Managerial Accounting 13th edition Warren Test Bank

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CHAPTER 2: ANALYZING TRANSACTIONS

1. Accounts are records of increases and decreases in individual financial statement items.
   a. True
   b. False

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.01 - Purpose ACCT.ACBSP.APC.02 - GAAP ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.01 - Purpose ACCT.ACBSP.APC.02 - GAAP ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.03 - Business Forms ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.04 - Cash vs. Accrual ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.04 - Cash vs. Accrual ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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7. The Unearned Revenues account is an example of a liability.
   a. True
   b. False

ANSWER:	True
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.04 - Cash vs. Accrual ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

8. The Dividends account is an expense.
   a. True
   b. False

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
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16. A credit to the cash account will increase the account.
    a. True
    b. False

ANSWER:	False
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	True
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
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19. The recording of cash payments from the cash account is done by entering the amount as a credit.
    a. True
    b. False

ANSWER:	True
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Challenging Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.03 - Business Forms ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.16 - Current Liabilities Reporting ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	True
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.03 - Business Forms ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.04 - Cash vs. Accrual ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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25. Expenses result from using up assets or consuming services in the process of generating revenues.
    a. True
    b. False

ANSWER:	True
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	True
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.03 - Business Forms ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01 FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01 FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.15 - Current Assets Reporting ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01 FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.16 - Current Liabilities Reporting ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

30. The normal balance of a stockholders' equity account is a debit.
    a. True
    b. False

ANSWER:	False
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

32. When a business receives a bill from the utility company, no entry should be made until the invoice is paid.
    a. True
    b. False

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.06 - Recording Transactions ACCT.ACBSP.APC.16 - Current Liabilities Reporting ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

33. A debit is abbreviated as *Db.* and a credit is abbreviated as *Cr*.
    a. True
    b. False

ANSWER:	False
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.05 - Accounting Cycle ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.09 - Financial Statements ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

36. The normal balance of revenue accounts is a credit.
    a. True
    b. False

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
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37. The normal balance of the dividends account is a debit.
    a. True
    b. False

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
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40. Revenue accounts are increased by credits.
    a. True
    b. False

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
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43. Transactions are listed in the journal chronologically.
    a. True
    b. False

ANSWER:	True
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

46. Transactions are initially entered into a record called a journal.
    a. True
    b. False

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
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47. The double-entry accounting system records each transaction twice.
    a. True
    b. False

ANSWER:	False
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

49. Journal entries include both debit and credit accounts for each transaction.
    a. True
    b. False

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
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51. Assets are increased with debits and decreased with credits.
    a. True
    b. False

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.04 - Cash vs. Accrual ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Challenging Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

55. Journalizing always eliminates fraudulent activity.
    a. True
    b. False

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.01 - Purpose ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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57. Normal account balances are on the increase side of the accounts.
    a. True
    b. False

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	True
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-03 - LO: 02-03
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.05 - Accounting Cycle ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

59. The post reference notation used in the ledger is the account number.
    a. True
    b. False

ANSWER:	False
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-03 - LO: 02-03
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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60. The post reference notation used in the journal is the page number.
    a. True
    b. False

ANSWER:	False
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-03 - LO: 02-03
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

61. A notation in the post reference column of the general journal indicates that the amount has been posted to the ledger.
    a. True
    b. False

ANSWER:	True
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-03 - LO: 02-03
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-03 - LO: 02-03
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.05 - Accounting Cycle ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	True
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-03 - LO: 02-03
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

64. Postings made to standard account forms show a new balance after each entry.
    a. True
    b. False

ANSWER:	True
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-03 - LO: 02-03
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.05 - Accounting Cycle ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

65. A group of related accounts that make up a complete unit is called a trial balance.
    a. True
    b. False

ANSWER:	False
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.09 - Financial Statements ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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66. A trial balance determines the accuracy of the numbers.
    a. True
    b. False

ANSWER:	False
DIFFICULTY:	Challenging Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.09 - Financial Statements ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	True
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.09 - Financial Statements ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

68. The totals at the bottom of the trial balance and the totals at the bottom of the balance sheet both show equality and balancing, and therefore should be equal.
    a. True
    b. False

ANSWER:	False
DIFFICULTY:	Challenging Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.09 - Financial Statements ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.09 - Financial Statements ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.09 - Financial Statements ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Challenging Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.09 - Financial Statements ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.06 - Recording Transactions ACCT.ACBSP.APC.09 - Financial Statements ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	False
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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75. Accounts
    a. do not reflect money amounts
    b. are not used by entities that manufacture products
    c. are records of increases and decreases in individual financial statement items
    d. are only used by large entities with many transactions

    ANSWER: c
    DIFFICULTY: Easy
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.01 - Purpose
    ACCT.ACBSP.APC.02 - GAAP
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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

    ANSWER: c
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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

    ANSWER: d
    DIFFICULTY: Easy
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
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78. The gross increases in stockholders' equity attributable to business activities are called
    a. assets
    b. liabilities
    c. revenues
    d. expenses

    ANSWER: c
    DIFFICULTY: Easy
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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

    ANSWER: c
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.09 - Financial Statements
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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

    ANSWER: d
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
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81. An account is said to have a debit balance if
    a. the amount of the debits exceeds the amount of the credits
    b. there are more entries on the debit side than on the credit side
    c. there are more entries on the credit side than on the debit side
    d. the first entry of the accounting period was posted on the debit side

    ANSWER: a
    DIFFICULTY: Challenging
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.09 - Financial Statements
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

82. Which side of the account increases the cash account?
    a. credit
    b. neither a debit or a credit
    c. debit
    d. either a debit or a credit

    ANSWER: c
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

83. Which statement(s) concerning cash is (are) true?
    a. cash will always have more debits than credits
    b. cash will never have a credit balance
    c. cash is increased by debiting
    d. all are true

    ANSWER: c
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
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84. Which of the following is true about T accounts?
    a. The left side of a T account is called the debit side.
    b. The left side of a T account is called the credit side.
    c. The right side of a T account is called the debit side.
    d. Transactions are first recorded in T accounts and then posted to the journal.

    ANSWER: a
    DIFFICULTY: Easy
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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

    ANSWER: b
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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

    ANSWER: d
    DIFFICULTY: Challenging
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
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87. A list of the accounts used by a business is called the
    a. journal
    b. chart of accounts
    c. T chart
    d. debit listing

    ANSWER: b
    DIFFICULTY: Easy
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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

    ANSWER: b
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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

    ANSWER: c
    DIFFICULTY: Easy
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
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90. Which are the parts of the T account?
    a. title, date, total
    b. date, debit side, credit side
    c. title, debit side, credit side
    d. title, debit side, total

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.06 - Recording Transactions
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91. The chart of accounts is designed to
    a. alphabetize the accounts to make reading easier for financial statement users
    b. organize accounts in order of dollar amount to simplify the accounting information for users
    c. summarize the transactions and determine ending account balances
    d. meet the information needs of a company's managers and other users of its financial statements

ANSWER: d
DIFFICULTY: Challenging
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.09 - Financial Statements
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92. Which group of accounts is comprised of only assets?
    a. Cash, Accounts Payable, Buildings
    b. Accounts Receivable, Revenue, Cash
    c. Prepaid Expenses, Buildings, Patents
    d. Unearned Revenues, Prepaid Expenses, Cash

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
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93. Of the following, which is **true** about assets?
    a. Assets include both physical and intangible items.
    b. Assets include only physical items.
    c. Assets are the personal property of the stockholders of the company.
    d. Assets are the result of selling products or services to customers.

ANSWER:	a
DIFFICULTY:	Challenging Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.09 - Financial Statements ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

94. Which of the following is **not** considered to be a liability?
    a. Wages Payable
    b. Accounts Receivable
    c. Unearned Revenues
    d. Accounts Payable

ANSWER:	b
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.09 - Financial Statements ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

95. Which of the following statements is **not** true about liabilities?
    a. Liabilities are debts owed to outsiders.
    b. Account titles of liabilities often include the term “payable.”
    c. Cash received before a service is performed creates a liability.
    d. Liabilities do not include wages owed to employees of the company.

ANSWER:	d
DIFFICULTY:	Challenging Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
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96. The stockholders' equity will be reduced by all of the following **except**

a. revenues

b. expenses

c. dividends

d. all of these

ANSWER: a

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01

ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.09 - Financial Statements
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97. The accounts in the ledger of Monroe Entertainment Co. are listed below. All accounts have normal balances.

Accounts payable	$1,500	Fees earned	$3,600
Accounts receivable	1,800	Insurance expense	1,300
Prepaid insurance	2,000	Land	3,000
Cash	3,200	Wages expense	1,400
Dividends	1,200	Common stock	8,800

Total assets are

a. $10,000

b. $8,000

c. $9,700

d. $9,800

ANSWER: a

DIFFICULTY: Challenging
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01

ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.09 - Financial Statements
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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98. Expenses can result from
    a. increasing stockholders'
    b. consuming services
    c. using up liabilities
    d. purchasing assets

ANSWER:	b
DIFFICULTY:	Challenging Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.09 - Financial Statements ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

99. In the chart of accounts, each account number has two digits. The first digit indicates the major account group to which the account belongs. Which of the following correctly identifies the major account groups typically represented by the numbers 1 through 5?
    a. 1-Assets, 2-Liabilities, 3-Stockholders' Equity, 4-Expenses, 5-Revenues
    b. 1-Assets, 2-Liabilities, 3-Stockholders' Equity, 4-Revenues, 5-Expenses
    c. 1-Assets, 2-Stockholders' Equity, 3-Revenues, 4-Expenses, 5-Dividends
    d. 1-Stockholders' Equity, 2-Dividends, 3-Revenues, 4-Expenses

ANSWER:	b
DIFFICULTY:	Challenging Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.09 - Financial Statements ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	d
DIFFICULTY:	Challenging Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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101. Which of the following entries records the purchase of common stock by stockholders?
    a. debit Common Stock; credit Accounts Receivable
    b. debit Cash; credit Common Stock
    c. debit Dividends; credit Cash
    d. debit Cash; credit Common Stock

    ANSWER: b
    DIFFICULTY: Bloom's: Remembering Easy
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.03 - Business Forms
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

102. A debit may signify a(n)
    a. decrease in asset accounts
    b. decrease in liability accounts
    c. increase in the common stock account
    d. decrease in the dividends account

    ANSWER: b
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

103. Which of the following types of accounts have a normal credit balance?
    a. assets and liabilities
    b. liabilities and expenses
    c. revenues and common stock
    d. common stock and dividends

    ANSWER: c
    DIFFICULTY: Easy
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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104. Which of the following groups of accounts have a normal debit balance?
    a. revenues, liabilities, and stockholders' equity
    b. stockholders' equity and assets
    c. liabilities and stockholders' equity
    d. assets and expenses

ANSWER:	d
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

105. Which one of the statements below is **not** a purpose for the journal?
    a. to show increases and decreases in accounts
    b. to show a chronological order by date
    c. to show a complete transaction in one place
    d. to help locate errors

ANSWER:	a
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.01 - Purpose ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	a
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	d
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

108. Which of the following applications of the rules of debit and credit is true?
    a. decrease Prepaid Insurance with a credit and the normal balance is a credit
    b. increase Accounts Payable with a credit and the normal balance is a debit
    c. increase Equipment with a debit and the normal balance is a debit
    d. decrease Cash with a debit and the normal balance is a credit

ANSWER:	c
DIFFICULTY:	Challenging Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	d
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

    ANSWER: b
    DIFFICULTY: Easy
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

111. The classification and normal balance of the dividends account is
    a. an expense with a credit balance
    b. an expense with a debit balance
    c. a liability with a credit balance
    d. stockholders' equity with a debit balance

    ANSWER: d
    DIFFICULTY: Easy
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

112. Which of the following accounts are debited to record increases?
    a. assets and liabilities
    b. dividends and liabilities
    c. expenses and liabilities
    d. assets and expenses

    ANSWER: d
    DIFFICULTY: Easy
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
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    BUSPROG: Analytic

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113. In which of the following types of accounts are increases recorded by credits?
    a. revenues and liabilities
    b. dividends and assets
    c. liabilities and dividends
    d. expenses and liabilities

ANSWER: a
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

ANSWER: b
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

ANSWER: c
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.06 - Recording Transactions
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116. A credit balance in which of the following accounts would indicate a likely error?
    a. Fees Earned
    b. Salary Expense
    c. Common Stock
    d. Accounts Payable

    ANSWER: b
    DIFFICULTY: Challenging
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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

    ANSWER: b
    DIFFICULTY: Challenging
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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

    ANSWER: d
    DIFFICULTY: Challenging
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
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119. Which of the following entries records the payment of a bill for your insurance premium?
    a. debit Prepaid Insurance; credit Cash
    b. debit Insurance Payable; credit Accounts Receivable
    c. debit Accounts Payable; credit Cash
    d. debit Cash; credit Prepaid Insurance

    ANSWER: a
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    FNMN.WARD.16.02-03 - LO: 02-03
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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

    ANSWER: b
    DIFFICULTY: Challenging
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

121. Office supplies were sold by Janer's Cleaning Service at cost to another repair shop, with cash received. Which of the following entries for Janer's Cleaning Service records this transaction?
    a. Office Supplies, debit; Cash, credit
    b. Office Supplies, debit; Accounts Payable, credit
    c. Cash, debit; Office Supplies, credit
    d. Accounts Payable, debit; Office Supplies, credit

    ANSWER: c
    DIFFICULTY: Challenging
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
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122. Office supplies purchased by Janer's Cleaning Service on account were returned. Which of the following entries for Janer's Cleaning Service records this transaction?
a. Cash, debit; Office Supplies, credit
b. Office Supplies, debit; Accounts Receivable, credit
c. Accounts Payable, debit; Office Supplies, credit
d. Office Supplies, debit; Accounts Payable, credit

ANSWER: c
DIFFICULTY: Challenging
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

123. Cash was paid by Janer's Cleaning Service to creditors on account. Which of the following entries for Janer's Cleaning Service records this transaction?
a. Cash, debit; Common Stock, credit
b. Accounts Payable, debit; Cash, credit
c. Accounts Receivable, debit; Cash, credit
d. Accounts Payable, debit; Account Receivable, credit

ANSWER: b
DIFFICULTY: Challenging
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

124. The process of initially recording a business transaction is called
a. closing
b. posting
c. journalizing
d. balancing

ANSWER: c
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
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125. Which of the following entries records the acquisition of office supplies on account?
    a. Office Supplies, debit; Cash, credit
    b. Cash, debit; Office Supplies, credit
    c. Office Supplies, debit; Accounts Payable, credit
    d. Accounts Receivable, debit; Office Supplies, credit

    ANSWER: c
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

126. Which of the following entries records the payment of insurance for the current month?
    a. Cash, debit; Insurance Expense, credit
    b. Insurance Expense, debit; Cash, credit
    c. Insurance Expense, debit; Accounts Receivable, credit
    d. Prepaid Insurance, debit; Cash, credit

    ANSWER: b
    DIFFICULTY: Challenging
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    FNMN.WARD.16.02-03 - LO: 02-03
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

127. Which of the following entries records the receipt of cash from clients on account?
    a. Accounts Payable, debit; Fees Earned, credit
    b. Accounts Receivable, debit; Fees Earned, credit
    c. Accounts Receivable, debit; Cash, credit
    d. Cash, debit; Accounts Receivable, credit

    ANSWER: d
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    FNMN.WARD.16.02-03 - LO: 02-03
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
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128. Which of the following entries records the collection of cash from cash customers?
a. Fees Earned, debit; Cash, credit
b. Fees Earned, debit; Accounts Receivable, credit
c. Cash, debit; Fees Earned, credit
d. Accounts Receivable, debit; Fees Earned, credit

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

129. Which of the following entries records the receipt of cash for two months' rent? The cash was received in advance of providing the service.
a. Prepaid Rent, debit; Rent Revenue, credit.
b. Cash, debit; Unearned Rent, credit.
c. Cash, debit; Prepaid Rent, credit.
d. Cash, debit; Rent Expense, credit.

ANSWER: b
DIFFICULTY: Challenging
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
FNMN.WARD.16.02-03 - LO: 02-03
ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
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BUSPROG: Analytic

130. A client has a massage and asks the company bookkeeper to mail her the bill. The bookkeeper should make which entry to record the invoice?
a. No entry until the cash is received
b. Fees Earned, debit; Accounts Receivable, credit
c. Cash, debit; Fees Earned, credit
d. Accounts Receivable, debit; Fees Earned, credit

ANSWER: d
DIFFICULTY: Challenging
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
FNMN.WARD.16.02-03 - LO: 02-03
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BUSPROG: Analytic

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131. Which of the following abbreviations is correct?
    a. Debit, “Dr”; Credit, “Cd”
    b. Debit, “Db”; Credit, “Cr”
    c. Debit, “Db”; Credit, “Cd”
    d. Debit, “Dr”; Credit, “Cr”

ANSWER:	d
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

132. Which of the following is **not** a correct rule of debits and credits?
    a. Assets, expenses, and dividends are increased by debits.
    b. Assets are decreased by credits and have a normal debit balance.
    c. Liabilities, revenues, and stockholders' equity are increased by credits.
    d. The normal balance for revenues and expenses is a credit.

ANSWER:	d
DIFFICULTY:	Challenging Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

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

ANSWER: d

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
FNMN.WARD.16.02-03 - LO: 02-03

ACCREDITING STANDARDS: ACCT.ACBSP.APC.04 - Cash vs. Accrual
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

134. The _____ is where a transaction can first be found in the accounting records.

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

ANSWER: d

DIFFICULTY: Easy
Bloom's: Remembering

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.ACBSP.APC.09 - Financial Statements
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135. The process of recording a transaction in the journal is called
    a. ledgerizing
    b. journalizing
    c. posting
    d. summarizing

    ANSWER: b
    DIFFICULTY: Easy
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

136. Joshua Scott invests $40,000 into his new business. How would this transaction be entered in the journal in good form?

a. Cash	40,000	
Common Stock		40,000
Invested cash in business.		
b. Accounts Receivable	40,000	
Common Stock		40,000
Invested cash in business.		
c. Common Stock	40,000	
Cash		40,000
Invested cash in business.		
d. Loans Payable	40,000	
Cash		40,000
Invested cash in business.		

    ANSWER: a
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
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137.

May	23	Cash		22,000	
		Common Stock			22,000
		Invest cash in business.			

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

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

138.

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

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

ANSWER: b
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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139.

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

What effects does this journal entry have on the accounts?

a. decrease Accounts Payable, increase Cash

b. increase Cash, decrease Accounts Payable

c. increase Accounts Payable, increase Cash

d. decrease Accounts Payable, decrease Cash

ANSWER: d

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

140. Which of the following accounts would be increased with a credit?

a. Land; Accounts Payable; Dividends

b. Accounts Payable; Unearned Revenue; Common Stock

c. Dividends; Accounts Receivable; Unearned Revenue

d. Cash; Accounts Receivable; Common Stock

ANSWER: b

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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141. In accordance with the debit and credit rules, which of the following is true?
    a. Debits increase assets.
    b. Credits increase assets.
    c. Debits increase both assets and common stock.
    d. Credits increase both assets and liabilities.

    ANSWER: a
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

142. All of the following accounts are increased with a debit **except**
    a. Unearned Revenues
    b. Land
    c. Accounts Receivable
    d. Cash

    ANSWER: a
    DIFFICULTY: Easy
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

143. Which of the following stockholders' equity accounts follows the same debit and credit rules as liabilities?
    a. expense accounts only
    b. dividends accounts only
    c. revenue accounts only
    d. expense and dividends accounts

    ANSWER: c
    DIFFICULTY: Challenging
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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144. The payment for the monthly rent will require which of the following entries?
    a. debit Cash and debit Rent Expense
    b. credit Cash and credit Rent Expense
    c. debit Rent Expense and credit Cash
    d. credit Rent Expense and debit Cash

    ANSWER: c
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

145. Expenses follow the same debit and credit rules as
    a. revenues
    b. the asset account
    c. the common stock account
    d. liabilities

    ANSWER: b
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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

    ANSWER: a
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.09 - Financial Statements
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.09 - Financial Statements
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

ANSWER: b
DIFFICULTY: Challenging
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.09 - Financial Statements
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

ANSWER: b
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.09 - Financial Statements
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.09 - Financial Statements
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

ANSWER: d
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

ANSWER: c
DIFFICULTY: Challenging
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
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153.

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

What is the best explanation for this journal entry?

a. Received cash for services performed.

b. Received cash for services to be performed in the future.

c. Paid cash in advance for services to be performed.

d. Performed services for which cash is owed.

ANSWER: b

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
FNMN.WARD.16.02-03 - LO: 02-03

ACCREDITING STANDARDS: ACCT.ACBSP.APC.04 - Cash vs. Accrual
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

154.

April	14	Equipment		15,000	
		Cash			5,000
		Note Payable			10,000
		????????????.			

Which is the best explanation for this journal entry?

a. Purchased equipment; paid cash of $5,000, with the remainder to be paid in the future.

b. Purchased equipment; paid cash of $10,000, with the remainder to be received in the future.

c. Purchased equipment with cash.

d. Purchased equipment on account.

ANSWER: a

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
FNMN.WARD.16.02-03 - LO: 02-03

ACCREDITING STANDARDS: ACCT.ACBSP.APC.04 - Cash vs. Accrual
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

ANSWER: d
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-03 - LO: 02-03
ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

ANSWER: b
DIFFICULTY: Challenging
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-03 - LO: 02-03
ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

ANSWER: d
DIFFICULTY: Challenging
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-03 - LO: 02-03
ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
ACCT.ACBSP.APC.06 - Recording Transactions
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The chart of accounts for the Corning Company includes the following:

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

Page 3 of the journal contains the following entry:

Prepaid Insurance	1,530	
Cash		1,530

158. What is the posting reference that will be found in the cash account?

a. 11

b. 15

c. 3

d. 13

ANSWER: c

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-03 - LO: 02-03

ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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159. What is the posting reference that will be found in the prepaid insurance account?
    a. 11
    b. 15
    c. 3
    d. 13

    ANSWER: c
    DIFFICULTY: Moderate
    Bloom's: Applying
    LEARNING OBJECTIVES: FNMN.WARD.16.02-03 - LO: 02-03
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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

    ANSWER: a
    DIFFICULTY: Challenging
    Bloom's: Applying
    LEARNING OBJECTIVES: FNMN.WARD.16.02-03 - LO: 02-03
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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

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

Page 3 of the journal contains the following transaction:

Cash	640	
Fees Earned		640

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

ANSWER: c
DIFFICULTY: Challenging
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-03 - LO: 02-03
ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
ACCT.ACBSP.APC.06 - Recording Transactions
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162. The chart of accounts for the Miguel Company includes the following:

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

Page 5 of the journal contains the following transaction:

Salaries Expense	525	
Cash		525

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

a. 5

b. 11

c. 54

d. 21

ANSWER: a

DIFFICULTY: Challenging
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-03 - LO: 02-03

ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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163. Which of the following errors, each considered individually, would cause the trial balance totals to be unequal?
    a. A transaction was not posted.
    b. A payment of $67 for insurance was posted as a debit of $76 to Prepaid Insurance and a credit of $76 to Cash.
    c. A payment of $4,450 to a creditor was posted as a debit of $4,500 to Accounts Payable and a credit of $450 to Cash.
    d. Cash received from customers on account was posted as a debit of $720 to Cash and a credit of $720 to Accounts Payable.

ANSWER:	c
DIFFICULTY:	Challenging Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.05 - Accounting Cycle ACCT.ACBSP.APC.09 - Financial Statements ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

ANSWER:	d
DIFFICULTY:	Challenging Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.05 - Accounting Cycle ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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

a. chart of accounts

b. trial balance

c. income statement

d. balance sheet

ANSWER: b

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04

ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

166. Randomly listed below are the steps for preparing a trial balance:

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

What is the proper order of these steps?

a. (3), (2), (4), (1)

b. (2), (3), (4), (1)

c. (3), (2), (1), (4)

d. (4), (3), (2), (1)

ANSWER: a

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04

ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.09 - Financial Statements
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BUSPROG: Analytic

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

ANSWER:	d
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.05 - Accounting Cycle ACCT.ACBSP.APC.09 - Financial Statements ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

168. The accounts in the ledger of Monroe Entertainment Co. are listed below. All accounts have normal balances.

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

Prepare a trial balance. The total of the debits is

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

ANSWER:	a
DIFFICULTY:	Challenging Bloom's: Applying
LEARNING OBJECTIVES:	FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.05 - Accounting Cycle ACCT.ACBSP.APC.09 - Financial Statements ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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169. Of the following, which is an internal report that will determine if debit balances equal credit balances in the ledger?
a. chart of accounts
b. income statement
c. trial balance
d. account reconciliation

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.09 - Financial Statements
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

170. An overpayment error was discovered in computing and paying the wages of a Jamison Tree Trimming employee. When Jamison receives cash from the employee for the amount of the overpayment, which of the following entries will Jamison make?
a. Cash, debit; Wages Expense, credit
b. Wages Payable, debit; Wages Expense, credit
c. Wages Expense, debit; Cash, credit
d. Cash, debit; Wages Payable, credit

ANSWER: a
DIFFICULTY: Challenging
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

171. If the two totals of a trial balance are not equal, it could be due to
a. failure to record a transaction
b. recording the same erroneous amount for both the debit and the credit parts of a transaction
c. an error in determining the account balances, such as a balance being incorrectly computed
d. recording the same transaction more than once

ANSWER: c
DIFFICULTY: Challenging
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
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BUSPROG: Analytic

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172. When a transposition error is made on the trial balance, the difference between the debit and credit totals on the trial balance will be
    a. zero
    b. twice the amount of the transposition
    c. one-half the amount of the transposition
    d. divisible by 9

    ANSWER: d
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.09 - Financial Statements
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

173. Which of the following errors could cause the trial balance totals to be unequal?
    a. posting the debit portion of a journal entry incorrectly when the credit portion of the entry is correctly posted
    b. failure to record a transaction or to post a transaction
    c. recording the same transaction more than once
    d. recording the same erroneous amount for both the debit and the credit parts of a transaction

    ANSWER: a
    DIFFICULTY: Moderate
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
    ACCT.ACBSP.APC.09 - Financial Statements
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

174. The trial balance is out of balance and the accountant suspects that a transposition or slide error has occurred. What will the accountant do to confirm this suspicion?
    a. Determine the amount of the error and look for that amount on the trial balance.
    b. Determine the amount of the error and divide by two, then look for that amount on the trial balance.
    c. Determine the amount of the error and refer to the journal entries for that amount.
    d. Determine the amount of the error and divide by nine. If the result is evenly divided, then this type of error is likely.

    ANSWER: d
    DIFFICULTY: Challenging
    Bloom's: Remembering
    LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04
    ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
    ACCT.ACBSP.APC.09 - Financial Statements
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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175. The purchase of supplies on account was recorded and posted as a debit to Supplies for $500 and a credit to Accounts Receivable for $500. The correcting entry would include a:
a. credit to Accounts Receivable for $500
b. credit to Accounts Receivable for $1,000
c. credit to Accounts Payable for $500
d. credit to Accounts Payable for $1,000

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

176. Which of the following is **not** a useful step in finding errors on the trial balance?
a. Determine the difference between debits and credits and look for the amount.
b. Determine the difference between debits and credits and change any account to make the trial balance correct.
c. Determine the difference between debits and credits, divide the amount by 2, and look for the amount.
d. Determine the difference between debits and credits, divide the amount by 9, and if it divides evenly, look for a transposition or slide error.

ANSWER: b
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
ACCT.ACBSP.APC.09 - Financial Statements
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177. All of the following statements regarding a horizontal analysis are true **except**:
   a. A horizontal analysis is used to compare an item in a current statement with the same item in prior statements.
   b. A horizontal analysis can be performed on a balance sheet and income statement, but not on a statement of cash flows.
   c. If Fees Earned in Year 1 is $125,000 and Fees Earned in Year 2 is $143,750, a horizontal analysis will indicate a 15% increase over this period.
   d. When two statements are compared in horizontal analysis, the earlier statement is used as the base for computing the amount and the percent of change.

ANSWER: b
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-05 - LO: 02-05
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.09 - Financial Statements
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

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

Using horizontal analysis, calculate the amount and percent change for sales. Round to one decimal place.
a. $32,500, 19.6%
b. $18,000, 10.9%
c. $35,000, 17.7%
d. $17,000, 9.4%

ANSWER: a
DIFFICULTY: Moderate
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-05 - LO: 02-05
ACCREDITING STANDARDS: ACCT.ACBSP.APC.09 - Financial Statements
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

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

Using horizontal analysis, calculate the amount and percent change for sales. Round to one decimal place.
a. $(17,000), (11.3%)
b. $(15,500), (10.3%)
c. $(18,000), (10.9%)
d. $(15,500), (9.4%)

ANSWER: d
DIFFICULTY: Moderate
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-05 - LO: 02-05
ACCREDITING STANDARDS: ACCT.ACBSP.APC.09 - Financial Statements
ACCT.AICPA.FN.03 - Measurement
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180. On January 1, Cassie Harris and other stockholders established a catering service. Listed below are accounts she would like to open in the general ledger. List the accounts in the order in which they should appear in the ledger and propose a two digit account numbering scheme that is consistent with the rules of a proper chart of accounts.
    1. Cash
    2. Supplies
    3. Equipment
    4. Accounts Payable
    5. Common Stock
    6. Wages Expense
    7. Rent Expense
    8. Truck
    9. Utilities Expense
    10. Dividends
    11. Truck Expense
    12. Prepaid Insurance
    13. Fees Earned
    14. Miscellaneous Expense
    15. Insurance Expense
    16. Notes Payable
    17. Accounts Receivable

    ANSWER:
    11 Cash
    12 Accounts Receivable
    13 Supplies
    14 Prepaid Insurance
    15 Equipment
    16 Truck
    21 Accounts Payable
    22 Notes Payable
    31 Common Stock
    32 Dividends
    41 Fees Earned
    51 Wages Expense
    52 Rent Expense
    53 Utilities Expense
    54 Truck Expense
    55 Insurance Expense
    56 Miscellaneous Expense

    DIFFICULTY: Moderate
    Bloom's: Remembering

    LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01

    ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
    ACCT.ACBSP.APC.06 - Recording Transactions
    ACCT.AICPA.FN.03 - Measurement
    BUSPROG: Analytic

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

ANSWER: A chart of accounts is set up by assigning 2-digit numbers to each of the accounts for use as references. The first digit indicates the major account group of the ledger in which the account is located. Accounts beginning with 1 represent assets; 2, liabilities; 3, stockholders' equity; 4, revenue; 5, expenses. The second digit indicates the location of the account within its group. Large companies may have additional digits to accommodate a large number of accounts.
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.09 - Financial Statements
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

ANSWER: ??? + $305,000 − $375,880 = $96,750
Cash balance at January 1 is $167,630
DIFFICULTY: Moderate
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

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

ANSWER:	Cash Accounts Receivable Prepaid Rent Accounts Payable Unearned Revenue Common Stock Dividends Fees Earned Salaries Expense Miscellaneous Expense
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

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184. Calculate the following:

(a) Determine the cash receipts for April based on the following data:

Cash payments during April	$63,000
Cash account balance, April 1	25,500
Cash account balance, April 30	31,750

(b) Determine the cash received from customers on account during April based on the following data:

Accounts receivable account balance, April 1	$22,500
Accounts receivable account balance, April 30	15,250
Fees billed to customers during April	45,000

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

DIFFICULTY: Challenging
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01

ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
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185. Selected accounts from the ledger of Garrison Company appear below. For each account, indicate the following:
(a) In the first column at the right, indicate the nature of each account, using the following abbreviations:

Asset - A	Revenue - R
Liability - L	Expense - E
None of the above - N	

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

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

ANSWER:

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

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
FNMN.WARD.16.02-02 - LO: 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
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186. All nine transactions for Dalton Survey Company for September, the first month of operations, are recorded in the following T accounts:

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

Common Stock			
		(1)	20,000

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

Dividends			
(8)	2,000		

Supplies			
(3)	7,500		

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

Equipment			
(2)	4,500		

Operating Expenses			
(6)	5,500		

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

Indicate the following for each debit and each credit:

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

Present your answers in the following form:

Transaction	Account Debited		Account Credited	
	Type	Effect	Type	Effect

ANSWER:

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

DIFFICULTY: Challenging
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
FNMN.WARD.16.02-02 - LO: 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
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187. On June 1, the cash account balance was $96,750. During June, cash receipts totaled $305,000 and the June 30 balance was $75,880. Determine the cash payments made during June.

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

DIFFICULTY: Easy
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
FNMN.WARD.16.02-03 - LO: 02-03

ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.06 - Recording Transactions
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188. On January 1, Merry Walker and other stockholders established a catering service. Listed below are accounts to use for transactions (a) through (d), each identified by a number. Following this list are the transactions that occurred during the first month of operations. You are to indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate box.
    1. Cash
    2. Accounts Receivable
    3. Supplies
    4. Prepaid Insurance
    5. Equipment
    6. Truck
    7. Notes Payable
    8. Accounts Payable
    9. Common Stock
    10. Dividends
    11. Fees Earned
    12. Wages Expense
    13. Rent Expense
    14. Utilities Expense
    15. Truck Expense
    16. Miscellaneous Expense

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

ANSWER:

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

DIFFICULTY: Challenging
Bloom's: Remembering

LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
FNMN.WARD.16.02-02 - LO: 02-02
FNMN.WARD.16.02-03 - LO: 02-03

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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Managerial Accounting 13th edition Warren Test Bank

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

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

Transactions	Account(s) Debited	Account(s) Credited
a. Purchased supplies for cash.		
b. Paid the annual premiums on property and casualty insurance.		
c. Received cash for a job previously recorded on account.		
d. Paid a creditor a portion of the amount owed for equipment previously purchased on account.		
e. Received cash for a completed job.		

ANSWER:

Transactions	Account(s) Debited	Account(s) Credited
a.	3	1
b.	4	1
c.	1	2
d.	8	1
e.	1	11

DIFFICULTY: Challenging
Bloom's: Remembering

LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
FNMN.WARD.16.02-02 - LO: 02-02
FNMN.WARD.16.02-03 - LO: 02-03

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
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BUSPROG: Analytic

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

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

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

ANSWER:

Transactions	Account(s) Debited	Account(s) Credited
a.	2	11
b.	15	8
c.	14	1
d.	1	2
e.	12	1
f.	10	1

DIFFICULTY: Challenging
Bloom's: Remembering

LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
FNMN.WARD.16.02-02 - LO: 02-02
FNMN.WARD.16.02-03 - LO: 02-03

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
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BUSPROG: Analytic

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

1. Cash
2. Accounts Receivable
3. Office Supplies
4. Land
5. Interest Receivable
6. Building
7. Accumulated Depreciation—Building
8. Depreciation Expense—Building
9. Accounts Payable
10. Interest Payable
11. Insurance Payable
12. Utilities Expense
13. Notes Payable
14. Prepaid Insurance
15. Service Revenue
16. Common Stock
17. Insurance Expense
18. Interest Expense
19. Office Supplies Expense
20. Unearned Service Revenue
21. Dividends

Transactions	Account(s) Debited	Account(s) Credited
a. Utility bill is received; payment will be made in 10 days.		
b. Paid the utility bill previously recorded in transaction (a).		
c. Bought a three-year insurance policy and paid in full.		
d. Received $7,000 from a contract to perform accounting services over the next two years.		

ANSWER:

	Debit	Credit
a.	12	9
b.	9	1
c.	14	1
d.	1	20

DIFFICULTY: Challenging
Bloom's: Remembering

LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
FNMN.WARD.16.02-02 - LO: 02-02
FNMN.WARD.16.02-03 - LO: 02-03

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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192. The following two situations are independent of each other.

1. On June 1, the cash account balance was $45,750. During June, cash payments totaled $243,910, and the June 30 balance was $53,200. Determine the cash receipts during June and show your calculation.

2. On March 1, the supplies account balance was $1,800. During March, supplies of $2,450 were purchased, and $630 of supplies were on hand as of March 31. Determine the supplies expense for March and show your calculation.

ANSWER:

1. $53,200 = $45,750 + Cash receipts − $243,910
   Cash receipts = $251,360

2. $630 = $1,800 + $2,450 − Supplies expense
   Supplies expense = $3,620

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
FNMN.WARD.16.02-02 - LO: 02-02
FNMN.WARD.16.02-03 - LO: 02-03

ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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193. Set up T accounts for Cash; Accounts Receivable; Supplies; Accounts Payable; Common Stock; Dividends; Professional Fees; and Operating Expenses.
   (a) In the T accounts, record the following transactions of Potter Pool Services for June, identifying each entry by number:
      (1) Shareholders invested $12,500 cash in the business by purchasing common stock.
      (2) Purchased supplies on account, $6,250.
      (3) Paid operating expenses, $5,500.
      (4) Billed clients for fees, $7,440.
      (5) Received cash from cash clients, $4,700.
      (6) Paid creditors on account, $1,400.
      (7) Received $3,100 from clients on account.
      (8) Paid $1,500 cash dividends.
   (b) Prepare a trial balance as of June 30 for Potter Pool Services.
   (c) Assuming that supplies expense (which has not been recorded) amounts to $1,500 for June, determine the following:
      (1) Net income for the month.
      (2) Stockholders' equity as of June 30.

ANSWER:

(a)

Cash			
(1)	12,500	(3)	5,500
(5)	4,700	(6)	1,400
(7)	3,100	(8)	1,500
Bal.	11,900		

Common Stock			
		(1)	12,500

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

Dividends			
(8)	1,500		

Supplies			
(2)	6,250		

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

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

Operating Expenses			
(3)	5,500		

(b)

Potter Pool Services
Trial Balance
June 30

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

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

DIFFICULTY: Challenging
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-01 - LO: 02-01
FNMN.WARD.16.02-02 - LO: 02-02
FNMN.WARD.16.02-03 - LO: 02-03
FNMN.WARD.16.02-04 - LO: 02-04

ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
ACCT.ACBSP.APC.09 - Financial Statements
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

194. On September 1, Erika Company purchased land for $47,500 cash. Provide the journal entry for this transaction.

ANSWER:

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

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

ANSWER:

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

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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196. On October 17, Nikle Company purchased a building and a plot of land for $750,000. The building was valued at $500,000 while the land carried a value of $250,000. Nikle paid $300,000 down in cash and signed a note payable for the balance. Provide the journal entry for this transaction.

ANSWER:

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

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

ANSWER:

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

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

198. On January 7, stockholders invest $45,000 to initiate the operation of a business, JumpStart. Provide the journal entry for this transaction.

ANSWER:

Jan. 7	Cash		45,000	
		Common Stock		45,000
		Invest cash in JumpStart.		

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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199. On January 8, stockholders transfer ownership of several pieces of office equipment to the new business, JumpStart, for common stock. When new, these items were worth $72,500. The fair market value of the equipment is $60,000. Journalize this transfer.

ANSWER:

Jan. 8	Office Equipment		60,000	
	Common Stock			60,000
	Invested equipment in business.			

While stockholders may have paid $72,500 for this equipment sometime in the past, it should be transferred into the company at fair market value (FMV), $60,000.

DIFFICULTY: Challenging
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

200. On August 30, JumpStart incurred the following expenses:
Payment to the landlord for August rent, $2,300
Payment to the Gas & Electric Company for August's bill, $525
Payment of employee wages for the last half of August, $1,750
Payment of shopping center's parking lot cleaning fee, $275

Journalize these payments as one compound journal entry.

ANSWER:

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

DIFFICULTY: Challenging
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.04 - Cash vs. Accrual
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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201. On October 30, JumpStart pays $3,330 in dividends to its stockholders. Journalize this event.

ANSWER:	Oct. 30	Dividends		3,330	
		Cash			3,330
		Payment of dividends to stockholders.			
DIFFICULTY:	Easy Bloom's: Applying				
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02				
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic				

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202. Several transactions are listed below, with the accounting equation stated to the right side of each. Use the following identification codes to indicate the effects of each transaction on the accounting equation. Write your answers in the space provided under the accounting equation. You need an identification code for **each** element of the accounting equation. An example is given before the first transaction.

I-Increase D-Decrease NE-No Effect

		Assets	=	Liabilities	+	Stockholders' Equity
Example	A stockholder invests in his new business by giving equipment valued at $3,500.	I		NE		I
(a)	Cash sales are made.	_____		_____		_____
(b)	Equipment is purchased on credit.	_____		_____		_____
(c)	Payment is made for the equipment purchased on credit in (b).	_____		_____		_____
(d)	The company sold excess supplies to another company on credit.	_____		_____		_____
(e)	Cash is collected from customers for accounts receivable balances.	_____		_____		_____

ANSWER:

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

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.09 - Financial Statements
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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203. *Journalize the following five transactions for Nexium & Associates, Inc. Omit explanations.*

March 1 Bills are sent to clients for services provided in February in the amount of $800.

9 Corner Office, Inc. delivers office furniture ($1,060) and office supplies ($160) to Nexium, leaving an invoice for $1,220.

15 Payment is made to Corner Office, Inc. for the furniture and office supplies delivered on March 9.

23 A bill for $430 for electricity for the month of March is received and will be paid on its due date in April.

31 Salaries of $850 are paid to employees.

ANSWER:

March	1	Accounts Receivable	800	
		Service Revenue		800
	9	Office Furniture	1,060	
		Office Supplies	160	
		Accounts Payable		1,220
	15	Accounts Payable	1,220	
		Cash		1,220
	23	Electricity Expense	430	
		Accounts Payable		430
	31	Salaries Expense	850	
		Cash		850

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
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BUSPROG: Analytic

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204. For the following, mark a “D” if the following account normally has a debit balance and mark a “C” if the following account normally has a credit balance.

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

ANSWER:	1.C 2.C 3.D 4.D 5.C 6.C 7.C 8.D 9.D
DIFFICULTY:	Easy
	Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP
	ACCT.ACBSP.APC.06 - Recording Transactions
	ACCT.AICPA.FN.03 - Measurement
	BUSPROG: Analytic

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

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

ANSWER:

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

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.06 - Recording Transactions
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206. Record the following selected transactions for April in a two-column journal, identifying each entry by letter:
(a) Received $18,000 from sale of common stock.
(b) Purchased equipment for $27,000, paying $10,000 in cash and giving a note payable for the remainder.
(c) Paid $2,300 for rent for April.
(d) Purchased $1,500 of supplies on account.
(e) Recorded $9,800 of fees earned on account.
(f) Received $7,500 in cash for fees earned.
(g) Paid $1,200 to creditors on account.
(h) Paid wages of $3,425.
(i) Received $7,900 from customers on account.
(j) Recorded dividends of $1,875.

ANSWER:

(a)	Cash	18,000	
	Common Stock		18,000
(b)	Equipment	27,000	
	Cash		10,000
	Notes Payable		17,000
(c)	Rent Expense	2,300	
	Cash		2,300
(d)	Supplies	1,500	
	Accounts Payable		1,500
(e)	Accounts Receivable	9,800	
	Fees Earned		9,800
(f)	Cash	7,500	
	Fees Earned		7,500
(g)	Accounts Payable	1,200	
	Cash		1,200
(h)	Wages Expense	3,425	
	Cash		3,425
(i)	Cash	7,900	
	Accounts Receivable		7,900
(j)	Dividends	1,875	
	Cash		1,875

DIFFICULTY: Challenging
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
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BUSPROG: Analytic

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207. On January 12, JumpStart Co. purchased $870 in office supplies.
(a) Journalize this transaction as if JumpStart paid cash.
(b) (1) Journalize this transaction as if JumpStart placed it on account.
(b) (2) On January 18, JumpStart pays the amount due. Journalize this event.

ANSWER:

(a)

Jan. 12	Office Supplies	870	
	Cash		870

(b)(1)

Jan. 12	Office Supplies	870	
	Accounts Payable		870

(b)(2)

Jan. 18	Accounts Payable	870	
	Cash		870

DIFFICULTY: Moderate
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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208. On November 10, JumpStart Co. provides $2,900 in services to clients. At the time of service, the clients paid $600 in cash and put the balance on account.
(a) Journalize this event.
(b) On November 20, JumpStart Co. clients paid an additional $900 on their accounts due. Journalize this event.
(c) Calculate the accounts receivable balance on November 30.

ANSWER:

(a) Nov. 10	Cash	600	
	Accounts Receivable	2,300	
	Fees Earned		2,900
(b) Nov. 20	Cash	900	
	Accounts Receivable		900

(c)

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

DIFFICULTY: Challenging
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

209. Prepare a journal entry for the purchase of a truck on April 4 for $85,700, paying $15,000 cash and the remainder on account. Omit explanation.

ANSWER:

April 4	Truck	85,700	
	Cash		15,000
	Accounts Payable		70,700

DIFFICULTY: Easy
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.04 - Cash vs. Accrual
ACCT.ACBSP.APC.06 - Recording Transactions
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210. Journalize the following selected transactions for January. Explanations may be omitted.

Jan. 1 Received cash from the sale of common stock, $14,000.
2 Received cash for providing accounting services, $9,500.
3 Billed customers on account for providing services, $4,200.
4 Paid advertising expense, $700.
5 Received cash from customers on account, $2,500.
6 Paid dividends, $1,010.
7 Received telephone bill, $900.
8 Paid telephone bill, $900.

Date	Description	Post. Ref.	Debit	Credit

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ANSWER:

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

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
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211. On December 1, JumpStart Company provides $2,800 in services to clients.
(a) Journalize this event as if the clients had paid cash at the time the services were rendered.
(b)(1) Journalize this event as if the clients had placed this on account.
(b)(2) Assume that the clients paid $1,200 of the amount on account on December 30. Journalize this transaction.

ANSWER:

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

DIFFICULTY: Moderate
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

212. Analyze the effect of the following transactions on the accounting equation.
(a) The company paid $725 to a vendor for supplies purchased previously on account.
(b) The company performed $850 of services and billed the customer.
(c) The company received a utility bill for $395 and will pay it next month.
(d) The company paid dividends of $145.
(e) The company paid $315 in salaries to its employees.
(f) The company collected $730 of cash from its customers on account.

Some of the possible effects of a transaction on the accounting equation are listed below:

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

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Put the appropriate letter next to each transaction.

ANSWER:

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

DIFFICULTY: Challenging
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

213. Prepare a journal entry on October 12 for the fees earned on account, $14,600. Omit explanation.

ANSWER:

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

DIFFICULTY: Challenging
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
FNMN.WARD.16.02-03 - LO: 02-03
ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
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BUSPROG: Analytic

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214. *Journalize the five transactions for Mirmax Rentals described below.*

August 1 Mirmax purchases two new saws on credit at $425 each. The saws are added to Mirmax's rental inventory. Payment is due in 30 days.

8 Mirmax accepts advance deposits for tool rentals of $125 that will be applied to the cash rental when the tools are returned.

15 Mirmax receives a bill from Macon Utility Company for $180. Payment is due in 30 days.

20 Customers are charged $1,250 by Mirmax for tool rentals. Payment is due from the customers in 30 days.

31 Mirmax receives $600 in payments from the customers that were billed for rentals on August 20.

ANSWER:

Aug. 1	Equipment		850	
		Accounts Payable		850
8	Cash		125	
		Unearned Revenue		125
15	Utilities Expense		180	
		Accounts Payable		180
20	Accounts Receivable		1,250	
		Rental Revenue		1,250
31	Cash		600	
		Accounts Receivable		600

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
FNMN.WARD.16.02-03 - LO: 02-03

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

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

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

DIFFICULTY: Challenging
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-02 - LO: 02-02
FNMN.WARD.16.02-03 - LO: 02-03

ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.06 - Recording Transactions
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BUSPROG: Analytic

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216. The bookkeeper for Brockton Industries prepared the following journal entries and posted the entries to the general ledger as indicated in the T accounts presented. Assume that the dollar amounts and the descriptions of the entries are correct.

July	3	Accounts Receivable	1,000	
		Service Revenue		1,000
		Customers were billed for services completed.		
	11	Cash	500	
		Accounts Receivable		500
		Payment is received from a customer billed for services on July 3.		
	12	Office Supplies	600	
		Accounts Payable		600
		Purchased office supplies on credit; payment is due in 30 days.		
	25	Office Furniture	700	
		Cash		700
		Payment is made for office furniture received on July 25.		

ACCOUNTS RECEIVABLE

7/3 1,000	

SERVICE REVENUE

	7/3 1,000
	7/11 500

CASH

7/11 500	7/25 700

ACCOUNTS PAYABLE

	7/12 600

OFFICE SUPPLIES

7/12 600	

OFFICE FURNITURE

7/25 700	

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Required: If you assume that all journal entries have been recorded correctly, use the above information to:
(1) Identify the postings to the general ledger that were made incorrectly.
(2) Describe how each incorrect posting should have been made.

ANSWER: (1) The bookkeeper incorrectly posted the July 3, July 11, and 12 journal entries.
(2) For the July 3 journal entry, the $1,000 credit to Service Revenue should have been posted to the Service Revenue account as a credit, not as a debit. For the July 11 journal entry, the $500 credit should be posted to Accounts Receivable, not to Service Revenue. For the July 12 journal entry, the $600 credit to Accounts Payable should have been posted as a credit, not as a debit.

DIFFICULTY: Challenging
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-03 - LO: 02-03

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

217. Journalize the entries to correct the following errors:
(a) A purchase of supplies for $500 on account was recorded and posted as a debit to Supplies for $200 and as a credit to Accounts Receivable for $200.
(b) A receipt of $2,500 from Fees Earned was recorded and posted as a debit to Fees Earned for $2,500 and a credit to Cash for $2,500.

ANSWER:

(a)	Accounts Receivable	200	
	Supplies		200
	Supplies	500	
	Accounts Payable		500
(b)	Cash	5,000	
	Fees Earned		5,000

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04

ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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

ANSWER:

Nov. 30	Office Equipment		550	
	Office Supplies			550

DIFFICULTY: Challenging
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

219. The following errors took place in journalizing and posting transactions:
a. Dividends were recorded as a debit to Office Expense and a credit to Cash.
b. Accounts receivable payment for $7,800 was recorded as a debit to Cash and a credit to Fees Earned.

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

ANSWER:

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

DIFFICULTY: Easy
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.06 - Recording Transactions
ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

220. For each of the following errors, considered individually, indicate whether the error would cause the trial balance tot to be unequal. If the error would cause the trial balance totals to be unequal, indicate whether the debit or credit total is higher and by how much.
A. Payment of a cash dividend $6,800 was journalized and posted as a debit of $8,600 to Salaries Expense and a credit of $8,600 to Cash.
B. A fee of $9,780 earned was debited to Accounts Receivable for $7,980 and credited to Fees Earned for $9,780.
C. A payment of $3,000 to a creditor was posted as a credit of $3,000 to Accounts Payable and a credit of $3,000 to Cash.

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

DIFFICULTY: Challenging
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
ACCT.ACBSP.APC.09 - Financial Statements
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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221. Below is the unadjusted trial balance for Dawson Designs.

REQUIRED:
(1) Identify the errors in the trial balance. All accounts have normal balances.
(2) Prepare a corrected trial balance.

Dawson Designs Co. Unadjusted Trial Balance For the Month of January		
	Debits	Credits
Cash	23,000	
Accounts Receivable		49,700
Prepaid Insurance	11,300	
Equipment	150,500	
Accounts Payable	6,050	
Salaries Payable		4,250
Common Stock		110,000
Dividends		18,500
Service Revenue		236,600
Salary Expense	98,930	
Miscellaneous Expense		4,970
	424,020	424,020

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ANSWER:

(1)

a. The debit column is added incorrectly; the sum is actually $289,780.
b. The trial balance should be dated January 31, rather than "For the Month of January"
c. The Accounts Receivable balance should be in the debit column.
d. The Accounts Payable balance should be in the credit column.
e. The Dividends balance should be in the debit column.
f. The Miscellaneous Expense balance should be in the debit column.

(2)

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

DIFFICULTY: Moderate
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
ACCT.ACBSP.APC.09 - Financial Statements
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222. Prepare a trial balance, listing the following accounts in proper sequence. The accounts (all normal balances) were taken from the ledger of Sophie Designs Co. on April 30.

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

ANSWER:

Sophie Designs
Trial Balance
April 30

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

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04

ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
ACCT.ACBSP.APC.09 - Financial Statements
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223.(a) List the errors in the following trial balance. All accounts have normal balances.
(b)What would be the new totals of the trial balance after errors are corrected? What would be the balance of Accounts Receivable?

Winslow's Auto Body
Trial Balance
For Month Ending April 30

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

ANSWER:

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

(b) The new total for credits would be $69,100 ($2,500 accounts payable + $49,600 fees earned + $17,000 common stock). Accounts receivable would be $3,075 ($69,100 total credits − $66,025 corrected debits).

DIFFICULTY: Challenging
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
ACCT.ACBSP.APC.09 - Financial Statements
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224. Answer the following questions for each of the errors listed below, considered individually:
   (a) Did the error cause the trial balance totals to be unequal?
   (b) What is the amount of the difference between the trial balance totals (where applicable)?
   (c) Which of the trial balance totals, debit or credit, is the larger (where applicable)?

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

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

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

ANSWER:

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

DIFFICULTY: Challenging
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04

ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
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Exhibit 2-1
All nine transactions for Ralston Sports Co. for September, the first month of operations, are recorded in the following T accounts:

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

Common Stock			
		(1)	25,000

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

Dividends			
(8)	7,000		

Supplies			
(3)	12,500		

Fees Earned			
		(4)	9,900
		(7)	11,900

Equipment			
(2)	9,500		

Operating Expense			
(6)	10,500		

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

225. Refer to **Exhibit 2-1**. Prepare a trial balance, listing the accounts in their proper order.

ANSWER:

Ralston Sports Company
Trial Balance
September 30

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

DIFFICULTY: Easy
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.05 - Accounting Cycle
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226. Lewis Company has a condensed income statement as shown:

	Year 2	Year 1
Sales	$178,400	$162,500
Wage expenses	$100,000	$ 92,500
Rent expenses	33,000	30,000
Utilities expenses	30,000	25,000
Total operating expenses	$163,000	$147,500
Net income	$ 15,400	$ 15,000

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

ANSWER:

	Year 2	Year 1	Increase/ Decrease Amount	Percent Change
Sales	$178,400	$162,500	$15,900	9.8%
Wage expenses	$100,000	$ 92,500	$ 7,500	8.1%
Rent expenses	33,000	30,000	3,000	10.0%
Utilities expenses	30,000	25,000	5,000	20.0%
Total operating expenses	$163,000	$147,500	$15,500	10.5%
Net income	$ 15,400	$ 15,000	$ 400	2.7%

While the trend in sales revenue is favorable, it is not sufficient enough to offset the rising expenses, resulting in a positive but small and slowing increase in net income.

DIFFICULTY: Moderate
Bloom's: Applying
LEARNING OBJECTIVES: FNMN.WARD.16.02-05 - LO: 02-05
ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.09 - Financial Statements
ACCT.AICPA.FN.03 - Measurement
BUSPROG: Analytic

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227. Nebraska Technologies has a condensed income statement as shown:

	Year 2	Year 1
Sales	$158,400	$162,500
Wage expenses	$ 80,000	$ 92,500
Rent expenses	28,000	30,000
Utilities expenses	30,000	25,000
Total operating expenses	$138,000	$147,500
Net income	$ 20,400	$ 15,000

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

ANSWER:

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

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

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: FNMN.WARD.16.02-05 - LO: 02-05

ACCREDITING STANDARDS: ACCT.ACBSP.APC.02 - GAAP
ACCT.ACBSP.APC.09 - Financial Statements
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Match each of the following accounts with its proper account group from groups listed below.

a. Assets

b. Liabilities

c. Stockholders' Equity

d. Revenue

e. Expenses

DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-01 - LO: 02-01
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.09 - Financial Statements ACCT.ACBSP.APC.13 - Long-term Assets Reporting ACCT.ACBSP.APC.15 - Current Assets Reporting ACCT.ACBSP.APC.16 - Current Liabilities Reporting ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

228. Unearned Rent

ANSWER: b

229. Prepaid Insurance

ANSWER: a

230. Fees Earned

ANSWER: d

231. Patents

ANSWER: a

232. Dividends

ANSWER: c

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For each of the following accounts, indicate whether its normal balance is on the credit side or the debit side of the T account.

a. Credit side

b. Debit side

DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-02 - LO: 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

233. Common Stock

ANSWER: a

234. Accounts Receivable

ANSWER: b

235. Accounts Payable

ANSWER: a

236. Interest Earned

ANSWER: a

237. Copyrights

ANSWER: b

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Several types of errors can be made during the journalizing and posting process. Match the following with their best description.

a. Trial balance preparation errors

b. Account balance errors

c. Posting errors

DIFFICULTY:	Challenging Bloom's: Remembering
LEARNING OBJECTIVES:	FNMN.WARD.16.02-04 - LO: 02-04
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.02 - GAAP ACCT.ACBSP.APC.06 - Recording Transactions ACCT.AICPA.FN.03 - Measurement BUSPROG: Analytic

238. Balance incorrectly computed.

ANSWER: b

239. Debit or credit posting omitted.

ANSWER: c

240. Wrong amount posted to an account.

ANSWER: c

241. Column incorrectly added.

ANSWER: a

242. Balance entered on wrong side of account.

ANSWER: b

243. Amount incorrectly entered on trial balance.

ANSWER: a

244. Balance entered in wrong column or omitted.

ANSWER: a

245. Debit posted as credit, or vice versa.

ANSWER: c

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