College Accounting A Practical Approach 15th edition Slater Test Bank

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College Accounting, 15e **(Slater)**
Chapter 2 Debits and Credits: Analyzing and Recording Business Transactions

Learning Objective 2-1

1) Accounts Payable had a normal starting balance of $900 credit. There were debit postings of $100 and credit postings of $450 during the month. The ending balance is:
A) $1250 credit.
B) $1450 debit.
C) $1250 debit.
D) $1450 credit.
Answer: A
Explanation: $900 - $100 + $450 = $1250
Diff: 2
LO: 2-1
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

2) The beginning balance in the Equipment account was $4000 debit. The company purchased additional Equipment with a cost of $1000. The ending balance in the account is:
A) debit of $3000.
B) credit of $4000.
C) debit of $5000.
D) credit of $3000.
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Answer: C
Explanation: $4000 + $1000 = $5000
Diff: 1
LO: 2-1
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

3) An accounting tool used to record increases and decreases in individual Assets, Liabilities, Capital, Revenue, Expenses, and Owner's Withdrawals is a(n):
A) chart of accounts.
B) account.
C) trial balance.
D) footing.
Answer: B
Diff: 2
LO: 2-1
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

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4) A formal account that has columns for date, explanation, posting reference, debit, and credit is called the:
A) T account.
B) standard account form.
C) ledger.
D) chart of accounts.
Answer: B
Diff: 2
LO: 2-1
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

5) A ledger:
A) includes all company accounts and their related balances.
B) can replace the financial statements.
C) is the same as a chart of accounts.
D) is known as a worksheet.
Answer: A
Diff: 1
LO: 2-1
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

6) The right side of any account is the:
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A) debit side.
B) credit side.
C) ending balance.
D) beginning balance.
Answer: B
Diff: 1
LO: 2-1
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

7) The left side of any account is the:
A) debit side.
B) credit side.
C) ending balance.
D) beginning balance.
Answer: A
Diff: 1
LO: 2-1
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8) 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
LO: 2-1
AACSB: Analytical Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

9) The ledger is:
A) a group of accounts that records results from business transactions.
B) a tool used to ensure 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: 1
LO: 2-1
AACSB: Reflective Thinking
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10) The credit side is always the left side of the account.
Answer: FALSE
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Diff: 1
LO: 2-1
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11) A T account is used for demonstration purposes.
Answer: TRUE
Diff: 2
LO: 2-1
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12) From the following T account, prepare footings and calculate the ending balance.

Cash			
3/1	1,000	500	3/3
3/22	1,500	100	3/8
		900	3/29

Cash			
3/1	1,000	500	3/3
3/22	1,500	100	3/8
		900	3/29
	2,500	1,500	
Bal:	1,000		

Answer:
Diff: 2
LO: 2-1
AACSB: Written and Oral Communication
Learning Outcome: Analyze and record transactions and their effects on the financial statements

13) From the following T account, prepare footings and calculate the ending balance.

Accounts Payable			
3/1	2,000	3,500	3/3
3/22	1,500	100	3/8
		900	3/29

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Accounts Payable			
3/1	2,000	3,500	3/3
3/22	1,500	100	3/8
		900	3/29
	3,500	4,500	
		Bal: 1,000	

Answer:
Diff: 2
LO: 2-1
AACSB: Written and Oral Communication
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Learning Objective 2-2

1) A compound entry is:
A) a transaction involving more than one debit and/or credit.
B) used to prepare the trial balance.
C) to duplicate an entry.
D) found on the income statement.
Answer: A
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

2) The rules of debit and credit require increases be posted on the:
A) debit side.
B) credit side.
C) normal balance side.
D) None of these answers is correct.
Answer: C
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

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3) The Accounts Payable account is:
A) a capital account, and it has a normal debit balance.
B) a withdrawal account, and it has a normal credit balance.
C) a liability account, and it has a normal debit balance.
D) a liability account, and it has a normal credit balance.
Answer: D
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

4) An account that would be increased by a credit is:
A) Cash.
B) Prepaid Expense.
C) Utilities Expense.
D) Accounts Payable.
Answer: D
Diff: 1
LO: 2-2
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5) A debit may signify a(n):
A) increase in an Asset account.
B) decrease in a Revenue account.
C) decrease in a Liability account.
D) All of the above
Answer: D
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

6) A credit may signify a(n):
A) increase in assets.
B) decrease in liabilities.
C) increase in revenue.
D) increase in withdrawals.
Answer: C
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

7) Which of the following types of accounts has a normal credit balance?
A) Withdrawals
B) Assets
C) Expenses
D) None of the above
Answer: D
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

8) 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
LO: 2-2
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9) 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) balancing.
D) double-entry bookkeeping.
Answer: D
Diff: 1
LO: 2-2
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Learning Outcome: Define accounting terms, accounting concepts and principles

10) Which of the following groups of accounts have a normal debit balance?
A) Revenue, liabilities, and expenses
B) Assets, capital, and withdrawals
C) Liabilities, expenses, and assets
D) Assets, expenses, and withdrawals
Answer: D
Diff: 2
LO: 2-2
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11) Which of the following accounts would be increased by a debit?
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A) Supplies
B) Accounts Payable
C) Capital
D) Service Revenue
Answer: A
Diff: 1
LO: 2-2
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12) What is a 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: 1
LO: 2-2
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13) Which of the following entries would be used to record the billing of fees earned?
A) Debit Accounts Receivable and credit Consulting Fees
B) Credit Cash and credit Consulting Fees
C) Debit Accounts Payable and credit Consulting Fees
D) Debit Consulting Fees, credit Accounts Receivable
Answer: A
Diff: 2
LO: 2-2
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

14) 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 Revenue 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
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15) Which of the following entries records the investment of cash by Sam, the owner of a sole proprietorship?
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A) Debit Sam, Capital; credit Cash
B) Debit Cash; credit Revenue
C) Debit Sam, Withdrawals; credit Revenue
D) Debit Cash; credit Sam, Capital
Answer: D
Diff: 2
LO: 2-2
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16) Bill, owner of Bill's Golf Center, withdrew $1,600 in cash from the business. Record the transaction by:
A) debiting Bill, Withdrawals, $1,600; crediting Cash, $1,600.
B) debiting Accounts Receivable, $1,600; crediting Cash, $1,600.
C) debiting Expense, $1,600; crediting Cash, $1,600.
D) debiting Bill, Withdrawals, $1,600; crediting Bill, Capital, $1,600.
Answer: A
Diff: 2
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17) The entry to record Tom taking cash out of his business to make a payment of a home telephone bill is:
A) debit Accounts Payable; credit Telephone Expense.
B) debit Tom, Withdrawals; credit Cash.
C) debit Telephone Expense; credit Cash.
D) debit Tom, Withdrawals; credit Accounts Payable.
Answer: B
Diff: 2
LO: 2-2
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18) Excel Home bought painting equipment on account for $5,000. The entry would include:
A) debit to Supplies Expense, $5,000; credit to Cash, $5,000.
B) debit to Equipment, $5,000; credit to Cash, $5,000.
C) debit to Equipment, $5,000; credit to Accounts Payable, $5,000.
D) debit to Supplies Expense, $5,000; credit to Accounts Payable, $5,000.
Answer: C
Diff: 2
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19) The owner of BobCats R Us paid his personal Visa Card bill using a company check. 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 Payable.
Answer: C
Diff: 2
LO: 2-2
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20) Susan flew to San Francisco on a business trip that was paid by her employer. The purchase price of the ticket was $800, and it was bought on account. The entry to record the transaction is:
A) debit Accounts Payable, $800; credit Travel Expense, $800.
B) debit Capital, $800; credit Accounts Payable, $800.
C) debit Travel Expense, $800; credit Accounts Payable, $800.
D) debit Travel Expense, $800; credit Cash, $800.
Answer: C
Diff: 2
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21) The Accounts Payable account has total credit postings of $2200 and debit postings of $1200. The balance of the account is:
A) $1000 debit.
B) $1000 credit.
C) $3400 credit.
D) $3400 debit.
Answer: B
Diff: 2
LO: 2-2
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22) The Salaries Payable account has total debit postings of $1100 and credit postings of $1500. The ending balance of the account is:
A) $2600 debit.
B) $400 credit.
C) $2600 credit.
D) $400 debit.
Answer: B
Explanation: $1500 - $1100 = $400
Diff: 2
LO: 2-2
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23) Office Supplies had a normal starting balance of $95. There were debit postings of $120 and credit postings of $60 during the month. The ending balance of the account is:
A) $85 debit.
B) $85 credit.
C) $155 debit.
D) $155 credit.
Answer: C
Explanation: ($95 + $120) - $60 = $155
Diff: 2
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24) Accounts Payable has a normal balance of $1100. After paying $300 to creditors, the balance in the account is:
A) debit $800.
B) debit $1400.
C) credit $800.
D) credit $1400.
Answer: C
Diff: 2
LO: 2-2
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25) The beginning balance in Cash was $5000. Additional cash of $2600 was received. Checks were written totaling $3300. The ending balance in cash is:
A) $2400.
B) $7600.
C) $5700.
D) $4300.
Answer: D
Explanation: ($5000 + $2600) - $3300 = $4300
Diff: 2
LO: 2-2
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26) A credit to an asset account was posted as a credit to the Revenue account. This error would cause:
A) revenue to be overstated.
B) liabilities to be overstated.
C) capital to be understated.
D) Both A and C are correct.
Answer: A
Diff: 2
LO: 2-2
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27) A credit to a liability account was posted as a credit to an expense account. This error would cause:
A) assets to be overstated.
B) liabilities to be overstated.
C) expenses to be overstated.
D) liabilities to be understated.
Answer: D
Diff: 2
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28) A debit to an expense account was posted as a debit to a revenue account. This error would cause:
A) assets to be overstated.
B) expenses to be overstated.
C) revenue to be understated.
D) None of the above is correct.
Answer: C
Diff: 2
LO: 2-2
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29) A credit to an asset account was posted as a credit 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: 2
LO: 2-2
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30) A credit to a liability account was posted as a debit to the Revenue account. This error would cause:
A) Liability to be overstated.
B) Revenue to be understated.
C) Revenue to be overstated.
D) None of the above is correct.
Answer: B
Diff: 2
LO: 2-2
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31) A debit to an asset account was posted as a debit 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: 2
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32) A debit to a Liability account was posted as a debit to an Asset account. This error would cause:
A) Asset to be understated.
B) Liabilities to be understated.
C) Asset to be overstated.
D) None of the above is correct.
Answer: C
Diff: 2
LO: 2-2
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Learning Outcome: Analyze and record transactions and their effects on the financial statements

33) A debit to an asset account was posted as a debit 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 is correct.
Answer: A
Diff: 2
LO: 2-2
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Learning Outcome: Analyze and record transactions and their effects on the financial statements

34) The chart of accounts:
A) is a numbered list of all of the business's accounts.
B) allows accounts to be located quickly.
C) can be expanded as the business grows.
D) All of the above are correct.
Answer: D
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

35) A credit to an asset account was posted as a credit 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 is correct.
Answer: B
Diff: 2
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36) The business incurred an expense and planned to pay for the expense later on credit. 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 asset is debited and asset is credited.
D) None of the above answers are correct.
Answer: A
Diff: 2
LO: 2-2
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37) The business provided services for cash. To record this:
A) an asset is credited and a liability is debited.
B) an asset is debited and a revenue is credited.
C) an expense is debited and Capital is credited.
D) None of the above answers are correct.
Answer: B
Diff: 2
LO: 2-2
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38) The owner invested a personal truck in the business. To record this transaction:
A) debit Truck and credit Revenue.
B) debit Accounts Payable and credit Truck.
C) debit Truck and credit Capital.
D) credit Truck and debit Capital.
Answer: C
Diff: 2
LO: 2-2
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39) 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 a liability is credited.
C) an asset is credited and a liability is credited.
D) None of the above answers are correct.
Answer: B
Diff: 1
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40) A liability would be debited and an asset credited 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: A
Diff: 2
LO: 2-2
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41) 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
LO: 2-2
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Learning Outcome: Analyze and record transactions and their effects on the financial statements

42) An asset would be debited and another asset credited if:
A) the business bought equipment for cash.
B) the business incurred an expense and paid it.
C) the business bought equipment on account.
D) None of these is correct.
Answer: A
Diff: 2
LO: 2-2
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43) What would be the effect on the accounts if a 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: 1
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44) What would be the effect on the accounts if a business provided services to a credit customer?
A) An asset would be debited and an expense debited.
B) Capital would be credited and Revenue credited.
C) An asset would be debited and Revenue credited.
D) An asset would be debited and Capital credited.
Answer: C
Diff: 1
LO: 2-2
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

45) What would be the effect on the accounts if the owner invested cash into the business?
A) An asset would be debited and Capital credited.
B) Withdrawals would be debited and an asset credited.
C) An asset would be debited and a revenue credited.
D) A Revenue would be debited and Capital credited.
Answer: A
Diff: 1
LO: 2-2
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46) What would be the effect on the accounts if the business purchased equipment on account?
A) An asset would be debited and an expense credited.
B) Expense would be debited and a Liability credited.
C) An asset would be debited and Capital credited.
D) An asset would be debited and a Liability credited.
Answer: D
Diff: 1
LO: 2-2
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47) What would be the effect on the accounts of a business if salaries expense was paid in cash?
A) An asset would be credited and an expense debited.
B) Expense would be debited and a Liability credited.
C) An asset would be debited and a Liability credited.
D) An asset would be debited and an expense credited.
Answer: A
Diff: 1
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48) What would be the effect on the accounts if the business received the telephone bill but did not pay it immediately?
A) An expense would be debited and an asset credited.
B) Capital would be debited and Revenue credited.
C) An expense would be debited and a liability credited.
D) An asset would be debited and Capital credited.
Answer: C
Diff: 2
LO: 2-2
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

49) An account that would be increased by a debit is:
A) Cash
B) Fees Earned
C) Capital
D) Accounts Payable
Answer: A
Diff: 1
LO: 2-2
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

50) Which of the following groups of accounts have a normal credit balance?
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A) Revenue, liabilities, and capital
B) Assets, capital, and withdrawals
C) Liabilities, expenses, and assets
D) Assets, expenses, and withdrawals
Answer: A
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

51) A chart of accounts:
A) is set up in alphabetical order.
B) is a list of customer accounts.
C) is a listing of all the accounts in order of dollar value.
D) None of the above are correct.
Answer: D
Diff: 2
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

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52) Accounts receivable decrease on the credit side of the account.
Answer: TRUE
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

53) The normal balance of a Revenue account is a debit balance.
Answer: FALSE
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

54) Cash is credited when the business makes a payment for supplies.
Answer: TRUE
Diff: 1
LO: 2-2
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

55) Debits must always exceed credits in a transaction or journal entry.
Answer: FALSE
Diff: 1
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LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

56) The debit side of all accounts decreases the account balance and the credit side of all accounts increases the account balance.
Answer: FALSE
Diff: 2
LO: 2-2
AACSB: Analytical Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

57) The debit side is always the left side of Asset accounts only.
Answer: FALSE
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

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58) A transaction that involves more than one credit or more than one debit is called a compound entry.
Answer: TRUE
Diff: 2
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

59) The right side of an account is always the normal balance side.
Answer: FALSE
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

60) Double-entry accounting requires transactions to affect two or more accounts, and the total of the debits to be greater than the credits.
Answer: FALSE
Diff: 2
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

61) Three accounts are affected in every transaction.
Answer: FALSE
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Diff: 2
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

62) Withdrawals increase on the credit side of the account.
Answer: FALSE
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

63) 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: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

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64) Equipment is an example of a Capital account.
Answer: FALSE
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

65) A compound entry is when more than one transaction occurs.
Answer: FALSE
Diff: 2
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

66) When the owner invests personal equipment in the business, cash is decreased.
Answer: FALSE
Diff: 1
LO: 2-2
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

67) Accounts Payable indicates amounts owed.
Answer: TRUE
Diff: 1
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LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

68) Accounts Payable indicates monies owed to us by our clients or customers.
Answer: FALSE
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

69) Expenses paid in advance are recorded as Assets.
Answer: TRUE
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

70) Accounts Payable is an asset account that is increased on the debit side.
Answer: FALSE
Diff: 1
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

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71) The Accounts Receivable account is increased by a credit.
Answer: FALSE
Diff: 1
LO: 2-2
AACSB: Analytical Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

72) 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: 1
LO: 2-2
AACSB: Written and Oral Communication
Learning Outcome: Define accounting terms, accounting concepts and principles

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73) 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	Type of Account	Normal Balance
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
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

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

_____ 1. Truck
_____ 2. B. James, Withdrawals
_____ 3. B. James, Capital
_____ 4. Accounting Fees Earned
_____ 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.

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Diff: 2
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

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

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

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Diff: 2
LO: 2-2
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

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76) 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 S. Anderson, Withdrawals
112 Accounts Receivable	411 Service Fees Earned
121 Office Equipment	511 Salaries Expense
211 Accounts Payable	512 Rent Expense
311 S. Anderson, Capital	513 Supplies Expense

Debit	Credit	Transaction
_____	_____	1. Purchased office equipment with cash.
_____	_____	2. Paid salaries for the week.
_____	_____	3. Invested additional cash in the business.
_____	_____	4. Received cash on account.
_____	_____	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 Supplies expense.
_____	_____	10. Paid rent expense for the month.

Answer:

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

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Diff: 2
LO: 2-2
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

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77) 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 G. Baxter, Withdrawals
112 Accounts Receivable	411 Delivery Fees Earned
121 Delivery Equipment	511 Salaries Expense
211 Accounts Payable	512 Rent Expense
311 G. Baxter, Capital	513 Utilities 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 utilities 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

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Diff: 2
LO: 2-2
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

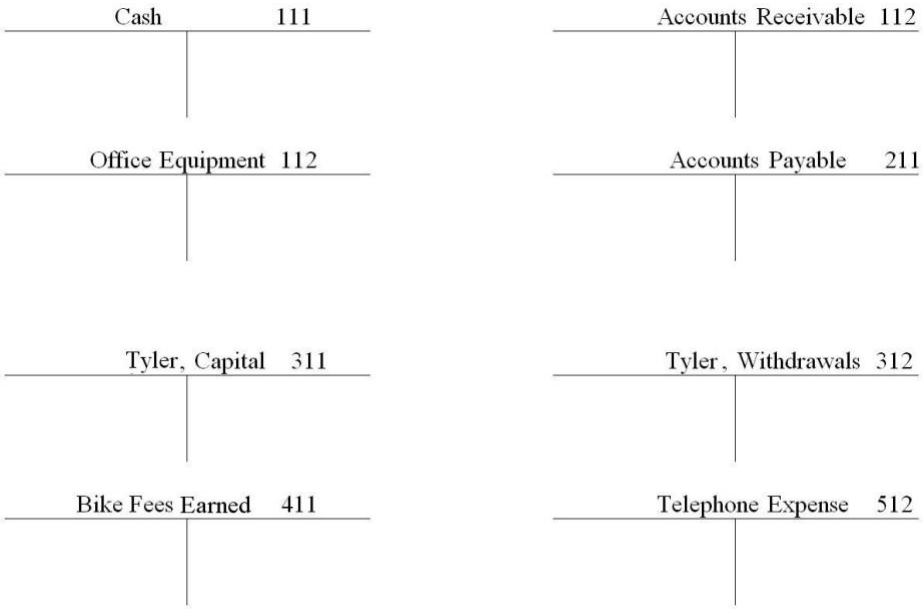
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78) The following transactions occurred during June for Center City Cycle Shop. Record the transactions below in the T accounts. Place the letter of the transaction next to the entry amount when recording each transaction in the T accounts. Calculate the ending balances of the T accounts where appropriate.

a. Invested $6,500 in the bike shop 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 $500 from customer in transaction c.
f. Withdrew $300 for personal use.



Answer:

Cash 111	
a. 6,500	b. 900
e. 500	f. 300
5,800	

Accounts Receivable 112	
c. 1,000	e. 500
500	

Office Equipment 112	
b. 900	

Accounts Payable 211	
	d. 80

Tyler, Capital 311	
	a. 6,500

Tyler, Withdrawals 312	
f. 300	

Bike Fees Earned 411	
	c. 1,000

Telephone Expense 512	
d. 80	

Diff: 2
LO: 2-2
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

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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.

79)

	Column 1	Column 2	Column 3
Postage Expense			

Answer:

	Column 1	Column 2	Column 3
Postage Expense	expense	debit	income statement

Diff: 2
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

80)

	Column 1	Column 2	Column 3
Equipment			

Answer:

	Column 1	Column 2	Column 3
Equipment	asset	debit	balance sheet

Diff: 2
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

81)

	Column 1	Column 2	Column 3
Truck			

Answer:

	Column 1	Column 2	Column 3
Truck	asset	debit	balance sheet

Diff: 2
LO: 2-2
AACSB: Reflective Thinking
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82)

	Column 1	Column 2	Column 3
Cleaning Expense			

Answer:

	Column 1	Column 2	Column 3
Cleaning Expense	expense	debit	income statement

Diff: 2
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

83)

	Column 1	Column 2	Column 3
Cleaning Fees Earned			

Answer:

	Column 1	Column 2	Column 3
Cleaning Fees Earned	revenue	credit	income statement

Diff: 2
LO: 2-2
AACSB: Reflective Thinking
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Learning Outcome: Describe the components of and prepare the four basic financial statements

84)

	Column 1	Column 2	Column 3
Salaries Payable			

Answer:

	Column 1	Column 2	Column 3
Salaries Payable	liability	credit	balance sheet

Diff: 2
LO: 2-2
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85)

	Column 1	Column 2	Column 3
Service Fees Earned			

Answer:

	Column 1	Column 2	Column 3
Service Fees Earned	revenue	credit	income statement

Diff: 2
LO: 2-2
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

86)

	Column 1	Column 2	Column 3
Tree Care Fees Earned			

Answer:

	Column 1	Column 2	Column 3
Tree Care Fees Earned	revenue	credit	income statement

Diff: 2
LO: 2-2
AACSB: Reflective Thinking
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Learning Outcome: Describe the components of and prepare the four basic financial statements

87)

	Column 1	Column 2	Column 3
Supplies			

Answer:

	Column 1	Column 2	Column 3
Supplies	asset	debit	balance sheet

Diff: 2
LO: 2-2
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Learning Objective 2-3

1) Which of the following is a financial statement?
A) Balance Sheet
B) Income Statement
C) Statement of Owner's Equity
D) All of the above
Answer: D
Diff: 1
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

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) bank statement.
Answer: B
Diff: 2
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

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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
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

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

Cash	$1100
Accounts Receivable	800
Capital	2000
Accounts Payable	900
Service Fees Earned	1000
Rent Expense	2000

A) $3900 debit, $3900 credit
B) $4800 debit, $4800 credit
C) $1900 debit, $1900 credit
D) $1100 debit, $1100 credit
Answer: A
Explanation: Cash $1100 + Accounts Receivable $800 + Rent Expense $2000 = $3900 Debit column
Diff: 2
LO: 2-3
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

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

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Cash	$1000
Equipment	900
Accounts Payable	350
Capital	900
Service Fees Earned	1000
Salaries Expense	350

A) $3250 debit, $3250 credit
B) $1900 debit, $1900 credit
C) $4500 debit, $4500 credit
D) $2250 debit, $2250 credit
Answer: D
Explanation: Cash $1000 + Equipment $900 + Salaries Expense $350 = $2250 Debit column
Diff: 2
LO: 2-3
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

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6) Which type of account would NOT be reported on the income statement?
A) Revenue
B) Expenses
C) Liabilities
D) None of the above answers are correct.
Answer: C
Diff: 2
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

7) Prepaid expense would appear on which financial statement?
A) Balance Sheet
B) Income Statement
C) Owner's Equity Statement
D) None of the above answers are correct.
Answer: A
Diff: 2
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

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8) An income statement:
A) shows debits.
B) shows credits.
C) shows debt owed.
D) none of the above.
Answer: D
Diff: 2
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

9) The beginning balance in the Capital account would appear on which financial statement?
A) Statement of Owner's Equity
B) Balance Sheet
C) Income Statement
D) All of the above are correct.
Answer: A
Diff: 3
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

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10) The income statement contains:
A) Liabilities.
B) Revenues.
C) Expenses.
D) Both B and C are correct.
Answer: D
Diff: 2
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

11) On which financial statement would you find the ending balance in the Capital account?
A) Income Statement
B) Balance Sheet
C) Statement of Owner's Equity
D) Both B and C are correct.
Answer: D
Diff: 2
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

12) 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
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

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13) Net income or net loss for a period is calculated by the following formula:
A) total liabilities - total revenue.
B) total revenues + total expenses - total withdrawals - assets.
C) total revenues - total expenses.
D) total revenues - total expenses + capital.
Answer: C
Diff: 2
LO: 2-3
AACSB: Analytical Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

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14) Which type of account would NOT be reported on the balance sheet?
A) Expense
B) Cash
C) Accounts Payable
D) Equipment
Answer: A
Diff: 1
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

15) What is X-cel Company's net income or net loss if it had Revenue of $2200, Salary Expense of $700, Utility Expense of $350, and Withdrawals of $3000 during October?
A) $1850 net income
B) $1150 net loss
C) $1150 net income
D) $1850 net loss
Answer: C
Explanation: $2200 - $700- $350 = $1150
Diff: 2
LO: 2-3
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

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16) The income statement is a financial statement.
Answer: TRUE
Diff: 2
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

17) The financial statements contain debit and credit columns.
Answer: FALSE
Diff: 2
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

18) Withdrawals and expenses are reported on the income statement.
Answer: FALSE
Diff: 2
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

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19) Accounts Payable appears on the income statement.
Answer: FALSE
Diff: 1
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

20) Wages Expense appears on the balance sheet.
Answer: FALSE
Diff: 1
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Describe the components of and prepare the four basic financial statements

21) Determine the ending owner's equity of a business having a beginning owner's equity of $8,500, additional investments of $600, withdrawals of $1,000, and net income of $1,200.
$ _____
Answer: $9,300 [$8,500 + $600 - $1,000 + $1,200]
Diff: 2
LO: 2-3
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

22) Determine the beginning owner's equity of a business having an ending owner's equity of $3,500, additional investments of $600, withdrawals of $500, and net loss of $750.
$ _____
Answer: $4,150 [$3,500 - $600 + $500 + $750]
Diff: 2
LO: 2-3
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

23) Determine the beginning owner's equity of a business having beginning assets of $9,000 and ending liabilities of $5,000. During the year the liabilities decreased by $1,000.
$ _____
Answer: $3,000 [$9,000 - ($5,000 + $1,000)]
Diff: 2
LO: 2-3
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

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24) 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
LO: 2-3
AACSB: Reflective Thinking
Learning Outcome: Define accounting terms, accounting concepts and principles

25) The following is a list of accounts and their balances for Myra's Company for the month ended May 31, 20XX. Prepare a trial balance in good form.

Cash	$1,710	Myra, Withdrawals	$980
Accounts Payable	1,000	Accounts Receivable	1,200
Office Equipment	1,760	Service Fees Earned	1,835
Myra, Capital	3,465	Rent Expense	650

Answer:

Myra's Company Trial Balance May 31, 20XX		
	Debit	Credit
Cash	1,710	
Accounts Receivable	1,200	
Office Equipment	1,760	
Accounts Payable		1,000
Myra, Capital		3,465
Myra, Withdrawals	980	
Service Fees Earned		1,835
Rent Expense	650	
Totals	6,300	6,300

Diff: 2
LO: 2-3
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

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26) The following is a list of accounts and their balances for Benson Company for the month ended June 30, 20XX. Prepare a trial balance in good form.

Cash	$1,170	Benson, Withdrawals	$500
Accounts Payable	1,270	Accounts Receivable	1,100
Office Equipment	1,600	Service Fees Earned	2,230
Benson, Capital	1,500	Salaries Expense	630

Answer:

Benson Company Trial Balance June 30, 20XX		
	Debit	Credit
Cash	1,170	
Accounts Receivable	1,100	
Office Equipment	1,600	
Accounts Payable		1,270
Benson, Capital		1,500
Benson, Withdrawals	500	
Service Fees Earned		2,230
Salaries Expense	630	
Totals	5,000	5,000

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Diff: 2
LO: 2-3
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

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27) From the following Trial Balance for Taylor Company for the month ended June 30, 20XX, prepare the financial statements.

Taylor Company Trial Balance June 30, 20XX		
	Debit	Credit
Cash	2,000	
Accounts Receivable	1,100	
Office Equipment	3,000	
Accounts Payable		2,900
Taylor, Capital		3,100
Taylor, Withdrawals	100	
Service Fees Earned		4,200
Rent Expense	1,300	
Advertising Expense	500	
Salaries Expense	2,200	
Totals	10,200	10,200

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Answer:

Taylor Company Income Statement For Month Ended June 30, 20XX		
Revenue:		
Service Fees Earned		$4,200
Operating Expenses:		
Rent Expense	$1,300	
Advertising Expense	500	
Salaries Expense	2,200	
Total Operating Expenses		4,000
Net Income		$200

Taylor Company Statement of Owner's Equity For Month Ended June 30, 20XX		
Taylor, Capital, June 1, 20XX		$3,100
Net Income for June	$200	
Less: Withdrawals for June	100	
Increase in Capital		100
Taylor, Capital, June 30, 20XX		$3,200

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Taylor Company Balance Sheet June 30, 20XX			
Assets		Liabilities and Owner's Equity	
Cash	$2,000	Liabilities	
Accounts Receivable	1,100	Accounts Payable	$2,900
Office Equipment	3,000	Owner's Equity	
		Taylor, Capital	3,200
Total Assets	$6,100	Total Liabilities and Owner's Equity	$6,100

Diff: 2
LO: 2-3
AACSB: Analytical Thinking
Learning Outcome: Analyze and record transactions and their effects on the financial statements

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