

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

1) Zen Hatha opened a Yoga Studio and during a short period as a dealer completed these transactions: 1) \_\_\_\_\_

- (1) Started the yoga studio, Asha Yoga Studio, by investing \$50,000 in cash and equipment with a \$28,000 fair value.
- (2) Purchased land valued at \$35,000 and a small building valued at \$80,000; paid \$30,000 cash and signed a note payable, agreeing to pay the balance over a period of years.
- (3) Purchased office supplies on credit, \$100.
- (4) Zen Hatha contributed his personal automobile, which had a \$12,000 fair value, for exclusive use in the business.
- (5) Paid the yoga instructor salary, \$500.
- (6) Completed monthly yoga classes for the value of \$6,500 cash.
- (7) Paid \$650 cash for a magazine advertisement.
- (8) Paid for the supplies purchased in transaction (3).
- (9) Purchased new yoga mats for the business, paying \$300 cash.
- (10) Completed a yoga assessment and billed the client \$400.
- (11) Zen Hatha withdrew \$200 from the business to pay personal expenses.
- (12) Received payment in full for the appraisal of transaction (10).

What was the total of the debit balances shown in the trial balance prepared after these transactions were posted?

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

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

- 2) If, on a trial balance, the total of the debits is \$7,500 and the total of the credits is \$7,419, 2) \_\_\_\_\_  
 the difference could have been caused by:
- A) Posting only one side of an entry.
  - B) A sliding error.
  - C) A transposition error.
  - D) An error in copying an account balance from the ledger to the trial balance.
  - E) All of these answers are correct.

Answer: E

- Explanation: A)  
 B)  
 C)  
 D)  
 E)

- 3) Eli opened a new business by investing the following assets: cash, \$6,000; land, \$30,000; 3) \_\_\_\_\_  
 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?

A)

Cash	6,000	
Land	30,000	
Building	100,000	
Note Payable	22,000	
Eli, Capital	114,000	

B)

Cash	6,000	
Assets	136,000	
Eli, Capital	142,000	

C)

Assets	136,000	
Eli, Capital	136,000	

D)

Cash	6,000	
Land	30,000	
Building	100,000	
Eli, Capital	136,000	

E)

Assets	136,000	
Liability	22,000	
Eli, Capital	114,000	

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

4) 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:

4) \_\_\_\_\_

A)

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

B)

Automobile	25,000	
Cash		25,000

C)

Cash	21,000	
Note Payable	4,000	
Automobile		25,000

D)

Cash	25,000	
Automobile		25,000

E)

Automobile	25,000	
Notes Payable		21,000
Cash		4,000

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

- 5) A simple account form widely used in accounting education to illustrate how debits and credits work is called a: 5) \_\_\_\_\_
- A) Ledger.
  - B) Withdrawals account.
  - C) T-account.
  - D) Capital account.
  - E) Balance column account.

Answer: C

- Explanation: A)  
B)  
C)  
D)  
E)

- 6) 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): 6) \_\_\_\_\_
- A) Journal.
  - B) Trial balance.
  - C) Chart of accounts.
  - D) Account.
  - E) Ledger.

Answer: D

- Explanation: A)  
B)  
C)  
D)  
E)

- 7) Prepaid expenses are: 7) \_\_\_\_\_
- A) Classified as liabilities on the balance sheet.
  - B) Payments made for economic benefits that never expire.
  - C) Always debited to an expense account.
  - D) Generally all combined into one account called "Miscellaneous Expenses".
  - E) Assets created by payments for economic benefits that are not used up until later.

Answer: E

- Explanation: A)  
B)  
C)  
D)  
E)

8) 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? 8) \_\_\_\_\_

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

Answer: B  
Explanation: A)  
                  B)  
                  C)  
                  D)  
                  E)

9) The accounting cycle begins with: 9) \_\_\_\_\_

A) Presentation of financial information to decision makers.  
B) Posting to the ledger.  
C) Preparing financial statements and other reports.  
D) Analysis of economic events and recording their effects.  
E) None of these answers is correct.

Answer: D  
Explanation: A)  
                  B)  
                  C)  
                  D)  
                  E)

10) A journal in which transactions are first recorded is: 10) \_\_\_\_\_

A) A ledger.  
B) The cash ledger.  
C) A book of original entry.  
D) A revenue account.  
E) A book of final entry.

Answer: C  
Explanation: A)  
                  B)  
                  C)  
                  D)  
                  E)

- 11) A compound journal entry is: 11) \_\_\_\_\_
- A) A journal entry involving only two ledger accounts.
  - B) A journal entry that affects at least four accounts.
  - C) A journal entry involving at least two accounting periods.
  - D) A journal entry that has three or more debits and three or more credits.
  - E) A journal entry that affects at least three accounts.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

- 12) A column in journals and accounts used to cross reference journal and ledger entries is called the: 12) \_\_\_\_\_
- A) Posting reference.
  - B) Credit.
  - C) Account balance.
  - D) Description.
  - E) Debit.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

- 13) Unearned revenues are: 13) \_\_\_\_\_
- A) Revenues that have been earned but not yet collected.
  - B) Revenues that have been earned and received.
  - C) Increases to owners' equity.
  - D) Liabilities created by advance cash payments from customers for products or services.
  - E) Recorded as an asset in the accounting records.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

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

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

- 15) Double-entry accounting is: 15) \_\_\_\_\_
- A) An accounting system in which errors never occur.
  - B) An accounting system in which the sum of the debit account balances never equals the sum of the credit account balances.
  - C) An accounting system that records the effects of transactions and other events in at least two accounts with equal debits and credits.
  - D) An accounting system in which each transaction affects and is recorded in two or more accounts with unequal debits and equal credits.
  - E) An accounting system that disregards the accounting equation,  $A = L + E$ .

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

- 16) Which of the following statements is *incorrect*? 16) \_\_\_\_\_
- A) The normal balance of an expense account is a credit.
  - B) The abnormal balance of a revenue account is a debit.
  - C) The normal balance of an unearned revenues account is a credit.
  - D) The normal balance of the accounts receivable account is a debit.
  - E) The normal balance of the owner's withdrawals account is a debit.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

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

Answer: C

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 18) A book of original entry is: 18) \_\_\_\_\_
- A) Another name for the general journal.
  - B) Also called a ledger.
  - C) Sometimes called a book of final entry.
  - D) Another name for the cash account.
  - E) A book in which amounts are posted from a journal.

Answer: A

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 19) If the Debit and Credit column totals of a trial balance are equal, then: 19) \_\_\_\_\_
- A) All ledger account balances are correct.
  - B) All entries from the journal have been posted to the ledger correctly.
  - C) All transactions have been recorded correctly.
  - D) No sliding or transposition errors have been made.
  - E) The total debit entries and total credit entries in the ledger are equal.

Answer: E

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

- 20) The most flexible type of journal that can be used to record any kind of transaction is called a: 20) \_\_\_\_\_
- A) Trial balance.
  - B) Balance column account.
  - C) Chart of accounts.
  - D) General Journal.
  - E) Ledger.

Answer: D

- Explanation: A)  
 B)  
 C)  
 D)  
 E)

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

Answer: B

- Explanation: A)  
 B)  
 C)  
 D)  
 E)

- 22) The following is a correct journal entry: 22) \_\_\_\_\_

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

What is this journal entry recording?

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

Answer: E

- Explanation: A)  
 B)  
 C)  
 D)  
 E)

- 23) A \$15 credit to Sales was posted as a \$150 credit. By what amount is Sales out of balance? 23) \_\_\_\_\_
- A) \$150 overstated.
  - B) \$135 understated.
  - C) \$135 overstated.
  - D) \$150 understated.
  - E) \$15 understated.

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

- 24) Which of the following statements is correct? 24) \_\_\_\_\_
- A) The left side of a T-account is the credit side.
  - B) The right side of a T-account is the debit side.
  - C) Entries that decrease asset and expense accounts, or increase liability, equity, and revenue accounts are posted as debits.
  - D) The left side of a T-account is the debit side.
  - E) Entries that increase asset, expense, and revenue accounts are posted as debits.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

- 25) A credit is used to record: 25) \_\_\_\_\_
- A) An increase in a revenue account.
  - B) A decrease in an expense account.
  - C) A decrease in an asset account.
  - D) An increase in an unearned revenue account.
  - E) All of these answers are correct.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

- 26) The process of copying journal information to the ledger is called: 26) \_\_\_\_\_
- A) Posting.
  - B) Double-entering.
  - C) Journalizing.
  - D) An internal business transaction.
  - E) An external business transaction.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

- 27) 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: 27) \_\_\_\_\_
- A) The trial balance will not balance.
  - B) The error will overstate the debits listed in the journal.
  - C) The Office Supplies account balance will be overstated.
  - D) The total debits in the trial balance will be larger than the total credits.
  - E) This error will not make any difference.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

- 28) An asset created by a payment for economic benefits that does not expire until some later time is: 28) \_\_\_\_\_
- A) Recorded as a credit to an unearned revenue account.
  - B) Recorded as a debit to a prepaid expense account.
  - C) Recorded as a credit to a prepaid expense account.
  - D) Recorded as a debit to an unearned revenue account.
  - E) Not recorded in the accounting records.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

29) A list of all accounts used by a company, including the identification number assigned to each account, is called a: 29) \_\_\_\_\_

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

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

30) A balance column ledger account is: 30) \_\_\_\_\_

- A) 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.
- B) An account used to record the transfers of assets from a business to its owner.
- 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) Another name for the withdrawals account.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

31) 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? 31) \_\_\_\_\_

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

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

32) A record of all accounts used by a business is called a:

32) \_\_\_\_\_

- A) Ledger.
- B) Trial balance.
- C) General Journal.
- D) Journal.
- E) Book of original entry.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

33) In which of the following situations would the trial balance not balance?

33) \_\_\_\_\_

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

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

34) A ledger is:

34) \_\_\_\_\_

- A) A journal in which transactions are first recorded.
- B) A book of final 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 book of original entry.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

- 35) An unconditional written promise to pay a definite sum of money on demand or on a defined future date (or dates) is a(n): 35) \_\_\_\_\_
- A) Unearned revenue.
  - B) Account payable.
  - C) Prepaid expense.
  - D) Account receivable.
  - E) Promissory note.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

- 36) A debit entry: 36) \_\_\_\_\_
- A) Increases the owner's withdrawals account.
  - B) Increases asset and expense accounts.
  - C) Decreases liability and equity accounts.
  - D) Decreases revenue accounts.
  - E) All of these answers are correct.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

- 37) A debit is used to record: 37) \_\_\_\_\_
- A) A decrease in an asset account.
  - B) An increase in an asset account.
  - C) A decrease in the withdrawals account.
  - D) An increase in a liability account.
  - E) An increase in a revenue account.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

38) 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? 38) \_\_\_\_\_

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

Answer: A

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

39) 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: 39) \_\_\_\_\_

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

Answer: C

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

40) The process of transferring data from the general journal to the general ledger is called: 40) \_\_\_\_\_

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

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

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

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

- 42) Jelly's Grocery Store showed the following account balances at the end of 2015: 42) \_\_\_\_\_

Cash	\$32,000
Accounts receivable	39,000
Accounts payable	27,000
Revenue	51,000
Rent expense	2,000
Insurance expense	13,600
Salary expense	8,000
Supplies	25,000
Jelly, capital	49,600
Jelly, withdrawals	8,000

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

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

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

- 43) 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): 43) \_\_\_\_\_
- A) Asset account.
  - B) Expense account.
  - C) Revenue account.
  - D) Withdrawals account.
  - E) Capital account.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

- 44) 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): 44) \_\_\_\_\_
- A) Trial balance.
  - B) Account balance.
  - C) General Journal.
  - D) Chart of accounts.
  - E) Ledger.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

- 45) Of the following errors, which one by itself will cause the trial balance to be out of balance? 45) \_\_\_\_\_
- A) A \$50 cash purchase of office supplies posted as a \$50 debit to Office Equipment and a \$50 credit to Cash.
  - B) A \$200 salary payment posted as a \$200 debit to Cash and a \$200 credit to Salaries Expense.
  - C) A \$75 receipt from a customer in payment of his account posted as a \$75 debit to Cash and a \$75 credit to Cash.
  - D) 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.
  - E) All of these errors will cause the trial balance to be out of balance.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

- 46) Which of the following statements is *true*? 46) \_\_\_\_\_
- 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.

Answer: B

- Explanation: A)  
B)  
C)  
D)  
E)

- 47) What types of account balances are increased by credits? 47) \_\_\_\_\_
- A) Revenues and expenses.
  - B) Liabilities and expenses.
  - C) Owners' equity and expenses.
  - D) Assets and Liabilities.
  - E) Liabilities and revenues.

Answer: E

- Explanation: A)  
B)  
C)  
D)  
E)

- 48) The following transactions occurred during July for Hurley Services: 48) \_\_\_\_\_
- (1) Received \$800 cash for photography services provided to customer during the month.
  - (2) Received \$500 cash from Barbara Blanc, the owner of the business.
  - (3) Received \$300 from a customer in partial payment of his account receivable which arose as a result of sales during June.
  - (4) Rendered photography services to a customer on credit, \$1,500.
  - (5) Borrowed \$800 from the bank by signing a promissory note.
  - (6) Received \$500 from a customer in payment for services to be rendered next year.

How much revenue was earned in July?

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

Answer: C

- Explanation: A)  
B)  
C)  
D)  
E)

49) Welder Company purchases supplies from Plumber Company on account. The entry for this transaction will include a: 49) \_\_\_\_\_

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

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

50) An account balance is: 50) \_\_\_\_\_

- A) The total of the debit side of the account.
- B) The difference between the increases (including the beginning balance) and decreases recorded in the account.
- C) Not used in the real world.
- D) The total of the credit side of the account.
- E) The same as the balance sheet equation.

Answer: B

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

51) The account sometimes referred to as the owner's personal account or drawing account is called a(n): 51) \_\_\_\_\_

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

Answer: A

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

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

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

- 53) Of the following accounts, the one that normally has a credit balance is: 53) \_\_\_\_\_
- A) Cash.
  - B) Ted Neal, Withdrawals.
  - C) Office Equipment.
  - D) Sales Salaries Expense.
  - E) Sales Salaries Payable.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

- 54) Which of the following statements is correct? 54) \_\_\_\_\_
- A) An account called Land is commonly used to record increases and decreases in the land and buildings owned by a business.
  - B) Increases and decreases in cash are always recorded in the equity account.
  - 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.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

55) A credit entry:

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

- A) Is recorded on the left side of a T-account.
- B) Decreases asset, expense and revenue accounts.
- C) Decreases asset and expense accounts, or increases liability, equity, and revenue accounts.
- D) Increases the withdrawals account.
- E) Increases asset and expense accounts, or decreases liability, equity, and revenue accounts.

Answer: C

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

56) Of the following accounts, the one that normally has a debit balance is:

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

- A) Ted Neal, Capital.
- B) Accounts Payable.
- C) Unearned Revenue.
- D) Accounts Receivable.
- E) Sales Revenue.

Answer: D

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

57) The right side of a T-account is a(n):

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

- A) Account balance.
- B) Debit.
- C) Decrease.
- D) Increase.
- E) Credit.

Answer: E

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

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

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

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

What transaction is represented by the posting?

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

Answer: A

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

59) The general journal provides a place for recording:

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

- A) An explanation of the transaction.
- B) The amount of each debit and credit.
- C) The transaction date.
- D) The names of the accounts involved.
- E) All of these answers are correct.

Answer: E

- Explanation:
- A)
  - B)
  - C)
  - D)
  - E)

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

60) 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.

60) \_\_\_\_\_

Accounts payable	\$22,000	Equipment	\$12,250
Accounts receivable	18,300	Wages expense	26,400
Cash	?	Utilities expense	2,520
Maintenance supplies	5,500	Mike, withdrawals	?
Building	51,625	Notes payable	87,239
Supplies expense	17,600	Land	27,000

Mike, capital, beginning	5,000*	Unearned maintenance revenue	2,536
Maintenance revenue	104,400		

\*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.

Answer:

Answer:

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	

Explanation:

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

61) \_\_\_\_\_

- (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.

Answer:

(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		

Explanation:

62) 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.

62) \_\_\_\_\_

Answer:

Jun 20	Cash	12,000	
	Office Equipment	6,000	
	Land	100,000	
	Building	115,000	
	Lucie Majeau, Capital		208,000
	Note Payable		25,000
	To record initial investment by owner		

Explanation:

63) 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. 63) \_\_\_\_\_

- \_\_\_\_\_ (1) Rent Expense
- \_\_\_\_\_ (2) Cash
- \_\_\_\_\_ (3) Equipment
- \_\_\_\_\_ (4) Owner, Capital
- \_\_\_\_\_ (5) Revenue
- \_\_\_\_\_ (6) Accounts Receivable
- \_\_\_\_\_ (7) Accounts Payable
- \_\_\_\_\_ (8) Owner, Withdrawals
- \_\_\_\_\_ (9) Supplies
- \_\_\_\_\_ (10) Unearned Revenue
- \_\_\_\_\_ (11) Prepaid Insurance
- \_\_\_\_\_ (12) Sales

Answer: (1) E (2) A (3) A (4) E (5) R (6) A (7) L (8) E (9) A (10) L (11) A (12) R  
 Explanation:

64) 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: 64) \_\_\_\_\_

Accounts receivable	\$11,000	Cash	\$10,100
Equipment	39,700	Utilities expense	3,000
Service revenues	42,000	Accounts payable	13,800
Rent expense	1,500	Withdrawals, J.Parsons	2,000
Office supplies	2,300	Salaries expense	19,000
Notes payable	22,500	Capital, J. Parsons	10,300

All accounts have normal balances.

(A) Calculate profit.

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

Answer:

(A)	\$42,000	Service revenues
	- 1,500	Rent expense
	- 3,000	Utilities expense
	- 19,000	Salaries expense
	<u>\$18,500</u>	Profit

(B)	\$10,300	Investment by owner
	+18,500	Profit
	- 2,000	Withdrawals
	<u>\$26,800</u>	Ending capital

Explanation:

65) On February 3, 2015, Fusilli Stores purchased a computer that cost \$5,000. The firm made a down payment of \$500 and signed a note payable for the balance. Show the general journal entry to record this transaction. 65) \_\_\_\_\_

Answer:

Feb 3	Computer	5,000
	Cash	500
	Note Payable	4,500
	To record purchase of computer	

Explanation:

66) 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. 66) \_\_\_\_\_

- |                                 |  |
|---------------------------------|--|
| (1) Accounts Payable            | (6) Office Supplies Expense              |
| (2) Accounts Receivable         | (7) Telephone Expense                    |
| (3) Cash                        | (8) Unearned Engineering Service Revenue |
| (4) Engineering Service Revenue | (9) David Thomas, Capital                |
| (5) Office Supplies             | (10) David Thomas, Withdrawals           |

		<u>Debit</u>	<u>Credit</u>
Example	Completed consulting for a client who promised to pay at a later date.	2	4
(1)	Received payment in advance for designing a software package.	_____	_____
(2)	Purchased office supplies on credit.	_____	_____
(3)	David Thomas wrote a cheque on the bank account of the business to pay his home telephone bill. There were no business calls on the bill.	_____	_____
(4)	Received the telephone bill of the business and immediately issued a cheque to pay it.	_____	_____
(5)	Returned for credit a portion of the supplies purchased in Transaction 2.	_____	_____

Answer: (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

Explanation:

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

67) \_\_\_\_\_

- (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.

Error	Yes	No
(1)	_____	_____
(2)	_____	_____
(3)	_____	_____
(4)	_____	_____
(5)	_____	_____

Answer: Would the error cause the trial balance to be out of balance?

Error	Yes	No
(1)		X
(2)	X	
(3)		X
(4)		X
(5)	X	

Explanation:

68) 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. 68) \_\_\_\_\_

- (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.

Error	Amount Out of Balance	Column Having Larger Total
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____
(e)	_____	_____

Answer:

Error	Amount Out of Balance	Column Having Larger Total
(a)	\$100	Debit
(b)	\$1,710	Debit
(c)	-	-
(d)	\$562.50	Credit
(e)	\$520	Debit

Explanation:

69) Explain the difference between a ledger and a chart of accounts. 69) \_\_\_\_\_

Answer: 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.

Explanation:

70) Discuss how the following transactions affect accounts and financial statements. 70) \_\_\_\_\_

- (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.

Answer: (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.

Explanation:

71) On December 2, 2015, the Tropic Company paid \$400 for office supplies. 71) \_\_\_\_\_  
Prepare the general journal entry to record this transaction.

Answer:

Dec 2	Office Supplies	400
	Cash	400
	To record payment of supplies	

Explanation:

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

Cash	
Nov 1 60,000	Nov 8 33,600
Nov 30 35,000	Nov 25 10,000

Accounts Payable	
Nov 21 450	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 21 450

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

Owner invested 60,000 in the business

72) Use the information in the "T" accounts and prepare a trial balance at November 30, 2017 72) \_\_\_\_\_

Answer:

**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>

Explanation:

73) 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. 73) \_\_\_\_\_

- |                               |   |
|-------------------------------|---|
| (1) Accounts Payable          | (9) Management revenue                  |
| (2) Accounts Receivable       | (10) Prepaid Insurance                  |
| (3) Appraisal Service Revenue | (11) Salaries Expense                   |
| (4) Cash                      | (12) Telephone Expense                  |
| (5) Insurance Expense         | (13) Unearned Appraisal Service Revenue |
| (6) Office Equipment          | (14) Unearned Management Revenue        |
| (7) Office Supplies           | (15) Dawn Roberts, Capital              |
| (8) Office Supplies Expense   | (16) Dawn Roberts, Withdrawals          |

	<u>Debit</u>	<u>Credit</u>
Example: Completed an appraisal for a client who promised to pay at a later date.	2	3
(1) Received payment in advance for managing an office building.	_____	_____
(2) Purchased office supplies on credit.	_____	_____
(3) 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.	_____	_____

- (4) Received the telephone bill of the business and immediately issued a cheque to pay it. \_\_\_\_\_
- (5) Paid the salary of the office assistant. \_\_\_\_\_
- (6) Paid for the supplies purchased in Transaction 2. \_\_\_\_\_
- (7) Complete an appraisal for a client and immediately collected cash for the work done. \_\_\_\_\_

Answer: (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

Explanation:

74) Discuss the use of the trial balance.

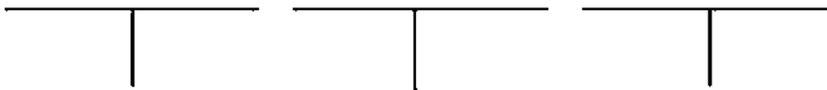
74) \_\_\_\_\_

Answer: 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.

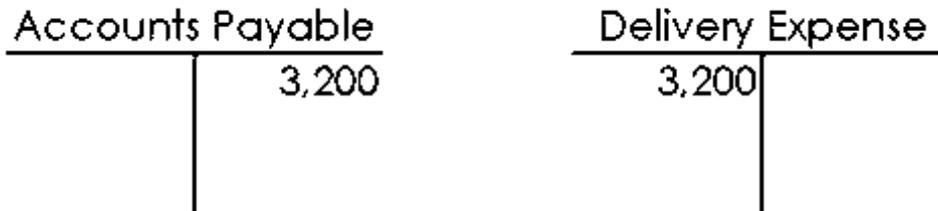
Explanation:

75) 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.

75) \_\_\_\_\_



Answer:



Explanation:

76) Explain the recording and posting processes. 76) \_\_\_\_\_

Answer: 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.

Explanation:

77) Explain debits and credits and their role in the accounting system. 77) \_\_\_\_\_

Answer: 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 assets = liabilities + 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.

Explanation:

78) Put the steps of the accounting cycle in the correct order: 78) \_\_\_\_\_

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

- Answer: 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

Explanation:

79) Girard Cohen began a computer servicing business and during the month of October completed these transactions: 79) \_\_\_\_\_

(a) Began business by investing cash, \$12,000, and computer equipment with a fair value of \$3,000.

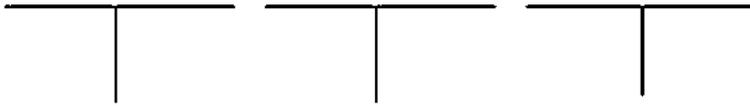
- (b) Paid rent for one year in advance, \$6,000.  
(c) Completed a computer servicing assignment and billed the client for \$3,000.  
(d) Paid the utilities bill for the month, \$100.  
(e) Wrote a \$1,000 cheque on the business bank account for personal expenses.  
Prepare journal entries to record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

Answer:

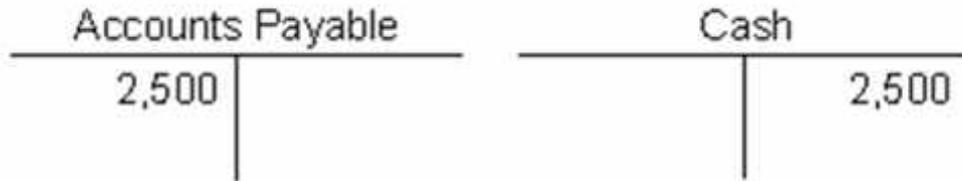
<b>(a)</b>	<b>Cash</b>	<b>12,000</b>	
	<b>Computer Equipment</b>	<b>3,000</b>	
	<b>Girard Cohen, Capital</b>		<b>15,000</b>
	<b>To record initial investment</b>		
<b>(b)</b>	<b>Prepaid Rent</b>	<b>6,000</b>	
	<b>Cash</b>		<b>6,000</b>
	<b>To record payment for one year's rent</b>		
<b>(c)</b>	<b>Accounts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

Explanation:

80) 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. 80) \_\_\_\_\_



Answer:



Explanation:

81) 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. 81) \_\_\_\_\_

- \_\_\_\_\_ (1) Office Equipment      \_\_\_\_\_ (6) Owner, Capital
- \_\_\_\_\_ (2) Salaries Expense      \_\_\_\_\_ (7) Revenue
- \_\_\_\_\_ (3) Unearned Revenue      \_\_\_\_\_ (8) Cash
- \_\_\_\_\_ (4) Rent Expense      \_\_\_\_\_ (9) Notes Receivable
- \_\_\_\_\_ (5) Accounts Payable      \_\_\_\_\_ (10) Wages Payable

Answer: (1) BS (2) IS (3) BS (4) IS (5) BS (6) BS (7) IS (8) BS (9) BS (10) BS  
 Explanation:

82) The following list of accounts is for Shannon Sales Co.: 82) \_\_\_\_\_

- (A) Shannon, Capital      (F) Unearned Rent Revenue
- (B) Advertising Expense      (G) Interest Payable
- (C) Notes Receivable      (H) Commissions Revenue
- (D) Land      (I) Shannon, Withdrawals
- (E) Prepaid Rent      (J) Service Revenue

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.

Type of Accounts		Normal Balance	
<u>Asset</u>	<u>Liab.</u>	<u>Dr.</u>	<u>Cr.</u>
Equity			

(A)	___	___	<u>X</u>	___	<u>X</u>
(B)	___	___	___	___	___
(C)	___	___	___	___	___
(D)	___	___	___	___	___
(E)	___	___	___	___	___
(F)	___	___	___	___	___
(G)	___	___	___	___	___
(H)	___	___	___	___	___
(I)	___	___	___	___	___
(J)	___	___	___	___	___

Answer:

	Type of Accounts			Normal Balance	
	<u>Asset</u>	<u>Liab.</u>	<u>Equity</u>	<u>Dr.</u>	<u>Cr.</u>
(A)	___	___	<u>X</u>	___	<u>X</u>
(B)	___	___	<u>X</u>	<u>X</u>	___
(C)	<u>X</u>	___	___	<u>X</u>	___
(D)	<u>X</u>	___	___	<u>X</u>	___
(E)	<u>X</u>	___	___	<u>X</u>	___
(F)	___	<u>X</u>	___	___	<u>X</u>
(G)	___	<u>X</u>	___	___	<u>X</u>
(H)	___	___	<u>X</u>	___	<u>X</u>
(I)	___	___	<u>X</u>	<u>X</u>	___
(J)	___	___	<u>X</u>	___	<u>X</u>

Explanation:

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

83) \_\_\_\_\_

- (a) Caren Krispy began an auditing firm by investing \$10,000 cash and a computer equipment with a \$3,000 fair value.
- (b) Purchased equipment from Johnson Bros. on credit, \$2,500.
- (c) Completed auditing work and received \$1,000 cash in full payment.
- (d) Paid Johnson Bros. \$2,500 for the amount owed.
- (e) Completed auditing work for clients on credit, \$3,500.
- (f) Caren Krispy withdrew \$500 cash from the practice for personal use.
- (g) Received \$3,500 for the audit work completed for the clients in Transaction e.
- (h) Paid secretary's salary, \$2,000.



Answer: **Coren Krispy.**

<b>Capital</b>	<b>Audit Revenue</b>
10,000	1,000
3,000	3,500
13,000	4,500

Explanation:

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

84) \_\_\_\_\_

Big Blue Cleaning Service  
Trial Balance  
October 31, 2015

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>

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:

- (1) A purchase of cleaning equipment on account for \$245 was posted as a debit to Cleaning Equipment and as a debit to Accounts Payable.
- (2) An investment of \$500 by the owner was debited to Fred Tullis, Capital and credited to Cash.
- (3) In calculating the balance of the Accounts Receivable account, a debit of \$600 was omitted from the calculation.
- (4) One debit of \$300 to the Fred Tullis, Withdrawals account was posted as a credit.
- (5) Office equipment purchased for \$800 was posted to the Cleaning Equipment account.
- (6) One entire entry was not posted to the general ledger. The transaction involved the receipt of \$125 for cleaning services performed for cash.

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

Answer:

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>

Explanation:

- 85) 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. 85) \_\_\_\_\_

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Answer:

Karen Smith, Withdrawal	Cash
100	100

Explanation:

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

Cash	
Nov 1 60,000	Nov 8 33,600
Nov 30 35,000	Nov 25 10,000

Accounts Payable	
Nov 21 450	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 21 450

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

Owner invested 60,000 in the business

86) 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.

86) \_\_\_\_\_

Answer: 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		

Explanation:

87) Indicate whether a debit or a credit entry would be made to record the following changes in each account. 87) \_\_\_\_\_

- (a) To decrease Cash.
- (b) To increase Owner, Capital.
- (c) To decrease Accounts Payable.
- (d) To increase Salaries Expense.
- (e) To decrease Supplies.
- (f) To increase Revenue.
- (g) To decrease Accounts Receivable.
- (h) To increase Owner, Withdrawals.

Answer: (a) Credit (b) Credit (c) Debit (d) Debit (e) Credit (f) Credit (g) Credit (h) Debit

Explanation:

88) Explain how accounts are used in recording information about transactions. 88) \_\_\_\_\_

Answer: 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.

Explanation:

89) List the steps in the accounting cycle. 89) \_\_\_\_\_

Answer: (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

Explanation:

90) Explain the steps in processing transactions in an accounting system. 90) \_\_\_\_\_

Answer: 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.

Explanation:

91) D. Brown Plumbing Co completed the following transactions during February of the current year: 91) \_\_\_\_\_

- Feb. 1 Began a plumbing service company by investing \$12,000 in cash and office equipment having a \$5,000 fair value.
- Feb. 2 Purchased plumbing tools for \$1,000 on account.
- Feb. 4 Completed dishwasher repair work for \$900 on account.
- Feb. 8 Completed hot water tank repair for \$500 cash.

- Feb. 10 Paid for the items purchased on credit on February 2.  
 Feb. 14 Paid \$600 for the annual rent.  
 Feb. 18 Received payment in full from for the work completed on February 4.  
 Feb. 27 D. Brown withdrew \$200 cash from the practice to pay personal expenses.  
 Feb. 28 Paid the February utility bills, \$100.

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

Answer:

<b>Feb</b>	<b>1</b>	<b>Cash</b>	<b>12,000</b>	
		<b>Computer Equipment</b>	<b>5,000</b>	
		<b>D.Brown, Capital</b>		<b>17,000</b>
		<b>Owner invested in business</b>		
	<b>2</b>	<b>Tools</b>	<b>1,000</b>	
		<b>Accounts Payable</b>		<b>1,000</b>
		<b>Purchased computer equipment on credit</b>		
	<b>4</b>	<b>Accounts Receivable</b>	<b>900</b>	
		<b>Repair Service Revenue</b>		<b>900</b>
		<b>Rendered repair services on account</b>		
	<b>8</b>	<b>Cash</b>	<b>500</b>	
		<b>Repair Service Revenue</b>		<b>500</b>
		<b>Rendered repair services for cash</b>		
	<b>10</b>	<b>Accounts Payable</b>	<b>1,000</b>	
		<b>Cash</b>		<b>1,000</b>
		<b>Paid for accounts payable on Feb 2</b>		
	<b>14</b>	<b>Prepaid Rent</b>	<b>600</b>	
		<b>Cash</b>		<b>600</b>
		<b>Paid for rent in advance for one year</b>		



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.

Answer:

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			

Explanation:

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

93) An account balance is the difference between the increases and decreases recorded in an account. 93) \_\_\_\_\_

Answer:  True       False

Explanation:

- 94) Step Two of the accounting cycle requires that we record transactions in a record called a journal. 94) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 95) The trial balance is a list of the accounts that have balances in the ledger. 95) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 96) Unearned revenues are assets, because a service or product is owed to the customer. 96) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 97) The left side of a T-account is always the credit side, while the right side is always the debit side. 97) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 98) 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. 98) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 99) Because they decrease equity, withdrawals made by a business owner are credited to his/her withdrawals account. 99) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 100) The accounting equation is expressed as assets = liabilities - equity. 100) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 101) 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. 101) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 102) 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. 102) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 103) An account is a detailed record of increases and decreases in a specific asset, liability or equity item. 103) \_\_\_\_\_  
Answer:  True  False  
Explanation:

- 104) A transaction that decreases an asset account and increases a liability account must also affect another account. 104) \_\_\_\_\_  
 Answer:  True  False  
 Explanation:
- 105) Debits to accounts are normally decreases. 105) \_\_\_\_\_  
 Answer:  True  False  
 Explanation:
- 106) The chart of accounts is a list of all the accounts used by a company. 106) \_\_\_\_\_  
 Answer:  True  False  
 Explanation:
- 107) 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. 107) \_\_\_\_\_  
 Answer:  True  False  
 Explanation:
- 108) Double-entry accounting means that every transaction affects and is recorded in at least two accounts. 108) \_\_\_\_\_  
 Answer:  True  False  
 Explanation:
- 109) Since all figures are eventually posted to the ledger, the posting reference column in a journal is not necessary. 109) \_\_\_\_\_  
 Answer:  True  False  
 Explanation:
- 110) A compound journal entry usually affects three or more accounts. 110) \_\_\_\_\_  
 Answer:  True  False  
 Explanation:
- 111) An abnormal balance in an account refers to a balance on the side where decreases are recorded. 111) \_\_\_\_\_  
 Answer:  True  False  
 Explanation:
- 112) All increases and decreases in cash are not necessarily recorded in the Cash account. 112) \_\_\_\_\_  
 Answer:  True  False  
 Explanation:
- 113) A credit purchase of a business expense item should be recorded with a debit to an expense account and a credit to Accounts Payable. 113) \_\_\_\_\_  
 Answer:  True  False  
 Explanation:

- 114) 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. 114) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 115) The normal balance of an account refers to the debit or credit side where increases are recorded. 115) \_\_\_\_\_  
Answer:  True False  
Explanation:
- 116) In a double-entry accounting system, total debits must always equal total credits. 116) \_\_\_\_\_  
Answer:  True False  
Explanation:
- 117) The total dollar value of all debits and credits recorded in a journal entry must be equal. 117) \_\_\_\_\_  
Answer:  True False  
Explanation:
- 118) A T-Account is a formal account frequently used in business. 118) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 119) Prepaid Insurance is an expense account which is used for recording expenses that have been paid in advance. 119) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 120) To credit an expense account means to decrease it. 120) \_\_\_\_\_  
Answer:  True False  
Explanation:
- 121) Goods sold on credit to customers are called accounts payable. 121) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 122) To make it easier for the bookkeeper, the cost of land is separated from the cost of buildings located on the land. 122) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 123) A transaction that increases an asset account and decreases a liability account must also affect another account. 123) \_\_\_\_\_  
Answer:  True False  
Explanation:

- 124) Asset accounts normally have credit balances and expense accounts normally have debit balances. 124) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 125) 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. 125) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 126) A chart of accounts lists the accounts and balances at a specific time. 126) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 127) Posting is the process of copying the debit and credit amounts from a journal to the ledger accounts. 127) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 128) As prepaid assets are used up, the costs of the assets become expenses. 128) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 129) 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. 129) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 130) Credits to accounts are always increases. 130) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 131) Purchasing supplies on credit increases assets while decreasing liabilities. 131) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 132) The accounting equation can be expressed as liabilities = assets - equity. 132) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 133) Debits increase asset and expense accounts. 133) \_\_\_\_\_  
Answer:  True  False  
Explanation:

- 134) A ledger is a type of account. 134) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 135) 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. 135) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 136) Increases in liabilities are recorded as debits. 136) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 137) A building is an example of an asset that does not provide any benefit to its owner. 137) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 138) The first step in the accounting cycle is transaction analysis. 138) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 139) Withdrawals are a type of transaction that affects equity. 139) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 140) If an account was incorrectly debited for \$300 instead of correctly credited for \$300, the account is out of balance by \$300. 140) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 141) A revenue account normally has a debit balance. 141) \_\_\_\_\_  
Answer: True  False  
Explanation:

Answer Key  
Testname: C2

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

Answer Key  
Testname: C2

- 51) A
- 52) B
- 53) E
- 54) E
- 55) C
- 56) D
- 57) E
- 58) A
- 59) E

60)

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

61)

(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		

62)

Jun 20	Cash	12,000	
	Office Equipment	6,000	
	Land	100,000	
	Building	115,000	
	Lucie Majeau, Capital		208,000
	Note Payable		25,000
	To record initial investment by owner		

63) (1) E (2) A (3) A (4) E (5) R (6) A (7) L (8) E (9) A (10) L (11) A (12) R

64)

(A)	\$42,000	Service revenues
	- 1,500	Rent expense
	- 3,000	Utilities expense
	<u>- 19,000</u>	Salaries expense
	<u>\$18,500</u>	Profit
(B)	\$10,300	Investment by owner
	+18,500	Profit
	<u>- 2,000</u>	Withdrawals
	<u>\$26,800</u>	Ending capital

Answer Key

Testname: C2

65)

Feb 3	Computer	5,000
	Cash	500
	Note Payable	4,500

To record purchase of computer

66) (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

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

Error	Yes	No
(1)		X
(2)	X	
(3)		X
(4)		X
(5)	X	

68)

Error	Amount Out of Balance	Column Having Larger Total
(a)	\$100	Debit
(b)	\$1,710	Debit
(c)	-	-
(d)	\$562.50	Credit
(e)	\$520	Debit

69) 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.

70) (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.

71)

Dec 2	Office Supplies	400
	Cash	400

To record payment of supplies

72)

**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>

73) (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

74) 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.

75)

Accounts Payable	Delivery Expense
3,200	3,200

76) 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.

77) 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 assets = liabilities + 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.

- 78) 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

79)

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

80)

Accounts Payable	Cash
2,500	2,500

81) (1) BS (2) IS (3) BS (4) IS (5) BS (6) BS (7) IS (8) BS (9) BS (10) BS

82)

	Type of Accounts			Normal Balance	
	<u>Asset</u>	<u>Liab.</u>	<u>Equity</u>	<u>Dr.</u>	<u>Cr.</u>
(A)	—	—	<u>X</u>	—	<u>X</u>
(B)	—	—	<u>X</u>	<u>X</u>	—
(C)	<u>X</u>	—	—	<u>X</u>	—
(D)	<u>X</u>	—	—	<u>X</u>	—
(E)	<u>X</u>	—	—	<u>X</u>	—
(F)	—	<u>X</u>	—	—	<u>X</u>
(G)	—	<u>X</u>	—	—	<u>X</u>
(H)	—	—	<u>X</u>	—	<u>X</u>
(I)	—	—	<u>X</u>	<u>X</u>	—
(J)	—	—	<u>X</u>	—	<u>X</u>

83)

Cash	
10,000	2,500
1,000	500
3,500	2,000
9,500	

Equipment	
3,000	
2,500	
5,500	

Accounts Payable	
	2,500
2,500	
	.

Accounts Receivable	
3,500	
	3,500
.	

Caren Krispy, Withdrawal	
500	
500	

Salary Expense	
2,000	
2,000	

Caren Krispy, Capital	
	10,000
	3,000
	13,000

Audit Revenue	
	1,000
	3,500
	4,500

84)

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>

85)

Karen Smith, Withdrawal		Cash
100		100

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

Nov 01	Cash	60,000	
	Joe Gutierrez, Captial		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, Captial		35,000
	Owner invested 35,000 into the business		

87) (a) Credit (b) Credit (c) Debit (d) Debit (e) Credit (f) Credit (g) Credit (h) Debit

88) 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.

89) (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

90) 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.

91)

<b>Feb</b>	<b>1</b>	<b>Cash</b>	<b>12,000</b>	
		<b>Computer Equipment</b>	<b>5,000</b>	
		<b>D.Brown, Capital</b>		<b>17,000</b>
		<b>Owner invested in business</b>		
	<b>2</b>	<b>Tools</b>	<b>1,000</b>	
		<b>Accounts Payable</b>		<b>1,000</b>
		<b>Purchased computer equipment on credit</b>		
	<b>4</b>	<b>Accounts Receivable</b>	<b>900</b>	
		<b>Repair Service Revenue</b>		<b>900</b>
		<b>Rendered repair services on account</b>		
	<b>8</b>	<b>Cash</b>	<b>500</b>	
		<b>Repair Service Revenue</b>		<b>500</b>
		<b>Rendered repair services for cash</b>		
	<b>10</b>	<b>Accounts Payable</b>	<b>1,000</b>	
		<b>Cash</b>		<b>1,000</b>
		<b>Paid for accounts payable on Feb 2</b>		
	<b>14</b>	<b>Prepaid Rent</b>	<b>600</b>	
		<b>Cash</b>		<b>600</b>
		<b>Paid for rent in advance for one year</b>		

18	Cash	900	
	Accounts Receivable		900
	Received payment on account		
27	D.Brown, Withdrawals	200	
	Cash		200
	Owner withdrew cash		
28	Utilities Expense	100	
	Cash		100
	Paid utility bill		

92)

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			

- 93) TRUE
- 94) TRUE
- 95) TRUE
- 96) FALSE
- 97) FALSE
- 98) FALSE
- 99) FALSE
- 100) FALSE
- 101) TRUE
- 102) FALSE
- 103) TRUE
- 104) TRUE
- 105) FALSE

Answer Key  
Testname: C2

- 106) TRUE
- 107) FALSE
- 108) TRUE
- 109) FALSE
- 110) TRUE
- 111) TRUE
- 112) FALSE
- 113) TRUE
- 114) FALSE
- 115) TRUE
- 116) TRUE
- 117) TRUE
- 118) FALSE
- 119) FALSE
- 120) TRUE
- 121) FALSE
- 122) FALSE
- 123) TRUE
- 124) FALSE
- 125) FALSE
- 126) FALSE
- 127) TRUE
- 128) TRUE
- 129) FALSE
- 130) FALSE
- 131) FALSE
- 132) TRUE
- 133) TRUE
- 134) FALSE
- 135) FALSE
- 136) FALSE
- 137) FALSE
- 138) TRUE
- 139) TRUE
- 140) FALSE
- 141) FALSE