Financial Accounting 5th edition Kemp Test Bank

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Financial Accounting, 5e Static **(Kemp/Waybright)**
Chapter 2 Analyzing and Recording Business Transactions

2.1 Define accounts and understand how they are used in accounting

1) Account titles such as Salaries Expense and Rent Expense would be numbered starting with a 3.
Answer: FALSE
Diff: 1
Question Type: Application
EOC Ref: S2-4
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

2) An account numbered 321 would be considered a Stockholders' Equity account as it begins with a 3.
Answer: TRUE
Diff: 1
Question Type: Application
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

3) An account numbered 101 would most likely represent a revenue account.
Answer: FALSE
Diff: 1
Question Type: Application
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

4) An expense that has been incurred but not yet paid is an asset.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
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5) Dividends increase Stockholders' Equity.
Answer: FALSE
Diff: 1
Question Type: Application
EOC Ref: Vocabulary
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6) The Stockholders' Equity section would include accounts such as Retained Earnings and Revenues.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: S2-2
AACSB: Reflective Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

7) Items of value that a company owns are called Stockholders' Equity.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

8) A business generally has fewer liability accounts than asset accounts.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

9) A business generally has just one expense account.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
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10) The Assets section of the chart of accounts would include prepaid expense accounts.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: S2-2
AACSB: Reflective Thinking
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AICPA Functional: Decision Modeling

11) The Liabilities section of the chart of accounts would include accrued liabilities and prepaid expense accounts.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: S2-2
AACSB: Reflective Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

12) Accounts Payable represent amounts a business must pay because it signed a written promissory note.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

13) Obligations that are owed to others due to past transactions are categorized as:
A) Stockholders' Equity.
B) expenses.
C) assets.
D) liabilities.
Answer: D
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
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14) Which account tracks a company's cumulative earnings less dividends?
A) Retained Earnings
B) Cash
C) Common Stock
D) Revenues
Answer: A
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
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AICPA Functional: Decision Modeling

15) Items such as salaries and interest that have been incurred, but not yet paid, are called:
A) accrued assets.
B) accrued liabilities.
C) accrued revenues.
D) accrued notes.
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
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16) The order in which accounts appear in the chart of accounts is:
A) liabilities, assets, revenues, Stockholders' Equity, expenses.
B) Stockholders' Equity, expenses, revenue, liabilities, assets.
C) assets, Stockholders' Equity, revenues, expenses, liabilities.
D) Assets, Liabilities, Stockholders' Equity, revenues, expenses.
Answer: D
Diff: 1
Question Type: Concept
EOC Ref: S2-2
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17) An account starting with a number 1 would indicate:
A) an asset.
B) Stockholders' Equity.
C) a revenue.
D) a liability.
Answer: A
Diff: 1
Question Type: Concept
EOC Ref: S2-4
AACSB: Application of Knowledge
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18) All payables are listed as:
A) assets.
B) liabilities.
C) Stockholders' Equity.
D) revenue.
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: S2-2
AACSB: Reflective Thinking
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AICPA Functional: Decision Modeling

19) Accounts that start with the numbers 6-9 would probably be:
A) other revenues and expenses.
B) other assets and liabilities.
C) other Stockholders' Equity.
D) other assets and revenues.
Answer: A
Diff: 1
Question Type: Application
EOC Ref: S2-4
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20) A type of asset in which a customer owes the company money would be a:
A) dividend.
B) receivable.
C) payable.
D) sale.
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
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AICPA Functional: Decision Modeling

21) Expenses paid in advance such as rent and insurance are classified as prepaid expenses. Into what category are they placed?
A) Liabilities
B) Revenues
C) Expenses
D) Assets
Answer: D
Diff: 1
Question Type: Concept
EOC Ref: S2-2
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22) Dividends are paid with cash to shareholders. Dividends are in what category of the chart of accounts?
A) Revenue
B) Assets
C) Stockholders' Equity
D) Liabilities
Answer: C
Diff: 2
Question Type: Concept
EOC Ref: S2-2
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23) Accounts starting with the number 4 would represent:
A) assets.
B) liabilities.
C) revenues.
D) expenses.
Answer: C
Diff: 1
Question Type: Concept
EOC Ref: S2-4
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24) A marketing account numbered 503 would belong to what category of accounts?
A) Assets
B) Expenses
C) Revenues
D) Liabilities
Answer: B
Diff: 1
Question Type: Application
EOC Ref: S2-4
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25) An insurance account numbered 133 would fall into which category in the chart of accounts, and represent what account?
A) Assets; Prepaid Insurance
B) Expenses; Insurance Expense
C) Revenues; Insurance Fees
D) Liabilities; Insurance Payable
Answer: A
Diff: 2
Question Type: Application
EOC Ref: S2-4
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26) Adventure Dog Daycare records their dog-walking fees in an account titled "walking fees." What category of account is this, and what number would it start with in the chart of accounts?
A) Revenue, 4
B) Asset, 1
C) Revenue, 1
D) Asset, 4
Answer: A
Diff: 2
Question Type: Application
EOC Ref: S2-4
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27) Land, Cash, Office Equipment and Accounts Receivable belong to what category of accounts?
A) Liabilities
B) Revenues
C) Expenses
D) Assets
Answer: D
Diff: 1
Question Type: Concept
EOC Ref: S2-4
AACSB: Reflective Thinking
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28) Dividends, revenues, and Expenses all:
A) start with the same chart of account number.
B) start with different chart of accounts numbers.
C) appear in the chart of accounts under assets.
D) appear in the chart of accounts under liabilities.
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: S2-4
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29) Which of the following would start with a 1 in the chart of accounts?
A) Receivables and Equipment
B) Depreciation Expense and Marketing Expense
C) Merchandise Sales and Rent Revenue
D) Common Stock and Dividends
Answer: A
Diff: 1
Question Type: Application
EOC Ref: S2-4
AACSB: Reflective Thinking
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30) Which of the following would start with a 2 in the chart of accounts?
A) Accounts Payable and Interest Payable
B) Common Stock and Dividends
C) Cash and Accounts Receivable
D) Sales and Service Revenue
Answer: A
Diff: 1
Question Type: Application
EOC Ref: S2-4
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31) Stella, Inc. wrote a promissory note to another company. What category of account would this be recorded in, and what number would it start with in the chart of accounts?
A) Expense, 2
B) Liability, 2
C) Expense, 5
D) Liability, 5
Answer: B
Diff: 2
Question Type: Application
EOC Ref: S2-4
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32) A chart of accounts does NOT include:
A) revenues.
B) assets.
C) names of customers.
D) liabilities.
Answer: C
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Reflective Thinking
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33) Which of the following is an expense account?
A) Prepaid Insurance
B) Advertising
C) Accounts Payable
D) Cash
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: S2-2
AACSB: Reflective Thinking
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34) Which of the following is NOT a revenue account?
A) Salaries
B) Sales
C) Fees Earned
D) Professional Fees
Answer: A
Diff: 1
Question Type: Concept
EOC Ref: S2-2
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35) Obligations owed by a company to banks, for instance, are called:
A) Notes Receivable.
B) Notes Payable.
C) Accounts Receivable.
D) Accounts Payable.
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Reflective Thinking
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36) Net income and dividends are part of:
A) Revenues.
B) Stockholders' Equity.
C) Assets.
D) Liabilities.
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Reflective Thinking
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37) Which is NOT a part of Stockholders' Equity?
A) Revenues
B) Expenses
C) Accounts Receivable
D) Dividends
Answer: C
Diff: 1
Question Type: Concept
EOC Ref: S2-2
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38) How does an account receivable differ from a note receivable?
A) A note receivable is an asset while an account receivable is not.
B) An account receivable is a written pledge while a note receivable is not.
C) An account receivable is always an amount due from the company's customers while a note receivable is always an amount due from a bank.
D) Notes receivable are written pledges while accounts receivable are not.
Answer: D
Diff: 1
Question Type: Concept
EOC Ref: E2-16A
AACSB: Reflective Thinking
AICPA Business: Strategic/Critical Thinking
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39) Which of the following is TRUE regarding the accounts prepaid rent and rent expense?
A) These account titles both mean the same thing and are used interchangeably.
B) Prepaid rent represents the cost of rent not yet paid for, while rent expense represents the cost of rent which has been paid for.
C) Prepaid rent represents the cost of rent paid for but not yet used, while rent expense represents the cost of rent used to deliver goods or services to customers.
D) Rent expense represents an asset account, while prepaid rent represents the cost of rent used to deliver goods or services to customers.
Answer: C
Diff: 2
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Reflective Thinking
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40) Which of the following is NOT a liability?
A) Accounts Payable
B) Interest Payable
C) Rent Expense
D) All of the above are liabilities.
Answer: C
Diff: 1
Question Type: Concept
EOC Ref: S2-4
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41) Which of the following is NOT an asset?
A) Revenues
B) Accounts Receivable
C) Prepaid Rent
D) All of the above are assets.
Answer: A
Diff: 1
Question Type: Concept
EOC Ref: S2-4
AACSB: Reflective Thinking
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2.2 Explain debits, credits, and the double-entry system of accounting

1) Double-entry accounting requires that every business transaction impact at least two different accounts.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

2) A T-account is a way to visualize the increases and decreases to the balance of an account.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

3) The debit (left) side of an account always indicates an increase in the value of the account.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
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4) The credit (right) side of an account shows an increase or decrease depending upon the type of account.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

5) Accounts that increase on the credit side are Assets, dividends and Expenses (ADE).
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: S2-8
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

6) Accounts that increase on the credit side are Liabilities, Common Stock, Revenues and Retained Earnings (LCR).
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: S2-8
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

7) Normal balance refers to the expected balance of an account, and identifies the side of the account (Debit or Credit) to which increases are recorded.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: S2-8
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

8) The normal balances for prepaid rent and rent expense would both be a debit.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: S2-6
AACSB: Application of Knowledge
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9) The normal balances for salary expense and salary payable would both be a credit.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: S2-6
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

10) Accounts Payable, Taxes Payable, and Notes Payable:
A) increase on the debit side, decrease on the credit side and are assets.
B) decrease on the debit side, increase on the credit side and are liabilities.
C) increase on the debit side, decrease on the credit side and are expenses.
D) decrease on the debit side, increase on the credit side and are revenues.
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: S2-8
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

11) The Stockholders' Equity accounts Dividends, Revenues and Expenses have normal balances of:
A) credit, debit, and debit, respectively.
B) debit, credit, and credit, respectively.
C) debit, credit, and debit, respectively.
D) credit, credit, and credit, respectively.
Answer: C
Diff: 1
Question Type: Concept
EOC Ref: S2-8
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12) Accounts Receivable, Common Stock, and Insurance Expense have normal balances of:
A) credit, credit, and credit, respectively.
B) debit, credit, and debit, respectively.
C) debit, debit, and credit, respectively.
D) credit, debit, and debit, respectively.
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: S2-8
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

13) Dividends, Cash, and Prepaid Rent have normal balances of:
A) credit, debit, and debit, respectively.
B) debit, debit, and credit, respectively.
C) credit, credit, and credit, respectively.
D) debit, debit, and debit, respectively.
Answer: D
Diff: 1
Question Type: Concept
EOC Ref: S2-8
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

14) Service Revenues, Rent Expense, and Common Stock have normal balances of:
A) credit, debit, and credit, respectively.
B) debit, debit, and credit, respectively.
C) credit, credit, and credit, respectively.
D) debit, debit, and debit, respectively.
Answer: A
Diff: 1
Question Type: Concept
EOC Ref: S2-8
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15) Equipment, Salary Payable and Office Furniture have normal balances of:
A) credit, credit, and credit, respectively.
B) debit, credit, and debit, respectively.
C) debit, debit, and credit, respectively.
D) credit, debit, and debit, respectively.
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: S2-8
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

16) Which of the following is an unofficial tool of accounting?
A) Account
B) T-account
C) Debit
D) Credit
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Reflective Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

17) The total amount of debits must equal the total amount of credits. This is a rule of:
A) T-accounts.
B) the chart of accounts.
C) double-entry accounting.
D) normal balances.
Answer: C
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
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18) A T-account has a $578 credit balance. This account is most likely NOT:
A) Accounts Payable.
B) Sales Revenue.
C) Accounts Receivable.
D) Common Stock.
Answer: C
Diff: 2
Question Type: Application
EOC Ref: S2-6
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

19) A T-account has a $865 debit balance. This account is most likely NOT:
A) Common Stock.
B) Land.
C) Advertising Expense.
D) Dividends.
Answer: A
Diff: 2
Question Type: Application
EOC Ref: S2-6
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

20) A T-account has a $354 debit balance. This account is most likely:
A) Income Taxes Payable.
B) Common Stock.
C) Cash.
D) Magazine Sales.
Answer: C
Diff: 2
Question Type: Application
EOC Ref: S2-6
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21) A T-account has a $432 credit balance. This account is most likely NOT:
A) Accounts Receivable.
B) Bicycle Repair Revenue.
C) Wages Payable.
D) Common Stock.
Answer: A
Diff: 2
Question Type: Application
EOC Ref: S2-6
AACSB: Analytical Thinking
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AICPA Functional: Measurement

22) A T-account has a $755 credit balance. This account is most likely:
A) Office Equipment.
B) Rent Expense.
C) Dividends.
D) Sales Revenue.
Answer: D
Diff: 2
Question Type: Application
EOC Ref: S2-6
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

23) A T-account has a $2,110 credit balance. This account is most likely:
A) an expense.
B) a dividend account.
C) an asset.
D) a stock account.
Answer: D
Diff: 2
Question Type: Application
EOC Ref: S2-6
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24) Debit means:
A) decrease.
B) increase.
C) the right side of an account.
D) the left side of an account.
Answer: D
Diff: 1
Question Type: Concept
EOC Ref: S2-5
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

25) Credit means:
A) decrease.
B) increase.
C) the right side of an account.
D) the left side of an account.
Answer: C
Diff: 1
Question Type: Concept
EOC Ref: S2-5
AACSB: Application of Knowledge
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AICPA Functional: Decision Modeling

26) An example of accounts with normal debit balances would be:
A) liabilities.
B) expenses.
C) revenues.
D) Stockholders' Equity.
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: S2-6
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27) An example of accounts with normal credit balances would be:
A) revenues.
B) assets.
C) expenses.
D) dividends.
Answer: A
Diff: 1
Question Type: Concept
EOC Ref: S2-6
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

28) A T-account has which of the following three major parts?
A) A debit side, a credit side, and a balance
B) A debit side, a credit side, and a total column
C) A title, a current date, and a balance
D) A title, a debit side, and a credit side
Answer: D
Diff: 2
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

29) The fact that each transaction has a dual effect on the accounting equation provides the basis for what is called:
A) single-entry accounting.
B) double-entry accounting.
C) compound-entry accounting.
D) multiple-entry accounting.
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
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30) The difference between the total debits and total credits of an account is called a:
A) trial balance.
B) subtotal.
C) ruling.
D) balance.
Answer: D
Diff: 2
Question Type: Concept
EOC Ref: S2-7
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

31) When the bank takes money out of a company's account, why does the bank say that they have debited that account?
A) The bank has increased the company's assets and assets increase with debits.
B) The bank has decreased its' liability to the company and liabilities decrease with debits.
C) The bank has decreased the company's assets and assets decrease with debits.
D) The bank has increased its' liability to the company and liabilities increase with debits.
Answer: B
Diff: 2
Question Type: Concept
EOC Ref: S2-8
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

32) A company has a $5,679 debit balance in its cash account. Given this information, which of the following is a TRUE statement?
A) It is not normal for a business to have this much cash, therefore this is NOT a normal account balance.
B) It is NOT ever normal for the cash account to have a debit balance.
C) Normal account balances differ from company to company; therefore it is impossible to evaluate the given statement without more information.
D) It is ALWAYS normal for the cash account to have a debit balance.
Answer: D
Diff: 2
Question Type: Concept
EOC Ref: S2-6
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33) A company has a $12,354 credit balance in the salary payable account. Given this information, which of the following is a TRUE statement?
A) It is NOT normal for payable accounts to have a credit balance.
B) Not enough information provided, since normal account balances are different for each company.
C) It is ALWAYS normal for payable accounts to have a credit balance.
D) Payable accounts shouldn't be this high, so this is not a normal balance.
Answer: C
Diff: 2
Question Type: Concept
EOC Ref: S2-6
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

34) A company has a $9,554 credit balance in the cash account. Given this information, which of the following is a TRUE statement?
A) This is NOT a normal account balance—companies don't normally have this much cash on hand.
B) It is NOT normal for the cash account to have a credit balance.
C) Not enough information provided, since normal account balances are different for each company.
D) It is ALWAYS normal for the cash account to have a credit balance.
Answer: B
Diff: 2
Question Type: Concept
EOC Ref: S2-6
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

35) A company has a $11,234 debit balance in the payable accounts. Given this information, which of the following is a TRUE statement?
A) It is NOT normal for payable accounts to have a debit balance.
B) Not enough information provided, since normal account balances are different for each company.
C) Payable accounts don't tend to run this high, so this is not a normal balance.
D) It is ALWAYS normal for payable accounts to have a debit balance.
Answer: A
Diff: 2
Question Type: Concept
EOC Ref: S2-6
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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36) Revenues have a normal [debit/credit] balance and [increase/decrease] Retained Earnings.
A) debit, increase
B) credit, increase
C) debit, decrease
D) credit, decrease
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: S2-6
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

37) Expenses have a normal [debit/credit] balance and [increase/decrease] Retained Earnings.
A) debit, increase
B) credit, increase
C) debit, decrease
D) credit, decrease
Answer: C
Diff: 1
Question Type: Concept
EOC Ref: S2-6
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

38) Given the following T-Account information, what is the balance of the supplies account?

Supplies 123

1/5 250	1/19
1/11	195
420	

A) $475 debit balance
B) $475 credit balance
C) $670 debit balance
D) $195 credit balance
Answer: A
Explanation: Add items in left side of T-account and subtract items on right side.
Diff: 2
Question Type: Application
EOC Ref: S2-7
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

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39) Given the following T-Account information, what is the balance in accounts payable?

Accounts Payable 222

1/6 425 1/20 200	1/5 960

A) $335 debit balance
B) $625 debit balance
C) $335 credit balance
D) $960 credit balance
Answer: C
Explanation: add items in each column — subtract total of left side from total of right side.
Diff: 2
Question Type: Application
EOC Ref: S2-7
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

2.3 Demonstrate the use of the general journal and the general ledger to record business transactions

1) The general journal was developed to organize transactions by account.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

2) The general journal is used to record the events (transactions) of a business.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

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3) The act of recording a transaction is called "journalizing."
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

4) Journalizing is the transfer of information from the general journal to the general ledger.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

5) The posting reference column of the general journal will include the number of the account to which the information is being posted.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

6) The posting reference column of the general ledger shows the sources of the transferred information.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

7) Transactions are recorded in order of the dollar amount of the transaction.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: Discussion Question 4
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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8) Chronological order dictates the order in which transactions are journalized.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: Discussion Question 4
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

9) The difference between total debits and total credits is known as the balance.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

10) If an account's total credits are more than its total debits, then it has a positive balance.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

11) Syrio's Snowboards pays rent in the amount of $9,000. This transaction includes a credit to Rent Expense.
Answer: FALSE
Diff: 1
Question Type: Application
EOC Ref: S2-11
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

12) Bach, Inc. performs services on account. This transaction includes a debit to Accounts Receivable.
Answer: TRUE
Diff: 1
Question Type: Application
EOC Ref: S2-11
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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13) At the end of the year, Caesar's Coffee Co. pays cash dividends. This transaction includes a debit to Cash.
Answer: FALSE
Diff: 1
Question Type: Application
EOC Ref: P2-33A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

14) Coyote Company borrows $18,000 from the bank. This transaction includes a debit to Cash.
Answer: TRUE
Diff: 1
Question Type: Application
EOC Ref: S2-11
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

15) Danio Corp. pays wages in the amount of $12,000. This transaction includes a:
A) debit to Cash.
B) credit to Wages Expense.
C) credit to Cash.
D) credit to Revenue.
Answer: C
Diff: 1
Question Type: Application
EOC Ref: S2-8
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

16) The account "Cash" began with a zero balance and then had the following changes: increase of $300, decrease of $80, increase of $125 and a decrease of $50. The final balance is a:
A) debit balance of $295.
B) credit balance of $295.
C) debit balance of $425.
D) credit balance of $130.
Answer: A
Explanation: Start with zero — add increases and subtract decreases; cash has a normal debit balance. $300 - $80 + $125 - $50 = $295 Debit balance
Diff: 2
Question Type: Application
EOC Ref: S2-7
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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17) The account "Notes Payable" began with a zero balance and then had the following changes: increase of $700, increase of $300, decrease of $600, and an increase of $280. The final balance is a:
A) credit balance of $600.
B) debit balance of $1,280.
C) credit balance of $680.
D) debit balance of $680.
Answer: C
Explanation: Start with zero — add increases and subtract decreases; Notes Payable has a normal credit balance. $700 + $300 - $600 + $280 = $680 Credit balance
Diff: 2
Question Type: Application
EOC Ref: S2-7
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

18) The first step in analyzing a transaction is to determine:
A) if the account balance will increase or decrease.
B) the accounts that are involved.
C) the type of accounts that are involved.
D) which accounts are to be debited and credited.
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: S2-10
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

19) The second step in analyzing a transaction is to determine:
A) if the account balance will increase or decrease.
B) the accounts that are involved.
C) the type of accounts that are involved.
D) which accounts are to be debited and credited.
Answer: C
Diff: 1
Question Type: Concept
EOC Ref: S2-10
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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20) The third step in analyzing a transaction is to determine:
A) if the account balance will increase or decrease.
B) the accounts that are involved.
C) the type of accounts that are involved.
D) which accounts are to be debited and credited.
Answer: A
Diff: 1
Question Type: Concept
EOC Ref: S2-10
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

21) The fourth step in analyzing a transaction is to determine:
A) if the account balance will increase or decrease.
B) the accounts that are involved.
C) the type of accounts that are involved.
D) which accounts are to be debited and credited.
Answer: D
Diff: 1
Question Type: Concept
EOC Ref: S2-10
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

22) The general ledger is arranged in the:
A) numerical order of the chart of accounts.
B) alphabetical order of the account names.
C) order with normal debit balance accounts first.
D) order with normal credit balance accounts first.
Answer: A
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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23) The first step in recording a transaction in the general journal is to record the:
A) explanation of the entry.
B) account(s) to be credited and the amount(s).
C) date of the entry.
D) account(s) to be debited and the amount(s).
Answer: C
Diff: 1
Question Type: Concept
EOC Ref: S2-10
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

24) The second step in recording a transaction in the general journal is to record the:
A) explanation of the entry.
B) account(s) to be credited and the amount(s).
C) date of the entry.
D) account(s) to be debited and the amount(s).
Answer: D
Diff: 1
Question Type: Concept
EOC Ref: S2-10
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

25) The third step in recording a transaction in the general journal is to record the:
A) explanation of the entry.
B) account(s) to be credited and the amount(s).
C) date of the entry.
D) account(s) to be debited and the amount(s).
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: S2-10
AACSB: Application of Knowledge
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26) The fourth step in recording a transaction in the general journal is to record the:
A) explanation of the entry.
B) account(s) to be credited and the amount(s).
C) date of the entry.
D) account(s) to be debited and the amount(s).
Answer: A
Diff: 1
Question Type: Concept
EOC Ref: S2-10
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

27) Once you post the transaction to the general ledger, you must go back to the general journal and fill in:
A) the date.
B) the amount debited or credited.
C) the posting reference column with the account number of the posting.
D) the account name that was involved in the transaction.
Answer: C
Diff: 1
Question Type: Concept
EOC Ref: E2-21A
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

28) Tim invested $13,000 in his business, Travel with Tim. The journal entry would include a:
A) debit to Cash for $13,000 and a credit to Sales for $13,000.
B) debit to Cash for $13,000 and a credit to Common Stock for $13,000.
C) credit to Cash for $13,000 and a debit to Common Stock for $13,000.
D) debit to Cash for $13,000 and a credit to Dividends for $13,000.
Answer: B
Diff: 2
Question Type: Application
EOC Ref: E2-17A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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29) New equipment for the office was purchased for $1,500 on account from Custom Computers. The journal entry would include a:
A) debit to Office Equipment and a credit to Cash.
B) credit to Cash and a debit to Office Equipment Expense.
C) debit to Office Equipment and a credit to Accounts Payable.
D) debit to Accounts Payable and a credit to Cash.
Answer: C
Diff: 2
Question Type: Application
EOC Ref: E2-19A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

30) Bach, Inc. paid $2,200 for employee salaries. The journal entry would include a:
A) debit to Salaries Expense and a credit to Cash.
B) credit to Salaries Expense and a debit to Cash.
C) debit to Accounts Payable and a credit to Cash.
D) debit to Accounts Payable and a credit to Salary Expense.
Answer: A
Diff: 1
Question Type: Application
EOC Ref: E2-19A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

31) Sassycat Design collected $450 from one of its customers for payment on their account. The journal entry would include a:
A) debit to Accounts Receivable and a credit to Cash.
B) debit to Cash and a credit to Accounts Payable.
C) debit to Cash and a credit to Accounts Receivable.
D) debit to Cash and a credit to Sales Revenue.
Answer: C
Diff: 1
Question Type: Application
EOC Ref: E2-19A
AACSB: Analytical Thinking
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AICPA Functional: Measurement

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32) Illusions, Inc. purchased a building for $45,000 cash. The journal entry would include a:
A) debit to Building and a credit to Cash.
B) debit to Common Stock and a credit to Building.
C) debit to Building and a credit to Accounts Payable.
D) debit to Building and a credit to Common Stock.
Answer: A
Diff: 1
Question Type: Application
EOC Ref: E2-19A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

33) Alabama Ale paid one of its creditors $756 on their balance due. The journal entry would require a:
A) debit to Cash and a credit to Accounts Payable.
B) debit to Cash and a credit to Accounts Receivable.
C) credit to Cash and a debit to Accounts Receivable.
D) debit to Accounts Payable and credit to Cash.
Answer: D
Diff: 1
Question Type: Application
EOC Ref: E2-19A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

34) Wolfe & Associates purchased $400 of office supplies on account and treated the supplies as a prepaid expense. The journal entry would require a:
A) debit to Office Supplies Expense and a credit to Cash.
B) debit to Office Supplies and a credit to Cash.
C) debit to Office Supplies and a credit to Accounts Payable.
D) debit to Office Supplies Expense and a credit to Office Supplies.
Answer: C
Diff: 1
Question Type: Application
EOC Ref: E2-19A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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35) Caesar & Co. paid $1,000 cash for a two-year insurance policy. The journal entry would require a:
A) debit to Prepaid Insurance and a credit to Cash.
B) debit to Insurance Expense and credit to Cash.
C) debit to Insurance Expense and a credit to Accounts Payable.
D) debit to Insurance Expense and a credit to Retained Earnings.
Answer: A
Diff: 1
Question Type: Application
EOC Ref: E2-19A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

36) Rigoletto Co. sold season tickets for $2,000 on account. The journal entry would be to:
A) debit Cash and credit season Ticket Sales Revenue.
B) debit Accounts Receivable and credit season Ticket Sales Revenue.
C) debit Cash and credit Accounts Payable.
D) debit Cash and credit Accounts Receivable.
Answer: B
Diff: 1
Question Type: Application
EOC Ref: E2-19A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

37) One of the customers of Slate Stairways, Inc. paid $300 on her outstanding bill of $900. The journal entry that Slate Stairways would use to record the payment is:
A) debit Accounts Receivable $600, credit Revenue $600.
B) debit Accounts Receivable $300, credit Cash $300.
C) debit Revenue $600, credit Accounts Receivable $600.
D) debit Cash $300, credit Accounts Receivable $300.
Answer: D
Diff: 1
Question Type: Application
EOC Ref: E2-19A
AACSB: Analytical Thinking
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38) The _____ keeps a running balance of an individual account.
A) general journal
B) Balance Sheet
C) general ledger
D) posting reference
Answer: C
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

39) The _____ indicates where the information originated and to where the information was transferred.
A) general journal
B) Balance Sheet
C) general ledger
D) posting reference
Answer: D
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

40) Journalizing does NOT include:
A) debiting account(s) that are affected.
B) crediting account(s) that are affected.
C) posting the debits and credits to the accounts.
D) entering the date of the transaction.
Answer: C
Diff: 2
Question Type: Concept
EOC Ref: E2-27B
AACSB: Reflective Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

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41) The posting reference column of the general journal provides a cross-reference between the:
A) ledger and accounts.
B) journal and ledger.
C) ledger and financial statements.
D) journal and financial statements.
Answer: B
Diff: 2
Question Type: Concept
EOC Ref: E2-19A
AACSB: Reflective Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

42) Every entry in the general journal should include all of the following EXCEPT:
A) the title of each account affected.
B) the amounts of debits and credits.
C) a brief description of the transaction.
D) the balance of the accounts affected.
Answer: D
Diff: 1
Question Type: Concept
EOC Ref: E2-27B
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

43) The account "Salaries Expense" began with a zero balance and then had the following changes: increase of $550, decrease of $275, increase of $600, and an increase of $375. The final balance is a:
A) credit balance of $1,250.
B) debit balance of $1,250.
C) credit balance of $1,800.
D) debit balance of $1,800.
Answer: B
Explanation: Start with zero, add increases & subtract decreases; Salary Expense has a normal debit balance. $550 - $275 + $600 + $375 = $1,250 Debit balance
Diff: 2
Question Type: Application
EOC Ref: E2-27B
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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44) The account "Accounts Receivable" began with a zero balance and then had the following changes: increase of $625, decrease of $275, increase of $350 and increase of $200. The final balance is a:
A) credit balance of $900.
B) debit balance of $900.
C) credit balance of $1,450.
D) debit balance of $1,450.
Answer: B
Explanation: Start with zero, add increases & subtract decreases; Accounts Receivable has a normal debit balance. $625 - $275 + $350 + $200 = $900 Debit balance
Diff: 2
Question Type: Application
EOC Ref: E2-27B
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

45) The account "Accounts Payable" began with a zero balance and then had the following changes: increase of $250, increase of $600, decrease of $225, and an increase of $375. The final balance is a:
A) credit balance of $1,000.
B) debit balance of $1,000.
C) credit balance of $1,450.
D) debit balance of $1,450.
Answer: A
Explanation: Start with zero, add increases & subtract decreases; Accounts Payable has a normal credit balance. $250 + $600 - $225 + $375 = $1,000 Credit balance
Diff: 2
Question Type: Application
EOC Ref: E2-27B
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

46) Where is the best place for a company's accountant to find the information necessary to review the activity in the cash account?
A) General journal
B) General ledger
C) Trial balance
D) Bank statement
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: S2-14
AACSB: Reflective Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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47) Renoir Associates paid $4,000 rent in advance. The journal entry would require:
A) debit to Cash, credit to Rent Expense.
B) debit to Cash, credit to Prepaid Rent.
C) debit to Rent Expense, credit to Cash.
D) debit to Prepaid Rent, credit to Cash.
Answer: D
Diff: 1
Question Type: Application
EOC Ref: E2-27B
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

48) Dany's Designs provided services to a client on account. The journal entry would require:
A) debit to Cash, credit to Service Revenue.
B) debit to Service Revenue, credit to Accounts Receivable.
C) debit to Accounts Receivable, credit to Service Revenue.
D) debit to Service Revenue, credit to Accounts Payable.
Answer: C
Diff: 1
Question Type: Application
EOC Ref: P2-33A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

49) Tumbler, Inc. paid $2,200 of dividends. The journal entry would require:
A) debit to Cash, credit to Dividends
B) debit to Dividends, credit to Cash.
C) debit to Dividends, credit to Accounts Payable
D) debit to Accounts Payable, credit to Dividends
Answer: B
Diff: 1
Question Type: Application
EOC Ref: P2-33A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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2.4 Use a trial balance to prepare financial statements

1) A trial balance is a list of the accounts and their balances taken from the general journal.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

2) The trial balance is an official financial statement.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

3) A trial balance contains the name of the company, the words "trial balance" and the date of the statement.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: S2-12
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

4) The required accounting period for a trial balance is one year.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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5) If debits equal credits on the trial balance, it means that all the steps in the accounting process are correct.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: Discussion Question 9
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

6) Once the trial balance is correct, the next step is to prepare the financial statements, beginning with the Income Statement.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: S2-12
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

7) An entry could have been posted twice and the trial balance might still balance.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: Discussion Question 9
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

8) The purpose of the trial balance is to verify that all account balances are correct.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: Discussion Question 9
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

9) If a journal entry is recorded twice, both entries must be reversed in order to correct the error.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: E2-22A
AACSB: Reflective Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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10) The two columns on the income statement represent debits and credits, and should be labeled as such.
Answer: FALSE
Diff: 1
Question Type: Concept
EOC Ref: Exhibit 12-9
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

11) Revenues and expenses are listed in different columns on the trail balance.
Answer: TRUE
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

12) A company accidentally recorded the payment of salaries twice last month. This will be reflected in the trial balance because debits will be more than credits.
Answer: FALSE
Diff: 1
Question Type: Application
EOC Ref: E2-22A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

13) A company accidentally debited Accounts Receivable instead of Cash when recording a cash sale. The entry to correct this will include a credit to Accounts Receivable.
Answer: TRUE
Diff: 1
Question Type: Application
EOC Ref: E2-22A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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14) A trial balance will determine if:
A) an entry was recorded twice.
B) an entry was posted twice.
C) debits equal credits.
D) the right accounts were debited or credited.
Answer: C
Diff: 1
Question Type: Concept
EOC Ref: Vocabulary
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

15) On the trial balance, which account balances should be listed in the debit column?
A) Assets, Revenues, and Dividends
B) Liabilities, Revenues, and Common Stock
C) Assets, Dividends, and Expenses
D) Liabilities, Revenues, and Dividends
Answer: C
Diff: 2
Question Type: Concept
EOC Ref: S2-12
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

16) On the trial balance, which account balances should be listed in the credit column?
A) Liabilities, Retained Earnings, and Revenues
B) Assets, Retained Earnings, and Expenses
C) Liabilities, Common Stock, and Expenses
D) Assets, Dividends, and Expenses
Answer: A
Diff: 2
Question Type: Concept
EOC Ref: S2-12
AACSB: Application of Knowledge
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AICPA Functional: Measurement

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17) Which document would be best to prove that the account balances are correct?
A) General journal
B) General ledger
C) Trial balance
D) Income Statement
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: S2-14
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

18) Fischer, Inc.'s trial balance contains the following balances:

Cash $367	Accounts Payable $268	Revenue $635
Accounts Receivable $430	Expenses $106	

What is the amount of total debits for this trial balance?
A) $903
B) $797
C) $741
D) $1,806
Answer: A
Explanation: Add values for accounts with normal debit balances: cash, A/R, expenses
Cash ($367) + Accounts Receivable ($430) + Expenses ($106) = Total debits
$367 +$430 + $106 = $903
Diff: 3
Question Type: Application
EOC Ref: E2-19A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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19) Monet Design's trial balance contains the following balances:

Cash $423	Accounts Receivable $381	Revenue $727
Accounts Payable $286	Expenses $209	

What is the amount of total debits for this trial balance?
A) $1,531
B) $495
C) $1,013
D) $1,299
Answer: C
Explanation: Add values for accounts with normal debit balances: cash, A/R, expenses
Cash ($423) + Accounts Receivable ($381) + Expenses ($209) = Total debits
$423 +$381 + $209 = $1,013
Diff: 3
Question Type: Application
EOC Ref: E2-19A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

20) Illeo Inc's trial balance contains the following balances:

Cash $538	Accounts Payable $341	Revenue $671
Accounts Receivable $277	Expenses $197	

What is the amount of total credits for this trial balance?
A) $538
B) $1,012
C) $1,486
D) $1,683
Answer: B
Explanation: Add values for accounts with normal credit balances: A/P & revenue
Accounts Payable ($341) + Revenue ($671) = Total credits
$341 + $671 = $1,012
Diff: 3
Question Type: Application
EOC Ref: E2-19A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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21) Caesar Company's trial balance contains the following balances:
Cash $610 Accounts Receivable $520 Common Stock $1,400
Accounts Payable $760 Dividends $1,030

What is the amount of total credits for this trial balance?
A) $2,530
B) $3,190
C) $3,040
D) $2,160
Answer: D
Explanation: Add values for accounts with normal credit balances: A/P & Common Stock
Accounts Payable ($760) + Revenue ($1,400) = Total credits
$760 + $1,400 = $2,160
Diff: 3
Question Type: Application
EOC Ref: E2-19A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

22) Only the _____ accounts from the trial balance will be used to prepare the Income Statement.
A) asset and liabilities
B) liabilities and Retained Earnings
C) revenue and expense
D) Stockholders' Equity and asset
Answer: C
Diff: 1
Question Type: Concept
EOC Ref: E2-21A
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

23) The columns on a trial balance represent:
A) revenues and expenses.
B) debits and credits.
C) common stock and dividends.
D) subtotals and totals.
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: E2-19A
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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24) The trial balance is used to:
A) verify accuracy of account balances.
B) list Balance Sheet accounts only.
C) match posting references to accounts.
D) summarize all account balances.
Answer: D
Diff: 1
Question Type: Concept
EOC Ref: E2-19A
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

25) Shaman, Inc. purchased $400 of supplies on account. This was recorded by debiting Supplies for $400 and crediting Cash for $400. The entry needed to correct this error is:
A) Debit Accounts Payable for $400 and credit Cash for $400.
B) Debit Accounts Receivable for $400 and credit Cash for $400.
C) Debit Cash for $400 and credit Accounts Payable for $400.
D) Debit Cash for $400 and credit Accounts Receivable for $400.
Answer: C
Diff: 2
Question Type: Application
EOC Ref: E2-22A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

26) The sequence of steps used to record and report business transactions is referred to as:
A) transaction analysis.
B) the accounting cycle.
C) journalizing.
D) the accounting period.
Answer: B
Diff: 1
Question Type: Concept
EOC Ref: S2-3
AACSB: Application of Knowledge
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Decision Modeling

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27) Granny's Greens accidentally records the rent payment twice in January. The effect on the trial balance will be:
A) debits will be more than credits.
B) credits will be more than debits.
C) debits will still be equal to credits.
D) not enough information provided.
Answer: C
Diff: 1
Question Type: Application
EOC Ref: E2-22A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

28) Austin Woods made a cash payment for delivery expenses, but mistakenly recorded it to advertising expense. What effect will this have on the trial balance?
A) The debits will be understated.
B) The debits will be overstated.
C) The debit balance will be correct.
D) The credit balance will be incorrect.
Answer: C
Diff: 2
Question Type: Application
EOC Ref: E2-22A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

29) A company purchased supplies for $800 on account. The journal entry to record this transaction, however, was a debit to Supplies for $700 and a credit to Accounts Payable for $700. What will the effect be on the trial balance?
A) Debits will be $100 less than credits.
B) Debits will be $100 more than credits.
C) Debits will equal credits.
D) Debits will be $700 more than credits.
Answer: C
Diff: 1
Question Type: Application
EOC Ref: E2-22A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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30) A company purchased $200 of supplies on account; however, the journal entry to record the purchase was a debit to Supplies for $200 and a credit to Cash for $200. What will the effect be on the trial balance?
A) Debits will equal credits.
B) Debits will be $200 more than credits.
C) Debits will be $200 less than credits.
D) Both debits and credits will be $200 too high.
Answer: A
Diff: 1
Question Type: Application
EOC Ref: E2-22A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

31) A $700 purchase of supplies on account was recorded by debiting Accounts Payable and crediting Supplies. How would this affect net income?
A) Net income would be understated.
B) Net income would be overstated.
C) Net income would not be affected — this is the correct journal entry.
D) Net income would not be affected, but the journal entry is incorrect.
Answer: D
Diff: 1
Question Type: Application
EOC Ref: P2-36A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

32) A company accidentally recorded revenue of $1,310 as $1,130. What effect would this have on net income?
A) Net income would be overstated by $180.
B) Net income would not be affected.
C) Net income would be understated by $180.
D) Net income would be overstated by $1,130.
Answer: C
Explanation: subtract recorded amount from actual revenue amount for understatement.
Diff: 1
Question Type: Application
EOC Ref: P2-36A
AACSB: Analytical Thinking
AICPA Business: Strategic/Critical Thinking
AICPA Functional: Measurement

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