

2.1-1 An account is the detailed record of the changes in a particular asset, liability, or owner's equity.

Answer: True

LO: 2-1

Difficulty: 1

EOC Ref: S2-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.1-2 A chart of accounts is the book (or printout) holding all of the company's accounts.

Answer: False

LO: 2-1

Difficulty: 1

EOC Ref: S2-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.1-3 A trial balance is the list of all a company's accounts along with their account numbers.

Answer: False

LO: 2-1

Difficulty: 1

EOC Ref: S2-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.1-4 A journal is the chronological record of transactions.

Answer: True

LO: 2-1

Difficulty: 1

EOC Ref: S2-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.1-5 Which of the following accounts is NOT an example of an asset?

- A) Accounts receivable
- B) Cash
- C) Building
- D) Notes payable

Answer: D

LO: 2-1

Difficulty: 1

EOC Ref: S2-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.1-6 Which of the following accounts is NOT an example of a liability?

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

Answer: D

LO: 2-1

Difficulty: 1

EOC Ref: S2-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.1-7 Which of the following accounts is NOT an example of an owner's equity account?

- A) Drawing
- B) Capital
- C) Additional investments
- D) Cash

Answer: D

LO: 2-1

Difficulty: 1

EOC Ref: S2-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.1-8 Accountants first record transactions in the:
A) chart of accounts.
B) trial balance.
C) journal.
D) ledger.
- Answer: C
LO: 2-1
Difficulty: 1
EOC Ref: E2-14
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.1-9 Which of the following accounts is an asset?
A) Salary expense
B) Accounts payable
C) Service revenue
D) Prepaid expenses
- Answer: D
LO: 2-1
Difficulty: 1
EOC Ref: E2-14
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.1-10 Which of the following accounts is a liability?
A) Accounts payable
B) Prepaid expenses
C) Salary expense
D) Service revenue
- Answer: A
LO: 2-1
Difficulty: 1
EOC Ref: E2-14
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting

2.1-11 Which of the following accounts is an owner's equity account?

- A) Accrued Liability
- B) Accounts Payable
- C) Prepaid Expense
- D) Capital

Answer: D

LO: 2-1

Difficulty: 1

EOC Ref: E2-14

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.1-12 Prepaid expenses are recorded as:

- A) assets.
- B) liabilities.
- C) debits and credits.
- D) capital.

Answer: A

LO: 2-1

Difficulty: 1

EOC: S2-1

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.1-13 In a typical chart of accounts, liabilities start with a _____ and expenses start with a _____.

- A) 1, 4
- B) 2, 5
- C) 2, 4
- D) 1, 3

Answer: B

LO: 2-1

Difficulty: 1

EOC: S2-1

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.1-14 In a typical chart of accounts, revenues start with a _____ and assets start with a _____.
A) 4, 1
B) 5, 1
C) 2, 1
D) 3, 1

Answer: A

LO: 2-1

Difficulty: 1

EOC: S2-1

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.1-15 Which of the following are accrued expenses?
A) Taxes payable
B) Interest payable
C) Salary payable
D) All are accrued expenses

Answer: D

LO: 2-1

Difficulty: 1

EOC: S2-1

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.1-16 Which of the following accounts is an example of a liability?
A) Service revenue
B) Building
C) Accounts receivable
D) Notes payable

Answer: D

LO: 2-1

Difficulty: 12

EOC Ref: S1-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.2-1 Debit refers to the right side of the T-account, and credit refers to the left side.

Answer: False

LO: 2-2

Difficulty: 1

EOC Ref: S2-3

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.2-2 In the United States, we use double entry accounting, which means we record the dual effects of each transaction.
- Answer: True
LO: 2-2
Difficulty: 1
EOC Ref: S2-3
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.2-3 An asset account is increased by a debit.
- Answer: True
LO: 2-2
Difficulty: 1
EOC Ref: S2-3
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.2-4 An owner's equity account is increased by a debit.
- Answer: False
LO: 2-2
Difficulty: 1
EOC Ref: S2-3
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.2-5 Expenses are increases in owner's equity, caused by providing goods or services for customers.
- Answer: False
LO: 2-2
Difficulty: 1
EOC Ref: E2-20
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.2-6 An account that normally has a debit balance may occasionally have a credit balance.
- Answer: True
LO: 2-2
Difficulty: 1
EOC Ref: E2-20
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting

- 2.2-7 Which of the following is the detailed record of the changes in a particular asset, liability, or owner's equity?
- A) Journal
 - B) Trial balance
 - C) Ledger
 - D) Account
- Answer: D
LO: 2-2
Difficulty: 1
EOC Ref: S2-2
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.2-8 Which of the following is the book (or printout) holding all the accounts?
- A) Account
 - B) Trial balance
 - C) Journal
 - D) Ledger
- Answer: D
LO: 2-2
Difficulty: 1
EOC Ref: S2-2
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.2-9 Which of the following is the chronological record of transactions?
- A) Ledger
 - B) Account
 - C) Journal
 - D) Trial balance
- Answer: C
LO: 2-2
Difficulty: 1
EOC Ref: S2-2
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting

- 2.2-10 Which of the following is a list of all the accounts with their balances?
A) Journal
B) Trial balance
C) Ledger
D) Account
- Answer: B
LO: 2-2
Difficulty: 1
EOC Ref: E2-13
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.2-11 A chart of accounts is a:
A) list of all the accounts with their balances.
B) book (or printout) holding all the accounts.
C) list of all the accounts with their account numbers.
D) chronological record of transactions.
- Answer: C
LO: 2-2
Difficulty: 1
EOC Ref: S2-4
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.2-12 Which of the following groups of accounts normally have a debit balance?
A) Assets and Expenses
B) Revenues and Expenses
C) Liabilities and Owner's equity
D) Assets and Liabilities
- Answer: A
LO: 2-2
Difficulty: 1
EOC Ref: S2-4
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting

- 2.2-13 Which of the following accounts increases with a credit?
A) Cash
B) Capital
C) Accounts receivable
D) Both A and B
- Answer: B
LO: 2-2
Difficulty: 1
EOC Ref: S2-4
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.2-14 Which of the following accounts decreases with a credit?
A) Cash
B) Common stock
C) Accounts payable
D) Both A and B
- Answer: A
LO: 2-2
Difficulty: 1
EOC Ref: S2-4
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.2-15 Which of the following accounts increases with a debit?
A) Cash
B) Interest payable
C) Prepaid insurance
D) Both A and B
- Answer: D
LO: 2-2
Difficulty: 1
EOC Ref: S2-4
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting

2.2-16 Which of the following accounts decreases with a debit?

- A) Interest payable
- B) Prepaid insurance
- C) Cash
- D) Both A and B

Answer: A

LO: 2-2

Difficulty: 1

EOC Ref: S2-4

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Rep

2.2-17 An owner invests \$20,000 in her new business by depositing the cash in the business's checking account. Which of the following occurs?

- A) Cash is credited for \$20,000.
- B) Cash is debited for \$20,000.
- C) Capital is debited for \$20,000.
- D) Both B and C occur.

Answer: B

LO: 2-2

Difficulty: 2

EOC Ref: E2-15

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.2-18 A business purchases equipment for cash in the amount of \$8,000. Which of the following occurs?

- A) Cash is credited for \$8,000.
- B) Cash is debited for \$8,000.
- C) Equipment is debited for \$8,000.
- D) Both A and C occur.

Answer: D

LO: 2-2

Difficulty: 2

EOC Ref: E2-15

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.2-19 A business makes a cash payment of \$12,000 to a creditor. Which of the following occurs?
- A) Cash is credited for \$12,000.
 - B) Cash is debited for \$12,000.
 - C) Accounts payable is credited for \$12,000.
 - D) Both A and C occur.

Answer: A

LO: 2-2

Difficulty: 2

EOC Ref: E2-15

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.2-20 A business completes services for \$16,000 on account. Which of the following occurs?
- A) Cash is debited for \$16,000.
 - B) Accounts receivable is debited for \$16,000.
 - C) Service revenue is credited for \$16,000.
 - D) Both B and C occur.

Answer: D

LO: 2-2

Difficulty: 2

EOC Ref: E2-15

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.2-21 A business pays \$500 cash for supplies. Which of the following occurs?
- A) Cash is debited for \$500.
 - B) Accounts payable is credited for \$500.
 - C) Supplies is debited for \$500.
 - D) Both B and C occur.

Answer: C

LO: 2-2

Difficulty: 2

EOC Ref: E2-15

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.2-22 A business receives cash in payment of accounts receivable. Which of the following occurs?
- A) A liability is debited and a liability is credited.
 - B) An asset is credited and a liability is debited.
 - C) An asset is debited and an asset is credited.
 - D) An asset is debited and a liability is credited.

Answer: C

LO: 2-2

Difficulty: 2

EOC Ref: E2-15

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.2-23 A sole proprietor takes withdrawals from the business. Which of the following occurs?
- A) An asset is credited and an owner's equity account is debited.
 - B) An asset is credited and a liability is debited.
 - C) A liability is debited and a liability is credited.
 - D) An asset is debited and an asset is credited.

Answer: A

LO: 2-2

Difficulty: 3

EOC Ref: E2-16

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.2-24 A business makes a principal payment of cash on a note payable. The note payable was originally issued for the purchase of equipment. Which of the following occurs?
- A) An asset is debited and a liability is credited.
 - B) A liability is debited and a liability is credited.
 - C) An asset is credited and a liability is debited.
 - D) An asset is debited and an asset is credited.

Answer: C

LO: 2-2

Difficulty: 3

EOC Ref: E2-16

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.2-25 A business makes a cash payment for advertising expense. Which of the following occurs?
- A) A liability is debited and an expense is credited.
 - B) An asset is credited and a liability is debited.
 - C) An asset is credited and an expense is debited.
 - D) An asset is debited and a liability is credited.
- Answer: C
LO: 2-2
Difficulty: 3
EOC Ref: E2-16
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.2-26 A business makes a payment of \$1,200 on a note payable, consisting of a \$200 interest payment and a \$1,000 principal payment. Which of the following journal entries would be recorded?
- A) Cash is credited for \$1,000; Interest expense is credited for \$200; and Notes payable is debited for \$1,200.
 - B) Notes payable is credited for \$1,000; Cash is credited for \$200; and Interest expense is debited for \$1,200.
 - C) Cash is credited for \$1,200; Notes payable is debited for \$1,000; and Interest expense is debited for \$200.
 - D) Notes payable is credited for \$1,200; Cash is debited for \$1,000; and Interest expense is debited for \$200.
- Answer: C
LO: 2-2
Difficulty: 3
EOC Ref: E2-16
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.2-27 A business purchases equipment by paying cash of \$8,000 and issuing a note payable of \$12,000. Which of the following occurs?
- A) Cash is credited for \$8,000; Equipment is credited for \$20,000; and Notes payable is debited for \$12,000.
 - B) Cash is credited for \$8,000; Equipment is debited for \$20,000; and Notes payable is credited for \$12,000.
 - C) Cash is debited for \$8,000; Equipment is debited for \$12,000; and Notes payable is credited for \$20,000.
 - D) Cash is credited for \$8,000; Equipment is credited for \$12,000; and Notes payable is debited for \$4,000.
- Answer: B
LO: 2-2
Difficulty: 3
EOC Ref: E2-16
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting

2.2-28 Which of the following accounts increase on the debit side?

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

Answer: D

LO: 2-2

Difficulty: 1

EOC: S2-3

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.2-29 A business receives a cash payment for services rendered. Which of the following occurs?

- A) An asset is debited and a revenue account is credited.
- B) An asset is credited and a liability is debited.
- C) An asset is debited and a liability is credited.
- D) An asset is debited and a revenue account is debited.

Answer: A

LO: 2-2

Difficulty: 1

EOC Ref: S2-3

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.2-30 Which of the following statements about expenses is correct?

- A) Expenses increase owner's equity, so an expense account's normal balance is a credit balance.
- B) Expenses decrease owner's equity, so an expense account's normal balance is a credit balance.
- C) Expenses increase owner's equity, so an expense account's normal balance is a debit balance.
- D) Expenses decrease owner's equity, so an expense account's normal balance is a debit balance.

Answer: D

LO: 2-2

Difficulty: 2

EOC Ref: E2-15

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.2-31 Which of the following are increased on the debit side of the account?
A) Revenues
B) Expenses
C) Capital
D) Notes payable
- Answer: B
LO: 2-2
Difficulty: 1
EOC: S2-3
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.3-1 When recording a transaction in a journal, the credit side is entered first, followed by the debit side.
- Answer: False
LO: 2-3
Difficulty: 1
EOC Ref: E2-18
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.3-2 The date of the transaction is one of the items included in a journal entry.
- Answer: True
LO: 2-3
Difficulty: 1
EOC Ref: E2-18
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.3-3 The journal entry presents only a part of the transaction. Information recorded in the ledger is necessary to complete the information about the transaction.
- Answer: False
LO: 2-3
Difficulty: 1
EOC Ref: E2-19
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.3-4 The process of copying from the journal to the ledger is called posting.
- Answer: True
LO: 2-3
Difficulty: 1
EOC Ref: E2-20
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting

- 2.3-5 After initially recording a transaction, the data is then copied, or posted, to the:
- A) chart of accounts.
 - B) ledger.
 - C) trial balance.
 - D) journal.

Answer: B

LO: 2-3

Difficulty: 1

EOC Ref: E2-20

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.3-6 The accounting process of copying a transaction from the journal to the ledger is called:
- A) journalizing.
 - B) posting.
 - C) proofing.
 - D) footing.

Answer: B

LO: 2-3

Difficulty: 1

EOC Ref: E2-17

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.3-7 A journal entry includes which of the following items?
- A) Titles of the accounts debited and credited, along with the dollar amounts
 - B) A brief explanation of the transaction
 - C) Date of the transaction
 - D) All of the above

Answer: D

LO: 2-3

Difficulty: 1

EOC Ref: S2-5

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.3-8 The first step of journalizing an entry is to:
A) post the accounts to the ledger.
B) identify each account affected and its type.
C) determine whether each account is increased or decreased.
D) record the transaction in the journal, including a brief explanation.
- Answer: B
LO: 2-3
Difficulty: 1
EOC Ref: S2-5
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.3-9 Which of the following is the order of steps to journalize an entry?
A) Identify each account affected, determine increase or decrease in each account, and record the transaction.
B) Identify each account affected, record the transaction, and determine increase or decrease in each account.
C) Record the transaction, identify each account affected, and determine increase or decrease in each account.
D) Determine increase or decrease in each account, identify each account affected, and record the transaction.
- Answer: A
LO: 2-3
Difficulty: 2
EOC Ref: S2-5
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.3-10 Which of the following is the last step of journalizing an entry?
A) Post the accounts to the ledger.
B) Identify each account affected and its type.
C) Record the transaction in the journal, including a brief explanation.
D) Determine whether each account has increased or decreased.
- Answer: C
LO: 2-3
Difficulty: 2
EOC Ref: S2-5
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.3-11 The first place that transactions are recorded in the accounting system is the _____.
- Answer: journal
LO: 2-3
Difficulty: 1
EOC Ref: S2-5
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting

2.3-12 Which of the following is NOT an example of a source document?

- A) Journal
- B) Sales invoice
- C) Bank deposit slip
- D) Purchase invoice

Answer: A

LO: 2-3

Difficulty: 2

EOC: E2-20

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-1 Which of the following journal entries would be recorded if a business purchased \$200 of supplies on account?

A)

Accounts payable		200	
	Supplies		200

B)

Supplies		200	
	Accounts payable		200

C)

Supplies		200	
	Cash		200

D)

Cash		200	
	Supplies		200

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: P2-27A

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-2 Which of the following journal entries would be recorded if a business received cash of \$400 immediately after it performed services?

A)

Service revenue		400	
	Cash		400

B)

Service revenue		400	
	Accounts payable		400

C)

Cash		400	
	Service revenue		400

D)

Service revenue		400	
	Accounts receivable		400

Answer: C

LO: 2-4

Difficulty: 2

EOC Ref: P2-27A

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-3 Which of the following journal entries would be recorded if a business paid cash in the amount of \$600 on account? Supplies had been purchased on account last month.

A)

Cash		600	
	Accounts payable		600

B)

Accounts payable		600	
	Cash		600

C)

Cash		600	
	Supplies		600

D)

Accounts payable		600	
	Supplies		600

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: P2-27A

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-4 Which of the following journal entries would be recorded if Jane Brown formed a proprietorship by depositing cash in the amount of \$6,000 in the corporation's bank account?

A)

Cash		6,000	
	Capital		6,000

B)

Accounts payable		6,000	
	Cash		6,000

C)

Capital		6,000	
	Cash		6,000

D)

Capital		6,000	
	Accounts payable		6,000

Answer: A

LO: 2-4

Difficulty: 2

EOC Ref: P2-27A

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-5 Which of the following journal entries would be recorded if a business purchased equipment for \$3,000 cash?

A)

Cash		3,000	
	Equipment		3,000

B)

Equipment		3,000	
	Cash		3,000

C)

Cash		3,000	
	Accounts payable		3,000

D)

Equipment		3,000	
	Accounts payable		3,000

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: P2-27A

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-6

Which of the following journal entries would be recorded if a business received cash of \$1,000 on account for services performed at an earlier date?

A)

Cash		1,000	
	Service revenue		1,000

B)

Accounts receivable		1,000	
	Service revenue		1,000

C)

Cash		1,000	
	Accounts receivable		1,000

D)

Service revenue		1,000	
	Accounts receivable		1,000

Answer: C

LO: 2-4

Difficulty: 2

EOC Ref: P2-27A

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-7 Which of the following journal entries would be recorded if a business purchased equipment for \$2,500 cash and supplies for \$450 cash?

A)

Equipment		2,950	
	Cash		2,500
	Supplies		450

B)

Cash		2,500	
Equipment		450	
	Accounts receivable		2,950

C)

Cash		2,950	
	Equipment		2,500
	Supplies		450

D)

Equipment		2,500	
Supplies		450	
	Cash		2,950

Answer: D

LO: 2-4

Difficulty: 3

EOC Ref: E2-16

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-8 Which of the following journal entries would be recorded if a business performed services for \$400 cash and \$1,000 on account?

A)

Cash		1,400	
	Accounts receivable		1,000
	Service revenue		400

B)

Cash		400	
Accounts receivable		1,000	
	Service revenue		1,400

C)

Service revenue		1,000	
Cash		400	
	Accounts receivable		1,400

D)

Service revenue		1,400	
	Cash		1,000
	Accounts payable		400

Answer: B

LO: 2-4

Difficulty: 3

EOC Ref: E2-16

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement Reporting

2.4-9 A business makes a payment of \$1,200 on a note payable, consisting of a \$200 interest payment and a \$1,000 principal payment. Which of the following journal entries would be recorded?

A)

Notes payable		1,000	
Interest expense		200	
	Cash		1,200

B)

Cash		1,200	
	Notes payable		1,000
	Interest expense		200

C)

Notes payable		1,200	
	Cash		1,000
	Interest expense		200

D)

Cash		1,000	
	Notes payable		1,200
	Interest expense		200

Answer: A

LO: 2-4

Difficulty: 3

EOC Ref: E2-16

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-10 A business purchases equipment by paying \$8,000 in cash and issuing a note payable of \$12,000. Which of the following journal entries would be recorded?

A)

Equipment		20,000	
	Notes payable		12,000
	Cash		8,000

B)

Cash		\$8, 000	
Notes payable		\$12, 000	
	Equipment		\$20, 000

C)

Cash		8,000	
Notes payable		4,000	
	Equipment		12,000

D)

Equipment		8,000	
Notes payable		4,000	
	Cash		12,000

Answer: A

LO: 2-4

Difficulty: 3

EOC Ref: E2-16

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-11 Which of the following is the first step in the normal flow of accounting data from the journal to the ledger?

A) Posting

B) Preparation of trial balance

C) Transaction analysis

D) Journalizing

Answer: C

LO: 2-4

Difficulty: 2

EOC Ref: E2-20

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-12

Which of the following sequences represents the normal flow of accounting data from the journal to the ledger?

- A) Transaction occurs; source documents are prepared; transaction analysis; transaction is journalized and posted.
- B) Source documents are prepared; transaction analysis; transaction is journalized and posted; transaction occurs.
- C) Transaction analysis; transaction is journalized and posted; transaction occurs; source documents are prepared.
- D) Transaction occurs; transaction analysis; transaction is journalized and posted; source documents are prepared.

Answer: A

LO: 2-4

Difficulty: 2

EOC Ref: E2-20

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-13

Which of the following formulas is the expanded accounting equation for a corporation?

- A) $\text{Assets} + \text{Revenues} - \text{Expenses} = \text{Liabilities} + \text{Common stock} + \text{Retained earnings} - \text{Dividends}$
- B) $\text{Assets} = \text{Liabilities} + \text{Common stock} + \text{Retained earnings} - \text{Dividends} + \text{Revenues} - \text{Expenses}$
- C) $\text{Assets} + \text{Liabilities} + \text{Common stock} + \text{Retained earnings} = \text{Dividends} + \text{Revenues} - \text{Expenses}$
- D) $\text{Assets} + \text{Liabilities} = \text{Common stock} + \text{Retained earnings} - \text{Dividends} + \text{Revenues} - \text{Expenses}$

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: E2-20

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-14

Which of the following statements about revenue is correct?

- A) Revenues decrease owner's equity, so a revenue account's normal balance is a credit balance.
- B) Revenues decrease owner's equity, so a revenue account's normal balance is a debit balance.
- C) Revenues increase owner's equity, so a revenue account's normal balance is a debit balance.
- D) Revenues increase owner's equity, so a revenue account's normal balance is a credit balance.

Answer: D

LO: 2-4

Difficulty: 2

EOC Ref: E2-20

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-15

A business purchased \$200 of supplies on account and recorded the following journal entry:

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: C

LO: 2-4

Difficulty: 2

EOC Ref: E2-17

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement Reporting

2.4-16

The following transactions have been journalized and posted to the proper accounts.

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

What is the balance in Cash?

- A) \$7,850
- B) \$6,450
- C) \$8,450
- D) \$8,150

Answer: B

Calculations: $7,000 - 700 - 2,000 - 850 + 3,000 = 6,450$

LO: 2-4

Difficulty: 2

EOC Ref: E2-17

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-17

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

A)

Cash		200	
	Supplies		200

B)

Accounts payable		200	
	Supplies		200

C)

Supplies		200	
	Cash		200

D)

Supplies		200	
	Accounts payable		200

Answer: C

LO: 2-4

Difficulty: 1

EOC Ref: S2-5

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.4-18 A bill is mailed to a client for services rendered. It will be paid in the following accounting period. Which of the following would be true as a result of mailing the bill to the client?
- A) Owner's equity will decrease.
 - B) Total liabilities will decrease.
 - C) There will be no effect on total assets.
 - D) Net income will increase.

Answer: D

LO: 2-4

Difficulty: 2

EOC Ref: E2-20

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.4-19 Transferring the information from the journal to the general ledger is known as:
- A) debit-credit theory.
 - B) preparing a trial balance.
 - C) posting.
 - D) T-account analysis.

Answer: C

LO: 2-4

Difficulty: 1

EOC: S2-7

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.4-20 A customer increases sales by \$500, paying \$150 in cash and putting the rest on account. Which account is not affected by this transaction?
- A) Cash
 - B) Accounts payable
 - C) Accounts receivable
 - D) Sales

Answer: B

LO: 2-4

Difficulty: 2

EOC: E2-17

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.4-21 A company purchased a building by paying some cash as a down payment and signing a mortgage payable. You would:
- A) debit the mortgage payable for the amount of the mortgage.
 - B) debit the building account for the amount of the mortgage.
 - C) debit cash for the amount paid on the down payment.
 - D) credit the mortgage payable for the amount of the mortgage.

Answer: D

LO: 2-4

Difficulty: 2

EOC: S2-3

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.4-22 Which is NOT a part of recording a transaction in a general journal?
- A) The post reference number of the journal page
 - B) The date
 - C) The debits and credits
 - D) The amounts of debits and credits

Answer: A

LO: 2-4

Difficulty: 2

EOC: S2-5

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.4-23 A company received \$75,000 from their customers on account. The journal entry would be:
- A) debit Accounts receivable, credit Sales revenue.
 - B) debit Accounts receivable, credit Cash.
 - C) debit Cash, credit Accounts receivable.
 - D) debit Sales revenue, credit Accounts receivable.

Answer: C

LO: 2-4

Difficulty: 2

EOC: S2-5

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-24

The following transactions have been journalized and posted to the proper accounts.

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

What is the balance in Accounts receivable?

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

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: E2-17

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-25

The following transactions have been journalized and posted to the proper accounts.

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

What is the balance in Notes payable?

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

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: E2-17

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-26

The following transactions have been journalized and posted to the proper accounts.

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

What is the balance in Service revenue?

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

Answer: C

LO: 2-4

Difficulty: 2

EOC Ref: E2-17

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-27

The following transactions have been journalized and posted to the proper accounts.

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

What is the balance in Rent expense?

- A) \$3,150
- B) \$3,000
- C) \$700
- D) \$2,700

Answer: C

LO: 2-4

Difficulty: 2

EOC Ref: E2-17

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-28

McKenna Company purchases equipment for a cash down payment of \$10,000 and a note payable of \$30,000. Which of the following journal entries is correctly recorded using the accepted standard

format?

A)

	Cash		10,000
Equipment		40,000	
	Note payable		30,000

B)

Cash		10,000	
Note payable		30,000	
	Equipment		40,000

C)

	Cash	10,000	
	Note payable	30,000	
Equipment			40,000

D)

Equipment		40,000	
	Cash		10,000
	Note payable		30,000

Answer: D

LO: 2-4

Difficulty: 2

EOC Ref: E2-17

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

2.4-29

Which of the following is true about the process of posting?

- A) Entries should be posted in account number order.
- B) The process of posting transfers the journalized entries to their respective accounts in the ledger.
- C) The process of posting transfers accumulated debits and credits to the trial balance.
- D) None of the above are true.

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: E2-17

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-30

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

1. James Patel, the sole proprietor, deposited \$3,000 in the company's new checking account..
2. Patel Pastries paid the first month's rent of \$400.
3. Patel Pastries purchased equipment by signing a note payable of \$11,000.
4. Cash sales for the month were \$4,500.
5. Patel Pastries purchased cooking supplies for \$1,400.

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

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

Answer: C

Calculations: $3,000 - 400 + 4,500 - 1,400 = 5,700$

LO: 2-4

Difficulty: 2

EOC Ref: E2-17

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-31

Equipment is purchased for cash. Which of the following would be true?

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

Answer: D

LO: 2-4

Difficulty: 2

EOC Ref: S2-8

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.4-32 Services were performed on account. Which of the following would be true?
- A) Total assets decrease, net income increases, and owner's equity increases.
 - B) Net income decreases, owner's equity increases, and total assets increase.
 - C) Total assets increase, net income increases, and owner's equity increases.
 - D) Net income decreases, total assets decrease, and owner's equity decreases.

Answer: C

LO: 2-4

Difficulty: 2

EOC Ref: S2-8

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.4-33 A proprietor makes withdrawals. Which of the following would be true?
- A) Net income would decrease.
 - B) Total assets would increase.
 - C) There would be no effect on total assets.
 - D) Owner's equity would decrease.

Answer: D

LO: 2-4

Difficulty: 2

EOC Ref: S2-8

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.4-34 A utility bill is received. It will be paid in the following accounting period. Which of the following would be true as a result of the receipt of the utility bill?
- A) Net income will increase.
 - B) Stockholders' equity will decrease.
 - C) Total liabilities will decrease.
 - D) There will be no effect on total liabilities.

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: E2-17

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.4-35 A building is purchased by signing a mortgage note. Which of the following would be true?
- A) Total liabilities decrease.
 - B) There is no effect on owner's equity.
 - C) Owner's equity is increased.
 - D) Total assets decrease.

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: E2-17

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.5-1 A balance sheet is an internal document used only by company insiders.

Answer: False

LO: 2-5

Difficulty: 1

EOC Ref: S2-10

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.5-2 A trial balance will usually report total debits that are not equal to total credits.

Answer: False

LO: 2-5

Difficulty: 1

EOC Ref: E2-19

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.5-3 The general public generally does not see a company's trial balance.

Answer: True

LO: 2-5

Difficulty: 1

EOC Ref: E2-25

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.5-4 A trial balance summarizes a ledger by listing all the accounts with their balances.

Answer: True

LO: 2-5

Difficulty: 1

EOC Ref: E2-25

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.5-5 Which of the following is a method used to detect errors when the two columns of the trial balance are NOT equal?
- A) Compute the difference in the columns and search the trial balance for a transposition if the difference is evenly divisible by 9.
 - B) Compute the difference in the columns, divide the difference between total debits and total credits by 2 and search for the amount in the trial balance.
 - C) Compute the difference in the columns and search the trial balance for the missing amount.
 - D) All of the above are suggested methods for detecting errors.

Answer: D

LO: 2-5

Difficulty: 2

EOC Ref: S2-11

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.5-6 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?
- A) The trial balance will be in balance; the sum of the credits will equal the sum of the debits.
 - B) The sum of the debits will exceed the sum of the credits by \$75.
 - C) The sum of the debits will exceed the sum of the credits by \$150.
 - D) The sum of the credits will exceed the sum of the debits.

Answer: A

LO: 2-5

Difficulty: 2

EOC Ref: S2-11

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.5-7 A journal entry for a \$250 payment on account was posted as a \$520 debit to Accounts payable and a \$250 credit to Cash. This error will cause which of the following conditions on the trial balance?
- A) The sum of the credits will exceed the sum of the debits.
 - B) The sum of the debits will exceed the sum of the credits by \$250.
 - C) The sum of the debits will exceed the sum of the credits by \$270.
 - D) The trial balance will be in balance; the sum of the credits will equal the sum of the debits.

Answer: C

LO: 2-5

Difficulty: 2

EOC Ref: S2-11

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.5-8 A trial balance usually lists accounts in which of the following orders?
A) Assets, Liabilities, Revenues, Expenses, Owner's equity
B) Assets, Expenses, Liabilities, Revenues, Owner's equity
C) Assets, Revenues, Liabilities, expenses, Owner's equity
D) Assets, Liabilities, Owner's equity, Revenues, Expenses
- Answer: D
LO: 2-5
Difficulty: 2
EOC Ref: S2-10
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.5-9 When is a trial balance usually prepared?
A) After each entry is journalized
B) At the end of each accounting period
C) At the end of each day
D) When the business is liquidated
- Answer: B
LO: 2-5
Difficulty: 2
EOC Ref: S2-10
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.5-10 Which of the following errors could be detected by examining a trial balance?
A) A journal entry for a \$250 payment on account was posted as a \$520 debit to Accounts payable and a \$250 credit to Cash.
B) A journal entry for a \$250 payment on account was not posted.
C) A journal entry for a \$75 payment for Rent expense was posted twice.
D) A journal entry for a \$75 payment for Rent expense was posted as a debit to Salary expense and a credit to Cash.
- Answer: A
LO: 2-5
Difficulty: 2
EOC Ref: E2-26
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting

- 2.5-11 A trial balance is prepared and the sum of the debits equals the sum of the credits. Which of the following conclusions is correct?
- A) All of the transactions have been correctly posted.
 - B) The accounting equation is mathematically correct.
 - C) All errors have been found and corrected.
 - D) All of the account balances are correct.

Answer: B

LO: 2-5

Difficulty: 2

EOC Ref: E2-26

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.5-12 Which of the following statements correctly describes a trial balance?
- A) A trial balance is the first step in the accounting cycle.
 - B) A trial balance is also known as a balance sheet.
 - C) A trial balance is a list of all accounts with their balances.
 - D) A trial balance is also known as the chart of accounts.

Answer: C

LO: 2-5

Difficulty: 2

EOC Ref: E2-26

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.5-13 Which of the following is TRUE of a trial balance?
- A) A trial balance contains all of the information to prepare the statement of retained earnings.
 - B) A trial balance contains totals for debits and credits.
 - C) A trial balance contains totals for revenues and expenses.
 - D) A trial balance contains totals for assets and liabilities.

Answer: B

LO: 2-5

Difficulty: 2

EOC Ref: E2-26

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.5-14 A \$250 payment on account was posted as a debit to Cash and a credit to Accounts payable. Which of the following conditions will exist?
- A) Accounts payable will be understated.
 - B) Stockholders' equity will be overstated.
 - C) Accounts receivable will be overstated.
 - D) Cash will be overstated.
- Answer: C
LO: 2-5
Difficulty: 2
EOC Ref: E2-26
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.5-15 A receipt of \$300 cash on account was recorded as a \$500 debit to Accounts payable and a \$500 credit to Cash. Which of the following conditions will exist?
- A) Cash is overstated by \$500.
 - B) Cash is overstated by \$800.
 - C) Cash is understated by \$800.
 - D) Cash is understated by \$500.
- Answer: C
LO: 2-5
Difficulty: 2
EOC Ref: E2-26
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting
- 2.5-16 The credit side of an entry to record the payment of rent was not posted. Which of the following conditions will exist?
- A) Expenses will be overstated.
 - B) Assets will be overstated.
 - C) Assets will be understated.
 - D) Liabilities will be understated.
- Answer: B
LO: 2-5
Difficulty: 2
EOC Ref: E2-26
AACSB: Analytical Skills
AICPA Business Perspective Competencies: Strategic/Critical Thinking
AICPA Functional Competencies: Measurement, Reporting

2.5-17

The purpose of a trial balance is to:

- A) check to make sure the balances in the accounts are correct.
- B) help you to find mistakes made in posting.
- C) help revise your accounts in the correct order.
- D) make sure that debits equals credits.

Answer: D

LO: 2-5

Difficulty: 1

EOC: S2-9

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.5-18

An error in a trial balance where the decimal point or a number has shifted from the left to the right or vice versa is called a:

- A) transposition.
- B) slide.
- C) debit imbalance.
- D) credit imbalance.

Answer: B

LO: 2-5

Difficulty: 2

EOC: S2-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.5-19

A transaction was recorded as a debit to Phone expense and a credit to Cash. After reviewing the trial balance and searching, we find that the debit should have gone to Utilities expense. The correction would be:

- A) debit Utilities expense, credit Cash.
- B) debit Cash, credit Phone expense.
- C) debit Utilities expense, credit Phone expense.
- D) none of the above.

Answer: C

LO: 2-5

Difficulty: 2

EOC: E2-26

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.5-20 Posting \$345 as \$435 would be an example of a:

- A) transposition.
- B) slide.
- C) debit imbalance.
- D) credit imbalance.

Answer: A

LO: 2-5

Difficulty: 2

EOC: S2-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.5-21 The last step before doing the financial statements is:

- A) post all entries.
- B) record all transactions in the journal.
- C) prepare an adjusted trial balance.
- D) alphabetize the accounts.

Answer: C

LO: 2-5

Difficulty: 2

EOC: E2-25

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.5-22 Posting a \$600 debit as a \$600 credit in the Cash account,:

- A) makes Cash imbalanced by \$ 300.
- B) makes Cash imbalanced by \$ 600.
- C) makes Cash imbalanced by \$1200.
- D) makes Cash imbalanced by some other number.

Answer: C

LO: 2-5

Difficulty: 2

EOC: E2-26

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.5-23

On a trial balance, _____ are listed last.

- A) expenses
- B) revenues
- C) liabilities
- D) assets

Answer: A

LO: 2-5

Difficulty: 1

EOC: S2-10

AACSB: Analytical Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting