# CHAPTER 2

**THE RECORDING PROCESS**

# 20-MINUTE QUIZ #1

Circle the correct answer.

**True/False**

### 1. Assets and liabilities are both decreased by credits. True False

2. The owner’s capital account is increased by credits.True False

3. An account will have a credit balance if the totalTrue False

debit amounts exceed the total credit amounts.

4. The ledger is also known as the book of original entry.True False

5. The basic steps in the recording process are (1) analyze True False

each transaction, (2) enter the transaction in a journal, and

(3) transfer the journal information to the appropriate

ledger accounts.

6. The posting phase of the recording process makes it True False

possible to accumulate the effects of journalized

transactions in individual accounts.

7. Assets = Liabilities + Owner’s Capital – DrawingsTrue False

+ Revenues – Expenses is a correct form of the

expanded basic accounting equation.

8. Owner’s equity is increased by owner’s investmentsTrue False

and revenues.

9. When the columns of the trial balance equal each other, True False

it proves no errors occurred in recording and posting.

10. Debits should be listed before credits in journal entries.True False

**Multiple Choice**

1. Transactions are initially recorded in the

a) general ledger.

b) general journal.

c) trial balance.

d) balance sheet.

2. The right side of an account is referred to as the

a) negative side.

b) positive side.

c) debit side.

d) credit side.

3. A purchase of office equipment for cash requires a credit to

a) Office Equipment.

b) Cash.

c) Accounts Payable.

d) Owner’s Equity.

4. The equality of the accounting equation can be proven by preparing a

a) trial balance.

b) journal.

c) general ledger.

d) T account.

5. Which of the following accounts would be increased with a debit?

a) Rent Payable

b) Owner’s Capital

c) Fees Earned

d) Owner’s Drawings

# ANSWERS TO 20-MINUTE QUIZ #1

**True/False**

1. False

2. True

3. False

4. False

5. True

6. True

7. True

8. True

9. False

10. True

**Multiple Choice**

1. b

2. d

3. b

4. a

5. d

# 20-MINUTE QUIZ #2

1. Identify and describe the first four steps of the accounting process.

2. Fill in the blanks with **debit** or **credit** to complete the following sentences correctly.

a) Assets are increased by a \_\_\_\_\_\_.

b) Liabilities are increased by a \_\_\_\_\_\_.

c) The normal balance of a revenue account is a \_\_\_\_\_\_.

d) A \_\_\_\_\_\_ would decrease a liability account.

The normal balance of the drawings account is a \_\_\_\_\_\_.

e) A \_\_\_\_\_\_ would increase an expense account.

3. Prepare journal entries in good form for each of the following transactions concerning the business J. Morris, Architect.

a) On July 5, Morris prepared a set of drawings for a customer and billed the customer $1,500.

b) On July 10, bought $300 of drafting supplies for cash.

c) On July 15, paid $800 in salaries for the assistant.

d) On July 18, collected $900 from the July 5 transaction.

e) On July 20, paid $600 for a one-year insurance policy in advance.

f) On July 22, a cash advance of $800 is received from a client for services to be performed in August.

4. Should the following transactions be recorded and why?

a) The owner of a company purchases a computer for personal use

b) A company provides services to one of its customers on account.

c) A company purchases a machine and pays with cash.

d) A company places an order with one of its supplier for inventory to be shipped next month.

5. What is the primary purpose of the trial balance?

6. Give examples of errors that would not be detected by the preparation of a trial balance.

# ANSWERS TO 20-MINUTE QUIZ #2

1.

**Step 1** – Analyze events to determine whether or not the event has an economic impact on the basic accounting equation.

**Step 2** – Journalize – if an event affects the accounting equation it must be journalized using the double-entry booking-keeping process; entries are done in chronological order.

**Step 3** – Posting – journalized entries must then be posted to the general ledger.

**Step 4** – Trial balance – a statement prepared at the end of the period to ensure debits are equal to credits.

2.

a) debit

b) credit

c) credit

d) debit, debit

e) debit

3.

a. July 5 Accounts Receivable 1,500

Service Revenue 1,500

Invoiced customer for architect drawings.

b. July 10 Drafting Supplies 300

Cash 300

Purchased supplies.

c. July 15 Salaries Expense 800

Cash 800

Paid the assistant.

d. July 18 Cash 900

Accounts Receivable 900

Received cash on account.

e. July 20 Prepaid Insurance 600

Cash 600

Paid for insurance in advance.

f. July 22 Cash 800

Unearned Revenue 800

Received cash in advance from a client.

4.

a) Assuming the owner purchased the computer with her own funds this is not a transaction of the company as it is a personal transaction of the owner.

b) This is a business transaction and should be recorded since an asset has increased (accounts receivable) and revenue has been earned.

c) This is a business transaction and should be recorded since an asset (machine) is purchased in exchange for another asset (Cash).

d) This is not an accounting transaction and should not be recorded. An order was placed but no purchase has occurred.

5. The primary purpose of the trial balance is to prove that the debits equal the credits after posting.

6. A variety of answers are acceptable here, such as:

A transaction was not journalized.

An entry was not posted.

An entry was posted twice.

The incorrect amount was recorded for both the debit and credit.