Financial and Managerial Accounting 3rd edition Weygandt Test Bank

SKU: 9781119391548-TEST-BANK

CHAPTER 2

THE RECORDING PROCESS

SUMMARY OF QUESTIONS BY LEARNING OBJECTIVES AND BLOOM'S TAXONOMY

Item	LO	BT	Item	LO	BT	Item	LO	BT	Item	LO	BT	Item	LO	BT
True-False Statements														
1.	1	K	9.	1	K	17.	2	K	25.	3	K	[sg]33.	2	K
2.	1	K	10.	1	K	18.	3	K	26.	5	C	[sg]34.	3	K
3.	1	K	11.	1	K	19.	4	K	27.	5	K	[sg]35.	3	C
4.	1	K	12.	1	K	20.	4	K	28.	6	K	[sg]36.	4	K
5.	1	K	13.	1	K	21.	4	K	29.	3	K	[sg]37.	4	K
6.	1	K	14.	2	K	22.	4	K	30.	4	K			
7.	1	K	15.	2	K	23.	2	K	[sg]31.	1	K			
8.	1	K	16.	2	K	24.	3	K	[sg]32.	1	K			
Multiple Choice Questions														
38.	1	K	63.	1	C	88.	2	K	113.	K	K	138.	1	K
39.	1	K	64.	1	K	89.	2	K	114.	3	C	[sg]139.	1	K
40.	1	K	65.	1	K	90.	2	K	115.	3	K	[st]140.	1	K
41.	1	C	66.	1	K	91.	2	C	116.	3	K	[sg]141.	2	K
42.	1	K	67.	1	K	92.	2	K	117.	3	AP	[st]142.	2	K
43.	1	K	68.	1	K	93.	2	K	118.	3	K	[sg]143.	2	AP
44.	1	K	69.	2	AP	94.	2	K	119.	3	K	[st]144.	2	AP
45.	1	K	70.	2	AP	95.	2	K	120.	3	K	[sg]145.	2	AN
46.	1	K	71.	2	AP	96.	2	K	121.	3	K	[sg]146.	3	K
47.	1	K	72.	2	AP	97.	2	K	122.	3	K	[sg]147.	3	K
48.	1	K	73.	1	AP	98.	2	K	123.	3	K	[st]148.	4	K
49.	1	K	74.	1	AP	99.	2	K	124.	3	K	[sg]149.	4	C
50.	1	K	75.	1	AN	100.	2	K	125.	3	K	[st]150.	5	K
51.	1	K	76.	1	AP	101.	2	K	126.	3	K	[sg]151.	5	K
52.	1	K	77.	4	AP	102.	2	K	127.	3	K	152.	5	K
53.	1	K	78.	4	AP	103.	2	C	128.	3	K	153.	5	K
54.	1	C	79.	1	AP	104.	2	K	129.	3	K	154.	5	K
55.	1	C	80.	1	AP	105.	2	K	130.	4	K	155.	5	K
56.	1	K	81.	1	AP	106.	2	K	131.	4	C			
57.	1	K	82.	1	AP	107.	2	K	132.	4	K			
58.	1	K	83.	1	C	108.	2	K	133.	4	C			
59.	1	K	84.	2	AP	109.	2	AN	134.	4	K			
60.	1	K	85.	1	AP	110.	3	K	135.	4	K			
61.	1	K	86.	2	K	111.	3	K	136.	4	K			
62.	1	C	87.	2	K	112.	3	K	137.	1	K			
Brief Exercises														
156.	1	AP	159.	2	AP	161.	1	K	163.	3	AP	165.	4	AP
157.	1	C	160.	2	AP	162.	2	AP	164.	3	AP	166.	4	AP
158.	1	K												

[sg] This question also appears in the Study Guide.

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

st This question also appears in a self-test at the student companion website.

SUMMARY OF QUESTIONS BY LEARNING OBJECTIVES AND BLOOM'S TAXONOMY

Exercises														
167.	3	AP	172.	1	C	177.	2	C	182.	3,4	AP	187.	4	AP
168.	1	C	173.	1	C	178.	2	AP	183.	4	AN	188.	4	AP
169.	1	C	174.	1	C	179.	2	C	184.	3	AP	189.	4	AP
170.	1	C	175.	3	AP	180.	2	AP	185.	4	AN	190.	4	AN
171.	1	C	176.	3	AP	181.	3	AP	186.	4	AN			
Completion Statements														
191.	1	K	193.	1	K	195.	2	K	197.	2	K	199.	3	K
192.	1	K	194.	1	K	196.	2	K	198	2	K	200.	4	K
Short-Answer Essay														
202.	1	C	205.	4	AN	208.	2	C	211.	3	S			
203.	1	C	206.	2	S	209.	3	C	212.	1	E			
204.	1	S	207.	2	C	210.	3	S	213.	1	S			

Matching: Q204

SUMMARY OF LEARNING OBJECTIVES BY QUESTION TYPE

Item	Type	Item	Type	Item	Type	Item	Type	Item	Type	Item	Type	Item	Type
Learning Objective 1													
1.	TF	12.	TF	45.	MC	56.	MC	67.	MC	85.	MC	170.	Ex
2.	TF	13.	TF	46.	MC	57.	MC	68.	MC	137.	MC	171.	Ex
3.	TF	31.	TF	47.	MC	58.	MC	73.	MC	138.	MC	172.	Ex
4.	TF	32.	TF	48.	MC	59.	MC	74.	MC	139.	MC	173.	Ex
5.	TF	38.	MC	49.	MC	60.	MC	75.	MC	140.	MC	174.	Ex
6.	TF	39.	MC	50.	MC	61.	MC	76.	MC	156.	BE	175.	Ex
7.	TF	40.	MC	51.	MC	62.	MC	79.	MC	157.	BE	202.	SA
8.	TF	41.	MC	52.	MC	63.	MC	80.	MC	158.	BE	203.	SA
9.	TF	42.	MC	53.	MC	64.	MC	81.	MC	161.	BE	204.	SA
10.	TF	43.	MC	54.	MC	65.	MC	82.	MC	168.	Ex	212.	SA
11.	TF	44.	MC	55.	MC	66.	MC	83.	MC	169.	Ex	213.	SA
Learning Objective 2													
14.	TF	22.	TF	86.	MC	94.	MC	102.	MC	141.	MC	176.	Ex
15.	TF	23.	TF	87.	MC	95.	MC	103.	MC	142.	MC	177.	Ex
16.	TF	33.	TF	88.	MC	96.	MC	104.	MC	143.	MC	178.	Ex
17.	TF	69.	MC	89.	MC	97.	MC	105.	MC	144.	MC	179.	Ex
18.	TF	70.	MC	90.	MC	98.	MC	106.	MC	145.	MC	180.	Ex
19.	TF	71.	MC	91.	MC	99.	MC	107.	MC	159.	BE	206.	SA
20.	TF	72.	MC	92.	MC	100.	MC	108.	MC	160.	BE	207.	SA
21.	TF	84.	MC	93.	MC	101.	MC	109.	MC	162.	BE	208.	SA
Learning Objective 3													
24.	TF	34.	TF	114.	MC	120.	MC	126.	MC	163.	MC	182.	Ex
25.	TF	35.	TF	115.	MC	121.	MC	127.	MC	164.	MC	184.	Ex
26.	TF	110.	MC	116.	MC	122.	MC	128.	MC	165.	MC	209.	SA
27.	TF	111.	MC	117.	MC	123.	MC	129.	MC	166.	MC	210.	SA
28.	TF	112.	MC	118.	MC	124.	MC	146.	MC	167.	Ex	211.	SA
29.	TF	113.	MC	119.	MC	125.	MC	147.	MC	181.	Ex		

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

SUMMARY OF LEARNING OBJECTIVES BY QUESTION TYPE

Learning Objective 4												
30	TF	78.	MC	133.	MC	148.	MC	185.	Ex	189.	Ex	
36.	TF	130.	MC	134.	MC	149.	MC	186.	Ex	190.	Ex	
37.	TF	131.	MC	135.	MC	182.	Ex	187.	Ex	205.	SA	
77.	MC	132.	MC	136.	MC	183.	Ex	188.	Ex			
Learning Objective 5												
150.	MC	151.	MC	152.	MC	153.	MC	154.	MC	155.	MC	

Note: TF = True-False BE = Brief Exercise C = Completion
MC = Multiple Choice Ex = Exercise SA = Short-Answer Essay

Matching Question: 201

CHAPTER LEARNING OBJECTIVES

1. ***Describe how accounts, debits, and credits are used to record business transactions.*** An account is a record of increases and decreases in specific asset, liability, or stockholders' equity items. The terms debit and credit are synonymous with left and right. Assets, dividends, and expenses are increased by debits and decreased by credits. Liabilities, common stock, retained earnings, and revenues are increased by credits and decreased by debits.

2. ***Indicate how a journal is used in the recording process.*** The basic steps in the recording process are (a) analyze each transaction for its effects on the accounts, (b) enter the transaction information in a journal, (c) transfer the journal information to the appropriate accounts in the ledger.

   The initial accounting record of a transaction is entered in a journal before the data are entered in the accounts. A journal (a) discloses in one place the complete effects of a transaction, (b) provides a chronological record of transactions, and (c) prevents or locates errors because the debit and credit amounts for each entry can be easily compared.

3. ***Explain how a ledger and posting help in the recording process.*** The ledger is the entire group of accounts maintained by a company. The ledger provides the balance in each of the accounts as well as keeps track of changes in these balances. Posting is the transfer of journal entries to the ledger accounts. This phase of the recording process accumulates the effects of journalized transactions in the individual accounts.

4. ***Prepare a trial balance.*** A trial balance is a list of accounts and their balances at a given time. Its primary purpose is to prove the equality of debits and credits after posting. A trial balance also uncovers errors in journalizing and posting and is useful in preparing financial statements.

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

TRUE-FALSE STATEMENTS

1. A new account is opened for each transaction entered into by a business firm.

   Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

2. The recording process becomes more efficient and informative if all transactions are recorded in one account.

   Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

3. When the volume of transactions is large, recording them in tabular form is more efficient than using journals and ledgers.

   Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

4. An account is often referred to as a T-account because of the way it is constructed.

   Ans: T LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

5. A debit to an account indicates an increase in that account.

   Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

6. If a revenue account is credited, the revenue account is increased.

   Ans: T LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

7. The normal balance of all accounts is a debit.

   Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

8. Debit and credit can be interpreted to mean increase and decrease, respectively.

   Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

9. The double-entry system of accounting refers to the placement of a double line at the end of a column of figures.

   Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

10. A credit balance in a liability account indicates that an error in recording has occurred.

    Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

11. The dividends account is a subdivision of the retained earnings account and appears as an expense on the income statement.

    Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

12. Revenues are a subdivision of retained earnings.

    Ans: T LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

13. Under the double-entry system, revenues must always equal expenses.

    Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

14. Transactions are entered in the ledger first and then they are analyzed in terms of their effect on the accounts.

    Ans: F LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

15. Business documents can provide evidence that a transaction has occurred.

    Ans: T LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

16. Each transaction must be analyzed in terms of its effect on the accounts before it can be recorded in a journal.

Ans: T LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

17. Transactions are entered in the ledger accounts and then transferred to journals.

Ans: F LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

18. All business transactions must be entered first in the general ledger.

Ans: F LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

19. A simple journal entry requires only one debit to an account and one credit to an account.

Ans: T LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

20. A compound journal entry requires several debits to one account and several credits to one account.

Ans: F LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

21. Transactions are recorded in alphabetic order in a journal.

Ans: F LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

22. A journal is also known as a book of original entry.

Ans: T LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

23. The complete effect of a transaction on the accounts is disclosed in the journal.

Ans: T LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

24. The account titles used in journalizing transactions need not be identical to the account titles in the ledger.

Ans: F LO3 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

25. The chart of accounts is a special ledger used in accounting systems.

Ans: F LO3 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

26. A general ledger should be arranged in the order in which accounts are presented in the financial statements, beginning with the balance sheet accounts.

Ans: T LO3 BT:C K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

27. The number and types of accounts used by different business enterprises are the same if generally accepted accounting principles are being followed by the enterprises.

Ans: F LO3 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

28. Posting is the process of proving the equality of debits and credits in the trial balance.

Ans: F LO3 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

29. After a transaction has been posted, the reference column in the journal should not be blank.

Ans: T LO3 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

30. A trial balance does not prove that all transactions have been recorded or that the ledger is correct.

Ans: T LO4 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

31. The double-entry system is a logical method for recording transactions and results in equal debits and credits for each transaction.

Ans: T LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

32. The normal balance of an expense is a credit.

Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

33. The journal provides a chronological record of transactions.

Ans: T LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

34. The ledger is merely a bookkeeping device and therefore does not provide much useful data for management.

Ans: F LO3 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

35. The chart of accounts is a listing of the accounts and the account numbers which identify their location in the ledger.

Ans: T LO3 BT: C Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

36. The primary purpose of a trial balance is to prove the mathematical equality of the debits and credits after posting.

Ans: T LO4 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

37. The trial balance will not balance when incorrect account titles are used in journalizing or posting.

Ans: F LO4 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Answers to True-False Statements

Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.
1.	F	7.	F	13.	F	19.	T	25.	F	31.	T	37.	F
2.	F	8.	F	14.	F	20.	F	26.	T	32.	F		
3.	F	9.	F	15.	T	21.	F	27.	F	33.	T		
4.	T	10.	F	16.	T	22.	T	28.	F	34.	F		
5.	F	11.	F	17.	F	23.	T	29.	T	35.	T		
6.	T	12.	T	18.	F	24.	F	30.	T	36.	T		

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

MULTIPLE CHOICE QUESTIONS

38. An account consists of
    a. one part.
    b. two parts.
    c. three parts.
    d. four parts.

    Ans: c LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

39. The left side of an account is
    a. blank.
    b. a description of the account.
    c. the debit side.
    d. the balance of the account.

    Ans: c LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

40. Which one of the following is **not** a part of an account?
    a. Credit side
    b. Trial balance
    c. Debit side
    d. Title

    Ans: b LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

41. An account is a part of the financial information system and is described by all **except** which one of the following?
    a. An account has a debit and credit side.
    b. An account is a source document.
    c. An account may be part of a manual or a computerized accounting system.
    d. An account has a title.

    Ans: b LO1 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

42. The right side of an account
    a. is the correct side.
    b. reflects all transactions for the accounting period.
    c. shows all the balances of the accounts in the system.
    d. is the credit side.

    Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

43. An account consists of
    a. a title, a debit balance, and a credit balance.
    b. a title, a left side, and a debit balance.
    c. a title, a debit side, and a credit side.
    d. a title, a right side, and a debit balance.

    Ans: c LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

44. A T-account is
    a. a way of depicting the basic form of an account.
    b. what the computer uses to organize bytes of information.
    c. a special account used instead of a trial balance.
    d. used for accounts that have both a debit and credit balance.

Ans: a LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

45. Credits
    a. decrease both assets and liabilities.
    b. decrease assets and increase liabilities.
    c. increase both assets and liabilities.
    d. increase assets and decrease liabilities.

Ans: b LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

46. A debit to an asset account indicates
    a. an error.
    b. a credit was made to a liability account.
    c. a decrease in the asset.
    d. an increase in the asset.

Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

47. The normal balance of any account is the
    a. left side.
    b. right side.
    c. side which increases that account.
    d. side which decreases that account.

Ans: c LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

48. The double-entry system requires that each transaction must be recorded
    a. in at least two different accounts.
    b. in two sets of books.
    c. in a journal and in a ledger.
    d. first as a revenue and then as an expense.

Ans: a LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

49. A credit is **not** the normal balance for which account listed below?
    a. Common stock account
    b. Revenue account
    c. Liability account
    d. Dividends account

Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

50. Which one of the following represents the expanded basic accounting equation?
    a. Assets = Liabilities + Common stock + Retained Earnings + Dividends – Revenues – Expenses.
    b. Assets + Dividends + Expenses = Liabilities + Common stock + Retained Earnings + Revenues.
    c. Assets – Liabilities – Dividends = Common stock + Retained Earnings + Revenues – Expenses.
    d. Assets = Revenues + Expenses – Liabilities.

Ans: b LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

51. Which of the following correctly identifies normal balances of accounts?

    a.
Assets	Debit
Liabilities	Credit
Stockholders' Equity	Credit
Revenues	Debit
Expenses	Credit

    b.
Assets	Debit
Liabilities	Credit
Stockholders' Equity	Credit
Revenues	Credit
Expenses	Credit

    c.
Assets	Credit
Liabilities	Debit
Stockholders' Equity	Debit
Revenues	Credit
Expenses	Debit

    d.
Assets	Debit
Liabilities	Credit
Stockholders' Equity	Credit
Revenues	Credit
Expenses	Debit

Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

52. The best interpretation of the word credit is the
    a. offset side of an account.
    b. increase side of an account.
    c. right side of an account.
    d. decrease side of an account.

Ans: c LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

53. In recording an accounting transaction in a double-entry system
    a. the number of debit accounts must equal the number of credit accounts.
    b. there must always be entries made on both sides of the accounting equation.
    c. the amount of the debits must equal the amount of the credits.
    d. there must only be two accounts affected by any transaction.

Ans: c LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

54. A debit is **not** the normal balance for which account listed below?
    a. Dividends
    b. Cash
    c. Accounts Receivable
    d. Service Revenue

    Ans: d LO1 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

55. An accountant has debited an asset account for $1,200 and credited a liability account for $500. What can be done to complete the recording of the transaction?
    a. Nothing further must be done.
    b. Debit a Stockholders' equity account for $700.
    c. Debit another asset account for $700.
    d. Credit a different asset account for $700.

    Ans: d LO1 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

56. An accountant has debited an asset account for $1,300 and credited a liability account for $500. Which of the following would be an **incorrect** way to complete the recording of the transaction?
    a. Credit an asset account for $800.
    b. Credit another liability account for $800.
    c. Credit a Stockholders' account for $800.
    d. Debit a Stockholders' account for $800.

    Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

57. Which of the following is **not** true of the terms debit and credit?
    a. They can be abbreviated as Dr. and Cr.
    b. They can be interpreted to mean increase and decrease.
    c. They can be used to describe the balance of an account.
    d. They can be interpreted to mean left and right.

    Ans: b LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

58. An account will have a credit balance if the
    a. credits exceed the debits.
    b. first transaction entered was a credit.
    c. debits exceed the credits.
    d. last transaction entered was a credit.

    Ans: a LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

59. For the basic accounting equation to stay in balance, each transaction recorded must
    a. affect two or less accounts.
    b. affect two or more accounts.
    c. always affect exactly two accounts.
    d. affect the same number of asset and liability accounts.

    Ans: b LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

60. Which of the following statements is true?
    a. Debits increase assets and increase liabilities.
    b. Credits decrease assets and decrease liabilities.
    c. Credits decrease assets and increase liabilities.
    d. Debits decrease liabilities and decrease assets.

    Ans: c LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

61. Assets normally show
    a. credit balances.
    b. debit balances.
    c. debit and credit balances.
    d. debit or credit balances.

    Ans: b LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

62. An awareness of the normal balances of accounts would help you spot which of the following as an error in recording?
    a. A debit balance in the dividends account
    b. A credit balance in an expense account
    c. A credit balance in a liabilities account
    d. A credit balance in a revenue account

    Ans: b LO1 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

63. If a company has overdrawn its bank balance, then
    a. its cash account will show a debit balance.
    b. its cash account will show a credit balance.
    c. the cash account debits will exceed the cash account credits.
    d. it cannot be detected by observing the balance of the cash account.

    Ans: b LO1 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

64. Which account below is **not** a subdivision of retained earnings?
    a. Dividends
    b. Revenues
    c. Expenses
    d. Common stock

    Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

65. When a company distributes dividends
    a. it doesn't have to be cash, it could be another asset.
    b. the dividends account will be increased with a credit.
    c. the retained earnings account will be directly increased with a debit.
    d. the dividends account will be decreased with a debit.

    Ans: a LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

66. The Dividends account
    a. appears on the income statement along with the expenses of the business.
    b. must show transactions every accounting period.
    c. is increased with debits and decreased with credits.
    d. is not a proper subdivision of retained earnings.

    Ans: c LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

67. Which of the following statements is **incorrect**?
    a. Expenses increase stockholders' equity.
    b. Expenses have normal debit balances.
    c. Expenses decrease stockholders' equity.
    d. Expenses are a negative factor in the computation of net income.

    Ans: a LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

68. A credit to a liability account
    a. indicates an increase in the amount owed to creditors.
    b. indicates a decrease in the amount owed to creditors.
    c. is an error.
    d. must be accompanied by a debit to an asset account.

    Ans: a LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

69. In the first month of operations, the total of the debit entries to the cash account amounted to $1,200 and the total of the credit entries to the cash account amounted to $800. The cash account has a(n)
    a. $800 credit balance.
    b. $1,200 debit balance.
    c. $400 debit balance.
    d. $400 credit balance.

    Ans: c LO2 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

70. TransAm Mail Service purchased equipment for $2,500. TransAm paid $400 in cash and signed a note for the balance. TransAm debited the Equipment account, credited Cash and
    a. nothing further must be done.
    b. debited the retained earnings account for $2,100.
    c. credited another asset account for $400.
    d. credited a liability account for $2,100.

    Ans: d LO2 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

71. Radio Moscow Industries purchased supplies for $1,000. They paid $400 in cash and agreed to pay the balance in 30 days. The journal entry to record this transaction would include a debit to an asset account for $1,000, a credit to a liability account for $600. Which of the following would be the correct way to complete the recording of the transaction?
    a. Credit an asset account for $400.
    b. Credit another liability account for $400.
    c. Credit the retained earnings account for $400.
    d. Debit the retained earnings account for $400.

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Ans: a LO2 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

72. On January 14, Edamame Industries purchased supplies of $700 on account. The entry to record the purchase will include
    a. a debit to Supplies and a credit to Accounts Payable.
    b. a debit to Supplies Expense and a credit to Accounts Receivable.
    c. a debit to Supplies and a credit to Cash.
    d. a debit to Accounts Receivable and a credit to Supplies.

    Ans: a LO2 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

73. On June 1, 2018, Portugal Inc. reported a cash balance of $12,000. During June, Portugal made deposits of $5,000 and made disbursements totalling $14,000. What is the cash balance at the end of June?
    a. $3,000 debit balance
    b. $17,000 debit balance
    c. $3,000 credit balance
    d. $2,000 credit balance

    Ans: a LO1 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

74. At January 1, 2018, Alligator Industries reported retained earnings of $150,000. During 2018, Alligator had a net loss of $30,000 and paid dividends of $15,000. At December 31, 2018, the amount of retained earnings is
    a. $105,000.
    b. $120,000.
    c. $135,000.
    d. $165,000.

    Ans: a LO1 BT: AP Difficulty: Easy TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

75. Mt. Zion Inc. pays its employees twice a month, on the 7th and the 21st. On June 21, Mt. Zion Inc. paid employee salaries of $5,000. This transaction would
    a. increase stockholders' equity by $5,000.
    b. decrease the balance in Salaries and Wages Expense by $5,000.
    c. decrease net income for the month by $5,000.
    d. be recorded by a $5,000 debit to Salaries and Wages Payable and a $4,000 credit to Salaries and Wages Expense.

    Ans: c LO1 BT: AN Difficulty: Medium TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

76. In the first month of operations for Gallowsbird Industries, the total of the debit entries to the cash account amounted to $36,000 ($16,000 investment by stockholders and revenues of $20,000). The total of the credit entries to the cash account amounted to $22,000 (purchase of equipment $8,000 and payment of expenses $14,000). At the end of the month, the cash account has a(n)
    a. $6,000 credit balance.
    b. $6,000 debit balance.
    c. $14,000 debit balance.
    d. $14,000 credit balance.

    Ans: c LO1 BT: AP Difficulty: Easy TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

77 Chik Chik Company showed the following balances at the end of its first year:

Cash	$ 6,000
Prepaid insurance	9,400
Accounts receivable	7,000
Accounts payable	5,600
Notes payable	8,400
Common stock	2,800
Dividends	1,400
Revenues	44,000
Expenses	35,000

What did Chik Chik Company show as total credits on its trial balance?
a. $51,400
b. $60,800
c. $62,200
d. $70,200

Ans: b LO4 BT: AP Difficulty: Medium TOT: 2 min. AACSB: RT AICPA BB: CT AICPA PC: PS

78. Electrelane Company showed the following balances at the end of its first year:

Cash	$ 4,000
Prepaid insurance	7,000
Accounts receivable	5,000
Accounts payable	4,000
Notes payable	6,000
Common stock	2,000
Dividends	1,000
Revenues	32,000
Expenses	25,000

What did Electrelene Company show as total credits on its trial balance?
a. $9,000
b. $44,000
c. $45,000
d. $49,000

Ans: b LO4 BT: AP Difficulty: Medium TOT: 2 min. AACSB: RT AICPA BB: CT AICPA PC: PS

79. During February 2018 its first month of operations, the stockholders of Ariel Pink Enterprises invested cash of $50,000. Ariel had cash revenues of $10,000 and paid expenses of $14,000. Assuming no other transactions impacted the cash account, what is the balance in Cash at February 28?
a. $4,000 credit
b. $4,000 debit
c. $46,000 debit
d. $54,000 debit

Ans: c LO1 BT: AP Difficulty: Easy TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

80. At January 31, 2018, the balance in Aislers Inc.'s supplies account was $750. During February, Aislers purchased supplies of $900 and used supplies of $1,125. At the end of February, the balance in the supplies account should be
    a. $525 debit.
    b. $975 debit.
    c. $525 credit.
    d. $775 debit.

    Ans: a LO1 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

81. At December 1, 2018, Cursive Company's accounts receivable balance was $1,800. During December, Cursive had revenues on account of $7,200 and collected accounts receivable of $6,000. At December 31, 2018, the accounts receivable balance is
    a. $600 debit.
    b. $3,000 debit.
    c. $600 credit.
    d. $3,000 credit.

    Ans: b LO1 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

82. At October 1, 2018, Padilla Industries had an accounts payable balance of $40,000. During the month, the company made purchases on account of $33,000 and made payments on account of $48,000. At October 31, 2018, the accounts payable balance is
    a. $25,000.
    b. $41,000.
    c. $55,000.
    d. $121,000.

    Ans: a LO1 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

83. During 2018, its first year of operations, Neko's Bakery had revenues of $60,000 and expenses of $35,000. The business paid dividends of $20,000. What is the amount of stockholders' equity at December 31, 2018?
    a. $0
    b. $5,000 credit
    c. $25,000 credit
    d. $20,000 debit

    Ans: b LO1 BT: C Difficulty: Medium TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

84. On July 7, 2018, Hidden Camera Enterprises performed cash services of $1,700. The entry to record this transaction would include
    a. a debit to Service Revenue of $1,700.
    b. a credit to Accounts Receivable of $1,700.
    c. a debit to Cash of $1,700.
    d. a credit to Accounts Payable of $1,700.

    Ans: c LO2 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

85. At September 1, 2018, Promise Ring Co. reported stockholders' equity of $156,000. During the month, Promise Ring generated revenues of $38,000, incurred expenses of $21,000, purchased equipment for $5,000 and paid dividends of $2,000. What is the amount of stockholders' equity at September 30, 2018?
a. $166,000
b. $171,000
c. $173,000
d. $176,000

Ans: b LO1 BT: AP Difficulty: Medium TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

86. The final step in the recording process is to
a. analyze each transaction.
b. enter the transaction in a journal.
c. prepare a trial balance.
d. transfer journal information to ledger accounts.

Ans: d LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

87. The usual sequence of steps in the transaction recording process is:
a. journal ➔ analyze ➔ ledger.
b. analyze ➔ journal ➔ ledger.
c. journal ➔ ledger ➔ analyze.
d. ledger ➔ journal ➔ analyze.

Ans: b LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

88. In recording business transactions, evidence that an accounting transaction has taken place is obtained from
a. business documents.
b. the Internal Revenue Service.
c. the public relations department.
d. the SEC.

Ans: a LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

89. After a business transaction has been analyzed and entered in the book of original entry, the next step in the recording process is to transfer the information to
a. the company's bank.
b. stockholders' equity.
c. ledger accounts.
d. financial statements.

Ans: c LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

90. The first step in the recording process is to
a. prepare financial statements.
b. analyze each transaction for its effect on the accounts.
c. post to a journal.
d. prepare a trial balance.

Ans: b LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

91. Evidence that would **not** help with determining the effects of a transaction on the accounts would be a(n)
a. cash register sales tape.
b. bill.
c. advertising brochure.
d. check.

Ans: c LO2 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

92. After transaction information has been recorded in the journal, it is transferred to the
a. trial balance.
b. income statement.
c. book of original entry.
d. ledger.

Ans: d LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

93. The usual sequence of steps in the recording process is to analyze each transaction, enter the transaction in the
a. journal, and transfer the information to the ledger accounts.
b. ledger, and transfer the information to the journal.
c. book of accounts, and transfer the information to the journal.
d. book of original entry, and transfer the information to the journal.

Ans: a LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

94. The final step in the recording process is to transfer the journal information to the
a. trial balance.
b. financial statements.
c. ledger.
d. file cabinets.

Ans: c LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

95. The recording process occurs
a. once a year.
b. once a month.
c. repeatedly during the accounting period.
d. infrequently in a manual accounting system.

Ans: c LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

96. A compound journal entry involves
a. two accounts.
b. three accounts.
c. three or more accounts.
d. four or more accounts.

Ans: c LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

97. A journal provides
    a. the balances for each account.
    b. information about a transaction in several different places.
    c. a list of all accounts used in the business.
    d. a chronological record of transactions.

    Ans: d LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

98. When three or more accounts are required in one journal entry, the entry is referred to as a
    a. compound entry.
    b. triple entry.
    c. multiple entry.
    d. simple entry.

    Ans: a LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

99. When two accounts are required in one journal entry, the entry is referred to as a
    a. balanced entry.
    b. simple entry.
    c. posting.
    d. nominal entry.

    Ans: b LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

100. Another name for journal is
    a. listing.
    b. book of original entry.
    c. book of accounts.
    d. book of source documents.

    Ans: b LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

101. The standard format of a journal would **not** include
    a. a reference column.
    b. an account title column.
    c. a T-account.
    d. a date column.

    Ans: c LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

102 Transactions in a journal are recorded in
    a. account number order.
    b. dollar amount order.
    c. alphabetical order.
    d. chronological order.

    Ans: d LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

103 A journal is **not** useful for
a. disclosing in one place the complete effect of a transaction.
b. preparing financial statements.
c. providing a record of transactions.
d. locating and preventing errors.

Ans: b LO2 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

104 A complete journal entry does **not** show
a. the date of the transaction.
b. the new balance in the accounts affected by the transaction.
c. a brief explanation of the transaction.
d. the accounts and amounts to be debited and credited.

Ans: b LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

105. The name given to entering transaction data in the journal is
a. chronicling.
b. listing.
c. posting.
d. journalizing.

Ans: d LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

106. The standard form of a journal entry has the
a. debit account entered first and indented.
b. credit account entered first and indented.
c. debit account entered first at the extreme left margin.
d. credit account entered first at the extreme left margin.

Ans: c LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

107. When journalizing, the reference column is
a. left blank.
b. used to reference the source document.
c. used to reference the journal page.
d. used to reference the financial statements.

Ans: a LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

108. On June 1, 2018 Ted Leo buys a copier machine for his business and finances this purchase with cash and a note. When journalizing this transaction, he will
a. use two journal entries.
b. make a compound entry.
c. make a simple entry.
d. list the credit entries first, which is proper form for this type of transaction.

Ans: b LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

109. Which of the following journal entries is recorded correctly and in the standard format?

a.

Salaries and Wages Expense	500	
Cash		1,500
Advertising Expense	1,000	

b.

Salaries and Wages Expense		500
Advertising Expense		1,000
Cash	1,500	

c.

Cash	1,500	
Salaries and Wages Expense		500
Advertising Expense		1,000

d.

Salaries and Wages Expense	500	
Advertising Expense	1,000	
Cash		1,500

Ans: d LO2 BT: AN Difficulty: Easy TOT: 1 min. AACSB: Analysis AICPA BB: CT AICPA PC: PS

110. The ledger should be arranged in
a. alphabetical order.
b. chronological order.
c. dollar amount order.
d. financial statement order.

Ans: d LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

111. The entire group of accounts maintained by a company is called the
a. chart of accounts.
b. general journal.
c. general ledger.
d. trial balance.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

112. An accounting record of the balances of all assets, liabilities, and stockholders' equity accounts is called a
a. compound entry.
b. general journal.
c. general ledger.
d. chart of accounts.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

113. The usual order of accounts in the general ledger is
a. assets, liabilities, common stock, retained earnings, dividends, revenues, and expenses.
b. assets, liabilities, dividends, common stock, retained earnings, expenses, and revenues.
c. liabilities, assets, common stock, retained earnings, revenues, expenses, and dividends.
d. common stock, retained earnings, assets, liabilities, dividends, expenses, and revenues.

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Ans: a LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

114. Management could determine the amounts due from customers by examining which ledger account?
a. Service Revenue
b. Accounts Payable
c. Accounts Receivable
d. Supplies

Ans: c LO3 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

115. The ledger accounts should be arranged in
a. chronological order.
b. alphabetical order.
c. financial statement order.
d. order of appearance in the journal.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

116. A three column form of account is so named because it has columns for
a. debit, credit, and account name.
b. debit, credit, and reference.
c. debit, credit, and balance.
d. debit, credit, and date.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

117. On August 13, 2018, Swell Maps Enterprises purchased equipment for $1,300 and supplies of $200 on account. Which of the following journal entries is recorded correctly and in the standard format?

a.

Equipment	1,300	
Account Payable		1,500
Supplies	200	

b.

Equipment		1,300
Supplies		200
Accounts Payable	1,500	

c.

Accounts Payable	1,500	
Equipment		1,300
Supplies		200

d.

Equipment	1,300	
Supplies	200	
Accounts Payable.		1,500

Ans: d LO3 BT: AP Difficulty: Medium TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

118. Delta72 Company received a cash advance of $700 from a customer. As a result of this event,
a. assets increased by $700.
b. stockholders' equity increased by $700.
c. liabilities decreased by $700.
d. assets and stockholders' equity increased by $700.

Ans: a LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

119. Camper Van Company purchased equipment for $2,600 cash. As a result of this event,
a. stockholders' equity decreased by $2,600.
b. total assets increased by $2,600.
c. total assets remained unchanged.
d. stockholders' equity decreased and total assets increased by $2,600.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

120. Beethoven Company provided consulting services and billed the client $3,100. As a result of this event,
a. assets remained unchanged.
b. assets increased by $3,100.
c. stockholders' equity increased by $3,100.
d. assets and stockholders' equity both increased by $3,100.

Ans: d LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

121. The first step in posting involves
a. entering in the appropriate ledger account the date, journal page, and debit amount shown in the journal.
b. writing in the journal the account number to which the debit amount was posted.
c. writing in the journal the account number to which the credit amount was posted.
d. entering in the appropriate ledger account the date, journal page, and credit amount shown in the journal.

Ans: a LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

122. A chart of accounts usually starts with
a. asset accounts.
b. expense accounts.
c. liability accounts.
d. revenue accounts.

Ans: a LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

123. The procedure of transferring journal entries to the ledger accounts is called
a. journalizing.
b. analyzing.
c. reporting.
d. posting.

Ans: d LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

124. A number in the reference column in a general journal indicates
a. that the entry has been posted to a particular account.
b. the page number of the journal.
c. the dollar amount of the transaction.
d. the date of the transaction.

Ans: a LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

125. A chart of accounts for a business firm
a. is a graph.
b. indicates the amount of profit or loss for the period.
c. lists the accounts and account numbers that identify their location in the ledger.
d. shows the balance of each account in the general ledger.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

126. Posting
a. should be performed in account number order.
b. accumulates the effects of journalized transactions in the individual accounts.
c. involves transferring all debits and credits on a journal page to the trial balance.
d. is accomplished by examining ledger accounts and seeing which ones need updating.

Ans: b LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

127. After journal entries are posted, the reference column
a. of the general journal will be blank.
b. of the general ledger will show journal page numbers.
c. of the general journal will show "Dr" or "Cr".
d. of the general ledger will show account numbers.

Ans: b LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

128. The explanation column of the general ledger
a. is completed without exception.
b. is nonexistent.
c. is used infrequently.
d. shows account titles.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

129. A numbering system for a chart of accounts
a. is prescribed by GAAP.
b. is uniform for all businesses.
c. usually starts with income statement accounts.
d. usually starts with balance sheet accounts.

Ans: d LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

130. The steps in preparing a trial balance include all of the following **except**
   a. listing the account titles and their balances.
   b. totaling the debit and credit columns.
   c. proving the equality of the two columns.
   d. transferring journal amounts to ledger accounts.

Ans: d LO4 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

131. A trial balance may balance even when each of the following occurs **except** when
a. a transaction is not journalized.
b. a journal entry is posted twice.
c. incorrect accounts are used in journalizing.
d. a transposition error is made.

Ans: d LO4 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

132. A list of accounts and their balances at a given time is called a(n)
a. journal.
b. posting.
c. trial balance.
d. income statement.

Ans: c LO4 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

133. If the sum of the debit column equals the sum of the credit column in a trial balance, it indicates
a. no errors have been made.
b. no errors can be discovered.
c. that all accounts reflect correct balances.
d. the mathematical equality of the accounting equation.

Ans: d LO4 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

134. A trial balance is a listing of
a. transactions in a journal.
b. the chart of accounts.
c. general ledger accounts and balances.
d. the totals from the journal pages.

Ans: c LO4 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

135. Customarily, a trial balance is prepared
a. at the end of each day.
b. after each journal entry is posted.
c. at the end of an accounting period.
d. only at the inception of the business.

Ans: c LO4 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

136. A trial balance would only help in detecting which one of the following errors?
a. A transaction that is not journalized
b. A journal entry that is posted twice
c. Offsetting errors are made in recording the transaction
d. A transposition error when transferring the debit side of journal entry to the ledger

Ans: d LO4 BT: C Difficulty: Medium TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

137. An account is an individual accounting record of increases and decreases in specific
a. liabilities.
b. assets.
c. expenses.
d. assets, liabilities, and stockholders' equity items.

Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

138. A debit is **not** the normal balance for which of the following?
a. Asset account
b. Dividends account
c. Expense account
d. Common stock account

Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

139. Which of the following rules is **incorrect**?
a. Credits decrease the dividends account.
b. Debits increase the common stock account.
c. Credits increase revenue accounts.
d. Debits decrease liability accounts.

Ans: b LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

140. Which of the following statements is **false**?
a. Revenues increase stockholders' equity.
b. Revenues have normal credit balances.
c. Revenues are a positive factor in the computation of net income.
d. Revenues are increased by debits.

Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

141. Which of the following is the correct sequence of steps in the recording process?
a. Posting, journalizing, analyzing
b. Journalizing, analyzing, posting
c. Analyzing, posting, journalizing
d. Analyzing, journalizing, posting

Ans: d LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

142. Which of the following is **false** about a journal?
a. It discloses in one place the complete effects of a transaction.
b. It provides a chronological record of transactions.
c. It helps to prevent or locate errors because debit and credit amounts for each entry can be readily compared.
d. It keeps in one place all the information about changes in specific account balances.

Ans: d LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

143. Deerhoof Company purchases equipment for $2,700 and supplies for $400 from Milkman Co. for $3,100 cash. The entry for this transaction will include a
a. debit to Equipment $2,700 and a debit to Supplies Expense $400 for Milkman.
b. credit to Cash for Milkman.
c. credit to Accounts Payable for Deerhoof.
d. debit to Equipment $2,700 and a debit to Supplies $400 for Deerhoof.

Ans: d LO2 BT: AP Difficulty: Medium TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

144. Devendra Company pays cash dividends of $600. The entry for this transaction will include a debit of $600 to
a. Dividends
b. Retained Earnings.
c. Owner's Salaries Expense.
d. Salaries and Wages Expense.

Ans: a LO2 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

145. On October 3, Karl Schickele, a carpenter, received a cash payment for services previously billed to a client. Karl paid his telephone bill, and he also bought equipment on credit. For the three transactions, at least one of the entries will include a
a. credit to Retained Earnings.
b. credit to Notes Payable.
c. debit to Accounts Receivable.
d. credit to Accounts Payable.

Ans: d LO2 BT: AN Difficulty: Medium TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

146. Posting of journal entries should be done in
a. account number order.
b. alphabetical order.
c. chronological order.
d. dollar amount order.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

147. The chart of accounts is a
a. list of accounts and their balances at a given time.
b. device used to prove the mathematical accuracy of the ledger.
c. listing of the accounts and the account numbers which identify their location in the ledger.
d. required step in the recording process.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

148. Which of the following is **incorrect** regarding a trial balance?
a. It proves that the debits equal the credits after posting.
b. It proves that the company has recorded all transactions.
c. A trial balance uncovers errors in journalizing and posting.
d. A trial balance is useful in the preparation of financial statements.

Ans: b LO4 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

149. A trial balance will **not** balance if
a. a journal entry is posted twice.
b. a wrong amount is used in journalizing.
c. incorrect account titles are used in journalizing.
d. a journal entry is only partially posted.

Ans: d LO4 BT: C Difficulty: Medium TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

150. Which of the following are the same under both GAAP and IFRS?
a. The account.
b. Debit and credit rules.
c. Steps in the recording process.
d. All of these answers are correct.

IFRS. Ans: d LO5 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

151. Which of the following are the same under both GAAP and IFRS?
a. The journal.
b. The ledger.
c. The chart of accounts.
d. All of these answers are correct.

IFRS. Ans: d LO5 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

152. Which of the following is true?
a. Transaction analysis is completely different under IFRS and GAAP.
b. Most transactions are recorded differently under IFRS and GAAP.
c. Transaction analysis is the same under IFRS and GAAP, but some transactions are recorded differently.
d. All transactions are recorded the same under IFRS and GAAP.

IFRS. Ans: c LO5 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

153. European companies rely
a. less on historical cost and more on fair values than U.S. companies.
b. less on fair values and more on historical cost than U.S. companies.
c. completely on fair values for financial reporting.
d. completely on historical cost for financial reporting.

IFRS. Ans: a LO5 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

154. The double–entry accounting system is the basis of accounting systems
a. worldwide.
b. worldwide, except for the U.S.
c. in the U.S. only
d. neither internationally nor in the U.S.

IFRS. Ans: a LO5 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

155. Under IFRS, the trial balance
a. follows the same format as under GAAP.
b. shows credits on the left and debits on the right.
c. includes less accounts than under GAAP.
d. includes more accounts than under GAAP.

IFRS. Ans: a LO5 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Answers to Multiple Choice Questions

Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.
38.	c	55.	d	73.	a	91.	c	109.	d	127.	b	145.	d
39.	c	56.	d	74.	a	92.	d	110.	d	128.	c	146.	c
40.	b	57.	b	75.	c	93.	a	111.	c	129.	d	147.	c
41.	b	58.	a	76.	c	94.	c	112.	c	130.	d	148.	b
42.	d	59.	b	77.	b	95.	c	113.	a	131.	d	149.	d
43.	c	60.	c	78.	b	96.	c	114.	c	132.	c	150.	d
44.	a	61.	b	79.	c	97.	d	115.	c	133.	d	151.	d
45.	b	62.	b	80.	a	98.	a	116.	c	134.	c	152.	c
46.	d	63.	b	81.	b	99.	b	117.	d	135.	c	153.	a
47.	c	64.	d	82.	a	100.	b	118.	a	136.	d	154.	a
48.	a	65.	a	83.	b	101.	c	119.	c	137.	d	155.	a
49.	d	66.	c	84.	c	102.	d	120.	d	138.	d		
50.	b	67.	a	85.	b	103.	b	121.	a	139.	b		
51.	d	68.	a	86.	d	104.	b	122.	a	140.	d		
52.	c	69.	c	87.	b	105.	d	123.	d	141.	d		
53.	c	70.	d	88.	a	106.	c	124.	a	142.	d		
		71.	a	89.	c	107.	a	125.	c	143.	d		
54.	d	72.	a	90.	b	108.	b	126.	b	144.	a		

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

BRIEF EXERCISES

BE 156

At June 1, 2018, Coquehcot Industries had an accounts receivable balance of $12,000. During the month, the company performed credit services of $30,000 and collected accounts receivable of $22,000. What is the balance in accounts receivable at June 30, 2018?

Solution 156

The balance at the end of the month is $20,000, calculated as follows:

Beginning accounts receivable	$12,000
Add: Credit sales	30,000
Less: Collections	(22,000)
Ending accounts receivable	$20,000

LO1 BT: AP Difficulty: Easy TOT: 3 min. AACSB: RT AICPA BB: CT AICPA PC: PS

BE 157

TNT has the following transactions during April of the current year. Indicate (a) the effect on the accounting equation and (b) the debit-credit analysis.

Apr. 1	Opens a law office, investing $25,000 in cash.
4	Pays rent in advance for 6 months, $9,000 cash.
16	Receives $8,000 from clients for services provided.
27	Pays secretary $2,800 salary.

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 157

	(a) **Effect on Accounting Equation**	(b) **Debit-Credit Analysis**
Apr. 1	The asset Cash is increased; the stockholders' equity account Common stock is increased.	Debits increase assets: debit Cash $25,000. Credits increase stockholders' equity: credit Common stock $25,000.
4	The asset Prepaid Rent is increased; the asset Cash is decreased.	Debits increase assets: debit Prepaid Rent $9,000. Credits decrease assets: credit Cash $9,000.
18	The asset Cash is increased; the revenue Service Revenue is increased.	Debits increase assets: debit Cash $8,000. Credits increase revenues: credit Service Revenue $8,000.
27	The expense Salaries and Wages Expense is increased; the asset Cash is decreased.	Debits increase expenses: debit Salaries and Wages Expense $2,800. Credits decrease assets: credit Cash $2,800.

LO1 BT: C Difficulty: Medium TOT: 6 min. AACSB: RT AICPA BB: CT AICPA PC: PS

BE 158

For each of the following accounts indicate the effect of a debit or a credit on the account and the normal balance. Increase (+), Decrease (–).

	Debit	Credit	Normal Balance
1. Salaries and wages expense.	_____	_____	_____
2. Accounts receivable.	_____	_____	_____
3. Service revenue.	_____	_____	_____
4. Common stock.	_____	_____	_____
5. Dividends.	_____	_____	_____

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 158

	Debit	Credit	Normal Balance
1. Salaries and wages expense.	+	–	Dr
2. Accounts receivable.	+	–	Dr
3. Service revenue.	–	+	Cr
4. Common stock.	–	+	Cr
5. Dividends.	+	–	Dr

LO1 BT: K Difficulty: Easy TOT: 5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

BE 159

For each of the following transactions of Neon Garden, identify the account to be debited and the account to be credited.

1. Purchased 18-month insurance policy for cash.
2. Paid weekly payroll.
3. Purchased supplies on account.
4. Received utility bill to be paid at later date.

Solution 159

Transaction	Debit	Credit
1	Prepaid Insurance	Cash
2	Salaries and Wages Expense	Cash
3	Supplies	Accounts Payable
4	Utilities Expense	Accounts Payable

LO2 BT: AP Difficulty: Medium TOT: 4 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

BE 160

Journalize the following business transactions in general journal form. Identify each transaction by number. You may omit explanations of the transaction.

1. Andrew Bird invested $35,000 cash in exchange for stock.
2. Hired an employee to be paid $400 per week, starting tomorrow.
3. Paid two years' rent in advance, $7,440.
4. Paid the worker's weekly wage.
5. Recorded revenue earned and received for the week, $1,900.

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 160

1.	Cash…….....	35,000	
	Common stock.....		35,000
2.	No entry, not a transaction.		
3.	Prepaid Rent	7,440	
	Cash		7,440

Solution 160 (cont.)

4.	Salaries and Wages Expense.....	400	
	Cash		400
5.	Cash…….	1,900	
	Service Revenue		1,900

LO2 BT: AP Difficulty: Medium TOT: 5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

BE 161

Identify the impact on the accounting equation of the following transactions.
1. Purchased 36-month insurance policy for cash.
2. Purchased supplies on account.
3. Received utility bill to be paid at later date.
4. Paid utility bill previously accrued.

Solution 161

1. Net effect is no change: Increases assets and decreases assets.
2. Increases assets and increases liabilities.
3. Increases liabilities and decreases stockholders' equity.
4. Decreases assets and decreases liabilities

LO1 BT: K Difficulty: Easy TOT: 4 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

BE 162

Journalize the following transactions for Xiu Xiu Company for June 2015, the company's first month of operations. You may omit explanations for the transactions.
1. Purchased equipment on account for $9,000.
2. Billed customers $5,000 for services performed.
3. Made payment of $2,300 on account for equipment purchased earlier in month.
4. Collected $2,900 on customer accounts.

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 162

1.	Equipment	9,000	
	Accounts Payable		9,000
2.	Accounts Receivable	5,000	
	Service Revenue		5,000
3.	Accounts Payable	2,300	
	Cash		2,300
4.	Cash	2,900	
	Accounts Receivable		2,900

LO2 BT: AP Difficulty: Medium TOT: 4 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

BE 163

The following transactions took place for Xiu Xiu Company during June 2018:
(a) Purchased equipment on account for $9,000.
(b) Billed customers $5,000 for services performed.
(c) Made payment of $2,300 on account for equipment purchased earlier in month.
(d) Collected $2,900 on customer accounts.

1. What is the balance in Accounts Payable at June 30, 2018?
2. What is the balance in Accounts Receivable at June 30, 2018?

Solution 163

1.	Accounts Payable at June 30, 2018:	
	Beginning accounts payable	$ 0
	Purchases on account	9,000
	Payments on account	(2,300)
	Ending accounts payable	$6,700
2.	Accounts Receivable at June 30, 2018:	
	Beginning accounts receivable	$ 0
	Billed to customers	5,000
	Collections from customers	(2,900)
	Ending accounts receivable	$2,100

LO3 BT: AP Difficulty: Medium TOT: 6 min. AACSB: RT AICPA BB: CT AICPA PC: PS

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

BE 164

The transactions of the Liberty Belle Store are recorded in the general journal below. You are to post the journal entries to T-accounts.

General Journal

Date	Account Titles	Debit	Credit
2018			
Aug. 5	Accounts Receivable	4,400	
	Service Revenue		4,400
10	Cash	3,000	
	Service Revenue		3,000
19	Rent Expense	1,100	
	Cash		1,100
25	Cash	1,400	
	Accounts Receivable		1,400

BE 164 (cont.)

General Ledger

Cash		Accounts Receivable	

Service Revenue		Rent Expense	

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 164

General Ledger

Cash			
8/10	3,000	8/19	1,100
8/25	1,400		
8/31 Bal.	3,300		

Accounts Receivable			
8/5	4,400	8/25	1,400
8/31 Bal.	3,000		

Service Revenue			
		8/5	4,400
		8/10	3,000
		8/31 Bal.	7,400

Rent Expense			
8/19	1,100		
8/31 Bal.	1,100		

LO3 BT: AP Difficulty: Medium TOT: 5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

BE 165

Prepare a trial balance from the ledger accounts of Black Diamond Express as of January 31, 2018.

Accounts Payable	$1,100	Rent Expense	$ 500
Accounts Receivable	1,700	Service Revenue	3,000
Cash	1,400	Supplies	200
Common stock	2,000	Salaries and Wages Expense	1,300
Dividends	1,000		

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 165

BLACK DIAMOND EXPRESS
Trial Balance
January 31, 2018

	Debit	Credit
Cash	$1,400	
Accounts Receivable	1,700	
Supplies	200	
Accounts Payable		$1,100
Common stock		2,000
Dividends	1,000	
Service Revenue		3,000
Rent Expense	500	
Salaries and Wages Expense	1,300	
	$6,100	$6,100

LO4 BT: AP Difficulty: Medium TOT: 5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

BE 166

Prepare a corrected trial balance for Stereolab Company. All accounts should have a normal balance.

STEROELAB COMPANY
Trial Balance
For the Quarter Ended 3/31/18

	Debit	Credit
Cash	$14,000	
Accounts Receivable		$ 23,000
Prepaid Insurance	2,500	
Equipment	60,000	
Accounts Payable		15,000
Unearned Service Revenue	10,000	
Notes Payable		25,000
Common stock		38,000
Dividends		1,500
Service Revenue		43,000
Salaries and Wages Expense	15,000	
Utilities Expense	5,000	
Rent Expense	10,000	
	$116,500	$145,500

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 166

STEREOLAB COMPANY
Trial Balance
For the Quarter Ended 3/31/18

	Debit	Credit
Cash	$ 14,000	
Accounts Receivable	23,000	
Prepaid Insurance	2,500	
Equipment	60,000	
Accounts Payable		$ 15,000
Unearned Service Revenue		10,000
Notes Payable		25,000
Common stock		38,000
Dividends	1,500	
Service Revenue		43,000
Salaries and Wages Expense	15,000	
Utilities Expense	5,000	
Rent Expense	10,000	
	$131,000	$131,000

LO4 BT: AP Difficulty: Medium TOT: 6 min. AACSB: RT AICPA BB: CT AICPA PC: PS

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

EXERCISES

Ex. 167

The chart of accounts used by Notwist Copy Company is listed below. You are to indicate the proper accounts to be debited and credited for the following transactions by writing the account number(s) in the appropriate boxes.

CHART OF ACCOUNTS

101	Cash	209	Unearned Service Revenue
112	Accounts Receivable	311	Common Stock
125	Supplies	332	Dividends
157	Equipment	400	Service Revenue
200	Notes Payable	610	Advertising Expense
201	Accounts Payable	729	Rent Expense

		Number(s) of account(s) debited	Number(s) of account(s) credited
1.	The company issues stock in exchange for $70,000 cash.		
2.	Purchased three pieces of equipment for $160,000, paying $50,000 cash and signing a 5-year, 10% note for the remainder.		
3.	Purchased $5,000 supplies on credit.		
4.	Cash revenue amounted to $7,000.		
5.	Paid $500 cash for radio advertising.		
6.	Paid $800 on account for supplies purchased in transaction 3.		
7.	The company paid dividends of $2,100.		
8.	Paid $1,200 cash for rent for the current month.		
9.	Received $2,000 cash advance from a customer for future copying.		
10.	Billed a customer for $575 for photocopy work done.		

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 167

		Number(s) of account(s) debited	Number(s) of account(s) credited
1.	The company issues stock in exchange for $70,000 cash.	101	311
2.	Purchased three pieces of equipment for $160,000, paying $50,000 cash and signing a 5-year, 10% note for the remainder.	157	101,200
3.	Purchased $5,000 supplies on credit.	125	201
4.	Cash revenue amounted to $7,000.	101	400
5.	Paid $500 cash for radio advertising.	610	101
6.	Paid $800 on account for supplies purchased in transaction 3.	201	101
7.	The company paid dividends of $2,100.	332	101
8.	Paid $1,200 cash for rent for the current month.	729	101
9.	Received $2,000 cash advance from a customer for future copying.	101	209
10.	Billed a customer for $575 for photocopy work done.	112	400

LO3 BT: AP Difficulty: Medium TOT: 15 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Ex. 168

Under a double-entry system, show how the entry in each statement is entered in the ledger by using debit or credit to indicate the increase or decrease in the affected account.

		Debit or Credit
1.	An increase in Salaries and Wages Expense.	
2.	A decrease in Accounts Payable.	
3.	An increase in Prepaid Insurance.	
4.	An increase in Common Stock.	
5.	A decrease in Supplies.	
6.	An increase in Dividends.	
7.	An increase in Service Revenue.	
8.	A decrease in Accounts Receivable.	
9.	An increase in Rent Expense.	
10.	A decrease in Equipment.	

Solution 168

1.	An increase in Salaries and Wages Expense.	Debit
2.	A decrease in Accounts Payable.	Debit
3.	An increase in Prepaid Insurance.	Debit
4.	An increase in Common Stock.	Credit
5.	A decrease in Supplies.	Credit
6.	An increase in Dividends.	Debit
7.	An increase in Service Revenue.	Credit
8.	A decrease in Accounts Receivable.	Credit
9.	An increase in Rent Expense.	Debit
10.	A decrease in Equipment.	Credit

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

LO1 BT: C Difficulty: Easy TOT: 5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Ex. 169

Selected transactions for Good Home, a property management company, in its first month of business, are as follows:

Jan. 2 Issued stock to investors for $15,000 cash.
3 Purchased used car for $5,200 cash for use in business.
9 Purchased supplies on account for $500.
11 Billed customers $2,100 for services performed.
16 Paid $450 cash for advertising.
20 Received $1,300 cash from customers billed on January 11.
23 Paid creditor $300 cash on balance owed.
28 Paid dividends of $2,000.

Instructions

For each transaction indicate the following.
(a) The basic type of account debited and credited (asset (A), liability (L), stockholders' equity (SE)).
(b) The specific account debited and credited (cash, rent expense, service revenue, etc.).
(c) Whether the specific account is increased (incr.) or decreased (decr).
(d) The normal balance of the specific account.

Use the following format, in which the January 2 transaction is given as an example.

	Account Debited				Account Credited			
	(a)	(b)	(c)	(d)	(a)	(b)	(c)	(d)
Date	Basic Type	Specific Account	Effect	Normal Balance	Basic Type	Specific Account	Effect	Normal Balance
Jan. 2	A	Cash	Incr.	Debit	SE	Common Stock	Incr.	Credit

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 169

	Account Debited				Account Credited			
	(a)	(b)	(c)	(d)	(a)	(b)	(c)	(d)
Date	Basic Type	Specific Account	Effect	Normal Balance	Basic Type	Specific Account	Effect	Normal Balance
Jan. 2	A	Cash	Incr.	Debit	SE	Common Stock	Incr.	Credit
3	A	Equip.	Incr.	Debit	A	Cash	Decr.	Debit
9	A	Supplies	Incr.	Debit	L	Accts. Pay.	Incr.	Credit
11	A	Accts. Rec.	Incr.	Debit	SE	Service Revenue	Incr.	Credit
16	SE	Advert. Expense	Incr.	Debit	A	Cash	Decr.	Debit
20	A	Cash	Incr.	Debit	A	Accts. Rec.	Decr.	Debit
23	L	Accts. Pay.	Decr.	Credit	A	Cash	Decr.	Debit
28	SE	Dividends	Incr.	Debit	A	Cash	Decr.	Debit

LO1 BT: C Difficulty: Medium TOT: 10 min. AACSB: RT AICPA BB: CT AICPA PC: PS

Ex. 170

For the accounts listed below, indicate if the normal balance of the account is a debit or credit.

	Accounts	Normal Balance Debit or Credit
1.	Service Revenue	_____
2.	Rent Expense	_____
3.	Accounts Receivable	_____
4.	Accounts Payable	_____
5.	Retained Earnings	_____
6.	Supplies	_____
7.	Insurance Expense	_____
8.	Dividends	_____
9.	Buildings	_____
10.	Notes Payable	_____

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 170

	Accounts	Normal Balance Debit or Credit
1.	Service Revenue	Credit
2.	Rent Expense	Debit
3.	Accounts Receivable	Debit
4.	Accounts Payable	Credit
5.	Retained Earnings	Credit
6.	Supplies	Debit
7.	Insurance Expense	Debit
8.	Dividends	Debit
9.	Buildings	Debit
10.	Notes Payable	Credit

LO1 BT: C Difficulty: Easy TOT: 5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Ex. 171

For each of the following accounts, indicate the effects of (a) a debit and (b) the normal account balance.

1. Notes Payable
2. Prepaid Insurance
3. Salaries and Wages Expense
4. Service Revenue
5. Equipment
6. Common Stock

Solution 171

		Debit Effect	Normal Balance
1.	Notes Payable	Decrease	Credit
2.	Prepaid Insurance	Increase	Debit
3.	Salaries and Wages Expense	Increase	Debit
4.	Service Revenue	Decrease	Credit
5.	Equipment	Increase	Debit
6.	Common stock	Decrease	Credit

LO1 BT: C Difficulty: Easy TOT: 7 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Ex. 172

During an accounting period, a business has numerous transactions affecting each of the following accounts. 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.

_____ (1) Advertising Expense
_____ (2) Service Revenue
_____ (3) Accounts Payable
_____ (4) Accounts Receivable
_____ (5) Common Stock
_____ (6) Dividends
_____ (7) Cash
_____ (8) Salaries and Wages Expense
_____ (9) Notes Payable
_____ (10) Insurance Expense

Solution 172

(1) (a)
(2) (b)
(3) (c)
(4) (c)
(5) (b)
(6) (a)
(7) (c)
(8) (a)
(9) (c)
(10) (a)

LO1 BT: C Difficulty: Easy TOT: 5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Ex. 173

Eight transactions are recorded in the following T-accounts:

CASH			
(1)	25,000	(2)	3,500
(7)	22,500	(3)	1,950
		(4)	5,100
		(6)	8,000
		(8)	3,300

ACCOUNTS RECEIVABLE			
(5)	27,500	(7)	22,500

SUPPLIES			
(3)	1,950		

EQUIPMENT			
(2)	13,500		

COMMON STOCK			
		(1)	25,000

SERVICE REVENUE			
		(5)	27,500

ACCOUNTS PAYABLE			
(6)	8,000	(2)	10,000

DIVIDENDS			
(8)	3,300		

SALARIES AND WAGES EXPENSE			
(4)	5,100		

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Ex. 173 (cont.)

Indicate for each debit and each credit: (a) whether an asset, liability, stockholders' equity, revenue, or expense account was affected and (b) whether the account was increased (+) or (–) decreased. Answers should be presented in the following chart form:

Transaction No.	Account Debited (a) Type	Account Debited (b) Effect	Account Credited (a) Type	Account Credited (b) Effect
(1) (Example)	Asset	+	Stockholders' equity	+
(2)				
(3)				
(4)				
(5)				
(6)				
(7)				
(8)				

Solution 173

Transaction No.	Account Debited (a) Type	Account Debited (b) Effect	Account Credited (a) Type	Account Credited (b) Effect
(1) (Example)	Asset	+	Stockholders' equity	+
(2)	Asset	+	Asset Liability	– +
(3)	Asset	+	Asset	–
(4)	Expense	+	Asset	–
(5)	Asset	+	Revenue	+
(6)	Liability	–	Asset	–
(7)	Asset	+	Asset	–
(8)	Stockholders'			

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

equity - Asset –

LO1 BT: C Difficulty: Medium TOT: 15 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Ex. 174

For each of the following accounts indicate (a) the type of account (Asset, Liability, Stockholders' Equity, Revenue, Expense), (b) the debit and credit effects, and (c) the normal account balance.

Example

0. Cash
   a. Asset account
   b. Debit increases, credit decreases
   c. Normal balance - debit

Accounts

1. Accounts Payable
2. Accounts Receivable
3. Common Stock
4. Dividends
5. Service Revenue
6. Insurance Expense
7. Notes Payable
8. Equipment

Solution 174

1. a. Liability account.
   b. Debit decreases, credit increases.
   c. Normal balance - credit.

2. a. Asset account.
   b. Debit increases, credit decreases.
   c. Normal balance - debit.

3. a. Stockholders' Equity account.
   b. Debit decreases, credit increases.
   c. Normal balance - credit.

4. a. Stockholders' Equity account.
   b. Debit increases, credit decreases.
   c. Normal balance - debit.

5. a. Revenue account.
   b. Debit decreases, credit increases.
   c. Normal balance - credit.

6. a. Expense account.
   b. Debit increases, credit decreases.
   c. Normal balance - debit.

7. a. Liability account.
   b. Debit decreases, credit increases.
   c. Normal balance - credit.

8. a. Asset account.
   b. Debit increases, credit decreases.
   c. Normal balance - debit.

LO1 BT: C Difficulty: Easy TOT: 15 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Ex. 175

For each transaction given, enter in the tabulation given below a "D" for debit and a "C" for credit to reflect the increases and decreases of the assets, liabilities, and stockholders' equity accounts. In some cases there may be a "D" and a "C" in the same box.

Transactions:

1. Invests cash in exchange for stock.
2. Pays insurance in advance for six months.
3. Pays secretary's salary.
4. Purchases supplies on account.

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

5. Pays electricity bill.
6. Borrows money from local bank.
7. Makes payment on account.
8. Receives cash due from customers.

Ex. 175 (cont.)

9. Provides services on account.
10. The company pays a dividends.

	Transaction #									
	1	2	3	4	5	6	7	8	9	10
Assets										
Liabilities										
Common stock										
Dividends										
Revenues										
Expenses										

Solution 175

	Transaction #									
	1	2	3	4	5	6	7	8	9	10
Assets	D	D,C	C	D	C	D	C	D,C	D	C
Liabilities				C		C	D			
Common stock	C									
Dividends										D
Revenues									C	
Expenses			D		D					

LO1 BT: C Difficulty: Medium TOT: 15 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Ex. 176

Journalize the following business transactions in general journal form. Identify each transaction by number. You may omit explanations of the transactions.

1. The company issues stock in exchange for $40,000 cash
2. Purchased $400 of supplies on credit.
3. Purchased equipment for $8,000, paying $2,000 in cash and signed a 30-day, $6,000, note payable.
4. Real estate commissions billed to clients amount to $4,000.
5. Paid $700 in cash for the current month's rent.
6. Paid $200 cash on account for supplies purchased in transaction 2.
7. Received a bill for $600 for advertising for the current month.
8. Paid $2,200 cash for office salaries and wages.
9. The company paid dividends of $1,500.
10. Received a check for $3,000 from a client in payment on account for commissions billed in transaction 4.

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 176

1.	Cash	40,000	
	Common stock		40,000
2.	Supplies	400	
	Accounts Payable		400
3.	Equipment	8,000	
	Cash		2,000
	Notes Payable		6,000
4.	Accounts Receivable	4,000	
	Service Revenue		4,000
5.	Rent Expense	700	
	Cash		700
6.	Accounts Payable	200	
	Cash		200
7.	Advertising Expense	600	
	Accounts Payable		600
8.	Salaries and wages Expense	2,200	
	Cash		2,200
9.	Dividends	1,500	
	Cash		1,500
10.	Cash	3,000	
	Accounts Receivable		3,000

LO2 BT: AP Difficulty: Medium TOT: 15 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Ex. 177

Identify the accounts to be debited and credited for each of the following transactions.

1. Invested $8,000 cash in the business in exchange for stock.
2. Purchased supplies on account for $1,000.
3. Billed customers $2,000 for services performed.
4. Paid salaries of $1,200.

Solution 177

	Account Debited	Account Credited
1.	Cash	Common Stock
2.	Supplies	Accounts Payable
3.	Accounts Receivable	Service Revenue
4.	Salaries and Wages Expense	Cash

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

LO2 BT: C Difficulty: Easy TOT: 5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Ex. 178

Transactions for Tom Petty Company for the month of October are presented below. Journalize each transaction and identify each transaction by number. You may omit journal explanations.

1. Invested $40,000 cash in the business in exchange for stock.
2. Purchased land costing $28,000 for cash.
3. Purchased equipment costing $15,000 for $3,000 cash and the remainder on credit.
4. Purchased supplies on account for $800.
5. Paid $1,000 for a one-year insurance policy.
6. Received $3,000 cash for services performed.
7. Received $4,000 for services previously performed on account.
8. Paid wages to employees for $2,500.
9. Paid dividends of $2,000.

Solution 178

1.	Cash	40,000	
	Common stock		40,000
2.	Land	28,000	
	Cash		28,000
3.	Equipment	15,000	
	Cash		3,000
	Accounts Payable		12,000
4.	Supplies	800	
	Accounts Payable		800
5.	Prepaid Insurance	1,000	
	Cash		1,000
6.	Cash	3,000	
	Service Revenue		3,000
7.	Cash	4,000	
	Accounts Receivable		4,000
8.	Salaries and Wages Expense	2,500	
	Cash		2,500
9.	Dividends	2,000	
	Cash		2,000

LO2 BT: AP Difficulty: Medium TOT: 10 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Ex. 179

Match the basic step in the recording process described by each of the following statements.

A. Analyze each transaction
B. Enter each transaction in a journal
C. Transfer journal information to ledger accounts

____ 1. This step is called posting.

____ 2. Business documents are examined to determine the effects of transactions on the accounts.

____ 3. This step is called journalizing.

Solution 179

1. C 2. A 3. B

LO2 BT: C Difficulty: Easy TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Ex. 180

Prepare journal entries for each of the following transactions.

1. Performed services for customers on account $8,000.
2. Purchased $20,000 of equipment on account.
3. Received $3,000 from customers in transaction 1.
4. The company paid dividends of $2,000.

Solution 180

1.	Accounts Receivable	8,000	
	Service Revenue		8,000
2.	Equipment	20,000	
	Accounts Payable		20,000
3.	Cash	3,000	
	Accounts Receivable		3,000
4.	Dividends	2,000	
	Cash		2,000

LO2 BT: AP Difficulty: Easy TOT: 5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Ex. 181

Sigur Ros Company is a newly organized business. The list of accounts to be opened in the general ledger is as follows:

Accounts Payable
Accounts Receivable
Accumulated Depreciation
Cash
Common Stock
Depreciation Expense
Dividends
Equipment
Insurance Expense
Prepaid Insurance
Prepaid Rent
Rent Expense
Salaries and Wages Expense
Salaries and Wages Payable
Service Revenue
Supplies
Utilities Expense

Instructions

Organize the accounts into the order in which they should appear in the ledger of Sigur Ros Company and assign account numbers. Use the following system to assign account numbers.

1—199	Assets
200—299	Liabilities
300—399	Stockholders' Equity
400—499	Revenues
500—599	Expenses

Solution 181

There are several possible correct account number assignments. The following is one of the correct solutions.

101- Cash
112- Accounts Receivable
125- Supplies
130- Prepaid Insurance
140- Prepaid Rent
157- Equipment
158- Accumulated Depreciation

201- Accounts Payable
212- Salaries and Wages Payable

311- Common Stock
332- Dividends

400- Service Revenue

510- Salaries and Wages Expense
520- Utilities Expense
530- Rent Expense
540- Insurance Expense
550- Depreciation Expense

LO3 BT: AP Difficulty: Medium TOT: 15 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Ex. 182

The transactions of Medina Information Service are recorded in the general journal below. You are to post the journal entries to the accounts in the general ledger. After all entries have been posted, you are to prepare a trial balance on the form provided.

General Journal J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
2018				
Sept. 1	Cash		25,000	
	Common Stock			25,000
	(Issued stock for cash)			
4	Equipment		30,000	
	Cash			10,000
	Notes Payable			20,000
	(Paid cash and issued 2-year, 9%, note for equipment)			
8	Rent Expense		1,000	
	Cash			1,000
	(Paid September rent)			
15	Prepaid Insurance		400	
	Cash			400
	(Paid one-year liability insurance)			
18	Cash		2,500	
	Service Revenue			2,500
	(Received cash for delivery services)			
20	Salaries and Wages Expense		500	
	Cash			500
	(Paid salaries for current period)			
25	Utilities Expense		100	
	Accounts Payable			100
	(Received a bill for September utilities)			
30	Dividends		1,500	
	Cash			1,500
	(Paid dividends)			
30	Accounts Receivable		4,000	
	Service Revenue			4,000
	(Billed customer for delivery service)			

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Ex. 182 (cont.)

General Ledger

Cash — Account No. 101

Date	Explanation	Ref.	Debit	Credit	Balance

Accounts Receivable — Account No. 112

Date	Explanation	Ref.	Debit	Credit	Balance

Prepaid Insurance — Account No. 130

Date	Explanation	Ref.	Debit	Credit	Balance

Equipment — Account No. 155

Date	Explanation	Ref.	Debit	Credit	Balance

Accounts Payable — Account No. 201

Date	Explanation	Ref.	Debit	Credit	Balance

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Ex. 182 (cont.)

Notes Payable — Account No. 205

Date	Explanation	Ref.	Debit	Credit	Balance

Common Stock — Account No. 311

Date	Explanation	Ref.	Debit	Credit	Balance

Dividends — Account No. 332

Date	Explanation	Ref.	Debit	Credit	Balance

Service Revenue — Account No. 400

Date	Explanation	Ref.	Debit	Credit	Balance

Rent Expense — Account No. 719

Date	Explanation	Ref.	Debit	Credit	Balance

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Ex. 182 (cont.)

Salaries and Wages Expense — Account No. 726

Date	Explanation	Ref.	Debit	Credit	Balance

Utilities Expense — Account No. 735

Date	Explanation	Ref.	Debit	Credit	Balance

MEDINA INFORMATION SERVICE
Trial Balance
September 30, 2018

Accounts	Debit	Credit

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 182

General Journal J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
2018				
Sept. 1	Cash	101	25,000	
	Common Stock	311		25,000
	(Issued stock for cash)			
4	Equipment	155	30,000	
	Cash	101		10,000
	Notes Payable	205		20,000
	(Paid cash and issued 2-year, 9%, note for equipment)			
8	Rent Expense	719	1,000	
	Cash	101		1,000
	(Paid September rent)			
15	Prepaid Insurance	130	400	
	Cash	101		400
	(Paid one-year liability insurance)			
18	Cash	101	2,500	
	Service Revenue	400		2,500
	(Received cash for delivery services)			
20	Salaries and Wages Expense	726	500	
	Cash	101		500
	(Paid salaries for current period)			
25	Utilities Expense	735	100	
	Accounts Payable	201		100
	(Received a bill for September utilities)			
30	Dividends	332	1,500	
	Cash	101		1,500
	(Paid dividends)			
30	Accounts Receivable	112	4,000	
	Service Revenue	400		4,000
	(Billed customer for delivery service)			

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 182 (cont.)

General Ledger

Cash Account No. 101

Date	Explanation	Ref.	Debit	Credit	Balance
2018					
Sept. 1		J1	25,000		25,000
4		J1		10,000	15,000
8		J1		1,000	14,000
15		J1		400	13,600
18		J1	2,500		16,100
20		J1		500	15,600
30		J1		1,500	14,100

Accounts Receivable Account No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
2018					
Sept. 30		J1	4,000		4,000

Prepaid Insurance Account No. 130

Date	Explanation	Ref.	Debit	Credit	Balance
2018					
Sept. 15		J1	400		400

Equipment Account No. 155

Date	Explanation	Ref.	Debit	Credit	Balance
2018					
Sept. 4		J1	30,000		30,000

Accounts Payable Account No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
2018					
Sept. 25		J1		100	100

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 182 (cont.)

Notes Payable — Account No. 205

Date	Explanation	Ref.	Debit	Credit	Balance
2018					
Sept. 4		J1		20,000	20,000

Common Stock — Account No. 311

Date	Explanation	Ref.	Debit	Credit	Balance
2018					
Sept. 1		J1		25,000	25,000

Dividends — Account No. 332

Date	Explanation	Ref.	Debit	Credit	Balance
2018					
Sept. 30		J1	1,500		1,500

Service Revenue — Account No. 400

Date	Explanation	Ref.	Debit	Credit	Balance
2018					
Sept. 18		J1		2,500	2,500
30		J1		4,000	6,500

Rent Expense — Account No. 719

Date	Explanation	Ref.	Debit	Credit	Balance
2018					
Sept. 8		J1	1,000		1,000

Salaries and Wages Expense — Account No. 726

Date	Explanation	Ref.	Debit	Credit	Balance
2018					
Sept. 20		J1	500		500

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 182 (cont.)

Utilities Expense Account No. 735

Date	Explanation	Ref.	Debit	Credit	Balance
2018					
Sept. 25		J1	100		100

MEDINA INFORMATION SERVICE
Trial Balance
September 30, 2018

Accounts	Debit	Credit
Cash	$14,100	
Accounts Receivable	4,000	
Prepaid Insurance	400	
Equipment	30,000	
Accounts Payable		$ 100
Notes Payable		20,000
Common Stock		25,000
Dividends	1,500	
Service Revenue		6,500
Rent Expense	1,000	
Salaries and Wages Expense	500	
Utilities Expense	100	
Totals	$51,600	$51,600

LO3, 4 BT: AP Difficulty: Hard TOT: 25 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Ex. 183

The bookkeeper for Panda Bear Yard Service made a number of errors in journalizing and posting as described below:

1. A debit posting to accounts receivable for $500 was omitted.
2. A payment of accounts payable for $600 was credited to cash and debited to accounts receivable.
3. A credit to accounts receivable for $950 was posted as $95.
4. A cash purchase of equipment for $893 was journalized as a debit to equipment and a credit to notes payable. The credit posting was made for $839 while the debit posting was made for $893.
5. A debit posting of $400 for purchase of supplies was credited to supplies.
6. A debit to maintenance and repairs expense for $451 was posted as $415.
7. A debit posting for salaries and wages expense for $900 was made twice.

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

8. A cash purchase of supplies for $700 was journalized and posted as a debit to supplies for $70 and a credit to cash for $70.

Ex. 183 (cont.)

Instructions

For each error, indicate (a) whether the trial balance will balance; if the trial balance will not balance, indicate (b) the amount of the difference, and (c) the trial balance column that will have the larger total. Consider each error separately. Use the following form, in which error (1) is given as an example.

Error	(A) In Balance	(B) Difference	(C) Larger Column
1	No	$500	Credit

Solution 186

Error	(A) In Balance	(B) Difference	(C) Larger Column
1	No	$500	Credit
2	Yes	—	—
3	No	855	Debit
4	No	54	Debit
5	No	800	Credit
6	No	36	Credit
7	No	900	Debit
8	Yes	—	—

LO4 BT: AN Difficulty: Hard TOT: 15 min. AACSB: Analysis AICPA BB: CT AICPA PC: PS

Ex. 184

Post the following transactions to T-accounts and determine each account's ending balance.

1.	Supplies	2,800	
	Accounts Payable		2,800
2.	Accounts Receivable	4,000	
	Service Revenue		4,000
3.	Cash	3,000	
	Accounts Receivable		3,000
4.	Accounts Payable	1,000	
	Cash		1,000

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 184

Cash			
3.	3,000	4.	1,000
Bal.	2,000		

Accounts Payable			
4.	1,000	1.	2,800
		Bal.	1,800

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 184 (cont.)

Accounts Receivable			
2.	4,000	3.	3,000
Bal.	1,000		

Service Revenue			
		2.	4,000
		Bal.	4,000

Supplies			
1.	2,800		
Bal.	2,800		

LO3 BT: AP Difficulty: Easy TOT: 6 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Ex. 185

The trial balance of Red House Painters shown below does not balance.

RED HOUSE PAINTERS
Trial Balance
June 30, 2018

	Debit	Credit
Cash	$ 2,780	
Accounts Receivable	7,420	
Supplies	600	
Equipment	8,300	
Accounts Payable		$ 9,777
Common Stock		1,952
Dividends	1,300	
Service Revenue		15,200
Salaries and Wages Expense	3,800	
Maintenance and Repairs Expense	1,600	
Totals	$25,800	$26,929

An examination of the ledger and journal reveals the following errors:

1. Each of the above listed accounts has a normal balance per the general ledger.
2. Cash of $270 received from a customer on account was debited to Cash $720 and credited to Accounts Receivable $720.
3. A dividend of $400 was posted as a credit to Dividends $400 and credit to Cash $400.
4. A debit of $300 was not posted to Salaries and Wages Expense.
5. The purchase of equipment on account for $700 was recorded as a debit to Maintenance and Repairs Expense and a credit to Accounts Payable for $700.
6. Services were performed on account for a customer, $510, for which Accounts Receivable was debited $510 and Service Revenue was credited $51.
7. A payment on account for $235 was credited to Cash for $235 and credited to Accounts Payable for $253.

Instructions

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Prepare a correct trial balance.
Solution 185

RED HOUSE PAINTERS
Trial Balance
June 30, 2018

	Debit	Credit
Cash [2,780 – 450 (2)]	$ 2,330	$
Accounts Receivable [7,420 + 450 (2)]	7,870	
Supplies	600	
Equipment [8,300 + 700 (5)]	9,000	
Accounts Payable [9,777 – 253 - 235 (7)]		9,289
Common Stock		1,952
Dividends [1,300 + 400 + 400 (3)]	2,100	
Service Revenue [15,200 + 459 (6)]		15,659
Salaries and Wages Expense [3,800 + 300 (4)]	4,100	
Maintenance and Repairs Expense [1,600 – 700 (5)]	900	
Totals	$26,900	$26,900

LO4 BT: AN Difficulty: Hard TOT: 25 min. AACSB: Analysis AICPA BB: CT AICPA PC: PS

Ex. 186

Some of the following errors would cause the debit and credit columns of the trial balance to have unequal totals. For each of the four cases, state whether the error would cause unequal totals in the trial balance. If the error causes unequal totals, indicate the amount of difference between the columns and state whether the debit or credit is larger. Each case is to be considered independently of the others.

1. A payment of $500 to a creditor was recorded by a debit to Accounts Payable of $50 and a credit to Cash of $500.
2. A $480 payment for a printer was recorded by a debit to Equipment of $48 and a credit to Cash for $48.
3. An account receivable in the amount of $2,500 was collected in full. The collection was recorded by a debit to Cash for $2,500 and a debit to Accounts Payable for $2,500.
4. An account payable was paid by issuing a check for $800. The payment was recorded by debiting Accounts Payable $800 and crediting Accounts Receivable $800.

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 186

1. The trial balance totals will be unequal. The credit column will be $450 larger than the debit column.
2. The trial balance totals will be misstated but not unequal.
3. The trial balance totals will be unequal. The debit column will be $5,000 larger than the credit column.
4. The trial balance totals will be misstated but not unequal.

LO4 BT: AN Difficulty: Medium TOT: 5 min. AACSB: Analysis AICPA BB: CT AICPA PC: PS

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Ex. 187

L. Phair and Associates is a financial planning service. The account balances at December 31, 2018 are shown by the following alphabetical list:

Accounts Payable	$ 5,000
Accounts Receivable	19,000
Buildings	140,000
Cash	11,700
Common Stock	143,400
Equipment	15,400
Land	42,000
Notes Payable	95,000
Notes Receivable	8,100
Prepaid Insurance	6,400
Supplies	800

Instructions
Prepare a trial balance with the accounts arranged in financial statement order.

Solution 187

L. PHAIR AND ASSOCIATES
Trial Balance
December 31, 2018

	Debit	Credit
Cash	$ 11,700	
Accounts Receivable	19,000	
Prepaid Insurance	6,400	
Supplies	800	
Notes Receivable	8,100	
Equipment	15,400	
Buildings	140,000	
Land	42,000	
Accounts Payable		$ 5,000
Notes Payable		95,000
Common stock		143,400
Totals	$243,400	$243,400

LO4 BT: AP Difficulty: Medium TOT: 10 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Ex. 188

The ledger accounts of the Fabulous Muscles Gym at June 30, 2018 are shown below:

Accounts Payable	$ 9,100
Accounts Receivable	1,050
Buildings	43,000
Cash	14,100
Common Stock	62,800
Dividends	10,500
Equipment	42,900
Notes Payable	40,000
Supplies	350

Instructions
Prepare a trial balance with the ledger accounts arranged in the proper financial statement order. Include the appropriate heading.

Solution 188

FABULOUS MUSCLES GYM
Trial Balance
June 30, 2018

	Debit	Credit
Cash	$14,100	
Accounts Receivable	1,050	
Supplies	350	
Equipment	42,900	
Buildings	43,000	
Notes Payable		$ 40,000
Accounts Payable		9,100
Common Stock		62,800
Dividends	10,500	
Totals	$111,900	$111,900

LO4 BT: AP Difficulty: Medium TOT: 10 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Ex. 189

The ledger account balances for Galaxie 500 Company are listed below.

Accounts Payable	$ 6,000
Accounts Receivable	7,000
Cash	5,200
Common Stock	11,000
Dividends	4,000
Salaries and Wages Expense	20,800
Service Revenue	30,000
Unearned Service Revenue	2,000
Utilities Expense	12,000

Instructions
Prepare a trial balance in proper form for Galaxie at December 31, 2018.

Solution 189

GALAXIE 500
Trial Balance
December 31, 2018

	Debit	Credit
Cash	$5,200	
Accounts Receivable	7,000	
Accounts Payable		$ 6,000
Unearned Service Revenue		2,000
Common stock		11,000
Dividends	4,000	
Service Revenue		30,000
Salaries and Wages Expense	20,800	
Utilities Expense	12,000	
	$49,000	$49,000

LO4 BT: AP Difficulty: Medium TOT: 8 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Ex 190

The bookkeeper for Antony Johnson Auto Repair made a number of errors in journalizing and posting, as described below.

1. A credit posting of $500 to Accounts Receivable was omitted.
2. A debit posting of $750 for Prepaid Insurance was debited to Insurance Expense.
3. A collection from a customer of $100 in payment of its account owed was journalized and posted as a debit to Cash $100 and a credit to Service Revenue $100.
4. A credit posting of $350 to Interest Payable was made twice.
5. A cash purchase of supplies for $250 was journalized and posted as a debit to Supplies $25 and a credit to Cash $25.
6. A debit of $685 to Advertising Expense was posted as $658.

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Ex. 190 (cont.)

Instructions
For each error:
(a) Indicate whether the trial balance will balance.
(b) If the trial balance will not balance, indicate the amount of the difference.
(c) Indicate the trial balance column that will have the larger total.

Consider each error separately. Use the following form, in which error (1) is given as an example.

Error	(a) In Balance	(b) Difference	(c) Larger Column
(1)	No	$500	debit

Solution 190

Error	(a) In Balance	(b) Difference	(c) Larger Column
1.	No	$500	Debit
2.	Yes	—	—
3.	Yes	—	—
4.	No	350	Credit
5.	Yes	—	—
6.	No	27	Credit

LO4 BT: AN Difficulty: Hard TOT: 8 min. AACSB: Analytic AICPA BB: CT AICPA PC: PS

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

COMPLETION STATEMENTS

191. An _____ is a record of increases and decreases in specific assets, liabilities, and stockholders' items.

192. The process of entering an amount on the left side of an account is called _____ the account, and making an entry on the right side is called _____ the account.

193. _____, _____, and _____ have debit normal account balances whereas _____, _____, and _____ have credit normal account balances.

194. The four subdivisions of stockholders' equity are: _____, _____, _____, and _____.

195. The basic steps in the recording process are: _____ each transaction, enter the transaction in a _____, and transfer the _____ information to appropriate accounts in the _____.

196. A sales slip, a check, and a cash register tape are examples of _____ used as evidence that a transaction has taken place.

197. An accounting record where transactions are initially recorded in chronological order is called a _____.

198. When three or more accounts are required in one journal entry, the entry is referred to as a _____ entry.

199. The entire group of accounts and their balances maintained by a company is called the _____.

200. A two column list of all accounts and their balances at a given time is a _____.

Answers to Completion Statements

191. account
192. debiting, crediting
193. Assets, expenses, dividends, common stock/retained earnings, liabilities, revenues
194. common stock, dividends, revenues, expenses
195. analyze, journal, journal, ledger
196. business documents
197. journal
198. compound
199. general ledger
200. trial balance

LO1-4 BT: K Difficulty: Easy TOT: 8 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

MATCHING

201. Match the items below by entering the appropriate code letter in the space provided.

A.	Account	F.	Journal
B.	Normal account balance	G.	Posting
C.	Debit	H.	Chart of accounts
D.	Revenue account	I.	Trial balance
E.	Compound entry	J.	Simple entry

____ 1. An entry that involves three or more accounts.

____ 2. Transferring journal entries to ledger accounts.

____ 3. The side which increases an account.

____ 4. A list of all the accounts used by a company.

____ 5. A record of increases and decreases in specific assets, liabilities, and stockholdersl items.

____ 6. Left side of an account.

____ 7. An entry that involves only two accounts.

____ 8. A book of original entry.

____ 9. A list of accounts and their balances at a given time.

____ 10. Has a credit normal balance

Answers to Matching

1.	E	6.	C
2.	G	7.	J
3.	B	8.	F
4.	H	9.	I
5.	A	10.	D

LO1-4 BT: K Difficulty: Easy TOT: 3 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

SHORT-ANSWER ESSAY QUESTIONS

S-A E 202

An account is an important accounting record where financial information is stored until needed. Briefly explain (1) the nature of an account, (2) the different types of accounts, and (3) the manner in which an account is increased and decreased and its normal balance.

Solution 202

An account is an individual accounting record of increases and decreases in specific asset, liability, and stockholders' equity accounts. In its simplest form, an account consists of three parts: (1) the title of the account, (2) a left or debit side, and (3) a right or credit side (it resembles the letter T). Accounts are classified as asset, liability, stockholders' equity, revenue, and expense. Accounts with a normal debit balance, such as assets and expenses, are increased when debited and decreased when credited. Accounts with a normal credit balance, such as liabilities and revenues, are increased when credited and decreased when debited.

LO1 BT: C Difficulty: Medium TOT: 5 min. AACSB: Comm. AICPA BB: CT AICPA PC: Communication

S-A E 203

Your roommate, a marketing major, thinks that debit means decrease and credit means increase. And, that every account can be debited and credited and as result, every account can have both a debit and a credit balance. Explain to your roommate (1) the meaning of debit and credit; (2) which accounts can only be debited, which can only be credited, and which can be both debited and credited; and (3) which accounts normally have debit balances and which credit balances.

Solution 203

The terms debit and credit mean the left and right side, respectively, of every account. Some accounts such as Dividends and Expenses are only debited; other accounts such as Common Stock and Revenues are only credited; and finally, some accounts such as Cash, Accounts Receivable, and Accounts Payable can be debited and credited. Accounts with debit balances include Assets, Dividends, and Expenses. Accounts with credit balances include Liabilities, Common Stock, Retained Earnings, and Revenues.

LO1 BT: C Difficulty: Medium TOT: 5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

S-A E 204

A fellow classmate is confused about how debits and credits relate to the basic accounting equation. State the basic accounting equation, convert it into the expanded accounting equation, and then explain how it ties into the rules for debits and credits.

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 204

The basic accounting equation is:

Assets = Liabilities + Stockholders' Equity

The expanded equation divides Stockholders' Equity into its various parts, reflecting the stockholders investment, dividends, revenues, and expenses:

Assets = Liabilities + Common Stock + Retained Earnings– Dividends + Revenues – Expenses

This expanded equation can then be re-arranged to explain why certain accounts have debit (left-hand) balances, while other accounts have credit (right-hand) balances, as follows:

Assets + Dividends + Expenses = Liabilities + Common Stock + Retained Earnings + Revenues

The accounts on the left-hand side of the equation have left-hand, or debit, balances, while the accounts on the right-hand side of the equation have right-hand, or credit, balances. Accounts with debit balances are increased with debits and decreased with credits, while accounts with credit balances are increased with credits and decreased with debits.

LO1 BT: S Difficulty: Hard TOT: 10 min. AACSB: RT AICPA BB: CT AICPA PC: Communication

S-A E 205

Describe the process of preparing a trial balance. What is the purpose of preparing a trial balance? If a trial balance does not balance, identify what might be the reasons why it does not balance. If the trial balance does balance, does that insure that the ledger accounts are correct? Explain.

Solution 205

The process of preparing a trial balance consists of (1) listing the account titles and their debit or credit balances in the order in which they appear in the general ledger, (2) totaling the debit and credit columns, and (3) proving the equality of the total debits and total credits. The primary purpose of the trial balance is to prove the equality of the debits and credits after posting. A trial balance also uncovers errors in journalizing and posting because errors in journalizing and posting cause a trial balance not to balance. A trial balance does not prove that all transactions have been recorded or that the ledger is correct. The trial balance may balance even when (1) an entire transaction is not journalized, (2) a correct journal entry is not posted, (3) a journal entry is posted twice, (4) incorrect accounts are used in journalizing or posting, or (5) offsetting errors are made in recording the amount of a transaction or posting to the ledger.

LO4 BT: AN Difficulty: Medium TOT: 5 min. AACSB: Comm. AICPA BB: CT AICPA PC: Communication

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

S-A E 206

A classmate who is a computer science major thinks that accountants are obsolete. She states that computers can do the entire process without any human assistance.

Discuss the steps in the recording process and indicate what role the computer plays in that process.

Solution 206

The initial step in the recording process is to analyze each transaction. This is done by analyzing the source documents to determine which accounts were affected. The computer is not able to perform this step. The second step is enter the transaction in the journal using a journal entry. The computer is not able to perform this step and does not know if the correct accounts are being debited and credited, nor if the correct amounts were entered. It is only able to test the equality of the debits and credits comprising the entry. The final step is to transfer the journal entry to the specific accounts in the ledger (posting). The computer can perform this step efficiently and effectively.

LO2 BT: S Difficulty: Medium TOT: 7 min. AACSB: Comm. AICPA BB: CT AICPA PC: Communication

S-A E 207

Amy Pond, a fellow employee, wants to understand the basic steps in the recording process. Identify and briefly explain the steps in the order in which they occur.

Solution 207

The basic steps in the recording process are:

1. Analyze each transaction. In this step, business documents are examined to determine the effects of the transaction on the accounts.

2. Enter each transaction in a journal. This step is called journalizing and it results in making a chronological record of the transactions.

3. Transfer journal information to ledger accounts. This step is called posting. Posting makes it possible to accumulate the effects of journalized transactions on individual accounts.

LO2 BT: C Difficulty: Medium TOT: 5min. AACSB: Comm. AICPA BB: CT AICPA PC: Communication

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

S-A E 208

All recordable transactions are initially recorded in the journal. Discuss the contributions that the journal makes to the recording process.

Solution 208

The journal makes several significant contributions to the recording process: (1) It discloses in one place the complete effects of a transaction; (2) It provides a chronological record of transactions; and, (3) It helps to prevent and locate errors because the debit and credit amounts for each entry can be readily compared.

LO2 BT: C Difficulty: Medium TOT: 5 min. AACSB: Comm. AICPA BB: CT AICPA PC: Communication

S-A E 209

A bookkeeping student has come to you for tutoring on the recording process. She is confused about the relationship between the chart of accounts and the ledger. Explain the purpose of the chart of accounts and the general ledger. In your explanation indicate the relationship between these two items as well.

Solution 209

The chart of accounts lists all of the accounts that a company uses and their account numbers that identify their location in the ledger. The numbering system used to identify the accounts usually starts with the balance sheet accounts followed by the income statement accounts.

The general ledger contains all of the accounts of a company and their respective balances at any point in time. The ledger is organized by account number with assets coming first, then liabilities, stockholders' equity, revenue, and expense accounts.

LO3 BT: C Difficulty: Easy TOT: 5 min. AACSB: Comm. AICPA BB: CT AICPA PC: Communication

S-A E 210

The process of transferring the information in the journal to the general ledger is called posting. Explain the posting process, including the importance of the journal page number and the account numbers.

Solution 210

The posting process begins with locating the account(s) being debited in the general ledger. Then entering the date of the entry, the journal page number where the entry originated and debit portion of the entry in the date, reference and debit columns, respectively. Once this done, the account number(s) of the account(s) being debited is (are) entered in the reference column in the journal. Next, the credit portion of the journal entry is posted to the appropriate accounts in the ledger following the same steps as noted for the debit portion.

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 210 (cont.)

The importance of the journal page number, in the reference column of each account in the general ledger accounts, is to indicate where to find the original entry. And, the general ledger account numbers, in the reference column of the journal, indicate that the entry has been posted.

LO3 BT: S Difficulty: Medium TOT: 5 min. AACSB: Comm. AICPA BB: CT AICPA PC: Communication

S-A E 211

During a study session, a classmate states that it is not necessary to make journal entries and then post them to the ledger. She states that it is sufficient to analyze the transaction and simply record the information in T-accounts.

What is your response to this statement? Be brief, yet concise.

Solution 211

You have a very good point regarding the steps of the accounting cycle. If a company only has a few transactions, it might be possible to simply analyze them and then record each in T-accounts. However, nearly all businesses have many transactions each day. There must be a systematic way to process these transactions. The steps of the accounting cycle represent this process. After analyzing each transaction, a journal entry needs to be prepared. The journal represents a chronological listing of every transaction for a business. This allows users to review past transactions. Your approach does not leave a trail that can be reviewed at a later date. Once the journal entries are made, posting allows each line of the journal to be transferred into the ledger. This process increases and decreases individual accounts in the ledger. At the end of the accounting period, the balance of each account is determined and the trial balance is prepared.

Based on your approach, if someone saw a credit to cash for $10,000 and wondered what the debit was, that person would have to go through every ledger account to locate the corresponding debit. By having a general journal, the person can view the entire transaction, thus easily seeing the account that was debited.

Your approach may work for a very simple business, but it would result in problems for the majority of businesses and accountants.

LO2, 3 BT: S Difficulty: Medium TOT: 7 min. AACSB: Comm. AICPA BB: CT AICPA PC: Communication

S-A E 212 (Ethics)

Jim Coleman, Jr. was appointed the manager of Maris Properties, a recently formed company that manages residential rental properties. Linda Grider is the accountant. She prepared a chart of accounts based on an analysis of the expenditures of the company. Two of the largest expense categories are Travel and Entertainment. Mr. Coleman believes that it is important to maintain a presence in the social life of the city. In this, he sharply differs from his father, Jim Coleman, Sr. The elder Mr. Coleman has set up Maris Properties in order to test his son's management skills before allowing him to manage the more lucrative commercial property business. Mr. Coleman, Sr. provided the capital for Maris, and maintains close contact with the company. He allowed his son, however, to hire his own employees.

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

S-A E 212 (cont.)

Mr. Coleman has asked Ms. Grider to change the names of the Travel and Entertainment Expense accounts to Property Development. He hopes to deflect his father's attention away from the amount he has spent on travel and entertainment until he has proven that his methods work. When Ms. Grider resisted, he reminded her that he, not his father, hired her. He also reminded her that she had been enthusiastic about his business plans when she was hired.

Required:

1. Who are the stakeholders in this situation?
2. Should Ms. Grider agree to the change in the Travel Expense and Entertainment Expense accounts to Property Development? Explain.

Solution 212

1. The stakeholders in this situation include
   Mr. Coleman, Jr.
   Linda Grider
   Mr. Coleman, Sr.
   Bankers and others who might rely on the financial statements

2. Ms. Grider definitely should not agree to the name change. The intention of the person making the change is to deceive someone who has a right to know the affairs of the business, fully and completely. Though Ms. Grider was hired by Mr. Coleman, Jr., and though she may agree with his business methods, she cannot be a party to such deceit.

LO1 BT: E Difficulty: Medium TOT: 7 min. AACSB: Ethics AICPA BB: CT AICPA PC: Professional Demeanor

S-A E 213 (Communication)

A classmate is considering dropping his accounting class because he cannot understand the rules of debits and credits.

a. Can the student be successful in the course without an understanding of the rules of debits and credits?

b. Explain the rules of debits and credits in a way that will help him understand them.

Solution 213

a. Accounting is based on the double-entry system. This system records the dual effect of each transaction in the appropriate accounts, thus keeping the accounting equation in balance. Each transaction is analyzed and recorded using this dual effect system. If you do not have this basic understanding, the remaining chapters will become increasingly more difficult. You will not have the ability to make journal entries for the many new topics in these upcoming chapters.

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution 213 (cont.)

b. You may be trying to memorize the rules of debits and credits, only to discover that this does not work. Here are some other ways to master this very important topic:

- Make sure that you understand the accounting equation. Assets equal the total of liabilities and stockholders' equity. Stockholders' equity is not an account but rather a group of accounts that includes stockholders' investment, revenues, expenses, and dividends. Common stock, retained earnings and revenues cause stockholders' equity to increase while expenses and dividends cause stockholders' equity to decrease.
- Next, make sure that you understand the accounting meaning of the terms debit and credit. In accounting, debit means left and credit means right. Don't try to add any more to these definitions.
- Then, work with the rules for debits and credits. These rules determine whether a debit or credit increases or decreases an account. Start with assets. Assets are increased with a debit and thus decreased with a credit. Think about the cash account—when cash is received, the account is increased with a debit. When cash is paid, the account is decreased with a credit. The remaining accounts are on the right side of the equal sign in the accounting equation. All of the other rules for debits and credits keep the equation in balance. Liabilities, Common Stock, Retained Earnings and Revenues are all increased with credits. Expenses and Dividends are the two accounts that cause stockholders' equity to decrease, thus they must be increased with a debit.

LO1 BT: S Difficulty: Hard TOT: 10 min. AACSB: RT AICPA BB: CT AICPA PC: Communication

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

CHALLENGE EXERCISES

CE 1

Presented below is information related to Pickett Real Estate Agency.

Oct. 1 Jeff Pickett begins business as a real estate agent with a cash investment of $30,000 in exchange for common stock.

2 Hires an administrative assistant.

3 Purchases office equipment for $3,500, by paying $500 cash with the balance on account.

6 Sells a house and lot for N. Foster, earning a fee of $6,900 with $900 collected in cash and the balance billed to N. Foster.

27 Pays $1,000 on the balance related to the transaction of October 3.

30 Pays the administrative assistant $2,300 in salary for October.

31 Collects $1,500 of the balance owed by N. Foster.

Instructions

1. Journalize the transactions. (You may omit explanations.)

2. What balance would Pickett Real Estate Agency report for Accounts Payable in its October 31 financial statements? In which category of which financial statements would it be found?

3. What balance would Pickett Real Estate Agency report for Accounts Receivable in its October 31 financial statements? In which category of which financial statements would it be found?

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution CE 1

1.	Cash	30,000	
	Common Stock		30,000
2.	No entry		
3.	Equipment	3,500	
	Cash		500
	Accounts Payable		3,000
6.	Cash	900	
	Accounts Receivable	6,000	
	Service Revenue		6,900
27.	Accounts Payable	1,000	
	Cash		1,000
30.	Salaries and Wages Expense	2,300	
	Cash		2,300
31.	Cash	1,500	
	Accounts Receivable		1,500

2. The October 31 balance of Accounts Payable is $2,000 ($3,000 - $1,000), and would be reported in the liabilities section of the balance sheet.

3. The October 31 balance of Accounts Receivable is $4,500 ($6,000 - $1,500), and would be reported in the assets section of the balance sheet.

CE 2

Selected transactions for Garver Company during its first month in business are presented below.

Sept. 1 Invested $25,000 cash in the business in exchange for common stock.

5 Purchased equipment for $27,000 paying $6,000 in cash and the balance on account.

11 Performed $3,900 of services for clients, collecting $1,000 cash and billing them for the remainder.

25 Paid $7,000 cash on balance owed for equipment.

30 Declared and paid a $600 cash dividend.

30 Collected $1,200 from the clients from the September 11 transactions.

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

The Chart of accounts shows: No. 101 Cash, No. 112 Accounts Receivable, No. 157 Equipment, No. 201 Accounts Payable, No. 311 Common Stock, No. 332 Dividends, and No. 400 Service Revenue.

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Instructions

(a) Journalize the transactions on page 1 of the journal (Omit explanations).
(b) Post the transactions using the standard account form.
(c) Based only on these transactions, what amount would Garver Company report as total assets in the October 31 balance sheet?
(d) Based only on these transactions, what amount would Garver Company report as total liabilities in the October 31 balance sheet.

Solution CE 2

(a)

General Journal J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
Sept. 1	Cash	101	25,000	
	Common Stock	311		25,000
5	Equipment	157	27,000	
	Cash	101		6,000
	Accounts Payable	201		21,000
11	Cash	101	1,000	
	Accounts Receivable	112	2,900	
	Service Revenue	400		3,900
25	Accounts Payable	201	7,000	
	Cash	101		7,000
30	Dividends	332	600	
	Cash	101		600
30	Cash	101	1,200	
	Accounts Receivable	112		1,200

(b)

Cash No. 101

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1		J1	25,000		25,000
5		J1		6,000	19,000
6		J1	1,000		20,000
25		J1		7,000	13,000
30		J1		600	12,400
30		J1	1,200		13,600

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution CE 2 (cont.)

Accounts Receivable — Account No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 11		J1	2,900		2,900
. 30		J1		1,200	1,700

Equipment — Account No. 155

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1	27,000		27,000

Accounts Payable — Account No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1		21,000	21,000
Sept. 25		J1	7,000		14,000

Common Stock — Account No. 311

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1		J1		25,000	25,000

Dividends — Account No. 332

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 30		J1	600		600

Service Revenue — Account No. 400

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1		J1		3,900	3,900

(c) Total assets would be $42,300 ($13,600 + $1,700 + $27,000)

(d) Total liabilities would be $14,000 (just accounts payable).

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

CE 3

The accounts in the ledger of Ace Delivery Service contain ithe following balances on July 31, 2018.

Accounts Receivable	$10,000
Accounts Payable	7,900
Cash	?
Common Stock	35,000
Equipment	45,000
Dividends	900
Gasoline Expense	800
Utilities Expense	600
Maintenance and Repair Expense	1,100
Retained Earnings	5,000
Service Revenue	13,000
Salaries and Wages Expense	?
Salaries and Wages Payable	1,000
Supplies	3,000
Unearned Service Revenue	2,500
Notes Payable	22,000
Prepaid Insurance	2,000

Instructions

Prepare a trial balance with the accounts arranged as illustrated in the chapter and fill in the missing amounts for Cash and Salaries and Wages Expense. Assume net income for the period is $3,500.

FOR INSTRUCTOR USE ONLY

Financial and Managerial Accounting 3rd edition Weygandt Test Bank

Solution CE 3

ACE DELIVERY SERVICE, INC.
Trial Balance
July 31, 2015

	Debit	Credit
Cash**	$16,000	
Accounts Receivable	10,000	
Supplies	3,000	
Prepaid Insurance	2,000	
Equipment	45,000	
Notes Payable		$22,000
Accounts Payable		7,900
Salaries and Wages Payable		1,000
Unearned Service Revenue		2,500
Common Stock		35,000
Retained Earnings		5,000
Dividends	900	
Service Revenue		13,000
Salaries and Wages Expense*	7,000	
Maintenance and Repairs Expense	1,100	
Gasoline Expense	800	
Utilities Expense	600	
	$86,400	$86,400

*$13,000 - $1,100 - $800 - $600 - Salaries and Wages Expense = $3,500; Salaries and Wages Expense = $7,000

**$86,400 (total credits) - $70,400 (total debits without cash).

Financial and Managerial Accounting 3rd edition Weygandt Test Bank