

Exam

Name \_\_\_\_\_

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 1) The first step in the accounting cycle is transaction analysis. 1) \_\_\_\_\_
- 2) An account is a detailed record of increases and decreases in a specific asset, liability or equity item. 2) \_\_\_\_\_
- 3) A ledger is a type of account. 3) \_\_\_\_\_
- 4) Goods sold on credit to customers are called accounts payable. 4) \_\_\_\_\_
- 5) As prepaid assets are used up, the costs of the assets become expenses. 5) \_\_\_\_\_
- 6) Withdrawals are a type of transaction that affects equity. 6) \_\_\_\_\_
- 7) A building is an example of an asset that does not provide any benefit to its owner. 7) \_\_\_\_\_
- 8) To make it easier for the bookkeeper, the cost of land is separated from the cost of buildings located on the land. 8) \_\_\_\_\_
- 9) Unearned revenues are assets, because a service or product is owed to the customer. 9) \_\_\_\_\_
- 10) Cash withdrawn by the owner of an unincorporated business in the form of a monthly salary should be treated as an expense of the business. 10) \_\_\_\_\_
- 11) When a company sells services for which cash will not be received until some future date, the company should credit an unearned revenues account for the amount charged to the customer. 11) \_\_\_\_\_
- 12) A T-Account is a formal account frequently used in business. 12) \_\_\_\_\_
- 13) An account balance is the difference between the increases and decreases recorded in an account. 13) \_\_\_\_\_
- 14) The left side of a T-account is always the credit side, while the right side is always the debit side. 14) \_\_\_\_\_
- 15) The accounting equation is expressed as  $\text{assets} = \text{liabilities} - \text{equity}$ . 15) \_\_\_\_\_
- 16) The accounting equation can be expressed as  $\text{liabilities} = \text{assets} - \text{equity}$ . 16) \_\_\_\_\_
- 17) In a double-entry accounting system, total debits must always equal total credits. 17) \_\_\_\_\_
- 18) Double-entry accounting means that every transaction affects and is recorded in at least two accounts. 18) \_\_\_\_\_
- 19) Debits increase asset and expense accounts. 19) \_\_\_\_\_
- 20) Credits to accounts are always increases. 20) \_\_\_\_\_

- 21) To credit an expense account means to decrease it. 21) \_\_\_\_\_
- 22) Increases in liabilities are recorded as debits. 22) \_\_\_\_\_
- 23) All increases and decreases in cash are not necessarily recorded in the Cash account. 23) \_\_\_\_\_
- 24) A revenue account normally has a debit balance. 24) \_\_\_\_\_
- 25) Debits to accounts are normally decreases. 25) \_\_\_\_\_
- 26) Because they decrease equity, withdrawals made by a business owner are credited to his/her withdrawals account. 26) \_\_\_\_\_
- 27) Asset accounts normally have credit balances and expense accounts normally have debit balances. 27) \_\_\_\_\_
- 28) The normal balance of an account refers to the debit or credit side where increases are recorded. 28) \_\_\_\_\_
- 29) The chart of accounts is a list of all the accounts used by a company. 29) \_\_\_\_\_
- 30) A chart of accounts lists the accounts and balances at a specific time. 30) \_\_\_\_\_
- 31) Purchasing supplies on credit increases assets while decreasing liabilities. 31) \_\_\_\_\_
- 32) Prepaid Insurance is an expense account which is used for recording expenses that have been paid in advance. 32) \_\_\_\_\_
- 33) A credit purchase of a business expense item should be recorded with a debit to an expense account and a credit to Accounts Payable. 33) \_\_\_\_\_
- 34) If a company purchases land, paying part with cash and issuing a note payable for the balance, the journal entry to record this transaction will include a debit to Cash. 34) \_\_\_\_\_
- 35) If a company sells products and receives from the customer a formal written promise to pay a definite sum of money on demand or on a defined future date (or dates), the seller should debit the promised amount to Accounts Receivable. 35) \_\_\_\_\_
- 36) A transaction that decreases an asset account and increases a liability account must also affect another account. 36) \_\_\_\_\_
- 37) When a business sends a bill for \$200 to a customer for services rendered, the journal entry to record this transaction will include a \$200 credit to Accounts Receivable. 37) \_\_\_\_\_
- 38) A transaction that increases an asset account and decreases a liability account must also affect another account. 38) \_\_\_\_\_
- 39) Step Two of the accounting cycle requires that we record transactions in a record called a journal. 39) \_\_\_\_\_
- 40) A compound journal entry usually affects three or more accounts. 40) \_\_\_\_\_

- 41) A general journal entry usually includes information about the date of a transaction, titles of affected accounts, dollar amount of each debit and credit and an explanation of the transaction. 41) \_\_\_\_\_
- 42) Posting is the process of copying the debit and credit amounts from a journal to the ledger accounts. 42) \_\_\_\_\_
- 43) Since all figures are eventually posted to the ledger, the posting reference column in a journal is not necessary. 43) \_\_\_\_\_
- 44) An abnormal balance in an account refers to a balance on the side where decreases are recorded. 44) \_\_\_\_\_
- 45) The trial balance is a list of the accounts that have balances in the ledger. 45) \_\_\_\_\_
- 46) A trial balance that is in balance is proof that no errors were made in journalizing the transactions, posting to the ledger, and preparing the trial balance. 46) \_\_\_\_\_
- 47) If an account was incorrectly debited for \$300 instead of correctly credited for \$300, the account is out of balance by \$300. 47) \_\_\_\_\_
- 48) If an error is discovered in either the journal or the ledger, it must be corrected by erasing the incorrect amount and entering the corrected amount. 48) \_\_\_\_\_
- 49) The total dollar value of all debits and credits recorded in a journal entry must be equal. 49) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 50) The accounting cycle begins with: 50) \_\_\_\_\_  
 A) Analysis of economic events and recording their effects.  
 B) Preparing financial statements and other reports.  
 C) Posting to the ledger.  
 D) Presentation of financial information to decision makers.  
 E) None of these answers is correct.
- 51) A place or location within an accounting system in which the increases and decreases in a specific asset, liability, or equity item is recorded and stored is called a(n): 51) \_\_\_\_\_  
 A) Trial balance.  
 B) Journal.  
 C) Chart of accounts.  
 D) Ledger.  
 E) Account.
- 52) An account used to record the owner's investments in the business plus any more or less permanent changes in the equity is called a(n): 52) \_\_\_\_\_  
 A) Capital account.  
 B) Asset account.  
 C) Revenue account.  
 D) Withdrawals account.  
 E) Expense account.
- 53) The account sometimes referred to as the owner's personal account or drawing account is called \_\_\_\_\_

a(n): 53)

- A) Withdrawals account.
- B) Capital account.
- C) Expense account.
- D) Revenue account.
- E) Liability account.

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54) Which of the following statements is correct?

54) \_\_\_\_\_

- A) Increases and decreases in cash are always recorded in the equity account.
- B) An account called Land is commonly used to record increases and decreases in the land and buildings owned by a business.
- C) Goods and services are commonly sold to customers on the basis of oral or implied promises of future payment, called promissory notes.
- D) When an insurance premium is paid in advance, the payment is normally recorded in a liability account called Prepaid Insurance.
- E) None of these statements are correct.

55) Unearned revenues are:

55) \_\_\_\_\_

- A) Revenues that have been earned but not yet collected.
- B) Liabilities created by advance cash payments from customers for products or services.
- C) Increases to owners' equity.
- D) Recorded as an asset in the accounting records.
- E) Revenues that have been earned and received.

56) Prepaid expenses are:

56) \_\_\_\_\_

- A) Always debited to an expense account.
- B) Payments made for economic benefits that never expire.
- C) Generally all combined into one account called "Miscellaneous Expenses".
- D) Assets created by payments for economic benefits that are not used up until later.
- E) Classified as liabilities on the balance sheet.

57) Which of the following statements is correct?

57) \_\_\_\_\_

- A) Entries that increase asset, expense, and revenue accounts are posted as debits.
- B) The left side of a T-account is the debit side.
- C) The right side of a T-account is the debit side.
- D) Entries that decrease asset and expense accounts, or increase liability, equity, and revenue accounts are posted as debits.
- E) The left side of a T-account is the credit side.

58) An unconditional written promise to pay a definite sum of money on demand or on a defined future date (or dates) is a(n):

58) \_\_\_\_\_

- A) Unearned revenue.
- B) Promissory note.
- C) Prepaid expense.
- D) Account receivable.
- E) Account payable.

59) A simple account form widely used in accounting education to illustrate how debits and credits work is called a:

59) \_\_\_\_\_

- A) Balance column account.
- B) Withdrawals account.
- C) Capital account.
- D) Ledger.
- E) T-account.

- 60) An account balance is: 60) \_\_\_\_\_
- A) The same as the balance sheet equation.
  - B) The difference between the increases (including the beginning balance) and decreases recorded in the account.
  - C) The total of the debit side of the account.
  - D) Not used in the real world.
  - E) The total of the credit side of the account.
- 61) A record of all accounts used by a business is called a: 61) \_\_\_\_\_
- A) General Journal.
  - B) Book of original entry.
  - C) Ledger.
  - D) Trial balance.
  - E) Journal.
- 62) The right side of a T-account is a(n): 62) \_\_\_\_\_
- A) Account balance.
  - B) Increase.
  - C) Decrease.
  - D) Debit.
  - E) Credit.
- 63) Double-entry accounting is: 63) \_\_\_\_\_
- A) An accounting system that records the effects of transactions and other events in at least two accounts with equal debits and credits.
  - B) An accounting system in which each transaction affects and is recorded in two or more accounts with unequal debits and equal credits.
  - C) An accounting system in which the sum of the debit account balances never equals the sum of the credit account balances.
  - D) An accounting system that disregards the accounting equation,  $A = L + E$ .
  - E) An accounting system in which errors never occur.
- 64) A debit is used to record: 64) \_\_\_\_\_
- A) An increase in a liability account.
  - B) A decrease in the withdrawals account.
  - C) A decrease in an asset account.
  - D) An increase in a revenue account.
  - E) An increase in an asset account.
- 65) Of the following accounts, the one that normally has a debit balance is: 65) \_\_\_\_\_
- A) Unearned Revenue.
  - B) Accounts Payable.
  - C) Ted Neal, Capital.
  - D) Sales Revenue.
  - E) Accounts Receivable.

- 66) Of the following accounts, the one that normally has a credit balance is: 66) \_\_\_\_\_
- A) Cash.
  - B) Office Equipment.
  - C) Sales Salaries Payable.
  - D) Sales Salaries Expense.
  - E) Ted Neal, Withdrawals.
- 67) Which of the following statements is *incorrect*? 67) \_\_\_\_\_
- A) The normal balance of the owner's withdrawals account is a debit.
  - B) The normal balance of an unearned revenues account is a credit.
  - C) The normal balance of an expense account is a credit.
  - D) The abnormal balance of a revenue account is a debit.
  - E) The normal balance of the accounts receivable account is a debit.
- 68) A credit is used to record: 68) \_\_\_\_\_
- A) An increase in a revenue account.
  - B) A decrease in an asset account.
  - C) An increase in an unearned revenue account.
  - D) A decrease in an expense account.
  - E) All of these answers are correct.
- 69) A debit entry: 69) \_\_\_\_\_
- A) Decreases liability and equity accounts.
  - B) Decreases revenue accounts.
  - C) Increases the owner's withdrawals account.
  - D) Increases asset and expense accounts.
  - E) All of these answers are correct.
- 70) A credit entry: 70) \_\_\_\_\_
- A) Is recorded on the left side of a T-account.
  - B) Increases the withdrawals account.
  - C) Increases asset and expense accounts, or decreases liability, equity, and revenue accounts.
  - D) Decreases asset, expense and revenue accounts.
  - E) Decreases asset and expense accounts, or increases liability, equity, and revenue accounts.
- 71) A list of all accounts used by a company, including the identification number assigned to each account, is called a: 71) \_\_\_\_\_
- A) General Journal.
  - B) Ledger.
  - C) Journal.
  - D) Trial balance.
  - E) Chart of accounts.
- 72) An asset created by a payment for economic benefits that does not expire until some later time is: 72) \_\_\_\_\_
- A) Recorded as a debit to a prepaid expense account.
  - B) Recorded as a credit to an unearned revenue account.
  - C) Recorded as a debit to an unearned revenue account.

- D) Recorded as a credit to a prepaid expense account.
- E) Not recorded in the accounting records.

73) A liability created by the receipt of cash from customers in payment for products or services that have not yet been delivered to the customers is: 73) \_\_\_\_\_

- A) Recorded as a credit to a prepaid expense account.
- B) Recorded as a debit to an unearned revenue account.
- C) Recorded as a debit to a prepaid expense account.
- D) Recorded as a credit to an unearned revenue account.
- E) Not recorded in the accounting records.

74) On May 31, Don Company had an Accounts Payable balance of \$57,000. During the month of June, total credits to Accounts Payable were \$34,000, which resulted from purchases on credit. The June 30 Accounts Payable balance was \$32,000. What was the amount of payments made during June? 74) \_\_\_\_\_

A) \$34,000.      B) \$57,000.      C) \$32,000.      D) \$59,000.      E) \$84,000.

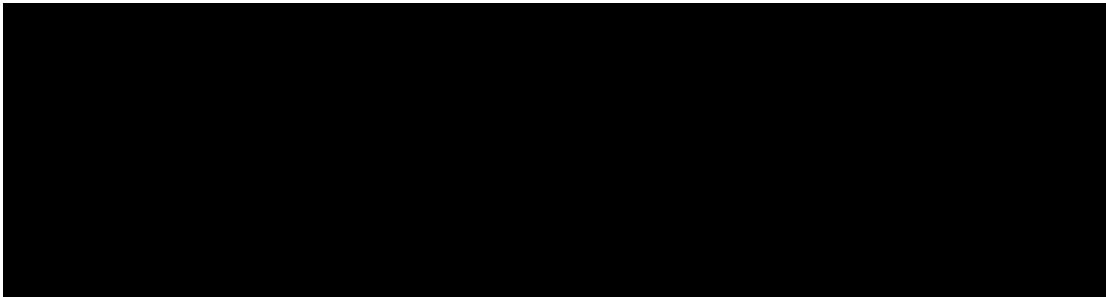
75) On June 30, the Cash account of Lutness Company had a normal balance of \$4,300. During July the account was debited for a total of \$3,400 and credited for a total of \$3,600. What was the balance in the Cash account on August 1? 75) \_\_\_\_\_

- A) \$4,100 credit.
- B) \$4,100 debit.
- C) \$-0.
- D) \$3,400 debit.
- E) \$3,400 credit.

76) During the month of November, Cornish Company had cash receipts of \$3,500 and paid out \$1,000 for expenses. The November 30<sup>th</sup> cash balance was \$4,300. What was the cash balance on November 1? 76) \_\_\_\_\_

A) \$7,300.      B) \$2,800.      C) \$1,800.      D) \$4,300.      E) \$5,800.

77) The following transactions occurred during July for Hurley Services: 77) \_\_\_\_\_



How much revenue was earned in July?

A) \$5,500.      B) \$2,300.      C) \$1,200.      D) \$2,800.      E) \$7,000.

78) If Girard Don, the owner of Girard's Software proprietorship, uses cash of the business to purchase a personal computer, the business should record this use of cash with an entry to: 78) \_\_\_\_\_

- A) Debit Girard Don, Capital and credit Cash.
- B) Debit Girard Don, Salary and credit Cash.

- C) Debit Salary Expense and credit Cash.
- D) Debit Girard Don, Withdrawals and credit Cash.
- E) Debit Cash and credit Girard Don, Withdrawals.

- 79) The process of copying journal information to the ledger is called: 79) \_\_\_\_\_
- A) Double-entering.
  - B) Posting.
  - C) Journalizing.
  - D) An external business transaction.
  - E) An internal business transaction.
- 80) A column in journals and accounts used to cross reference journal and ledger entries is called the: 80) \_\_\_\_\_
- A) Posting reference.
  - B) Description.
  - C) Account balance.
  - D) Debit.
  - E) Credit.
- 81) A journal in which transactions are first recorded is: 81) \_\_\_\_\_
- A) A revenue account.
  - B) A ledger.
  - C) A book of original entry.
  - D) A book of final entry.
  - E) The cash ledger.
- 82) The general journal provides a place for recording: 82) \_\_\_\_\_
- A) The names of the accounts involved.
  - B) An explanation of the transaction.
  - C) The amount of each debit and credit.
  - D) The transaction date.
  - E) All of these answers are correct.
- 83) A balance column ledger account is: 83) \_\_\_\_\_
- A) Another name for the withdrawals account.
  - B) An account with debit and credit columns for recording entries and a third column for showing the balance of the account after each entry is posted.
  - C) A simple form of account that is widely used in accounting education to illustrate the debits and credits required in recording a transaction.
  - D) An account entered on the balance sheet.
  - E) An account used to record the transfers of assets from a business to its owner.
- 84) A ledger is: 84) \_\_\_\_\_
- A) A book of final entry.
  - B) A book of original entry.
  - C) A book in which a complete record of transactions is recorded and from which transaction amounts are posted to the accounts.
  - D) Another name for the bank account.
  - E) A journal in which transactions are first recorded.
- 85) A book of original entry is: 85) \_\_\_\_\_



- A) A book in which amounts are posted from a journal.
- B) Another name for the general journal.
- C) Sometimes called a book of final entry.
- D) Also called a ledger.
- E) Another name for the cash account.

86) A compound journal entry is: 86) \_\_\_\_\_

- A) A journal entry that affects at least four accounts.
- B) A journal entry that has three or more debits and three or more credits.
- C) A journal entry involving only two ledger accounts.
- D) A journal entry that affects at least three accounts.
- E) A journal entry involving at least two accounting periods.

87) The most flexible type of journal that can be used to record any kind of transaction is called a: 87) \_\_\_\_\_

- A) Ledger.
- B) General Journal.
- C) Balance column account.
- D) Trial balance.
- E) Chart of accounts.

88) Welder Company purchases supplies from Plumber Company on account. The entry for this transaction will include a: 88) \_\_\_\_\_

- A) Debit to Accounts Payable for Welder Company.
- B) Debit to Accounts Receivable for Welder Company.
- C) Debit to Accounts Receivable for Plumber Company.
- D) Credit to Accounts Receivable for Welder Company.
- E) Credit to Accounts Payable for Plumber Company.

89) Green's Book Store purchased a new automobile that cost \$25,000, made a down payment of \$4,000, and signed a note payable for the balance. The entry to record this transaction is: 89) \_\_\_\_\_

A)

Automobile	25,000	
Cash		21,000
Janfer, Capital		4,000

B)

C)

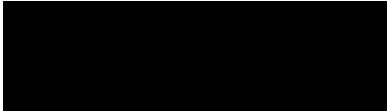
D)

E)

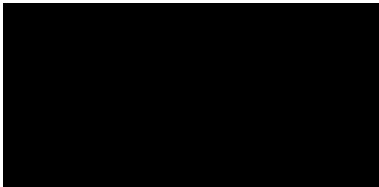


90) Eli opened a new business by investing the following assets: cash, \$6,000; land, \$30,000; building, \$100,000. Also, the business will assume responsibility for a note payable of \$22,000. Eli signed the note as part of his payment for the land and building. Which journal entry should be used on the books of the new business to record the investment by Eli? 90) \_\_\_\_\_

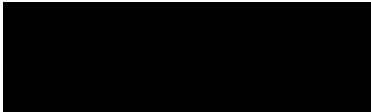
A)



B)



C)



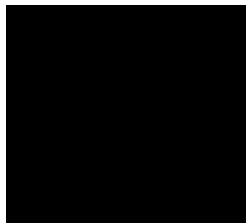
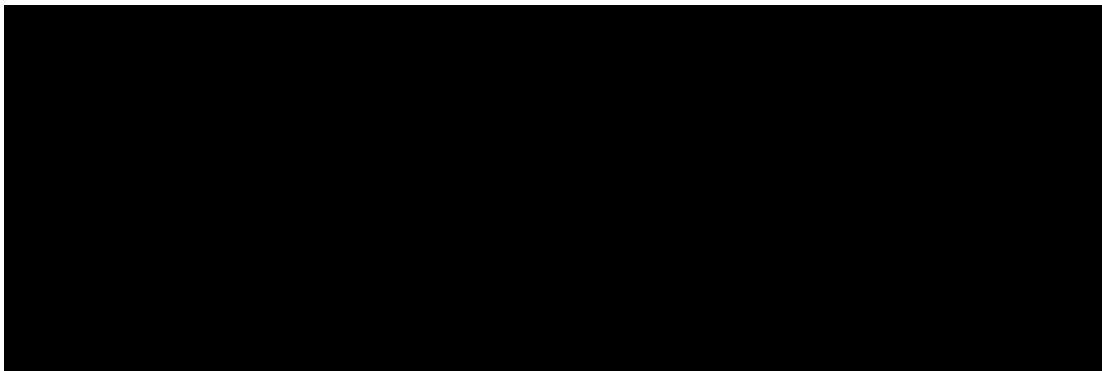
D)



E)



91) Zen Hatha opened a Yoga Studio and during a short period as a dealer completed these transactions:



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- A) \$152,300.
- B) \$167,700.
- C) \$243,620.
- D) \$173,950.
- E) \$181,900.

- 92) A summary of the ledger that lists the accounts and their balances, in which the total debit balances should equal the total credit balances, is called a(n): 92) \_\_\_\_\_
- A) Account balance.
  - B) Ledger.
  - C) Chart of accounts.
  - D) Trial balance.
  - E) General Journal.
- 93) Which of the following statements is *true*? 93) \_\_\_\_\_
- A) The trial balance is never used to prepare financial statements.
  - B) The trial balance is a list of the accounts in the general ledger.
  - C) Another name for the trial balance is the "chart of accounts".
  - D) The trial balance is a list of all the accounts in the journal.
  - E) A trial balance is only prepared at year end.
- 94) While in the process of posting from the journal to the ledger, the accountant of X Company failed to post a \$50 debit to the Office Supplies account. The effect of this error will be as follows: 94) \_\_\_\_\_
- A) The Office Supplies account balance will be overstated.
  - B) The error will overstate the debits listed in the journal.
  - C) The total debits in the trial balance will be larger than the total credits.
  - D) The trial balance will not balance.
  - E) This error will not make any difference.
- 95) A \$15 credit to Sales was posted as a \$150 credit. By what amount is Sales out of balance? 95) \_\_\_\_\_
- A) \$135 understated.
  - B) \$150 understated.
  - C) \$15 understated.
  - D) \$135 overstated.
  - E) \$150 overstated.
- 96) If, on a trial balance, the total of the debits is \$7,500 and the total of the credits is \$7,419, the difference could have been caused by: 96) \_\_\_\_\_
- A) A transposition error.
  - B) Posting only one side of an entry.
  - C) An error in copying an account balance from the ledger to the trial balance.
  - D) A sliding error.
  - E) All of these answers are correct.
- 97) In which of the following situations would the trial balance not balance? 97) \_\_\_\_\_

- A) A \$1,000 collection of an account receivable was incorrectly posted as a debit to Accounts Receivable and a credit to Cash.
- B) The purchase of office equipment for \$1,200 was posted as a debit to Office Supplies.
- C) The payment of a \$750 account payable was posted as a debit to Accounts Payable and a debit to Cash for \$750.
- D) \$50 cash receipt for the performance of a service was not recorded.
- E) The purchase of office supplies on account for \$3,250 was incorrectly recorded in the journal as \$2,350.

98) The purchase on credit of a delivery truck for \$9,600 was posted to Delivery Trucks as a \$9,600 debit and to Rent Expense as a \$9,600 debit. What effect would this error have on the trial balance? 98) \_\_\_\_\_

- A) The total of the Credit column of the trial balance will exceed the total of the Debit column by \$19,200.
- B) The total of the Debit column of the trial balance will equal the total of the Credit column.
- C) The total of the Credit column of the trial balance will exceed the total of the Debit column by \$9,600.
- D) The total of the Debit column of the trial balance will exceed the total of the Credit column by \$19,200.
- E) The total of the Debit column of the trial balance will exceed the total of the Credit column by \$9,600.

99) If the Debit and Credit column totals of a trial balance are equal, then: 99) \_\_\_\_\_

- A) All ledger account balances are correct.
- B) The total debit entries and total credit entries in the ledger are equal.
- C) All transactions have been recorded correctly.
- D) All entries from the journal have been posted to the ledger correctly.
- E) No sliding or transposition errors have been made.

100) Jelly's Grocery Store showed the following account balances at the end of 2015: 100) \_\_\_\_\_

	\$32,000
	39,000
	27,000
	51,000
	2,000
	13,600
	8,000
	25,000
	49,600
	8,000

If all of the accounts have normal balances, what are the totals for the trial balance?

- A) \$119,600.
- B) \$186,600.
- C) \$255,500.
- D) \$127,600.
- E) \$86,000.

101) Of the following errors, which one by itself will cause the trial balance to be out of balance? 101) \_\_\_\_\_

- A) A \$200 salary payment posted as a \$200 debit to Cash and a \$200 credit to Salaries Expense.
- B) A \$100 receipt from a customer in payment of his account posted as a \$100 debit to Cash and a \$10 credit to Accounts Receivable.
- C) A \$50 cash purchase of office supplies posted as a \$50 debit to Office Equipment and a \$50 credit to Cash.
- D) A \$75 receipt from a customer in payment of his account posted as a \$75 debit to Cash and a \$75 credit to Cash.
- E) All of these errors will cause the trial balance to be out of balance.

102) A \$130 credit to Office Equipment was credited to Sales by mistake. By what amounts are the accounts under- or overstated as a result of this error? 102) \_\_\_\_\_

- A) Office Equipment, understated \$260; Sales, overstated \$130.
- B) Office Equipment, overstated \$260; Sales, understated \$130.
- C) Office Equipment, understated \$130; Sales, overstated \$130.
- D) Office Equipment, overstated \$130; Sales, understated \$130.
- E) Office Equipment, overstated \$130; Sales, overstated \$130.

103) A receipt of \$12,600 cash from a customer as a payment on their account was incorrectly credited to Rent Revenue. What is the effect of this error on the financial statements of the company? 103) \_\_\_\_\_

- A) Assets are overstated by \$25,200 and owners' equity is overstated by \$25,200.
- B) Assets are understated by \$12,600 and owners' equity is understated by \$12,600.
- C) Assets are understated by \$25,200 and owners' equity is understated by \$25,200.
- D) Assets are understated by \$12,600 and liabilities are understated by \$12,600.
- E) Assets are overstated by \$12,600 and owners' equity is overstated by \$12,600.

104) On March 2, 2015, Lang Company provided snow removal services to a customer for \$1,000 cash. What is the impact of this transaction on the net assets of Lang? 104) \_\_\_\_\_

- A) No impact.
- B) Increase of \$1,000.
- C) Increase of \$2,000.
- D) Decrease of \$1,000.
- E) Decrease of \$2,000.

105) What types of account balances are increased by credits? 105) \_\_\_\_\_

- A) Liabilities and revenues.
- B) Revenues and expenses.
- C) Assets and Liabilities.
- D) Owners' equity and expenses.
- E) Liabilities and expenses.

106) The following is a correct journal entry: 106) \_\_\_\_\_

**Cash .....14,400**  
**Consulting revenue .....14,400**

What is this journal entry recording?

- A) An increase in an asset and an increase in owners' equity.

- B) A decrease in an asset and a decrease in owners' equity.
- C) An increase in an asset and an increase in a liability.
- D) An increase in owners' equity and a decrease in assets.
- E) An increase in an asset and a decrease in owners' equity.

107) The process of transferring data from the general journal to the general ledger is called: 107) \_\_\_\_\_

- A) Posting.
- B) Ledgerizing.
- C) Journalizing.
- D) Analyzing.
- E) Recording.

108) The following T-accounts reflect the correct posting of a journal entry on January 9, 2017 by Bailey Company: 108) \_\_\_\_\_

<b>Cash</b>	<b>Accounts Payable</b>
10,000	10,000

What transaction is represented by the posting?

- A) Bailey bought supplies from a supplier for \$10,000 cash.
- B) Bailey paid a supplier \$10,000 cash to pay down the amount owing on their account.
- C) Bailey received \$10,000 from a customer in payment of his account.
- D) Bailey bought supplies on credit from a supplier for \$10,000 on credit.
- E) Bailey sold inventory to a customer for \$10,000 on credit.

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

109) List the steps in the accounting cycle. 109) \_\_\_\_\_

110) Put the steps of the accounting cycle in the correct order: 110) \_\_\_\_\_

- Adjust
- Analyze transactions
- Close
- Journalize
- Post
- Prepare adjusted trial balance
- Prepare post-closing trial balance
- Prepare statements
- Prepare unadjusted trial balance

111) Identify each of the following accounts as a revenue, expense, asset, liability, or equity by placing initials (R, E, A, L or E) in the blanks. \_\_\_\_\_ ble

_____ (1) Rent Expense	_____ (7)
_____ (2) Cash	(6) Accounts
_____ (3) Equipment	Acc Payable
_____ (4) Owner, Capital	ount _____ (8)
_____ (5) Revenue	s Owner,
	Rec Withdrawals
	eiva _____ (9)

Supplies 111)

\_\_\_\_\_

(10)

\_\_\_\_\_

Unearned  
Revenue

\_\_\_\_\_

(11)

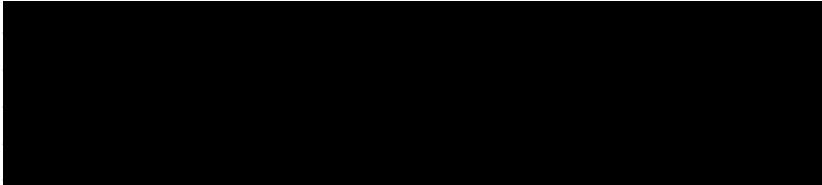
Prepaid  
Insurance

(12)

Sales

112) The following accounts appear on either the Income Statement (IS) or Balance Sheet (BS). In the space provided next to each account write the letters, IS or BS, that identify the statement on which the account appears.

112) \_\_\_\_\_

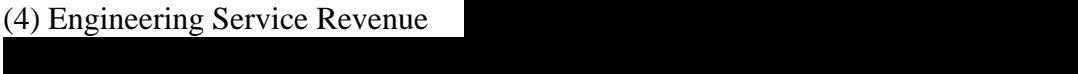


113) David Thomas is a computer consultant and software engineer. Below are the names of several accounts in his ledger with each account name preceded by a number. Following the account names are several transactions completed by Mr. Thomas. Indicate the accounts debited and credited in recording each transaction by placing the proper account numbers in the boxes to the right of each transaction.



(8) Unearned Engineering Service Revenue

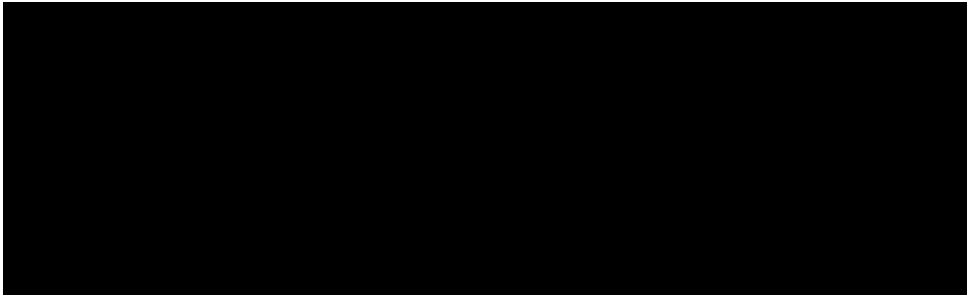
(4) Engineering Service Revenue



	2	4
	_____	_____
	_____	_____
	_____	_____
	_____	_____

114) Dawn Roberts is a real estate consultant and property manager. Below are the names of several accounts in her ledger with each account name preceded by a number. Following the account names are several transactions completed by Ms. Roberts. Indicate the accounts debited and credited in recording each transaction by placing the proper account numbers in the boxes to the right of each transaction.

114) \_\_\_\_\_



	2	3
Received payment in advance for managing an office building.	_____	_____
Purchased office supplies on credit.	_____	_____
Dawn Roberts wrote a cheque on the bank account of the business to pay her home telephone bill. There were no business calls on the bill.	_____	_____
Received the telephone bill of the business and immediately issued a cheque to pay it.	_____	_____
Paid the salary of the office assistant.	_____	_____
Paid for the supplies purchased in Transaction 2.	_____	_____
Complete an appraisal for a client and immediately collected cash for the work done.	_____	_____

115) Explain the steps in processing transactions in an accounting system.

115) \_\_\_\_\_

116) Explain how accounts are used in recording information about transactions.

116) \_\_\_\_\_

117) Explain the difference between a ledger and a chart of accounts.

117) \_\_\_\_\_

118) Explain debits and credits and their role in the accounting system.

118) \_\_\_\_\_

119) Indicate whether a debit or a credit entry would be made to record the following changes in each account.

- (a) To decrease Cash.
- (b) To increase Owner, Capital.
- (c) To decrease Accounts Payable.
- (d) To increase Salaries Expense.

- (e) To increase Revenue.
- (f) To decrease Accounts Receivable.
- (g) To increase Accounts Payable.
- (h) To decrease Cash.



(h) To 119)  
increase  
Owner,  
Withdra  
wals.

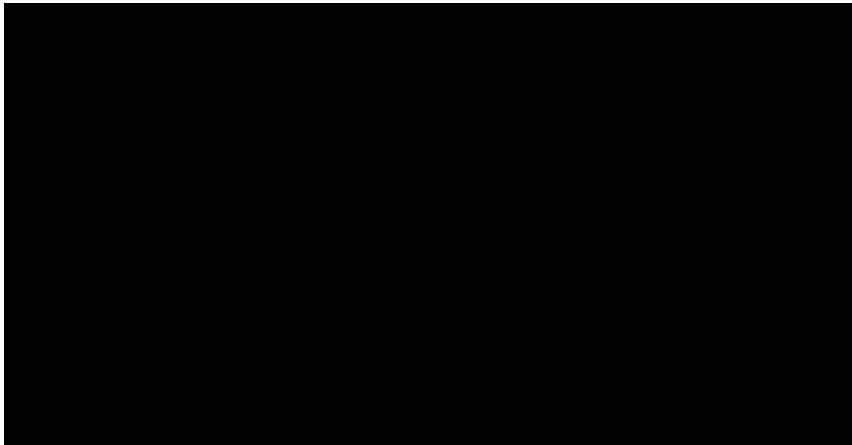
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

120) The following list of accounts is for Shannon Sales Co.:

120) \_\_\_\_\_

(B) Advertising Expense

Use the form below to identify the type of account and its normal balance. The first one has been done for you as an example.



121) Discuss how the following transactions affect accounts and financial statements.

121) \_\_\_\_\_

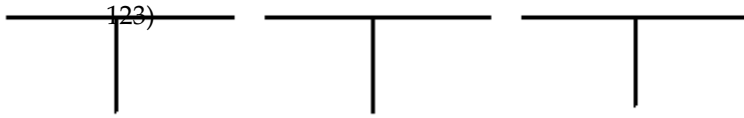
- (1) Jillian Robb invested \$30,000 cash in Profile Design Co.
- (2) Profile Design Co. purchased supplies for \$5,000 on its credit card.
- (3) Profile Design Co. purchased equipment for \$19,000 and signed a note payable.

122) The Shreddy Company receives a \$3,200 bill from a supplier for delivery services rendered. Set up two or more T-accounts below and show how this transaction would be recorded directly in those accounts.

122) \_\_\_\_\_



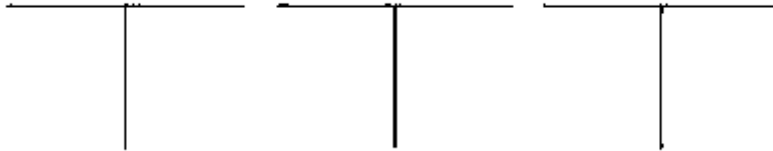
123) A business paid \$2,500 to satisfy a previously recorded account payable. Set up two or more T-accounts below and show how this transaction would be recorded directly in those accounts.



\_\_\_\_  
\_\_\_\_  
\_\_\_\_

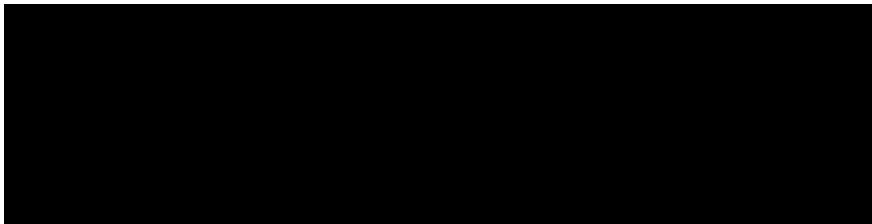
124) A business paid \$100 to Karen Smith (the owner of the business) for her personal use. Set up two or more T-accounts below and show how this transaction would be recorded directly in those accounts.

124) \_\_\_\_\_



125) The following are all of the accounts of Vita Mix Company that have a balance at the end of August, the company's first month of operation:

125) \_\_\_\_\_

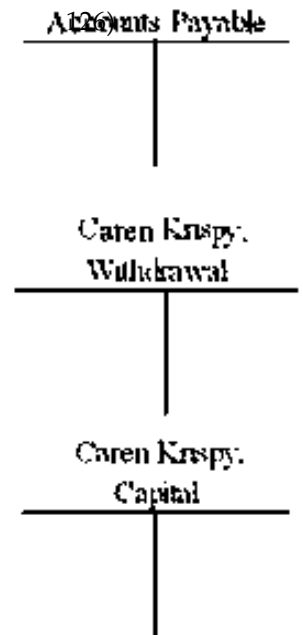
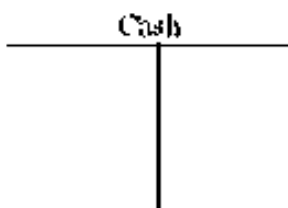
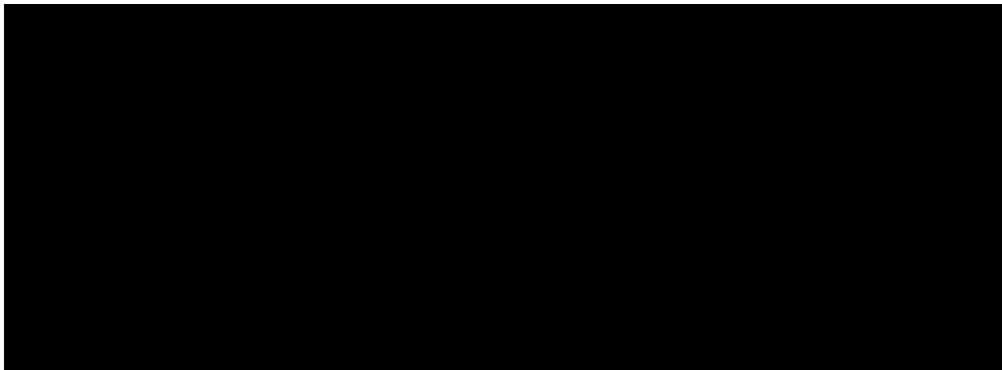


All accounts have normal balances.

(A) Calculate profit.

(B) Calculate the amount of equity to be shown on the August 31 balance sheet.

126) Record the following transactions by making entries directly to the T-accounts provided.



127) On December 2, 2015, the Tropic Company paid \$400 for office supplies. 127) \_\_\_\_\_  
Prepare the general journal entry to record this transaction.

128) On February 3, 2015, Fusilli Stores purchased a computer that cost \$5,000. The 128) \_\_\_\_\_  
firm made a down payment of \$500 and signed a note payable for the balance.  
Show the general journal entry to record this transaction.

129) KrenzKarKare, owned and operated by Karl Krenz, began business in September 129) \_\_\_\_\_  
of the current year. Karl, a master mechanic, had no experience with keeping a  
set of books. As a result, Karl entered all of September's transactions directly to  
the General Ledger accounts. When he tried to locate a particular entry originally  
made on September 8, he found it confusing and time-consuming. He has hired  
you to improve his bookkeeping procedures. The accounts in his General Ledger  
follow:

Cash 100	Equipment 150
9/1 (a) 2,550	9/1 (a) 450
9/11(d) 45	9/8 (b) 1,125
9/15(e) 22	
K.Krenz, Capital 300	Notes Payable 250
9/1 (a) 3,000	9/8(b) 750
Accounts Receivable 105	Revenue 400
9/9 (c) 90	9/9 (c) 90
9/15(e) 22	9/11 (d) 45

Prepare the general journal entries, in chronological order, from the general ledger entries shown. Include a brief description of the probable nature of each transaction.

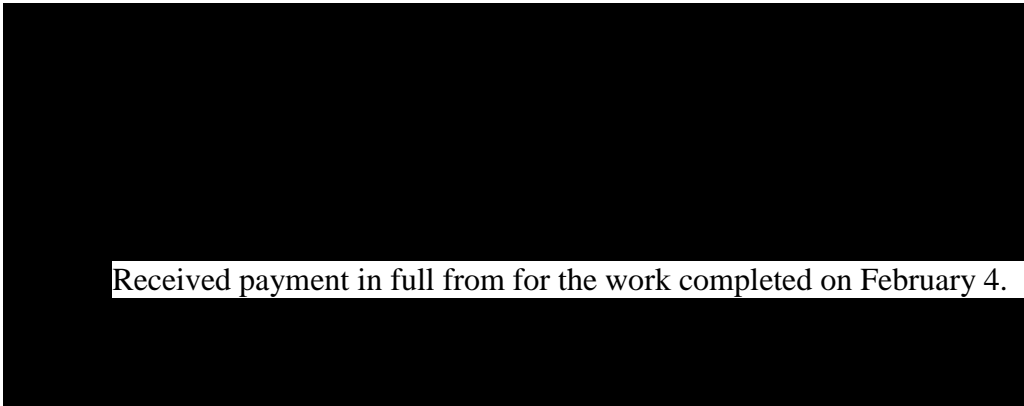
130) Girard Cohen began a computer servicing business and during the month of 130) \_\_\_\_\_  
October completed these transactions:

- (a) Began business by investing cash, \$12,000, and computer equipment with a fair value of \$3,000.
  - (b) Paid rent for one year in advance, \$6,000.
  - (c) Completed a computer servicing assignment and billed the client for \$3,000.
  - (d) Paid the utilities bill for the month, \$100.
  - (e) Wrote a \$1,000 cheque on the business bank account for personal expenses.
- Prepare journal entries to record the above transactions. Include a brief description for each entry.

131) Jay Smith's Word Processing began business and completed these transactions during the month of November: 131) \_\_\_\_\_

- (a) Purchased office supplies on account, \$75.
  - (b) Completed work for a publisher on credit, \$500.
  - (c) Paid for the office supplies purchased in Transaction a.
  - (d) Completed work for a resume writing service and received \$85 cash.
  - (e) Received \$500 for the work described in Transaction b.
- Prepare journal entries to record the above transactions. Include a brief description for each entry.

132) D. Brown Plumbing Co completed the following transactions during February of the current year: 132) \_\_\_\_\_



Prepare general journal entries to record the transactions. Include a brief description for each entry.

133) On June 20, 2015, Lucie Majeau invested the following assets in a new sole proprietorship: cash, \$12,000; office equipment, \$6,000; land, \$100,000; building, \$115,000. Majeau owes the bank a \$25,000 note payable that is secured by the land and building. Prepare the general journal entry to record Majeau's investments in the new business. 133) \_\_\_\_\_

134) Explain the recording and posting processes. 134) \_\_\_\_\_

135) Discuss the use of the trial balance. 135) \_\_\_\_\_

136) For each of the following errors, indicate on the schedule the amount it will cause the trial balance to be out of balance and which trial balance column (i.e., debit or credit) will have the larger total as a result of the error.

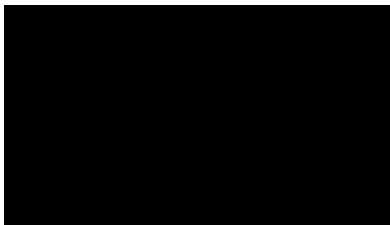
- (a) A \$100 debit to Cash was debited to the Cash account twice.
- (b) A \$1,900 credit to Sales was posted as a \$190 credit.
- (c) A \$5,000 debit to Office Equipment was debited to Office Supplies.
- (d) A \$625 debit to Prepaid Insurance was posted as a \$62.50 debit.
- (e) A \$520 debit to Supplies (purchased on account) was posted correctly, but the corresponding credit to Accounts Payable was not posted.

137) After preparing an unadjusted trial balance at year-end, the accountant for Chu Design Company discovered the following errors:

137) \_\_\_\_\_

- (1) The payment of the \$225 telephone bill for December was recorded twice.
- (2) The payment of a \$1,000 note payable was recorded as a debit to Cash and a debit to Notes Payable.
- (3) A \$900 withdrawal by the owner was recorded to the correct accounts as \$90.
- (4) An additional investment of \$5,000 by the owner was recorded as a debit to G. Chu, Capital and a credit to Cash.
- (5) A credit purchase of office equipment for \$1,800 was recorded as a debit to the Office Equipment account with no offsetting credit entry.

Using the form below, indicate if each error would cause the trial balance to be out of balance.



138) The balances for the accounts of Mike's Maintenance Co. for the year ended December 31, 2015 are shown below. Each account shown has a normal balance.

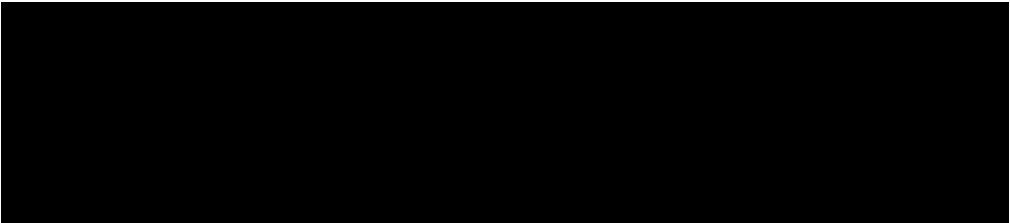
138) \_\_\_\_\_

	26,400
	2,520
Mike, withdrawals	?
	87,239
	27,000
	2,536

\*The ending balance of the capital account is \$20,000; the only addition to the account for the year was Profit.

Calculate the correct balances for Cash and Mike, Withdrawals and prepare a trial balance.

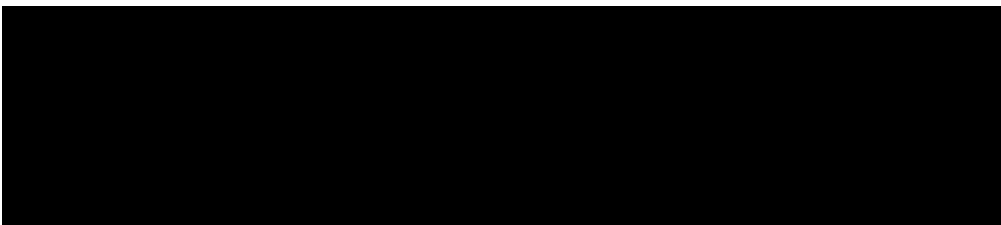
139) Charlene Addemup prepared the following trial balance from the general ledger of Big Blue Cleaning Service. It did not balance.



Cash	\$ 975	
Accounts receivable	3,800	
Cleaning equipment	13,500	
Office equipment	6,600	
Accounts payable		\$ 4,510
Fred Tullis, capital		23,000
Fred Tullis, withdrawals	4,200	
Cleaning fees earned		10,875
Cleaning expense	<u>8,600</u>	
Totals	<u>\$37,675</u>	<u>\$38,385</u>

Prepare a corrected trial balance for the Big Blue Cleaning Service at October 31, 2015.

Because the trial balance did not balance, Charlene decided to examine the accounting records very closely. She found that the following errors had been made:



The following postings show transactions for November, 2017 for Guttierrez Construction.

Cash	
Nov 1 60,000	Nov 8 33,600
Nov 30 15,000.	Nov 25 10,000

Accounts Payable	
Nov 21 480	Nov 15 3,200

Land	
Nov 8 70,000	

Notes Payable	
Nov 25 10,000	Nov 8 100,000

Building	
Nov 8 63,600	

Joe Gutierrez, Capital	
	Nov 1 60,000
	Nov 30 35,000

Office Equipment	
Nov 15 3,200	Nov 21 480

(a) Nov 1:  
 Cash                    60,000  
                               Joe Gutierrez, Capital 60,000

Owner invested 60,000 in the business

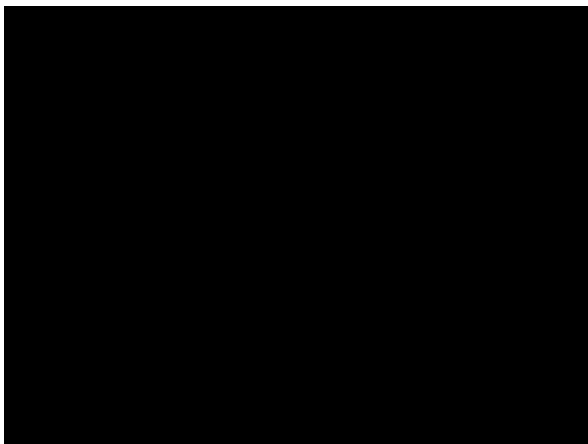
- 140) Use the data from the T account postings to re-create the journal entries made for November. Prepare an explanation for each entry. The first one is done for you as an example for the November 1 posting. 140) \_\_\_\_\_
- 141) Use the information in the "T" accounts and prepare a trial balance at November 30, 2017 141) \_\_\_\_\_

- 1) TRUE
- 2) TRUE
- 3) FALSE
- 4) FALSE
- 5) TRUE
- 6) TRUE
- 7) FALSE
- 8) FALSE
- 9) FALSE
- 10) FALSE
- 11) FALSE
- 12) FALSE
- 13) TRUE
- 14) FALSE
- 15) FALSE
- 16) TRUE
- 17) TRUE
- 18) TRUE
- 19) TRUE
- 20) FALSE
- 21) TRUE
- 22) FALSE
- 23) FALSE
- 24) FALSE
- 25) FALSE
- 26) FALSE
- 27) FALSE
- 28) TRUE
- 29) TRUE
- 30) FALSE
- 31) FALSE
- 32) FALSE
- 33) TRUE
- 34) FALSE
- 35) FALSE
- 36) TRUE
- 37) FALSE
- 38) TRUE
- 39) TRUE
- 40) TRUE
- 41) TRUE
- 42) TRUE
- 43) FALSE
- 44) TRUE
- 45) TRUE
- 46) FALSE
- 47) FALSE
- 48) FALSE
- 49) TRUE
- 50) A
- 51) E



- 52) A
- 53) A
- 54) E
- 55) B
- 56) D
- 57) B
- 58) B
- 59) E
- 60) B
- 61) C
- 62) E
- 63) A
- 64) E
- 65) E
- 66) C
- 67) C
- 68) E
- 69) E
- 70) E
- 71) E
- 72) A
- 73) D
- 74) D
- 75) B
- 76) C
- 77) B
- 78) D
- 79) B
- 80) A
- 81) C
- 82) E
- 83) B
- 84) A
- 85) B
- 86) D
- 87) B
- 88) C
- 89) B
- 90) B
- 91) E
- 92) D
- 93) B
- 94) D
- 95) D
- 96) E
- 97) C
- 98) D
- 99) B
- 100) D
- 101) B
- 102) E
- 103) E

- 104) B  
105) A  
106) A  
107) A  
108) B  
109) (1) Analyze transactions, (2) Journalize, (3) Post, (4) Prepare unadjusted trial balance, (5) Adjust, (6) Prepare adjusted trial balance, (7) Prepare statements, (8) Close, (9) Prepare post-closing trial balance  
110) 1. Analyze transactions  
2. Journalize  
3. Post  
4. Prepare unadjusted trial balance  
5. Adjust  
6. Prepare adjusted trial balance  
7. Prepare statements  
8. Close  
9. Prepare post-closing trial balance  
111) (1) E (2) A (3) A (4) E (5) R (6) A (7) L (8) E (9) A (10) L (11) A (12) R  
112) (1) BS (2) IS (3) BS (4) IS (5) BS (6) BS (7) IS (8) BS (9) BS (10) BS  
113) (1) debit 3, credit 8 (2) debit 5, credit 1 (3) debit 10, credit 3 (4) debit 7, credit 3 (5) debit 1, credit 5  
114) (1) debit 4, credit 14 (2) debit 7, credit 1 (3) debit 16, credit 4 (4) debit 12, credit 4 (5) debit 11, credit 4 (6) debit 1, credit 4 (7) debit 4, credit 3  
115) Business transactions and events are documented by source documents. These source documents are analyzed for the effects of the transactions and events on the accounting records. The information is recorded into the accounting system. The information is then posted to the accounts and organized in the trial balance. The final step is the preparation of financial statements and reports for decision makers.  
116) Accounts are classified into five major classifications: assets, liabilities, equity, revenues and expenses. Accounts are used to record detailed information about increases or decreases of specific items in these categories. The accounts serve as the information resource for financial statements and reports.  
117) A ledger is a record containing all of the accounts of a business. The chart of accounts is a list of all of the accounts in the ledger. The chart of accounts usually includes a numbering system for the accounts.  
118) Debit refers to the left side of an account and credit refers to the right side of an account. Debits and credits form the basis of the double-entry accounting system. This system is based on the concept that all transactions and events affect at least two accounts. The double-entry system is organized around the accounting equation which states that  $\text{assets} = \text{liabilities} + \text{equity}$ . The left side is the normal balance for assets and the right side is the normal balance for liabilities and equity. Revenues have a right-side normal balance and expenses have a left-side normal balance.  
119) (a) Credit (b) Credit (c) Debit (d) Debit (e) Credit (f) Credit (g) Credit (h) Debit  
120)



- 121) (1) Assets increased by \$30,000 and equity increased by \$30,000. This transaction affects the Balance Sheet, Statement of Changes in Equity, and Statement of Cash Flows.  
 (2) Assets increased by \$5,000 and liabilities increased by \$5,000. This transaction affects the Balance Sheet.  
 (3) Assets increased by \$19,000 and liabilities increased by \$19,000. This transaction affects the Balance Sheet.

122)

Accounts Payable	Delivery Expense
3,200	3,200

123)

Accounts Payable	Cash
2,500	2,500

124)

Karen Smith, Withdrawal	Cash
100	100

125)

\$42,000	

126)

Cash	Equipment
10,000	3,600
1,000	2,500
3,500	
9,500	5,500

Ac Caren Krispy, Capital	
	10,000
	3,000
	<u>13,000</u>

Andi Revenue	
	1,000
	3,500
	<u>4,500</u>

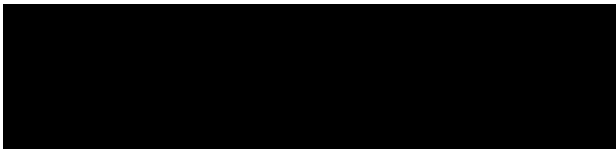
Caren Krispy, Withdrawal	
500	
<u>500</u>	

Salary Expense	
2,000	
<u>2,000</u>	

127)



128)



129)

1	Cash	100	2,550	
	Equipment	150	450	
	K. Krenz, Capital	300		3,000
	To record initial investment.			
8	Equipment	150	1,125	
	Cash	100		375
	Notes Payable	250		750
	To record purchase of equipment			
9	Accounts Receivable	105	90	
	Revenue	400		90
	To record credit sale of services			
11	Cash	100	45	
	Revenue	400		45
	To record cash sale of services.			
15	Cash	100	22	
	Accounts Receivable	105		22
	To record collection from customer			

(a)	Cash	12,000	
	Computer Equipment	3,000	
	Girard Cohen, Capital		15,000
	To record initial investment		
(b)	Prepaid Rent	6,000	
	Cash		6,000
	To record payment for one year's rent		
(c)	Accounts Receivable	3,000	
	Computer Servicing Revenue		3,000
	To record computer services completed on account		
(d)	Utilities Expense	100	
	Cash		100
	To record payment of utilities		
(e)	Girard Cohen, Withdrawals	1,000	
	Cash		1,000
	To record withdrawal by owner		

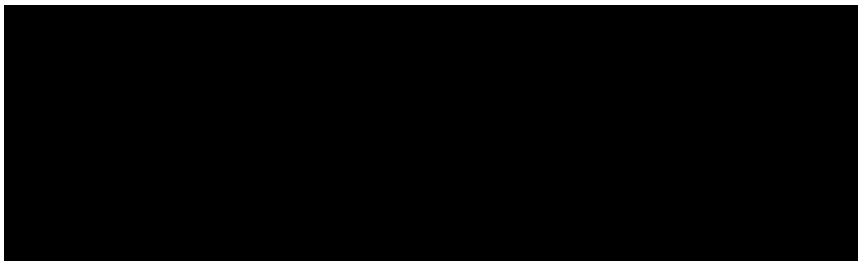
131)

(a)	Office Supplies	75	
	Accounts Payable		75
	To record office supplies purchased on account		
(b)	Accounts Receivable	500	
	Word Processing Revenue		500
	To record work completed on credit		
(c)	Accounts Payable	75	
	Cash		75
	To record payment of account payable		
(d)	Cash	85	
	Word Processing Revenue		85
	To record work completed for cash		
(e)	Cash	500	
	Accounts Receivable		500
	To record receipt of receivable		

132)

Feb	1	Cash	12,000		
		Compt		18	Cash
					900
					Accounts Receivable
					900
		Owner			Received payment on account
	2	Tools		27	D.Brown, Withdrawals
					200
					Cash
					200
		Purcha			Owner withdrew cash
	4	Accou		28	Utilities Expense
					100
					Cash
					100
		Rende			Paid utility bill
	8	Cash			500
					Repair Service Revenue
					500
					Rendered repair services for cash
	10	Accounts Payable			1,000
					Cash
					1,000
					Paid for accounts payable on Feb 2
	14	Prepaid Rent			600
					Cash
					600
					Paid for rent in advance for one year

133)



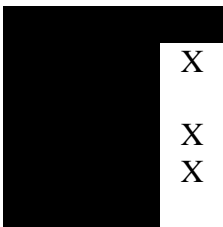
134) Information from business transactions is recorded in the journal in the form of journal entries. The journal entries include the date, the account titles, debit and credit amounts, and a description of the transaction. During the posting process the debit and credit amounts recorded in the journal are transferred to the individual accounts in the general ledger.

135) The trial balance is a list of all of the accounts in the general ledger with their balances at a specific date. The list is organized in general ledger order, by debit and credit balances. The purpose of the trial balance is to summarize the account totals and to verify the accuracy of the total debits and credits. If the total debits and credits are not equal, then the trial balance is out of balance, which indicates an error in the accounting records.

136)



137) Would the error cause the trial balance to be out of balance?



138)



Mike's Maintenance Co.  
 Trial Balance  
 December 31, 2015

Cash	\$ 32,100*	
Accounts receivable	18,300	
Maintenance supplies	5,500	
Land	27,000	
Building	51,625	
Equipment	12,250	
Accounts payable		\$ 22,000
Unearned maintenance fees		2,536
Notes payable		87,239
Mike, capital		20,000
Mike, withdrawals	42,880**	
Maintenance revenue		104,400
Wages expense	26,400	
Utilities expense	2,520	
Supplies expense	17,600	
Totals	<u>\$236,175</u>	<u>\$236,175</u>

*Total credits	\$236,175
Total debits (excluding cash)	<u>(204,075)</u>
Cash	<u>\$ 32,100</u>

**Beginning capital balance	\$ 5,000
Net income	57,880
Ending capital balance	<u>(20,000)</u>
Withdrawals	\$ 42,880

Big Blue Cleaning Service  
 Trial Balance  
 October 31, 2015

Cash	\$ 2,100	
Accounts receivable	4,400	
Cleaning equipment	12,700	
Office equipment	7,400	
Accounts payable		\$ 5,000
Fred Tullis, capital		24,000
Fred Tullis, withdrawals	4,800	
Cleaning fees earned		11,000
Cleaning expense	<u>8,600</u>	
Totals	<u>\$40,000</u>	<u>\$40,000</u>

140) a) **Gutierrez Construction: Journal Entries**

Nov 01	Cash	60,000	
	Joe Gutierrez, Capital		60,000
	Owner invested 60,000 in the business		
Nov 08	Land	70,000	
	Building	63,600	
	Notes Payable		100,000
	Cash		33,600
	Purchased land and building, paid cash and assumed a notes payable		
Nov 15	Office Equipment	3,200	
	Accounts Payable		3,200
	Purchased Office Equipment on account		
Nov 21	Accounts Payable	480	
	Office Equipment		480
	Returned Office Equipment		
Nov 25	Notes Payable	10,000	
	Cash		10,000
	Paid portion of bank loan		
Nov 30	Cash	35,000	
	Joe Gutierrez, Capital		35,000
	Owner invested 35,000 into the business		

141)

**Gutierrez Construction  
 Trial Balance  
 30-Nov-14**

	<u>Debit</u>	<u>Credit</u>
Cash		
	51,400	
Land		
	70,000	
Building		
	63,600	
Office Equipment		
	2,720	
Accounts Payable		
		2,720
Notes Payable		
		90,000
Joe Gutierrez, Capital		
		95,000
	<u>187,720</u>	<u>187,720</u>