Fundamental Accounting Principles Volume 1 (Canadian) 15th edition Larson Test Bank

SKU: 9781259087271-TEST-BANK

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

1) The first step in the accounting cycle is transaction analysis.
Answer: True False

2) An account is a detailed record of increases and decreases in a specific asset, liability or equity item.
Answer: True False

3) A ledger is a type of account.
Answer: True False

4) Goods sold on credit to customers are called accounts payable.
Answer: True False

5) As prepaid assets are used up, the costs of the assets become expenses.
Answer: True False

6) Withdrawals are a type of transaction that affects equity.
Answer: True False

7) A building is an example of an asset that does not provide any benefit to its owner.
Answer: True False

8) To make it easier for the bookkeeper, the cost of land is separated from the cost of buildings located on the land.
Answer: True False

9) Unearned revenues are assets, because a service or product is owed to the customer.
Answer: True False

10) Cash withdrawn by the owner of an unincorporated business in the form of a monthly salary should be treated as an expense of the business.
Answer: True False

11) When a company sells services for which cash will not be received until some future date, the company should credit an unearned revenues account for the amount charged to the customer.
Answer: True False

12) A T-Account is a formal account frequently used in business.
Answer: True False

13) An account balance is the difference between the increases and decreases recorded in an account.
Answer: True False

14) The left side of a T-account is always the credit side, while the right side is always the debit side.
Answer: True False

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15) The accounting equation is expressed as assets = liabilities - equity.
Answer: True False

16) The accounting equation can be expressed as liabilities = assets - equity.
Answer: True False

17) In a double-entry accounting system, total debits must always equal total credits.
Answer: True False

18) Double-entry accounting means that every transaction affects and is recorded in at least two accounts.
Answer: True False

19) Debits increase asset and expense accounts.
Answer: True False

20) Credits to accounts are always increases.
Answer: True False

21) To credit an expense account means to decrease it.
Answer: True False

22) Increases in liabilities are recorded as debits.
Answer: True False

23) All increases and decreases in cash are not necessarily recorded in the Cash account.
Answer: True False

24) A revenue account normally has a debit balance.
Answer: True False

25) Debits to accounts are normally decreases.
Answer: True False

26) Because they decrease equity, withdrawals made by a business owner are credited to his/her withdrawals account.
Answer: True False

27) Asset accounts normally have credit balances and expense accounts normally have debit balances.
Answer: True False

28) The normal balance of an account refers to the debit or credit side where increases are recorded.
Answer: True False

29) The chart of accounts is a list of all the accounts used by a company.
Answer: True False

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30) A chart of accounts lists the accounts and balances at a specific time.
Answer: True False

31) Purchasing supplies on credit increases assets while decreasing liabilities.
Answer: True False

32) Prepaid Insurance is an expense account which is used for recording expenses that have been paid in advance.
Answer: True False

33) A credit purchase of a business expense item should be recorded with a debit to an expense account and a credit to Accounts Payable.
Answer: True False

34) If a company purchases land, paying part with cash and issuing a note payable for the balance, the journal entry to record this transaction will include a debit to Cash.
Answer: True False

35) If a company sells products and receives from the customer a formal written promise to pay a definite sum of money on demand or on a defined future date (or dates), the seller should debit the promised amount to Accounts Receivable.
Answer: True False

36) A transaction that decreases an asset account and increases a liability account must also affect another account.
Answer: True False

37) When a business sends a bill for $200 to a customer for services rendered, the journal entry to record this transaction will include a $200 credit to Accounts Receivable.
Answer: True False

38) A transaction that increases an asset account and decreases a liability account must also affect another account.
Answer: True False

39) Step Two of the accounting cycle requires that we record transactions in a record called a journal.
Answer: True False

40) A compound journal entry usually affects three or more accounts.
Answer: True False

41) A general journal entry usually includes information about the date of a transaction, titles of affected accounts, dollar amount of each debit and credit and an explanation of the transaction.
Answer: True False

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42) Posting is the process of copying the debit and credit amounts from a journal to the ledger accounts.
Answer: True False

43) Since all figures are eventually posted to the ledger, the posting reference column in a journal is not necessary.
Answer: True False

44) An abnormal balance in an account refers to a balance on the side where decreases are recorded.
Answer: True False

45) The trial balance is a list of the accounts that have balances in the ledger.
Answer: True False

46) A trial balance that is in balance is proof that no errors were made in journalizing the transactions, posting to the ledger, and preparing the trial balance.
Answer: True False

47) If an account was incorrectly debited for $300 instead of correctly credited for $300, the account is out of balance by $300.
Answer: True False

48) If an error is discovered in either the journal or the ledger, it must be corrected by erasing the incorrect amount and entering the corrected amount.
Answer: True False

49) The total dollar value of all debits and credits recorded in a journal entry must be equal.
Answer: True False

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

50) The accounting cycle begins with:
A) Presentation of financial information to decision makers.
B) Analysis of economic events and recording their effects.
C) Posting to the ledger.
D) Preparing financial statements and other reports.
E) None of these answers is correct.
Answer: B

51) A place or location within an accounting system in which the increases and decreases in a specific asset, liability, or equity item is recorded and stored is called a(n):
A) Ledger.
B) Trial balance.
C) Journal.
D) Account.
E) Chart of accounts.
Answer: D

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52) An account used to record the owner's investments in the business plus any more or less permanent changes in the equity is called a(n):
A) Expense account.
B) Withdrawals account.
C) Revenue account.
D) Capital account.
E) Asset account.
Answer: D

53) The account sometimes referred to as the owner's personal account or drawing account is called a(n):
A) Withdrawals account.
B) Capital account.
C) Liability account.
D) Revenue account.
E) Expense account.
Answer: A

54) Which of the following statements is correct?
A) When an insurance premium is paid in advance, the payment is normally recorded in a liability account called Prepaid Insurance.
B) Increases and decreases in cash are always recorded in the equity account.
C) An account called Land is commonly used to record increases and decreases in the land and buildings owned by a business.
D) Goods and services are commonly sold to customers on the basis of oral or implied promises of future payment, called promissory notes.
E) None of these statements are correct.
Answer: E

55) Unearned revenues are:
A) Revenues that have been earned and received.
B) Recorded as an asset in the accounting records.
C) Increases to owners' equity.
D) Revenues that have been earned but not yet collected.
E) Liabilities created by advance cash payments from customers for products or services.
Answer: E

56) Prepaid expenses are:
A) Classified as liabilities on the balance sheet.
B) Payments made for economic benefits that never expire.
C) Generally all combined into one account called "Miscellaneous Expenses".
D) Always debited to an expense account.
E) Assets created by payments for economic benefits that are not used up until later.
Answer: E

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57) Which of the following statements is correct?
A) The left side of a T-account is the debit side.
B) The left side of a T-account is the credit side.
C) The right side of a T-account is the debit side.
D) Entries that increase asset, expense, and revenue accounts are posted as debits.
E) Entries that decrease asset and expense accounts, or increase liability, equity, and revenue accounts are posted as debits.
Answer: A

58) An unconditional written promise to pay a definite sum of money on demand or on a defined future date (or dates) is a(n):
A) Prepaid expense.
B) Unearned revenue.
C) Account receivable.
D) Promissory note.
E) Account payable.
Answer: D

59) A simple account form widely used in accounting education to illustrate how debits and credits work is called a:
A) Ledger.
B) Withdrawals account.
C) Balance column account.
D) T-account.
E) Capital account.
Answer: D

60) An account balance is:
A) Not used in the real world.
B) The total of the credit side of the account.
C) The same as the balance sheet equation.
D) The difference between the increases (including the beginning balance) and decreases recorded in the account.
E) The total of the debit side of the account.
Answer: D

61) A record of all accounts used by a business is called a:
A) General Journal.
B) Journal.
C) Ledger.
D) Book of original entry.
E) Trial balance.
Answer: C

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62) The right side of a T-account is a(n):
A) Credit.
B) Account balance.
C) Debit.
D) Decrease.
E) Increase.
Answer: A

63) Double-entry accounting is:
A) An accounting system that records the effects of transactions and other events in at least two accounts with equal debits and credits.
B) An accounting system in which errors never occur.
C) An accounting system that disregards the accounting equation, A = L + E.
D) An accounting system in which each transaction affects and is recorded in two or more accounts with unequal debits and equal credits.
E) An accounting system in which the sum of the debit account balances never equals the sum of the credit account balances.
Answer: A

64) A debit is used to record:
A) An increase in a revenue account.
B) A decrease in the withdrawals account.
C) A decrease in an asset account.
D) An increase in a liability account.
E) An increase in an asset account.
Answer: E

65) Of the following accounts, the one that normally has a debit balance is:
A) Unearned Revenue.
B) Accounts Payable.
C) Ted Neal, Capital.
D) Sales Revenue.
E) Accounts Receivable.
Answer: E

66) Of the following accounts, the one that normally has a credit balance is:
A) Cash.
B) Office Equipment.
C) Sales Salaries Expense.
D) Ted Neal, Withdrawals.
E) Sales Salaries Payable.
Answer: E

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67) Which of the following statements is *incorrect*?
A) The normal balance of an expense account is a credit.
B) The normal balance of an unearned revenues account is a credit.
C) The normal balance of the owner's withdrawals account is a debit.
D) The normal balance of the accounts receivable account is a debit.
E) The abnormal balance of a revenue account is a debit.
Answer: A

68) A credit is used to record:
A) An increase in a revenue account.
B) A decrease in an expense account.
C) A decrease in an asset account.
D) An increase in an unearned revenue account.
E) All of these answers are correct.
Answer: E

69) A debit entry:
A) Decreases liability and equity accounts.
B) Increases the owner's withdrawals account.
C) Decreases revenue accounts.
D) Increases asset and expense accounts.
E) All of these answers are correct.
Answer: E

70) A credit entry:
A) Decreases asset and expense accounts, or increases liability, equity, and revenue accounts.
B) Is recorded on the left side of a T-account.
C) Increases the withdrawals account.
D) Increases asset and expense accounts, or decreases liability, equity, and revenue accounts.
E) Decreases asset, expense and revenue accounts.
Answer: A

71) A list of all accounts used by a company, including the identification number assigned to each account, is called a:
A) Chart of accounts.
B) Journal.
C) General Journal.
D) Ledger.
E) Trial balance.
Answer: A

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72) An asset created by a payment for economic benefits that does not expire until some later time is:
A) Recorded as a credit to an unearned revenue account.
B) Recorded as a debit to a prepaid expense account.
C) Recorded as a debit to an unearned revenue account.
D) Recorded as a credit to a prepaid expense account.
E) Not recorded in the accounting records.
Answer: B

73) A liability created by the receipt of cash from customers in payment for products or services that have not yet been delivered to the customers is:
A) Recorded as a credit to a prepaid expense account.
B) Recorded as a debit to an unearned revenue account.
C) Recorded as a debit to a prepaid expense account.
D) Recorded as a credit to an unearned revenue account.
E) Not recorded in the accounting records.
Answer: D

74) On May 31, Don Company had an Accounts Payable balance of $57,000. During the month of June, total credits to Accounts Payable were $34,000, which resulted from purchases on credit. The June 30 Accounts Payable balance was $32,000. What was the amount of payments made during June?
A) $84,000. B) $34,000. C) $57,000. D) $59,000. E) $32,000.
Answer: D

75) On June 30, the Cash account of Lutness Company had a normal balance of $4,300. During July the account was debited for a total of $3,400 and credited for a total of $3,600. What was the balance in the Cash account on August 1?
A) $4,100 debit.
B) $-0.
C) $3,400 debit.
D) $3,400 credit.
E) $4,100 credit.
Answer: A

76) During the month of November, Cornish Company had cash receipts of $3,500 and paid out $1,000 for expenses. The November 30th cash balance was $4,300. What was the cash balance on November 1?
A) $2,800. B) $4,300. C) $5,800. D) $7,300. E) $1,800.
Answer: E

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77) The following transactions occurred during July for Hurley Services:

(1) Received $800 cash for photography services provided to customer during the month.
(2) Received $500 cash from Barbara Blanc, the owner of the business.
(3) Received $300 from a customer in partial payment of his account receivable which arose as a result of sales during June.
(4) Rendered photography services to a customer on credit, $1,500.
(5) Borrowed $800 from the bank by signing a promissory note.
(6) Received $500 from a customer in payment for services to be rendered next year.

How much revenue was earned in July?

A) $2,300. B) $5,500. C) $2,800. D) $7,000. E) $1,200.

Answer: A

78) If Girard Don, the owner of Girard's Software proprietorship, uses cash of the business to purchase a personal computer, the business should record this use of cash with an entry to:

A) Debit Cash and credit Girard Don, Withdrawals.
B) Debit Girard Don, Withdrawals and credit Cash.
C) Debit Salary Expense and credit Cash.
D) Debit Girard Don, Capital and credit Cash.
E) Debit Girard Don, Salary and credit Cash.

Answer: B

79) The process of copying journal information to the ledger is called:

A) Journalizing.
B) An internal business transaction.
C) Posting.
D) An external business transaction.
E) Double-entering.

Answer: C

80) A column in journals and accounts used to cross reference journal and ledger entries is called the:

A) Credit.
B) Description.
C) Account balance.
D) Debit.
E) Posting reference.

Answer: E

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81) A journal in which transactions are first recorded is:
A) A book of final entry.
B) A ledger.
C) A book of original entry.
D) The cash ledger.
E) A revenue account.
Answer: C

82) The general journal provides a place for recording:
A) The amount of each debit and credit.
B) An explanation of the transaction.
C) The transaction date.
D) The names of the accounts involved.
E) All of these answers are correct.
Answer: E

83) A balance column ledger account is:
A) An account used to record the transfers of assets from a business to its owner.
B) An account entered on the balance sheet.
C) Another name for the withdrawals account.
D) An account with debit and credit columns for recording entries and a third column for showing the balance of the account after each entry is posted.
E) A simple form of account that is widely used in accounting education to illustrate the debits and credits required in recording a transaction.
Answer: D

84) A ledger is:
A) A book of original entry.
B) A book of final entry.
C) Another name for the bank account.
D) A book in which a complete record of transactions is recorded and from which transaction amounts are posted to the accounts.
E) A journal in which transactions are first recorded.
Answer: B

85) A book of original entry is:
A) Also called a ledger.
B) Sometimes called a book of final entry.
C) Another name for the cash account.
D) A book in which amounts are posted from a journal.
E) Another name for the general journal.
Answer: E

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86) A compound journal entry is:
A) A journal entry that affects at least three accounts.
B) A journal entry involving only two ledger accounts.
C) A journal entry that affects at least four accounts.
D) A journal entry involving at least two accounting periods.
E) A journal entry that has three or more debits and three or more credits.
Answer: A

87) The most flexible type of journal that can be used to record any kind of transaction is called a:
A) General Journal.
B) Trial balance.
C) Chart of accounts.
D) Balance column account.
E) Ledger.
Answer: A

88) Welder Company purchases supplies from Plumber Company on account. The entry for this transaction will include a:
A) Credit to Accounts Payable for Plumber Company.
B) Debit to Accounts Receivable for Plumber Company.
C) Debit to Accounts Receivable for Welder Company.
D) Credit to Accounts Receivable for Welder Company.
E) Debit to Accounts Payable for Welder Company.
Answer: B

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89) Green's Book Store purchased a new automobile that cost $25,000, made a down payment of $4,000, and signed a note payable for the balance. The entry to record this transaction is:

A)

Automobile	25,000	
Cash		21,000
Janfer, Capital		4,000

B)

Automobile	25,000	
Notes Payable		21,000
Cash		4,000

C)

Automobile	25,000	
Cash		25,000

D)

Cash	21,000	
Note Payable	4,000	
Automobile		25,000

E)

Cash	25,000	
Automobile		25,000

Answer: B

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90) Eli opened a new business by investing the following assets: cash, $6,000; land, $30,000; building, $100,000. Also, the business will assume responsibility for a note payable of $22,000. Eli signed the note as part of his payment for the land and building. Which journal entry should be used on the books of the new business to record the investment by Eli?

A)

Cash	6,000	
Land	30,000	
Building	100,000	
	Eli, Capital	136,000

B)

Cash	6,000	
Land	30,000	
Building	100,000	
	Note Payable	22,000
	Eli, Capital	114,000

C)

Cash	6,000	
Assets	136,000	
	Eli, Capital	142,000

D)

Assets	136,000	
	Eli, Capital	136,000

E)

Assets	136,000	
	Liability	22,000
	Eli, Capital	114,000

Answer: B

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91) Zen Hatha opened a Yoga Studio and during a short period as a dealer completed these transactions:

(1) Started the yoga studio, Asha Yoga Studio, by investing $50,000 in cash and equipment with a $28,000 fair value.
(2) Purchased land valued at $35,000 and a small building valued at $80,000; paid $30,000 cash and signed a note payable, agreeing to pay the balance over a period of years.
(3) Purchased office supplies on credit, $100.
(4) Zen Hatha contributed his personal automobile, which had a $12,000 fair value, for exclusive use in the business.
(5) Paid the yoga instructor salary, $500.
(6) Completed monthly yoga classes for the value of $6,500 cash.
(7) Paid $650 cash for a magazine advertisement.
(8) Paid for the supplies purchased in transaction (3).
(9) Purchased new yoga mats for the business, paying $300 cash.
(10) Completed a yoga assessment and billed the client $400.
(11) Zen Hatha withdrew $200 from the business to pay personal expenses.
(12) Received payment in full for the appraisal of transaction (10).

What was the total of the debit balances shown in the trial balance prepared after these transactions were posted?

A) $167,700. B) $243,620. C) $181,900. D) $152,300. E) $173,950.

Answer: C

92) A summary of the ledger that lists the accounts and their balances, in which the total debit balances should equal the total credit balances, is called a(n):

A) Chart of accounts.
B) Ledger.
C) Trial balance.
D) General Journal.
E) Account balance.

Answer: C

93) Which of the following statements is *true*?

A) The trial balance is a list of the accounts in the general ledger.
B) A trial balance is only prepared at year end.
C) The trial balance is never used to prepare financial statements.
D) Another name for the trial balance is the "chart of accounts".
E) The trial balance is a list of all the accounts in the journal.

Answer: A

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94) While in the process of posting from the journal to the ledger, the accountant of X Company failed to post a $50 debit to the Office Supplies account. The effect of this error will be as follows:
A) The error will overstate the debits listed in the journal.
B) The total debits in the trial balance will be larger than the total credits.
C) The Office Supplies account balance will be overstated.
D) The trial balance will not balance.
E) This error will not make any difference.
Answer: D

95) A $15 credit to Sales was posted as a $150 credit. By what amount is Sales out of balance?
A) $135 overstated.
B) $150 understated.
C) $15 understated.
D) $150 overstated.
E) $135 understated.
Answer: A

96) If, on a trial balance, the total of the debits is $7,500 and the total of the credits is $7,419, the difference could have been caused by:
A) A sliding error.
B) An error in copying an account balance from the ledger to the trial balance.
C) Posting only one side of an entry.
D) A transposition error.
E) All of these answers are correct.
Answer: E

97) In which of the following situations would the trial balance not balance?
A) A $1,000 collection of an account receivable was incorrectly posted as a debit to Accounts Receivable and a credit to Cash.
B) The payment of a $750 account payable was posted as a debit to Accounts Payable and a debit to Cash for $750.
C) $50 cash receipt for the performance of a service was not recorded.
D) The purchase of office equipment for $1,200 was posted as a debit to Office Supplies.
E) The purchase of office supplies on account for $3,250 was incorrectly recorded in the journal as $2,350.
Answer: B

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98) The purchase on credit of a delivery truck for $9,600 was posted to Delivery Trucks as a $9,600 debit and to Rent Expense as a $9,600 debit. What effect would this error have on the trial balance?

A) The total of the Credit column of the trial balance will exceed the total of the Debit column by $9,600.
B) The total of the Debit column of the trial balance will exceed the total of the Credit column by $9,600.
C) The total of the Debit column of the trial balance will equal the total of the Credit column.
D) The total of the Debit column of the trial balance will exceed the total of the Credit column by $19,200.
E) The total of the Credit column of the trial balance will exceed the total of the Debit column by $19,200.

Answer: D

99) If the Debit and Credit column totals of a trial balance are equal, then:

A) No sliding or transposition errors have been made.
B) The total debit entries and total credit entries in the ledger are equal.
C) All transactions have been recorded correctly.
D) All entries from the journal have been posted to the ledger correctly.
E) All ledger account balances are correct.

Answer: B

100) Jelly's Grocery Store showed the following account balances at the end of 2015:

Cash	$32,000
Accounts receivable	39,000
Accounts payable	27,000
Revenue	51,000
Rent expense	2,000
Insurance expense	13,600
Salary expense	8,000
Supplies	25,000
Jelly, capital	49,600
Jelly, withdrawals	8,000

If all of the accounts have normal balances, what are the totals for the trial balance?

A) $186,600. B) $127,600. C) $86,000. D) $255,500. E) $119,600.

Answer: B

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101) Of the following errors, which one by itself will cause the trial balance to be out of balance?
A) A $100 receipt from a customer in payment of his account posted as a $100 debit to Cash and a $10 credit to Accounts Receivable.
B) A $200 salary payment posted as a $200 debit to Cash and a $200 credit to Salaries Expense.
C) A $50 cash purchase of office supplies posted as a $50 debit to Office Equipment and a $50 credit to Cash.
D) A $75 receipt from a customer in payment of his account posted as a $75 debit to Cash and a $75 credit to Cash.
E) All of these errors will cause the trial balance to be out of balance.
Answer: A

102) A $130 credit to Office Equipment was credited to Sales by mistake. By what amounts are the accounts under- or overstated as a result of this error?
A) Office Equipment, overstated $260; Sales, understated $130.
B) Office Equipment, overstated $130; Sales, overstated $130.
C) Office Equipment, overstated $130; Sales, understated $130.
D) Office Equipment, understated $130; Sales, overstated $130.
E) Office Equipment, understated $260; Sales, overstated $130.
Answer: B

103) A receipt of $12,600 cash from a customer as a payment on their account was incorrectly credited to Rent Revenue. What is the effect of this error on the financial statements of the company?
A) Assets are overstated by $25,200 and owners' equity is overstated by $25,200.
B) Assets are understated by $12,600 and liabilities are understated by $12,600.
C) Assets are understated by $12,600 and owners' equity is understated by $12,600.
D) Assets are understated by $25,200 and owners' equity is understated by $25,200.
E) Assets are overstated by $12,600 and owners' equity is overstated by $12,600.
Answer: E

104) On March 2, 2015, Lang Company provided snow removal services to a customer for $1,000 cash. What is the impact of this transaction on the net assets of Lang?
A) No impact.
B) Decrease of $1,000.
C) Decrease of $2,000.
D) Increase of $1,000.
E) Increase of $2,000.
Answer: D

105) What types of account balances are increased by credits?
A) Assets and Liabilities.
B) Owners' equity and expenses.
C) Revenues and expenses.
D) Liabilities and revenues.
E) Liabilities and expenses.
Answer: D

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106) The following is a correct journal entry:

Cash	14,400	
Consulting revenue		14,400

What is this journal entry recording?

A) A decrease in an asset and a decrease in owners' equity.
B) An increase in owners' equity and a decrease in assets.
C) An increase in an asset and a decrease in owners' equity.
D) An increase in an asset and an increase in a liability.
E) An increase in an asset and an increase in owners' equity.

Answer: E

107) The process of transferring data from the general journal to the general ledger is called:

A) Recording.
B) Journalizing.
C) Analyzing.
D) Ledgerizing.
E) Posting.

Answer: E

108) The following T-accounts reflect the correct posting of a journal entry on January 9, 2017 by Bailey Company:

Cash	
	10,000

Accounts Payable	
10,000	

What transaction is represented by the posting?

A) Bailey received $10,000 from a customer in payment of his account.
B) Bailey sold inventory to a customer for $10,000 on credit.
C) Bailey bought supplies on credit from a supplier for $10,000 on credit.
D) Bailey paid a supplier $10,000 cash to pay down the amount owing on their account.
E) Bailey bought supplies from a supplier for $10,000 cash.

Answer: D

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

109) List the steps in the accounting cycle.

Answer: (1) Analyze transactions, (2) Journalize, (3) Post, (4) Prepare unadjusted trial balance, (5) Adjust, (6) Prepare adjusted trial balance, (7) Prepare statements, (8) Close, (9) Prepare post-closing trial balance

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110) Put the steps of the accounting cycle in the correct order:

Adjust
Analyze transactions
Close
Journalize
Post
Prepare adjusted trial balance
Prepare post-closing trial balance
Prepare statements
Prepare unadjusted trial balance

Answer: 1. Analyze transactions
2. Journalize
3. Post
4. Prepare unadjusted trial balance
5. Adjust
6. Prepare adjusted trial balance
7. Prepare statements
8. Close
9. Prepare post-closing trial balance

111) Identify each of the following accounts as a revenue, expense, asset, liability, or equity by placing initials (R, E, A, L or E) in the blanks.

_____ (1) Rent Expense
_____ (2) Cash
_____ (3) Equipment
_____ (4) Owner, Capital
_____ (5) Revenue
_____ (6) Accounts Receivable
_____ (7) Accounts Payable
_____ (8) Owner, Withdrawals
_____ (9) Supplies
_____ (10) Unearned Revenue
_____ (11) Prepaid Insurance
_____ (12) Sales

Answer: (1) E (2) A (3) A (4) E (5) R (6) A (7) L (8) E (9) A (10) L (11) A (12) R

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112) The following accounts appear on either the Income Statement (IS) or Balance Sheet (BS). In the space provided next to each account write the letters, IS or BS, that identify the statement on which the account appears.

_____(1) Office Equipment	_____(6) Owner, Capital
_____(2) Salaries Expense	_____(7) Revenue
_____(3) Unearned Revenue	_____(8) Cash
_____(4) Rent Expense	_____(9) Notes Receivable
_____(5) Accounts Payable	_____(10) Wages Payable

Answer: (1) BS (2) IS (3) BS (4) IS (5) BS (6) BS (7) IS (8) BS (9) BS (10) BS

113) David Thomas is a computer consultant and software engineer. Below are the names of several accounts in his ledger with each account name preceded by a number. Following the account names are several transactions completed by Mr. Thomas. Indicate the accounts debited and credited in recording each transaction by placing the proper account numbers in the boxes to the right of each transaction.

(1) Accounts Payable	(6) Office Supplies Expense
(2) Accounts Receivable	(7) Telephone Expense
(3) Cash	(8) Unearned Engineering Service Revenue
(4) Engineering Service Revenue	(9) David Thomas, Capital
(5) Office Supplies	(10) David Thomas, Withdrawals

		Debit	Credit
Example	Completed consulting for a client who promised to pay at a later date.	2	4
(1)	Received payment in advance for designing a software package.	____	____
(2)	Purchased office supplies on credit.	____	____
(3)	David Thomas wrote a cheque on the bank account of the business to pay his home telephone bill. There were no business calls on the bill.	____	____
(4)	Received the telephone bill of the business and immediately issued a cheque to pay it.	____	____
(5)	Returned for credit a portion of the supplies purchased in Transaction 2.	____	____

Answer: (1) debit 3, credit 8 (2) debit 5, credit 1 (3) debit 10, credit 3 (4) debit 7, credit 3 (5) debit 1, credit 5

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114) Dawn Roberts is a real estate consultant and property manager. Below are the names of several accounts in her ledger with each account name preceded by a number. Following the account names are several transactions completed by Ms. Roberts. Indicate the accounts debited and credited in recording each transaction by placing the proper account numbers in the boxes to the right of each transaction.

(1) Accounts Payable	(9) Management revenue
(2) Accounts Receivable	(10) Prepaid Insurance
(3) Appraisal Service Revenue	(11) Salaries Expense
(4) Cash	(12) Telephone Expense
(5) Insurance Expense	(13) Unearned Appraisal Service Revenue
(6) Office Equipment	(14) Unearned Management Revenue
(7) Office Supplies	(15) Dawn Roberts, Capital
(8) Office Supplies Expense	(16) Dawn Roberts, Withdrawals

	Debit	Credit
Example: Completed an appraisal for a client who promised to pay at a later date.	2	3
(1) Received payment in advance for managing an office building.	____	____
(2) Purchased office supplies on credit.	____	____
(3) Dawn Roberts wrote a cheque on the bank account of the business to pay her home telephone bill. There were no business calls on the bill.	____	____
(4) Received the telephone bill of the business and immediately issued a cheque to pay it.	____	____
(5) Paid the salary of the office assistant.	____	____
(6) Paid for the supplies purchased in Transaction 2.	____	____
(7) Complete an appraisal for a client and immediately collected cash for the work done.	____	____

Answer: (1) debit 4, credit 14 (2) debit 7, credit 1 (3) debit 16, credit 4 (4) debit 12, credit 4 (5) debit 11, credit 4 (6) debit 1, credit 4 (7) debit 4, credit 3

115) Explain the steps in processing transactions in an accounting system.

Answer: Business transactions and events are documented by source documents. These source documents are analyzed for the effects of the transactions and events on the accounting records. The information is recorded into the accounting system. The information is then posted to the accounts and organized in the trial balance. The final step is the preparation of financial statements and reports for decision makers.

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116) Explain how accounts are used in recording information about transactions.

Answer: Accounts are classified into five major classifications: assets, liabilities, equity, revenues and expenses. Accounts are used to record detailed information about increases or decreases of specific items in these categories. The accounts serve as the information resource for financial statements and reports.

117) Explain the difference between a ledger and a chart of accounts.

Answer: A ledger is a record containing all of the accounts of a business. The chart of accounts is a list of all of the accounts in the ledger. The chart of accounts usually includes a numbering system for the accounts.

118) Explain debits and credits and their role in the accounting system.

Answer: Debit refers to the left side of an account and credit refers to the right side of an account. Debits and credits form the basis of the double-entry accounting system. This system is based on the concept that all transactions and events affect at least two accounts. The double-entry system is organized around the accounting equation which states that assets = liabilities + equity. The left side is the normal balance for assets and the right side is the normal balance for liabilities and equity. Revenues have a right-side normal balance and expenses have a left-side normal balance.

119) Indicate whether a debit or a credit entry would be made to record the following changes in each account.

(a) To decrease Cash.
(b) To increase Owner, Capital.
(c) To decrease Accounts Payable.
(d) To increase Salaries Expense.
(e) To decrease Supplies.
(f) To increase Revenue.
(g) To decrease Accounts Receivable.
(h) To increase Owner, Withdrawals.

Answer: (a) Credit (b) Credit (c) Debit (d) Debit (e) Credit (f) Credit (g) Credit (h) Debit

120) The following list of accounts is for Shannon Sales Co.:

(A) Shannon, Capital	(F) Unearned Rent Revenue
(B) Advertising Expense	(G) Interest Payable
(C) Notes Receivable	(H) Commissions Revenue
(D) Land	(I) Shannon, Withdrawals
(E) Prepaid Rent	(J) Service Revenue

Use the form below to identify the type of account and its normal balance. The first one has been done for you as an example.

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	Type of Accounts			Normal Balance	
	Asset	Liab.	Equity	Dr.	Cr.
(A)			X		X
(B)					
(C)					
(D)					
(E)					
(F)					
(G)					
(H)					
(I)					
(J)					

Answer:

	Type of Accounts			Normal Balance	
	Asset	Liab.	Equity	Dr.	Cr.
(A)			X		X
(B)			X	X	
(C)	X			X	
(D)	X			X	
(E)	X			X	
(F)		X			X
(G)		X			X
(H)			X		X
(I)			X	X	
(J)			X		X

121) Discuss how the following transactions affect accounts and financial statements.

(1) Jillian Robb invested $30,000 cash in Profile Design Co.
(2) Profile Design Co. purchased supplies for $5,000 on its credit card.
(3) Profile Design Co. purchased equipment for $19,000 and signed a note payable.

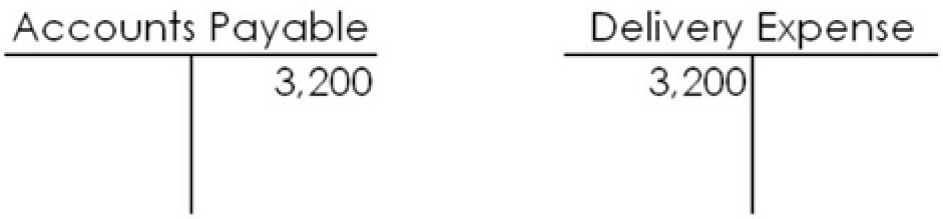
Answer: (1) Assets increased by $30,000 and equity increased by $30,000. This transaction affects the Balance Sheet, Statement of Changes in Equity, and Statement of Cash Flows.
(2) Assets increased by $5,000 and liabilities increased by $5,000. This transaction affects the Balance Sheet.
(3) Assets increased by $19,000 and liabilities increased by $19,000. This transaction affects the Balance Sheet.

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122) The Shreddy Company receives a $3,200 bill from a supplier for delivery services rendered. Set up two or more T-accounts below and show how this transaction would be recorded directly in those accounts.



Answer:



123) A business paid $2,500 to satisfy a previously recorded account payable. Set up two or more T-accounts below and show how this transaction would be recorded directly in those accounts.

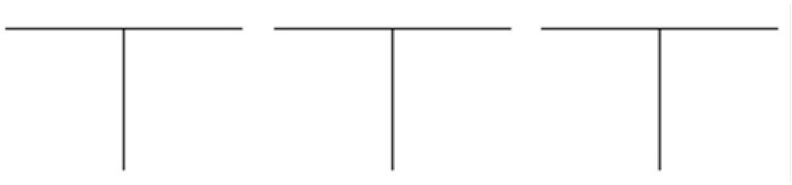


Answer:

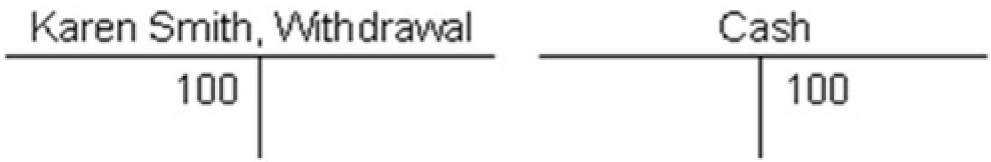


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124) A business paid $100 to Karen Smith (the owner of the business) for her personal use. Set up two or more T-accounts below and show how this transaction would be recorded directly in those accounts.



Answer:



125) The following are all of the accounts of Vita Mix Company that have a balance at the end of August, the company's first month of operation:

Accounts receivable	$11,000	Cash	$10,100
Equipment	39,700	Utilities expense	3,000
Service revenues	42,000	Accounts payable	13,800
Rent expense	1,500	Withdrawals, J.Parsons	2,000
Office supplies	2,300	Salaries expense	19,000
Notes payable	22,500	Capital, J. Parsons	10,300

All accounts have normal balances.

(A) Calculate profit.
(B) Calculate the amount of equity to be shown on the August 31 balance sheet.

Answer:

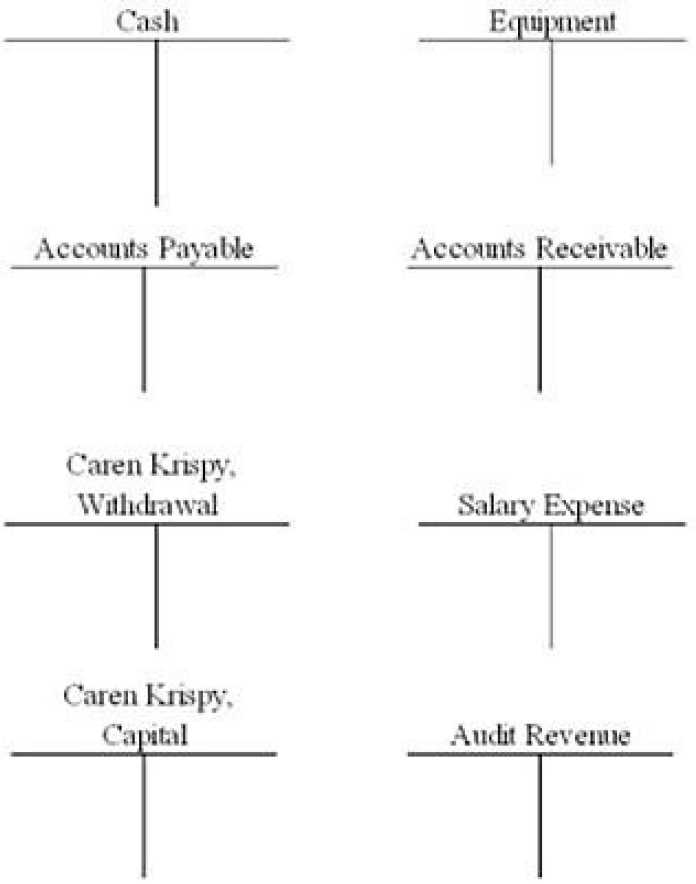
(A)	$42,000	Service revenues
	- 1,500	Rent expense
	- 3,000	Utilities expense
	- 19,000	Salaries expense
	$18,500	Profit

(B)	$10,300	Investment by owner
	+18,500	Profit
	- 2,000	Withdrawals
	$26,800	Ending capital

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126) Record the following transactions by making entries directly to the T-accounts provided.

(a) Caren Krispy began an auditing firm by investing $10,000 cash and a computer equipment with a $3,000 fair value.
(b) Purchased equipment from Johnson Bros. on credit, $2,500.
(c) Completed auditing work and received $1,000 cash in full payment.
(d) Paid Johnson Bros. $2,500 for the amount owed.
(e) Completed auditing work for clients on credit, $3,500.
(f) Caren Krispy withdrew $500 cash from the practice for personal use.
(g) Received $3,500 for the audit work completed for the clients in Transaction e.
(h) Paid secretary's salary, $2,000.

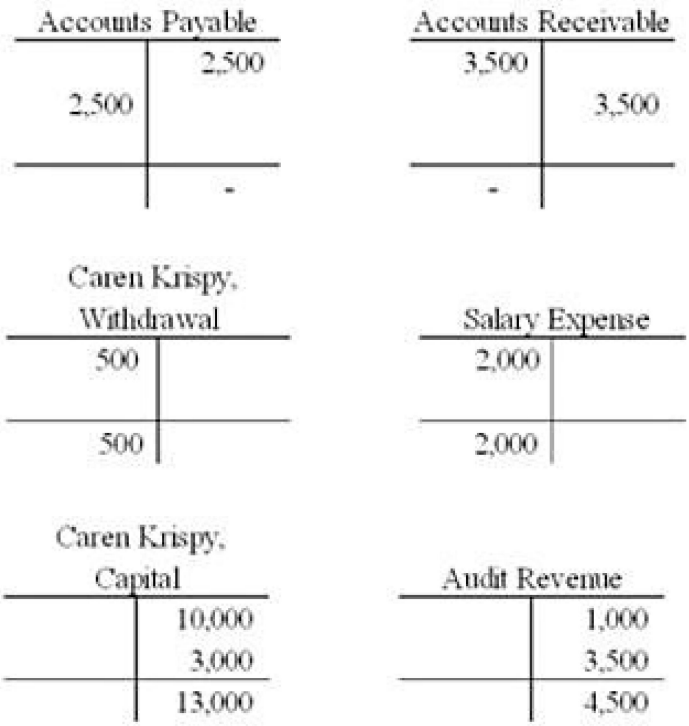


Answer:

Cash	
10,000	2,500
1,000	500
3,500	2,000
9,500	

Equipment	
3,000	
2,500	
5,500	

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127) On December 2, 2015, the Tropic Company paid $400 for office supplies. Prepare the general journal entry to record this transaction.

Answer:

Dec 2	Office Supplies	400	
	Cash		400
	To record payment of supplies		

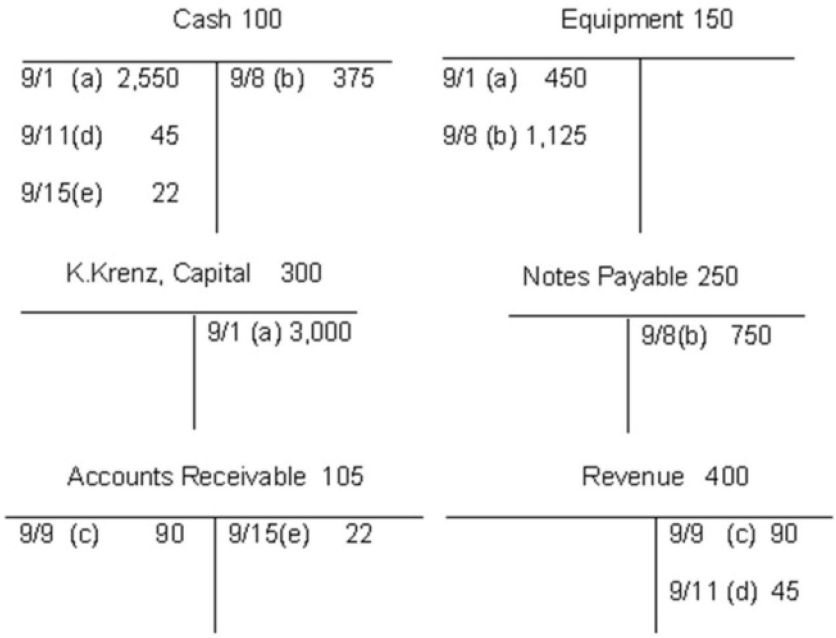
128) On February 3, 2015, Fusilli Stores purchased a computer that cost $5,000. The firm made a down payment of $500 and signed a note payable for the balance. Show the general journal entry to record this transaction.

Answer:

Feb 3	Computer	5,000	
	Cash		500
	Note Payable		4,500
	To record purchase of computer		

129) KrenzKarKare, owned and operated by Karl Krenz, began business in September of the current year. Karl, a master mechanic, had no experience with keeping a set of books. As a result, Karl entered all of September's transactions directly to the General Ledger accounts. When he tried to locate a particular entry originally made on September 8, he found it confusing and time-consuming. He has hired you to improve his bookkeeping procedures. The accounts in his General Ledger follow:

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Prepare the general journal entries, in chronological order, from the general ledger entries shown. Include a brief description of the probable nature of each transaction.

Answer:

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1	Cash	100	2,550	
	Equipment	150	450	
	K. Krenz, Capital	300		3,000
	To record initial investment.			
8	Equipment	150	1,125	
	Cash	100		375
	Notes Payable	250		750
	To record purchase of equipment			
9	Accounts Receivable	105	90	
	Revenue	400		90
	To record credit sale of services			
11	Cash	100	45	
	Revenue	400		45
	To record cash sale of services.			
15	Cash	100	22	
	Accounts Receivable	105		22
	To record collection from customer			

130) Girard Cohen began a computer servicing business and during the month of October completed these transactions:

(a) Began business by investing cash, $12,000, and computer equipment with a fair value of $3,000.
(b) Paid rent for one year in advance, $6,000.
(c) Completed a computer servicing assignment and billed the client for $3,000.
(d) Paid the utilities bill for the month, $100.
(e) Wrote a $1,000 cheque on the business bank account for personal expenses.
Prepare journal entries to record the above transactions. Include a brief description for each entry.

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Answer:

(a)	Cash	12,000	
	Computer Equipment	3,000	
	Girard Cohen, Capital		15,00
	To record initial investment		
(b)	Prepaid Rent	6,000	
	Cash		6,00
	To record payment for one year's rent		
.(c)	Accounts Receivable	3,000	
	Computer Servicing Revenue		3,00
	To record computer services completed on account		
(d)	Utilities Expense	100	
	Cash		10
	To record payment of utilities		
(e)	Girard Cohen, Withdrawals	1,000	
	Cash		1,00
	To record withdrawal by owner		

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131) Jay Smith's Word Processing began business and completed these transactions during the month of November:

(a) Purchased office supplies on account, $75.
(b) Completed work for a publisher on credit, $500.
(c) Paid for the office supplies purchased in Transaction a.
(d) Completed work for a resume writing service and received $85 cash.
(e) Received $500 for the work described in Transaction b.
Prepare journal entries to record the above transactions. Include a brief description for each entry.

Answer:

(a)	Office Supplies	75	
	Accounts Payable		75
	To record office supplies purchased on account		
(b)	Accounts Receivable	500	
	Word Processing Revenue		500
	To record work completed on credit		
(c)	Accounts Payable	75	
	Cash		75
	To record payment of account payable		
(d)	Cash	85	
	Word Processing Revenue		85
	To record work completed for cash		
(e)	Cash	500	
	Accounts Receivable		500
	To record receipt of receivable		

132) D. Brown Plumbing Co completed the following transactions during February of the current year:

Feb. 1 Began a plumbing service company by investing $12,000 in cash and office equipment having a $5,000 fair value.
Feb. 2 Purchased plumbing tools for $1,000 on account.
Feb. 4 Completed dishwasher repair work for $900 on account.
Feb. 8 Completed hot water tank repair for $500 cash.
Feb. 10 Paid for the items purchased on credit on February 2.
Feb. 14 Paid $600 for the annual rent.
Feb. 18 Received payment in full from for the work completed on February 4.
Feb. 27 D. Brown withdrew $200 cash from the practice to pay personal expenses.
Feb. 28 Paid the February utility bills, $100.

Prepare general journal entries to record the transactions. Include a brief description for each entry.

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Answer:

Feb	1	Cash	12,000	
		Computer Equipment	5,000	
		D.Brown, Capital		17,000
		Owner invested in business		
	2	Tools	1,000	
		Accounts Payable		1,000
		Purchased computer equipment on credit		
	4	Accounts Receivable	900	
		Repair Service Revenue		900
		Rendered repair services on account		
	8	Cash	500	
		Repair Service Revenue		500
		Rendered repair services for cash		
	10	Accounts Payable	1,000	
		Cash		1,000
		Paid for accounts payable on Feb 2		
	14	Prepaid Rent	600	
		Cash		600
		Paid for rent in advance for one year		

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18	Cash	900	
	Accounts Receivable		900
	Received payment on account		
27	D.Brown, Withdrawals	200	
	Cash		200
	Owner withdrew cash		
28	Utilities Expense	100	
	Cash		100
	Paid utility bill		

133) On June 20, 2015, Lucie Majeau invested the following assets in a new sole proprietorship: cash, $12,000; office equipment, $6,000; land, $100,000; building, $115,000. Majeau owes the bank a $25,000 note payable that is secured by the land and building. Prepare the general journal entry to record Majeau's investments in the new business.

Answer:

Jun 20	Cash	12,000	
	Office Equipment	6,000	
	Land	100,000	
	Building	115,000	
	Lucie Majeau, Capital		208,000
	Note Payable		25,000
	To record initial investment by owner		

134) Explain the recording and posting processes.

Answer: Information from business transactions is recorded in the journal in the form of journal entries. The journal entries include the date, the account titles, debit and credit amounts, and a description of the transaction. During the posting process the debit and credit amounts recorded in the journal are transferred to the individual accounts in the general ledger.

135) Discuss the use of the trial balance.

Answer: The trial balance is a list of all of the accounts in the general ledger with their balances at a specific date. The list is organized in general ledger order, by debit and credit balances. The purpose of the trial balance is to summarize the account totals and to verify the accuracy of the total debits and credits. If the total debits and credits are not equal, then the trial balance is out of balance, which indicates an error in the accounting records.

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136) For each of the following errors, indicate on the schedule the amount it will cause the trial balance to be out of balance and which trial balance column (i.e., debit or credit) will have the larger total as a result of the error.

(a) A $100 debit to Cash was debited to the Cash account twice.
(b) A $1,900 credit to Sales was posted as a $190 credit.
(c) A $5,000 debit to Office Equipment was debited to Office Supplies.
(d) A $625 debit to Prepaid Insurance was posted as a $62.50 debit.
(e) A $520 debit to Supplies (purchased on account) was posted correctly, but the corresponding cred to Accounts Payable was not posted.

Error	Amount Out of Balance	Column Having Larger Total
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____
(e)	_____	_____

Answer:

Error	Amount Out of Balance	Column Having Larger Total
(a)	$100	Debit
(b)	$1,710	Debit
(c)	-	-
(d)	$562.50	Credit
(e)	$520	Debit

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137) After preparing an unadjusted trial balance at year-end, the accountant for Chu Design Company discovered the following errors:

(1) The payment of the $225 telephone bill for December was recorded twice.
(2) The payment of a $1,000 note payable was recorded as a debit to Cash and a debit to Notes Payable.
(3) A $900 withdrawal by the owner was recorded to the correct accounts as $90.
(4) An additional investment of $5,000 by the owner was recorded as a debit to G. Chu, Capital and a credit to Cash.
(5) A credit purchase of office equipment for $1,800 was recorded as a debit to the Office Equipment account with no offsetting credit entry.

Using the form below, indicate if each error would cause the trial balance to be out of balance.

Error	Yes	No
(1)	_____	_____
(2)	_____	_____
(3)	_____	_____
(4)	_____	_____
(5)	_____	_____

Answer: Would the error cause the trial balance to be out of balance?

Error	Yes	No
(1)		X
(2)	X	
(3)		X
(4)		X
(5)	X	

138) The balances for the accounts of Mike's Maintenance Co. for the year ended December 31, 2015 are shown below. Each account shown has a normal balance.

Accounts payable	$22,000	Equipment	$12,250
Accounts receivable	18,300	Wages expense	26,400
Cash	?	Utilities expense	2,520
Maintenance supplies	5,500	Mike, withdrawals	?
Building	51,625	Notes payable	87,239
Supplies expense	17,600	Land	27,000
Mike, capital, beginning	5,000*	Unearned maintenance revenue	2,536
Maintenance revenue	104,400		

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*The ending balance of the capital account is $20,000; the only addition to the account for the year was Profit.
Calculate the correct balances for Cash and Mike, Withdrawals and prepare a trial balance.

Answer:

Mike's Maintenance Co.
Trial Balance
December 31, 2015

Cash	$ 32,100*	
Accounts receivable	18,300	
Maintenance supplies	5,500	
Land	27,000	
Building	51,625	
Equipment	12,250	
Accounts payable		$ 22,0
Unearned maintenance fees		2,5
Notes payable		87,2
Mike, capital		20,0
Mike, withdrawals	42,880**	
Maintenance revenue		104,4
Wages expense	26,400	
Utilities expense	2,520	
Supplies expense	17,600	
Totals	$236,175	$236,1

*Total credits	$236,175
Total debits (excluding cash)	(204,075)
Cash	$ 32,100

**Beginning capital balance	$ 5,000
Net income	57,880
Ending capital balance	(20,000)
Withdrawals	$ 42,880

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139) Charlene Addemup prepared the following trial balance from the general ledger of Big Blue Cleaning Service. It did not balance.

Big Blue Cleaning Service
Trial Balance
October 31, 2015

Cash	$ 975	
Accounts receivable	3,800	
Cleaning equipment	13,500	
Office equipment	6,600	
Accounts payable		$ 4,510
Fred Tullis, capital		23,000
Fred Tullis, withdrawals	4,200	
Cleaning fees earned		10,875
Cleaning expense	8,600	
Totals	$37,675	$38,385

Because the trial balance did not balance, Charlene decided to examine the accounting records very closely. She found that the following errors had been made:

(1) A purchase of cleaning equipment on account for $245 was posted as a debit to Cleaning Equipment and as a debit to Accounts Payable.
(2) An investment of $500 by the owner was debited to Fred Tullis, Capital and credited to Cash.
(3) In calculating the balance of the Accounts Receivable account, a debit of $600 was omitted from the calculation.
(4) One debit of $300 to the Fred Tullis, Withdrawals account was posted as a credit.
(5) Office equipment purchased for $800 was posted to the Cleaning Equipment account.
(6) One entire entry was not posted to the general ledger. The transaction involved the receipt of $125 for cleaning services performed for cash.

Prepare a corrected trial balance for the Big Blue Cleaning Service at October 31, 2015.

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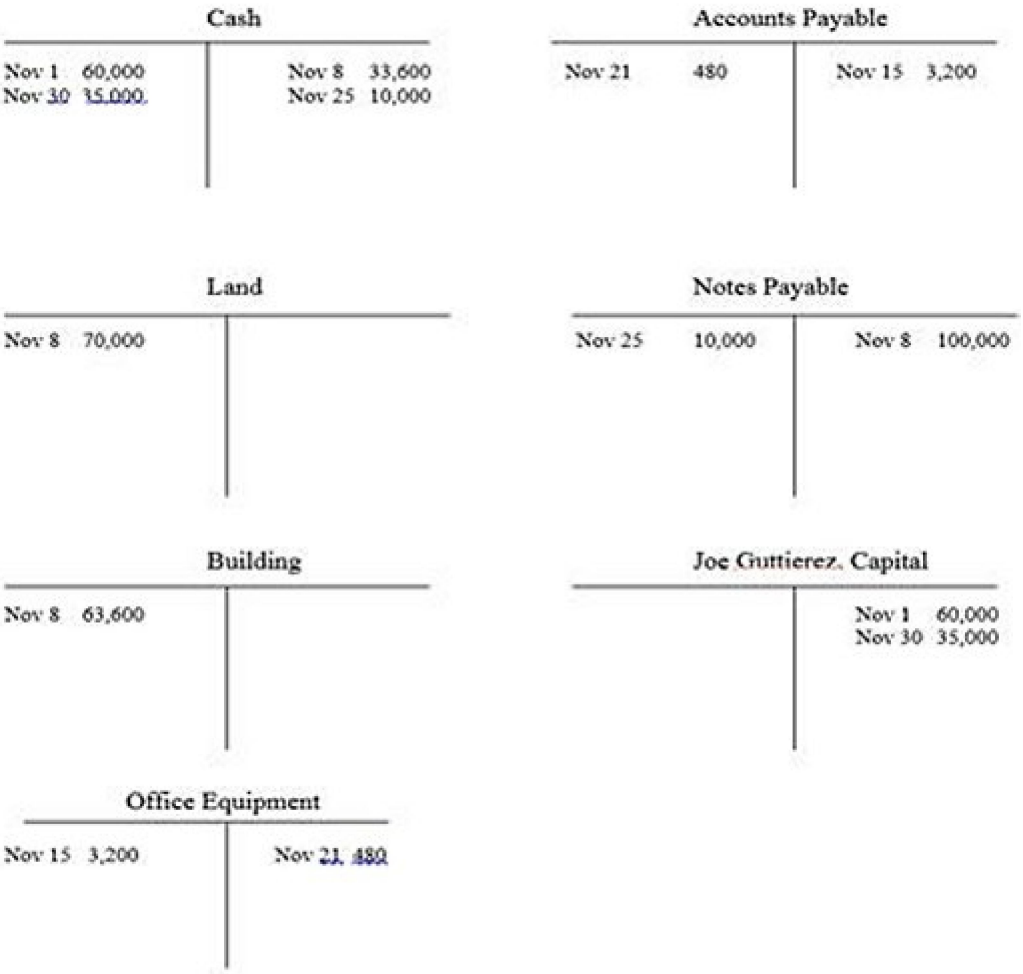
Answer:

Big Blue Cleaning Service
Trial Balance
October 31, 2015

Cash	$ 2,100	
Accounts receivable	4,400	
Cleaning equipment	12,700	
Office equipment	7,400	
Accounts payable		$ 5,000
Fred Tullis, capital		24,000
Fred Tullis, withdrawals	4,800	
Cleaning fees earned		11,000
Cleaning expense	8,600	
Totals	$40,000	$40,000

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The following postings show transactions for November, 2017 for Guttierez Construction.



(a) Nov 1:

Cash	60,000	
Joe Guttierez, Capital		60,000

Owner invested 60,000 in the business

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140) Use the data from the T account postings to re-create the journal entries made for November. Prepare an explanation for each entry. The first one is done for you as an example for the November 1 posting.

Answer: a) **Guttierez Construction: Journal Entries**

Nov 01	Cash	60,000	
	Joe Guttierez, Captial		60,000
	Owner invested 60,000 in the business		
Nov 08	Land	70,000	
	Building	63,600	
	Notes Payable		100,000
	Cash		33,600
	Purchased land and building, paid cash and assumed a notes payable		
Nov 15	Office Equipment	3,200	
	Accounts Payable		3,200
	Purchased Office Equipment on account		
Nov 21	Accounts Payable	480	
	Office Equipment		480
	Returned Office Equipment		
Nov 25	Notes Payable	10,000	
	Cash		10,000
	Paid portion of bank loan		
Nov 30	Cash	35,000	
	Joe Guttierez, Captial		35,000
	Owner invested 35,000 into the business		

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141) Use the information in the "T" accounts and prepare a trial balance at November 30, 2017

Answer:

Guttierez Construction
Trial Balance
30-Nov-14

	Debit	Credit
Cash	51,400	
Land	70,000	
Building	63,600	
Office Equipment	2,720	
Accounts Payable		2,720
Notes Payable		90,000
Joe Guttierez, Capital		95,000
	187,720	187,720

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