busy schedules.
- Immediate Feedback: Answers and explanations let you correct mistakes right away.
- Exam Preparation: Many examiners use similar formats; practicing these problems raises your readiness.
- Skill Reinforcement: Repetition of key concepts solidifies your understanding.

3. Overview of Mini Practice Set 2

Mini Practice Set 2 typically focuses on intermediate accounting topics such as:

- Adjusting entries for accrued revenues and expenses.
- Deferred taxes and amortization.

- Cash flow statement construction.
- Inventory valuation methods (FIFO, LIFO, weighted average).
- Financial ratio analysis.

Below, we present a sample set of 12 problems that represent the breadth and depth of Set 2. After each question, you'll find the **accounting mini practice set 2 answers** along with detailed explanations.

4. Accounting Mini Practice Set 2 Answers

Question 1 – Adjusting Entry for Accrued Interest

Problem: On December 31, a company owes $5,000 in interest on a loan that accrues monthly. The interest rate is 6% per year. What adjusting entry should be made?

Answer:

1. Calculate interest for one month: $5,000 × 6% ÷ 12 = $25.
2. Debit Interest Expense $25.
3. Credit Interest Payable $25.

Explanation: Accrued interest is recorded as an expense and a liability because it has been incurred but not yet paid.

Question 2 – Deferred Revenue

Problem:A company received $12,000 on January 1 for a 12 month service contract. What adjusting entry is required on December 31?

Answer:

1. Revenue earned for 12 months: $12,000 ÷ 12 = $1,000 per month.
2. Revenue earned for 12 months: $1,000 × 12 = $12,000 (all earned).
3. Debit Unearned Revenue $12,000.
4. Credit Service Revenue $12,000.

Explanation: The entire amount is now earned, so the liability is reduced and revenue recognized.

Question 3 – Depreciation (Straight Line)

Problem:A machine costing $50,000 was purchased on March 1, 2023, with a useful life of 5 years and a salvage value of $5,000. What is the straight line depreciation expense for 2023?

Answer:

1. Annual depreciation: ($50,000 – $5,000) ÷ 5 = $9,000.
2. Months in 2023: March to December = 10 months.
3. Depreciation for 2023: $9,000 × (10 ÷ 12) = $7,500.

Explanation: The depreciation is prorated for the partial year.

Question 4 – Inventory Valuation (LIFO)

Problem:A company uses LIFO. Beginning inventory: 100 units at $10 each. Purchases: 200 units at $12 each on June 1. Sales: 150 units on December 31. What is the ending inventory value?

Answer:

1. Under LIFO, the most recent purchases are sold first.
2. Sold 150 units from the June purchase (200 units @ $12).
3. Remaining inventory: 100 units @ $10 + 50 units @ $12 = $1,000 + $600 = $1,600.

Explanation: The ending inventory consists of older costs.

Question 5 – Cash Flow Statement (Operating Activities)

Problem:A company had net income of $80,000, added back $10,000 for depreciation, and had a $5,000 increase in accounts receivable. What is the net cash provided by operating activities?

Answer:

1. Net income: $80,000.
2. + Depreciation: $10,000.
3. – Increase in accounts receivable: $5,000.
4. Net cash provided: $85,000.

Explanation: Operating cash flow adjustments reflect non cash expenses and working capital changes.

Question 6 – Accrued Salaries

Problem: On December 31, a company owes $15,000 in salaries for the last week of the month. What adjusting entry is required?

Answer:

1. Debit Salaries Expense $15,000.
2. Credit Salaries Payable $15,000.

Explanation: Salaries accrued but not yet paid become an expense and liability.

Question 7 – Bad Debt Expense (Allowance Method)

Problem: Accounts receivable are $200,000. Management estimates 4% will be uncollectible. What is the bad debt expense?

Answer:

1. Bad debt expense: 200,000 × 4% = $8,000.
2. Debit Bad Debt Expense $8,000.
3. Credit Allowance for Doubtful Accounts $8,000.

Explanation: The allowance method creates a contra asset account.

Question 8 – Closing Entries

Problem: At year end, a company has the following temporary accounts: Service Revenue $120,000; Salary Expense $40,000; Rent Expense $20,000. Prepare the closing entries.

Answer:

1. Debit Service Revenue $120,000; Credit Income Summary $120,000.
2. Debit Income Summary $60,000; Credit Salary Expense $40,000; Credit Rent Expense $20,000.
3. Debit Income Summary $60,000; Credit Retained Earnings $60,000.

Explanation: Temporary accounts are closed to Income Summary, then to Retained Earnings.

Question 9 – Statement of Changes in Equity

Problem: Retained earnings at the beginning of the year were $150,000. Net income for the year was $30,000. Dividends declared were $10,000. What is the ending retained earnings?

Answer:

1. Beginning retained earnings: $150,000.
2. + Net income: $30,000.
3. – Dividends: $10,000.
4. Ending retained earnings: $170,000.

Explanation: The statement tracks changes in equity over time.

Question 10 – Equity Method Investment

Problem: Company A owns 30% of Company B, which reported net income of $200,000 for the year. Company A's share of income is how much?

Answer:

1. Share of income: 200,000 × 30% = $60,000.
2. Debit Investment in Company B $60,000.
3. Credit Equity in Earnings of Company B $60,000.

Explanation: The equity method recognizes the investor's share of the investee's earnings.

Question 11 – Working Capital Calculation

Problem: Current assets: $250,000. Current liabilities: $150,000. What is the working capital?

Answer:

1. Working capital = Current assets – Current liabilities.
2. Working capital = $250,000 – $150,000 = $100,000.

Explanation: Working capital indicates liquidity.

Question 12 – Cost of Goods Sold (COGS) – FIFO

Problem: Beginning inventory: 50 units @ $20 each. Purchases: 70

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