

Exam

Name _____

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

- 1) An account is the detailed record of the changes in a particular asset, liability, or owners' equity. 1) _____

Answer: ☒ True ☐ False

Page Ref: 59

LO: 2-1

- 2) A chart of accounts is the book holding all of the company's accounts. 2) _____

Answer: ☐ True ☒ False

Page Ref: 62

LO: 2-1

- 3) A trial balance is the list of all of a company's accounts along with their account numbers. 3) _____

Answer: ☐ True ☒ False

Page Ref: 59

LO: 2-1

- 4) A journal is a chronological record of transactions. 4) _____

Answer: ☒ True ☐ False

Page Ref: 59

LO: 2-1

- 5) In a typical chart of accounts, liabilities appear before assets. 5) _____

Answer: ☐ True ☒ False

Page Ref: 62

LO: 2-1

- 6) A trial balance is a list of all of the accounts with their balances. 6) _____

Answer: ☒ True ☐ False

Page Ref: 59

LO: 2-1

- 7) Expenses are increases in owners' equity caused by providing goods or services for customers. 7) _____

Answer: ☐ True ☒ False

Page Ref: 62

LO: 2-1

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

- 8) Which of the following accounts is NOT an example of an asset? 8) _____

A) Accounts receivable

B) Cash

C) Bills payable

D) Building

Answer: C

Page Ref: 59

LO: 2-1

9) Which of the following accounts is NOT an example of a liability?

- A) Bills payable
B) Wages payable
C) Accounts receivable
D) Accounts payable

9) _____

Answer: C

Page Ref: 61

LO: 2-1

10) Which of the following accounts is an example of an owners' equity account?

- A) Accounts payable
C) Equipment
- B) Drawings
D) Cash

10) _____

Answer: B

Page Ref: 61

LO: 2-1

11) Accountants first record transactions in the:

- A) journal.
B) trial balance.
C) chart of accounts.
D) ledger.

11) _____

Answer: A

Page Ref: 59

LO: 2-1

12) Which of the following accounts is an asset?

- A) Salary expense
C) Accounts payable
- B) Service revenue
D) Prepaid expenses

12) _____

Answer: D

Page Ref: 60

LO: 2-1

13) Which of the following accounts is a liability?

- A) Service revenue
B) Accounts payable
C) Prepaid expenses
D) Salary expense

13) _____

Answer: B

Page Ref: 61

LO: 2-1

14) Which of the following accounts is an owners' equity account?

- A) Accrued liability
B) Prepaid expense
C) Capital
D) Accounts payable

14)

Answer: C

Page Ref: 61

LO: 2-1

15) Prepaid expenses are recorded as:

- A) liabilities.
B) debits and credits.
C) assets.
D) owners' equity.

15) _____

Answer: C

Page Ref: 60

LO: 2-1

- 16) In a typical chart of accounts, what information is provided along with the account name? 16) _____
A) Transaction amounts B) Account balance
C) Account number D) Dates of transactions
Answer: C
Page Ref: 62
LO: 2-1
- 17) Which of the following are accrued liabilities? 17) _____
A) Salary payable B) Interest payable
C) Taxes payable D) All of the above
Answer: D
Page Ref: 61
LO: 2-1
- 18) Which of the following accounts is an example of a liability? 18) _____
A) Bills payable B) Service revenue
C) Building D) Accounts receivable
Answer: A
Page Ref: 61
LO: 2-1
- 19) A listing of all account titles in numerical order is a(n): 19) _____
A) chart of accounts. B) journal.
C) ledger. D) income statement.
Answer: A
Page Ref: 62
LO: 2-1
- 20) Which of the following accounts is an asset? 20) _____
A) Expenses B) Drawings C) Cash D) Bills payable
Answer: C
Page Ref: 59
LO: 2-1
- 21) Which of the following is NOT part of owners' equity? 21) _____
A) Bills payable B) Capital
C) Accounts receivable D) Both A and C
Answer: D
Page Ref: 59-61
LO: 2-1
- 22) A book holding all of the accounts is called the: 22) _____
A) ledger. B) journal.
C) balance sheet. D) income statement.
Answer: A
Page Ref: 59
LO: 2-1

- 23) Which of the following is the detailed record of the changes in a particular asset, liability, or owners' equity? 23) _____
- A) Ledger B) Account C) Trial balance D) Journal
- Answer: B
Page Ref: 59
LO: 2-1

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

- 24) Debit refers to the right side of the T-account, and credit refers to the left side. 24) _____
- Answer: True ☒ False
- Page Ref: 64
LO: 2-2

- 25) In the standard accounting system, we use double entry accounting, which means we record the dual effects of each transaction. 25) _____
- Answer: ☒ True False
- Page Ref: 63
LO: 2-2

- 26) An asset account is increased by a debit. 26) _____
- Answer: ☒ True False
- Page Ref: 64
LO: 2-2

- 27) The owner's equity account is increased by a debit. 27) _____
- Answer: True ☒ False
- Page Ref: 64
LO: 2-2

- 28) The drawings account is increased by a debit. 28) _____
- Answer: ☒ True False
- Page Ref: 64
LO: 2-2

- 29) A liability account is increased by a debit. 29) _____
- Answer: True ☒ False
- Page Ref: 64
LO: 2-2

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

- 30) Which of the following accounts increases with a credit? 30) _____
- A) Accounts receivable B) Prepaid expenses
C) Cash D) Capital
- Answer: D
Page Ref: 64
LO: 2-2

- 31) Which of the following accounts decreases with a credit? 31) _____
A) Cash B) Accounts payable
C) Bills payable D) Capital

Answer: A

Page Ref: 64

LO: 2-2

- 32) The balance of an account is the: 32) _____
A) sum of the credits only.
B) account number, as shown in the chart of accounts.
C) sum of the debits only.
D) amount remaining in an account.

Answer: D

Page Ref: 65

LO: 2-2

- 33) Which of the following accounts decreases with a debit? 33) _____
A) Prepaid insurance B) Cash
C) Land D) Bills payable

Answer: D

Page Ref: 64

LO: 2-2

- 34) Which of the following accounts increases with a debit? 34) _____
A) Interest payable B) Accounts payable
C) Capital D) Cash

Answer: D

Page Ref: 64

LO: 2-2

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

- 35) An account that normally has a debit balance may occasionally have a credit balance. 35) _____
Answer: ☒ True False

Page Ref: 69

LO: 2-3

- 36) Assets, Drawings, and Expenses have a normal balance on the debit side. 36) _____
Answer: ☒ True False

Page Ref: 68

LO: 2-3

- 37) For assets and expenses, a debit increases the account. 37) _____
Answer: ☒ True False

Page Ref: 68

LO: 2-3

- 38) For liabilities and revenues, a debit increases the account. 38) _____
Answer: True ☐ False ☒
Page Ref: 68
LO: 2-3
- 39) When recording a transaction in a journal, the credit side is entered first, followed by the debit side. 39) _____
Answer: True ☐ False ☒
Page Ref: 66
LO: 2-3
- 40) Both the date of the transaction and a brief description are included in a journal entry. 40) _____
Answer: ☒ True ☐ False
Page Ref: 67
LO: 2-3
- 41) The process of copying from the journal to the ledger is called posting. 41) _____
Answer: ☒ True ☐ False
Page Ref: 67
LO: 2-3
- 42) A journal entry includes BOTH debit and credit amounts. 42) _____
Answer: ☒ True ☐ False
Page Ref: 66
LO: 2-3
- 43) In the accounting system, the first place that transactions are recorded is the ledger. 43) _____
Answer: True ☐ False ☒
Page Ref: 66
LO: 2-3

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

- 44) Which of the following groups of accounts BOTH normally have a debit balance? 44) _____
A) Liabilities and Owners' equity B) Revenues and Expenses
C) Assets and Liabilities D) Assets and Expenses
Answer: D
Page Ref: 68
LO: 2-3
- 45) Which of the following groups of accounts BOTH normally have a credit balance? 45) _____
A) Assets and Expenses B) Liabilities and Owners' equity
C) Assets and Liabilities D) Revenues and Expenses
Answer: B
Page Ref: 69
LO: 2-3

- 46) Journalising a transaction means: 46) _____
- A) copying the information from the journal to the ledger.
 - B) finding the account number in the chart of accounts.
 - C) recording the transaction, including a brief explanation.
 - D) calculating the balance in an account.

Answer: C
Page Ref: 66
LO: 2-3

- 47) Posting a transaction means: 47) _____
- A) copying the information from the journal to the ledger.
 - B) recording the transaction including a brief explanation.
 - C) calculating the balance in an account.
 - D) finding the account number in the chart of accounts.

Answer: A
Page Ref: 67
LO: 2-3

- 48) Which of the following statements about expenses is CORRECT? 48) _____
- A) Expenses increase owners' equity, so an expense account's normal balance is a credit balance.
 - B) Expenses decrease owners' equity, so an expense account's normal balance is a debit balance.
 - C) Expenses decrease owners' equity, so an expense account's normal balance is a credit balance.
 - D) Expenses increase owners' equity, so an expense account's normal balance is a debit balance.

Answer: B
Page Ref: 68
LO: 2-3

- 49) For Accounts receivable, the category of account and its normal balance are: 49) _____
- A) Assets and a credit balance.
 - B) Owners' equity and a credit balance.
 - C) Assets and a debit balance.
 - D) Liabilities and a credit balance.

Answer: C
Page Ref: 68
LO: 2-3

- 50) For Accounts payable, the category of account and its normal balance are: 50) _____
- A) Owners' equity and a credit balance.
 - B) Assets and a debit balance.
 - C) Assets and a credit balance.
 - D) Liabilities and a credit balance.

Answer: D
Page Ref: 68
LO: 2-3

- 51) For Cash, the category of account and its normal balance are: 51) _____
- A) Owners' equity and a credit balance.
 - B) Liabilities and a credit balance.
 - C) Assets and a debit balance.
 - D) Assets and a credit balance.

Answer: C
Page Ref: 68
LO: 2-3

- 52) For Capital, the category of account and its normal balance are: 52) _____
A) Owners' equity and a credit balance. B) Owners' equity and a debit balance.
C) Assets and a debit balance. D) Liabilities and a credit balance.
Answer: A
Page Ref: 68
LO: 2-3
- 53) For Supplies, the category of account and its normal balance are: 53) _____
A) Assets and a debit balance. B) Liabilities and a credit balance.
C) Owners' equity and a credit balance. D) Assets and a credit balance.
Answer: A
Page Ref: 68
LO: 2-3
- 54) For Salary Payable, the category of account and its normal balance are: 54) _____
A) Owners' equity and a credit balance. B) Liabilities and a credit balance.
C) Assets and a credit balance. D) Assets and a debit balance.
Answer: B
Page Ref: 68
LO: 2-3
- 55) For Expenses, the category of account and its normal balance are: 55) _____
A) Owners' equity and a debit balance. B) Owners' equity and a credit balance.
C) Assets and a debit balance. D) Liabilities and a credit balance.
Answer: A
Page Ref: 68
LO: 2-3
- 56) For Revenues, the category of account and its normal balance are: 56) _____
A) Owners' equity and a credit balance. B) Liabilities and a credit balance.
C) Assets and a debit balance. D) Owners' equity and a debit balance.
Answer: A
Page Ref: 68
LO: 2-3
- 57) For Capital, the category of account and its normal balance are: 57) _____
A) Owner's' equity and a credit balance. B) Assets and a credit balance.
C) Liabilities and a credit balance. D) Assets and a debit balance.
Answer: A
Page Ref: 68
LO: 2-3
- 58) For Drawings, the category of account and its normal balance are: 58) _____
A) Owners' equity and a debit balance. B) Assets and a credit balance.
C) Liabilities and a credit balance. D) Owners' equity and a credit balance.
Answer: A
Page Ref: 68
LO: 2-3

- 59) After initially recording a transaction, the data is then copied, or posted, to the: 59) _____
A) ledger. B) journal.
C) trial balance. D) chart of accounts.

Answer: A

Page Ref: 67

LO: 2-3

- 60) The accounting process of copying a transaction from the journal to the ledger is called: 60) _____
A) posting. B) footing. C) proofing. D) journalising.

Answer: A

Page Ref: 67

LO: 2-3

- 61) The first step of journalising an entry is to: 61) _____
A) identify the transaction from source documents.
B) post the accounts to the ledger.
C) determine whether each account is increased or decreased.
D) record the transaction in the journal, including a brief explanation.

Answer: A

Page Ref: 66

LO: 2-3

- 62) Which of the following is the order of steps to journalise an entry? 62) _____
A) Identify each account affected, determine increase or decrease in each account, record the transaction.
B) Determine increase or decrease in each account, identify each account affected, record the transaction.
C) Record the transaction, identify each account affected, determine increase or decrease in each account.
D) Identify each account affected, record the transaction, determine increase or decrease in each account.

Answer: A

Page Ref: 66

LO: 2-3

- 63) Which of the following is the last step of journalising an entry? 63) _____
A) Record the transaction in the journal, including a brief explanation.
B) Identify each account affected and its type.
C) Determine whether each account has increased or decreased.
D) Post the accounts to the ledger.

Answer: A

Page Ref: 66

LO: 2-3

- 64) The normal sequence of information flow in an accounting system is: 64) _____
A) source document, journal, ledger. B) source document, ledger, journal.
C) ledger, journal, source document. D) journal, source document, ledger.

Answer: A

Page Ref: 69

LO: 2-3

- 65) Which of the following is NOT an example of a source document? 65) _____
- A) Journal B) Bank deposit slip
C) Sales invoice D) Purchase invoice

Answer: A

Page Ref: 69

LO: 2-3

- 66) Which of the following statements about revenue is CORRECT? 66) _____
- A) Revenues increase owners' equity, so a revenue account's normal balance is a debit balance.
B) Revenues decrease owners' equity, so a revenue account's normal balance is a credit balance.
C) Revenues increase owners' equity, so a revenue account's normal balance is a credit balance.
D) Revenues decrease owners' equity, so a revenue account's normal balance is a debit balance.

Answer: C

Page Ref: 68

LO: 2-3

- 67) A business purchased \$200 of supplies on credit and recorded the following journal entry: 67) _____

Supplies	200	
Accounts payable		200

Which of the following sets of ledger accounts reflect the posting of this transaction?

- A)
- | | |
|----------|------------------|
| Supplies | Accounts payable |
| 200 | 200 |
- B)
- | | |
|----------|------------------|
| Supplies | Accounts payable |
| 200 | 200 |
- C)
- | | |
|----------|------------------|
| Supplies | Accounts payable |
| 200 | 200 |
- D)
- | | |
|----------|------------------|
| Supplies | Accounts payable |
| 200 | 200 |

Answer: D

Page Ref: 67

LO: 2-3

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

- 68) When a business makes a cash payment, the cash account is always debited. 68) _____

Answer: True ☒ False

Page Ref: 71

LO: 2-4

69) When a business collects cash, the cash account is always debited. 69) _____

Answer: ☒ True ☐ False

Page Ref: 70

LO: 2-4

70) When a business records an expense incurred, the expense account is always credited. 70) _____

Answer: ☐ True ☒ False

Page Ref: 72

LO: 2-4

71) When a business records revenue earned, the revenue account is always credited. 71) _____

Answer: ☒ True ☐ False

Page Ref: 72

LO: 2-4

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

72) An owner invests \$20 000 in her new business by depositing the cash in the business bank account. Which account is debited? 72) _____

A) Capital

B) Accounts payable

C) Accounts receivable

D) Cash

Answer: D

Page Ref: 70

LO: 2-4

73) A business renders service to a client and sends out a sales invoice. The amount will be collected from the customer at a later time. Which of the following would be TRUE at the time when the invoice is sent out? 73) _____

A) Total liabilities will increase.

B) Owners' equity will decrease.

C) Profit will increase.

D) Total assets will decrease.

Answer: C

Page Ref: 72

LO: 2-4

74) An owner invests \$20 000 in her new business by depositing the cash in the business bank account. Which account is credited? 74) _____

A) Accounts receivable

B) Accounts payable

C) Cash

D) Capital

Answer: D

Page Ref: 70

LO: 2-4

75) A business purchases equipment for cash in the amount of \$8 000. Which account is debited? 75) _____

A) Equipment

B) Supplies expense

C) Cash

D) Accounts payable

Answer: A

Page Ref: 71

LO: 2-4

- 76) A business purchases equipment for cash in the amount of \$8 000. Which account is credited? 76) _____
A) Cash B) Equipment
C) Supplies expense D) Accounts payable
Answer: A
Page Ref: 71
LO: 2-4
- 77) A business makes a cash payment of \$12 000 to an account payable. Which account is debited? 77) _____
A) Service revenue B) Cash
C) Accounts receivable D) Accounts payable
Answer: D
Page Ref: 73
LO: 2-4
- 78) A business makes a cash payment of \$12 000 to an account payable. Which account is credited? 78) _____
A) Accounts receivable B) Service revenue
C) Cash D) Accounts payable
Answer: C
Page Ref: 73
LO: 2-4
- 79) A business renders services to a customer for \$16 000 on credit. Which account is debited? 79) _____
A) Service revenue B) Accounts payable
C) Cash D) Accounts receivable
Answer: D
Page Ref: 72
LO: 2-4
- 80) A business renders services to a customer for \$16 000 on credit. Which account is credited? 80) _____
A) Accounts receivable B) Cash
C) Accounts payable D) Service revenue
Answer: D
Page Ref: 72
LO: 2-4
- 81) A business renders services for \$16 000 and collects cash from the customer. Which account is debited? 81) _____
A) Service revenue B) Accounts payable
C) Accounts receivable D) Cash
Answer: D
Page Ref: 72
LO: 2-4
- 82) A business renders services for \$16 000 and collects cash from the customer. Which account is credited? 82) _____
A) Accounts payable B) Accounts receivable
C) Service revenue D) Cash
Answer: C
Page Ref: 72
LO: 2-4

- 83) A business pays \$500 cash for supplies. Which account is debited? 83) _____
A) Service revenue B) Supplies
C) Accounts payable D) Cash

Answer: B
Page Ref: 71
LO: 2-4

- 84) A business pays \$500 cash for supplies. Which account is credited? 84) _____
A) Cash B) Supplies
C) Accounts payable D) Service revenue

Answer: A
Page Ref: 71
LO: 2-4

- 85) A business buys \$500 of supplies on credit. Which account is debited? 85) _____
A) Cash B) Service revenue
C) Accounts payable D) Supplies

Answer: D
Page Ref: 71
LO: 2-4

- 86) A business buys \$500 of supplies on credit. Which account is credited? 86) _____
A) Supplies B) Cash
C) Accounts payable D) Service revenue

Answer: C
Page Ref: 71
LO: 2-4

- 87) A business makes a cash payment to a supplier "on credit" (for supplies which were purchased earlier). Which account is debited? 87) _____
A) Cash B) Service revenue
C) Accounts payable D) Supplies

Answer: C
Page Ref: 73
LO: 2-4

- 88) A business makes a cash payment to a supplier "on credit" (for supplies which were purchased earlier). Which account is credited? 88) _____
A) Supplies B) Accounts payable
C) Service revenue D) Cash

Answer: D
Page Ref: 73
LO: 2-4

- 89) A business collects cash from a customer in payment of accounts receivable. Which account is debited? 89) _____
A) Accounts receivable B) Cash
C) Service revenue D) Supplies
Answer: B
Page Ref: 73
LO: 2-4
- 90) A business collects cash from a customer in payment of accounts receivable. Which account is credited? 90) _____
A) Accounts receivable B) Supplies
C) Cash D) Service revenue
Answer: A
Page Ref: 73
LO: 2-4
- 91) A business makes a cash payment for advertising expense. Which account is debited? 91) _____
A) Advertising expense B) Service revenue
C) Accounts receivable D) Cash
Answer: A
Page Ref: 72
LO: 2-4
- 92) A business makes a cash payment for advertising expense. Which account is credited? 92) _____
A) Advertising expense B) Service revenue
C) Accounts receivable D) Cash
Answer: D
Page Ref: 72
LO: 2-4
- 93) A business pays cash back to the owner. Which account is debited? 93) _____
A) Cash B) Accounts payable
C) Drawings D) Service revenue
Answer: C
Page Ref: 74
LO: 2-4
- 94) A business pays cash back to the owner. Which account is credited? 94) _____
A) Accounts payable B) Drawings
C) Service Revenue D) Cash
Answer: D
Page Ref: 74
LO: 2-4

95) A business purchases equipment by paying cash of \$8 000 and borrowing \$12 000. Which of the following occurs? 95) _____

- A) Cash is credited for \$8 000; Equipment is credited for \$12 000; and Loan payable is debited for \$4 000.
- B) Cash is credited for \$8 000; Equipment is debited for \$20 000; and Loan payable is credited for \$12 000.
- C) Cash is credited for \$8 000; Equipment is credited for \$20 000; and Loan payable is debited for \$12 000.
- D) Cash is debited for \$8 000; Equipment is debited for \$12 000; and Loan payable is credited for \$20 000.

Answer: B

Page Ref: 71

LO: 2-4

96) Which of the following journal entries would be recorded if a business purchased \$200 of supplies on credit? 96) _____

- A)

Accounts payable	200	
Supplies		200
- B)

Supplies	200	
Cash		200
- C)

Supplies	200	
Accounts payable		200
- D)

Cash	200	
Supplies		200

Answer: C

Page Ref: 71

LO: 2-4

97) Which of the following journal entries would be recorded if a business renders service and receives cash of \$400 from the customer? 97) _____

- A)

Service revenue	400	
Accounts receivable		400
- B)

Service revenue	400	
Cash		400
- C)

Service revenue	400	
Accounts payable		400
- D)

Cash	400	
Service revenue		400

Answer: D

Page Ref: 72

LO: 2-4

98) Which of the following journal entries would be recorded if a business makes a cash payment to a supplier of \$600 "on credit" (the business had purchased supplies on credit in the previous month)?

98) _____

- A)

Cash	600	
Accounts payable		600
- B)

Cash	600	
Supplies		600
- C)

Accounts payable	600	
Cash		600
- D)

Accounts payable	600	
Supplies		600

Answer: C

Page Ref: 73

LO: 2-4

99) Which of the following journal entries would be recorded if Jane Brown started a business, and then deposited cash of \$6 000 into the business bank account?

99) _____

- A)

Accounts payable	6 000	
Cash		6 000
- B)

Cash	6 000	
Jane Brown, capital		6 000
- C)

Jane Brown, capital	6 000	
Accounts payable		6 000
- D)

Jane Brown, capital	6 000	
Cash		6 000

Answer: B

Page Ref: 70

LO: 2-4

100) Which of the following journal entries would be recorded if a business purchased equipment for \$3 000 cash? 100) _____

- A)

Equipment	3 000	
Cash		3 000
- B)

Cash	3 000	
Accounts payable		3 000
- C)

Cash	3 000	
Equipment		3 000
- D)

Equipment	3 000	
Accounts payable		3 000

Answer: A

Page Ref: 71

LO: 2-4

101) Which of the following journal entries would be recorded if a business collects \$1 000 cash on credit from a customer for services performed at an earlier date? 101) _____

- A)

Service revenue	1 000	
Accounts receivable		1 000
- B)

Cash	1 000	
Accounts receivable		1 000
- C)

Cash	1 000	
Service revenue		1 000
- D)

Accounts receivable	1 000	
Service revenue		1 000

Answer: B

Page Ref: 73

LO: 2-4

102) Which of the following journal entries would be recorded if a business purchases equipment for \$2 500 cash and supplies for \$450 cash? 102) _____

- A)

Equipment	2 500	
Supplies	450	
Cash		2 950
- B)

Cash	2 950	
Equipment		2 500
Supplies		450
- C)

Cash	2 500	
Equipment	450	
Accounts receivable		2 950
- D)

Equipment	2 950	
Cash		2 500
Supplies		450

Answer: A

Page Ref: 71

LO: 2-4

103) A business purchases equipment by paying \$8 000 in cash and borrowing \$12 000. Which of the following journal entries would be recorded? 103) _____

- A)

Cash	8 000	
Loan payable	4 000	
Equipment		12 000
- B)

Equipment	20 000	
Loan payable		12 000
Cash		8 000
- C)

Cash	8 000	
Loan payable	12 000	
Equipment		20 000
- D)

Equipment	8 000	
Loan payable	4 000	
Cash		12 000

Answer: B

Page Ref: 71

LO: 2-4

104) The following transactions have been journalised and posted to the proper accounts.

104) _____

1. Mark Call invested \$7 000 cash in his new design services business.
2. The business paid the first month's rent of \$700.
3. The business purchased equipment by paying \$2 000 cash and executing a bills payable for \$4 500.
4. The business purchased supplies for \$850 cash.
5. The business billed a client for \$4 000 of design services completed.
6. The business received \$3 000 of the account for the completed services.

What is the balance in Cash?

A) \$8 150

B) \$8 450

C) \$6 450

D) \$7 850

Answer: C

Page Ref: 70-75

LO: 2-4

105) Which of the following journal entries would be recorded if a business purchased \$200 of supplies by paying cash?

105) _____

A)	Supplies	200	
	Cash		200
B)	Supplies	200	
	Accounts payable		200
C)	Accounts payable	200	
	Supplies		200
D)	Cash	200	
	Supplies		200

Answer: A

Page Ref: 71

LO: 2-4

106) A business purchased a building by paying part of the purchase price in cash as a deposit and signing a mortgage for the remainder. The business should:

106) _____

- A) debit cash for the amount paid on the deposit.
- B) debit the mortgage payable for the amount of the mortgage.
- C) debit the building account for the amount of the mortgage.
- D) credit the mortgage payable for the amount of the mortgage.

Answer: D

Page Ref: 71

LO: 2-4

- 107) A company received \$75 000 from a customer 'on account.' The journal entry would be to: 107) _____
- A) debit Sales revenue and credit Accounts receivable.
 - B) debit Accounts receivable and credit Cash.
 - C) debit Cash and credit Accounts receivable.
 - D) debit Accounts receivable and credit Sales revenue.

Answer: C

Page Ref: 73

LO: 2-4

- 108) ABC Services reported the following transactions for September 2013. 108) _____
- A) The owner opened the business with a capital contribution of \$23 500 cash. It was credited to Capital.
 - B) The business purchased office equipment for \$11 500. The business paid a \$2 500 deposit and put the balance on a mortgage payable.
 - C) The business paid an electricity bill for \$980 cash.
 - D) The business paid \$2 000 cash for September rent.
 - E) The business had sales of \$15 000 in September. Of these sales, 60% were cash sales, and the balance was credit sales.
 - F) The business paid \$9 700 cash for office furniture.

What is the profit for September 2013?

- A) \$6 020 B) \$9 000 C) \$5 300 D) \$12 020

Answer: D

Page Ref: 70-75

LO: 2-4

- 109) ABC Services reported the following transactions for September 2013. 109) _____
- A) The owner opened the business with a capital contribution of \$23 500 cash. It was credited to Capital.
 - B) The business purchased office equipment for \$11 500. The business paid a \$2 500 cash deposit and put the balance on a mortgage payable.
 - C) The business paid insurance expense of \$1 350 cash.
 - D) The business paid an electricity bill for \$980 cash.
 - E) The business paid \$2 000 cash for September rent.
 - F) The business had sales of \$12 000 in September. Of these sales, 60% were cash sales, and the balance was credit sales.
 - G) The business paid \$9 700 cash for office furniture.

What are the total liabilities at the end of September 2013?

- A) \$4 800 B) \$980 C) \$2 330 D) \$9 000

Answer: D

Page Ref: 70-75

LO: 2-4

110) ABC Services reported the following transactions for September 2013.

110) _____

- A) The owner opened the business with a capital contribution of \$23 500 cash. It was credited to Capital.
- B) The business purchased office equipment for \$11 500. The business paid cash of \$2 500 and put the balance on a mortgage payable.
- C) The business purchased \$1 350 of supplies on credit.
- D) The business paid an electricity bill for \$980 cash.
- E) The business paid \$2 000 cash for September rent.
- F) The business had sales of \$20 000 in September. Of these sales, 60% were cash sales, and the balance was credit sales.
- G) The business paid \$9 700 cash for office furniture.

What is the total amount in the Cash account at the end of September 2013?

- A) \$28 320 B) \$15 520 C) \$20 320 D) \$18 970

Answer: C

Page Ref: 70-75

LO: 2-4

111) The following transactions have been journalised and posted to the proper accounts.

111) _____

- 1. Mark Call invested \$7 000 cash in his new design services business.
- 2. The business paid the first month's rent with \$700 cash.
- 3. The business purchased equipment by paying a \$2 000 deposit and borrowing \$4 500.
- 4. The business purchased supplies for \$850 cash.
- 5. The business billed its clients a total of \$4 000 for design services rendered.
- 6. The business collected \$3 000 on credit from one of its clients.

What is the balance in Accounts receivable?

- A) \$1 000 B) \$7 000 C) \$4 000 D) \$8 500

Answer: A

Page Ref: 70-75

LO: 2-4

112) The following transactions have been journalised and posted to the proper accounts.

112) _____

- 1. Mark Call invested \$7 000 cash in his new design services business.
- 2. The business paid the first month's rent with \$700 cash.
- 3. The business purchased equipment by paying a \$2 000 deposit and borrowing \$4 500.
- 4. The business purchased supplies for \$850 cash.
- 5. The business billed its clients a total of \$4 000 for design services rendered.
- 6. The business collected \$3 000 on credit from one of its clients.

What is the total amount of assets after all of the above transactions have been completed?

- A) \$13 800 B) \$12 800 C) \$7 800 D) \$14 800

Answer: D

Page Ref: 70-75

LO: 2-4

113) The following transactions have been journalised and posted to the proper accounts.

113) _____

1. Mark Call invested \$7 000 cash in his new design services business.
2. The business paid the first month's rent with \$700 cash.
3. The business purchased equipment by paying a \$2 000 deposit and borrowing \$4 500.
4. The business purchased supplies for \$850 cash.
5. The business billed its clients a total of \$4 000 for design services rendered.
6. The business collected \$3 000 on credit from one of its clients.

What is the balance in Service revenue?

- A) \$3 000 B) \$3 150 C) \$1 000 D) \$4 000

Answer: D

Page Ref: 70-75

LO: 2-4

114) The following transactions have been journalised and posted to the proper accounts.

114) _____

1. Mark Call invested \$7 000 cash in his new design services business.
2. The business paid the first month's rent with \$700 cash.
3. The business purchased equipment by paying a \$2 000 deposit and borrowing \$4 500.
4. The business purchased supplies for \$850 cash.
5. The business billed its clients a total of \$4 000 for design services rendered.
6. The business collected \$3 000 on credit from one of its clients.

How much was profit?

- A) \$300 B) \$3 300 C) \$700 D) \$2 450

Answer: B

Page Ref: 70-75

LO: 2-4

115) The following entries were made by the accountant of Patel Pastries during its first month of operation:

115) _____

1. James Patel, the owner, deposited \$3 000 in the business new bank account.
2. Patel Pastries paid the first month's rent of \$400 in cash.
3. Patel Pastries purchased equipment by borrowing \$11 000.
4. Cash sales for the month were \$4 500.
5. Patel Pastries purchased cooking supplies for \$1 400 cash.

After the accountant posts these entries to the general ledger, what is the balance in the Cash account?

- A) \$5 700 B) \$7 500 C) \$16 700 D) \$7 100

Answer: A

Page Ref: 70-75

LO: 2-4

116) The following entries were made by the accountant of Patel Pastries during its first month of operation. 116) _____

1. James Patel, the owner, deposited \$3 000 in the business new bank account.
2. Patel Pastries paid the first month's rent of \$400 in cash.
3. Patel Pastries purchased equipment by borrowing \$11 000.
4. Cash sales for the month were \$4 500.
5. Patel Pastries purchased cooking supplies for \$1 400 cash.

After the accountant posts these entries to the general ledger, how much are total assets?

- A) \$7 100 B) \$16 700 C) \$18 100 D) \$6 100

Answer: C

Page Ref: 70-75

LO: 2-4

117) Equipment is purchased for cash. Which of the following would be TRUE? 117) _____

- A) There is an increase in total assets and a decrease in total liabilities.
- B) There is no effect on total assets.
- C) There is an increase in total assets.
- D) There is a decrease in both total assets and total liabilities.

Answer: B

Page Ref: 71

LO: 2-4

118) A business owner took a withdrawal. Which of the following would be TRUE? 118) _____

- A) Total assets would increase.
- B) Profit would decrease.
- C) Owners' equity would decrease.
- D) There would be no effect on total assets.

Answer: C

Page Ref: 74

LO: 2-4

119) A business has the following transactions: The business is started by receiving \$20 000 from the owner. The business purchases \$500 of supplies on credit. The business purchases \$2 000 of furniture on credit. The business renders services to various clients totalling \$9 000 on credit. The business pays out \$2 000 for Salary expense and \$3 000 for Rent expense. The business pays \$500 to a supplier for the supplies purchased earlier. The business collects \$1 500 from one of its clients for services rendered earlier in the month. At the end of the month, all journal entries are posted to the ledger. The Cash account will appear as follows: 119) _____

A)

Cash	
20 000	
2 000	
3 000	
500	
	1 500
Bal	24 000

B)

Cash	
	500
	2 000
500	
Bal	2 000

C)

Cash	
20 000	
	2 000
	3 000
	500
1 500	
Bal	16 000

D)

Cash	
	20 000
2 000	
3 000	
500	
	1 500
Bal	16 000

Answer: C

Page Ref: 70-75

LO: 2-4

120) A business has the following transactions: the business is started by receiving \$20 000 from the owner. The business purchases \$500 of supplies on credit. The business purchases \$2 000 of furniture on credit. The business renders services to various clients totalling \$9 000 on credit. The business pays out \$2 000 for Salary expense and \$3 000 for Rent expense. Business pays \$500 to supplier for the supplies purchased earlier. The business collects \$1 500 from one of its clients for services rendered earlier in the month. At the end of the month, all journal entries are posted to the ledger. The Accounts receivable account will appear as follows:

120) _____

A)

Accounts Receivable	
9 000	
Bal	9 000

B)

Accounts Receivable	
9 000	
	1 500
	Bal
	7 500

C)

Accounts Receivable	
9 000	
	1 500
Bal	7 500

D)

Accounts Receivable	
1 500	
	9 000
Bal	7 500

Answer: C

Page Ref: 70-75

LO: 2-4

121) A business has the following transactions: The business is started by receiving \$20 000 from the owner. The business purchases \$500 of supplies on credit. The business purchases \$2 000 of furniture on credit. The business renders services to various clients totalling \$9 000 on credit. The business pays out \$2 000 for Salary expense and \$3 000 for Rent expense. The business pays \$500 to supplier for the supplies purchased earlier. The business collects \$1 500 from one of its clients for services rendered earlier in the month. At the end of the month, all journal entries are posted to the

121) _____

ledger. The Accounts payable account will appear as follows:

A)

Accounts payable	
	500
	2 000
Bal	2 500

B)

Accounts payable	
	500
	2 000
500	Bal 2 000

C)

Accounts payable	
2 000	
500	
Bal 2 000	500

D)

Accounts payable	
	500
	2 000
	500
Bal	3 000

Answer: B

Page Ref: 70-75

LO: 2-4

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

- 122) A business is started by receiving \$5 000 cash from the owner. Please provide the journal entry (debits first, credits second). 122) _____

Answer:

Cash	5 000	
Capital		5 000

Page Ref: 70
LO: 2-4

- 123) A business purchases land for \$100 000 cash. Please provide the journal entry (debits first, credits second). 123) _____

Answer:

Land	100 000	
Cash		100 000

Page Ref: 71
LO: 2-4

- 124) A business purchases supplies for \$200 on credit. Please provide the journal entry (debits first, credits second). 124) _____

Answer:

Supplies	200	
Accounts payable		200

Page Ref: 71
LO: 2-4

- 125) A business renders services to its customer and collects \$900 cash. Please provide the journal entry (debits first, credits second). 125) _____

Answer:

Cash	900	
Service revenue		900

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LO: 2-4

126) A business renders services to its customer for \$350 on credit. Please provide the journal entry (debits first, credits second).

126) _____

Answer:

Accounts receivable	350	
Service revenue		350

Page Ref: 72
LO: 2-4

127) A business pays salary expense of \$4 000 in cash. Please provide the journal entry (debits first, credits second).

127) _____

Answer:

Salary expense	4 000	
Cash		4 000

Page Ref: 72
LO: 2-4

128) In a previous month, the business purchased supplies for \$800 on credit. Now the business makes a cash payment of \$800 to the supplier. Please provide the journal entry (debits first, credits second).

128) _____

Answer:

Accounts payable	800	
Cash		800

Page Ref: 73
LO: 2-4

129) In a previous month, the business rendered services of \$5 000 to a client on credit. Now the business receives \$5 000 cash from the client. Please provide the journal entry (debits first, credits second).

129) _____

Answer:

Cash	5 000	
Accounts receivable		5 000

Page Ref: 73
LO: 2-4

- 130) At the end of the month, the business receives a bill for a telephone expense of \$800 incurred during the month. The business will pay the bill during the following month. Please provide the journal entry (debits first, credits second).

130) _____

Answer:

Telephone expense	800	
Accounts payable		800

Page Ref: 74

LO: 2-4

- 131) At the end of the month, the business owner takes a withdrawal of \$10 000. Please provide the journal entry (debits first, credits second).

131) _____

Answer:

Drawings	10 000	
Cash		10 000

Page Ref: 74

LO: 2-4

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

- 132) In a trial balance, total debits are always equal to total credits.

132) _____

Answer: ☒ True False

Page Ref: 76

LO: 2-5

- 133) The trial balance is generally used only inside the business and is not published with the other financial statements.

133) _____

Answer: ☒ True False

Page Ref: 76

LO: 2-5

- 134) A trial balance summarises a ledger by listing all the accounts with their ending balances.

134) _____

Answer: ☒ True False

Page Ref: 76

LO: 2-5

- 135) The trial balance is one of the three basic financial statements.

135) _____

Answer: True ☒ False

Page Ref: 76

LO: 2-5

136) The trial balance shows total amounts for assets, liabilities, and equity. 136) _____

Answer: True ☒ False

Page Ref: 76

LO: 2-5

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

137) Which of the following statements is TRUE? 137) _____

- A) A trial balance is created after the balance sheet is prepared.
- B) A trial balance is in the same format as a balance sheet.
- C) A trial balance presents data in debit and credit format, but a balance sheet does not.
- D) A trial balance shows total amounts for assets, liabilities, and equity.

Answer: C

Page Ref: 76

LO: 2-5

138) Which of the following statements is FALSE? 138) _____

- A) A trial balance is created before the balance sheet is prepared.
- B) A trial balance shows total amounts for assets, liabilities, and equity.
- C) A trial balance presents data in debit and credit format, but a balance sheet does not.
- D) A trial balance shows total debits and total credits.

Answer: B

Page Ref: 76

LO: 2-5

139) Which of the following is a method used to detect errors when the two columns of the trial balance are NOT equal? 139) _____

- A) Calculate the difference in the columns, divide the difference between total debits and total credits by 2 and search for a debit shown as a credit, or vice versa.
- B) Calculate the difference in the columns and search the trial balance for a transposition error or a slide error if the difference is evenly divisible by 9.
- C) Calculate the difference in the columns and search for a missing account with that balance.
- D) All of the above are suggested methods for detecting errors.

Answer: D

Page Ref: 76-77

LO: 2-5

140) A journal entry for a \$75 payment for Rent expense was posted as a debit to Salary expense and a credit to Cash. This error will cause which of the following conditions on the trial balance? 140) _____

- A) The sum of the credits will exceed the sum of the debits by \$150.
- B) The sum of the debits will exceed the sum of the credits by \$75.
- C) The sum of the credits will equal the sum of the debits.
- D) The sum of the debits will exceed the sum of the credits by \$150.

Answer: C

Page Ref: 76

LO: 2-5

141) A journal entry for a \$250 payment to purchase supplies was erroneously recorded as a debit to Supplies for \$520 and a credit to Cash for \$250. Which of the following statements about the trial balance is TRUE? 141) _____

- A) The sum of the debits will exceed the sum of the credits by \$250.
- B) The sum of the debits will exceed the sum of the credits by \$270.
- C) The sum of the credits will exceed the sum of the debits by \$270.
- D) The trial balance will be in balance; the sum of the credits will equal the sum of the debits.

Answer: B

Page Ref: 77

LO: 2-5

142) A trial balance lists accounts in which order? 142) _____

- A) Assets, Liabilities, Owners' equity, Revenues, Expenses
- B) Assets, Expenses, Liabilities, Revenues, Owners' equity
- C) Assets, Revenues, Liabilities, Expenses, Owners' equity
- D) Assets, Liabilities, Revenues, Expenses, Owners' equity

Answer: A

Page Ref: 76

LO: 2-5

143) When is a trial balance usually prepared? 143) _____

- A) At the beginning of an accounting period
- B) After balancing the ledger accounts
- C) After financial statements are published
- D) After each entry is journalised

Answer: B

Page Ref: 78

LO: 2-5

144) Which of the following statements CORRECTLY describes a trial balance? 144) _____

- A) A trial balance is a list of all accounts with their balances.
- B) A trial balance is the first step in the accounting cycle.
- C) A trial balance is also known as a balance sheet.
- D) A trial balance is also known as the chart of accounts.

Answer: A

Page Ref: 76

LO: 2-5

145) On a trial balance, which accounts are listed last? 145) _____

- A) Expenses
- B) Liabilities
- C) Revenues
- D) Assets

Answer: A

Page Ref: 76

LO: 2-5

146) The following are the ending month's balances for Toys Galore, before preparing the trial balance.

146) _____

Accounts payable	\$6 790
Revenues	8 680
Cash	4 500
Expenses	1 050
Furniture	8 370
Accounts receivable	7 710
Capital	???
Loan payable	5 230

What amount should be shown for Capital on the trial balance?

A) \$16 190

B) \$930

C) \$42 330

D) \$21 165

Answer: B

Page Ref: 76

LO: 2-5

147) The following are the ending month's balances for Toys Galore.

147) _____

Accounts payable	\$6 790
Revenue	8 680
Cash	4 500
Expenses	1 050
Furniture	8 370
Accounts receivable	7 710
Capital	930
Loan payable	5 230

What is the total amount of credits for the trial balance?

A) \$20 580

B) \$30 310

C) \$16 400

D) \$21 630

Answer: D

Page Ref: 76

LO: 2-5

148) The following are the ending month's balances for Toys Galore.

148) _____

Accounts payable	\$6 790
Revenue	8 680
Cash	4 500
Expenses	1 050
Furniture	8 370
Accounts receivable	7 710
Capital	930
Loan payable	5 230

What is the total amount of debits for the trial balance?

A) \$21 630

B) \$30 310

C) \$16 400

D) \$20 580

Answer: A

Page Ref: 76

LO: 2-5

149) The following are the ending month's balances for Toys Galore.

149) _____

Accounts payable	\$6 790
Revenue	8 680
Cash	4 500
Expenses	1 050
Furniture	8 370
Accounts receivable	7 710
Capital	930
Loan payable	5 230

What is the profit for Toys Galore for September?

A) \$970

B) \$1 050

C) \$7 630

D) \$8 680

Answer: C

Page Ref: 76

LO: 2-5

150) The following are the ending month's balances for Toys Galore.

150) _____

Accounts payable	\$6 790
Revenue	8 680
Cash	4 500
Expenses	1 050
Furniture	8 370
Accounts receivable	7 710
Capital	930
Loan payable	5 230

What would be the last account listed on the trial balance for Toys Galore?

- A) Revenue
B) Cash
C) Accounts payable
D) Expenses

Answer: D

Page Ref: 76

LO: 2-5

151) The following are the ending month's balances for Toys Galore.

151) _____

Accounts payable	\$6 790
Revenue	8 680
Cash	4 500
Expenses	1 050
Furniture	8 370
Accounts receivable	7 710
Capital	930
Loan payable	5 230

What would be the first account listed on the trial balance for Toys Galore?

- A) Revenue
B) Accounts payable
C) Cash
D) Expenses

Answer: C

Page Ref: 76

LO: 2-5

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

152) The following transactions have been journalised and posted to the proper accounts.
Prepare a trial balance.

152) _____

- Edward Wilson invested \$8 000 cash in his new landscaping business.
- The business paid the first month's rent with \$300 cash.
- The business purchased equipment by paying \$2 000 cash and taking out a loan payable for \$3 000.
- The business purchased supplies for \$200 cash.
- The business billed clients for a total of \$1 000 for design services rendered.
- The business received \$750 cash from clients for services rendered above.
- The owner took a withdrawal of \$2 000.

Account Title	Debit	Credit

Answer:

Account Title	Debit	Credit
Cash	\$4 250	
Accounts receivable	250	
Supplies	200	
Equipment	5 000	
Loan payable		\$3 000
Capital		8 000
Withdrawals	2 000	
Service revenue		1 000
Rent expense	<u>300</u>	
Total	\$12 000	\$12 000

Page Ref: 76
LO: 2-5

153) At the end of a month, a business shows the following balances in its ledger. 153) _____

<u>Cash</u> 5,000	<u>Accounts receivable</u> 1,200	<u>Supplies</u> 200	<u>Land</u> 20,000
<u>Accounts payable</u> 1,300	<u>Capital</u> 1,000	<u>Service revenue</u> 35,500	<u>Rent expense</u> 4,500
<u>Salary expense</u> 6,000	<u>Utility expense</u> 900		

Please use this data to prepare a trial balance.

Account Title	Debit	Credit

Answer:

Account Title	Debit	Credit
Cash	\$5 000	
Accounts receivable	1 200	
Supplies	200	
Land	20 000	
Accounts payable		\$1 300
Capital		1 000
Service revenue		35 500
Rent expense	4 500	
Salary expense	6 000	
Utility expense	900	
Total	\$37 800	\$37 800

Page Ref: 76

LO: 2-5