

Student name: _____

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

- 1) Business transactions and events are the starting points of financial statements.
 true
 false

- 2) Preparation of a trial balance is the first step in processing a financial transaction.
 true
 false

- 3) Source documents identify and describe transactions and events entering the accounting system.
 true
 false

- 4) Items such as sales receipts, checks, purchase orders, bills from suppliers, payroll records, and bank statements are examples of source documents.
 true
 false

- 5) An account is a record of increases and decreases in a specific asset, liability, equity, revenue, or expense item.
 true
 false

- 6) A customer's promise to pay on credit is classified as an *account payable* by the seller.
 true
 false

- 7) Dividends are subtracted on the income statement as a business expense.

- true
- false

8) The purchase of land and buildings will generally be recorded in the same ledger account.

- true
- false

9) Unearned revenues are classified as liabilities.

- true
- false

10) Dividends are not expenses of a business, they are simply the opposite of owner investments.

- true
- false

11) When a company provides services on credit, the amount billed should be recorded as an account receivable.

- true
- false

12) Dividends always decrease equity.

- true
- false

13) Expenses always decrease equity.

- true
- false

14) Revenues always increase equity.

- true
- false

15) The issuance of common stock always decreases equity.

- true
- false

16) Unearned revenue is a liability that is recorded when customers pay in advance for products or services.

- true
- false

17) A company's chart of accounts is a list of all ledger accounts and has an identification number assigned to each account.

- true
- false

18) An account's balance is the difference between the total debits and total credits for the account, including any beginning balance.

- true
- false

19) The right side of an account is called the *debit* side.

- true
- false

20) In a double-entry accounting system, for each transaction at least two accounts are involved, with at least one debit and one credit, and the total amount debited must equal the total amount credited.

- true
- false

21) Increases in liability accounts are recorded as debits.

- true
- false

22) Debits increase asset and expense accounts.

- true
- false

23) *Credits* always increase account balances.

- true
- false

24) An expense account normally has a credit balance.

- true
- false

25) A revenue account normally has a debit balance.

- true
- false

26) Asset accounts are decreased by debits.

- true
- false

27) *Debit* means increase and *credit* means decrease for all accounts.

- true
- false

28) Asset accounts normally have debit balances and revenue accounts normally have credit balances.

- true
- false

29) The Dividends account normally has a debit balance.

- true
- false

30) A debit entry always increases an account.

- true
- false

31) A transaction that credits an asset account and credits a liability account must also affect one or more other accounts.

- true
- false

32) A transaction that decreases a liability and increases an asset must also affect one or more other accounts.

- true
- false

33) If insurance coverage for the next two years is paid for in advance, the amount of the payment is debited to an asset account called Prepaid Insurance.

- true
- false

34) The purchase of supplies on credit should be recorded with a debit to Supplies and a credit to Accounts Payable.

- true
- false

35) If a company purchases equipment paying cash, the journal entry to record this transaction will include a debit to Cash.

- true
- false

36) If a company provides services to a customer on credit, the company providing the service should credit Accounts Receivable.

- true
- false

37) When a company bills a customer for \$700 for services performed, the journal entry to record this transaction will include a \$700 debit to Services Revenue.

- true
- false

38) The debt ratio helps to assess a company's risk of failing to pay its debts.

- true
- false

39) A company that finances a relatively large portion of its assets with equity is said to have *higher* financial leverage.

- true
- false

- 40) The debt ratio is calculated by dividing total assets by total liabilities.
- true
 - false
- 41) A company that finances a relatively large portion of its assets with liabilities is said to have higher financial leverage.
- true
 - false
- 42) Higher financial leverage means greater risk because liabilities must be repaid and often require regular interest payments.
- true
 - false
- 43) Stark Company has liabilities of \$105 million and total assets of \$350 million. Its debt ratio is 40.0%.
- true
 - false
- 44) A journal entry that affects only two accounts is called a compound entry.
- true
 - false
- 45) *Posting* is the transfer of journal entry information to the ledger.
- true
 - false
- 46) Transactions are recorded first in the ledger and are then transferred to the journal.

- true
- false

47) A journal gives a complete record of each transaction in one place, and shows the debits and credits for each transaction.

- true
- false

48) Debtors are individuals and organizations that have rights to receive payments from a company.

- true
- false

49) A trial balance is a list of all ledger accounts and their balances at a point in time.

- true
- false

50) Errors made in journalizing transactions, posting to the ledger, and preparing the trial balance can still result in producing a balanced trial balance.

- true
- false

51) The income statement, statement of retained earnings, and statement of cash flows report financial performance over a period of time.

- true
- false

52) A balanced trial balance is proof that no errors were made in journalizing transactions, posting to the ledger, and preparing the trial balance.

- true
- false

53) If Cash was incorrectly debited for \$100 instead of correctly debiting Accounts Receivable for \$100, assuming no other errors, the trial balance will still balance.

- true
- false

54) The balance sheet summarizes how equity changes over the reporting period.

- true
- false

55) An income statement reports revenues earned minus expenses incurred over a period of time.

- true
- false

56) The detail of individual revenue and expense accounts is reported on the balance sheet.

- true
- false

57) A statement's heading lists the three W's: Who – the name of the organization; What – the name of the statement; and Where – the organization's address.

- true
- false

58) If the Common stock account had a \$10,000 credit balance at the beginning of the period, and during the period, an additional \$5,000 of common stock is issued, the balance in the common stock account listed on the trial balance will be equal to a debit balance of \$5,000.

- true
- false

59) Dividends paid to stockholders are reported on the statement of retained earnings.

- true
- false

60) The income statement reports net income for a business over a period of time.

- true
- false

61) The balance sheet reports the financial position of a company at a point in time.

- true
- false

62) A fiscal year is a one-year reporting period.

- true
- false

63) Businesses whose accounting year begins on February 1 and ends on January 31 are called calendar-year companies.

- true
- false

64) The amount of net income is added on the statement of retained earnings.

- true
- false

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

65) The process to go from transactions and events to financial statements begins with:

- A) Identifying each transaction and event from source documents.
- B) Preparing financial statements and other reports.
- C) Analysis of prepared financial statements.
- D) Presentation of financial information to decision-makers.
- E) Preparation of the trial balance.

66) Which of the following statements is false:

- A) Accounts receivable are held by a seller.
- B) Accounts receivable arise from credit sales.
- C) Accounts receivable are increased by customer payments.
- D) Accounts receivable are classified as assets.
- E) Accounts receivable are increased by billings to customers.

67) Which of the following is *not* a source document?

- A) Sales receipts.
- B) Ledgers.
- C) Bills from suppliers.
- D) Purchase orders.
- E) Bank statements.

68) A business's source documents:

- A) Include the ledger.
- B) Identify and describe transactions and events entering the accounting system.
- C) Must be in electronic form.
- D) Are records of all increases and decreases in specific asset.
- E) Include the chart of accounts.

69) A record of the increases and decreases in a specific asset, liability, equity, revenue, or expense is known as a(n):

- A) Journal.
- B) Posting.
- C) Trial balance.
- D) Account.
- E) Chart of accounts.

70) When cash is received from a stockholder in exchange for common stock, the transaction is recorded by debiting Cash and crediting a(n):

- A) Asset account.
- B) Equity account.
- C) Revenue account.
- D) Expense account.
- E) Liability account.

71) The account used by businesses to record the distribution of assets from a business to its owners is:

- A) A revenue account.
- B) The Dividends account.
- C) The Common stock account.
- D) An expense account.
- E) A liability account.

72) Identify the statement below that is correct.

A) When a future expense is paid in advance, the payment is normally recorded in a liability account called Prepaid Expense.

B) Accounts receivable are held by a seller and are promises of payment from customers to sellers.

C) Increases and decreases in cash are always recorded in the common stock account.

D) An account called Land is commonly used to record increases and decreases in both the land and buildings owned by a business.

E) Accrued liabilities include accounts receivable.

73) Unearned revenues are:

A) Revenues that have been earned and received in cash.

B) Revenues that have been earned but not yet collected in cash.

C) Liabilities recorded when a customer pays in advance for products or services.

D) Recorded as an asset in the accounting records.

E) Increases to common stock.

74) Unearned revenues are:

A) Assets that will be used over time.

B) Expenses incurred because a customer has paid in advance.

C) Transferred to revenue when products and services are delivered.

D) Increases in assets as a result of delivering products or services to a customer.

E) Decreases in an asset.

75) Prepaid accounts (also called prepaid expenses) are:

- A) Payments made for products and services that never expire.
- B) Classified as liabilities on the balance sheet.
- C) Classified as equity on the balance sheet.
- D) Assets from prepayments of future expenses.
- E) Promises of payments by customers.

76) A company's written promissory note to pay a future amount is a(n):

- A) Unearned revenue.
- B) Prepaid expense.
- C) Credit account.
- D) Note payable.
- E) Account receivable.

77) The collection of all accounts and their balances used by a business is called a(n):

- A) Journal.
- B) Income statement.
- C) General Journal.
- D) Balance column journal.
- E) Ledger (or General Ledger).

78) A company's ledger (or general ledger) is:

- A) A record containing increases and decreases in a specific asset, liability, equity, revenue, or expense item.
- B) A journal in which transactions are first recorded.
- C) A collection of documents that describe transactions and events entering the accounting process.
- D) A list of all identification numbers used by the company.
- E) The collection of all accounts and their balances used by the company.

79) A company's list of all ledger accounts and the identification numbers assigned to each account is called a:

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

80) A credit:

- A) Always decreases an account.
- B) Is the right side of a T-account.
- C) Always increases an account.
- D) Is the left side of a T-account.
- E) Always increases asset accounts.

81) A debit:

- A) Always increases an account.
- B) Is the right side of a T-account.
- C) Always decreases an account.
- D) Is the left side of a T-account.
- E) Always increases liability accounts.

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

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

83) Identify the statement below that is *incorrect*.

- A) The normal balance of accounts receivable is a debit.
- B) The normal balance of dividends is a debit.
- C) The normal balance of unearned revenues is a credit.
- D) The normal balance of an expense account is a credit.
- E) The normal balance of the common stock account is a credit.

84) A credit is used to record a decrease in which of the following accounts?

- A) Accounts Payable
- B) Service Revenue
- C) Unearned Revenue
- D) Accounts Receivable
- E) Common Stock

85) A credit is used to record an increase in which of the following accounts?

- A) Supplies
- B) Cash
- C) Accounts Payable
- D) Dividends
- E) Prepaid Insurance

86) Identify the account below that is classified as a liability in a company's chart of accounts:

- A) Cash
- B) Unearned Revenue
- C) Salaries Expense
- D) Accounts Receivable
- E) Supplies

87) Identify the account below that is classified as an asset in a company's chart of accounts:

- A) Accounts Receivable
- B) Accounts Payable
- C) Common Stock
- D) Unearned Revenue
- E) Service Revenue

88) Identify the account below that is classified as an asset account:

- A) Unearned Revenue
- B) Accounts Payable
- C) Supplies
- D) Retained Earnings
- E) Service Revenue

89) Identify the account below that is classified as a liability account:

- A) Cash
- B) Accounts Payable
- C) Salaries Expense
- D) Retained Earnings
- E) Equipment

90) Identify the account below that always decreases the *equity* of a business:

- A) Utilities Expense
- B) Accounts Payable
- C) Accounts Receivable
- D) Cash
- E) Unearned Revenue

91) Which of the following is NOT an equity account:

- A) Unearned Revenue
- B) Retained Earnings
- C) Services Revenue
- D) Wages Expense
- E) Dividends

92) Which of the following is NOT an asset account:

- A) Cash
- B) Land
- C) Services Revenue
- D) Buildings
- E) Equipment

93) A business uses a credit to record:

- A) An increase in an expense account.
- B) A decrease in an asset account.
- C) A decrease in an unearned revenue account.
- D) A decrease in a revenue account.
- E) A decrease in a common stock account.

94) A tool that represents a ledger account and is used to show the effects of transactions is called a:

- A) Dividends account.
- B) Retained earnings account.
- C) Trial balance.
- D) T-account.
- E) Balance column sheet.

95) Identify the statement below that is correct:

- A) The left side of a T-account is the credit side.
- B) Debits decrease asset and expense accounts, and increase liability, equity, and revenue accounts.
- C) The left side of a T-account is the debit side.
- D) Credits increase asset and expense accounts, and decrease liability, equity, and revenue accounts.
- E) The total amount debited need not equal the total amount credited for a particular transaction.

96) An account balance is:

- A) The total of the credit side of the account.
- B) The total of the debit side of the account.
- C) The difference between the total debits and total credits for an account including the beginning balance.
- D) Used to identify source documents.
- E) Always a credit.

97) Select the account below that normally has a credit balance.

- A) Cash.
- B) Office Equipment.
- C) Wages Payable.
- D) Dividends.
- E) Sales Salaries Expense.

98) A debit is used to record which of the following:

- A) A decrease in an asset account.
- B) A decrease in an expense account.
- C) An increase in a revenue account.
- D) An increase in the common stock account.
- E) An increase in the dividends account.

99) A credit entry:

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

100) A double-entry accounting system is an accounting system:

- A) That records each transaction twice.
- B) That records the effect of each transaction in at least two accounts, with at least one debit and one credit.
- C) In which each transaction affects and is recorded in two or more accounts but that could include two debits and no credits.
- D) That allows total credits to be greater than total debits.
- E) That allows total debits to be greater than total credits.

101) Edison Consulting received a \$350 utilities bill and immediately paid it. Edison's general journal entry to record this transaction will include a:

- A) Debit to Utilities Expense for \$350.
- B) Credit to Accounts Payable for \$350.
- C) Debit to Cash for \$350.
- D) Credit to Utilities Expense for \$350.
- E) Debit to Accounts Payable for \$350.

102) Edison Consulting received a \$300 utilities bill and immediately paid it. Edison's general journal entry to record this transaction will include a:

- A) Debit to Utilities Expense for \$300.
- B) Credit to Accounts Payable for \$300.
- C) Debit to Cash for \$300.
- D) Credit to Utilities Expense for \$300.
- E) Debit to Accounts Payable for \$300.

103) GreenLawn Company provides landscaping services to clients. On May 1, a customer paid GreenLawn \$79,000 for 6-months services in advance. GreenLawn's general journal entry to record this transaction will include a:

- A) Debit to Unearned Revenue for \$79,000.
- B) Credit to Accounts Receivable for \$79,000.
- C) Credit to Cash for \$79,000.
- D) Credit to Unearned Revenue for \$79,000.
- E) Debit to Accounts Receivable for \$79,000.

104) GreenLawn Company provides landscaping services to clients. On May 1, a customer paid GreenLawn \$60,000 for 6-months services in advance. GreenLawn's general journal entry to record this transaction will include a:

- A) Debit to Unearned Revenue for \$60,000.
- B) Credit to Accounts Receivable for \$60,000.
- C) Credit to Cash for \$60,000.
- D) Credit to Unearned Revenue for \$60,000.
- E) Debit to Accounts Receivable for \$60,000.

105) Willow Rentals purchased office supplies on credit. The general journal entry made by Willow Rentals will include a:

- A) Debit to Accounts Payable.
- B) Debit to Accounts Receivable.
- C) Credit to Cash.
- D) Credit to Accounts Payable.
- E) Credit to Common Stock.

106) An asset created by prepayment of an insurance premium is:

- A) Recorded as a debit to Unearned Revenue.
- B) Recorded as a debit to Prepaid Insurance.
- C) Recorded as a credit to Unearned Revenue.
- D) Recorded as a credit to Prepaid Insurance.
- E) Not recorded in the accounting records until the insurance period expires.

107) Victor Cruz contributed \$84,000 in cash and land worth \$158,000 to open a new business, VC Consulting, in exchange for common stock. Which of the following general journal entries will VC Consulting make to record this transaction?

- A) Debit Accounts Payable \$242,000; Credit Common Stock, \$242,000.
- B) Credit Cash and Land, \$242,000; Credit Common Stock, \$242,000.
- C) Debit Cash \$84,000; Debit Land \$158,000; Credit Common Stock, \$242,000.
- D) Debit Common Stock, \$242,000; Credit Cash \$84,000; Credit Land, \$158,000.
- E) Debit Common Stock, \$242,000; Credit Assets, \$242,000.

108) Victor Cruz contributed \$70,000 in cash and land worth \$130,000 to open a new business, VC Consulting, in exchange for common stock. Which of the following general journal entries will VC Consulting make to record this transaction?

- A) Debit Accounts Payable \$200,000; Credit Common Stock, \$200,000.
- B) Credit Cash and Land, \$200,000; Credit Common Stock, \$200,000.
- C) Debit Cash \$70,000; Debit Land \$130,000; Credit Common Stock, \$200,000.
- D) Debit Common Stock, \$200,000; Credit Cash \$70,000, Credit Land, \$130,000.
- E) Debit Common Stock, \$200,000; Credit Assets, \$200,000.

109) Green Cleaning purchased \$650 of office supplies on credit. The company's policy is to initially record prepaid and unearned items in balance sheet accounts. Which of the following general journal entries will Green Cleaning make to record this transaction?

- A) Debit Office supplies expense, \$650; credit Cash, \$650.
- B) Debit Cash, \$650; credit Office supplies, \$650.
- C) Debit Office supplies, \$650; credit Cash, \$650.
- D) Debit Office supplies, \$650; credit Accounts payable, \$650.
- E) Debit Accounts payable, \$650; credit Office supplies, \$650.

110) Green Cleaning purchased \$500 of office supplies on credit. The company's policy is to initially record prepaid and unearned items in balance sheet accounts. Which of the following general journal entries will Green Cleaning make to record this transaction?

- A) Debit Office supplies expense, \$500; credit Cash, \$500.
- B) Debit Cash, \$500; credit Office supplies, \$500.
- C) Debit Office supplies, \$500; credit Cash, \$500.
- D) Debit Office supplies, \$500; credit Accounts payable, \$500.
- E) Debit Accounts payable, \$500; credit Office supplies, \$500.

111) Alicia Tax Services paid \$510 to settle an account payable. Which of the following general journal entries will Alicia Tax Services make to record this transaction?

- A) Debit Office supplies expense, \$510; credit Cash, \$510.
- B) Debit Cash, \$510; credit Office supplies, \$510.
- C) Debit Office supplies, \$510; credit Cash, \$510.
- D) Debit Office supplies, \$510; credit Accounts payable, \$510.
- E) Debit Accounts payable, \$510; credit Cash, \$510.

112) Alicia Tax Services paid \$500 to settle an account payable. Which of the following general journal entries will Alicia Tax Services make to record this transaction?

- A) Debit Office supplies expense, \$500; credit Cash, \$500.
- B) Debit Cash, \$500; credit Office supplies, \$500.
- C) Debit Office supplies, \$500; credit Cash, \$500.
- D) Debit Office supplies, \$500; credit Accounts payable, \$500.
- E) Debit Accounts payable, \$500; credit Cash, \$500.

113) A law firm billed a client \$3,700 for work performed in the current month. Which of the following general journal entries will the firm make to record this transaction?

- A) Debit Accounts Receivable, \$3,700; credit Unearned Legal Fees Revenue, \$3,700.
- B) Debit Cash, \$3,700; credit Unearned Legal Fees Revenue, \$3,700.
- C) Debit Legal Fees Revenue, \$3,700; credit Accounts Receivable, \$3,700.
- D) Debit Accounts Receivable, \$3,700; credit Legal Fees Revenue, \$3,700.
- E) Debit Cash, \$3,700; credit Accounts Receivable, \$3,700.

114) A law firm billed a client \$1,800 for work performed in the current month. Which of the following general journal entries will the firm make to record this transaction?

- A) Debit Accounts Receivable, \$1,800; credit Unearned Legal Fees Revenue, \$1,800.
- B) Debit Cash, \$1,800; credit Unearned Legal Fees Revenue, \$1,800.
- C) Debit Legal Fees Revenue, \$1,800; credit Accounts Receivable, \$1,800.
- D) Debit Accounts Receivable, \$1,800; credit Legal Fees Revenue, \$1,800.
- E) Debit Cash, \$1,800; credit Accounts Receivable, \$1,800.

115) A law firm collected \$3,600 on account for work performed in the previous month. Which of the following general journal entries will the firm make to record this collection of cash?

- A) Debit Accounts Receivable, \$3,600; credit Unearned Legal Fees Revenue, \$3,600.
- B) Debit Cash, \$3,600; credit Unearned Legal Fees Revenue, \$3,600.
- C) Debit Legal Fees Revenue, \$3,600; credit Accounts Receivable, \$3,600.
- D) Debit Accounts Receivable, \$3,600; credit Legal Fees Revenue, \$3,600.
- E) Debit Cash, \$3,600; credit Accounts Receivable, \$3,600.

116) A law firm collected \$1,800 on account for work performed in the previous month. Which of the following general journal entries will the firm make to record this collection of cash?

- A) Debit Accounts Receivable, \$1,800; credit Unearned Legal Fees Revenue, \$1,800.
- B) Debit Cash, \$1,800; credit Unearned Legal Fees Revenue, \$1,800.
- C) Debit Legal Fees Revenue, \$1,800; credit Accounts Receivable, \$1,800.
- D) Debit Accounts Receivable, \$1,800; credit Legal Fees Revenue, \$1,800.
- E) Debit Cash, \$1,800; credit Accounts Receivable, \$1,800.

117) A law firm collected \$2,800 in advance for work to be performed in three months. Which of the following general journal entries will the firm make to record this transaction?

- A) Debit Accounts Receivable, \$2,800; credit Unearned Legal Fees Revenue, \$2,800.
- B) Debit Cash, \$2,800; credit Unearned Legal Fees Revenue, \$2,800.
- C) Debit Legal Fees Revenue, \$2,800; credit Accounts Receivable, \$2,800.
- D) Debit Accounts Receivable, \$2,800; credit Legal Fees Revenue, \$2,800.
- E) Debit Cash, \$2,800; credit Accounts Receivable, \$2,800.

118) A law firm collected \$1,800 in advance for work to be performed in three months. Which of the following general journal entries will the firm make to record this transaction?

- A) Debit Accounts Receivable, \$1,800; credit Unearned Legal Fees Revenue, \$1,800.
- B) Debit Cash, \$1,800; credit Unearned Legal Fees Revenue, \$1,800.
- C) Debit Legal Fees Revenue, \$1,800; credit Accounts Receivable, \$1,800.
- D) Debit Accounts Receivable, \$1,800; credit Legal Fees Revenue, \$1,800.
- E) Debit Cash, \$1,800; credit Accounts Receivable, \$1,800.

119) Specter Consulting purchased \$8,400 of supplies and paid cash immediately. Which of the following general journal entries will Specter Consulting make to record this transaction? Assume the company's policy is to initially record prepaid and unearned items in balance sheet accounts.

A)

Account Title	Debit	Credit
Accounts Payable	8,400	
Supplies		8,400

B)

Account Title	Debit	Credit
Cash	8,400	
Supplies		8,400

C)

Account Title	Debit	Credit
Supplies	8,400	
Cash		8,400

D)

Account Title	Debit	Credit
Supplies	8,400	
Accounts Payable		8,400

E)

Account Title	Debit	Credit
Supplies Expense	8,400	
Accounts Payable		8,400

120) Specter Consulting purchased \$7,000 of supplies and paid cash immediately. Which of the following general journal entries will Specter Consulting make to record this transaction? Assume the company's policy is to initially record prepaid and unearned items in balance sheet accounts.

A)

Account Title	Debit	Credit
Accounts Payable	7,000	
Supplies		7,000

B)

Account Title	Debit	Credit
Cash	7,000	

Supplies		7,000
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C)

Account Title	Debit	Credit
Supplies	7,000	
Cash		7,000

D)

Account Title	Debit	Credit
Supplies	7,000	
Accounts Payable		7,000

E)

Account Title	Debit	Credit
Supplies Expense	7,000	
Accounts Payable		7,000

121) Jose Consulting paid \$520 cash for utilities for the current month. Determine the general journal entry that Jose Consulting will make to record this transaction.

A)

Account Title	Debit	Credit
Utilities Expense	520	
Cash		520

B)

Account Title	Debit	Credit
Cash	520	

Utilities Expense		520
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C)

Account Title	Debit	Credit
Cash	520	
Accounts Payable		520

D)

Account Title	Debit	Credit
Utilities Expense	520	
Accounts Payable		520

E)

Account Title	Debit	Credit
Prepaid Utilities	520	
Accounts Payable		520

122) Jose Consulting paid \$500 cash for utilities for the current month. Determine the general journal entry that Jose Consulting will make to record this transaction.

A)

Account Title	Debit	Credit
Utilities Expense	500	
Cash		500

B)

Account Title	Debit	Credit
Cash	500	

Utilities Expense		500
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C)

Account Title	Debit	Credit
Cash	500	
Accounts Payable		500

D)

Account Title	Debit	Credit
Utilities Expense	500	
Accounts Payable		500

E)

Account Title	Debit	Credit
Prepaid Utilities	500	
Accounts Payable		500

123) On February 1st, Alejandro Consulting paid \$2,500 cash for a 5-month insurance policy that begins that day. Given the choices below, determine the general journal entry that Alejandro Consulting will make to record the cash payment. Assume the company's policy is to initially record prepaid and unearned items in balance sheet accounts.

A)

Account Title	Debit	Credit
Insurance Expense	2,500	
Cash		2,500

B)

Account Title	Debit	Credit
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Cash	2,500	
Insurance Expense		2,500

C)

Account Title	Debit	Credit
Cash	2,500	
Prepaid Insurance		2,500

D)

Account Title	Debit	Credit
Prepaid Insurance	2,500	
Cash		2,500

E)

Account Title	Debit	Credit
Insurance Expense	2,500	
Prepaid Insurance		2,500

124) Ted Catering received \$1,200 cash in advance from a customer for catering services to be provided in three months. Determine the general journal entry that Ted Catering will make to record the cash receipt. Assume the company's policy is to initially record prepaid and unearned items in balance sheet accounts.

A)

Account Title	Debit	Credit
Unearned Catering Revenue	1,200	
Catering Revenue		1,200

B)

Account Title	Debit	Credit
Cash	1,200	
Accounts Receivable		1,200

C)

Account Title	Debit	Credit
Cash	1,200	
Unearned Catering Revenue		1,200

D)

Account Title	Debit	Credit
Cash	1,200	
Catering Revenue		1,200

E)

Account Title	Debit	Credit
Accounts Receivable	1,200	
Catering Revenue		1,200

125) Ted Catering received \$800 cash in advance from a customer for catering services to be provided in three months. Determine the general journal entry that Ted Catering will make to record the cash receipt. Assume the company's policy is to initially record prepaid and unearned items in balance sheet accounts.

A)

Account Title	Debit	Credit
Unearned Catering Revenue	800	
Catering Revenue		800

B)

Account Title	Debit	Credit
Cash	800	
Accounts Receivable		800

C)

Account Title	Debit	Credit
Cash	800	
Unearned Catering Revenue		800

D)

Account Title	Debit	Credit
Cash	800	
Catering Revenue		800

E)

Account Title	Debit	Credit
Accounts Receivable	800	
Catering Revenue		800

126) Gloria Catering provided \$1,000 of catering services and billed its client for the amount owed. Determine the general journal entry that Gloria Catering will make to record this transaction.

A)

Account Title	Debit	Credit
Unearned Catering Revenue	1,000	

Catering Revenue		1,000
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B)

Account Title	Debit	Credit
Catering Revenue	1,000	
Accounts Receivable		1,000

C)

Account Title	Debit	Credit
Accounts Receivable	1,000	
Unearned Catering Revenue		1,000

D)

Account Title	Debit	Credit
Accounts Receivable	1,000	
Catering Revenue		1,000

E)

Account Title	Debit	Credit
Accounts Payable	1,000	
Catering Revenue		1,000

127) Adriana Graphic Design receives \$1,950 from a client billed in a previous month for services provided. Which of the following general journal entries will Adriana Graphic Design make to record this transaction?

A)

Account Title	Debit	Credit
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Cash	1,950	
Accounts Receivable		1,950

B)

Account Title	Debit	Credit
Cash	1,950	
Unearned Design Revenue		1,950

C)

Account Title	Debit	Credit
Accounts Receivable	1,950	
Unearned Design Revenue		1,950

D)

Account Title	Debit	Credit
Accounts Payable	1,950	
Design Revenue		1,950

E)

Account Title	Debit	Credit
Accounts Receivable	1,950	
Cash		1,950

128) Adriana Graphic Design receives \$1,500 from a client billed in a previous month for services provided. Which of the following general journal entries will Adriana Graphic Design make to record this transaction?

A)

Account Title	Debit	Credit
Cash	1,500	
Accounts Receivable		1,500

B)

Account Title	Debit	Credit
Cash	1,500	
Unearned Design Revenue		1,500

C)

Account Title	Debit	Credit
Accounts Receivable	1,500	
Unearned Design Revenue		1,500

D)

Account Title	Debit	Credit
Accounts Payable	1,500	
Design Revenue		1,500

E)

Account Title	Debit	Credit
Accounts Receivable	1,500	
Cash		1,500

129) Jay's Limo Services paid cash dividends of \$100. Which of the following general journal entries will Jay's Limo Services make to record this transaction?

A)

Account Title	Debit	Credit
Dividends	100	
Cash		100

B)

Account Title	Debit	Credit
Cash	100	
Common Stock		100

C)

Account Title	Debit	Credit
Common Stock	100	
Dividends		100

D)

Account Title	Debit	Credit
Dividends	100	
Retained Earnings		100

E)

Account Title	Debit	Credit
Cash	100	
Dividends		100

130) Jay's Limo Services paid \$300 cash to employees for work performed in the current period. Which of the following general journal entries will Jay's Limo Services make to record this transaction?

A)

Account Title	Debit	Credit
Salaries Expense	300	
Accounts Payable		300

B)

Account Title	Debit	Credit
Cash	300	
Salaries Expense		300

C)

Account Title	Debit	Credit
Salaries Expense	300	
Dividends		300

D)

Account Title	Debit	Credit
Salaries Payable	300	
Salaries Expense		300

E)

Account Title	Debit	Credit
Salaries Expense	300	
Cash		300

131) Russell Company collected cash of \$660 immediately after providing consulting services to a client. Which of the following general journal entries will Russell Company make to record this transaction?

A)

Account Title	Debit	Credit
Accounts Receivable	660	
Cash		660

B)

Account Title	Debit	Credit
Cash	660	
Revenue		660

C)

Account Title	Debit	Credit
Cash	660	
Accounts Receivable		660

D)

Account Title	Debit	Credit
Unearned Revenue	660	
Cash		660

E) No journal entry is required.

132) Russell Company collected cash of \$400 immediately after providing consulting services to a client. Which of the following general journal entries will Russell Company make to record this transaction?

A)

Account Title	Debit	Credit
Accounts Receivable	400	

Cash		400
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B)

Account Title	Debit	Credit
Cash	400	
Revenue		400

C)

Account Title	Debit	Credit
Cash	400	
Accounts Receivable		400

D)

Account Title	Debit	Credit
Unearned Revenue	400	
Cash		400

E) No journal entry is required.

133) Sharp Services provided \$800 of consulting work and \$100 of design work to the same client. It billed the client for the total amount and is expecting to collect from the customer next month. Which of the following general journal entries did Sharp Services make to record the billing of the customer?

A)

Account Title	Debit	Credit
Design Revenue	100	
Consulting Revenue	800	

Accounts Receivable		900
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B)

Account Title	Debit	Credit
Accounts Payable	900	
Design Revenue		100
Consulting Revenue		800

C)

Account Title	Debit	Credit
Design Revenue	100	
Consulting Revenue	800	
Accounts Payable		900

D)

Account Title	Debit	Credit
Unearned Revenue	900	
Consulting Revenue		800
Design Revenue		100

E)

Account Title	Debit	Credit
Accounts Receivable	900	
Consulting Revenue		800
Design Revenue		100

134) Silvia's Studio provided \$270 of dance instruction and rented out its dance studio to the same client for another \$160. The client paid cash immediately. Identify the general journal entry below that Silvia's Studio will make to record the transaction.

A)

Account Title	Debit	Credit
Rental Revenue	160	
Instruction Revenue	270	
Cash		430

B)

Account Title	Debit	Credit
Accounts Payable	430	
Rental Revenue		160
Instruction Revenue		270

C)

Account Title	Debit	Credit
Cash	430	
Rental Revenue		160
Instruction Revenue		270

D)

Account Title	Debit	Credit
Rental Revenue	160	
Instruction Revenue	270	
Accounts Receivable		430

E)

Account Title	Debit	Credit
Unearned Revenue	430	
Rental Revenue		160
Instruction Revenue		270

135) Silvia's Studio provided \$150 of dance instruction and rented out its dance studio to the same client for another \$100. The client paid cash immediately. Identify the general journal entry below that Silvia's Studio will make to record the transaction.

A)

Account Title	Debit	Credit
Rental Revenue	100	
Instruction Revenue	150	
Cash		250

B)

Account Title	Debit	Credit
Accounts Payable	250	
Rental Revenue		100
Instruction Revenue		150

C)

Account Title	Debit	Credit
Cash	250	
Rental Revenue		100

Instruction Revenue		150
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D)

Account Title	Debit	Credit
Rental Revenue	100	
Instruction Revenue	150	
Accounts Receivable		250

E)

Account Title	Debit	Credit
Unearned Revenue	250	
Rental Revenue		100
Instruction Revenue		150

136) Geoff Parker, the sole owner of Parker Tax Services, started the business by investing \$10,000 cash and a building worth \$20,000 in exchange for common stock. Identify the general journal entry below that Parker Tax Services will make to record the transaction.

A)

Account Title	Debit	Credit
Cash	30,000	
Common Stock		30,000

B)

Account Title	Debit	Credit
Common Stock	30,000	
Cash		10,000

Building		20,000
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C)

Account Title	Debit	Credit
Cash	10,000	
Building	20,000	
Common Stock		30,000

D)

Account Title	Debit	Credit
Notes Payable	30,000	
Common Stock		30,000

E)

Account Title	Debit	Credit
Dividends	30,000	
Common Stock		30,000

137) A company provided \$12,000 of consulting services on account. The customer promises payment in 30 days. Identify the journal entry below that properly records this transaction.

A)

Account Title	Debit	Credit
Accounts Payable	12,000	
Cash		12,000

B)

Account Title	Debit	Credit
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Cash	12,000	
Consulting Services Revenue		12,000

C)

Account Title	Debit	Credit
Consulting Services Revenue	12,000	
Cash		12,000

D)

Account Title	Debit	Credit
Accounts Payable	12,000	
Consulting Services Revenue		12,000

E)

Account Title	Debit	Credit
Accounts Receivable	12,000	
Consulting Services Revenue		12,000

138) A company provided \$12,000 of consulting services and was immediately paid in cash by the customer. Identify the journal entry below that properly records this transaction.

A)

Account Title	Debit	Credit
Accounts Receivable	12,000	
Cash		12,000

B)

Account Title	Debit	Credit
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Cash	12,000	
Consulting Services Revenue		12,000

C)

Account Title	Debit	Credit
Consulting Services Revenue	12,000	
Cash		12,000

D)

Account Title	Debit	Credit
Accounts Payable	12,000	
Consulting Services Revenue		12,000

E)

Account Title	Debit	Credit
Accounts Receivable	12,000	
Consulting Services Revenue		12,000

139) Smart Consulting, paid cash dividends of \$2,000 to its owners. Identify the general journal entry below that Smart Consulting will make to record the transaction.

A)

Account Title	Debit	Credit
Dividends	2,000	
Cash		2,000

B)

Account Title	Debit	Credit
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Common Stock	2,000	
Cash		2,000

C)

Account Title	Debit	Credit
Dividends	2,000	
Common Stock		2,000

D)

Account Title	Debit	Credit
Cash	2,000	
Common Stock		2,000

E)

Account Title	Debit	Credit
Cash	2,000	
Dividends		2,000

140) Matthew Martin, the owner of Innovation Consulting, started the business by investing \$43,000 cash in exchange for common stock. Identify the general journal entry below that Innovation Consulting will make to record the transaction.

A)

Account Title	Debit	Credit
Cash	43,000	
Common Stock		43,000

B)

Account Title	Debit	Credit
Common Stock	43,000	
Cash		43,000

C)

Account Title	Debit	Credit
Accounts Receivable	43,000	
Cash		43,000

D)

Account Title	Debit	Credit
Accounts Receivable	43,000	
Common Stock		43,000

E)

Account Title	Debit	Credit
Cash	43,000	
Note Payable		43,000

141) Matthew Martin, the owner of Innovation Consulting, started the business by investing \$40,000 cash in exchange for common stock. Identify the general journal entry below that Innovation Consulting will make to record the transaction.

A)

Account Title	Debit	Credit
Cash	40,000	
Common Stock		40,000

B)

Account Title	Debit	Credit
Common Stock	40,000	
Cash		40,000

C)

Account Title	Debit	Credit
Accounts Receivable	40,000	
Cash		40,000

D)

Account Title	Debit	Credit
Accounts Receivable	40,000	
Common Stock		40,000

E)

Account Title	Debit	Credit
Cash	40,000	
Note Payable		40,000

142) If cash is received from customers in payment for services that have not yet been performed, the business would record the cash receipt as:

- A) A debit to an unearned revenue account.
- B) A debit to a prepaid expense account.
- C) A credit to an unearned revenue account.
- D) A credit to a prepaid expense account.
- E) A credit to accounts payable.

143) On May 31, the Cash account of Tesla had a normal balance of \$6,100. During May, the account was debited for a total of \$13,300 and credited for a total of \$12,600. What was the balance in the Cash account at the beginning of May?

- A) A \$0 balance.
- B) A \$5,400 debit balance.
- C) A \$6,800 debit balance.
- D) A \$6,800 credit balance.
- E) A \$5,400 credit balance.

144) On May 31, the Cash account of Tesla had a normal balance of \$5,000. During May, the account was debited for a total of \$12,200 and credited for a total of \$11,500. What was the balance in the Cash account at the beginning of May?

- A) A \$0 balance.
- B) A \$4,300 debit balance.
- C) A \$4,300 credit balance.
- D) A \$5,700 debit balance.
- E) A \$5,700 credit balance.

145) On April 30, Gomez Services had an Accounts Receivable balance of \$22,400. During the month of May, total credits to Accounts Receivable were \$56,800 from customer payments. The May 31 Accounts Receivable balance was \$17,000. What was the amount of credit sales during May?

- A) \$5,400.
- B) \$51,400.
- C) \$56,800.
- D) \$62,200.
- E) \$35,200.

146) On April 30, Gomez Services had an Accounts Receivable balance of \$18,000. During the month of May, total credits to Accounts Receivable were \$52,000 from customer payments. The May 31 Accounts Receivable balance was \$13,000. What was the amount of credit sales during May?

- A) \$5,000.
- B) \$47,000.
- C) \$52,000.
- D) \$57,000.
- E) \$32,000.

147) During the month of February, Rubio Services had cash receipts of \$9,400 and cash disbursements of \$12,400. The February 28 cash balance was \$5,600. What was the February 1 beginning cash balance?

- A) \$2,600.
- B) \$3,000.
- C) \$8,600.
- D) \$0.
- E) \$13,800.

148) During the month of February, Rubio Services had cash receipts of \$7,500 and cash disbursements of \$8,600. The February 28 cash balance was \$1,800. What was the February 1 beginning cash balance?

- A) \$700.
- B) \$1,100.
- C) \$2,900.
- D) \$0.
- E) \$4,300.

149) The following transactions occurred during July: Received \$910 cash for services provided to a customer during July. Issued common stock for \$2,300 cash. Received \$760 from a customer in partial payment of his account receivable which arose from sales in June. Provided services to a customer on credit, \$385. Borrowed \$6,100 from the bank by signing a promissory note. Received \$1,260 cash from a customer for services to be performed next year. What was the amount of revenue for July?

- A) \$910.
- B) \$1,295.
- C) \$2,555.
- D) \$3,315.
- E) \$11,330.

150) The following transactions occurred during July: Received \$900 cash for services provided to a customer during July. Issued common stock for \$2,200 cash. Received \$750 from a customer in partial payment of his account receivable which arose from sales in June. Provided services to a customer on credit, \$375. Borrowed \$6,000 from the bank by signing a promissory note. Received \$1,250 cash from a customer for services to be performed next year. What was the amount of revenue for July?

- A) \$900.
- B) \$1,275.
- C) \$2,525.
- D) \$3,275.
- E) \$11,100.

151) If Tyrol Willow, the sole owner of Willow Hardware, withdraws cash of the business to purchase a family car, the business should record this use of cash with an entry to:

- A) Debit Accounts Payable and credit Cash.
- B) Debit Cash and credit Salary Expense.
- C) Debit Cash and credit Dividends.
- D) Debit Dividends and credit Cash.
- E) Debit Cash and credit Cash.

152) Marco Nelson opened a frame shop and completed these transactions: Marco started the shop by investing \$41,700 cash and equipment valued at \$19,700 in exchange for common stock. Purchased \$240 of office supplies on credit. Paid \$2,900 cash for the receptionist's salary. Sold a custom frame service and collected \$6,200 cash on the sale. Completed framing services and billed the client \$370. What was the balance of the cash account after these transactions were posted?

- A) \$10,360.
- B) \$10,730.
- C) \$45,000.
- D) \$45,130.
- E) \$45,370.

153) Marco Nelson opened a frame shop and completed these transactions: Marco started the shop by investing \$40,000 cash and equipment valued at \$18,000 in exchange for common stock. Purchased \$70 of office supplies on credit. Paid \$1,200 cash for the receptionist's salary. Sold a custom frame service and collected \$1,500 cash on the sale. Completed framing services and billed the client \$200. What was the balance of the cash account after these transactions were posted?

- A) \$300.
- B) \$41,500.
- C) \$40,300.
- D) \$38,500.
- E) \$38,700.

154) At the beginning of January of the current year, Sorrel Company's ledger reflected a normal balance of \$69,000 for accounts receivable. During January, the company collected \$18,200 from customers on account and provided additional services to customers on account totaling \$14,200. Additionally, during January one customer paid Mikey \$6,700 for services to be provided in the future. At the end of January, the balance in the accounts receivable account should be:

- A) \$65,000.
- B) \$71,700.
- C) \$4,000.
- D) \$73,000.
- E) \$66,300.

155) At the beginning of January of the current year, Sorrel Company's ledger reflected a normal balance of \$52,000 for accounts receivable. During January, the company collected \$14,800 from customers on account and provided additional services to customers on account totaling \$12,500. Additionally, during January one customer paid Mikey \$5,000 for services to be provided in the future. At the end of January, the balance in the accounts receivable account should be:

- A) \$54,700.
- B) \$49,700.
- C) \$2,300.
- D) \$54,300.
- E) \$49,300.

156) During the month of March, Harley's Computer Services made purchases on account totaling \$44,500. Also during the month of March, Harley was paid \$9,500 by a customer for services to be provided in the future and paid \$37,400 of cash on its accounts payable balance. If the balance in the accounts payable account at the beginning of March was \$77,800, what is the balance in accounts payable at the end of March?

- A) \$84,900.
- B) \$94,400.
- C) \$7,100.
- D) \$75,400.
- E) \$5,400.

157) During the month of March, Harley's Computer Services made purchases on account totaling \$43,500. Also during the month of March, Harley was paid \$8,000 by a customer for services to be provided in the future and paid \$36,900 of cash on its accounts payable balance. If the balance in the accounts payable account at the beginning of March was \$77,300, what is the balance in accounts payable at the end of March?

- A) \$83,900.
- B) \$91,900.
- C) \$6,600.
- D) \$75,900.
- E) \$4,900.

158) On January 1 of the current year, Jimmy's Sandwich Company reported total equity of \$128,000. During the current year, total revenues were \$106,000 while total expenses were \$95,500. Also, during the current year the company paid \$30,000 in dividends. No other changes in equity occurred during the year. The *change* in total equity during the year was:

- A) A decrease of \$19,500.
- B) An increase of \$19,500.
- C) An increase of \$40,500.
- D) A decrease of \$40,500.
- E) An increase of \$78,000

159) On January 1 of the current year, Jimmy's Sandwich Company reported total equity of \$122,500. During the current year, total revenues were \$96,000 while total expenses were \$85,500. Also, during the current year the company paid \$20,000 in dividends. No other changes in equity occurred during the year. The *change* in total equity during the year was:

- A) A decrease of \$9,500.
- B) An increase of \$9,500.
- C) An increase of \$30,500.
- D) A decrease of \$30,500.
- E) An increase of \$73,500.

160) Andrea Apple opened Apple Photography on January 1 of the current year. During January, the following transactions occurred and were recorded in the company's books: Andrea invested \$15,000 cash in the business in exchange for common stock. Andrea contributed \$35,000 of photography equipment to the business. The company paid \$3,600 cash for an insurance policy covering the next 24 months. The company received \$7,200 cash for services provided during January. The company purchased \$7,700 of office equipment on credit. The company provided \$4,250 of services to customers on account. The company paid cash of \$3,000 for monthly rent. The company paid \$4,600 on the office equipment purchased in transaction #5 above. Paid \$425 cash for January utilities.

Based on this information, the balance in the cash account at the end of January would be:

- A) \$60,950.
- B) \$10,575.
- C) \$23,200.
- D) \$18,250.
- E) \$14,825.

161) Andrea Apple opened Apple Photography on January 1 of the current year. During January, the following transactions occurred and were recorded in the company's books: Andrea invested \$13,500 cash in the business in exchange for common stock. Andrea contributed \$20,000 of photography equipment to the business. The company paid \$2,100 cash for an insurance policy covering the next 24 months. The company received \$5,700 cash for services provided during January. The company purchased \$6,200 of office equipment on credit. The company provided \$2,750 of services to customers on account. The company paid cash of \$1,500 for monthly rent. The company paid \$3,100 on the office equipment purchased in transaction #5 above. Paid \$275 cash for January utilities. Based on this information, the balance in the cash account at the end of January would be:

- A) \$41,450.
- B) \$12,225.
- C) \$18,700.
- D) \$15,250.
- E) \$13,500.

162) Andrea Apple opened Apple Photography on January 1 of the current year. During January, the following transactions occurred and were recorded in the company's books: Andrea invested \$14,600 cash in the business in exchange for common stock. Andrea contributed \$31,000 of photography equipment to the business in exchange for common stock. The company paid \$3,200 cash for office furniture. The company received \$6,800 cash for services provided during January. The company purchased \$7,300 of office equipment on credit. The company provided \$3,850 of services to customers on account. The company paid cash of \$2,600 for monthly rent. The company paid \$4,200 on the office equipment purchased in transaction #5 above. Paid \$385 cash for January utilities.

Based on this information, the amount reported as total stockholders' equity on the balance sheet at month-end would be:

- A) \$46,800.
- B) \$52,400.
- C) \$44,350.
- D) \$53,265.
- E) \$41,765.

163) Andrea Apple opened Apple Photography on January 1 of the current year. During January, the following transactions occurred and were recorded in the company's books: Andrea invested \$13,500 cash in the business in exchange for common stock. Andrea contributed \$20,000 of photography equipment to the business in exchange for common stock. The company paid \$2,100 cash for office furniture. The company received \$5,700 cash for services provided during January. The company purchased \$6,200 of office equipment on credit. The company provided \$2,750 of services to customers on account. The company paid cash of \$1,500 for monthly rent. The company paid \$3,100 on the office equipment purchased in transaction #5 above. Paid \$275 cash for January utilities. Based on this information, the amount reported as total stockholders' equity on the balance sheet at month-end would be:

- A) \$31,400.
- B) \$39,200.
- C) \$31,150.
- D) \$40,175.
- E) \$30,875.

164) The debt ratio is used:

- A) To measure the ratio of equity to expenses.
- B) To assess the risk associated with a company's use of liabilities.
- C) To assess market expectations for future growth.
- D) To determine how efficient the company is using its assets.
- E) To determine the profitability of a company.

165) Identify the correct formula below used to calculate the debt ratio.

- A) Total Equity/Total Liabilities.
- B) Total Liabilities/Total Equity.
- C) Total Liabilities/Total Assets.
- D) Total Assets/Total Liabilities.
- E) Total Equity/Total Assets.

166) Langley has a debt ratio of 0.3 and its competitor, Appleton, has a debt ratio equal to 0.7. Determine the statement below that is *correct*.

- A) Appleton finances a smaller percentage of its assets with liabilities as compared to Langley.
- B) Appleton's financial leverage is *less* than Langley's financial leverage.
- C) Appleton's financial leverage is *greater* than Langley's financial leverage.
- D) Langley has a higher risk from its financial leverage.
- E) Higher financial leverage involves lower risk.

167) Identify the statement that is *incorrect*.

- A) Higher financial leverage involves higher risk.
- B) Risk is higher if a company has more liabilities.
- C) Risk is higher if a company has more assets.
- D) The debt ratio is one measure of financial risk.
- E) Lower financial leverage involves lower risk.

168) The debt ratio of Company A is 0.31 and the debt ratio of Company B is 0.21. Based on this information, an investor can conclude:

- A) Company B has more debt than Company A.
- B) Company B has less financial leverage.
- C) Company A has less financial leverage.
- D) Company A has 10% more assets than Company B.
- E) Both companies have too much debt.

169) The debt ratio of Braun is 0.9 and the debt ratio of Kemp is 1.0. Based on this information, an investor can conclude:

- A) Kemp finances a relatively lower portion of its assets with liabilities than Braun.
- B) Kemp has less financial leverage.
- C) Braun has higher financial leverage.
- D) Kemp has the same dollar amount of total liabilities and total assets.
- E) Braun has less equity per dollar of assets than Kemp.

170) Jennings Company has total assets of \$449.0 million. Its total liabilities are \$122.5 million. Its equity is \$326 million. Calculate the debt ratio. **(Round your answer to 1 decimal place.)**

- A) 36.0%.
- B) 14.2%.
- C) 37.5%.
- D) 27.3%.
- E) 15.8%.

171) Jennings Company has total assets of \$425 million. Its total liabilities are \$110.5 million. Its equity is \$314.5 million. Calculate the debt ratio.

- A) 38%.
- B) 13%.
- C) 34%.
- D) 26%.
- E) 14%.

172) Sanders Company has total assets of \$389.0 million. Its total liabilities are \$102.1 million and its equity is \$287 million. Calculate its debt ratio. **(Round your answer to 1 decimal place.)**

- A) 35.6%.
- B) 26.2%.
- C) 28.1%.
- D) 58.4%.
- E) 38.0%.

173) Sanders Company has total assets of \$385 million. Its total liabilities are \$100.1 million and its equity is \$284.9 million. Calculate its debt ratio.

- A) 35%.
- B) 26%.
- C) 38%.
- D) 28%.
- E) 58%.

174) Which of the following statements about the debt ratio is *false*?

- A) It a measure of the risk associated with liabilities.
- B) A relatively low ratio signifies lower risk.
- C) The ratio is computed by dividing total liabilities by total assets.
- D) Higher financial leverage means greater risk.
- E) The ratio is computed by dividing total equity by total liabilities.

175) At the end of the current year, James Company reported total liabilities of \$318,000 and total equity of \$118,000. The company's debt ratio was:

- A) 269%.
- B) 37.1%.
- C) 72.9%.
- D) 3.69%.
- E) \$436,000

176) At the end of the current year, James Company reported total liabilities of \$300,000 and total equity of \$100,000. The company's debt ratio was:

- A) 300%.
- B) 33%.
- C) 75%.
- D) 67%.
- E) \$400,000.

177) At the beginning of the current year, Snell Company total assets were \$274,000 and its total liabilities were \$187,200. During the year, the company reported total revenues of \$119,000, total expenses of \$89,000 and dividends of \$18,000. There were no other changes in equity during the year and total assets at the end of the year were \$286,000. The company's debt ratio at the end of the current year is:

- A) 68.3%.
- B) 65.5%.
- C) 34.5%.
- D) 52.8%.
- E) 146.00%.

178) At the beginning of the current year, Snell Company total assets were \$248,000 and its total liabilities were \$174,200. During the year, the company reported total revenues of \$93,000, total expenses of \$76,000 and dividends of \$5,000. There were no other changes in equity during the year and total assets at the end of the year were \$260,000. The company's debt ratio at the end of the current year is:

- A) 70%.
- B) 67%.
- C) 32%.
- D) 48%.
- E) 142%.

179) The process of transferring journal entry information to the ledger is called:

- A) Double-entry accounting.
- B) Posting.
- C) Balancing an account.
- D) Journalizing.
- E) Not required unless debits do not equal credits.

180) When posting journal entries to the ledger, the identification numbers of the individual ledger accounts are entered in the:

- A) Account balance column.
- B) Debit column.
- C) Posting reference (PR) column.
- D) Credit column.
- E) Description column.

181) A complete record of each transaction in one place is called a(n):

- A) Account balance.
- B) Ledger.
- C) Journal.
- D) Trial balance.
- E) Cash account.

182) Which of the following is *not* recorded in a general journal?

- A) The transaction date.
- B) The names of the accounts involved.
- C) The amount of each debit and credit.
- D) An explanation of the transaction.
- E) The ending balance of each account.

183) The balance column in a ledger account is:

- A) An account entered on the balance sheet.
- B) A column for showing the balance of the account after each entry is recorded.
- C) Another name for the dividends account.
- D) An account used to record the transfers of assets from a business to its stockholders.
- E) A simple form of account that is widely used in accounting to illustrate the debits and credits required in recording a transaction.

184) Slam Supplies pays a cash dividend to its owner, Joe Slam. The general journal entry made by Slam Supplies will include a:

- A) Debit to Cash.
- B) Debit to Dividends.
- C) Credit to Dividends.
- D) Credit to Revenue.
- E) Debit to Common Stock.

185) A complete record of each transaction in one place from which transaction amounts are posted to the ledger is a(n):

- A) Account.
- B) Trial balance.
- C) Journal.
- D) T-account.
- E) Balance column account.

186) Centurion Company had the following accounts and balances at December 31:

Account	Debit	Credit
Cash	\$ 12,200	
Accounts Receivable	2,440	
Prepaid Insurance	3,280	
Supplies	1,440	
Accounts Payable		\$ 6,100
Common Stock		6,220
Service Revenue		9,200
Salaries Expense	720	
Utilities Expense	1,440	
Totals	\$ 21,520	\$ 21,520

Using the information in the table, calculate the company's reported net income for the period.

- A) \$1,540.
- B) \$4,660.
- C) \$5,380.
- D) \$13,040.
- E) \$7,040.

187) Centurion Company had the following accounts and balances at December 31:

Account	Debit	Credit
Cash	\$ 10,000	
Accounts Receivable	2,000	
Prepaid Insurance	2,400	
Supplies	1,000	
Accounts Payable		\$ 5,000
Common Stock		4,900
Service Revenue		7,000
Salaries Expense	500	
Utilities Expense	1,000	
Totals	\$ 16,900	\$ 16,900

Using the information in the table, calculate the company's reported net income for the period.

- A) \$1,100.
- B) \$4,000.
- C) \$8,500
- D) \$10,400.
- E) \$5,500.

188) Jackson Services had the following accounts and balances at December 31:

Account	Debit	Credit
Cash	\$ 20,000	
Accounts Receivable	6,000	
Prepaid Insurance	1,500	
Supplies	5,000	
Accounts Payable		\$ 500
Common Stock		16,200
Dividends	1,000	
Service Revenue		20,000
Utilities Expense	2,000	
Salaries Expense	1,200	
Totals	\$ 36,700	\$ 36,700

Using the information in the table, calculate the company's reported net income for the period.

- A) \$16,800.
- B) \$15,800.
- C) \$15,300.
- D) \$10,300.
- E) \$23,200.

189) Cloud Solutions had the following accounts and balances as of December 31:

Account	Debit	Credit
Cash	\$ 20,000	
Accounts receivable	2,000	

Prepaid insurance	1,400	
Supplies	1,500	
Accounts payable		\$ 4,000
Common stock		14,900
Lodging revenue		7,000
Utilities expense	500	
Salaries expense	500	
Totals	<u>\$ 25,900</u>	<u>\$ 25,900</u>

Using the information in the table, calculate the **total assets** reported on the balance sheet for the period.

- A) \$24,900.
- B) \$25,400.
- C) \$22,500.
- D) \$25,900.
- E) \$23,400.

190) At the end of its first month of operations, JMP Consulting reported Revenue of \$39,000. It also reported Wages Expense, \$6,400; Rent Expense, \$5,200; and Utilities Expense, \$1,040.

Calculate net income reported on the income statement at month-end.

- A) \$31,560
- B) \$26,360
- C) \$21,160
- D) \$5,200
- E) \$7,440

191) At the end of its first month of operations, JMP Consulting reported Revenue of \$37,000. It also reported Wages Expense, \$6,000; Rent Expense, \$5,000; and Utilities Expense, \$1,000.

Calculate net income reported on the income statement at month-end.

- A) \$30,000
- B) \$25,000
- C) \$20,000
- D) \$5,000
- E) \$7,000

192) Identify the accounts that would normally have balances in the *debit* column of a business's trial balance.

- A) Assets and expenses.
- B) Assets and revenues.
- C) Revenues and expenses.
- D) Liabilities and expenses.
- E) Liabilities and dividends.

193) Identify the accounts that would normally have balances in the *credit* column of a business's trial balance.

- A) Liabilities and expenses.
- B) Assets and revenues.
- C) Revenues and expenses.
- D) Revenues and liabilities.
- E) Dividends and liabilities.

194) Which of the following is *not* a step in the process to go from transactions and events to the financial statements?

- A) Analyze each transaction and event using the accounting equation.
- B) Identify each transaction and event from source documents.
- C) Record relevant transactions and events in a journal.
- D) Post journal information to ledger accounts.
- E) Ensure all cash is distributed to stockholders at the end of each period.

195) A bookkeeper has debited an asset account for \$5,500 and credited a liability account for \$3,000. Which of the following would be an *incorrect* way to complete the recording of this transaction:

- A) Credit another asset account for \$2,500.
- B) Credit another liability account for \$2,500.
- C) Credit a revenue account for \$2,500.
- D) Credit the common stock account for \$2,500.
- E) Debit another asset account for \$2,500.

196) A bookkeeper has debited an asset account for \$3,500 and credited a liability account for \$2,000. Which of the following would be an *incorrect* way to complete the recording of this transaction:

- A) Credit another asset account for \$1,500.
- B) Credit another liability account for \$1,500.
- C) Credit a revenue account for \$1,500.
- D) Credit the common stock account for \$1,500.
- E) Debit another asset account for \$1,500.

197) A list of all ledger accounts and their balances at a point in time is called a(n):

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

198) Identify the statement below that is *true*.

- A) A trial balance can replace the need for financial statements.
- B) If the debit and credit columns of a trial balance are equal, one can be assured that there were no recording errors during the period.
- C) Another name for the trial balance is the chart of accounts.
- D) The trial balance is a list of all ledger accounts and their balances at a point in time.
- E) The trial balance is another name for the balance sheet as long as debits balance with credits.

199) While in the process of posting from the journal to the ledger, a company failed to post a \$500 debit to the Equipment account. The effect of this error will be that:

- A) The Equipment account balance will be overstated.
- B) The trial balance will not balance.
- C) The error will overstate the debits listed in the journal.
- D) The total debits in the trial balance will be larger than the total credits.
- E) The error will overstate the credits listed in the journal.

200) A \$31 credit to Sales was posted as a \$310 credit. By what amount is the Sales account in error?

- A) \$310 understated.
- B) \$279 overstated.
- C) \$310 overstated.
- D) \$31 understated.
- E) \$279 understated.

201) A \$15 credit to Sales was posted as a \$150 credit. By what amount is the Sales account in error?

- A) \$150 understated.
- B) \$135 overstated.
- C) \$150 overstated.
- D) \$15 understated.
- E) \$135 understated.

202) At year-end, a trial balance showed total credits exceeding total debits by \$5,400. This difference could have been caused by:

- A) An error in the general journal where a \$5,400 increase in Accounts Receivable was mistakenly recorded as an increase in Cash.
- B) A net income of \$5,400.
- C) The balance of \$54,000 in Accounts Payable being mistakenly entered in the trial balance as \$5,400.
- D) The balance of \$6,040 in the Office Equipment account being mistakenly entered on the trial balance as a debit of \$640.
- E) An error in the general journal where a \$5,400 increase in Accounts Payable was mistakenly recorded as a decrease in Accounts Payable.

203) At year-end, a trial balance showed total credits exceeding total debits by \$4,950. This difference could have been caused by:

- A) An error in the general journal where a \$4,950 increase in Accounts Receivable was mistakenly recorded as an increase in Cash.
- B) A net income of \$4,950.
- C) The balance of \$49,500 in Accounts Payable being mistakenly entered in the trial balance as \$4,950.
- D) The balance of \$5,500 in the Office Equipment account being mistakenly entered on the trial balance as a debit of \$550.
- E) An error in the general journal where a \$4,950 increase in Accounts Payable was mistakenly recorded as a decrease in Accounts Payable.

204) Identify the item below that would cause the trial balance to *not* balance?

- A) A \$1,040 collection of an account receivable was erroneously posted as a debit to Accounts Receivable and a credit to Cash.
- B) The purchase of office supplies on account for \$3,260 was erroneously recorded in the journal as \$2,360 debit to Office Supplies and \$2,360 credit to Accounts Payable.
- C) A \$70 cash receipt for the performance of a service was not recorded at all.
- D) The purchase of office equipment for \$1,300 was posted as a debit to Office Supplies and a credit to Cash for \$1,300.
- E) The cash payment of a \$790 account payable was posted as a debit to Accounts Payable and a debit to Cash for \$790.

205) Identify the item below that would cause the trial balance to *not* balance?

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

206) The credit purchase of a new oven for \$4,900 was posted to Kitchen Equipment as a \$4,900 *debit* and to Accounts Payable as a \$4,900 *debit*. What effect would this error have on the trial balance?

A) The total of the Debit column of the trial balance will exceed the total of the Credit column by \$4,900.

B) The total of the Credit column of the trial balance will exceed the total of the Debit column by \$4,900.

C) The total of the Debit column of the trial balance will exceed the total of the Credit column by \$9,800.

D) The total of the Credit column of the trial balance will exceed the total of the Debit column by \$9,800.

E) The total of the Debit column of the trial balance will equal the total of the Credit column.

207) The credit purchase of a new oven for \$4,700 was posted to Kitchen Equipment as a \$4,700 *debit* and to Accounts Payable as a \$4,700 *debit*. What effect would this error have on the trial balance?

A) The total of the Debit column of the trial balance will exceed the total of the Credit column by \$4,700.

B) The total of the Credit column of the trial balance will exceed the total of the Debit column by \$4,700.

C) The total of the Debit column of the trial balance will exceed the total of the Credit column by \$9,400.

D) The total of the Credit column of the trial balance will exceed the total of the Debit column by \$9,400.

E) The total of the Debit column of the trial balance will equal the total of the Credit column.

208) On a trial balance, if the Debit and Credit column totals are equal, then:

- A) All transactions have been recorded correctly.
- B) All entries from the journal have been posted to the ledger correctly.
- C) All ledger account balances are correct.
- D) Equal debits and credits have been recorded for transactions.
- E) The balance sheet would be correct.

209) Identify which error will cause the trial balance to be out of balance.

- A) A \$210 cash salary payment posted as a \$210 debit to Cash and a \$210 credit to Salaries Expense.
- B) A \$110 cash receipt from a customer in payment of her account posted as a \$110 debit to Cash and a \$11 credit to Accounts Receivable.
- C) A \$80 cash receipt from a customer in payment of her account posted as a \$80 debit to Cash and a \$80 credit to Cash.
- D) A \$53 cash purchase of office supplies posted as a \$53 debit to Office Equipment and a \$53 credit to Cash.
- E) An \$850 prepayment from a customer for services to be rendered in the future was posted as an \$850 debit to Unearned Revenue and an \$850 credit to Cash.

210) Identify which error will cause the trial balance to be out of balance.

- A) A \$200 cash salary payment posted as a \$200 debit to Cash and a \$200 credit to Salaries Expense.
- B) A \$100 cash receipt from a customer in payment of her account posted as a \$100 debit to Cash and a \$10 credit to Accounts Receivable.
- C) A \$75 cash receipt from a customer in payment of her account posted as a \$75 debit to Cash and a \$75 credit to Cash.
- D) A \$50 cash purchase of office supplies posted as a \$50 debit to Office Equipment and a \$50 credit to Cash.
- E) An \$800 prepayment from a customer for services to be rendered in the future was posted as an \$800 debit to Unearned Revenue and an \$800 credit to Cash.

211) A \$250 credit to Supplies was credited to Fees Earned by mistake. By what amounts are the accounts under- or overstated as a result of this error?

- A) Supplies, understated \$250; Fees Earned, overstated \$250.
- B) Supplies, understated \$500; Fees Earned, overstated \$250.
- C) Supplies, overstated \$250; Fees Earned, overstated \$250.
- D) Supplies, overstated \$250; Fees Earned, understated \$250.
- E) Supplies, overstated \$500; Fees Earned, understated \$250.

212) A \$130 credit to Supplies was credited to Fees Earned by mistake. By what amounts are the accounts under- or overstated as a result of this error?

- A) Supplies, understated \$130; Fees Earned, overstated \$130.
- B) Supplies, understated \$260; Fees Earned, overstated \$130.
- C) Supplies, overstated \$130; Fees Earned, overstated \$130.
- D) Supplies, overstated \$130; Fees Earned, understated \$130.
- E) Supplies, overstated \$260; Fees Earned, understated \$130.

213) Which of the following is *not* an asset account?

- A) Accounts receivable.
- B) Buildings.
- C) Supplies expense.
- D) Equipment.
- E) Prepaid insurance.

214) Compare the list of accounts below and choose the list that contains only accounts that would be classified as *asset* accounts on the Chart of Accounts.

- A) Accounts Payable; Cash; Supplies.
- B) Unearned Revenue; Accounts Payable; Dividends.
- C) Building; Prepaid Insurance; Supplies Expense.
- D) Cash; Prepaid Insurance; Equipment.
- E) Notes Payable; Cash; Dividends.

215) Which financial statement reports an organization's financial position at a single point in time?

- A) Income statement.
- B) Balance sheet.
- C) Statement of retained earnings.
- D) Cash flow statement.
- E) Trial balance.

216) Jeff Jackson opened Jackson's Repairs on March 1 of the current year. During March, the following transactions occurred: Jackson invested \$26,000 cash in the business in exchange for common stock. Jackson contributed \$101,000 of equipment to the business. The company paid \$2,100 cash to rent office space for the month of March. The company received \$17,000 cash for repair services provided during March. The company paid \$6,300 for salaries for the month of March. The company provided \$3,100 of services to customers on account. The company paid cash of \$600 for utilities for the month of March. The company received \$3,200 cash in advance from a customer for repair services to be provided in April. The company paid \$5,100 in cash dividends.

Based on this information, net income for March would be:

- A) \$11,100.
- B) \$14,400.
- C) \$5,400.
- D) \$8,300.
- E) \$14,500.

217) Jeff Jackson opened Jackson's Repairs on March 1 of the current year. During March, the following transactions occurred: Jackson invested \$25,000 cash in the business in exchange for common stock. Jackson contributed \$100,000 of equipment to the business. The company paid \$2,000 cash to rent office space for the month of March. The company received \$16,000 cash for repair services provided during March. The company paid \$6,200 for salaries for the month of March. The company provided \$3,000 of services to customers on account. The company paid cash of \$500 for utilities for the month of March. The company received \$3,100 cash in advance from a customer for repair services to be provided in April. The company paid \$5,000 in cash dividends. Based on this information, net income for March would be:

- A) \$10,300.
- B) \$13,400.
- C) \$5,300.
- D) \$8,400.
- E) \$13,500.

218) Web Consulting received \$3,000 from a customer for services provided. The general journal entry to record this transaction will be:

- A) Debit Services Revenue, credit Accounts Receivable.
- B) Debit Cash, credit Accounts Payable.
- C) Debit Cash, credit Accounts Receivable.
- D) Debit Cash, credit Services Revenue.
- E) Debit Accounts Payable, credit Services Revenue.

219) Wiley Hill opened Hill's Repairs on March 1 of the current year. During March, the following transactions occurred: Wiley invested \$45,000 cash in the business in exchange for common stock. Wiley contributed \$120,000 of equipment to the business in exchange for common stock. The company paid \$4,000 cash to rent office space for the month of March. The company received \$36,000 cash for repair services provided during March. The company paid \$8,200 for salaries for the month of March. The company provided \$5,000 of services to customers on account. The company paid cash of \$2,500 for utilities for the month of March. The company received \$5,100 cash in advance from a customer for repair services to be provided in April. The company paid \$7,000 in cash dividends. Based on this information, the total amount of stockholders' equity reported on the balance sheet at the end of March would be:

- A) \$189,400.
- B) \$184,300.
- C) \$175,300.
- D) \$6,400.
- E) \$33,500.

220) Wiley Hill opened Hill's Repairs on March 1 of the current year. During March, the following transactions occurred: Wiley invested \$25,000 cash in the business in exchange for common stock. Wiley contributed \$100,000 of equipment to the business in exchange for common stock. The company paid \$2,000 cash to rent office space for the month of March. The company received \$16,000 cash for repair services provided during March. The company paid \$6,200 for salaries for the month of March. The company provided \$3,000 of services to customers on account. The company paid cash of \$500 for utilities for the month of March. The company received \$3,100 cash in advance from a customer for repair services to be provided in April. The company paid \$5,000 in cash dividends. Based on this information, the total amount of stockholders' equity reported on the balance sheet at the end of March would be:

- A) \$133,400.
- B) \$130,300.
- C) \$125,300.
- D) \$8,400.
- E) \$13,500.

FILL IN THE BLANK. Write the word or phrase that best completes each statement or answers the question.

221) _____ and _____ are the starting points of financial statements.

222) The third step in the process to go from transactions and events to financial statements is to record relevant transactions and events in a _____.

223) The fourth step in the process to go from transactions and events to financial statements is to post journal entries to the _____.

- 224) _____ identify and describe transactions and events entering the accounting system.
- 225) Revenues and expenses are two types of _____ accounts.
- 226) Sales receipts, checks, purchase orders, and bank statements are examples of _____ used in the accounting system.
- 227) In a seller's accounting records, _____ are promises of payment from customers to the seller.
- 228) Unearned revenue is classified as a(an) _____ on a business's balance sheet.
- 229) The four types of equity accounts are _____, _____, _____, and _____.
- 230) A _____ is a *list* of all ledger accounts and their identification numbers.
- 231) A record of increases and decreases in a specific asset, liability, equity, revenue, or expense is called a(n) _____.
- 232) _____ requires that for each transaction at least two accounts are involved, with at least one debit and one credit. It also means that total amounts debited must equal total amounts credited for each transaction.

233) The _____ is the difference between total debits and total credits for an account, including any beginning balance.

234) Assets would be increased with a _____ entry and liabilities would be increased with a _____ entry.

235) Funky Music purchased \$25,000 of equipment for cash. The asset account, Equipment, is _____ for \$25,000 and the Cash account is _____ for \$25,000.

236) Jackson Brown Footwear had total liabilities of \$127.5 million and total assets of \$375 million. Its debt ratio was _____.

237) _____ is the process of transferring journal entry information to the ledger.

238) A _____ gives a complete record of each transaction in one place, and it shows debits and credits for each transaction.

239) _____ is a liability that is recorded when customers pay in advance for products or services.

240) Posting is the transfer of information from the _____ to the _____.

241) You increase the *Service Revenue* account on the _____ side of its account.

242) You decrease the *Accounts Payable* account on the _____ side of its account.

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

243) List the steps in processing transactions.

244) Describe what source documents are and the purpose they serve in a business.

245) What are the three broad groups of accounts shown on an unclassified balance sheet and define each group?

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

247) Explain debits and credits and their role in the accounting system of a business.

248) Explain the debt ratio and its use in analyzing a company's financial condition.

249) Explain the recording and posting processes.

250) What is a trial balance? What is its purpose?

251) Describe the link between a business's income statement, the statement of retained earnings, and the balance sheet.

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

252) Miley Block is a building consultant. Shown below are (a) several accounts in her ledger with each account preceded by an identification number, and (b) several transactions completed by Block. Indicate the accounts debited and credited when recording each transaction by placing the proper account identification numbers to the right of each transaction.

1. Accounts Payable
2. Accounts Receivable
3. Cash
4. Consulting Fees Earned
5. Office Supplies
6. Office Supplies Expense
7. Telephone Expense
8. Unearned Revenue
9. Common Stock
10. Dividends
11. Insurance Expense
12. Prepaid Insurance

Debit Credit

Example: Completed consulting work for a client who will pay at a later date.

2 4

A. Received cash in advance from a customer for designing a building.

B. Purchased office supplies on credit.

C. Paid for the supplies purchased in B.

D. Received the telephone bill of the business and immediately paid it.

E. Paid for a 3-year insurance policy.

253) Drew Castle is an insurance appraiser. Shown below are (a) several accounts in his ledger with each account preceded by an identification number, and (b) several transactions completed by Castle. Indicate the accounts debited and credited when recording each transaction by placing the proper account identification numbers to the right of each transaction.

1. Accounts Payable
2. Accounts Receivable
3. Appraisal Fees Earned
4. Cash
5. Insurance Expense
6. Office Equipment
7. Office Supplies
8. Office Supplies Expense
9. Prepaid Insurance
10. Salaries Expense
11. Telephone Expense
12. Unearned Appraisal Fees
13. Common Stock
14. Dividends

	Debit	Credit
Example: Completed an appraisal for a client who promised to pay at a later date.	2	3
A. Received cash in advance for appraising a hail damage claim		
B. Purchased office supplies on credit		
C. The company paid cash dividends		
D. Received the telephone bill of the business and immediately paid it		
E. Paid the salary of the office assistant		
F. Paid for the supplies purchased in transaction B		
G. Completed an appraisal for a client and immediately collected cash for the work performed		

254) Identify by marking an X in the appropriate column, whether each of the following items would likely serve as a source document. The first one is done as an example.

	Yes	No
Example. Credit card		X
a. Credit card receipt		
b. Purchase order		
c. Invoice		
d. Balance sheet		
e. Bank statement		
f. Journal entry		
g. Telephone bill		
h. Employee earnings record		

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

- a. To decrease Cash.
- b. To increase Common Stock.
- 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 Dividends.

256) Using the following list of accounts, enter the type of account and its normal balance into the table below. The first item is filled in as an example:

	Type of Account			Normal Balance	
	Asset	Liability	Equity	Debit	Credit
Common Stock			X		X
Interest Payable					
Land					
Dividends					
Fees Earned					
Prepaid Rent					
Advertising Expense					
Unearned Rent Revenue					
Commissions Earned					
Notes Receivable					

257) Rowdy Bolton began Bolton Office Services in October and during that month completed these transactions:

- a. Invested \$10,000 cash and \$15,000 of computer equipment in the business in exchange for common stock.
- b. Paid \$500 cash for an insurance premium covering the next 12 months.
- c. Completed office services for a customer and collected \$1,000 cash.
- d. Paid \$200 cash for office supplies.
- e. Paid \$2,000 for October's rent.

Prepare journal entries to record the above transactions. Explanations are unnecessary.

258) JBL Company sends a \$2,500 bill to a customer for services it provided during the month. Set up the necessary T-accounts below and show how this transaction would be recorded directly in those accounts.

Debit	Credit

Debit	Credit

259) NBC made a \$2,500 payment on account, to satisfy a previously recorded account payable. Set up the necessary T-accounts below and show how this transaction would be recorded directly in those accounts.

Debit	Credit

Debit	Credit

260) A company paid \$100 in cash dividends. Set up the necessary T-accounts below and show how this transaction would be recorded directly in those accounts.

Debit	Credit

Debit	Credit

261) On December 3, the XFL Company paid \$1,400 cash in salaries to employees. Prepare the general journal entry to record this transaction.

262) On February 5, Kirkland Company purchased equipment that cost \$35,000. The firm paid \$5,000 cash and signed a note payable for \$30,000. Show the general journal entry to record this transaction.

263) Jarrod Automotive, owned and operated by Jarrod Johnson, began business in September of the current year. Jarrod, a mechanic, had no experience with recording business transactions. As a result, Jarrod entered all of September's transactions directly into the ledger accounts. When he tried to locate a particular entry, he found it confusing and time consuming. He has hired you to improve his accounting procedures. The accounts in his General Ledger follow:

Cash						
Debit				Credit		
9/1	(a)	4,200		9/4	(b)	550
9/11	(d)	150				
9/15	(e)	190				

Equipment						
Debit				Credit		
9/1	(a)	800				
9/4	(b)	2,550				

Common Stock						
Debit				Credit		
				9/1	(a)	5,000

Notes Payable						
Debit				Credit		
				9/4	(b)	2,000

Accounts Receivable						
Debit				Credit		
9/9	(c)	275		9/15	(e)	190

	Revenue		
Debit	Credit		
	9/9	(c)	275
	9/11	(d)	150

Prepare the general journal entries, in chronological order (a) through (e), from the T-account entries shown. Include a brief description of the probable nature of each transaction.

264) Sarah's Paralegal Services completed these transactions in February:

- a. Purchased office supplies on account, \$300.
- b. Completed work for a client on credit, \$500.
- c. Paid cash for the office supplies purchased in (a).
- d. Completed work for a client and received \$800 cash.
- e. Received \$500 cash for the work described in (b).
- f. Received \$1,000 in advance from a client for services to be performed in March.

Prepare journal entries to record the above transactions. Explanations are not necessary.

265) Larry Matt completed these transactions during December of the current year:

December 1 Began a financial services practice by investing \$15,000

cash and office equipment with a \$5,000 value in exchange for common stock.

- December 2** Purchased \$1,200 of office equipment on credit.
- December 3** Purchased \$300 of office supplies on credit.
- December 4** Completed work for a client and immediately received payment of \$900 cash.
- December 8** Completed work for Precept Paper Company on credit, \$1,700.
 - December 10** Paid for the supplies purchased on credit on December 3.
 - December 14** Paid for the annual \$960 premium on an insurance policy providing coverage for the upcoming year.
 - December 18** Received payment in full from Precept Paper Company for the work completed on December 8.
 - December 27** Paid \$650 in cash dividends.
 - December 30** Paid \$175 cash for the December utility bills.
 - December 30** Received \$2,000 in advance from a client for services to be performed next year.

Prepare general journal entries to record these transactions.

266) Mary Sunny, the sole stockholder, began business as Sunny Law Firm on November 1. Record the following November transactions by making entries directly to the T-accounts provided. Next, prepare a trial balance as of November 30.

- a) Mary invested \$15,000 cash and a law library valued at \$6,000 in exchange for common stock.
- b) Purchased \$7,500 of office equipment from John Bronx on credit.
- c) Completed legal work for a client and received \$1,500 cash in full payment.
- d) Paid John Bronx \$3,500 cash in partial payment of the amount owed from transaction b.
- e) Completed \$4,000 of legal work for a client on credit.
- f) Paid \$2,000 in cash dividends.
- g) Received \$2,500 cash as partial payment for the legal work completed for the client in (e).
- h) Paid \$2,500 cash for the secretary's salary.

Cash	
Debit	Credit
Office Equipment	
Debit	Credit
Dividends	
Debit	Credit
Accounts Receivable	
Debit	Credit

Accounts Payable	
Debit	Credit
Legal Fees Earned	
Debit	Credit
Law Library	
Debit	Credit
Common Stock	
Debit	Credit
Salaries Expense	
Debit	Credit

267) Jerry's Shop had the following assets and liabilities at the beginning and end of the current year:

	Assets	Liabilities
Beginning of the year	\$ 114,000	\$ 68,000
End of the year	135,000	73,000

If there were no stockholder investments or dividends paid during the year, what was the amount of net income earned by Jerry's Shop?

268) Victor Services had the following assets and liabilities at the beginning and end of the current year:

	Assets	Liabilities
Beginning of the year	\$ 114,000	\$ 68,000
End of the year	135,000	73,000

If \$12,000 of common stock was issued during the year, but no dividends were paid during the year, what was the amount of net income earned by Victor Services?

269) Archer Company had the following assets and liabilities at the beginning and end of the current year:

	Assets	Liabilities
Beginning of the year	\$ 114,000	\$ 68,000
End of the year	135,000	73,000

If \$12,000 of common stock was issued during the year, and the business paid \$5,000 in dividends during the year, what was the amount of net income earned by Archer Company?

270) A company had total assets of \$350,000, total liabilities of \$101,500, and total equity of \$248,500. Calculate the company's debt ratio.

271) Jackson Advertising Company had assets of \$475,000; liabilities of \$275,500; and equity of \$199,500. Calculate its debt ratio.

272) Rosenow Farms receives \$50,000 cash from owner Don Rosenow in exchange for common stock. What is the overall effect on *total assets* for this company as a result of this transaction?

273) Given each of the following errors, indicate on the table below the amount by which the trial balance will be out of balance and which trial balance column (debit or credit) will have the larger total as a result of the error.

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

Error	Amount Out of Balance	Column Having Larger Total
--------------	------------------------------	-----------------------------------

a.

b.

c.

d.

e.

274) After preparing an (unadjusted) trial balance at year-end, R. Chang of Chang Window Company discovered the following errors:

1. Cash payment of the \$225 telephone bill for December was recorded twice.
2. Cash payment of a note payable was recorded as a debit to Cash and a debit to Notes Payable for \$1,000.
3. A \$900 cash dividend was recorded to the correct accounts as \$90.
4. An additional investment of \$5,000 cash by a stockholder was recorded as a debit to Common Stock 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 whether the error would cause the trial balance to be out of balance by placing an X in either the yes or no column.

Error	Yes	No
1.		
2.		
3.		
4.		
5.		

275) The balances for the accounts of Milo's Management Company for the year ended December 31 are shown below. Each account shown had a normal balance.

Accounts Payable	\$ 6,500	Wages Expense	\$ 36,000
Accounts Receivable	7,000	Rent Expense	6,000
Cash	?	Retained Earnings	68,700
Office Supplies	1,200	Land	50,000
Building	125,000	Unearned Management Fees	4,000
Supplies Expense	21,500	Dividends	48,000
Common Stock	50,000		

Management Revenue 175,000

Calculate the correct balance for Cash and prepare a trial balance.

276) At year-end, Henry Laundry Service noted the following errors in its trial balance:

1. It understated the total debits to the Cash account by \$500 when computing the account balance.
2. A credit sale for \$311 was recorded as a credit to the revenue account, but the offsetting debit was not posted.
3. A cash payment to a creditor for \$2,600 was never recorded.
4. The \$680 balance of the Prepaid Insurance account was listed in the credit column of the trial balance.
5. A \$24,900 van purchase was recorded as a \$24,090 debit to Equipment and a \$24,090 credit to Notes Payable.
6. A purchase of office supplies for \$150 was recorded as a debit to Office Equipment. The offsetting credit entry was correct.
7. An additional investment of \$4,000 by stockholders was recorded as a debit to Common Stock and as a credit to Cash.
8. The cash payment of the \$510 utility bill for December was recorded (but not paid) twice.
9. The revenue account balance of \$79,817 was listed on the trial balance as \$97,817.
10. A \$1,000 cash dividend was recorded as a \$100 debit to Dividends and \$100 credit to cash.

Using the form below, indicate whether each error would cause the trial balance to be out of balance, the amount of any imbalance, and whether a correcting journal entry is required.

Error	Would the error cause the trial balance to be out of balance?		Amount of Imbalance	Correcting Journal Entry Required	
	Yes	No		Yes	No
1.					
2.					

- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

277) The following trial balance is prepared from the general ledger of HG's Auto Maintenance.

HG'S AUTO MAINTENANCE		
Trial Balance		
October 31		
	Debit	Credit
Cash	\$ 1,975	
Accounts receivable	2,800	
Supplies	500	
Shop equipment	13,000	
Office equipment	6,600	
Accounts payable		\$ 4,510
Common Stock		22,000

Dividends	4,200	
Repair fees earned		11,875
Supplies expense	8,600	
Totals	<u>\$ 37,675</u>	<u>\$ 38,385</u>

Because the trial balance did not balance, you decided to examine the accounting records. You found that the following errors had been made:

1. A purchase of supplies on account for \$245 was posted as a debit to Supplies and as a debit to Accounts Payable.
2. An investment of \$500 cash by a stockholder was debited to Common Stock and credited to Cash.
3. In computing the balance of the Accounts Receivable account, a debit of \$600 was omitted from the computation.
4. One debit of \$300 to the Dividends account was posted as a credit.
5. Office equipment purchased for \$800 was posted to the Shop Equipment account.
6. One entire entry was not posted to the general ledger. The transaction involved the receipt of \$125 cash for repair services performed for cash.

Prepare a corrected trial balance for the HG's Auto Maintenance as of October 31.

278) Figgaro Company began operations on August 1. The Company's accounts and their balances, as of the *end* of August, are included below. All accounts have normal balances:

Accounts receivable	\$ 36,000	Cash	\$ 27,000
Equipment	59,000	Advertising expense	5,000
Service revenues earned	75,000	Accounts payable	31,000
Rent expense	3,600	Dividends	24,000
Office supplies	1,500	Salaries expense	30,000
Notes payable	22,000	Common Stock	58,100

- a. Calculate net income.
- b. Determine the amount of retained earnings to be shown on the August 31 balance sheet.

279) Sally's Salon began operations on January 1 of the current year with an investment by Sally of \$21,155 in exchange for common stock. Based on the following trial balance prepare an income statement, statement of retained earnings, and a balance sheet. There were no additional common stock issuances during the year.

Sally's Salon Trial Balance December 31		
	Debit	Credit
Cash	\$ 6,500	
Accounts receivable	475	
Beauty supplies	2,500	
Beauty shop equipment	17,000	
Accounts payable		\$ 745
Common stock		21,155
Dividends	36,000	
Revenue earned		72,000
Beauty supplies expense	3,425	
Rent expense	6,000	
Wages expense	22,000	
Totals	\$ 93,900	\$ 93,900

280) George Butler, the sole stockholder, opened a business that provides day tugboat tours to tourists along the Mississippi River. Prepare journal entries to record the following transactions.

May 1 Butler invested \$20,000 cash and a tugboat valued at \$90,000 in exchange for common stock.

May 2 Butler paid \$3,000 cash for office equipment.

May 3 Butler bought boating supplies costing \$2,500 on credit.

May 4 Butler paid \$500 cash for the first month's dock rental.

May 5 Butler paid \$1,800 cash for a six-month insurance policy.

May 10 Butler gave a client a tour and immediately received \$2,000 cash.

May 12 Butler provided a \$3,500 tour on credit, the customer agreed to pay within 10 days

May 19 Butler paid for the boating supplies originally purchased on May 3.

May 22 Butler receives payment on the account from the client entry on May 12.

May 25 Butler received \$2,750 cash for tours that he completed that day.

May 31 Butler paid his crew member a salary of \$1,000.

May 31 The company paid \$2,000 in cash dividends.

281) Based on the following trial balance for Barry's Automotive Shop, prepare an income statement, statement of retained earnings, and a balance sheet. There were no additional stock issuances during the year.

Barry's Automotive Shop
Trial Balance

December 31

	Debit	Credit
Cash	\$ 12,500	
Accounts receivable	1,500	
Supplies	500	
Repair shop equipment	27,000	
Service truck	33,000	
Accounts payable		\$ 2,600
Common Stock		30,000
Retained Earnings		8,525
Dividends	36,000	
Service revenue		125,000
Supplies expense	3,425	
Rent expense	18,000	
Utilities expense	5,000	
Gas expense	7,200	
Wages expense	22,000	
Totals	\$ 166,125	\$ 166,125

282) For each of the accounts in the following table (1) identify the type of account as an asset, liability, equity, revenue, or expense, and (2) identify the normal balance of the account.

Account Type	Normal Balance
---------------------	-----------------------

- a. Wages Expense
- b. Accounts Receivable
- c. Commissions Earned
- d. Salaries Payable
- e. Common Stock
- f. Unearned Advertising Revenue
- g. Salaries Expense
- h. Subscription Revenue
- i. Dividends
- j. Prepaid Insurance

283) For each of the following accounts, identify whether a debit or credit yields the indicated change

- a. To increase Fees Earned
- b. To decrease Cash
- c. To decrease Unearned Revenue
- d. To increase Accounts Receivable
- e. To increase Common Stock
- f. To decrease Notes Payable
- g. To increase Prepaid Rent
- h. To increase Salaries Expense

- i. To increase Accounts Payable
- j. To decrease Prepaid Insurance

284) Indicate on which financial statement each of the following items appears. Use I for income statement, E for statement of retained earnings and B for balance sheet.

- a. Fees Earned
- b. Cash
- c. Unearned Revenue
- d. Rent expense
- e. Accounts Receivable
- f. Notes Payable
- g. Prepaid Rent
- h. Salaries Expense
- i. Notes Payable
- j. Dividends

285) Jason Hope opened a hotel. Prepare journal entries to record the following transactions. Use the following partial chart of accounts: Cash; Supplies; Prepaid Insurance; Land; Building; Accounts Payable; Unearned Rental Revenue; Note Payable; Common Stock; Dividends; Room Rental Revenue; Event Revenue; Salaries Expense; Catering Expense; Maintenance Expense; and Event Expense.

- June 1** Hope invested \$400,000 cash into the business in exchange for common stock.
- June 2** Hope purchased a hotel building for \$800,000 and land for \$100,000. Hope paid \$250,000 in cash and signed note payable for \$650,000.
- June 3** Paid \$6,000 for a six-month insurance policy on the hotel.
- June 5** Purchased supplies costing \$4,000 on account.
- June 10** Received advance payments of \$12,000 from customers that will be staying at the hotel in July. Payments will be refunded if the customer cancels within 7 days of their scheduled arrival time.
- June 14** Received cash payments of \$13,000 from current customers staying at the hotel in June.
- June 15** Paid \$2,000 cash for staff salaries.
- June 16** Paid \$500 for maintenance expense.
- June 17** Received \$10,000 payment for a wedding reception hosted that day.
- June 18** Paid \$2,500 for catering expenses.
- June 18** Paid event expenses of \$1,000 for table and chair rentals.
- June 19** Paid event expenses of \$2,000 for flowers.
- June 24** Paid for the supplies purchased on June 5.
- June 25** Recorded an additional \$5,000 cash received from current hotel customers for June.
- June 30** Paid \$2,000 cash for staff salaries.
- June 30** The company paid \$4,000 in cash dividends.

286) For each of the following accounts, (1) identify the account as an asset, liability, equity, revenue, or expense, and (2) indicate the normal balance of the account.

Account Title	Account Type	Normal Balance (Debit or Credit)
a. Prepaid Insurance		
b. Accounts Payable		
c. Common Stock		
d. Utilities Expense		
e. Land		
f. Services Revenue		
g. Notes Receivable		
h. Advertising Expense		
i. Unearned Revenue		
j. Service Revenue		

287) On November 3, Forbes Company provided auditing and tax services of \$5,000 to a client. The client is billed for these services. Show the journal entry for Forbes Company to record this transaction.

Answer Key

Test name: Chap 02

- 1) TRUE
- 2) FALSE
- 3) TRUE
- 4) TRUE
- 5) TRUE
- 6) FALSE
- 7) FALSE
- 8) FALSE
- 9) TRUE
- 10) TRUE
- 11) TRUE
- 12) TRUE
- 13) TRUE
- 14) TRUE
- 15) FALSE
- 16) TRUE
- 17) TRUE
- 18) TRUE
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- 47) TRUE
- 48) FALSE
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- 56) FALSE

- 57) FALSE
- 58) FALSE
- 59) TRUE
- 60) TRUE
- 61) TRUE
- 62) TRUE
- 63) FALSE
- 64) TRUE
- 65) A
- 66) C
- 67) B
- 68) B
- 69) D
- 70) B
- 71) B
- 72) B
- 73) C
- 74) C
- 75) D
- 76) D
- 77) E
- 78) E
- 79) D
- 80) B
- 81) D
- 82) C
- 83) D
- 84) D
- 85) C
- 86) B

- 87) A
- 88) C
- 89) B
- 90) A
- 91) A
- 92) C
- 93) B
- 94) D
- 95) C
- 96) C
- 97) C
- 98) E
- 99) C
- 100) B
- 101) A
- 102) A
- 103) D
- 104) D
- 105) D
- 106) B
- 107) C
- 108) C
- 109) D
- 110) D
- 111) E
- 112) E
- 113) D
- 114) D
- 115) E
- 116) E

- 117) B
- 118) B
- 119) C
- 120) C
- 121) A
- 122) A
- 123) D
- 124) C
- 125) C
- 126) D
- 127) A
- 128) A
- 129) A
- 130) E
- 131) B
- 132) B
- 133) E
- 134) C
- 135) C
- 136) C
- 137) E
- 138) B
- 139) A
- 140) A
- 141) A
- 142) C
- 143) B
- 144) B
- 145) B
- 146) B

- 147) C
- 148) C
- 149) B
- 150) B
- 151) D
- 152) C
- 153) C
- 154) A
- 155) B
- 156) A
- 157) A
- 158) A
- 159) A
- 160) B
- 161) B
- 162) D
- 163) D
- 164) B
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- 166) C
- 167) C
- 168) B
- 169) D
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- 171) D
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- 174) E
- 175) C
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- 185) C
- 186) E
- 187) E
- 188) A
- 189) A
- 190) B
- 191) B
- 192) A
- 193) D
- 194) E
- 195) E
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- 197) B
- 198) D
- 199) B
- 200) B
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- 202) D
- 203) D
- 204) E
- 205) E
- 206) C

- 207) C
- 208) D
- 209) B
- 210) B
- 211) C
- 212) C
- 213) C
- 214) D
- 215) B
- 216) A
- 217) A
- 218) D
- 219) B
- 220) B
- 221) [Business transactions, Events]
- 222) journal
- 223) ledger
- 224) Source documents
- 225) equity
- 226) source documents
- 227) Accounts receivable
- 228) liability
- 229) [common stock, dividends, revenues, expenses]
- 230) chart of accounts
- 231) account
- 232) Double-entry accounting
- 233) account balance
- 234) [debit, credit]
- 235) [debited, credited]
- 236) 34%

237) Posting

238) journal

239) Unearned revenue

240) [journal, ledger]

241) right or credit

242) left or debit

243) Business transactions and events are the starting point. The process to go from transactions and events to financial statements includes (1) Identify each transaction and event from source documents, (2) Analyze each transaction and event using the accounting equations, (3) Record relevant transactions and events in a journal, (4) Post journal information to the ledger accounts, and (5) Prepare and analyze the trial balance and financial statements.

244) Source documents are used to identify and describe transactions and events entering the accounting system. They provide objective and reliable evidence about transactions and events and their amounts.

Examples of source documents include sales receipts checks, purchase orders, bills from suppliers, payroll records, and bank statements. They can be in hard copy or electronic form.

245) Accounts are classified into three broad groups: assets, liabilities and equity accounts. Assets are resources owned or controlled by a company. Liabilities are obligations to transfer assets or provide products or services to others. Equity is the owners' claim on a company's assets.

246) A ledger is a record of all accounts used by a company and their balances. The chart of accounts is a list of all of ledger accounts a company uses and has an identification number assigned to each account. A chart of accounts does not include account balances.

247) Debit refers to the left side of an account and credit refers to the right side of an account. Debits and credits are part 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 $\text{assets} = \text{liabilities} + \text{equity}$. Assets, expenses, and the dividends account all have normal debit balances. Liabilities, revenues, and the common stock account all have normal credit balances.

248) The debt ratio is calculated by dividing total liabilities by total assets. It reveals the percentage of the company's assets that are financed by creditors. The higher the ratio, the more risk a company has in trying to repay the debt and interest.

249) Information from business transactions and events is recorded in the journal in the form of journal entries. The journal entries include the date, the account titles, and debit and credit amounts. Journal entries may also include a further 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 ledger.

250) The trial balance is a list of all ledger accounts and their balances at a point in time. The trial balance is not a financial statement, but rather a tool that can be used to check the equality of debits and credits in the ledger. If the total debits and credits are not equal, it indicates an error in the accounting records. However, even if debits do equal credits, it does not guarantee that no errors were made in recording and posting transactions.

251) The income statement shows the amount of net income the company has earned. That net income is carried over to the statement of retained earnings. The net income is added to the beginning retained earnings balance, and dividends are subtracted to determine the ending retained earnings balance. The ending retained earnings balance is then reported on the balance sheet.

252)

	Debit	Credit
A	3	8
B	5	1
C	1	3
D	7	3
E	12	3

253)

	Debit	Credit
A	4	12
B	7	1
C	14	4
D	11	4
E	10	4
F	1	4
G	4	3

254)

	Yes	No
Example. Credit card		X
a. Credit card receipt	X	
b. Purchase order	X	
c. Invoice	X	
d. Balance sheet		X
e. Bank statement	X	

- f. Journal entry X
- g. Telephone bill X
- h. Employee earnings record X

255) a. Credit
b. Credit
c. Debit
d. Debit
e. Credit
f. Credit
g. Credit
h. Debit

256)

	Type of Account			Normal Balance	
	Asset	Liability	Equity	Debit	Credit
Common Stock			X		X
Interest Payable		X			X
Land	X			X	
Dividends			X	X	
Fees Earned			X		X
Prepaid Rent	X			X	
Advertising Expense			X	X	
Unearned Rent Revenue		X			X
Commissions Earned			X		X
Notes Receivable	X			X	

257)