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College Accounting, 13Ce **(Slater)**
Chapter 2 Debits and Credits: Analyzing and Recording Business Transactions

2.1 Recording transactions in T accounts according to the rules of debit and credit.

1) One of the following statements does not help to explain the design of a T account:
A) The account has a balance.
B) The account has a left side.
C) The account has a right side.
D) The account has a title.
Answer: A
Diff: 2 Type: MC
Objective: 2-1

2) When speaking of the Standard Account Form, it is TRUE to say that
A) It is widely used in business records today.
B) The form has no room for indicating either a debit or a credit.
C) There is no Date column included in this form.
D) All of a company's accounts together form a ledger.
Answer: D
Diff: 2 Type: MC
Objective: 2-1

3) Which of these statements about T accounts is FALSE?
A) They are used mainly in classroom demonstrations.
B) They have both a left side and a right side.
C) They are used extensively in computer accounting.
D) Each account has a normal balance which is either a debit or a credit.
Answer: C
Diff: 1 Type: MC
Objective: 2-1

4) What device is used to record the increases and decreases caused by business transactions to individual assets, liabilities, and owner's equity?
A) Chart of accounts
B) Account
C) Trial Balance
D) Footings
Answer: B
Diff: 1 Type: MC
Objective: 2-1

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5) An account had a starting debit balance of $350. There were debit postings of $400 and credit postings of $200 during the month. The ending balance is
A) $550 debit.
B) $450 credit.
C) $950 debit.
D) $200 debit.
Answer: A
Diff: 2 Type: MC
Objective: 2-1

6) The word "debit" comes from which language?
A) Latin
B) French
C) Italian
D) Norsk
Answer: A
Diff: 1 Type: MC
Objective: 2-1

7) With respect to the balancing of an account, which one of these statements is FALSE?
A) If the total on the credit side was the larger, the balance is a credit.
B) Dollar signs are always used to designate a balance amount.
C) Footings of each side of the account are needed to determine the balance.
D) If the total on the debit side was the larger, the balance is a debit.
Answer: B
Diff: 1 Type: MC
Objective: 2-1

8) Accounts Receivable had a normal starting balance of $1000. There were debit postings of $800 and credit postings of $400 during the month. The ending balance is
A) $600 credit.
B) $1,400 debit.
C) $2,200 debit.
D) $1,400 credit.
Answer: B
Diff: 2 Type: MC
Objective: 2-2

9) An account had a $500 credit starting balance. There were debit postings of $400 and credit postings of $150 during the month. The ending balance is
A) $250 credit.
B) $750 debit.
C) $1050 credit.
D) $150 credit.
Answer: A
Diff: 2 Type: MC
Objective: 2-1

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10) The beginning balance in the Computers account was $2,500. The company purchased an additional $500 worth of computers. The balance in the account is
A) debit of $2,000.
B) credit of $3,000.
C) debit of $3,000.
D) credit of $2,000.
Answer: C
Diff: 1 Type: MC
Objective: 2-2

11) Cash had a normal starting balance of $600. There were debit postings of $200 and credit postings of $300 during the month. The ending balance is
A) $500 credit.
B) $1,100 debit.
C) $500 debit.
D) $1,100 credit.
Answer: C
Diff: 2 Type: MC
Objective: 2-2

12) Cash increases on the debit side of the account.
Answer: TRUE
Diff: 1 Type: TF
Objective: 2-2

13) Revenues are recorded when earned.
Answer: TRUE
Diff: 1 Type: TF
Objective: 2-2

14) A chart of accounts is a listing of the accounts and their ending balances.
Answer: FALSE
Diff: 1 Type: TF
Objective: 2-1

15) Revenue increases on the debit side of the account.
Answer: FALSE
Diff: 1 Type: TF
Objective: 2-2

16) Accounts Payable increases on the credit side of the account.
Answer: TRUE
Diff: 1 Type: TF
Objective: 2-2

17) Withdrawals increases on the debit side of the account.
Answer: TRUE
Diff: 2 Type: TF
Objective: 2-2

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18) Selected accounts from the ledger of Thomas Company appear below. For each account, indicate the following:
a. In the first column at right, indicate the type of each account using the following abbreviations:
Asset - A Revenue - R None of the above - N
Liability - L Expense - E
b. In the second column, indicate the normal balance of the account by inserting a Dr. or Cr.

Account	Type of Account	Normal Balance
1. Office Supplies	_____	_____
2. Accounts Receivable	_____	_____
3. Fees Earned	_____	_____
4. Thomas, Withdrawals	_____	_____
5. Accounts Payable	_____	_____
6. Salaries Expense	_____	_____
7. Thomas, Capital	_____	_____
8. Accounts Receivable	_____	_____
9. Equipment	_____	_____
10. Telephone Expense	_____	_____

Answer:	Account Account	Type of Balance	Normal
1. Office Supplies	A	Dr	
2. Accounts Receivable	A	Dr	
3. Fees Earned	R	Cr	
4. Thomas, Withdrawals	N	Dr	
5. Accounts Payable	L	Cr	
6. Salaries Expense	E	Dr	
7. Thomas, Capital	N	Cr	
8. Accounts Receivable	A	Dr	
9. Equipment	A	Dr	
10. Telephone Expense	E	Dr	

Diff: 2 Type: ES
Objective: 2-2

19) Explain the difference between expenses and withdrawals.
Answer: A withdrawal is used for recording the owner's withdrawal of company assets for personal use, and not related to the business. Expenses are costs the company incurs in carrying on operations in its effort to create revenue.
Diff: 3 Type: ES
Objective: 2-2

20) Why is Revenue increased on the Credit side? (Explain as it pertains to the expanded accounting equation and its relationship to Owner's Equity.)
Answer: Revenue is an increase to owner's equity; Capital is increased on the credit side.
Diff: 2 Type: ES
Objective: 2-2

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2.2 Setting up and organizing a chart of accounts

1) An accounting device used to record increases and decreases in individual assets, liabilities, capital, revenue, expenses, and withdrawals is a(n)
A) chart of accounts.
B) account.
C) trial balance.
D) footing.
Answer: B
Diff: 2 Type: MC
Objective: 2-1

2) A chart of accounts
A) is set up in alphabetical order.
B) includes account balances.
C) is a listing of all the accounts used by a company.
D) All of the above are correct.
Answer: C
Diff: 1 Type: MC
Objective: 2-2

3) A compound entry is
A) a transaction involving more than one debit and/or credit.
B) used to prepare the trial balance.
C) the same as the chart of accounts.
D) found on the income statement.
Answer: A
Diff: 1 Type: MC
Objective: 2-2

4) Accounts Payable had a normal starting balance of $750. There were debit postings of $600 and credit postings of $350 during the month. The ending balance is
A) $500 credit.
B) $1,000 debit.
C) $500 debit.
D) $1,000 credit.
Answer: A
Diff: 2 Type: MC
Objective: 2-2

5) A formal account that has columns for date, explanation, post reference, debit, and credit is called the
A) T account.
B) standard account form.
C) ledger.
D) chart of accounts.
Answer: B
Diff: 2 Type: MC
Objective: 2-1

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6) A ledger
A) is a group of accounts and their balances.
B) can replace the financial statements.
C) is the same as a chart of accounts.
D) None of these answers are correct.
Answer: A
Diff: 1 Type: MC
Objective: 2-1

7) The left side of any account is the
A) debit side.
B) credit side.
C) ending balance.
D) footings.
Answer: A
Diff: 1 Type: MC
Objective: 2-1

8) The right side of any account is the
A) debit side.
B) credit side.
C) ending balance.
D) footings.
Answer: B
Diff: 1 Type: MC
Objective: 2-1

9) The chart of accounts
A) is a numbered list of all of the business' accounts.
B) allows accounts to be balanced more accurately.
C) can be expanded as the business grows.
D) A and C are correct.
Answer: D
Diff: 1 Type: MC
Objective: 2-2

10) The side that increases the account balance, by the rules of debit and credit, is said to be the
A) debit side.
B) credit side.
C) normal balance.
D) None of these answers are correct.
Answer: C
Diff: 2 Type: MC
Objective: 2-2

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11) The Accounts Payable account is
A) a revenue, and it has a normal debit balance.
B) an expense, and it has a normal credit balance.
C) a liability, and it has a normal debit balance.
D) a liability, and it has a normal credit balance.
Answer: D
Diff: 1 Type: MC
Objective: 2-2

12) An account that would be increased by a credit is
A) Cash.
B) Accounts Receivable.
C) Utilities Expense.
D) Accounts Payable.
Answer: D
Diff: 1 Type: MC
Objective: 2-2

13) An account is said to have a debit balance if
A) the footing of the debits exceeds the footing of the credits.
B) there are more entries on the debit side than on the credit side.
C) its normal balance is debit without regard to the amounts or number of entries on the debit side.
D) the last entry of the accounting period was posted on the debit side.
Answer: A
Diff: 2 Type: MC
Objective: 2-2

14) A debit may signify a(n)
A) increase in asset accounts.
B) increase in liability accounts.
C) increase in the capital account.
D) decrease in expense accounts.
Answer: A
Diff: 2 Type: MC
Objective: 2-2

15) The Accounts Receivable account is
A) a revenue, and it has a normal debit balance.
B) an expense, and it has a normal credit balance.
C) an asset, and it has a normal debit balance.
D) a liability, and it has a normal credit balance.
Answer: C
Diff: 1 Type: MC
Objective: 2-2

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16) A credit may signify a(n)
A) increase in assets.
B) decrease in liabilities.
C) increase in capital.
D) increase in withdrawals.
Answer: C
Diff: 2 Type: MC
Objective: 2-2

17) Which of the following types of accounts has a normal credit balance?
A) Withdrawals
B) Assets
C) Expenses
D) Revenues
Answer: D
Diff: 1 Type: MC
Objective: 2-2

18) Which of the following types of accounts has a normal debit balance?
A) Withdrawals
B) Assets
C) Expenses
D) All of these answers are correct.
Answer: D
Diff: 1 Type: MC
Objective: 2-2

19) When recording transactions in two or more accounts and the totals of the debits and credits are equal, it is called
A) debiting.
B) crediting.
C) posting.
D) double-entry bookkeeping.
Answer: D
Diff: 2 Type: MC
Objective: 2-2

20) Which of the following groups of accounts have a normal debit balance?
A) Revenue, liabilities, and capital
B) Assets, capital, and withdrawals
C) Liabilities, expenses, and assets
D) Assets, expenses, and withdrawals
Answer: D
Diff: 1 Type: MC
Objective: 2-2

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21) The ledger is
A) a group of accounts that records data from business transactions.
B) a tool used to make sure that all accounts have normal balances.
C) a chronological record of the day's transactions.
D) a tool used to ensure that debits equal credits.
Answer: A
Diff: 2 Type: MC
Objective: 2-1

22) Which of the following accounts would be increased by a debit?
A) Cash
B) Accounts Payable
C) Capital
D) Fees Earned
Answer: A
Diff: 1 Type: MC
Objective: 2-2

23) What is the proper entry to show the owner making an investment in the company?
A) A credit to Cash and a debit to Capital
B) A debit to Cash and a credit to Capital
C) A debit to Cash and a credit to Revenue
D) A credit to Cash and a debit to Revenue
Answer: B
Diff: 2 Type: MC
Objective: 2-2

24) The Withdrawals account is
A) a revenue, and it has a normal debit balance.
B) an expense, and it has a normal credit balance.
C) a liability, and it has a normal debit balance.
D) an owner's equity component, and it has a normal debit balance.
Answer: D
Diff: 2 Type: MC
Objective: 2-2

25) Which of the following entries would be used to record the billing of fees earned?
A) Debit Accounts Receivable and credit Rental Fees
B) Credit Cash and credit Rental Fees
C) Debit Cash and credit Rental Fees
D) Debit Cash and debit Rental Fees
Answer: A
Diff: 2 Type: MC
Objective: 2-2

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26) Which of the statements of the rules of debit and credit is TRUE?
A) Decrease Accounts Receivable with a credit and the normal balance is a credit.
B) Increase Accounts Payable with a credit and the normal balance is a credit.
C) Increase Capital with a debit and the normal balance is a debit.
D) Decrease Cash with a debit and the normal balance is a debit.
Answer: B
Diff: 2 Type: MC
Objective: 2-2

27) Which of the following entries records the investment of cash by John, owner of a sole proprietorship?
A) Debit John, Capital; credit Cash
B) Debit Cash; credit John, Withdrawals
C) Debit John, Withdrawals; credit Cash
D) Debit Cash; credit John, Capital
Answer: D
Diff: 2 Type: MC
Objective: 2-2

28) Dennis, owner of Dennis' Golf Center, withdrew $700 in cash from the business. Record the transaction by
A) debiting Dennis, Withdrawals, $700; crediting Cash, $700.
B) debiting Accounts Receivable, $700; crediting Cash, $700.
C) debiting Expense, $700; crediting Cash, $700.
D) debiting Dennis, Withdrawals, $700; crediting Dennis, Capital, $700.
Answer: A
Diff: 2 Type: MC
Objective: 2-2

29) The entry to record Tom's payment of a home telephone bill is
A) debit Telephone Expense; credit Accounts Payable.
B) debit Tom's Withdrawals; credit Cash.
C) debit Telephone Expense; credit Cash.
D) debit Tom's Withdrawals; credit Accounts Payable.
Answer: B
Diff: 3 Type: MC
Objective: 2-2

30) Extreme Home bought painting equipment on account for $2,200. The entry would include
A) debit to Supplies Expense, $2,200; credit to Cash, $2,200.
B) debit to Equipment, $2,200; credit to Cash, $2,200.
C) debit to Equipment, $2,200; credit to Accounts Payable, $2,200.
D) debit to Supplies Expense, $2,200; credit to Accounts Payable, $2,200.
Answer: C
Diff: 2 Type: MC
Objective: 2-2

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31) The owner of Wolverines R Us paid his personal MasterCard bill using a company cheque. The correct entry to record the transaction is
A) credit Cash; debit Capital.
B) credit Cash; debit Supplies Expense.
C) credit Cash; debit Withdrawals.
D) credit Cash; debit Accounts Receivable.
Answer: C
Diff: 3 Type: MC
Objective: 2-2

32) Carrie flew to Toronto on a business trip. The purchase price of the ticket was $679 and it was bought from a travel agency on account. The entry to record the transaction is
A) debit Accounts Payable, $679; credit Travel Expense, $679.
B) debit Capital, $679; credit Accounts Payable, $679.
C) debit Travel Expense, $679; credit Accounts Payable, $679.
D) debit Travel Expense, $679; credit Cash, $679.
Answer: C
Diff: 2 Type: MC
Objective: 2-2

33) The Accounts Receivable account has a zero opening balance, total debit postings of $1,700 and credit postings of $900. The balance of the account is
A) $800 debit.
B) $800 credit.
C) $2,600 credit.
D) $2,600 debit.
Answer: A
Diff: 1 Type: MC
Objective: 2-2

34) The Accounts Payable account has a zero opening balance, total debit postings of $800 and credit postings of $1,400. The balance is
A) $2,200 debit.
B) $600 credit.
C) $2,200 credit.
D) $600 debit.
Answer: B
Diff: 1 Type: MC
Objective: 2-2

35) Office Supplies had a normal starting balance of $75. There were debit postings of $90 and credit postings of $70 during the month. The ending balance is
A) $55 debit.
B) $55 credit.
C) $95 debit.
D) $95 credit.
Answer: C
Diff: 2 Type: MC
Objective: 2-2

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36) Accounts Receivable has a normal balance of $1,000. After collecting $700, the balance in the account is
A) debit $300.
B) debit $1,700.
C) credit $300.
D) credit $1,700.
Answer: A
Diff: 1 Type: MC
Objective: 2-2

37) The beginning balance in Cash was $3,500. Additional cash of $1,000 was received. Cheques were written totaling $1,500. The cash balance is
A) $2,000 debit.
B) $6,000 debit.
C) $4,500 credit.
D) $3,000 debit.
Answer: D
Diff: 2 Type: MC
Objective: 2-2

38) A credit to an asset account was posted to the Capital account. This error would cause
A) assets to be overstated.
B) liabilities to be overstated.
C) Capital to be understated.
D) Both A and C are correct.
Answer: A
Diff: 3 Type: MC
Objective: 2-2

39) A credit to a liability account was posted to an expense account. This error would cause
A) assets to be overstated.
B) liabilities to be overstated.
C) expenses to be overstated.
D) None of the above are correct.
Answer: D
Diff: 3 Type: MC
Objective: 2-2

40) A debit to an expense account was posted to a revenue account. This error would cause
A) assets to be overstated.
B) liabilities to be overstated.
C) revenue to be understated.
D) None of the above are correct.
Answer: C
Diff: 3 Type: MC
Objective: 2-2

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41) A credit to an asset account was posted to a revenue account. This error would cause
A) assets to be overstated.
B) revenue to be overstated.
C) expenses to be overstated.
D) Both A and B are correct.
Answer: D
Diff: 3 Type: MC
Objective: 2-2

42) A debit to a liability account was posted to the Capital account. This error would cause
A) assets to be overstated.
B) liabilities to be overstated.
C) Capital to be overstated.
D) None of the above are correct.
Answer: B
Diff: 3 Type: MC
Objective: 2-2

43) A debit to an asset account was posted to an expense account. This error would cause
A) liabilities to be overstated.
B) expenses to be overstated.
C) assets to be understated
D) Both B and C are correct.
Answer: D
Diff: 3 Type: MC
Objective: 2-2

44) A debit to a liability account was posted to a revenue account. This error would cause
A) revenues to be understated.
B) liabilities to be understated.
C) Capital to be overstated.
D) None of the above are correct.
Answer: A
Diff: 3 Type: MC
Objective: 2-2

45) A debit to an asset account was posted to a liability account. This error would cause
A) assets to be understated.
B) liabilities to be overstated.
C) Capital to be overstated.
D) None of the above are correct.
Answer: A
Diff: 3 Type: MC
Objective: 2-2

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46) A credit to an asset account was posted to a liability account. This error would cause
A) assets to be understated.
B) liabilities to be overstated.
C) Capital to be understated.
D) None of the above are correct.
Answer: B
Diff: 3 Type: MC
Objective: 2-2

47) The business incurred an expense and paid it immediately. To record this,
A) an expense is debited and a liability is credited.
B) an expense is debited and an asset is credited.
C) an expense is debited and Capital is credited.
D) None of these are correct.
Answer: B
Diff: 2 Type: MC
Objective: 2-2

48) The business provided services to a cash customer. To record this,
A) an asset is debited and a liability is credited.
B) an asset is debited and a revenue is credited.
C) an expense is debited and Capital is credited.
D) None of these are correct.
Answer: B
Diff: 2 Type: MC
Objective: 2-2

49) The owner invested personal equipment in the business. To record this transaction,
A) debit Equipment and credit Accounts Payable.
B) debit Accounts Payable and credit Equipment.
C) debit Equipment and credit Capital.
D) credit Equipment and debit Capital.
Answer: C
Diff: 2 Type: MC
Objective: 2-2

50) Which of the following errors would cause the trial balance to be out of balance?
A) An entry is posted twice.
B) An entry is not posted at all.
C) A debit is entered as $100 and the credit is entered at $1,000.
D) None of these answers are correct.
Answer: C
Diff: 3 Type: MC
Objective: 2-3

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51) The business bought supplies on account. To record this,
A) an expense is debited and a liability is credited.
B) an asset is debited and an asset is credited.
C) an asset is debited and a liability is credited.
D) None of these are correct.
Answer: C
Diff: 2 Type: MC
Objective: 2-2

52) A liability would be credited and an expense debited if
A) the business paid a creditor.
B) the business incurred an expense and did not pay the expense immediately.
C) the business bought supplies on account.
D) the business bought supplies for cash.
Answer: B
Diff: 2 Type: MC
Objective: 2-2

53) One asset would be debited and another credited if
A) the business provided services to a cash customer.
B) the business paid a creditor.
C) the business bought supplies paying cash.
D) the business provided services to a credit customer.
Answer: C
Diff: 2 Type: MC
Objective: 2-2

54) An asset would be debited and a liability credited if
A) the business bought supplies for cash.
B) the business incurred an expense and paid it.
C) the business incurred an expense and did not pay for the expense immediately.
D) the business bought equipment on account.
Answer: D
Diff: 2 Type: MC
Objective: 2-2

55) What would be the effect on accounts if the business provided services to a customer on account?
A) An asset would be debited and an expense credited.
B) Capital would be debited and revenue credited.
C) An asset would be debited and revenue credited.
D) An asset would be debited and Capital credited.
Answer: C
Diff: 2 Type: MC
Objective: 2-2

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56) What would be the effect on accounts if the business provided services to a customer collecting cash?
A) An asset would be debited and an expense credited.
B) Capital would be debited and revenue credited.
C) An asset would be debited and revenue credited.
D) An asset would be debited and Capital credited.
Answer: C
Diff: 2 Type: MC
Objective: 2-2

57) What would be the effect on accounts if the owner withdrew cash?
A) An asset would be debited and an expense credited.
B) Withdrawals would be debited and an asset credited.
C) An asset would be debited and a revenue credited.
D) An asset would be debited and Capital credited.
Answer: B
Diff: 2 Type: MC
Objective: 2-2

58) What would be the effect on accounts if the business purchased office supplies for cash?
A) An asset would be debited and an expense credited.
B) Capital would be debited and revenue credited.
C) An asset would be debited and revenue credited.
D) An asset would be debited and an asset credited.
Answer: D
Diff: 2 Type: MC
Objective: 2-2

59) What would be the effect on accounts if the business received the telephone bill but did not pay it immediately?
A) An expense would be debited and a liability credited.
B) Capital would be debited and revenue credited.
C) An expense would be debited and an asset credited.
D) An asset would be debited and Capital credited.
Answer: A
Diff: 2 Type: MC
Objective: 2-2

60) An account that would be increased by a debit is
A) Cash.
B) Fees Earned.
C) Capital.
D) Accounts Payable.
Answer: A
Diff: 1 Type: MC
Objective: 2-2

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61) Which of the following groups of accounts have a normal credit balance?
A) Revenue, liabilities, and capital
B) Assets, capital, and withdrawals
C) Liabilities, expenses, and assets
D) Assets, expenses, and withdrawals
Answer: A
Diff: 1 Type: MC
Objective: 2-2

62) What device is used to record the increases and decreases caused by business transactions to individual assets, liabilities, and owner's equity?
A) Chart of accounts
B) Account
C) Trial Balance
D) Footings
Answer: B
Diff: 1 Type: MC
Objective: 2-1

63) A term used for obtaining the balance of an account is
A) adding.
B) crediting.
C) debiting.
D) footing.
Answer: D
Diff: 2 Type: MC
Objective: 2-1

64) The Office Supplies account is
A) a revenue, and it has a normal debit balance.
B) an expense, and it has a normal credit balance.
C) an asset, and it has a normal debit balance.
D) an asset, and it has a normal credit balance.
Answer: C
Diff: 2 Type: MC
Objective: 2-2

65) A transaction that has more than one debit and one credit is called a
A) chart of accounts.
B) compound entry.
C) ledger.
D) credit entry.
Answer: B
Diff: 1 Type: MC
Objective: 2-2

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66) The first step in analyzing a transaction is
A) to decide if the accounts are increasing or decreasing.
B) to decide to which categories the accounts belong.
C) to decide where the amounts belong.
D) to decide which accounts are affected.
Answer: D
Diff: 2 Type: MC
Objective: 2-2

67) The normal balance of an account is
A) debit.
B) credit.
C) the side that decreases.
D) the side that increases.
Answer: D
Diff: 2 Type: MC
Objective: 2-2

68) When a computer is bought on account, the result is
A) an increase in the asset Computer and an increase in the liability Accounts Payable.
B) an increase in the asset Computer and a decrease in the liability Accounts Payable.
C) a decrease in the asset Computer and an increase in the liability Accounts Payable.
D) a decrease in the asset Computer and a decrease in the liability Accounts Payable.
Answer: A
Diff: 2 Type: MC
Objective: 2-2

69) Accounts Payable had a normal starting balance of $600. There were debit postings of $350 and credit postings of $200 during the month. The ending balance is
A) $750 credit.
B) $750 debit.
C) $450 debit.
D) $450 credit.
Answer: D
Diff: 3 Type: MC
Objective: 2-2

70) The beginning balance in Cash was $400. Additional cash of $800 was received. Cheques were written for $700. The Cash balance is
A) $900 debit.
B) $500 debit.
C) $500 credit.
D) $800 credit.
Answer: B
Diff: 2 Type: MC
Objective: 2-2

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71) Cash is debited when the business makes a payment for utilities.
Answer: FALSE
Diff: 1 Type: TF
Objective: 2-2

72) Debits must always equal credits.
Answer: TRUE
Diff: 1 Type: TF
Objective: 2-1

73) The debit side of all accounts increases the balance and the credit side decreases all accounts.
Answer: FALSE
Diff: 2 Type: TF
Objective: 2-1

74) The debit side is always the right side of the account.
Answer: FALSE
Diff: 1 Type: TF
Objective: 2-1

75) A transaction that involves more than one credit or more than one debit is called a compound entry.
Answer: TRUE
Diff: 1 Type: TF
Objective: 2-2

76) The side of an account that increases the balance is always the same as the normal balance side.
Answer: TRUE
Diff: 1 Type: TF
Objective: 2-2

77) Double-entry accounting requires transactions to affect two or more accounts, and the total of the debits and credits must equal.
Answer: TRUE
Diff: 2 Type: TF
Objective: 2-2

78) The credit side is always the right side of the account.
Answer: TRUE
Diff: 2 Type: TF
Objective: 2-1

79) A T account is used for demonstration purposes.
Answer: TRUE
Diff: 2 Type: TF
Objective: 2-1

80) At least two accounts are affected in every transaction.
Answer: TRUE
Diff: 1 Type: TF
Objective: 2-2

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81) Withdrawals increase on the debit side of the account.
Answer: TRUE
Diff: 2 Type: TF
Objective: 2-2

82) After deciding which accounts are affected, the next step in analyzing a transaction is to determine to which categories the accounts belong.
Answer: TRUE
Diff: 2 Type: TF
Objective: 2-2

83) Equipment is an example of a liability.
Answer: FALSE
Diff: 1 Type: TF
Objective: 2-2

84) A compound entry is when more than one transaction occurs.
Answer: FALSE
Diff: 2 Type: TF
Objective: 2-2

85) When the owner invests computer equipment in the business, cash is increased.
Answer: FALSE
Diff: 2 Type: TF
Objective: 2-2

86) Accounts Receivable indicates amounts owed to us by our clients or customers.
Answer: TRUE
Diff: 1 Type: TF
Objective: 2-2

87) Accounts Payable indicates monies owed to us by our clients or customers.
Answer: FALSE
Diff: 1 Type: TF
Objective: 2-2

88) Expenses are recorded when paid.
Answer: FALSE
Diff: 2 Type: TF
Objective: 2-2

89) Accounts Payable is an asset account that is increased on the credit side.
Answer: FALSE
Diff: 1 Type: TF
Objective: 2-2

90) The Supplies account is increased by a debit.
Answer: TRUE
Diff: 1 Type: TF
Objective: 2-2

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91) Each part of a business transaction is recorded in the accounting equation under a specific account.
Answer: TRUE
Diff: 2 Type: TF
Objective: 2-2

92) Revenue has a normal credit balance, and increases are recorded on the credit side.
Answer: TRUE
Diff: 1 Type: TF
Objective: 2-2

93) When cash is increased, the Cash account is debited.
Answer: FALSE
Diff: 1 Type: TF
Objective: 2-2

94) A credit means the right-side of an account and a decrease for all accounts.
Answer: FALSE
Diff: 2 Type: TF
Objective: 2-1

95) A debit means the left-hand side of an account and an increase for all accounts.
Answer: FALSE
Diff: 2 Type: TF
Objective: 2-1

96) Accounts Payable indicates amounts owed to us by our suppliers.
Answer: FALSE
Diff: 3 Type: TF
Objective: 2-2

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97) Identify the normal balance for each of the following accounts by placing a Dr. (debit) or a Cr. (credit) in the space provided.

_____ 1. Computer
_____ 2. M. Bryant, Withdrawals
_____ 3. M. Bryant, Capital
_____ 4. Legal Fees
_____ 5. Cash
_____ 6. Accounts Receivable
_____ 7. Accounts Payable
_____ 8. Rent Expense
_____ 9. Office Equipment
_____ 10. Supplies

Answer:

1. Dr.
2. Dr.
3. Cr.
4. Cr.
5. Dr.
6. Dr.
7. Cr.
8. Dr.
9. Dr.
10. Dr.

Diff: 2 Type: ES
Objective: 2-2

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98) Identify whether a debit or credit would be correct for each of the following account changes. Use a Dr. (debit) or Cr. (credit) in the space provided.

_____ 1. Increase Delivery Van
_____ 2. Decrease Accounts Receivable
_____ 3. Decrease Accounts Payable
_____ 4. Increase Salaries Expense
_____ 5. Increase Service Fees
_____ 6. Decrease Cash
_____ 7. Increase S. McCrae, Capital
_____ 8. Increase S. McCrae, Withdrawals
_____ 9. Increase Rent Expense
_____ 10. Decrease Equipment

Answer:

1. Dr.
2. Cr.
3. Dr.
4. Dr.
5. Cr.
6. Cr.
7. Cr.
8. Dr.
9. Dr.
10. Cr.

Diff: 2 Type: ES
Objective: 2-2

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99) Below is a chart of accounts. Following is a series of transactions. Indicate for each transaction the accounts that should be debited and credited by inserting the proper account number in the space provided.

111 Cash	312 R. Andrews, Withdrawals
112 Accounts Receivable	411 Service Fees
121 Office Equipment	511 Salaries Expense
211 Accounts Payable	512 Rent Expense
311 R. Andrews, Capital	513 Advertising Expense

Debit	Credit	Transaction
_____	_____	1. Purchased office equipment on account.
_____	_____	2. Paid salaries for the week.
_____	_____	3. Invested additional cash in the business.
_____	_____	4. Received cash for services performed.
_____	_____	5. Billed a client on account for services performed.
_____	_____	6. Paid accounts payable.
_____	_____	7. Collected accounts receivable.
_____	_____	8. Withdrew cash for personal use.
_____	_____	9. Paid advertising expense.
_____	_____	10. Paid rent expense for the month.

Answer:
121, 211
511, 111
111, 311
111, 411
112, 411
211, 111
111, 112
312, 111
513, 111
512, 111
Diff: 3 Type: ES
Objective: 2-2

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100) A chart of accounts is below. Following is a series of transactions. Indicate for each transaction the accounts that should be debited and credited by inserting the proper account number in the space provided.

111 Cash	312 C. Webster, Withdrawals
112 Accounts Receivable	411 Delivery Fees Earned
121 Delivery Equipment	511 Salaries Expense
211 Accounts Payable	512 Rent Expense
311 C. Webster, Capital	513 Advertising Expense
	514 Gas Expense

Debit	Credit	Transaction
_____	_____	1. Invested cash in the business.
_____	_____	2. Received cash for delivery services performed.
_____	_____	3. Billed a customer for services performed.
_____	_____	4. Paid accounts payable.
_____	_____	5. Collected accounts receivable.
_____	_____	6. Withdrew cash for personal use.
_____	_____	7. Paid advertising expense.
_____	_____	8. Paid rent expense for the month.
_____	_____	9. Purchased delivery equipment on account.
_____	_____	10. Paid salaries for the week.

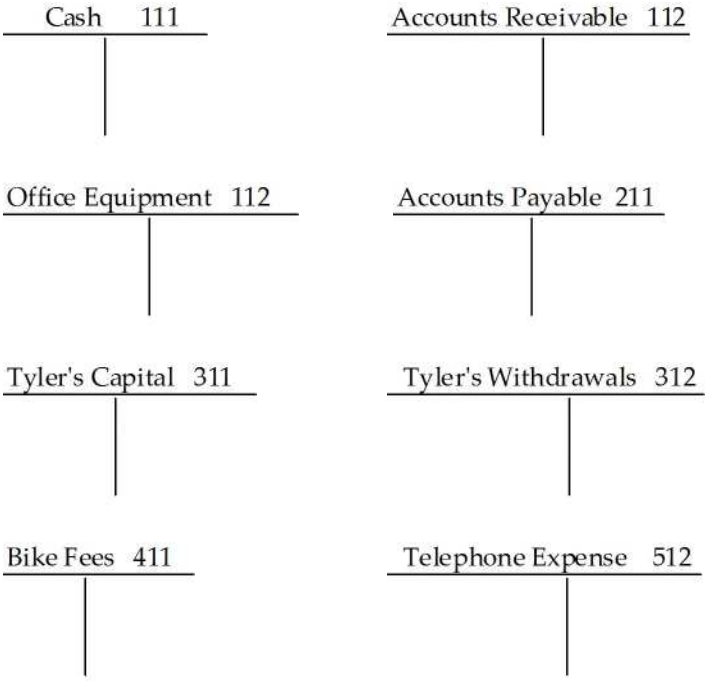
Answer:
111, 311
111, 411
112, 411
211, 111
111, 112
312, 111
513, 111
512, 111
121, 211
511, 111
Diff: 3 Type: ES
Objective: 2-2

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101) The following transactions occurred during June for Campus Cycle Shop. Record the transactions below in the T accounts. Place the letter of the transaction next to the entry. Foot and calculate the ending balances of the T accounts where appropriate.

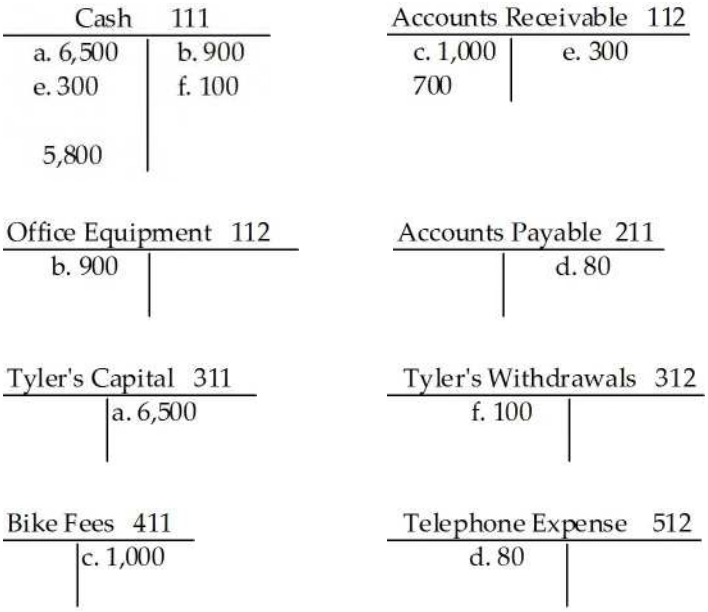
a. Tyler invested $6,500 in the bike service from his personal savings account.
b. Bought office equipment for cash, $900.
c. Performed bike service for a customer on account, $1,000.
d. Company cell phone bill received, but not paid, $80.
e. Collected $300 from customer in transaction c.
f. Tyler withdrew $100 for personal use.



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Answer:



Diff: 3 Type: ES
Objective: 2-2

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For each of the following identify — in Column 1 the category to which the account belongs, in Column 2 the normal balance for the account, and in Column 3 the financial statement that the account appears upon.

	Column 1	Column 2	Column 3
102) Gas Expense	_____	_____	_____
Answer: Gas Expense:	expense	debit	income statement
Diff: 3 Type: ES			
Objective: 2-4			
103) Automobile	_____	_____	_____
Answer: Automobile:	asset	debit	balance sheet
Diff: 3 Type: ES			
Objective: 2-4			
104) Cleaning Equipment	_____	_____	_____
Answer: Cleaning Equipment:	asset	debit	balance sheet
Diff: 3 Type: ES			
Objective: 2-4			
105) Cleaning Expense	_____	_____	_____
Answer: Cleaning Expense:	expense	debit	income statement
Diff: 3 Type: ES			
Objective: 2-4			
106) Cleaning Fees Earned	_____	_____	_____
Answer: Cleaning Fees Earned:	revenue	credit	income statement
Diff: 3 Type: ES			
Objective: 2-4			
107) Salaries Expense	_____	_____	_____
Answer: Salaries Expense:	expense	debit	income statement
Diff: 3 Type: ES			
Objective: 2-4			
108) Installation Fees Earned	_____	_____	_____
Answer: Installation Fees Earned:	revenue	credit	income statement
Diff: 3 Type: ES			
Objective: 2-4			
109) Lawn Care Fees Earned	_____	_____	_____
Answer: Lawn Care Fees Earned:	revenue	credit	income statement
Diff: 3 Type: ES			
Objective: 2-4			
110) Office Supplies	_____	_____	_____
Answer: Office Supplies:	asset	debit	balance sheet
Diff: 3 Type: ES			
Objective: 2-4			

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111) Identify the normal balance for each of the following accounts by using a Dr. (debit) or a Cr. (credit).

_____ 1. Salaries Expense
_____ 2. R. Johns, Withdrawals
_____ 3. R. Johns, Capital
_____ 4. Accounting Fees
_____ 5. Cash
_____ 6. Accounts Receivable
_____ 7. Accounts Payable
_____ 8. Rent Expense
_____ 9. Equipment
_____ 10. Advertising Expense

Answer:
1. Dr.
2. Dr.
3. Cr.
4. Cr.
5. Dr.
6. Dr.
7. Cr.
8. Dr.
9. Dr.
10. Dr.

Diff: 1 Type: ES
Objective: 2-2

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112) Identify whether a debit or credit would be correct for each of the following account changes. Use a Dr. (debit) or Cr. (credit).

___Dr___ 0. Increase Cash
_____ 1. Increase Equipment
_____ 2. Decrease Accounts Receivable
_____ 3. Decrease in Accounts Payable
_____ 4. Increase in Salaries Expense
_____ 5. Increase in Service Fees
_____ 6. Decrease in Cash
_____ 7. Increase J. Russell, Capital
_____ 8. Increase J. Russell, Withdrawals
_____ 9. Increase Rent Expense
_____ 10. Decrease Equipment

Answer:
1. Dr.
2. Cr.
3. Dr.
4. Dr.
5. Cr.
6. Cr.
7. Cr.
8. Dr.
9. Dr.
10. Cr.

Diff: 2 Type: ES
Objective: 2-2

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113) Below is a chart of accounts. Following is a series of transactions. Indicate for each transaction the accounts that should be debited and credited by inserting the proper account number in the space provided.

1100 Cash	3200 M. Martin, Withdrawals
1120 Accounts Receivable	4100 Legal Fees
1210 Computer Equipment	5110 Salaries Expense
2100 Accounts Payable	5120 Rent Expense
3100 M. Martin, Capital	5130 Advertising Expense

Debit	Credit	Transaction
_____	_____	1. Purchased computer equipment on account.
_____	_____	2. Paid salaries for the week.
_____	_____	3. Invested additional cash in the business.
_____	_____	4. Received cash for services performed.
_____	_____	5. Billed a client on account for services performed.
_____	_____	6. Paid accounts payable.
_____	_____	7. Collected accounts receivable.
_____	_____	8. Withdrew cash for personal use.
_____	_____	9. Paid advertising expense.
_____	_____	10. Paid rent expense for the month.

Answer:
1. 1210, 2100
2. 5110, 1100
3. 1100, 3100
4. 1100, 4100
5. 1120, 4100
6. 2100, 1100
7. 1100, 1120
8. 3200, 1100
9. 5130, 1100
10. 5120, 1100

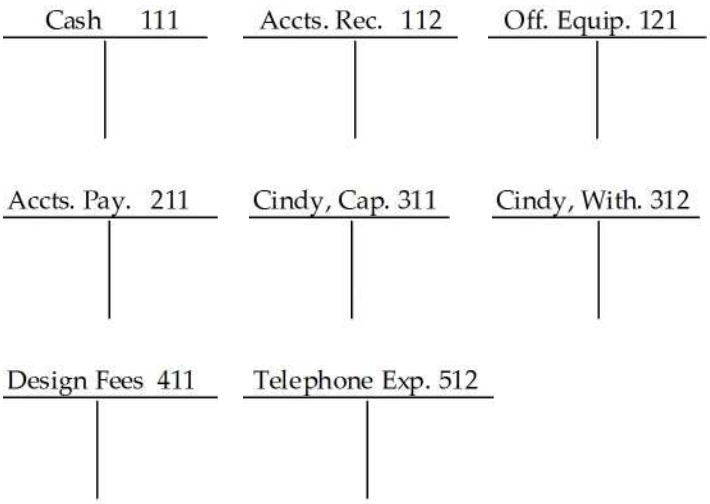
Diff: 2 Type: ES
Objective: 2-2

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114) The following transactions occurred during January for Cindy's Designer Service:
a. Cindy invested $5,000 in the design service from her personal savings account.
b. Bought office equipment for cash, $1,000.
c. Performed designer service for a customer on account, $800.
d. Telephone expense due but unpaid, $80.
e. Collected $100 from customer in transaction c.
f. Cindy withdrew $70 for personal use.

Required:
1. Record the above transactions in the following T accounts.
(Place the letter of the transaction next to the entry.)
2. Foot the T accounts where appropriate.



Answer:

Cash 111		Accts. Rec. 112		Off. Equip. 121
a. 5,000		c. 800	e. 100	b. 1,000
e. 100	b. 1,000			
B 4,030	f. 70	B 700		

Accts. Pay. 211	Cindy, Cap. 311	Cindy, With. 312
d. 80	a. 5,000	f. 70

Design Fees 411	Telephone Exp. 512
c. 800	d. 80

Diff: 2 Type: ES
Objective: 2-2

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115) A chart of accounts is below. Following is a series of transactions. Indicate for each transaction the accounts that should be debited and credited by inserting the proper account number in the space provided.

111	Cash	312	M. Tharp, Withdrawals
112	Accounts Receivable	411	Delivery Fees Earned
121	Delivery Equipment	511	Salaries Expense
211	Accounts Payable	512	Rent Expense
311	M. Tharp, Capital	513	Advertising Expense
		514	Gas Expense

Debit	Credit	Transaction
_____	_____	1. Invested cash in the business.
_____	_____	2. Received cash for delivery services performed.
_____	_____	3. Billed a customer for services performed.
_____	_____	4. Paid accounts payable.
_____	_____	5. Collected accounts receivable.
_____	_____	6. Withdrew cash for personal use.
_____	_____	7. Paid advertising expense.
_____	_____	8. Paid rent expense for the month.
_____	_____	9. Purchased delivery equipment on account.
_____	_____	10. Paid salaries for the week.

Answer:
1. 111, 311
2. 111, 411
3. 112, 411
4. 211, 111
5. 111, 112
6. 312, 111
7. 513, 111
8. 512, 111
9. 121, 211
10. 511, 111

Diff: 3 Type: ES
Objective: 2-2

116) Explain the difference between expenses and withdrawals.
Answer: Withdrawals is a subdivision of owner's equity. It is used for recording the owner's withdrawal of company assets for personal use, and not related to the business. Expenses are costs the company incurs in carrying on operations in its effort to create revenue. Expenses are also a subdivision of owner's equity.
Diff: 2 Type: ES
Objective: 2-2

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117) Given the following list of accounts with normal balances, what are the trial balance totals of the debits and credits?

Cash	$500
Accounts Receivable	100
Capital	200
Withdrawals	100
Service Fees	700
Rent Expense	200

A) $800 debit, $1,000 credit
B) $800 debit, $800 credit
C) $1,000 debit, $1,000 credit
D) $900 debit, $900 credit
Answer: D
Diff: 3 Type: MC
Objective: 2-3

118) Following are the five steps in analyzing business transactions. Apply the five steps in analyzing the following transaction:

Paid the monthly telephone expense, $100.

1. Which accounts are affected?
2. To which categories do the accounts belong?
3. Are the accounts increasing or decreasing? How much?
4. What are the debit and credit rules?
5. On what side of the accounts do the amounts belong?

Answer:
1. Telephone Expense and Cash
2. Telephone Expense is a subcategory of owner's equity. Cash is an asset.
3. Telephone Expense is increasing $100. Cash is decreasing $100.
4. An increase in an expense account (Telephone Expense) is a debit; a decrease in an asset account (Cash) is a credit.
5. Telephone Expense, left side; Cash, right side

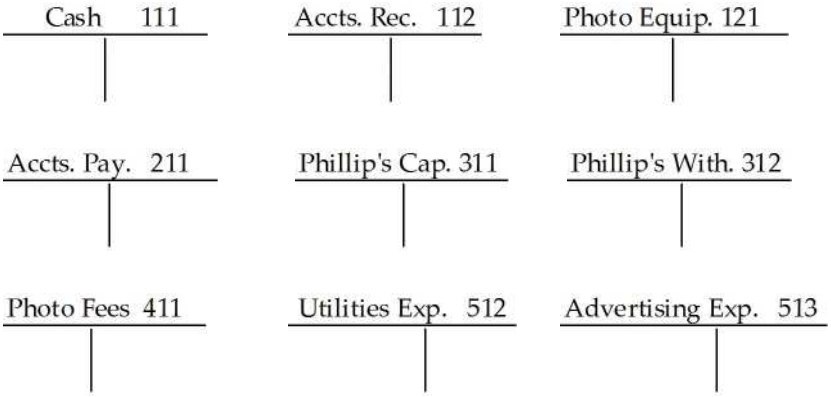
Diff: 1 Type: ES
Objective: 2-2

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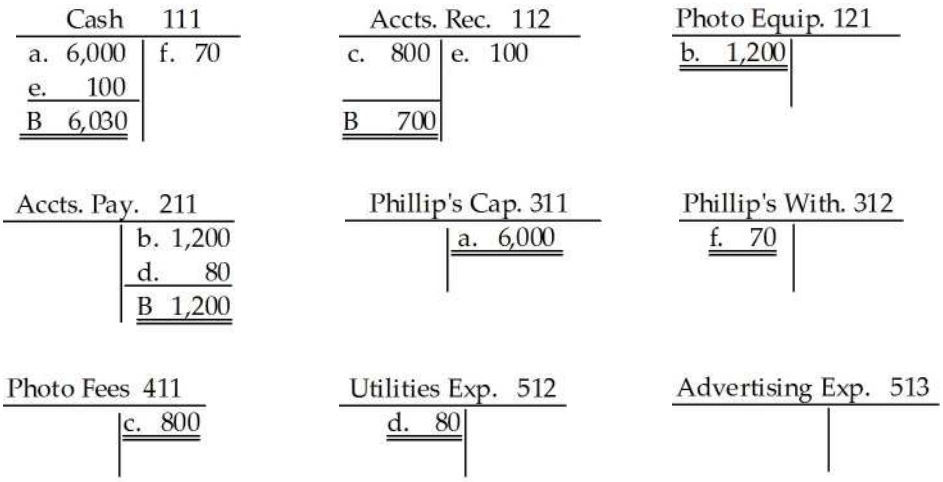
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119) Phillip's Photography began business on July 1. Record the transactions in the T accounts. Place the letter of the transaction next to the entry. Foot the T accounts where appropriate.

a. Phillip invested $6,000 in his business from his personal savings account.
b. Bought photographic equipment on account, $1,200.
c. Performed services for a customer on account, $800.
d. Utilities expense due but unpaid, $80.
e. Collected $100 from customer in transaction c.
f. Phillip withdrew $70 for personal use.



Answer:



Diff: 2 Type: ES
Objective: 2-2

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2.3 Preparing a trial balance.

1) Which of the following is NOT a financial statement?
A) Balance sheet
B) Income statement
C) Statement of owner's equity
D) Trial balance
Answer: D
Diff: 2 Type: MC
Objective: 2-3

2) A list of all the accounts from the ledger with their ending balances is called a
A) normal balance.
B) trial balance.
C) chart of accounts.
D) footing.
Answer: B
Diff: 2 Type: MC
Objective: 2-3

3) Which of the following is prepared first?
A) Balance sheet
B) Income statement
C) Statement of owner's equity
D) Trial balance
Answer: D
Diff: 2 Type: MC
Objective: 2-3

4) Given the following list of accounts with normal balances, what are the trial balance totals of the debits and credits?

Cash	$1,200
Accounts Receivable	700
Capital	1,900
Withdrawals	500
Service Fees	1,000
Rent Expense	500

A) $2,900 debit, $2,900 credit
B) $3,900 debit, $3,900 credit
C) $2,000 debit, $2,000 credit
D) $1,200 debit, $1,200 credit
Answer: A
Diff: 2 Type: MC
Objective: 2-3

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5) Which of the following statements is NOT true?
A) Account balances are used to prepare a trial balance.
B) A Trial Balance helps prove the accuracy of the ledger.
C) Footings are needed even if an account has only a single entry.
D) Accounts are listed in order on the Trial Balance.
Answer: C
Diff: 2 Type: MC
Objective: 2-3

6) Given the following list of accounts with normal balances, what are the trial balance totals of the debits and credits?

Cash	$1000
Equipment	500
Accounts Payable	250
Capital	1000
Service Fees	1000
Salaries Expense	750

A) $3,250 debit, $3,250 credit
B) $1,125 debit, $1,125 credit
C) $4,500 debit, $4,500 credit
D) $2,250 debit, $2,250 credit
Answer: D
Diff: 2 Type: MC
Objective: 2-3

7) The trial balance is prepared from
A) the beginning balance in the ledger.
B) the transactions during the year.
C) ending balances in the ledger.
D) a summary of all debit balance accounts.
Answer: C
Diff: 3 Type: MC
Objective: 2-3

8) The entry to record the Molly Company payment of $300 for repairs just completed to computer equipment it owns would include
A) debit Repair Expense, $300; credit Accounts Payable, $300.
B) debit Accounts Payable, $300; credit Cash, $300.
C) debit Repair Expense, $300; credit Cash, $300.
D) debit Cash, $300; credit Repair Expense, $300.
Answer: C
Diff: 2 Type: MC
Objective: 2-2

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9) Chuck, the owner of Computer Sales Co., paid his personal VISA bill using a company cheque. The correct entry to record the transaction is
A) credit Cash, debit Withdrawals.
B) credit Cash, debit Supplies Expense.
C) credit Cash, debit Capital.
D) credit Cash, debit Accounts Receivable.
Answer: A
Diff: 2 Type: MC
Objective: 2-2

10) The trial balance is a financial statement.
Answer: FALSE
Diff: 2 Type: TF
Objective: 2-3

11) When preparing a trial balance, it is not necessary to use dollar signs.
Answer: TRUE
Diff: 1 Type: TF
Objective: 2-3

12) A trial balance is a formal report prepared after the balance sheet.
Answer: FALSE
Diff: 2 Type: TF
Objective: 2-3

13) Number the following types of accounts (1-6) as they would appear on the Trial Balance.
_____ Assets
_____ Capital
_____ Revenue
_____ Liabilities
_____ Withdrawals
_____ Expenses
Answer:
1 Assets
3 Capital
5 Revenue
2 Liabilities
4 Withdrawals
6 Expenses
Diff: 2 Type: ES
Objective: 2-3

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14) The following is a list of accounts and their balances for Myra's Company for the month ended May 31, 2020. Prepare a trial balance in good form.

Cash	$1,380	Myra, Withdrawals	$980
Accounts Payable	500	Accounts Receivable	1,030
Office Equipment	2,260	Service Fees	1,835
Myra, Capital	3,965	Rent Expense	650

Answer:

Myra's Company
Trial Balance
May 31, 2020

	Debit	Credit
Cash	1,380	
Accounts Receivable	1,030	
Office Equipment	2,260	
Accounts Payable		500
Myra, Capital		3,965
Myra, Withdrawals	980	
Service Fees		1,835
Rent Expense	650	
Totals	6,300	6,300

Diff: 3 Type: ES
Objective: 2-3

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15) The following is a list of accounts and their balances for Benson Company for the month ended June 30, 2020. Prepare a trial balance in good form.

Cash	$370	Accounts Receivable	1,600
Accounts Payable	770	Advertising Expense	600
Office Equipment	900	Service Fees	2,730
Benson, Capital	1,500	Salaries Expense	630
Benson, Withdrawals	500	Utilities Expense	400

Answer: Benson Company
Trial Balance
June 30, 2020

	Debit	Credit
Cash	370	
Accounts Receivable	1,600	
Office Equipment	900	
Accounts Payable		770
Benson, Capital		1,500
Benson, Withdrawals	500	
Service Fees		2,730
Advertising Expense	600	
Salaries Expense	630	
Utilities Expense	400	
Totals	5,000	5,000

Diff: 3 Type: ES
Objective: 2-3

2.4 Preparing financial statements from a trial balance.

1) Which type of account would NOT be reported on the income statement?
A) Revenue
B) Expenses
C) Withdrawals
D) None of these answers are correct.
Answer: C
Diff: 2 Type: MC
Objective: 2-4

2) Accounts Payable would appear on which financial statement?
A) Balance sheet
B) Income statement
C) Owner's equity statement
D) None of these answers are correct.
Answer: A
Diff: 1 Type: MC
Objective: 2-4

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3) The left column of a financial statement is often used to
A) show debits.
B) show credits.
C) show totals.
D) subtotal numbers.
Answer: D
Diff: 2 Type: MC
Objective: 2-4

4) The Beginning Capital account would appear on which financial statement?
A) Statement of owner's equity
B) Balance sheet
C) Income statement
D) None of these answers are correct.
Answer: A
Diff: 3 Type: MC
Objective: 2-4

5) The income statement contains
A) liabilities.
B) revenues.
C) assets.
D) Both B and C are correct.
Answer: B
Diff: 2 Type: MC
Objective: 2-4

6) On which financial statement would you find the ending Capital balance?
A) Income statement
B) Balance Sheet
C) Statement of owner's equity
D) Both B and C are correct.
Answer: D
Diff: 2 Type: MC
Objective: 2-4

7) Which of the following is prepared last?
A) Balance Sheet
B) Income Statement
C) Statement of Owner's Equity
D) Trial Balance
Answer: A
Diff: 2 Type: MC
Objective: 2-4

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8) Net income or net loss for a period is calculated by the following formula:
A) total revenues - total withdrawals.
B) total revenues - total expenses - total withdrawals.
C) total revenues - total expenses.
D) total revenues - total expenses + capital.
Answer: C
Diff: 2 Type: MC
Objective: 2-4

9) Regarding the preparation of financial statements, which of the following is TRUE?
A) The left column of the Income statement is used only to sub-total amounts.
B) Financial statements have debit and credit columns.
C) The Balance Sheet is prepared first.
D) Each amount on the Balance Sheet can be found on the Trial Balance. (careful!)
Answer: A
Diff: 2 Type: MC
Objective: 2-4

10) Which type of account would NOT be reported on the balance sheet?
A) Revenue
B) Cash
C) Accounts Payable
D) Accounts Receivable
Answer: A
Diff: 1 Type: MC
Objective: 2-4

11) What is X-cel Company's net income or net loss if it had Revenue of $1,800, Salary Expense of $500, Utility Expense of $250, and Withdrawals of $1,000 during October?
A) $50 net income
B) $1,050 net loss
C) $1,050 net income
D) $50 net loss
Answer: C
Diff: 2 Type: MC
Objective: 2-4

12) Which type of account would be reported on the income statement?
A) Assets
B) Expenses
C) Withdrawals
D) Liabilities
Answer: B
Diff: 1 Type: MC
Objective: 2-4

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13) Net income appears on which of the following financial reports?
A) Balance sheet
B) Income statement and statement of owner's equity
C) Trial balance
D) Balance sheet and income statement
Answer: B
Diff: 3 Type: MC
Objective: 2-4

14) What is the James Long Company's net income or net loss if it had revenue of $1,200, salary expense of $300, utility expense of $500, and withdrawals of $500 during May?
A) $400
B) ($100)
C) $100
D) $900
Answer: A
Diff: 3 Type: MC
Objective: 2-4

15) The financial statements contain debit and credit columns.
Answer: FALSE
Diff: 1 Type: TF
Objective: 2-4

16) Withdrawals and expenses are reported on the income statement.
Answer: FALSE
Diff: 2 Type: TF
Objective: 2-4

17) Accounts Receivable appears on the income statement.
Answer: FALSE
Diff: 1 Type: TF
Objective: 2-4

18) Salaries Expense appears on the balance sheet.
Answer: FALSE
Diff: 1 Type: TF
Objective: 2-4

19) Debit and credit columns are not used on the financial reports.
Answer: TRUE
Diff: 1 Type: TF
Objective: 2-4

20) Capital and Expenses are reported on the Statement of Owner's Equity.
Answer: FALSE
Diff: 2 Type: TF
Objective: 2-4

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21) Dollar signs are not used in formal financial reports.
Answer: FALSE
Diff: 2 Type: TF
Objective: 2-4

22) Cash would be affected by any transaction that involves a withdrawal.
Answer: FALSE
Diff: 3 Type: TF
Objective: 2-2

23) Determine the ending owner's equity of a business having a beginning owner's equity of $ 9,500, additional investments of $450, withdrawals of $ 1,000, and net income of $ 1,400.
Answer: $10,350 [$9,500 + $450 - $1,000 + 1,400]
Diff: 2 Type: ES
Objective: 2-4

24) Determine the beginning owner's equity of a business having an ending owner's equity of $3,500, additional investments of $500 withdrawals of $400, and net loss of $750.
Answer: $4,150 [$3,500 - $500 + $400 + $750]
Diff: 2 Type: ES
Objective: 2-4

25) Determine the beginning owner's equity of a business having beginning assets of $12,000, ending liabilities of $5,000. During the year the liabilities decreased by $3,000.
Answer: $4,000 [$12,000 - ($5,000 + $3,000)]
Diff: 2 Type: ES
Objective: 2-4

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26) Below is the Trial Balance for Benson Company for June 30, 2020.

	Trial Balance June 30, 2020	
	Debit	Credit
Cash	370	
Accounts Receivable	1,600	
Office Equipment	900	
Accounts Payable		770
Benson, Capital		1,500
Benson, Withdrawals	500	
Service Fees		2,730
Advertising Expense	600	
Salaries Expense	630	
Utilities Expense	400	
Totals	5,000	5,000

Required:
Prepare

1. An Income Statement for the month ended June 30, 2020
2. A Statement of Owner's Equity for the month ended June 30, 2020
3. A Balance Sheet, as of June 30, 2020

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Answer:

1.

Benson Company
Income Statement
For the Month Ended June 30, 2020

Service Fees Revenue		$2,730
Expenses:		
Advertising	600	
Salaries	630	
Utilities	400	1,630
Net Income		$1,100

2.

Benson Company
Statement of Owner's Equity
For the Month Ended June 30, 2020

Darryl Benson, Capital, June 1, 2020		$1,500
Add Net Income for June 2020	$1,100	
Less Withdrawals	500	600
Darryl Benson, Capital, June 30, 2020		$2,100

3.

Benson Company
Balance Sheet
June 30, 2020

Assets		Liabilities & Owner's Equity	
Cash	$370	Accounts Payable	$770
Accounts Receivable	1,600	Darryl Benson, Capital	2,100
Office Equipment	900		
	$2,870		$2,870

Diff: 3 Type: ES
Objective: 2-4

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