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Name:_____ Class:_____ Date:_____

Chapter 02: Analyzing Transactions

1. Accounts are records of increases and decreases in individual accounting equation elements.
   a. True
   b. False
ANSWER: True

2. A chart of accounts is a listing of accounts that make up the journal.
   a. True
   b. False
ANSWER: False

3. The chart of accounts should be the same for each business.
   a. True
   b. False
ANSWER: False

4. Accounts payable are accounts that you expect will be paid to you.
   a. True
   b. False
ANSWER: False

5. Consuming goods and services in the process of generating revenues results in expenses.
   a. True
   b. False
ANSWER: True

6. Prepaid expenses are an example of an expense.
   a. True
   b. False
ANSWER: False

7. Unearned revenues are an example of a liability.
   a. True
   b. False
ANSWER: True

8. Dividends is an expense account.
   a. True
   b. False
ANSWER: False

9. Accounts in the general ledger are usually maintained in alphabetical order.
   a. True
   b. False
ANSWER: False

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10. Depending on the account title, the right side of the account is referred to as the credit side.
    a. True
    b. False
ANSWER: False

11. To determine the balance in an account, always subtract credits from debits.
    a. True
    b. False
ANSWER: False

12. An account in its simplest form has three parts to it: a title, an increase side, and a decrease side.
    a. True
    b. False
ANSWER: True

13. The T account got its name because it resembles the letter "T."
    a. True
    b. False
ANSWER: True

14. The right side of a T account is known as a debit and the left side is known as a credit.
    a. True
    b. False
ANSWER: False

15. Debiting the cash account will increase the account.
    a. True
    b. False
ANSWER: True

16. A credit to the cash account will increase the account.
    a. True
    b. False
ANSWER: False

17. The cash account will always be debited.
    a. True
    b. False
ANSWER: False

18. The recording of cash receipts to the cash account will be done by debiting the account.
    a. True
    b. False
ANSWER: True

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19. The recording of cash payments from the cash account is done by entering the amount as a credit.
    a. True
    b. False

ANSWER: True

20. The balance of the account can be determined by adding all of the debits, adding all of the credits, and adding the amounts together.
    a. True
    b. False

ANSWER: False

21. Liabilities are debts owed by the business entity.
    a. True
    b. False

ANSWER: True

22. The accounts payable account is listed in the chart of accounts as an asset.
    a. True
    b. False

ANSWER: False

23. A dividends account represents the amount of earnings paid to the stockholders.
    a. True
    b. False

ANSWER: True

24. Revenues are equal to the difference between cash receipts and cash payments.
    a. True
    b. False

ANSWER: False

25. Expenses result from selling services or products to customers.
    a. True
    b. False

ANSWER: False

26. Stockholders' equity is reduced by the amount in the dividends account.
    a. True
    b. False

ANSWER: True

27. When an owner invests assets in the business, the retained earnings account increases due to revenue being earned.
    a. True
    b. False

ANSWER: False

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28. When an account receivable is collected in cash, the total assets of the business increase.
    a. True
    b. False
ANSWER: False

29. When an account payable is paid with cash, the stockholders' equity in the business decreases.
    a. True
    b. False
ANSWER: False

30. For a month's transactions for a typical medium-sized business, the salary expense account is likely to have only credit entries.
    a. True
    b. False
ANSWER: False

31. When a business receives an invoice from a creditor, no entry should be made until the invoice is paid.
    a. True
    b. False
ANSWER: False

32. A debit is abbreviated as *Db.* and a credit is abbreviated as *Cr*.
    a. True
    b. False
ANSWER: False

33. For a month's transactions for a typical medium-sized business, the accounts payable account is likely to have only credit entries.
    a. True
    b. False
ANSWER: False

34. Dividends decrease stockholders' equity and are listed on the income statement as a deduction from revenue.
    a. True
    b. False
ANSWER: False

35. The normal balance of revenue accounts is a credit.
    a. True
    b. False
ANSWER: True

36. The normal balance of the dividends account is a debit.
    a. True

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b. False

ANSWER: True

37. The normal balance of an expense account is a credit.
    a. True
    b. False

ANSWER: False

38. Expense accounts are increased by credits.
    a. True
    b. False

ANSWER: False

39. Revenue accounts are increased by credits.
    a. True
    b. False

ANSWER: True

40. Liability accounts are increased by debits.
    a. True
    b. False

ANSWER: False

41. Journalizing transactions using the double-entry bookkeeping system will eliminate fraud.
    a. True
    b. False

ANSWER: False

42. Transactions are listed in the journal chronologically.
    a. True
    b. False

ANSWER: True

43. Journalizing is the process of entering amounts in the ledger.
    a. True
    b. False

ANSWER: False

44. The process of recording a transaction in the journal is called journalizing.
    a. True
    b. False

ANSWER: True

45. Transactions are initially entered into a record called a journal.
    a. True

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b. False

ANSWER: True

46. The double-entry accounting system records each transaction twice.
a. True
b. False

ANSWER: False

47. The increase side of an account is also the side of the normal balance.
a. True
b. False

ANSWER: True

48. Journal entries include both debit(s) and credit(s) for each transaction.
a. True
b. False

ANSWER: True

49. A transaction that is recorded in the journal is called a journal entry.
a. True
b. False

ANSWER: True

50. Assets are increased with debits and decreased with credits.
a. True
b. False

ANSWER: True

51. Liabilities are increased with debits and decreased with credits.
a. True
b. False

ANSWER: False

52. Debits will increase unearned revenues and revenues.
a. True
b. False

ANSWER: False

53. All stockholders' equity accounts record increases to the accounts with credits.
a. True
b. False

ANSWER: False

54. Journalizing always eliminates fraudulent activity.
a. True

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b. False

ANSWER: False

55. Journal entries can have more than two accounts as long as the debits equal the credits.
a. True
b. False

ANSWER: True

56. The process of transferring the data from the journal to the ledger accounts is called posting.
a. True
b. False

ANSWER: True

57. The posting reference notation used in the ledger is the account number.
a. True
b. False

ANSWER: False

58. The posting reference notation used in the journal is the page number.
a. True
b. False

ANSWER: False

59. A notation in the Post. Ref. column of the general journal indicates that the amount has been posted to the ledger.
a. True
b. False

ANSWER: True

60. The order of the flow of accounting data is (1) record in the ledger, (2) record in the journal, and (3) prepare the financial statements.
a. True
b. False

ANSWER: False

61. The process of transferring the debits and credits from the journal entries to the accounts is known as posting.
a. True
b. False

ANSWER: True

62. Postings made to four-column account forms show a new balance after each entry.
a. True
b. False

ANSWER: True

63. A trial balance determines the complete accuracy of the numbers.

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a. True
b. False

ANSWER: False

64. Even when a trial balance is in balance, there may be errors in the individual accounts.
a. True
b. False

ANSWER: True

65. The totals at the bottom of the trial balance and the totals of the balance sheet both show equality and balancing and, therefore, all four totals should show the same amount.
a. True
b. False

ANSWER: False

66. A proof of the equality of debits and credits in the ledger at the end of an accounting period is called a balance sheet.
a. True
b. False

ANSWER: False

67. If the trial balance is in balance, it can be assumed that all journal entries were posted correctly and no errors were made.
a. True
b. False

ANSWER: False

68. Posting a part of a transaction to the wrong account will cause the trial balance totals to be unequal.
a. True
b. False

ANSWER: False

69. The erroneous arrangement of digits, such as writing $45 as $54, is called a slide.
a. True
b. False

ANSWER: False

70. Journalizing a transaction with both the debit and the credit for $69 instead of $96 will cause the trial balance to be out of balance.
a. True
b. False

ANSWER: False

71. The erroneous moving of an entire number one or more spaces to the right or left, such as writing $85 as $850, is called a transposition.
a. True

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b. False

ANSWER: False

72. Accounts
a. do not reflect money amounts
b. are not used by entities that manufacture products
c. are records of increases and decreases in individual accounting equation elements
d. are only used by large entities with many transactions

ANSWER: c

73. Accounts are classified in the general ledger
a. chronologically
b. alphabetically
c. in accordance with their appearance in the financial statements
d. with the accounts used most often listed first

ANSWER: c

74. Which of the following accounts is a stockholders' equity account?
a. Cash
b. Accounts Payable
c. Prepaid Insurance
d. Common Stock

ANSWER: d

75. The increases in stockholders' equity attributable to selling services or products to customers are called
a. assets
b. liabilities
c. revenues
d. expenses

ANSWER: c

76. A chart of accounts is
a. the same as a balance sheet
b. usually a listing of accounts in alphabetical order
c. usually a listing of accounts in financial statement order
d. used in place of a ledger

ANSWER: c

77. The debit side of an account
a. depends on whether the account is an asset, liability, or stockholders' equity
b. can be either side of the account depending on how the accountant set up the system
c. is the right side of the account
d. is the left side of the account

ANSWER: d

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78. An account is said to have a debit balance if
    a. the amount of the debits exceeds the amount of the credits
    b. there are more entries on the debit side than on the credit side
    c. there are more entries on the credit side than on the debit side
    d. the first entry of the accounting period was posted on the debit side

ANSWER: a

79. Which side of the account increases the cash account?
    a. credit
    b. neither a debit nor a credit
    c. debit
    d. either a debit or a credit

ANSWER: c

80. Which of the following statement(s) concerning cash is (are) true?
    a. Cash will always have more debits than credits.
    b. Cash will never have a credit balance.
    c. Cash is increased with a debit.
    d. all of these choices

ANSWER: c

81. Which of the following statements regarding T accounts is true?
    a. The left side of a T account is called the debit side.
    b. The left side of a T account is called the credit side.
    c. The right side of a T account is called the debit side.
    d. Transactions are first recorded in T accounts and then posted to the journal.

ANSWER: a

82. A cash payment is journalized in the cash account as
    a. neither a debit nor a credit
    b. a credit
    c. a debit
    d. either a debit or a credit

ANSWER: b

83. The balance of an account is determined by
    a. adding all of the debits to all of the credits
    b. always subtracting the debits from the credits
    c. always subtracting the credits from the debits
    d. adding all of the debits, adding all of the credits, and then subtracting the smaller sum from the larger sum

ANSWER: d

84. A list of accounts used by a business is called the

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a. journal
b. chart of accounts
c. T chart
d. debit listing

ANSWER: b

85. In the chart of accounts, the balance sheet accounts are normally listed in which order?
a. liabilities, assets, stockholders' equity
b. assets, liabilities, stockholders' equity
c. stockholders' equity, assets, liabilities
d. assets, stockholders' equity, liabilities

ANSWER: b

86. In which order are the accounts listed in the chart of accounts?
a. assets, expenses, liabilities, stockholders' equity, revenues
b. stockholders' equity, assets, liabilities, revenues, expenses
c. assets, liabilities, stockholders' equity, revenues, expenses
d. assets, liabilities, revenues, expenses, stockholders' equity

ANSWER: c

87. Which of the following are the correct parts of a T account?
a. title, date, total
b. date, debit side, credit side
c. title, debit side, credit side
d. title, debit side, total

ANSWER: c

88. The chart of accounts is designed to
a. alphabetize the accounts to make reading easier for financial statement users
b. organize accounts in order of dollar amount to simplify the accounting information for users
c. summarize the transactions and determine ending account balances
d. meet the information needs of a company's managers and other users of its financial statements

ANSWER: d

89. Which group of accounts is composed of only assets?
a. Cash, Accounts Payable, Buildings
b. Accounts Receivable, Revenue, Cash
c. Prepaid Expenses, Buildings, Patents
d. Unearned Revenues, Prepaid Expenses, Cash

ANSWER: c

90. Which of the following statements regarding assets is true?
a. Assets include both physical and intangible items.
b. Assets include only physical items.

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c. Assets are the personal property of the stockholders of a company.
d. Assets are not increased as a result of selling products or services to customers.

ANSWER: a

91. Which of the following statements regarding liabilities is **not** true?
a. Liabilities are debts owed to outsiders.
b. Account titles of liabilities often include the term "payable."
c. Cash received before a service is performed creates a liability.
d. Liabilities include accumulated depreciation.

ANSWER: d

92. Stockholders' equity will be reduced by all of the following **except**
a. revenues
b. expenses
c. dividends
d. all of these choices

ANSWER: a

93. The accounts in the ledger of Monroe Entertainment Co. follow. All accounts have normal balances.

Accounts Payable	$1,500	Fees Earned	$8,600
Accounts Receivable	1,800	Insurance Expense	1,300
Supplies	500	Rent Expense	1,500
Prepaid Insurance	2,000	Land	8,000
Cash	3,200	Wages Expense	1,400
Office Equipment	1,800	Retained Earnings	5,500
Dividends	1,200	Common Stock	9,200
Unearned Rent	1,600		

Total assets are
a. $17,300
b. $13,500
c. $13,000
d. $9,800

ANSWER: a

94. The accounts in the ledger of Monroe Entertainment Co. follow. All accounts have normal balances.

Accounts Payable	$1,500	Fees Earned	$8,600
Accounts Receivable	1,800	Insurance Expense	1,300
Supplies	500	Rent Expense	1,500
Prepaid Insurance	2,000	Land	8,000
Cash	3,200	Wages Expense	1,400
Office Equipment	1,800	Retained Earnings	5,500
Dividends	1,200	Common Stock	9,200
Unearned Rent	1,600		

Total liabilities are

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a. $1,500
b. $3,100
c. $7,300
d. $14,300

ANSWER: b

95. In a basic chart of accounts, each account number has two digits. The first digit indicates the major account group to which the account belongs. Which of the following correctly identifies the major account groups typically represented by the numbers 1 through 5?

a. 1-Assets, 2-Liabilities, 3-Stockholders' Equity, 4-Expenses, 5-Revenues
b. 1-Assets, 2-Liabilities, 3-Stockholders' Equity, 4-Revenues, 5-Expenses
c. 1-Assets, 2-Stockholders' Equity, 3-Revenues, 4-Expenses, 5-Dividends
d. 1-Stockholders' Equity, 2-Dividends, 3-Revenues, 4-Expenses, 5-Common Stock

ANSWER: b

96. Which of the following entries journalizes the issuance of common stock?

a. debit Common Stock; credit Accounts Receivable
b. debit Cash; credit Common Stock
c. debit Dividends; credit Cash
d. debit Fees Earned; credit Common Stock

ANSWER: b

97. A debit may signify a(n)

a. decrease in asset accounts
b. decrease in liability accounts
c. increase in the common stock account
d. decrease in the dividends account

ANSWER: b

98. Which of the following types of accounts have a normal credit balance?

a. assets and liabilities
b. liabilities and expenses
c. revenues and common stock
d. common stock and dividends

ANSWER: c

99. Which of the following groups of accounts have a normal debit balance?

a. revenues, liabilities, and stockholders' equity
b. stockholders' equity and assets
c. liabilities and stockholders' equity
d. assets and expenses

ANSWER: d

100. Which of the following is **not** a purpose for the journal?

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a. to show increases and decreases in accounts
b. to show the chronological order of transactions
c. to show a complete transaction in one place
d. to help locate errors

ANSWER: d

101. A credit may signify a
a. decrease in assets
b. decrease in liabilities
c. decrease in common stock
d. decrease in revenue

ANSWER: a

102. A debit signifies a decrease in
a. assets
b. expenses
c. dividends
d. revenues

ANSWER: d

103. Which of the following applications of the rules of debit and credit is correct?
a. Decrease Prepaid Insurance with a credit and the normal balance is a credit.
b. Increase Accounts Payable with a credit and the normal balance is a debit.
c. Increase Equipment with a debit and the normal balance is a debit.
d. Decrease Cash with a debit and the normal balance is a credit.

ANSWER: c

104. Which of the following describes the classification and normal balance of the fees earned account?
a. asset, credit
b. liability, credit
c. stockholders' equity, debit
d. revenue, credit

ANSWER: d

105. The classification and normal balance of the accounts payable account is
a. an asset with a credit balance
b. a liability with a credit balance
c. stockholders' equity with a credit balance
d. revenue with a credit balance

ANSWER: b

106. The classification and normal balance of the dividends account is
a. an expense with a credit balance
b. an expense with a debit balance

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c. a liability with a credit balance
d. stockholders' equity with a debit balance

ANSWER: d

107. In which of the following types of accounts are decreases recorded by debits?
a. assets
b. liabilities
c. expenses
d. dividends

ANSWER: b

108. In which of the following types of accounts are decreases recorded by credits?
a. liabilities
b. stockholders' equity
c. assets
d. revenues

ANSWER: c

109. A credit balance in which of the following accounts would indicate a likely error?
a. Fees Earned
b. Salary Expense
c. Common Stock
d. Accounts Payable

ANSWER: b

110. A debit balance in which of the following accounts would indicate a likely error?
a. Salaries Expense
b. Notes Payable
c. Accounts Receivable
d. Supplies

ANSWER: b

111. Which of the following entries journalizes the payment of an account payable?
a. debit Cash; credit Accounts Payable
b. debit Accounts Receivable; credit Cash
c. debit Cash; credit Supplies Expense
d. debit Accounts Payable; credit Cash

ANSWER: d

112. Which of the following entries journalizes the payment of dividends?
a. debit Common Stock; credit Cash
b. debit Dividends; credit Cash
c. debit Salaries Expense; credit Cash
d. debit Salaries Expense; credit Salaries Payable

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ANSWER: b

113. Office supplies were sold by Janer's Cleaning Service at cost to another repair shop, with cash received. Which of the following entries for Janer's Cleaning Service journalizes this transaction?

a. debit Office Supplies; credit Cash
b. debit Office Supplies; credit Accounts Payable
c. debit Cash; credit Office Supplies
d. debit Accounts Payable; credit Office Supplies

ANSWER: c

114. Office supplies purchased by Janer's Cleaning Service on account were returned. The office supplies had not yet been paid for. Which of the following entries for Janer's Cleaning Service journalizes this transaction?

a. debit Cash; credit Office Supplies
b. debit Office Supplies; credit Accounts Receivable
c. debit Accounts Payable; credit Office Supplies
d. debit Office Supplies; credit Accounts Payable

ANSWER: c

115. Cash was paid by Janer's Cleaning Service to creditors on account. Which of the following entries for Janer's Cleaning Service journalizes this transaction?

a. debit Cash; credit Common Stock
b. debit Accounts Payable; credit Cash
c. debit Accounts Receivable; credit Cash
d. debit Accounts Payable; credit Accounts Receivable

ANSWER: b

116. Which of the following entries journalizes the acquisition of office supplies on account?

a. debit Office Supplies; credit Cash
b. debit Cash; credit Office Supplies
c. debit Office Supplies; credit Accounts Payable
d. debit Accounts Receivable; credit Office Supplies

ANSWER: c

117. Which of the following entries journalizes the payment of insurance for the current month?

a. debit Cash; credit Insurance Expense
b. debit Insurance Expense; credit Cash
c. debit Insurance Expense; credit Accounts Receivable
d. debit Prepaid Insurance; credit Cash

ANSWER: b

118. Which of the following entries journalizes the receipt of cash from clients on account?

a. debit Accounts Payable; credit Fees Earned
b. debit Accounts Receivable; credit Fees Earned
c. debit Accounts Receivable; credit Cash

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d. debit Cash; credit Accounts Receivable

ANSWER: d

119. Which of the following entries journalizes the receipt of cash from cash customers for services provided?

a. debit Fees Earned; credit Cash

b. debit Fees Earned; credit Accounts Receivable

c. debit Cash; credit Fees Earned

d. debit Accounts Receivable; credit Fees Earned

ANSWER: c

120. Which of the following entries journalizes the receipt of cash for 2 months' rent? The cash was received in advance of providing the service.

a. debit Prepaid Rent; credit Rent Revenue

b. debit Cash; credit Unearned Rent

c. debit Cash; credit Prepaid Rent

d. debit Cash; credit Rent Expense

ANSWER: b

121. A client has a massage and asks the company bookkeeper to mail her the bill. The bookkeeper should make which entry to journalize the invoice?

a. No entry until the cash is received

b. debit Fees Earned; credit Accounts Receivable

c. debit Cash; credit Fees Earned

d. debit Accounts Receivable; credit Fees Earned

ANSWER: d

122. Which of the following abbreviations is correct?

a. Debit, Dr; Credit, Cd

b. Debit, Db; Credit, Cr

c. Debit, Db; Credit, Cd

d. Debit, Dr; Credit, Cr

ANSWER: d

123. Which of the following is **not** a correct rule of debits and credits?

a. Assets, expenses, and dividends are increased by debits.

b. Assets are decreased by credits and have a normal debit balance.

c. Liabilities, revenues, and stockholders' equity are increased by credits.

d. The normal balance for revenues and expenses is a credit.

ANSWER: d

124. Gently Laser Clinic purchased laser equipment for $8,500 and paid $2,250 down, with the remainder to be paid later. The correct entry would be

a. Equipment 2,250
Cash 2,250

b. Cash 2,250

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Accounts Payable	6,250	
Equipment		8,500
c. Equipment Expense	8,500	
Accounts Payable		2,250
Cash		6,250
d. Equipment	8,500	
Accounts Payable		6,250
Cash		2,250

ANSWER: d

125. The ____ is where a transaction can first be found in the accounting records.
a. chart of accounts
b. income statement
c. balance sheet
d. journal

ANSWER: d

126. The process of recording a transaction in the journal is called
a. balancing
b. journalizing
c. posting
d. summarizing

ANSWER: b

127.

May	23	Cash		22,000	
		Common Stock			22,000
		Issued common stock for cash.			

This journal entry will
a. increase Common Stock and decrease Cash
b. increase Cash and decrease Common Stock
c. increase Cash and increase Common Stock
d. decrease Cash and decrease Common Stock

ANSWER: c

128.

May	24	Land		105,000	
		Cash			105,000
		Purchased land for business.			

What effects does this journal entry have on the accounts?
a. increase Cash and increase Land
b. decrease Cash and increase Land
c. decrease Cash and decrease Land
d. increase Cash and decrease Land

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ANSWER: b

129.

Mar.	10	Accounts Payable		800	
		Cash			800
		Paid creditors on account.			

What effects does this journal entry have on the accounts?

a. decrease Accounts Payable and increase Cash
b. increase Accounts Payable and decrease Cash
c. increase Accounts Payable and increase Cash
d. decrease Accounts Payable and decrease Cash

ANSWER: d

130. Which of the following groups of accounts includes only accounts that increase with a credit?

a. Land; Accounts Payable; Dividends
b. Accounts Payable; Unearned Revenue; Common Stock
c. Dividends; Accounts Receivable; Unearned Revenue
d. Cash; Accounts Receivable; Common Stock

ANSWER: b

131. In accordance with the debit and credit rules, which of the following is true?

a. Debits increase assets.
b. Credits increase assets.
c. Debits increase both assets and common stock.
d. Credits increase both assets and liabilities.

ANSWER: a

132. All of the following accounts are increased with a debit **except**

a. Unearned Revenues
b. Land
c. Accounts Receivable
d. Cash

ANSWER: a

133. Which of the following stockholders' equity accounts follows the same debit and credit rules as liabilities?

a. expense accounts only
b. dividends accounts only
c. revenue, common stock, and retained earnings accounts
d. expense and dividends accounts

ANSWER: c

134. The payment of monthly rent requires which of the following entries?

a. debit Cash; debit Rent Expense
b. credit Cash; credit Rent Expense

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c. debit Rent Expense; credit Cash
d. credit Rent Expense; debit Cash

ANSWER: c

135. Expenses follow the same debit and credit rules as
a. revenues
b. assets
c. none of these choices
d. liabilities

ANSWER: b

136. Net income will result when
a. revenues (credits) > expenses (debits)
b. revenues (debits) > expenses (credits)
c. expenses (credits) = revenues (debits)
d. revenues (credits) = expenses (debits)

ANSWER: a

137. Which of the following will increase stockholders' equity?
a. expenses > revenues
b. the company pays dividends
c. revenues > expenses
d. cash is received from customers on account

ANSWER: c

138. Which of the following transactions increases stockholders' equity?
a. Supplies are purchased on account.
b. Services are provided on account.
c. Cash is received from customers on account.
d. Utility bill will be paid next month.

ANSWER: b

139. Which of the following groups of accounts are increased with a debit?
a. assets, liabilities, stockholders' equity
b. assets, dividends, expenses
c. assets, revenues, expenses
d. assets, liabilities, revenues

ANSWER: b

140. Which of the following groups of accounts increase with a credit?
a. common stock, revenues, expenses
b. assets, common stock, revenues
c. liabilities, common stock, revenues
d. none of these choices

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ANSWER: c

141. Which of the following statements regarding normal balances of accounts is true?
a. All accounts have a normal debit balance.
b. The normal balance of all accounts will have either a positive or a negative balance.
c. Accounts that have a normal debit balance will only have debit entries, never credit entries.
d. The normal balance is on the increase side of the account.

ANSWER: d

142. Which of the following statements regarding a double-entry accounting system is **not** true?
a. The accounting equation remains in balance.
b. The sum of all debits is always equal to the sum of all credits in each journal entry.
c. Each business transaction will have two debits.
d. Every transaction affects at least two accounts.

ANSWER: c

143.

Mar.	6	Cash		2,500	
		Unearned Fees			2,500
		???????????.			

Which of the following is the best explanation for this journal entry?
a. Received cash for services performed.
b. Received cash for services to be performed in the future.
c. Paid cash in advance for services to be performed.
d. Performed services for which cash is owed.

ANSWER: b

144.

Apr.	14	Equipment		15,000	
		Cash			5,000
		Notes Payable			10,000
		???????????.			

Which of the following is the best explanation for this journal entry?
a. Purchased equipment; paid cash of $5,000, with the remainder to be paid in the future.
b. Purchased equipment; paid cash of $10,000, with the remainder to be received in the future.
c. Purchased equipment with cash.
d. Purchased equipment on account.

ANSWER: a

145. The process of transferring debits and credits from journal entries to the accounts is called
a. sliding
b. transposing
c. journalizing
d. posting

ANSWER: d

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146. The posting process includes the transfer of which of the following data from the journal to the account?
a. date, amount (debit or credit)
b. date, amount (debit or credit), journal page number
c. amount (debit or credit), account number
d. date, amount (debit or credit), account number

ANSWER: b

147. The Post. Ref. columns are used to trace transactions from the accounts to the journal. What will be entered in the Post. Ref. column of (1) the journal and (2) the account?
a. (1) amount of the debit or credit and (2) journal page number
b. (1) journal page number and (2) date of the transaction
c. (1) journal page number and (2) account number
d. (1) account number and (2) journal page number

ANSWER: d

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The chart of accounts for Corning Company includes the following:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Common Stock	31
Dividends	32
Fees Earned	41
Salaries Expense	54
Rent Expense	56

Page 3 of the journal contains the following entry:

Description	Post. Ref.	Debit	Credit
Prepaid Insurance		1,530	
Cash			1,530

Use this above information to answer the questions that follow.

148. What posting reference will be found in the cash account?
a. 11
b. 15
c. 3
d. 13

ANSWER: c

149. What posting reference will be found in the prepaid insurance account?
a. 11
b. 15

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Name:_____ Class:_____ Date:_____

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c. 3
d. 13

ANSWER: c

150. What posting references will be found in the journal entry?
a. 15, 11
b. 15, 3
c. 11, 3
d. 3, 15

ANSWER: a

151. The chart of accounts for Miguel Company includes the following:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Common Stock	31
Dividends	32
Fees Earned	41
Salaries Expense	54
Rent Expense	56

Page 3 of the journal contains the following transaction:

Description	Post. Ref.	Debit	Credit
Cash		640	
Fees Earned			640

What posting references will be found in the journal entry?
a. 41, 3
b. 3, 11
c. 11, 41
d. 11, 3

ANSWER: c

152. The chart of accounts for Miguel Company includes the following:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Common Stock	31
Dividends	32

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Fees Earned	41
Salaries Expense	54
Rent Expense	56

Page 5 of the journal contains the following transaction:

Description	Post. Ref.	Debit	Credit
Salaries Expense		525	
Cash			525

What is posting reference will be found in the salaries expense account?

a. 5
b. 11
c. 54
d. 21

ANSWER: a

153. Which of the following balances is always due to an error?

a. Office Equipment—credit balance of $500
b. Retained Earnings—debit balance of $1,000
c. Dividends—debit balance of $2,500
d. Accounts Payable—debit balance of $600

ANSWER: a

154. Which of the following errors, each considered individually, would cause the trial balance totals to be unequal?

a. A transaction was not posted.
b. A payment of $67 for insurance was posted as a debit of $76 to Prepaid Insurance and a credit of $76 to Cash.
c. A payment of $4,450 to a creditor was posted as a debit of $4,500 to Accounts Payable and a credit of $450 to Cash.
d. Cash received from customers on account was posted as a debit of $720 to Cash and a credit of $720 to Accounts Payable.

ANSWER: c

155. Proof that the dollar amount of the debits equals the dollar amount of the credits in the ledger means

a. all of the information from the journal was correctly transferred to the ledger
b. all accounts have their correct balances in the ledger
c. only the journal is accurate; the ledger may be incorrect
d. only that the debit dollar amounts equal the credit dollar amounts

ANSWER: d

156. That the total dollar amount of the debits equals the total dollar amount of the credits in the ledger accounts can be verified through a(n)

a. chart of accounts
b. trial balance
c. income statement
d. balance sheet

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ANSWER: b

157. Randomly listed are the steps for preparing a trial balance:
(1) Verify that the total of the Debit column equals the total of the Credit column.
(2) List the accounts from the ledger and enter their debit or credit balance in the Debit or Credit column of the trial balance.
(3) List the name of the company, the title of the trial balance, and the date the trial balance is prepared.
(4) Total the Debit and Credit columns of the trial balance.

What is the proper order of these steps?

a. (3), (2), (4), (1)
b. (2), (3), (4), (1)
c. (3), (2), (1), (4)
d. (4), (3), (2), (1)

ANSWER: a

158. A trial balance is prepared to

a. prove that there were no errors made in journalizing transactions in the journal
b. prove that no errors were made in posting to the ledger
c. prove that each account balance is correct
d. discover errors that affect the equality of debits and credits

ANSWER: d

159. The accounts in the ledger of Monroe Entertainment Co. are as follows. All accounts have normal balances.

Accounts Payable	$1,500	Fees Earned	$3,600
Accounts Receivable	1,800	Insurance Expense	1,300
Prepaid Insurance	2,000	Land	3,000
Cash	3,200	Wages Expense	1,400
Dividends	1,200	Common Stock	8,800

When the trial balance is prepared, the total of the debits will be

a. $13,900
b. $11,200
c. $12,700
d. $9,700

ANSWER: a

160. Which of the following is an internal report that will determine if the total of the debit balances equals the total of the credit balances in the ledger?

a. chart of accounts
b. income statement
c. trial balance
d. horizontal analysis

ANSWER: c

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161. An overpayment error was discovered in computing and paying the wages of a Jamison Tree Trimming employee. When Jamison receives cash from the employee for the amount of the overpayment, which of the following entries will Jamison make?

a. debit Cash; credit Wages Expense
b. debit Wages Payable; credit Wages Expense
c. debit Wages Expense; credit Cash
d. debit Cash; credit Wages Payable

ANSWER: a

162. If the two totals of a trial balance are not equal, it could be due to

a. failure to journalize a transaction
b. recording the same erroneous amount for both the debit and the credit parts of a transaction
c. an error in determining the account balances, such as a balance being incorrectly computed
d. journalizing the same transaction more than once

ANSWER: c

163. When a transposition error is made on the trial balance, the difference between the debit and credit totals on the trial balance will be

a. zero
b. twice the amount of the transposition
c. one-half the amount of the transposition
d. divisible by 9

ANSWER: d

164. Which of the following errors could cause the trial balance totals to be unequal?

a. posting the debit portion of a journal entry incorrectly when the credit portion of the entry is correctly posted
b. failure to journalize a transaction or to post a transaction
c. journalizing the same transaction more than once
d. journalizing the same erroneous amount for both the debit and credit parts of a transaction

ANSWER: a

165. The trial balance is out of balance and the accountant suspects that a transposition or slide error has occurred. What will the accountant do to confirm this suspicion?

a. Determine the amount of the error and look for that amount on the trial balance.
b. Determine the amount of the error and divide by two, then look for that amount on the trial balance.
c. Determine the amount of the error and refer to the journal entries for that amount.
d. Determine the amount of the error and divide by nine. If the result is evenly divided, then this type of error is likely.

ANSWER: d

166. The purchase of supplies on account was journalized and posted as a debit to Supplies for $500 and a credit to Accounts Receivable for $500. The correcting entry would include a

a. credit to Accounts Receivable for $500
b. credit to Accounts Receivable for $1,000

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c. credit to Accounts Payable for $500

d. credit to Accounts Payable for $1,000

ANSWER: c

167. Which of the following is **not** a useful step in finding errors on the trial balance?

a. Determine the difference between debits and credits and look for the amount.

b. Determine the difference between debits and credits and change any account to make the trial balance correct.

c. Determine the difference between debits and credits, divide the amount by 2, and look for the amount.

d. Determine the difference between debits and credits, divide the amount by 9, and if it divides evenly, look for a transposition or slide error.

ANSWER: b

168. McNally Industries has a condensed income statement as shown.

	Year 2	Year 1
Sales	$198,000	$165,500
Total operating expenses	163,000	147,500
Net income	$ 35,000	$ 18,000

Using horizontal analysis, compute the amount and percent change for sales. Round percentage to one decimal place.

a. $32,500, 19.6%

b. $(32,500), (19.6)%

c. $32,500, 16.4%

d. $(32,500), (16.4)%

ANSWER: a

169. Richardson Company has a condensed income statement as shown.

	Year 2	Year 1
Sales	$150,000	$165,500
Total operating expenses	133,000	147,500
Net income	$ 17,000	$ 18,000

Using horizontal analysis, calculate the amount and percent change for sales. Round percentages to one decimal place.

a. $15,500, 19.6%

b. $(15,500), (10.3)%

c. $15,500, 10.3%

d. $(15,500), (9.4)%

ANSWER: d

170. Which of the following statements regarding a horizontal analysis is **not** true?

a. A horizontal analysis is used to compare an item in a current statement with the same item in prior statements.

b. A horizontal analysis can be performed on a balance sheet and income statement, but not on a statement of cash flows.

c. If Fees Earned in Year 1 is $125,000 and Fees Earned in Year 2 is $143,750, a horizontal analysis will indicate a 15% increase over this period.

d. When two statements are compared in horizontal analysis, the earlier statement is used as the base for

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computing the amount and the percent of change.

ANSWER: b

171. Unearned Rent belongs with which of the following account groups?
a. assets
b. liabilities
c. stockholders' equity
d. revenues

ANSWER: b

172. Prepaid Insurance belongs with which of the following account groups?
a. assets
b. liabilities
c. revenues
d. expenses

ANSWER: a

173. Which of the following accounts has a normal credit balance?
a. Common Stock
b. Accounts Receivable
c. Copyrights
d. Supplies Expense

ANSWER: a

174. Which of the following accounts has a normal debit balance?
a. Common Stock
b. Accounts Receivable
c. Accounts Payable
d. Interest Revenue

ANSWER: b

175. The chart of accounts classifies the accounts to make identification of the accounts easier. Describe the numbering system businesses use in setting up the chart of accounts.

ANSWER: A chart of accounts is set up by assigning 2-digit numbers to each of the accounts for use as references. The first digit indicates the major account group of the ledger in which the account is located. Accounts beginning with 1 represent assets; 2, liabilities; 3, stockholders' equity; 4, revenue; 5, expenses. The second digit indicates the location of the account within its group. Large companies may have additional digits to accommodate a large number of accounts.

176. On January 31, the cash account balance was $96,750. During January, cash receipts totaled $305,000 and cash payments totaled $375,880. Determine the cash balance on January 1.

ANSWER: ??? + $305,000 − $375,880 = $96,750
??? = $96,750 – $305,000 + $375,880
Cash balance at January 1 is $167,630.

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177. Organize the following accounts into the usual sequence of a chart of accounts.

Miscellaneous Expense
Accounts Payable
Accounts Receivable
Cash
Common Stock
Fees Earned
Prepaid Rent
Salaries Expense
Unearned Revenue
Dividends

ANSWER: Cash
Accounts Receivable
Prepaid Rent
Accounts Payable
Unearned Revenue
Common Stock
Dividends
Fees Earned
Salaries Expense
Miscellaneous Expense

178. Given the following data:

Cash payments during April	$63,000
Cash account balance, April 1	25,500
Cash account balance, April 30	31,750
Accounts receivable account balance, April 1	$22,500
Accounts receivable account balance, April 30	15,250
Fees billed to customers during April	45,000

(a) Determine the cash receipts for April.
(b) Determine the cash received from customers on account.

ANSWER: (a) $69,250 ($31,750 + $63,000 − $25,500)
(b) $52,250 ($22,500 + $45,000 − $15,250)

179. Selected accounts from the ledger of Garrison Company follow.

	Account	Type of Account	Increase Side
(1)	Supplies	_____	_____
(2)	Fees Earned	_____	_____
(3)	Retained Earnings	_____	_____
(4)	Accounts Payable	_____	_____
(5)	Salaries Expense	_____	_____
(6)	Common Stock	_____	_____
(7)	Accounts Receivable	_____	_____
(8)	Equipment	_____	_____

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(9) Notes Payable _____ _____

(a) In the Type of Account column, indicate the nature of each account, using the following abbreviations:

Asset A	Revenue R
Liability L	Expense E
None of these N	

(b) In the Increase Side column, indicate the increase side of each account by inserting Dr. or Cr.

ANSWER:

	Type of Account	Increase Side
(1)	A	Dr.
(2)	R	Cr.
(3)	N	Cr.
(4)	L	Cr.
(5)	E	Dr.
(6)	N	Cr.
(7)	A	Dr.
(8)	A	Dr.
(9)	L	Cr.

180. All nine transactions for Dalton Survey Company for September, the first month of operations, are journalized in the following T accounts:

Cash			
(1)	20,000	(3)	7,500
(7)	6,900	(5)	2,600
(9)	4,700	(6)	5,500
		(8)	2,000

Common Stock			
		(1)	20,000

Accounts Receivable			
(4)	4,900	(9)	4,700

Dividends			
(8)	2,000		

Supplies			
(3)	7,500		

Fees Earned			
		(4)	4,900
		(7)	6,900

Equipment			
(2)	4,500		

Operating Expenses			
(6)	5,500		

Accounts Payable			
(5)	2,600	(2)	4,500

Indicate the following for each debit and credit:

(a) The type of account affected (asset, liability, equity, dividends, revenue, or expense)
(b) The effect on the account, using "+" for increase and "−" for decrease

Present your answers in the following format:

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	Account Debited		Account Credited	
Transaction	Type	Effect	Type	Effect

ANSWER:

	Account Debited		Account Credited	
Transaction	Type	Effect	Type	Effect
(1)	asset	+	equity	+
(2)	asset	+	liability	+
(3)	asset	+	asset	−
(4)	asset	+	revenue	+
(5)	liability	−	asset	−
(6)	expense	+	asset	−
(7)	asset	+	revenue	+
(8)	dividends	+	asset	−
(9)	asset	+	asset	−

181. On June 1, the cash account balance was $96,750. During June, cash receipts totaled $305,000 and the June 30 balance was $75,880. Determine the cash payments made during June.

ANSWER: $75,880 = $96,750 + $305,000 − ?
Cash payments = $325,870

182. On January 1, Merry Walker and other stockholders established a catering service. Listed are accounts to use for transactions (a) through (d), each identified by a number. Following this list are the transactions that occurred during the first month of operations. Indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate boxes.

1. Cash
2. Accounts Receivable
3. Supplies
4. Prepaid Insurance
5. Equipment
6. Truck
7. Accounts Payable
8. Notes Payable
9. Common Stock
10. Dividends
11. Fees Earned
12. Wages Expense
13. Rent Expense
14. Utilities Expense
15. Truck Expense
16. Miscellaneous Expense

Transactions	Account(s) Debited	Account(s) Credited
a. Issued shares of common stock, receiving cash.		
b. Paid rent for the period of January 3 to the end of the month.		
c. Purchased a truck for $30,000 with a cash down payment of $5,000 and the remainder on a note.		

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d. Purchased equipment on account.		

ANSWER:

Transactions	Account(s) Debited	Account(s) Credited
a.	1	9
b.	13	1
c.	6	1, 8
d.	5	7

183. On January 1, Merry Walker and other stockholders established a catering service. Listed are accounts to use for transactions (a) through (e), each identified by a number. Following this list are the transactions that occurred in Walker's first month of operation. Indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate boxes.

1. Cash
2. Accounts Receivable
3. Supplies
4. Prepaid Insurance
5. Equipment
6. Truck
7. Accounts Payable
8. Notes Payable
9. Common Stock
10. Dividends
11. Fees Earned
12. Wages Expense
13. Rent Expense
14. Utilities Expense
15. Truck Expense
16. Insurance Expense
17. Miscellaneous Expense

Transactions	Account(s) Debited	Account(s) Credited
a. Purchased supplies for cash.		
b. Paid the annual premiums on property and casualty insurance.		
c. Received cash from customers on account.		
d. Paid a creditor on account.		
e. Received cash from customer for services provided.		

ANSWER:

Transactions	Account(s) Debited	Account(s) Credited
a.	3	1
b.	4	1
c.	1	2
d.	7	1
e.	1	11

184. On January 1, Merry Walker and other stockholders established a catering service. Listed are accounts to use for transactions (a) through (f), each identified by a number. Following this list are the transactions that occurred in Walker's first month of operations. Indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate boxes.

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1. Cash
2. Accounts Receivable
3. Supplies
4. Prepaid Insurance
5. Equipment
6. Truck
7. Accounts Payable
8. Notes Payable
9. Common Stock
10. Dividends
11. Fees Earned
12. Wages Expense
13. Rent Expense
14. Utilities Expense
15. Truck Expense
16. Insurance Expense
17. Miscellaneous Expense

Transactions	Account(s) Debited	Account(s) Credited
a. Recorded jobs completed on account and sent invoices to customers.		
b. Received an invoice for truck expenses to be paid in February.		
c. Paid utilities expense		
d. Received cash from customers on account.		
e. Paid employee wages.		
f. Paid dividends to stockholders.		

ANSWER:

Transactions	Account(s) Debited	Account(s) Credited
a.	2	11
b.	15	7
c.	14	1
d.	1	2
e.	12	1
f.	10	1

185. Listed are accounts to use for transactions (a) through (d), each identified by a number. Following this list are the transactions. Indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate boxes.

1. Cash
2. Accounts Receivable
3. Office Supplies
4. Prepaid Insurance
5. Truck
6. Equipment
7. Building
8. Land
9. Accounts Payable
10. Unearned Service Revenue

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11. Notes Payable
12. Common Stock
13. Retained Earnings
14. Dividends
15. Service Revenue
16. Office Supplies Expense
17. Insurance Expense
18. Utilities Expense
19. Miscellaneous Expense

Transactions	Account(s) Debited	Account(s) Credited
a. Utility bill is received and immediately paid.		
b. Paid a creditor on account.		
c. Bought a 3-year insurance policy and paid in full.		
d. Received $7,000 from a contract to perform accounting services over the next 2 years.		

ANSWER:

	Debit	Credit
a.	18	1
b.	9	1
c.	4	1
d.	1	10

186. Set up T accounts for Cash, Accounts Receivable, Supplies, Accounts Payable, Common Stock, Dividends, Professional Fees, and Operating Expenses.

(a) In the T accounts, journalize the following transactions of Potter Pool Services for June, identifying each entry by number:
(1) Stockholders invested $12,500 cash in the business by purchasing common stock.
(2) Purchased supplies on account, $6,250.
(3) Paid operating expenses, $5,500.
(4) Billed clients for fees, $7,440.
(5) Received cash from cash clients, $4,700.
(6) Paid creditors on account, $1,400.
(7) Received $3,100 from clients on account.
(8) Paid $1,500 cash dividends.

(b) Prepare a trial balance as of June 30 for Potter Pool Services.

(c) Assuming that supplies expense (which has not been recorded) is $1,500 for June, determine the following:
(1) Net income for the month.
(2) Stockholders' equity as of June 30.

ANSWER: (a)

Cash				Common Stock			
(1)	12,500	(3)	5,500		(1)		12,500
(5)	4,700	(6)	1,400				

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(7)	3,100	(8)	1,500
Bal.	11,900		

Accounts Receivable			
(4)	7,440	(7)	3,100
Bal.	4,340		

Dividends			
(8)	1,500		

Supplies			
(2)	6,250		

Professional Fees			
		(4)	7,440
		(5)	4,700
		Bal.	12,140

Accounts Payable			
(6)	1,400	(2)	6,250
		Bal.	4,850

Operating Expenses			
(3)	5,500		

(b)

Potter Pool Services
Unadjusted Trial Balance
June 30

Cash	11,900	
Accounts Receivable	4,340	
Supplies	6,250	
Accounts Payable		4,850
Common Stock		12,500
Dividends	1,500	
Professional Fees		12,140
Operating Expenses	5,500	
	29,490	29,490

(c) (1) $5,140 ($12,140 − $5,500 − $1,500)
(2) $16,140 ($12,500 + $5,140 − $1,500)

187. On September 1, Erika Company purchased land for $47,500 cash. Journalize the entry for this transaction.

ANSWER:

Sept. 1	Land	47,500	
	Cash		47,500
	Purchased land for the company.		

188. On October 10, Nikle Company purchased supplies for $1,800 on account. On October 25, Nikle Company paid the invoice.
(a) Journalize the entry for the purchase on account.
(b) Journalize the entry for the payment of the invoice.

ANSWER:

(a)	Oct. 10	Supplies	1,800	
		Accounts Payable		1,800
		Purchased supplies on account.		
(b)	Oct. 25	Accounts Payable	1,800	
		Cash		1,800
		Paid for supplies on account.		

189. On October 17, Nikle Company purchased a building and a plot of land for $750,000. The building was valued at

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$500,000, while the land carried a value of $250,000. Nikle paid $300,000 down in cash and signed a note payable for the balance. Journalize the entry for this transaction.

ANSWER:

Oct. 17	Building		500,000	
	Land		250,000	
	Cash			300,000
	Notes Payable			450,000
	Purchased building and land with cash down payment.			

190. On December 1, Nikle Company made a cash payment of $200,000 on a note payable that was generated in the purchase of a building and land. Journalize the entry for this transaction.

ANSWER:

Dec. 1	Notes Payable	200,000	
	Cash		200,000
	Made payment on note payable.		

191. On January 7, stockholders invest $45,000 in JumpStart in exchange for common stock. Journalize the entry for this transaction.

ANSWER:

Jan. 7	Cash	45,000	
	Common Stock		45,000
	Issued common stock for cash.		

192. On August 30, JumpStart paid the following expenses:
August rent, $2,300
August's utility bill, $525
Employee wages, $1,750
Parking lot cleaning fee, $275

Journalize these payments as one journal entry.

ANSWER:

Aug. 30	Rent Expense	2,300	
	Utilities Expense	525	
	Wages Expense	1,750	
	Maintenance Expense	275	
	Cash		4,850
	Paid expenses.		

193. On October 30, JumpStart paid $3,330 in dividends to its stockholders. Journalize the entry for this transaction.

ANSWER:

Oct. 30	Dividends	3,330	
	Cash		3,330
	Paid dividends.		

194. Use the following identification codes to indicate the effects of each transaction on the accounting equation. An example is given before the first transaction.
I-Increase D-Decrease NE-No effect

	Assets	=	Liabilities	+	Stockholders' Equity
Example A stockholder invests	I		NE		I

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	in his new business by giving equipment valued at $3,500.			
(a)	Cash sales are made.	_____	_____	_____
(b)	Equipment is purchased on credit.	_____	_____	_____
(c)	Payment is made for the equipment purchased on credit in (b).	_____	_____	_____
(d)	The company sold excess supplies to another company on credit.	_____	_____	_____
(e)	Cash is collected from customers for accounts receivable balances.	_____	_____	_____

ANSWER:

		Assets	=	Liabilities	+	Stockholders' Equity
(a)	Cash sales are made.	I		NE		I
(b)	Equipment is purchased on credit.	I		I		NE
(c)	Payment is made for the equipment purchased on credit in (b).	D		D		NE
(d)	The company sold excess supplies to another company on credit.	I, D*		NE		NE
(e)	Cash is collected from customers for accounts receivable balances.	I, D*		NE		NE

*NE is also acceptable; the increase in an asset account and the decrease in an asset account net to no effect on total assets.

195. Journalize the following transactions for Newman & Associates, Inc. Omit explanations.

March	1	Invoiced clients for services provided in February, $800.
	9	Purchased office furniture, $1,060, and office supplies, $160, on account from Corner Office, Inc.
	15	Paid Corner Office, Inc. for the purchase of March 9.
	31	Paid utility (electricity) bill for the month, $430.

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31 Paid employee salaries, $1,850.

ANSWER:

March	1	Accounts Receivable	800	
		Fees Earned		800
	9	Office Furniture	1,060	
		Office Supplies	160	
		Accounts Payable		1,220
	15	Accounts Payable	1,220	
		Cash		1,220
	31	Utilities Expense	430	
		Cash		430
	31	Salaries Expense	1,850	
		Cash		1,850

196. For each of the following accounts, mark a D if it normally has a debit balance and a C if it normally has a credit balance.

_____1. Notes Payable
_____2. Mortgage Payable
_____3. Dividends
_____4. Accounts Receivable
_____5. Common Stock
_____6. Rent Revenue
_____7. Unearned Revenue
_____8. Utility Expense
_____9. Automobiles

ANSWER: 1. C 2. C 3. D 4. D 5. C 6. C 7. C 8. D 9. D

197. Increases and decreases in various types of accounts are listed. In each case, indicate with Dr. or Cr. (a) whether the change in the account would be recorded as a debit or a credit and (b) whether the normal balance of the account is a debit or a credit.

		(a) Recorded As	(b) Normal Balance
(1)	Increase in Common Stock	_____	_____
(2)	Increase in Dividends	_____	_____
(3)	Decrease in Accounts Receivable	_____	_____
(4)	Increase in Note Payable	_____	_____
(5)	Increase in Accounts Payable	_____	_____
(6)	Decrease in Supplies	_____	_____
(7)	Decrease in Salaries Expense	_____	_____
(8)	Increase in Accounts Receivable	_____	_____
(9)	Increase in Cash	_____	_____
(10)	Decrease in Land	_____	_____

ANSWER:

	(a)	(b)
(1)	Cr.	Cr.

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

198. Journalize the following selected transactions for April, identifying each entry by letter:

(a) Received $18,000 from sale of common stock.
(b) Purchased equipment for $27,000, paying $10,000 in cash and giving a note payable for the remainder.
(c) Paid $2,300 for rent for April.
(d) Purchased $1,500 of supplies on account.
(e) Recorded $9,800 of fees earned on account.
(f) Received $7,500 in cash for fees earned.
(g) Paid $1,200 to creditors on account.
(h) Paid wages of $3,425.
(i) Received $7,900 from customers on account.
(j) Recorded dividends of $1,875.

ANSWER:

(a)	Cash	18,000	
	Common Stock		18,000
(b)	Equipment	27,000	
	Cash		10,000
	Notes Payable		17,000
(c)	Rent Expense	2,300	
	Cash		2,300
(d)	Supplies	1,500	
	Accounts Payable		1,500
(e)	Accounts Receivable	9,800	
	Fees Earned		9,800
(f)	Cash	7,500	
	Fees Earned		7,500
(g)	Accounts Payable	1,200	
	Cash		1,200
(h)	Wages Expense	3,425	
	Cash		3,425
(i)	Cash	7,900	
	Accounts Receivable		7,900

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(j)	Dividends	1,875	
	Cash		1,875

199. On January 12, JumpStart Co. purchased $870 in office supplies.

(a) Journalize this transaction, assuming JumpStart paid cash.
(b) (1) Journalize this transaction, assuming JumpStart purchased the supplies on account.
(b) (2) Journalize the entry on January 28 for payment of the amount due.

ANSWER: (a)

Jan. 12	Office Supplies	870	
	Cash		870

(b)(1)

Jan. 12	Office Supplies	870	
	Accounts Payable		870

(b)(2)

Jan. 28	Accounts Payable	870	
	Cash		870

200. Journalize the purchase of a truck on April 4 for $85,700, paying $15,000 cash and giving a note payable for the remainder. Omit explanation.

ANSWER:

Apr. 4	Truck	85,700	
	Cash		15,000
	Notes Payable		70,700

201. On November 10, JumpStart Co. provides $2,900 in services to clients. At the time of service, the clients paid $600 in cash and put the balance on account.
(a) Journalize the performance of these services.

(b) On November 20, journalize the receipt of an additional $900 from clients in payment on their accounts.

(c) Determine the accounts receivable balance on November 30.

ANSWER:

(a) Nov. 10	Cash	600	
	Accounts Receivable	2,300	
	Fees Earned		2,900

(b) Nov. 20	Cash	900	
	Accounts Receivable		900

(c)

Original invoices	$2,900
Less cash paid upon completion	(600)
Original amount on accounts receivable	$2,300
Less Nov. 20 payment	(900)
Accounts receivable balance, Nov. 30	$1,400

202. Journalize the following selected transactions for January. Explanations may be omitted.

Jan.	1	Issued common stock in exchange for $14,000 cash.
	2	Received cash for providing accounting services, $9,500.
	3	Billed customers for services provided on account, $4,200.

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4 Paid advertising expense, $700.
5 Received cash from customers on account, $2,500.
6 Paid dividends, $1,010.
7 Purchased supplies on account, $500.
8 Paid utility (telephone) bill, $900.

ANSWER:

Date	Description	Post. Ref.	Debit	Credit
Jan. 1	Cash		14,000	
	Common Stock			14,000
2	Cash		9,500	
	Revenues			9,500
3	Accounts Receivable		4,200	
	Revenues			4,200
4	Advertising Expense		700	
	Cash			700
5	Cash		2,500	
	Accounts Receivable			2,500
6	Dividends		1,010	
	Cash			1,010
7	Supplies		500	
	Accounts Payable			500
8	Utilities Expense		900	
	Cash			900

203. On December 1, JumpStart Company provided $2,800 in services to clients.

(a) Journalize this transaction, assuming the clients paid cash at the time the services were rendered.
(b)(1) Journalize this transaction, assuming the services were rendered on account.
(b)(2) Assume that the clients paid $1,200 of the amount on account on December 30. Journalize this transaction.

ANSWER:

(a)	Dec. 1	Cash	2,800	
		Fees Earned		2,800
(b)(1)	Dec. 1	Accounts Receivable	2,800	
		Fees Earned		2,800
(b)(2)	Dec. 30	Cash	1,200	
		Accounts Receivable		1,200

204. Analyze the effect of the following transactions on the accounting equation.

(a) Paid $725 to a vendor for supplies purchased previously on account.
(b) Performed $850 of services and billed the customer.

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(c) Received a utility bill for $395 and will pay it next month.
(d) Paid dividends of $145.
(e) Paid $315 in salaries to its employees.
(f) Collected $730 of cash from its customers on account.

Select your answers from the following list of the possible effects of a transaction on the accounting equation:

(1) Assets, Dr.; Assets, Cr.
(2) Assets, Dr.; Stockholders' Equity, Cr.
(3) Assets, Dr.; Liabilities, Cr.
(4) Assets, Dr.; Revenues, Cr.
(5) Liabilities, Dr.; Assets, Cr.
(6) Dividends, Dr.; Assets, Cr.
(7) Expenses, Dr.; Assets, Cr.
(8) Expenses, Dr.; Liabilities, Cr.

Put the appropriate number next to each transaction.

ANSWER:

Transaction	Effect on the Accounting Equation
(a)	5
(b)	4
(c)	8
(d)	6
(e)	7
(f)	1

205. Journalize the entry on October 12 for fees earned on account, $14,600. Omit explanation.

ANSWER:

Oct. 12	Accounts Receivable	14,600	
	Fees Earned		14,600

206. State for each account whether it is likely to have (a) debit entries only, (b) credit entries only, or (c) both debit and credit entries when journalizing business transactions during the month. Also, indicate the normal balance of each account.

1. Fees Earned
2. Utilities Expense
3. Accounts Payable
4. Supplies
5. Cash
6. Accounts Receivable

ANSWER:
1. Credit entries only, normal credit balance
2. Debit entries only, normal debit balance
3. Both debit and credit entries, normal credit balance
4. Both debit and credit entries, normal debit balance
5. Both debit and credit entries, normal debit balance
6. Both debit and credit entries, normal debit balance

207. Journalize the entries to correct the following errors:

(a) A purchase of supplies for $500 on account was recorded and posted as a debit to Supplies for $200 and as a credit to Accounts Receivable for $200.
(b) A receipt of $2,500 from fees earned was recorded and posted as a debit to Fees Earned for $2,500 and a credit to Cash for $2,500.

ANSWER:

(a)	Accounts Receivable	200	
	Supplies		200

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	Supplies	500	
	Accounts Payable		500
(b)	Cash	5,000	
	Fees Earned		5,000

208. On November 30, the company accountant discovers that $550 of a transaction recording the purchase of office supplies was really office equipment. Prepare the journal entry to correct this situation.

ANSWER:

Nov. 30	Office Equipment	550	
	Office Supplies		550

209. The following errors took place in journalizing and posting transactions:

a. Dividends paid of $5,000 were recorded as a debit to Office Expense and a credit to Cash.
b. A receipt of $7,800 from credit customers on account was recorded as a debit to Cash and a credit to Fees Earned.

Journalize the entries to correct the errors. Omit the explanations.

ANSWER:

a.	Dividends	5,000	
	Office Expense		5,000
b.	Fees Earned	7,800	
	Accounts Receivable		7,800

210. For each of the following errors, considered individually, indicate whether the error would cause the trial balance totals to be unequal. If the error would cause the trial balance totals to be unequal, indicate whether the debit or credit total is higher and by how much.

(a) Payment of a cash dividend of $6,800 was journalized and posted as a debit of $8,600 to Salaries Expense and a credit of $8,600 to Cash.
(b) A fee of $9,780 earned was debited to Accounts Receivable for $7,980 and credited to Fees Earned for $9,780.
(c) A payment of $3,000 to a creditor was posted as a credit of $3,000 to Accounts Payable and a credit of $3,000 to Cash.

ANSWER:
(a) The totals are equal.
(b) The totals are unequal. The credit total is higher by $1,800.
(c) The totals are unequal. The credit total is higher by $6,000.

211. The unadjusted trial balance for Dawson Designs Co. follows:

Dawson Designs Co. Unadjusted Trial Balance For the Month of January		
	Debits	Credits
Cash	23,000	
Accounts Receivable		49,700
Prepaid Insurance	11,300	
Equipment	150,500	

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Accounts Payable	6,050	
Salaries Payable		4,250
Common Stock		110,000
Dividends		18,500
Service Revenue		236,600
Salary Expense	98,930	
Miscellaneous Expense		4,970
	424,020	424,020

(a) Identify the errors in the trial balance. All accounts have normal balances.
(b) Prepare a corrected trial balance.

ANSWER: (a)

1. The debit column is added incorrectly; the sum is actually $289,780.
2. The trial balance should be dated January 31, rather than "For the Month of January"
3. The Accounts Receivable balance should be in the Debits column.
4. The Accounts Payable balance should be in the Credits column.
5. The Dividends balance should be in the Debits column.
6. The Miscellaneous Expense balance should be in the Debits column.

(b)

Dawson Designs Co. Unadjusted Trial Balance January 31		
	Debits	Credits
Cash	23,000	
Accounts Receivable	49,700	
Prepaid Insurance	11,300	
Equipment	150,500	
Accounts Payable		6,050
Salaries Payable		4,250
Common Stock		110,000
Dividends	18,500	
Service Revenue		236,600
Salary Expense	98,930	
Miscellaneous Expense	4,970	
	356,900	356,900

212. Prepare a trial balance, listing the following accounts in proper sequence. The accounts (all normal balances) were taken from the ledger of Sophie Designs Co. on April 30.

Accounts Payable	$ 4,100	Miscellaneous Expense	$ 850
Accounts Receivable	3,450	Rent Expense	11,500
Cash	6,700	Salary Expense	14,000
Common Stock	17,800	Supplies	3,125
Dividends	7,500	Supplies Expense	1,700
Equipment	14,500	Utilities Expense	4,000
Fees Earned	45,425		

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ANSWER:

Sophie Designs Co.
Trial Balance
April 30

Cash	6,700	
Accounts Receivable	3,450	
Supplies	3,125	
Equipment	14,500	
Accounts Payable		4,100
Common Stock		17,800
Dividends	7,500	
Fees Earned		45,425
Salary Expense	14,000	
Rent Expense	11,500	
Utilities Expense	4,000	
Supplies Expense	1,700	
Miscellaneous Expense	850	
	67,325	67,325

213. Complete the following for Winslow's Auto Body:
(a) List the errors in the following trial balance. All accounts have normal balances.
(b) What would be the new totals of the trial balance after errors are corrected? What would be the balance of Accounts Receivable?

Winslow's Auto Body
Trial Balance
For the Month Ended April 30

Cash		19,475
Accounts Receivable	?	
Supplies		1,000
Equipment	15,000	
Prepaid Insurance		500
Accounts Payable		2,500
Common Stock	17,000	
Dividends		1,000
Fees Earned		49,600
Salary Expense	14,500	
Rent Expense		9,000
Utilities Expense	1,400	
Supplies Expense	3,900	
Miscellaneous Expense	250	
	55,000	81,575

ANSWER: (a) (1) In the heading, the date should be April 30, not for a period of time.
(2) The Cash balance should be a debit.
(3) The Accounts Receivable balance is missing.
(4) The Supplies balance should be a debit.
(5) The Prepaid Insurance balance should be a debit and this account should follow Supplies.
(6) The Common Stock balance should be a credit.
(7) The Dividends balance should be a debit.

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(8) The Rent Expense balance should be a debit.
(9) Utilities Expense should appear after Supplies Expense.
(10) The trial balance does not balance.

(b) The new total for credits would be $69,100 ($2,500 Accounts Payable + $49,600 Fees Earned + $17,000 Common Stock). The balance of Accounts Receivable would be $3,075 ($69,100 total credits − $66,025 corrected debits).

214. Answer the following questions for each of the errors listed, considered individually:

(a) Did the error cause the trial balance totals to be unequal?
(b) What is the amount of the difference between the trial balance totals (where applicable)?
(c) Which of the trial balance totals, debit or credit, is the larger (where applicable)?

Present your answers in columnar form, using the following headings:

Error (identifying number)	Totals (equal or unequal)	Difference in Totals (amount)	Larger of Totals (debit or credit)

Errors:
(1) A dividend of $3,000 cash to shareholders was recorded by a debit of $3,000 to Salary Expense and a credit of $3,000 to Cash.
(2) A $650 purchase of supplies on account was recorded as a debit of $1,650 to Equipment and a credit of $1,650 to Accounts Payable.
(3) A purchase of equipment for $3,450 on account was not recorded.
(4) An $870 receipt on account was recorded as an $870 debit to Cash and an $780 credit to Accounts Receivable.
(5) A payment of $1,530 cash on account was recorded only as a credit to Cash.
(6) Cash sales of $8,500 were recorded as a credit of $8,500 to Cash and a credit of $8,500 to Fees Earned.
(7) The debit to record a $4,000 cash receipt on account was posted twice; the credit was posted once.
(8) The credit to record a $300 cash payment on account was posted twice; the debit was posted once.
(9) The debit balance of $7,400 in Accounts Receivable was recorded in the trial balance as a debit of $7,200.

ANSWER:

Error	Totals	Difference in Totals	Larger of Totals
(1)	equal	—	—
(2)	equal	—	—
(3)	equal	—	—
(4)	unequal	$ 90	debit
(5)	unequal	1,530	credit
(6)	unequal	17,000	credit
(7)	unequal	4,000	debit
(8)	unequal	300	credit
(9)	unequal	200	credit

215. All nine transactions for Ralston Sports Co. for September, the first month of operations, are recorded in the following T accounts:

Cash	Common Stock

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(1)	25,000	(3)	12,500	(1)	25,000
(7)	11,900	(5)	7,600		
(9)	9,700	(6)	10,500		
		(8)	7,000		

Accounts Receivable				Dividends			
(4)	9,900	(9)	9,700	(8)	7,000		

Supplies				Fees Earned			
(3)	12,500				(4)	9,900	
					(7)	11,900	

Equipment				Operating Expenses			
(2)	9,500			(6)	10,500		

Accounts Payable			
(5)	7,600	(2)	9,500

Prepare an unadjusted trial balance, listing the accounts in their proper order.

ANSWER:

Ralston Sports Co.
Unadjusted Trial Balance
September 30

Cash	9,000	
Accounts Receivable	200	
Supplies	12,500	
Equipment	9,500	
Accounts Payable		1,900
Common Stock		25,000
Dividends	7,000	
Fees Earned		21,800
Operating Expenses	10,500	
	48,700	48,700

216. Lewis Company has condensed income statements as follows:

	Year 2	Year 1
Fees earned	$ 178,400	$ 162,500
Expenses:		
Wages expense	$(100,000)	$ (92,500)
Rent expense	(33,000)	(30,000)
Utilities expense	(30,000)	(25,000)
Total expenses	$(163,000)	$(147,500)
Net income	$ 15,400	$ 15,000

Prepare a horizontal analysis of Lewis Company's income statements. Comment on the changes, both favorable and unfavorable.

ANSWER:

			Increase/(Decrease)	
	Year 2	Year 1	Amount	Percent

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Fees earned	$178,400	$162,500	$15,900	9.8%
Expenses:				
Wages expense	$(100,000)	$ (92,500)	$ 7,500	8.1%
Rent expense	(33,000)	(30,000)	3,000	10.0%
Utilities expense	(30,000)	(25,000)	5,000	20.0%
Total expenses	$(163,000)	$(147,500)	$15,500	10.5%
Net income	$ 15,400	$ 15,000	$ 400	2.7%

While the change in fees earned is favorable, it is not sufficient to offset the rising expenses, resulting in a smaller percentage increase in net income.

217. Nebraska Technologies has condensed income statements as follows:

	Year 2	Year 1
Fees earned	$ 158,400	$ 162,500
Expenses:		
Wages expense	$ (80,000)	$ (92,500)
Rent expense	(28,000)	(30,000)
Utilities expense	(30,000)	(25,000)
Total expenses	$(138,000)	$(147,500)
Net income	$ 20,400	$ 15,000

Prepare a horizontal analysis of Nebraska Technologies'income statements. Comment on the changes, both favorable and unfavorable.

ANSWER:

			Increase/(Decrease)	
	Year 2	Year 1	Amount	Percent
Fees earned	$158,400	$162,500	$ (4,100)	(2.5)%
Expenses:				
Wages expense	$ (80,000)	$ (92,500)	$(12,500)	(13.5)%
Rent expense	(28,000)	(30,000)	(2,000)	(6.7)%
Utilities expense	(30,000)	(25,000)	5,000	20.0%
Total expenses	$138,000	$147,500	$ (9,500)	(6.4)%
Net income	$ 20,400	$ 15,000	$ 5,400	36.0%

The change in fees earned is unfavorable, but that is more than offset by the declines in operating expenses, with the exception of utilities, which increased over the period. Despite the 2.5% drop in fees earned, the net effect was a favorable increase in net income of 36%, which was in large part spurred by the drop in wages expense.

218. A journal with a Debit and Credit column for recording transactions is known as a
a. debit and credit journal
b. normal journal
c. two-column journal
d. summary journal

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ANSWER: c

219. The accounts in the ledger of Nilles Consulting Co. are listed as follows. All accounts have normal balances.

Cash	$5,500	Common Stock	$10,000
Accounts Receivable	6,400	Retained Earnings	5,800
Prepaid Insurance	1,000	Dividends	1,000
Accounts Payable	1,800	Fees Earned	6,800
Unearned Rent	1,800	Wages Expense	2,100
Office Equipment	3,600	Insurance Expense	1,300
Land	5,000	Utilities Expense	300

When the trial balance is prepared, the total of the credits will be

a. $15,800
b. $21,300
c. $22,600
d. $26,200

ANSWER: d

220. Faso Fabricating, Inc. and Spinoza Fabrication Corp. are in the same industry and are located in the same region of the country. They have condensed income statements as follows:

	Faso Fabricating, Inc.		Spinoza Fabrication Corp.	
	Year 2	**Year 1**	**Year 2**	**Year 1**
Sales	$ 362,000	$ 338,000	$ 422,000	$ 395,000
Total operating expenses	(285,000)	(245,000)	(305,000)	(285,000)
Net income	$ 77,000	$ 93,000	$ 117,000	$ 110,000

Using horizontal analysis, compute the percentage change in sales for each company.

a. Faso: 27.5%; Spinoza: 27.8%
b. Faso: 6.6%; Spinoza: 6.4%
c. Faso: 7.1%; Spinoza: 6.8%
d. Faso: 16.3%; Spinoza: 7.0%

ANSWER: c

221. Faso Fabricating, Inc. and Spinoza Fabrication Corp. are in the same industry and are located in the same region of the country. They have condensed income statements as follows:

	Faso Fabricating, Inc.		Spinoza Fabrication Corp.	
	Year 2	**Year 1**	**Year 2**	**Year 1**
Sales	$ 362,000	$ 338,000	$ 422,000	$ 395,000
Total operating expenses	(285,000)	(245,000)	(305,000)	(285,000)
Net income	$ 77,000	$ 93,000	$ 117,000	$ 110,000

Using horizontal analysis, compute the percentage change in net income for each company.

a. Faso: (17.2)%; Spinoza: (6.4)%
b. Faso: (17.2)%; Spinoza: 6.4%

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c. Faso: 17.2%; Spinoza: (6.4)%

d. Faso: 17.2%; Spinoza: 6.4%

ANSWER: b

222. Faso Fabricating, Inc. and Spinoza Fabrication Corp. are in the same industry and are located in the same region of the country. They have condensed income statements as follows:

	Faso Fabricating, Inc.		Spinoza Fabrication Corp.	
	Year 2	**Year 1**	**Year 2**	**Year 1**
Sales	$362,000	$338,000	$422,000	$395,000
Total operating expenses	(285,000)	(245,000)	(305,000)	(285,000)
Net income	$ 77,000	$ 93,000	$117,000	$110,000

(a) Prepare a horizontal analysis for the two companies.
(b) Analyze the changes from Year 1 to Year 2 for both companies.

ANSWER: (a)

	Faso Fabricating, Inc.			
			Increase/(Decrease)	
	Year 2	**Year 1**	**Amount**	**Percent**
Sales	$ 362,000	$ 338,000	$ 24,000	7.1%
Total operating expense	(285,000)	(245,000)	40,000	16.3%
Net income	$ 77,000	$ 93,000	$(16,000)	(17.2)%
	Spinoza Fabrication Corp.			
			Increase/(Decrease)	
	Year 2	**Year 1**	**Amount**	**Percent**
Sales	$422,000	$395,000	$27,000	6.8%
Total operating expense	(305,000)	$395,000	20,000	7.0%
Net income	$117,000	$110,000	$7,000	6.4%

(b) Faso had the slightly higher percentage sales growth from Year 1 to Year 2. Total operating expenses for both companies grew at a higher percentage than the growth in sales. For Faso, the large percentage increase in operating expenses resulted in a substantial decline in net income from Year 1 to Year 2.

223. During May, $245,000 was paid to creditors on account, and purchases on account were $210,500. Assuming the May 31 balance of Accounts Payable was $62,800, what was the account balance on May 1?

ANSWER: ??? + $210,500 − $245,000 = $62,800
Accounts Payable balance at May 1 is $97,300.

224. On October 1, the accounts receivable balance was $208,400. During October, $298,500 was collected from customers on account. Assuming the October 31 balance was $125,300, determine the fees billed to customers on account during October.

ANSWER: $208,400 + ??? − $298,500 = $125,300
Fees billed to customers on account during October is $215,400.

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225. Complete the following for Wickers Restoration Services.
(a) Journalize the following selected transactions for May in a two-column journal, identifying each entry by number. Explanations may be omitted.
(b) Prepare T accounts for each account used and post the journal entries to these accounts, placing the appropriate number to the left of each amount to identify the transactions.
(c) Prepare an unadjusted trial balance as of May 31.
(d) Determine the net income for May.
(e) Determine the retained earnings at the end of May, assuming this was the first month of business.

(1) Received $48,000 from sale of common stock.
(2) Paid rent on office for the month, $880.
(3) Purchased supplies on account, $1,750.
(4) Earned fees, receiving cash, $12,600.
(5) Paid creditor on account, $1,000.
(6) Paid automobile expenses for month, $375, and miscellaneous expenses, $250.
(7) Paid office salaries for the month, $3,900.
(8) Earned fees that the customer will pay next month, $2,400.
(9) Determined that the cost of supplies used was $280.
(10) Paid dividends, $2,400.

ANSWER: (a)

(1)	Cash	48,000	
	Common Stock		48,000
(2)	Rent Expense	880	
	Cash		880
(3)	Supplies	1,750	
	Accounts Payable		1,750
(4)	Cash	12,600	
	Fees Earned		12,600
(5)	Accounts Payable	1,000	
	Cash		1,000
(6)	Automobile Expense	375	
	Miscellaneous Expense	250	
	Cash		625
(7)	Wages Expense	3,900	
	Cash		3,900
(8)	Accounts Receivable	2,400	
	Fees Earned		2,400
(9)	Supplies Expense	280	
	Supplies		280
(10)	Dividends	2,400	
	Cash		2,400

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(b)

Cash			
(1)	48,000	(2)	880
(4)	12,600	(5)	1,000
		(6)	625
		(7)	3,900
		(10)	2,400
Bal.	51,795		

Fees Earned			
		(4)	12,600
		(8)	2,400
		Bal.	15,000

Accounts Receivable			
(8)	2,400		

Rent Expense			
(2)	880		

Supplies			
(3)	1,750	(9)	280
Bal.	1,470		

Automobile Expense			
(6)	375		

Accounts Payable			
(5)	1,000	(3)	1,750
		Bal.	750

Wages Expense			
(7)	3,900		

Common Stock			
		(1)	48,000

Supplies Expense			
(9)	280		

Dividends			
(10)	2,400		

Miscellaneous Expense			
(6)	250		

(c)

Wickers Restoration Services
Unadjusted Trial Balance
May 31

Cash	51,795	
Accounts Receivable	2,400	
Supplies	1,470	
Accounts Payable		750
Common Stock		48,000
Dividends	2,400	
Fees Earned		15,000
Rent Expense	880	
Automobile Expense	375	
Wages Expense	3,900	
Supplies Expense	280	
Miscellaneous Expense	250	
	63,750	63,750

(d) Net income = $15,000 – $880 – $375 – $3,900 – $280 – $250

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= $9,315

(e) Retained Earnings at May 31 = Starting Retained Earnings + Net Income – Dividends = $0 + $9,315 – $2,400 = $6,915

226. The accounts in the ledger of Devers Gym as of August 31 are listed in alphabetical order as follows. All accounts have normal balances. The balance of the cash account has been omitted. Prepare an unadjusted trial balance, listing the accounts in proper sequence and inserting the missing figure for cash.

Accounts Payable	$36,200	Notes Payable	$125,000
Accounts Receivable	63,450	Prepaid Insurance	16,800
Cash	?	Rent Expense	42,000
Common Stock	30,000	Retained Earnings	72,300
Dividends	5,000	Supplies	3,000
Fees Earned	180,600	Supplies Expense	9,500
Insurance Expense	4,200	Unearned Rent	18,000
Land	125,000	Utilities Expense	16,700
Miscellaneous Expense	4,500	Wages Expense	94,000

ANSWER:

Devers Gym
Unadjusted Trial Balance
August 31

Cash	77,950	
Accounts Receivable	63,450	
Supplies	3,000	
Prepaid Insurance	16,800	
Land	125,000	
Accounts Payable		36,200
Unearned Rent		18,000
Notes Payable		125,000
Common Stock		30,000
Retained Earnings		72,300
Dividends	5,000	
Fees Earned		180,600
Insurance Expense	4,200	
Wages Expense	94,000	
Supplies Expense	9,500	
Rent Expense	42,000	
Utilities Expense	16,700	
Miscellaneous Expense	4,500	
	462,100	462,100

NOTE: The order of expenses may vary.

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