Cornerstones of Financial Accounting 4th edition Rich Test Bank

SKU: 9781337690881-TEST-BANK

1. The time-period assumption assumes that a company prepares its financial statements every month.
   a. True
   b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Difficulty: Moderate
LEARNING OBJECTIVES:	CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS:	United States - BUSPROG: Communication - Communication
STATE STANDARDS:	United States - AK - ACBSP-APC-02-GAAP United States - AL - ACBSP-APC-02-GAAP United States - AR - ACBSP-APC-02-GAAP United States - AZ - ACBSP-APC-02-GAAP United States - CA - ACBSP-APC-02-GAAP United States - CO - ACBSP-APC-02-GAAP United States - CT - ACBSP-APC-02-GAAP United States - DE - ACBSP-APC-02-GAAP United States - FL - ACBSP-APC-02-GAAP United States - GA - ACBSP-APC-02-GAAP United States - HI - ACBSP-APC-02-GAAP United States - IA - ACBSP-APC-02-GAAP United States - ID - ACBSP-APC-02-GAAP United States - IL - ACBSP-APC-02-GAAP United States - IN - ACBSP-APC-02-GAAP United States - KS - ACBSP-APC-02-GAAP United States - KY - ACBSP-APC-02-GAAP United States - LA - ACBSP-APC-02-GAAP United States - MA - ACBSP-APC-02-GAAP United States - MD - ACBSP-APC-02-GAAP United States - ME - ACBSP-APC-02-GAAP United States - MI - ACBSP-APC-02-GAAP United States - MN - ACBSP-APC-02-GAAP United States - MO - ACBSP-APC-02-GAAP United States - MS - ACBSP-APC-02-GAAP United States - MT - ACBSP-APC-02-GAAP United States - NC - ACBSP-APC-02-GAAP United States - ND - ACBSP-APC-02-GAAP United States - NE - ACBSP-APC-02-GAAP United States - NH - ACBSP-APC-02-GAAP United States - NJ - ACBSP-APC-02-GAAP United States - NM - ACBSP-APC-02-GAAP United States - NV - ACBSP-APC-02-GAAP United States - NY - ACBSP-APC-02-GAAP United States - OH - ACBSP-APC-02-GAAP United States - OK - ACBSP-APC-02-GAAP United States - OR - ACBSP-APC-02-GAAP United States - PA - ACBSP-APC-02-GAAP United States - RI - ACBSP-APC-02-GAAP

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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

2. Because it tends to provide the most reliable measure of activity, all assets are reported on the balance sheet at their fair market values.

a. True

b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - IA - ACBSP-APC-02-GAAP
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

3. The term used to refer to an asset's original cost is book value.
   a. True
   b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

4. The going concern assumption infers that a company will continue to operate into the future.
   a. True
   b. False

ANSWER: True

POINTS: 1

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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

5. A company in the process of liquidation is considered to be under the going concern assumption.
   a. True
   b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

6. The International Accounting Standards Board (IASB) was created in order to develop worldwide accounting standards that are required for all financial statements, regardless of the country where the financial statements were prepared.

a. True

b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - AL - ACBSP-APC-02-GAAP
United States - AZ - ACBSP-APC-02-GAAP
United States - AK - ACBSP-APC-02-GAAP
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

7. The initial step in the recording process is sometimes referred to as journalizing.
   a. True
   b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.6 - LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions

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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

8. The issuance of common stock increases a company's assets and stockholders' equity.
   a. True
   b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Analysis
NOTES: 1 min.

9. The payment of a dividend increases both cash and stockholders' equity of the distributing entity.
   a. True
   b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Analysis
NOTES: 1 min.

10. According to the historical cost principle, assets are always carried at their current market value.
    a. True
    b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

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11. An accounting transaction may impact only one financial statement or multiple statements.
    a. True
    b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Difficulty: Moderate
LEARNING OBJECTIVES:	CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS:	United States - BUSPROG: Communication - Communication
STATE STANDARDS:	United States - AK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - AL - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - AR - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - AZ - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - CA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - CT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - CO - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - DE - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - FL - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - GA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - HI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - ID - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - IA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - IL - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - IN - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - KS - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - KY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - LA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - MA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - MD - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-

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United States - WY - AICPA FN-Reporting
United States - WV - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

12. The accounting equation must balance before and after every accounting transaction.
    a. True
    b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

13. A chart of accounts is prepared to determine whether the books have gotten out of balance.
    a. True
    b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

14. GAAP has established a universal chart of accounts that is applicable to all businesses in the United States.
    a. True
    b. False

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ANSWER: False
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

15. A T-account for Cash cannot contain any credits.
    a. True
    b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: CS2-2
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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United States - WI - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

16. A debit entry increases assets and revenue accounts.
    a. True
    b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: CS2-2
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

17. The dividends account has a normal debit balance.
    a. True
    b. False

ANSWER: True
POINTS: 1

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DIFFICULTY: Difficulty: Easy
REFERENCES: CS2-3
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

18. Under the double-entry system of accounting, every transaction is entered in at least two accounts on opposite sides of a T-account.
    a. True
    b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Difficulty: Easy

LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

19. Under the double-entry system of accounting, a debit is always a negative entry.
    a. True
    b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Difficulty: Easy

LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

20. Income statement accounts have normal credit balances.
    a. True
    b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4

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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

21. Only events that can be measured with sufficient reliability will be recognized in the accounting system.
a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AK - ACBSP-APC-05-Accounting Cycle
United States - AL - ACBSP-APC-05-Accounting Cycle
United States - AR - ACBSP-APC-05-Accounting Cycle
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United States - HI - ACBSP-APC-05-Accounting Cycle
United States - IA - ACBSP-APC-05-Accounting Cycle
United States - ID - ACBSP-APC-05-Accounting Cycle
United States - IL - ACBSP-APC-05-Accounting Cycle
United States - IN - ACBSP-APC-05-Accounting Cycle
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United States - WY - ACBSP-APC-05-Accounting Cycle
United States - AL - AICPA FN-Reporting
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United States - VA - AICPA FN-Reporting
United States - VT - AICPA FN-Reporting
United States - WI - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting
United States - WV - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

22. The general ledger is an example of a book of original entry.
    a. True
    b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-05-Accounting Cycle
United States - WV - ACBSP-APC-05-Accounting Cycle
United States - WI - ACBSP-APC-05-Accounting Cycle
United States - WA - ACBSP-APC-05-Accounting Cycle
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United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

23. The general ledger is often used for the initial recording of repetitive transactions.
    a. True
    b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.6 - LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - VT - ACBSP-APC-05-Accounting Cycle
United States - VA - ACBSP-APC-05-Accounting Cycle
United States - WA - ACBSP-APC-05-Accounting Cycle
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United States - TX - AICPA FN-Reporting
United States - UT - AICPA FN-Reporting
United States - VA - AICPA FN-Reporting
United States - VT - AICPA FN-Reporting
United States - WI - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

24. A trial balance is the listing of each active account and its corresponding debit or credit balance at a particular point

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in time.
a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.7 - LO: 2-7
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AR - ACBSP-APC-05-Accounting Cycle
United States - AZ - ACBSP-APC-05-Accounting Cycle
United States - AL - ACBSP-APC-05-Accounting Cycle
United States - AK - ACBSP-APC-05-Accounting Cycle
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

25. Even though a trial balance reveals that the debits equal the credits, there still may be errors in the company's books.
a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.7 - LO: 2-7
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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United States - AL - ACBSP-APC-05-Accounting Cycle
United States - AR - ACBSP-APC-05-Accounting Cycle
United States - AZ - ACBSP-APC-05-Accounting Cycle
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United States - AK - AICPA FN-Reporting
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United States - CA - AICPA FN-Reporting
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United States - CT - AICPA FN-Reporting
United States - GA - AICPA FN-Reporting
United States - FL - AICPA FN-Reporting
United States - HI - AICPA FN-Reporting
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United States - ID - AICPA FN-Reporting
United States - IL - AICPA FN-Reporting
United States - KS - AICPA FN-Reporting
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United States - LA - AICPA FN-Reporting
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United States - RI - AICPA FN-Reporting
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United States - VA - AICPA FN-Reporting
United States - VT - AICPA FN-Reporting
United States - WI - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting
United States - WV - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

26. The purchase of office supplies from a supplier is an example of an external event.
    a. True
    b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - ND - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - NE - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

27. The conservatism principle is concerned with the possibility of understating assets or income.
    a. True
    b. False

ANSWER: False
POINTS: 1

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DIFFICULTY: Difficulty: Easy

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

28. A full disclosure policy stipulates that all information that would make a difference to financial statement users should be revealed.
a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

29. If a company performed services for credit, then the debit side of the journal entry would be to Accounts Payable and the credit would be to Service Revenue.
    a. True
    b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-4
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Analysis
NOTES: 1 min.

30. If a company made a payment on account, then assets and liabilities would both decrease.
    a. True
    b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1

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LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

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KEYWORDS: Bloom's: Analysis

NOTES: 1 min.

31. The various rules and conventions that have evolved over time to guide the preparation of financial statements in the U.S. are called _____.

ANSWER: Generally accepted accounting principles
GAAP

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - AL - ACBSP-APC-02-GAAP
United States - AR - ACBSP-APC-02-GAAP
United States - CA - ACBSP-APC-02-GAAP
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

32. The concept that assumes that assets are recorded at the amount to acquire them is called the _____ principle.

ANSWER: historical cost

POINTS: 1

DIFFICULTY: Difficulty: Easy

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

33. The concept that assumes that an entity is **not** in the process of bankruptcy is called the _____ concept.

ANSWER: going concern

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

34. The _____ is the U.S. federal government agency with the ultimate authority to determine the accounting rules for companies whose stock is sold to the public.

ANSWER: Securities Exchange Commission
SEC

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POINTS: 1
DIFFICULTY: Difficulty: Easy
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

35. The _____ is the private sector group with authority to set accounting standards in the United States.

ANSWER: Financial Accounting Standards Board
FASB

POINTS: 1

DIFFICULTY: Difficulty: Easy

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

36. _____ is the magnitude of an omission or misstatement in accounting information that will influence the decision of someone relying on the information.

ANSWER: Materiality

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

37. _____ is the capacity of information to make a difference in a decision by helping make timely predictions or provide timely feedback.

ANSWER: Relevance

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - AL - ACBSP-APC-02-GAAP
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

38. When preparing the financial statements, the accountant must estimate the balances of certain accounts. When two possible estimates are available and when these estimates are about equally likely, the accountant's prudent reaction

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is to select the least optimistic estimate in terms of the recorded amounts of assets or income statement accounts. This is referred to as the principle of _____.

ANSWER: conservatism
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AL - ACBSP-APC-02-GAAP
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

39. _____ is the quality of accounting information that makes it dependable in representing the events that it purports to represent.

ANSWER: Reliability
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AL - ACBSP-APC-02-GAAP
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

40. _____ is the quality of accounting information that allows a user to analyze two or more companies and look for similarities and differences.

ANSWER: Comparability

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

41. _____ is the quality of accounting information that allows a user to compare two or more accounting periods for a single company.

ANSWER: Consistency

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

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42. In order for an internal or external event to be recognized in an accounting system, the items making up the event must impact the financial statements and they must be sufficiently reliable and _____.

ANSWER: measurable
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

43. _____ documents provide the evidence needed in an accounting system to record a transaction.

ANSWER: Source
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

44. The issuance of common stock increases both _____ and stockholders' equity.

ANSWER: assets

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: CS2-1

LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

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KEYWORDS: Bloom's: Analysis
NOTES: 1 min.

45. Borrowing from the bank in order to acquire computer equipment for $1,500 has the effect of increasing both assets and _____.

ANSWER: liabilities
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

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KEYWORDS: Bloom's: Analysis

NOTES: 1 min.

46. If a law firm provides services on account for its clients, both _____ and retained earnings will increase.

ANSWER: assets

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: CS2-1

LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

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KEYWORDS: Bloom's: Analysis

NOTES: 1 min.

47. The payment of salaries to employees will result in a debit to an expense account and a credit to the _____ account.

ANSWER: cash

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: CS2-4

LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5

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KEYWORDS: Bloom's: Analysis
NOTES: 1 min.

48. The _____ principle says that assets of a company are initially recorded at their original cost.

ANSWER: historical cost
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

49. The _____ is a list of all the accounts used by an entity.

ANSWER: chart of accounts

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POINTS: 1
DIFFICULTY: Difficulty: Easy
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STATE STANDARDS: United States - AK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

50. The _____ is the file or book that contains all of the company's accounts.

ANSWER: general ledger

POINTS: 1

DIFFICULTY: Difficulty: Easy

LEARNING OBJECTIVES: CORN.RICH.14.2.6 - LO: 2-6

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

51. The _____ side, or left-side, of a liability account is used to record decreases in the account balance.

ANSWER: debit

POINTS: 1

DIFFICULTY: Difficulty: Easy

REFERENCES: CS2-2

LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

52. For assets, expenses, and dividend accounts, a credit will _____ the balance in the account.

ANSWER: decrease

POINTS: 1

DIFFICULTY: Difficulty: Easy

REFERENCES: CS2-2
CS2-3

LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge

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NOTES: 1 min.

53. For liabilities, stockholders' equity, and revenue accounts, debits will _____ the account balance.

ANSWER: decrease
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: CS2-2
CS2-3
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

54. Credits are always on the _____ side of a T-account.

ANSWER: right

POINTS: 1

DIFFICULTY: Difficulty: Easy

LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

55. A revenue account has a normal _____ balance.

ANSWER: credit

POINTS: 1

DIFFICULTY: Difficulty: Easy

REFERENCES: CS2-3

LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

56. The _____ is a chronological record of all transactions entered into by a business.

ANSWER: journal
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

57. The _____ is a list of each active account and its debit or credit balance at a specific point in time.

ANSWER: trial balance
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.7 - LO: 2-7
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - SC - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

58. Which of the following statements is true regarding economic events?
    a. The signing of a service contract is an example of an external event that is recorded in the accounting records.
    b. Every event which affects an entity can be identified from a source document.
    c. All internal and external events must be measured with sufficient reliability.
    d. External events involve exchanges between an entity and another entity outside the company.

ANSWER: d

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.2 - LO: 2-2

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

59. Which of the following underlying assumptions for the conceptual framework is the reason the dollar is used in the preparation of financial statements?
a. Economic Entity
b. Continuity
c. Time-Period
d. Monetary Unit

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AL - ACBSP-APC-02-GAAP

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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

60. Which of the following is an assumption made in the preparation of the financial statements?
    a. Financial statements are prepared for a specific entity that is distinct from the entity's owners.
    b. The current market value is assumed to be more relevant than the original cost paid.
    c. The preparation of financial statements for a specific time period assumes that the balance sheet covers a designated period of time.
    d. Financial statements are prepared assuming that inflation has a distinct effect on the monetary unit.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AL - ACBSP-APC-02-GAAP
United States - AR - ACBSP-APC-02-GAAP
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KEYWORDS: Bloom's: Knowledge
NOTES: 2 min.

61. The time-period assumption is necessary because
a. inflation exists and causes confusing swings in financial statement amounts over time.
b. external users of financial statements want accurately-reported net income for a specific period of time.
c. financial statements users expect full disclosure of all economic events throughout the entire time period.
d. it is required by the federal government.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

62. Which of the following statements is true concerning assets?
    a. Assets are measured using a time-period approach.
    b. Assets are initially recorded at market value and then adjusted for inflation.
    c. Assets are initially recorded using the historical cost principle.
    d. Assets are initially recorded at market value, since historical cost tends to be too arbitrary.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

63. Homevestors purchased land for $400,000 in 2007. In 2019, an independent appraiser assessed the value of the land at 900,000. At what amount should the land be recorded on the company's 2019 financial statements?
a. at its cost of $400,000
b. at its $900,000 appraised value
c. at $500,000, the difference between the land's cost and assessed value
d. whichever amount the company considers to be the best indicator of the land's true value

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AK - ACBSP-APC-02-GAAP
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KEYWORDS: Bloom's: Application
NOTES: 1 min.

64. Which of the following organizations is primarily responsible for establishing GAAP in the United States?
a. Securities Exchange Commission (SEC)
b. Financial Accounting Standards Board (FASB)
c. International Accounting Standards Board (IASB)
d. Internal Revenue Service (IRS)

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

65. The Securities Exchange Commission (SEC) is concerned with
    a. Developing a new conceptual framework in order to reduce differences in financial reports for global companies.
    b. Setting accounting rules for all companies that are incorporated in the United States.
    c. Setting accounting rules for publicly-traded companies in the United States.
    d. Working to reduce differences in accounting reports issued by governmental units.

ANSWER: c

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

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KEYWORDS:	Bloom's: Knowledge
NOTES:	1 min.

66. Which organization has the power to set accounting rules for companies whose stock is publicly-traded in the U.S. stock markets, but has delegated its power to another organization?
    a. International Accounting Standards Board (IASB)
    b. Financial Accounting Standards Board (FASB)
    c. General Association of Accounting Practitioners (GAAP)
    d. Securities Exchange Commission (SEC)

ANSWER:	d
POINTS:	1
DIFFICULTY:	Difficulty: Easy
LEARNING OBJECTIVES:	CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS:	United States - BUSPROG: Communication - Communication
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

67. In order for accounting information to be useful in making informed decisions, it must be
a. internal.
b. relevant.
c. reliable.
d. both relevant and reliable.

ANSWER: d

POINTS: 1

DIFFICULTY: Difficulty: Easy

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

68. Which of the following is a constraint to the qualitative characteristics of useful accounting information?
a. conservatism
b. materiality
c. relevance
d. comparability

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

69. The principle of conservatism is concerned with
a. the avoidance of overstating assets or income in the preparation of financial statements.
b. the minimization of costs associated with providing financial information.
c. the company's ability to carry out its existing commitments.
d. the company's procedures for recording activities at their initial exchange price.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AK - ACBSP-APC-02-GAAP
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

70. The going concern assumption is concerned with
    a. the company's ability to continue operations long enough to carry out its existing obligations.
    b. any information that is capable of influencing the decisions of anyone using the financial statements.
    c. measuring ongoing business activities at their exchange price at the time of the initial external transaction.
    d. offsetting management's natural optimism by providing a prudent approach to uncertainty in financial statement items.

ANSWER: a

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

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KEYWORDS: Bloom's: Knowledge

NOTES: 2 min.

71. Which of the following statements is **false** with respect to the qualitative characteristics of useful accounting information?
    a. Comparability is concerned with different companies using the same accounting methods; whereas, consistency is concerned with a single company using the same accounting methods over time.
    b. Trade-offs are often necessary in evaluating relevant versus reliable information.
    c. All external and internal events must be fully disclosed in the accounting system.
    d. The full disclosure policy should be followed in all situations that would made a difference to financial statement users.

ANSWER: c

POINTS: 1

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DIFFICULTY: Difficulty: Moderate
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KEYWORDS: Bloom's: Knowledge
NOTES: 2 min.

72. Which of the following is an internal event?
a. Caddie salaries are paid by a country club.
b. Dividends are distributed to a company's stockholders.
c. Potatoes used to make French fries in a fast-food restaurant are purchased.
d. Products are transferred from the assembly area to the painting station.

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Application

NOTES: 1 min.

73. All of the following are external events **except**
    a. a grocery store recognizes losses from spoilage.
    b. a grocery store runs ads in a local newspaper.
    c. a grocery store purchases produce from a local farmer.
    d. a grocery store sells groceries to customers on credit.

ANSWER: a

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.2 - LO: 2-2

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Application

NOTES: 2 min.

74. Which of the following is an internal event for a business entity?
    a. An attorney provides services for clients.
    b. An attorney purchases computer equipment.
    c. An attorney uses computer equipment to maintain business records and prepare legal documents.
    d. An attorney receives cash payments from clients who were billed for legal services.

ANSWER: c

POINTS: 1

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DIFFICULTY: Difficulty: Moderate
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KEYWORDS: Bloom's: Application
NOTES: 2 min.

75. Which of the following statements is true?
    a. Only the effects of internal transactions must be recognized and recorded in the accounting system.
    b. An internal transaction represents a business activity between an entity and its environment.
    c. Evidence used to record transactions affecting a business entity comes from source documents.
    d. Only the effects of external events must be recognized, measured, and recorded in an entity's accounting system.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
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United States - OK - AICPA FN-Reporting
United States - OR - AICPA FN-Reporting
United States - PA - AICPA FN-Reporting
United States - SC - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge
NOTES: 2 min.

76. Which of the following statements is **false** regarding the use of source documents?
a. Checks and deposit slips are the main source documents backing up the bank statement.
b. Retailers may use cash register tapes to recognize sales transactions.
c. Stock certificates provide evidence of being a creditor of the company.
d. Time cards may be used as a source of information to record wages.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge

NOTES: 2 min.

77. The purchase of office equipment on credit has what effect on the accounting equation?
    a. assets and stockholders' equity decrease
    b. liabilities increase and stockholders' equity decreases
    c. assets and liabilities increase
    d. assets and liabilities decrease

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ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
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KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

78. The payment of employee salaries has what effect on the accounting equation?
a. assets and stockholders' equity decrease
b. liabilities and stockholders' equity decrease
c. assets decrease and liabilities increase
d. assets increase and liabilities decrease

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

79. During March, Honeybaked Spam purchased supplies for cash. The supplies will be used in April. What effect does this transaction have on the accounting equation at the time the supplies are purchased?
    a. Assets increase and stockholders' equity decreases
    b. Assets and liabilities increase
    c. There is no effect on the accounting equation, as one asset account increases while another asset account decreases.
    d. There is no effect on the accounting equation, as the transaction should not be recognized until April.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions

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KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

80. High Point Furniture Company manufactures furniture. The company has applied for a sizeable loan to expand its operations. Based on the company's annual report, the loan officer concludes that High Point is very profitable and appears to have a strong financial position. However, watching the nightly news on television that evening, the banker discovers that High Point is a defendant in a class action lawsuit related to defective products. Serious injuries were allegedly caused by the company's infant high chairs overturning. The television news report is an example of financial information that is

a. predictable.

b. conservative.

c. relevant.

d. comparable.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Challenging
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AL - ACBSP-APC-02-GAAP
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KEYWORDS: Bloom's: Comprehension

NOTES: 2 min.

81. If an investor can use accounting information for two different companies to evaluate the types and amounts of expenses, the information is said to have the quality of
    a. comparability.
    b. consistency.
    c. neutrality.
    d. materiality.

ANSWER: a

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - IA - ACBSP-APC-02-GAAP
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

82. Hunsinger Enterprises purchases many small pieces of office furniture, such as trash cans, that cost less than $100 each. The company accounts for these items as expenses when acquired rather than reporting them as property, plant, and equipment on its balance sheet. The company's accountant states that no accounting principle has been violated. Justification for expensing these furniture items is based on cost vs. benefit considerations as well as the accounting constraint of

a. conservatism.

b. materiality.

c. neutrality.

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d. verifiability.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AL - ACBSP-APC-02-GAAP
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KEYWORDS: Bloom's: Comprehension
NOTES: 2 min.

83. A company follows the qualitative characteristic of consistency. This means that
a. For expenses, the company uses the same account names as used by its competitors.
b. The company has elected certain accounting principles that can never be changed.
c. The company applies the same accounting principles each period.
d. The company applies the same accounting principles as its competitors.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - IA - ACBSP-APC-02-GAAP
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KEYWORDS: Bloom's: Knowledge
NOTES: 2 min.

84. Information that is material means that an error in recording the dollar amount of a transaction would
a. likely affect the judgment of someone relying on the financial statements.
b. not affect the decisions of financial statement users.
c. not impact a business decision of a creditor.
d. result in the overstatement of assets or income.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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KEYWORDS: Bloom's: Knowledge

NOTES: 2 min.

85. An accountant is uncertain about the best estimate of an amount for a business transaction. If there are two possible amounts that could be recorded, the amount least likely to overstate assets and earnings is selected. Which of the following qualities is characterized by this action?

a. comparability.

b. conservatism.

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c. materiality.

d. neutrality.

ANSWER: b
POINTS: 1
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KEYWORDS: Bloom's: Knowledge
NOTES: 2 min.

86. The qualitative characteristics of accounting information include
a. reliability.
b. cash flow information.
c. all accounting information.
d. assets reported on the Balance Sheet.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

87. A novelties company makes cash sales to customers. What effect does this transaction have on the accounting equation?
    a. Liabilities and retained earnings increase.
    b. Assets and liabilities increase.
    c. Assets and retained earnings increase.
    d. There is no effect on the accounting equation, as one asset account increases while another asset account decreases.

ANSWER: c

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: CS2-1

LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - AK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Analysis

NOTES: 2 min.

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88. Two friends decide to launch a new business by investing $25,000 each in Hot Spot Tanning. They are given shares of stock as evidence of their ownership interest. What effect does this transaction have on the accounting equation?
    a. Assets and liabilities increase.
    b. Assets and contributed capital increase.
    c. Liabilities increase and retained earnings decrease.
    d. Assets and liabilities decrease.

ANSWER:	b
POINTS:	1
DIFFICULTY:	Difficulty: Moderate
REFERENCES:	CS2-1
LEARNING OBJECTIVES:	CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS:	United States - BUSPROG: Communication - Communication
STATE STANDARDS:	United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - WA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - VT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - VA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - UT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - TX - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - TN - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - SD - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - SC - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - RI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - PA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OH - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OR - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions

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KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

89. Machinery is purchased on credit. What effect does this transaction have on the accounting equation?
a. Assets and liabilities increase.
b. Assets and stockholders' equity increase.
c. Liabilities increase and stockholders' equity decreases.
d. Assets and liabilities decrease.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
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United States - WI - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
United States - WV - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting

KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

90. A company provided services to customers then sent them invoices for the amounts owed. What effect does this transaction have on the accounting equation?
    a. Assets and liabilities increase.
    b. Assets and retained earnings increase.
    c. Liabilities decrease and contributed capital increases.
    d. Assets and liabilities decrease.

ANSWER: b
POINTS: 1

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DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Analysis

NOTES: 2 min.

91. Hypnosis Institute received payments from customers who had been billed earlier for services provided. What effect does this transaction have on the accounting equation?
    a. Assets and liabilities increase.
    b. Assets and stockholders' equity increase.
    c. Assets and liabilities decrease.
    d. There is no effect on the accounting equation, as one asset account increases while another asset account decreases.

ANSWER: d

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: CS2-1

LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

92. Payment is made for machinery purchases previously on credit. What effect does this transaction have on the accounting equation?
    a. Assets and liabilities increase.
    b. Assets and contributed capital increase.
    c. Liabilities decrease and retained earnings increase.
    d. Assets and liabilities decrease.

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - AZ - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - AK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Analysis

NOTES: 2 min.

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93. The telephone bill for the current period is received and recorded, but payment will be made later. What effect does this transaction have on the accounting equation?
    a. Assets and liabilities increase.
    b. Assets and contributed capital increase.
    c. Liabilities increase and retained earnings decrease.
    d. Assets and liabilities decrease.

ANSWER:	c
POINTS:	1
DIFFICULTY:	Difficulty: Moderate
REFERENCES:	CS2-1
LEARNING OBJECTIVES:	CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS:	United States - BUSPROG: Communication - Communication
STATE STANDARDS:	United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NE - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - ND - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NH - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NJ - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NM - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OR - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OH - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - PA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - RI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - SC - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - SD - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions

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United States - VA - AICPA FN-Reporting
United States - VT - AICPA FN-Reporting
United States - WI - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
United States - WV - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting

KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

94. Payment is made for the telephone bill which was recorded previously. What effect does this transaction have on the accounting equation?
    a. Assets and liabilities increase.
    b. Assets and retained earnings increase.
    c. Liabilities increase and contributed decreases.
    d. Assets and liabilities decrease.

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - VT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - OK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - AZ - AICPA FN-Reporting
United States - AR - AICPA FN-Reporting
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KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

95. Services are provided for customers who pay for their services immediately. What effect does this transaction have on the accounting equation?
    a. Assets and liabilities increase.
    b. Assets and retained earnings increase.
    c. Liabilities increase and retained earnings decreases.
    d. Assets and liabilities decrease.

ANSWER: b
POINTS: 1

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DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - WV - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting

KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

96. Dividends are declared and paid to the company's stockholders. What effect does this transaction have on the company's accounting equation?
a. Assets and liabilities decrease.
b. Assets and retained earnings decrease.
c. Liabilities decrease and retained earnings increases.
d. Liabilities increase and contributed capital decreases.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

97. When a firm borrows money, one effect on the accounting equation is a(n)
a. decrease in contributed capital.
b. increase in assets.
c. decrease in liabilities.
d. decrease in assets.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
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KEYWORDS: Bloom's: Analysis

NOTES: 2 min.

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98. Which of the following statements best describes the effects of recognizing revenue earned by a business entity?
    a. Assets increase only when cash sales are collected.
    b. Stockholders' equity increases only when credit sales are made.
    c. Assets and stockholders' equity increase when either cash or credit sales are made.
    d. Assets increase and stockholders' equity decreases when either cash or credit sales are made.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
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United States - NH - AICPA FN-Reporting
United States - NE - AICPA FN-Reporting
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United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

99. Which of the following best describes one effect of recognizing expenses incurred by a business entity?
a. Assets will increase.
b. Liabilities will decrease.
c. Contributed capital will increase.
d. Retained earnings will decrease.

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - WI - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
United States - WV - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting

KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

100. Which of the following statements regarding a company's operating activities is true?
a. Revenues decrease stockholders' equity.
b. Expenses increase stockholders' equity.
c. Expenses decrease stockholders' equity.
d. Dividends decrease assets.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

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KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

101. Which of the following transactions does **not** affect total assets?
a. A bill is received for last month's utilities.
b. Dividends are paid to stockholders.
c. Customers are billed for services provided on credit.
d. New equipment is purchased on credit.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

102. Which of the following transactions affects total liabilities?
a. Equipment is purchased for cash.
b. Services are provided for a customer for credit.
c. Payment is made on a bank loan.
d. Common stock is issued.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Analysis

NOTES: 2 min.

103. A company purchased equipment for $150,000 cash. What is the effect on total assets?
    a. increase
    b. decrease
    c. no net effect
    d. Cannot be determined from this limited information.

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ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-1
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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KEYWORDS: Bloom's: Analysis

NOTES: 2 min.

104. A consulting firm provided services last month and billed its client. This month, the company received payment from the customer. What impact does this month's transaction have on the firm's working capital?

a. increase

b. decrease

c. no net effect

d. Unable to determine with this limited information.

ANSWER: c

POINTS: 1

DIFFICULTY: Difficulty: Challenging

LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Analysis

NOTES: 2 min.

105. A company's current ratio is 2.00. If the company makes a payment on account, what is the effect on the current ratio?

a. increase

b. decrease

c. no change

d. Unable to determine with this limited information.

ANSWER: a

POINTS: 1

DIFFICULTY: Difficulty: Challenging

LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Analysis

NOTES: 2 min.

106. A company’s current ratio is 1.5, what is the effect of obtaining land by issuing shares of stock?

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a. increase
b. decrease
c. no change
d. Unable to determine with this limited information.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Challenging
LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Analysis

NOTES: 2 min.

107. A list of all asset, liability, stockholders' equity, revenue, expense, and dividend accounts which are used by the company is called a(n)

a. General Ledger.

b. General Journal.

c. Chart of Accounts.

d. Trial Balance.

ANSWER: c

POINTS: 1

DIFFICULTY: Difficulty: Easy

LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4

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United States - WI - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
United States - WV - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

108. The two-column record used to accumulate monetary increases and decreases for individual assets, liabilities, stockholders' equity, revenue, expense, and dividends items is a(n)
a. Chart of accounts
b. T-account
c. Trial Balance
d. Posting

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions

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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

109. The chronological record in which transactions are initially recorded in the order in which they occur is called a(n)
a. T-account.
b. Chart of Accounts.
c. Trial Balance.
d. Journal.

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

110. A list of all active accounts and their balances at a particular date, which is used to prove the equality of debits and credits, is a
a. Chart of Accounts.
b. General Ledger.
c. Journal.
d. Trial Balance.

ANSWER: d

POINTS: 1

DIFFICULTY: Difficulty: Easy

LEARNING OBJECTIVES: CORN.RICH.14.2.7 - LO: 2-7

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - NH - AICPA FN-Reporting
United States - NE - AICPA FN-Reporting
United States - NC - AICPA FN-Reporting
United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

111. The process of transferring amounts from the book of original entry into specific account records is referred to as
a. journalizing.
b. posting.
c. analyzing.
d. classifying.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.6 - LO: 2-6

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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

112. The correct term for the entry made on the left side of a T-account is
a. debit.
b. credit.
c. posting.
d. journalizing.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

113. The term for the process of recording business events in a book of original entry is
a. analyzing.
b. journalizing.
c. posting.
d. classifying.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.6 - LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

114. The system of accounting in which there are at least two accounts affected in every transaction so that the accounting equation stays in balance is called
a. debit.
b. credit.
c. double-entry.
d. full disclosure.

ANSWER: c
POINTS: 1

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DIFFICULTY: Difficulty: Easy
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

115. A credit means
a. the event had a favorable impact on the entity's financial statements.
b. the event had an unfavorable impact on the entity's financial statements.
c. the event had an effect on the right side of the T-account.
d. the event had the effect of increasing the account balance.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

116. When the amount for a debit entry in a journal is transferred to a specific account in the general ledger, it must be posted as a
   a. debit to the account in the general ledger.
   b. credit to the account in the general ledger.
   c. total amount, without regard to debit or credit, since the general ledger accounts do not have spaces for debit and credit entries.
   d. decrease to the account in the general ledger.

ANSWER: a

POINTS: 1

DIFFICULTY: Difficulty: Easy

LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4

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United States - NH - AICPA FN-Reporting
United States - NE - AICPA FN-Reporting
United States - NC - AICPA FN-Reporting
United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

117. An entry made to the right side of an account is always a(n)
    a. debit.
    b. credit.
    c. increase.
    d. decrease.

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ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - WY - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

118. An abbreviated version of an account, which is useful for analyzing the effects of business events, is the
a. Chart of Accounts.
b. T-account.
c. Journal.
d. Double-entry system.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

119. Debit entries are used to
a. increase asset accounts.
b. increase revenue accounts.
c. increase liability accounts.
d. increase stockholders' equity.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: CS2-2
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - AK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - WA - AICPA FN-Reporting
United States - WV - AICPA FN-Reporting
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

120. Credit entries are used to
    a. increase asset accounts.

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b. increase liability accounts.
c. increase expense accounts.
d. increase dividends.

ANSWER:	b
POINTS:	1
DIFFICULTY:	Difficulty: Easy
REFERENCES:	CS2-2
LEARNING OBJECTIVES:	CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS:	United States - BUSPROG: Communication - Communication
STATE STANDARDS:	United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - VA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - VT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - WA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - UT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - TX - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - TN - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - SD - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - SC - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - RI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OR - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - PA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OH - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NM - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions

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United States - NH - AICPA FN-Reporting
United States - NE - AICPA FN-Reporting
United States - NC - AICPA FN-Reporting
United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

121. Which of the following accounts is decreased by a debit entry?
a. unearned revenue
b. prepaid insurance
c. cash
d. insurance expense

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: CS2-2
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

122. Which of the following accounts is decreased by a debit entry?
a. cash
b. prepaid insurance
c. accounts payable
d. insurance expense

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: CS2-2
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

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United States - IA - AICPA FN-Reporting
United States - ID - AICPA FN-Reporting
United States - HI - AICPA FN-Reporting
United States - GA - AICPA FN-Reporting
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KEYWORDS:	Bloom's: Knowledge
NOTES:	1 min.

123. Which of the following accounts is increased by a debit entry?
a. common stock
b. equipment
c. notes payable
d. service revenue

ANSWER:	b
POINTS:	1
DIFFICULTY:	Difficulty: Easy
REFERENCES:	CS2-2
LEARNING OBJECTIVES:	CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS:	United States - BUSPROG: Communication - Communication
STATE STANDARDS:	United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NE - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - ND - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NC - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NH - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NJ - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NM - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OH - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OR - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - PA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - RI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-

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United States - AR - AICPA FN-Reporting
United States - AZ - AICPA FN-Reporting
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United States - WI - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
United States - WV - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

124. Which of the following accounts is increased by a credit entry?
a. cash
b. dividends
c. capital stock
d. salary expense

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: CS2-3
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

125. All of the following accounts have normal debit balances **except**
a. accounts receivable.
b. dividends.
c. supplies expense.
d. service revenue.

ANSWER: d

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POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: CS2-2
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LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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United States - VA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - IA - AICPA FN-Reporting
United States - IL - AICPA FN-Reporting
United States - KS - AICPA FN-Reporting
United States - IN - AICPA FN-Reporting
United States - KY - AICPA FN-Reporting
United States - LA - AICPA FN-Reporting
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United States - NY - AICPA FN-Reporting
United States - OH - AICPA FN-Reporting
United States - OK - AICPA FN-Reporting
United States - OR - AICPA FN-Reporting
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United States - SD - AICPA FN-Reporting

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United States - UT - AICPA FN-Reporting
United States - VT - AICPA FN-Reporting
United States - WI - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
United States - WV - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

126. All of the following accounts have normal credit balances **except**
a. accounts payable.
b. unearned revenue.
c. common stock.
d. inventory.

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: CS2-2
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - NH - AICPA FN-Reporting
United States - NE - AICPA FN-Reporting
United States - NC - AICPA FN-Reporting
United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge
NOTES: 1 min.

127. Which pair of accounts has the same set of rules for debit and credit entries?
a. common stock and accounts payable
b. salary expense and retained earnings
c. cash and notes payable
d. sales revenue and accounts receivable

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-2
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge

NOTES: 2 min.

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128. Which pair of accounts has the same set of procedures for debit and credit entries?
    a. service revenue and rent expense
    b. dividends and retained earnings
    c. equipment and salary expense
    d. accounts receivable and accounts payable

ANSWER:	c
POINTS:	1
DIFFICULTY:	Difficulty: Moderate
REFERENCES:	CS2-2 CS2-3
LEARNING OBJECTIVES:	CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS:	United States - BUSPROG: Communication - Communication
STATE STANDARDS:	United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - VA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - VT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - WA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - UT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - TX - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - TN - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - SD - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - SC - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - RI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - PA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OR - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OH - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - NV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions

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United States - WV - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
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United States - VT - AICPA FN-Reporting
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United States - PA - AICPA FN-Reporting
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United States - NH - AICPA FN-Reporting
United States - NE - AICPA FN-Reporting
United States - NC - AICPA FN-Reporting
United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge

NOTES: 2 min.

Happy Heights Country Club
Selected accounts at July 31 are provided below:

CASH

7/1 bal.	12,000		
7/3	1,000		
7/5	3,600		
7/7	1,800		

UNEARNED TUITION REVENUE

		7/3	1,000

ACCOUNTS RECEIVABLE

7/2	3,600	7/7	1,800

MEMBERSHIP REVENUE

		7/2	3,600
		7/5	3,600

129. Refer to Happy Heights Country Club. On which date did the country club sell a club membership on account?
a. July 2nd
b. July 3rd
c. July 5th
d. July 7th

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Challenging
REFERENCES: CS2-2
CS2-3
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

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United States - VT - AICPA FN-Reporting
United States - WI - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
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	United States - WY - AICPA FN-Reporting
KEYWORDS:	Bloom's: Application
NOTES:	2 min.

130. Refer to Happy Heights Country Club. On which date did the country club sell a club membership for cash?
a. July 2nd
b. July 3rd
c. July 5th
d. July 7th

ANSWER:	c
POINTS:	1
DIFFICULTY:	Difficulty: Challenging
REFERENCES:	CS2-2 CS2-3
LEARNING OBJECTIVES:	CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS:	United States - BUSPROG: Communication - Communication
STATE STANDARDS:	United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - WA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - VT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - VA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - UT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - TX - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - SD - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - TN - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - SC - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - RI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - PA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OR - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions United States - OK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions

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KEYWORDS: Bloom's: Application
NOTES: 2 min.

131. Refer to Happy Heights Country Club. On which date did the country club collect golf lessons revenue in advance?
a. July 2nd
b. July 3rd
c. July 5th
d. July 7th

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Challenging
REFERENCES: CS2-2
CS2-3
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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KEYWORDS: Bloom's: Application

NOTES: 2 min.

132. Refer to Happy Heights Country Club. Which of the following describes the transactions which occurred on July 7th?
    a. sold club membership on credit
    b. collected revenue in advance

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c. collected accounts receivable
d. sold club membership for cash

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Challenging
REFERENCES: CS2-2
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Evaluation

NOTES: 3 min.

133. Refer to Happy Heights Country Club. Assuming that there are no other transactions, how much was owed to the country club by its members at the end of the month?

a. $3,600

b. $7,200

c. $1,800

d. $1,000

ANSWER: c

RATIONALE: Accounts Receivable balance is $3,600 - $1,800 = $1,800

POINTS: 1

DIFFICULTY: Difficulty: Challenging

LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Application

NOTES: 2 min.

HVAC Service

The following transactions occurred during November:

Nov. 1	Sent bills to clients for services provided in August in the amount of $12,000.
Nov. 9	Purchased office equipment of $4,000 and office supplies of $150 from Office Depot receiving an invoice for $4,150. None of the office supplies were used during November.
Nov. 15	Paid for the office furniture and supplies purchased from Office Depot.
Nov. 23	Received a $350 bill from WKRP Radio for advertising. The bill will be paid next month.

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Nov. 30 Paid salaries of $2,500 to employees.

134. Refer to HVAC Service. The journal entry to record the bills sent to clients will include a debit of $12,000 to
a. service revenue.
b. cash.
c. accounts receivable.
d. retained earnings.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-4
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

135. Refer to HVAC Service. The journal entry to record the purchase of office equipment and supplies will include a credit to
a. furniture & supplies.
b. cash.
c. accounts payable.
d. delivery expense.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-4
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

136. Refer to HVAC Service. The journal entry to record payment for the office equipment and supplies will include a debit to
a. salary expense.
b. salaries payable.
c. prepaid expenses.
d. accounts payable.

ANSWER: d
POINTS: 1

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DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-4
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
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STATE STANDARDS: United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

137. Refer to HVAC Service. The journal entry to record the bill received from WKRP Radio will include a debit to
a. accounts receivable.
b. cash.
c. advertising expense.
d. accounts payable.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-4
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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KEYWORDS: Bloom's: Analysis
NOTES: 2 min.

138. Refer to HVAC Service. The journal entry to record payment of the salaries will include a credit to
a. salary expense.
b. salary payable.
c. prepaid salaries.
d. cash.

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-4
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Analysis

NOTES: 2 min.

139. Refer to HVAC Service. Based on these transactions, what is the total amount of expense that should be reported

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on the company's income statement for the month?

a. $350

b. $2,500

c. $2,850

d. $3,000

ANSWER: c

RATIONALE: $350 advertising expense + $2,500 salary expense = $2,850

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: CS2-4

LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Application
NOTES: 2 min.

Hesson Properties, Inc.
The following transactions occurred during June:

June 1	Purchased two new maintenance carts on account at $750 each. Payment is due in 30 days
June 8	Accepted $500 of advance payments from customers for services to be provided next month
June 15	Received the utility bill for $300. Payment is due in 30 days
June 20	Billed customers $1,500 services provided. Payment is due in 30 days.
June 30	Received $500 from customers who were billed earlier

140. Refer to Hesson Properties. What journal entry is required to record the purchase of the carts?

a. Equipment	1,500	
Accounts Payable		1,500
b. Equipment	1,500	
Cash		1,500
c. Cash	1,500	
Equipment		1,500
d. Accounts Payable	1,500	
Equipment		1,500

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-4

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LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - NC - AICPA FN-Reporting
United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Application
NOTES: 2 min.

141. Refer to Hesson Properties. What journal entry is required to record the cash collected in advance?

a. Cash	500	
Service Revenue		500
b. Accounts Receivable	500	
Service Revenue		500
c. Cash	500	
Unearned Revenue		500
d. Unearned Revenue	500	
Accounts Receivable		500

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-4
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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United States - WY - AICPA FN-Reporting

KEYWORDS: Bloom's: Application

NOTES: 3 min.

142. Refer to Hesson Properties. What journal entry is required to record the utility bill?

a. Utilities Expense 300
Cash 300

b. Accounts Receivable 300
Utilities Expense 300

c. Utilities Expense 300
Accounts Payable 300

d. Cash 300
Utilities Expense 300

ANSWER: c

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: CS2-4

LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5

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KEYWORDS: Bloom's: Application
NOTES: 3 min.

143. Refer to Hesson Properties. What journal entry is required to record the services provided to customers?

a. Cash 1,500
Accounts Receivable 1,500

b. Accounts Receivable 1,500
Service Revenue 1,500

c. Service Revenue 1,500
Cash 1,500

d. Service Revenue 1,500
Accounts Payable 1,500

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-4
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - OK - AICPA FN-Reporting
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United States - UT - AICPA FN-Reporting
United States - VT - AICPA FN-Reporting
United States - WI - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
United States - WV - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting

KEYWORDS: Bloom's: Application

NOTES: 3 min.

144. Refer to Hesson Properties. What journal entry is required to record the collections on account from customers?

a. Cash 500
    Accounts Receivable 500

b. Accounts Receivable 500
    Service Revenue 500

c. Accounts Payable 500
    Cash 500

d. Service Revenue 500
    Cash 500

ANSWER: a

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: CS2-4

LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - AL - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - AK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - AL - AICPA FN-Reporting
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KEYWORDS: Bloom's: Application

NOTES: 2 min.

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145. Refer to Hesson Properties. How much is still owed to the company by its customers at the end of the month?
a. $0
b. $500
c. $1,000
d. $1,500

ANSWER: c
RATIONALE: $1,500 − $500 = $1,000
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - UT - AICPA FN-Reporting
United States - VT - AICPA FN-Reporting
United States - WI - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
United States - WV - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting

KEYWORDS: Bloom's: Application
NOTES: 3 min.

146. What type of account is increased with a debit but represents a **decrease** in retained earnings?
a. liability
b. asset
c. revenue
d. dividends

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-2
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Application

NOTES: 2 min.

147. Which of the following statements is true?
   a. If a debit entry is made to an account in the general journal, the same account will receive a credit entry when the amount is posted to the general ledger.
   b. If all transactions are correctly posted to the general ledger, the sum of the accounts with debit balances should be equal to the sum of the accounts with credit balances.
   c. Posting occurs when numbers in the general ledger accounts are transferred to the general journal.
   d. If the sum of the debit balances equals the sum of the credit balances, this proves that there were no mistakes made in the posting process.

ANSWER: b

POINTS: 1

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DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.7 - LO: 2-7
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AK - ACBSP-APC-05-Accounting Cycle
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United States - NH - AICPA FN-Reporting
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United States - NV - AICPA FN-Reporting
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United States - NY - AICPA FN-Reporting
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United States - WY - AICPA FN-Reporting

KEYWORDS: Bloom's: Application

NOTES: 3 min.

148. Which of the following statements is true?
   a. An entry in a general ledger account can be traced to the trial balance by referring to the page listed in the posting reference column of that ledger account.
   b. The posting of an amount recorded in the general ledger can be verified by referring to the account number listed in the posting reference column on that line in the general journal.
   c. Business transactions are recorded first in the general ledger, then that information is transferred to the general journal.
   d. No explanation is needed for each entry in the general ledger.

ANSWER: b

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.6 - LO: 2-6

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - VT - ACBSP-APC-05-Accounting Cycle
United States - WA - ACBSP-APC-05-Accounting Cycle
United States - UT - ACBSP-APC-05-Accounting Cycle
United States - VA - ACBSP-APC-05-Accounting Cycle
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United States - NM - ACBSP-APC-05-Accounting Cycle
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United States - NY - ACBSP-APC-05-Accounting Cycle
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KEYWORDS: Bloom's: Application
NOTES: 3 min.

149. A trial balance is a(n)
a. optional financial statement used only by creditors.
b. tool used to prove the equality of debits and credits in the general ledger.
c. list of accounts and their balances taken from the chart of accounts.
d. financial statement which can be used in place of a balance sheet.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.7 - LO: 2-7
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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United States - KY - AICPA FN-Reporting
United States - LA - AICPA FN-Reporting
United States - MD - AICPA FN-Reporting
United States - MA - AICPA FN-Reporting
United States - ME - AICPA FN-Reporting
United States - MI - AICPA FN-Reporting
United States - MN - AICPA FN-Reporting
United States - MS - AICPA FN-Reporting
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United States - MT - AICPA FN-Reporting
United States - ND - AICPA FN-Reporting
United States - NC - AICPA FN-Reporting
United States - NE - AICPA FN-Reporting
United States - NH - AICPA FN-Reporting
United States - NJ - AICPA FN-Reporting
United States - NV - AICPA FN-Reporting
United States - NM - AICPA FN-Reporting
United States - NY - AICPA FN-Reporting
United States - OH - AICPA FN-Reporting
United States - OK - AICPA FN-Reporting
United States - OR - AICPA FN-Reporting
United States - PA - AICPA FN-Reporting
United States - SC - AICPA FN-Reporting
United States - RI - AICPA FN-Reporting
United States - SD - AICPA FN-Reporting
United States - TN - AICPA FN-Reporting
United States - TX - AICPA FN-Reporting
United States - VA - AICPA FN-Reporting
United States - UT - AICPA FN-Reporting
United States - VT - AICPA FN-Reporting
United States - WI - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
United States - WV - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge

NOTES: 1 min.

150. If the sum of the debits is not equal to the sum of the **credits** in a trial balance, then
a. there is no concern because the two amounts are not meant to be equal.
b. the chart of accounts does not balance.
c. it is safe to proceed with the preparation of financial statements.
d. it is likely that an error was made in journalizing or posting transactions or in computing the account balance.

ANSWER: d

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POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: CORN.RICH.14.2.7 - LO: 2-7
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WA - ACBSP-APC-05-Accounting Cycle
United States - VT - ACBSP-APC-05-Accounting Cycle
United States - VA - ACBSP-APC-05-Accounting Cycle
United States - UT - ACBSP-APC-05-Accounting Cycle
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United States - NH - ACBSP-APC-05-Accounting Cycle

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United States - AZ - ACBSP-APC-05-Accounting Cycle
United States - CA - ACBSP-APC-05-Accounting Cycle
United States - AK - ACBSP-APC-05-Accounting Cycle
United States - AK - AICPA FN-Reporting
United States - AR - AICPA FN-Reporting
United States - AL - AICPA FN-Reporting
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United States - NE - AICPA FN-Reporting
United States - NC - AICPA FN-Reporting
United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge

NOTES: 2 min.

151. Which of the following will **not** cause a trial balance to be out of balance?
a. The balance for the account is incorrectly computed.
b. A debit entry is posted as a credit.
c. A credit entry is posted to the wrong account, but still as a credit.
d. An account is accidentally omitted from the trial balance.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.7 - LO: 2-7
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-05-Accounting Cycle
United States - WV - ACBSP-APC-05-Accounting Cycle
United States - WI - ACBSP-APC-05-Accounting Cycle
United States - UT - ACBSP-APC-05-Accounting Cycle
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United States - MT - AICPA FN-Reporting
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United States - NC - AICPA FN-Reporting

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United States - NV - AICPA FN-Reporting
United States - NM - AICPA FN-Reporting
United States - NY - AICPA FN-Reporting
United States - OH - AICPA FN-Reporting
United States - OK - AICPA FN-Reporting
United States - OR - AICPA FN-Reporting
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United States - WA - AICPA FN-Reporting
United States - WV - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting

KEYWORDS: Bloom's: Application

NOTES: 2 min.

152. Listed below are selected accounts. In the blank spaces provided for each account, indicate what type of account it is, its normal balance, and the debit/credit rules for increasing and decreasing it. Use the following abbreviations for your answer:

Type of Account	**Normal Account Balance**	**Rules to Increase or Decrease the Account**
A = Asset	Dr = Debit	Dr = Debit
L = Liability	Cr = Credit	Cr = Credit
SE = Stockholders' Equity		
R = Revenue		
E = Expense		
D = Dividend		

		Type of Account	**Normal Balance**	**Rule to Increase**	**Rule to Decrease**
Example: Cash	A		Dr	Dr	Cr
a.	Accounts Payable	_____	_____	_____	_____
b.	Retained Earnings	_____	_____	_____	_____
c.	Prepaid Insurance	_____	_____	_____	_____
d.	Service Revenues	_____	_____	_____	_____
e.	Notes Payable	_____	_____	_____	_____
f.	Intangibles	_____	_____	_____	_____
g.	Common Stock	_____	_____	_____	_____
h.	Salary Expense				

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i.	Accounts Receivable				
j.	Unearned Revenues				

ANSWER:

		Type of Account	Normal Balance	Rule to Increase	Rule to Decrease
Example: Cash	A		Dr	Dr	Cr
a.	Accounts Payable	L	Cr	Cr	Dr
b.	Retained Earnings	SE	Cr	Cr	Dr
c.	Prepaid Insurance	A	Dr	Dr	Cr
d.	Service Revenues	R	Cr	Cr	Dr
e.	Notes Payable	L	Cr	Cr	Dr
f.	Intangibles	A	Dr	Dr	Cr
g.	Common Stock	SE	Cr	Cr	Dr
h.	Salary Expense	E	Dr	Dr	Cr
i.	Accounts Receivable	A	Dr	Dr	Cr
j.	Unearned Revenues	L	Cr	Cr	Dr

POINTS: 1

DIFFICULTY: Difficulty: Easy

REFERENCES: CS2-1
CS2-2
CS2-3

LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
CORN.RICH.14.2.4 - LO: 2-4

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - NE - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - ND - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - NC - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-

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Recording Transactions
United States - NH - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - NM - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - NJ - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - NV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - NY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - OK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - OH - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - OR - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - PA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - RI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - SC - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - VT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - AK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - AL - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - DE - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - CT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-

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United States - HI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - ID - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - IL - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - IA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - KS - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - NC - AICPA FN-Reporting
United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Knowledge

NOTES: 20 min.

153. Presented below are accounts from the general ledger:

	Account
1.	Cash
2.	Accounts Receivable
3.	Prepaid Insurance
4.	Accounts Payable
5.	Common Stock

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6. Service Revenues
7. Advertising Expense
8. Salary Expense
9. Interest Expense
10. Income Tax Expense

Each of the accounts has been assigned an identification number which you will use as answers for the transactions described below. Enter the account numbers in the blank spaces under the headings **Debit** and **Credit** to indicate the accounts debited and credited when each transaction is recorded in a general journal.

		Debit	**Credit**
A)	Issues common stock for cash.	_____	_____
B)	Receives a bill for advertisements run on a local radio station; payment is due in 30 days	_____	_____
C)	Pays interest due on a notes payable.	_____	_____
D)	Provides services to a customer and agrees to accept payment in 30 days.	_____	_____

ANSWER:

		Debit	**Credit**
A)	Issues common stock to for cash.	1	5
B)	Receives a bill for advertisements run on a local radio station; payment is due in 30 days	7	4
C)	Pays interest due on a notes payable.	9	1
D)	Provides services to a customer and agrees to accept payment in 30 days.	2	6

POINTS: 1

DIFFICULTY: Difficulty: Easy

REFERENCES: CS2-4

LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge

NOTES: 10 min.

154. Heart & Hands Clinic began business as a corporation in the current year. Several transactions which occurred early in the year are described below. Record each transaction in proper journal form, excluding written explanations.

A)	Jan. 23	Stockholders invested $70,000 in the business and received shares of common stock as evidence of ownership.
B)	Feb. 1	Rent of $1,600 was paid for the month of February.
C)	Feb. 7	Equipment with a cost of $3,000 was purchased on credit; payment is due in 30 days.
D)	Feb. 14	Fees totaling $5,400 were billed to patients; $2,900 was collected immediately and the balance of $2,500 is due within 30 days.

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E) Feb. 18 Full payment was made for the equipment purchased on Feb. 7th.

F) Feb. 22 $1,900 was collected from patients with balances due from Feb. 14th.

G) Feb. 28 Employee salaries of $3,300 were paid.

ANSWER:

	Date	Account	Debit	Credit
A)	Jan. 23	Cash	70,000	
		Common Stock		70,000
B)	Feb. 1	Rent Expense	1,600	
		Cash		1,600
C)	Feb. 7	Equipment	3,000	
		Accounts Payable		3,000
D)	Feb. 14	Cash	2,900	
		Accounts Receivable	2,500	
		Service Revenue		5,400
E)	Feb. 18	Accounts Payable	3,000	
		Cash		3,000
F)	Feb. 22	Cash	1,900	
		Accounts Receivable		1,900
G)	Feb. 28	Salary Expense	3,300	
		Cash		3,300

POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: CS2-4
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - VT - ACBSP-APC-05-Accounting Cycle
United States - WA - ACBSP-APC-05-Accounting Cycle
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KEYWORDS: Bloom's: Application

NOTES: 35 min.

155. Described below are several transactions which might be recorded by a music supply company. Several accounts from the company's chart of accounts are also listed below. Using these account titles, record each transaction in proper journal entry format. A written explanation for each journal entry is not required.

Accounts:

Cash	Common Stock
Accounts Receivable	Retained Earnings
Inventory	Sales Revenue
Accounts Payable	Selling Expenses
Unearned Revenue	Administrative Expenses

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A) Bills are mailed for musical instruments sold to customers, $225,000

B) Customers pay for musical instruments in advance, $130,000

C) Administrative employees are paid their monthly salaries, $14,000

D) An invoice is received for $15,200 of new musical instruments purchased for sale to customers; payment is due in 30 days

E) Payments are received from customers for amounts billed in a previous transaction, $135,000

F) Full payment is made for the musical instruments invoice received in a previous transaction

ANSWER:

	Account	Debit	Credit
A)	Accounts Receivable	225,000	
	Sales Revenue		225,000
B)	Cash	130,000	
	Unearned Revenue		130,000
C)	Administrative Expenses	14,000	
	Cash		14,000
D)	Inventory	15,200	
	Accounts Payable		15,200
E)	Cash	135,000	
	Accounts Receivable		135,000
F)	Accounts Payable	15,200	
	Cash		15,200

POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: CS2-4
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WY - ACBSP-APC-05-Accounting Cycle
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KEYWORDS: Bloom's: Application

NOTES: 30 min.

156. 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: I = Increase; D = Decrease; NE = No Effect. Write your answers in the space provided under the accounting equation, being sure to include an identification code for each element of the accounting equation. An example is provided before the first transaction.

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		Assets	=	Liabilities	+	Stockholders' Equity
Example: Common stock is issued to investors in the company		I		NE		I
A)	Services are sold for cash.					
B)	Equipment is purchased on credit.					
C)	Payment is made for equipment purchased on credit.					
D)	Services are sold for credit.					
E)	Cash is collected from customers for accounts receivable balances.					
F)	Dividends are paid to stockholders.					
G)	Land and building are acquired in exchange for shares of common stock.					
H)	Utility bill is received and recorded; will pay later.					

ANSWER:

		Assets	=	Liabilities	+	Stockholders' Equity
Example: Common stock is issued to investors in the company		I		NE		I
A)	Services are sold for cash.	I		NE		I
B)	Equipment is purchased on credit.	I		I		NE
C)	Payment is made for equipment purchased on credit.	D		D		NE
D)	Services are sold for credit.	I		NE		I
E)	Cash is collected from customers for accounts receivable balances.	NE		NE		NE
F)	Dividends are paid to stockholders.	D		NE		D
G)	Land and building are acquired in exchange for shares of common stock.	I		NE		I
H)	Utility bill is received					

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	H)	and recorded; will pay later.	NE	I	D

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: CS2-1

LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - OK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - OH - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - OR - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - PA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - RI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - SC - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - SD - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - TN - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - VA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - VT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - AK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - AL - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - AZ - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - AR - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - CA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - CO - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - DE - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - CT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - FL - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - GA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - HI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - IL - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - IA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - IN - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - MD - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - ME - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - MS - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - MT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - AK - AICPA FN-Reporting
United States - AR - AICPA FN-Reporting
United States - AL - AICPA FN-Reporting
United States - CO - AICPA FN-Reporting
United States - AZ - AICPA FN-Reporting
United States - CA - AICPA FN-Reporting
United States - IA - AICPA FN-Reporting
United States - ID - AICPA FN-Reporting
United States - HI - AICPA FN-Reporting
United States - GA - AICPA FN-Reporting
United States - FL - AICPA FN-Reporting
United States - CT - AICPA FN-Reporting
United States - DE - AICPA FN-Reporting
United States - MT - AICPA FN-Reporting
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United States - MS - AICPA FN-Reporting
United States - MN - AICPA FN-Reporting
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United States - NM - AICPA FN-Reporting
United States - NV - AICPA FN-Reporting
United States - NJ - AICPA FN-Reporting
United States - NH - AICPA FN-Reporting
United States - NE - AICPA FN-Reporting
United States - NC - AICPA FN-Reporting
United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Analysis

NOTES: 25 min.

157. Several transactions are listed below, with an expanded 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: I = Increase; D = Decrease; NE = No Effect. Write your answers in the space provided under the accounting equation, being sure to include an identification code for each element of the accounting equation.

		Assets	=	**Liabilities**	+	**Contributed Capital**	+	**Retained Earnings**
A)	Issue common stock							
B)	Borrow money from the bank							
C)	Purchase land for cash							
D)	Purchase a 1-year insurance policy							
E)	Purchase supplies on credit							
F)	Services are provided for cash.							
G)	Receive cash in advance for services to be provided next week.							
H)	Pay utilities for current month							
I)	Pay employee salaries for current month							

ANSWER:

		Assets	=	**Liabilities**	+	**Contributed Capital**	+	**Retained Earnings**
A)	Issue common stock	I		NE		I		NE
B)	Borrow money from the bank	I		I		NE		NE
C)	Purchase land for cash	NE		NE		NE		NE
D)	Purchase a 1-year insurance policy	NE		NE		NE		NE
E)	Purchase supplies on credit	I		I		NE		NE

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F)	Services are provided for cash.	I	NE	NE	I
G)	Receive cash in advance for services to be provided next week.	I	I	NE	NE
H)	Pay utilities	D	NE	NE	D
I)	Pay employee salaries	D	NE	NE	D

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: CS2-1

LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - OK - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - ND - AICPA FN-Reporting
United States - NC - AICPA FN-Reporting
United States - NE - AICPA FN-Reporting
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United States - SC - AICPA FN-Reporting
United States - RI - AICPA FN-Reporting
United States - SD - AICPA FN-Reporting
United States - TN - AICPA FN-Reporting
United States - TX - AICPA FN-Reporting
United States - VA - AICPA FN-Reporting
United States - UT - AICPA FN-Reporting
United States - VT - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
United States - WI - AICPA FN-Reporting
United States - WV - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting

KEYWORDS: Bloom's: Analysis

NOTES: 30 min.

158. Several accounts from the financial statements of Hotlanta Promotions, Inc. are listed below. In the two columns provided for answers, indicate the type of account and the normal account balance. Use the following identification codes for your answers:

Type of Account	**Normal Balance**
A = Asset	Dr = Debit
L = Liability	Cr = Credit
SE = Stockholders' Equity	
R = Revenue	
E = Expense	

		Type of Account	**Normal Balance**
A)	Prepaid Rent	_____	_____
B)	Television Equipment	_____	_____
C)	Unearned Revenue	_____	_____
D)	Service Revenue	_____	_____
E)	Common Stock	_____	_____
F)	Accounts Payable	_____	_____
G)	Income Tax Expense	_____	_____
H)	Interest Income	_____	_____
I)	Salary Expense	_____	_____
J)	Notes Payable	_____	_____

ANSWER:

		Type of Account	**Normal Balance**
A)	Prepaid Rent	A	Dr
B)	Television Equipment	A	Dr
C)	Unearned Revenue	L	Cr

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D)	Service Revenue	R	Cr
E)	Common Stock	SE	Cr
F)	Accounts Payable	L	Cr
G)	Income Tax Expense	E	Dr
H)	Interest Income	R	Cr
I)	Salary Expense	E	Dr
J)	Notes Payable	L	Cr

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: CS2-2
CS2-3

LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - RI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - IL - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - IA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - KS - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - IN - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - KY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - LA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Knowledge

NOTES: 20 min.

Holiday Marina

The bookkeeper prepared the following journal entries during May. Assume that the descriptions of the entries are correct.

Journal (partial):

Date	Accounts and Descriptions	Debit	Credit
May 5	Accounts Receivable	1,600	
	Service Revenue		1,600
	Billed customers for services completed		
May 11	Cash	500	
	Service Revenue		500
	Collected from a customer billed on May 5 for services rendered		
May 15	Office Supplies	700	
	Accounts Payable		700
	Purchased furniture on credit; payment due in 30 days		
May 25	Office Furniture	700	
	Cash		500
	Paid the $700 furniture bill received on May 15		

159. Refer to Holiday Marina. Identify the transactions that the bookkeeper recorded incorrectly in the journal. Prepare the journal entry that the bookkeeper should have made for each transaction that you identify as being made incorrectly.

ANSWER: The May 11, 15, and 25 entries were recorded incorrectly. The correct entries are:

Date	Accounts and Descriptions	Debit	Credit

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	May 11	Cash	500	
		Accounts Receivable		500
		Collected from a customer for services billed earlier		
	May 15	Office Furniture	700	
		Accounts Payable		700
		Purchased furniture on credit; payment due in 30 days		
	May 25	Accounts Payable	700	
		Cash		700
		Paid the furniture bill		

POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-4
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AK - ACBSP-APC-05-Accounting Cycle
United States - AR - ACBSP-APC-05-Accounting Cycle
United States - AL - ACBSP-APC-05-Accounting Cycle
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KEYWORDS: Bloom's: Application

NOTES: 20 min.

160. Refer to Holiday Marina. Assume that the incorrect journal entries have been posted to the general ledger. For each incorrect journal entry, explain why the error would or would not be discovered by preparing a trial balance.

ANSWER: May 11: Because equal dollar amounts were recorded in the journal entry, preparation of a trial balance would not help discover the error.

May 15: Because equal dollar amounts were recorded in the journal entry, preparation of a trial balance would not help discover the error.

May 25: This error would be discovered by preparing a trial balance because the total debits would be $200 higher than the total credits.

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WY - ACBSP-APC-05-Accounting Cycle
United States - WI - ACBSP-APC-05-Accounting Cycle
United States - WV - ACBSP-APC-05-Accounting Cycle
United States - VA - ACBSP-APC-05-Accounting Cycle
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KEYWORDS: Bloom's: Comprehension

NOTES: 15 min.

Hatcher Tool Service

The following transactions occurred during June 2019:

June 1	Purchased a service truck for $25,500, paying $5,500 now and issuing a note payable for the balance; the note is due in monthly installments of $500 plus 10% interest on the unpaid principal balance.

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June 8	Performed services of $30,400. Received $6,400 cash from customers and $24,000 for customers billed for completed services.
June 22	Issued common stock in exchange for land having a fair value of $70,000.
June 30	Received an invoice for $2,400 from the company's advertising agency for radio and television ads which were run during the month; the invoice is due in 30 days.

161. Refer to Hatcher Tool Service. Indicate the economic effects of each transaction above on the accounting equation. Use the following format for your answers. Show the dollar amounts in the appropriate columns and use a plus (+) sign to indicate an increase and a minus (−) sign to indicate a decrease.

Transaction Date	**Assets**	=	**Liabilities**	+	**Stockholders' Equity**

ANSWER:

Transaction Date	**Assets**	=	**Liabilities**	+	**Stockholders' Equity**
June 1	+20,000 (25,500 − 5,500)		+20,000		
June 8	+30,400 (6,400 + 24,000)				+30,400
June 22	+70,000				+70,000
June 30			+2,400		−2,400

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: CS2-1

LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - UT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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Recording Transactions
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KEYWORDS: Bloom's: Application

NOTES: 20 min.

162. Refer to Hatcher Tool Service. Record each transaction in proper journal entry format in the journal provided. A written explanation for each journal entry is not required.

JOURNAL

Date	**Accounts**	**Debit**	**Credit**

ANSWER:

JOURNAL

Date	**Accounts**	**Debit**	**Credit**
June 1	Vehicles	25,500	
	Cash		5,500
	Note Payable		20,000

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June 8	Cash		6,400	
	Accounts Receivable		24,000	
		Service Revenue		30,400
June 22	Land		70,000	
		Common Stock		70,000
June 30	Advertising Expense		2,400	
		Accounts Payable		2,400

POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-4
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AK - ACBSP-APC-05-Accounting Cycle
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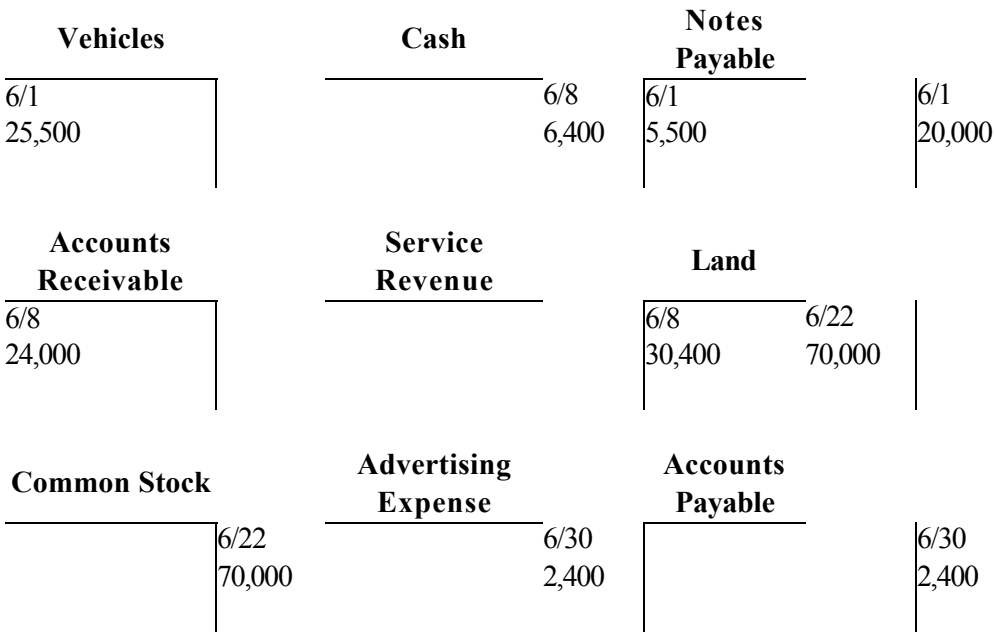
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United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Application

NOTES: 20 min.

163. Refer to Hatcher Tool Service. Set up T-accounts and post each transaction to the T-accounts.

ANSWER:



POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.6 - LO: 2-6

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions

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KEYWORDS: Bloom's: Application

NOTES: 15 min.

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164. Refer to Hatcher Tool Service. Prepare a trial balance in proper format. Assume that there are no additional accounts or balances other than those created from the June transactions.

ANSWER:

Hatcher Tool Service
Trial Balance
June 30, 2019

Account	Debit	Credit
Cash	$ 900	
Accounts Receivable	24,000	
Land	70,000	
Vehicles	25,500	
Accounts Payable		$ 2,400
Notes Payable		20,000
Common Stock		70,000
Service Revenue		30,400
Advertising Expense	2,400	
	$122,800	$122,800

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.7 - LO: 2-7

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Application

NOTES: 25 min.

165. The T-accounts presented below are taken from the general ledger of Health Force Corporation on March 31, 2019. Determine the balance of each account and present them in proper trial balance format.

Cash		Accounts Payable		Common Stock			
5,000	12,000			3,200	4,200		30,000
9,000	650						24,000
44,000	15,200						
36,000	650						
8,000	16,100			Salaries Payable		Service Revenue	
3,000	650					5,000	21,000
24,000	16,400						9,000
10,000	3,200						22,000
	750						36,000

Accounts Receivable		Unearned Revenue		Advertising Expense		
21,000	8,000			22,000	44,000	4,200
	3,000					

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Prepaid Insurance	
1,200	

Notes Payable	
	100
	100
	100

Salaries Expense	
16,500	15,200
	16,100
	16,400
	5,000

Equipment	
35,300	

Rent Expense	
650	
650	
650	

Insurance Expense	
100	
100	
100	

Dividends	
7,750	

ANSWER:

Health Force Corporation
Trial Balance
March 31, 2019

Account	Debit	Credit
Cash	$ 73,400	
Accounts Receivable	10,000	
Prepaid Insurance	900	
Equipment	35,300	
Accounts Payable		$ 1,000
Salaries Payable		5,000
Unearned Revenue		22,000
Notes Payable		16,500
Common Stock		54,000
Service Revenue		88,000
Advertising Expense	4,200	
Salaries Expense	52,700	
Rent Expense	1,950	
Insurance Expense	300	
Dividends	7,750	
	$186,500	$186,500

POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.7 - LO: 2-7
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WV - ACBSP-APC-05-Accounting Cycle

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United States - AK - ACBSP-APC-05-Accounting Cycle
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United States - DE - ACBSP-APC-05-Accounting Cycle
United States - CT - ACBSP-APC-05-Accounting Cycle
United States - CA - ACBSP-APC-05-Accounting Cycle
United States - CO - ACBSP-APC-05-Accounting Cycle
United States - AK - AICPA FN-Reporting

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KEYWORDS: Bloom's: Application
NOTES: 30 min.

166. The list of accounts presented below are from the accounting records of Hoosier Momma Promotions on September 30, 2019. Assume that each account balance is normal, and present them in proper trial balance format.

Cash	$ 4,200
Short-term Investments	13,000
Accounts Receivable	4,500
Inventory	23,000
Land	90,000
Building	700,000
Furniture	450,000
Equipment	281,700
Accounts Payable	7,200
Salaries Payable	4,100
Unearned Revenue	17,000
Interest Payable	2,000
Notes Payable	70,000
Common Stock	460,000
Retained Earnings	977,000
Sales	158,000
Cost of Goods Sold	78,000
Salaries Expense	24,000
Rent Expense	6,000
Insurance Expense	1,000
Depreciation Expense	11,000
Utility Expense	900
Dividends	8,000

ANSWER:

Hoosier Momma Promotions
Trial Balance
September 30, 2019

Account	Debit	Credit
Cash	$ 4,200	
Short-term investments	13,000	
Accounts Receivable	4,500	
Inventory	23,000	
Land	90,000	
Building	700,000	
Furniture	450,000	
Equipment	281,700	
Accounts Payable		$ 7,200
Salaries Payable		4,100
Unearned Revenue		17,000
Interest Payable		2,000
Notes Payable		70,000
Common Stock		460,000
Retained Earnings		977,000

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	Sales		158,000
	Cost of Goods Sold	78,000	
	Salaries Expense	24,000	
	Rent Expense	6,000	
	Insurance Expense	1,000	
	Depreciation Expense	11,000	
	Utility Expense	900	
	Dividends	8,000	
		$1,695,300	$1,695,300

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.7 - LO: 2-7

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - VT - ACBSP-APC-05-Accounting Cycle
United States - WA - ACBSP-APC-05-Accounting Cycle
United States - VA - ACBSP-APC-05-Accounting Cycle
United States - WI - ACBSP-APC-05-Accounting Cycle
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United States - NC - AICPA FN-Reporting
United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Application

NOTES: 30 min.

H&R Clock Company
The following transactions were incurred during July 2019:

July 1	Raised $30,000 by issuing a note to the bank for $15,000 and issuing $15,000 of common stock.
July 5	Purchased $5,100 of office supplies on credit; payment is due in 30 days.
July 12	Performed $18,000 of services for customers on credit; collection is due in 30 days.
July 13	Performed services for customers and collected $8,800.
July 20	Paid for the supplies purchased on July 5.
July 22	Collected $15,000 of the amounts due from customers.
July 30	Received and paid the utility bill for the month of July, $640.
July 31	Paid employee salaries of $3,800.

167. Refer to H&R Clock Company. Use the following format to indicate the economic effects of each transaction above on the expanded accounting equation. Show the dollar amounts in the appropriate columns and use a plus (+) sign to indicate an increase and a minus (−) sign to indicate a decrease.

Transaction Date	Assets	=	Liabilities	+	Contributed Capital	+	Retained Earnings

ANSWER:

Transaction Date	Assets	=	Liabilities	+	Contributed Capital	+	Retained Earnings
July 1	+30,000		+15,000		+15,000		

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Cornerstones of Financial Accounting 4th edition Rich Test Bank

	July 5	+5,100	+5,100	
	July 12	+18,000		+18,000
	July 13	+8,800		+8,800
	July 20	−5,100	−5,100	
	July 22	−0− (+15,000 − 15,000)		
	July 30	−640		−640
	July 31	−3,800		−3,800

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: CS2-1

LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WY - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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United States - VT - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Application

NOTES: 30 min.

168. Refer to H&R Clock Company. Record each transaction in proper journal entry format in the journal provided. A written explanation for each journal entry is not required.

JOURNAL

Date	**Accounts**	**Debit**	**Credit**

ANSWER:

JOURNAL

Date	**Accounts**	**Debit**	**Credit**
July 1	Cash	30,000	
	Note Payable		15,000
	Common Stock		15,000
July 5	Office Supplies	5,100	
	Accounts Payable		5,100
July 12	Accounts Receivable	18,000	
	Service Revenue		18,000
July 13	Cash	8,800	
	Service Revenue		8,800
July 20	Accounts Payable	5,100	
	Cash		5,100

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	July 22	Cash	15,000	
		Accounts Receivable		15,000
	July 30	Utilities Expense	640	
		Cash		640
	July 31	Salaries Expense	3,800	
		Cash		3,800

POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-4
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - AZ - ACBSP-APC-05-Accounting Cycle
United States - AL - ACBSP-APC-05-Accounting Cycle
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United States - ND - AICPA FN-Reporting

KEYWORDS: Bloom's: Application

NOTES: 30 min.

169. Refer to H&R Clock Company. Set up T-accounts and post each transaction to the T-accounts.

ANSWER:

Cash		Note Payable		Common Stock	
7/1	7/20			7/1	7/1
30,000	5,100			15,000	15,000
7/13	7/30				
8,800	640				
7/22	7/31				
15,000	3,800				

Office Supplies		Accounts Payable		Accounts Receivable		
7/5			7/20	7/5	7/12	7/22
5,100			5,100	5,100	18,000	15,000

Service Revenue		Utilities Expense		Salaries Expense	
	7/12	7/30		7/31	
	18,000	640		3,800	
	7/13				
	8,800				

POINTS: 1

DIFFICULTY: Difficulty: Moderate

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LEARNING OBJECTIVES: CORN.RICH.14.2.6 - LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - WA - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
United States - WI - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Application

NOTES: 20 min.

170. Refer to H&R Clock Company. Prepare a trial balance in proper format. Assume that the company had no additional accounts or balances other than those created from the July transactions.

ANSWER:

H&R Clock Company
Trial Balance
July 31, 2019

Account	Debit	Credit
Cash	$44,260	
Accounts Receivable	3,000	
Office Supplies	5,100	
Accounts Payable		$ -0-
Notes Payable		15,000
Common Stock		15,000
Service Revenue		26,800
Utilities Expense	640	
Salaries Expense	3,800	
	$56,800	$56,800

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.7 - LO: 2-7

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WV - ACBSP-APC-06-Recording Transacti - ACBSP-APC-06-Recording Transactions
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KEYWORDS: Bloom's: Application

NOTES: 15 min.

Home Accent Interiors

The company's bookkeeper prepared the following journal entries and posted them to the general ledger as indicated in the T-accounts presented. Assume that the dollar amounts and descriptions of the entries are correct.

Journal (partial):

Date	Accounts and Descriptions		Debit	Credit
May 5	Accounts Receivable		6,400	
		Service Revenue		6,400
		Billed customers for services completed		
May 11	Cash		2,000	
		Service Revenue		2,000

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		Received payment from a customer for services rendered in a prior month		
May 15	Supplies		2,800	
	Accounts Payable			2,800
	Purchased furniture on account; payment due in 30 days			
May 25	Office Furniture		2,800	
	Cash			2,800
	Paid for the office furniture purchased earlier			

General Ledger (partial):

Accounts Receivable		Service Revenue		Office Furniture	
5/5			5/5	5/11	5/25
6,400			6,400	2,000	2,800

Cash		Accounts Payable		Office Supplies	
5/11			5/15		5/15
2,000			2,800		2,800

171. Refer to Home Accent Interiors. Identify the postings to the general ledger that were made incorrectly. Describe how each incorrect posting should have been made. For this problem, assume that the journal entries have been correctly recorded.

ANSWER: The bookkeeper incorrectly posted the May 5 and 15 journal entries. For the May 5 journal entry, the $6,400 credit to Service Revenue should have been posted to the Service Revenue account as a credit, not as a debit. For the May 15 journal entry, the $800 credit to Accounts Payable should have been posted to the Accounts Payable account as a credit, not as a debit. The bookkeeper failed to credit Cash for $2,800 for the May 25 journal entry.

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.6 - LO: 2-6

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WA - ACBSP-APC-05-Accounting Cycle
United States - VA - ACBSP-APC-05-Accounting Cycle
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KEYWORDS: Bloom's: Application
NOTES: 20 min.

172. What is meant by "generally accepted accounting principles"?

ANSWER: Generally accepted accounting principles (GAAP) are a set of guidelines that are based on a conceptual framework. They represent the various rules, practices, and other procedures used as a basis for accounting principles. GAAP was created in response to the need to make it easier to use financial statements over time and across companies.
POINTS: 1
DIFFICULTY: Difficulty: Easy

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KEYWORDS: Bloom's: Knowledge

NOTES: 10 min.

173. Each of the situations in A through C below applies to one of the assumptions or principles included in the conceptual framework of accounting. Identify which assumption or principles applies and explain why that assumption or principle applies.

A) High Collectibles is a U.S. company that has divisions in several countries around the world. Each country has a currency different that the U.S. dollar. The company must include the financial data of its worldwide divisions in its financial statements.

B) Howell Trucking operate as a partnership. The partners are considering a change to the corporate form of business organization.

C) Holly Company is a local company. The owners have decided to expand into nearby cities. Expansion will require more capital, but management does not expect it will stay in business for more than one year or so regardless of its expansion plans.

ANSWER:

A) The Monetary Unit Assumption. Financial statements must be reported in monetary terms, and the standard monetary unit should be denominated in one currency.

B) Economic Entity Assumption. A business can take three forms. Regardless of the form, however, the unit itself is distinct from its owners.

C) Continuity (Going Concern) Assumption. A business is assumed to continue to operate long enough to carry out its obligations, to more accurately reflect the valuation of assets and appropriately allocate costs to accounting periods.

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

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KEYWORDS: Bloom's: Knowledge

NOTES: 10 min.

174. For a company’s reported financial information to be useful, what four qualities must be present? Explain these four qualities.

ANSWER: The four qualitative characteristics of useful accounting information are relevance, reliability, comparability, and consistency.

Relevant information has the capacity to make a difference in a decision. It helps users predict future events or provides feedback.

Reliable information is dependable, verifiable, and free from bias.

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Comparability allows comparisons to be made between or among companies.

Consistency refers to the application of the same accounting principles over time.

POINTS: 1

DIFFICULTY: Difficulty: Easy

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

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KEYWORDS: Bloom's: Knowledge

NOTES: 10 min.

175. What is the difference between comparability and consistency?

ANSWER: Comparability allows comparisons to be made between or among companies. Even though a certain amount of freedom exists in selecting accounting principles, when this information is disclosed in the financial statements, users can still compare the information when they know what principle is used.

Consistency refers to the application of the same accounting principles over time. It involves the relationships between a set of numbers over several periods, but within one company only, unlike comparability that can be between or among companies.

POINTS: 1

DIFFICULTY: Difficulty: Easy

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

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KEYWORDS: Bloom's: Evaluation

NOTES: 10 min.

176. What is conservatism and why is it important in accounting?

ANSWER: Conservatism is choosing the path that will be least likely to overstate assets or income. It is used in situations in which there is uncertainty about how to account for a particular item. In accounting, it is used in the balance sheet and income statement in an effort to provide the least optimistic amount. Conservatism is a prudent reaction to uncertainty that offsets management's natural optimism.

POINTS: 1

DIFFICULTY: Difficulty: Easy

LEARNING OBJECTIVES: CORN.RICH.14.2.1 - LO: 2-1

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - IA - ACBSP-APC-02-GAAP
United States - ID - ACBSP-APC-02-GAAP
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KEYWORDS: Bloom's: Knowledge

NOTES: 10 min.

177. Several terms which represent components of an accounting system are listed below. For each term, write a brief explanation of how that component is used in the accounting cycle.

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A) Accounts

B) Chart of Accounts

C) Double-entry system with debits and credits

D) Journal

E) General Ledger

F) Trial Balance

ANSWER:

A) An account is a record used to accumulate monetary amounts of increases and decreases for each basic element reported in an entity's financial statements. A separate record is prepared for each asset, liability, stockholders' equity, revenue, expense, and dividend element.

B) A chart of accounts is a list of all accounts (financial statement elements) used by a company, including numbers assigned to the accounts by the entity to facilitate bookkeeping activities. The chart of accounts is used to locate accounts in a general ledger.

C) In a double-entry system with debits and credits, equal debit and credit amounts are recorded for the effects of each transaction on an entity's accounts. Increases and decreases are recorded as debits (left-side entries) or credits (right-side entries) in the accounts. To maintain the equality of the accounting equation, assets = liabilities + stockholders' equity, the rules of debit and credit require that some accounts increase by debits and decrease by credits and that other accounts increase by credits and decrease by debits.

D) The journal is an accounting record in which all business transactions are recorded in chronological order as they occur. The transaction date, accounts affected, amounts to be debited and credited to the affected accounts, and a brief description of the transaction are recorded. As the amounts are transferred to the accounts in the general ledger, the account numbers are entered in the posting reference column of the journal.

E) The general ledger is a book or file which contains a record for each account used by an entity. The individual account records contain the monetary amounts transferred from the general journal entries. the difference between the debit and credit entries is the account balance. Periodically, the account balances are listed in a trial balance and used in the preparation of financial statements.

F) The trial balance is a schedule or list of all accounts and their balances from the general ledger. Amounts for accounts with debit balances are listed in one column, and amounts for accounts with credit balances are listed in a second column. The sum of the debit and credit balances should be equal in the double-entry system. If the sums of the debit and credit balances are not equal, procedures for locating the error(s) must be applied. The trial balance provides information that is needed to prepare financial statements.

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POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: CORN.RICH.14.2.4 - LO: 2-4
CORN.RICH.14.2.5 - LO: 2-5
CORN.RICH.14.2.6 - LO: 2-6
CORN.RICH.14.2.7 - LO: 2-7
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
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KEYWORDS: Bloom's: Knowledge
NOTES: 20 min.

178. Four journal entries are presented below. Write an explanation for each entry.

A)	Cash		12,200	
		Service Revenue		12,200
B)	Accounts Receivable		17,500	
		Service Revenue		17,500
C)	Cash		16,900	
		Accounts Receivable		16,900
D)	Cash		1,830	
		Unearned Revenue		1,830

ANSWER:

A) Cash was received for services provided to customers.

B) Customers were billed for services provided.

C) Cash was collected from customers who had been billed previously.

D) Cash was collected from customers for services to be provided later.

POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: CS2-4
LEARNING OBJECTIVES: CORN.RICH.14.2.5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication
STATE STANDARDS: United States - VT - ACBSP-APC-05-Accounting Cycle
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KEYWORDS: Bloom's: Comprehension

NOTES: 15 min.

179. The bookkeeper made the following errors while recording transactions for the period:

A) A purchase of equipment for $450 cash was recorded as a debit to Equipment for $540 and a credit to Cash for $540.

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B) The sale of services for cash in the amount of $4,134 was recorded as a debit to Cash for $4,134 and a credit to Service Revenue for $4,314.

C) A purchase of supplies for $200 cash was recorded correctly in the journal but was omitted from the general ledger.

D) The sale of services for credit in the amount of $3,800 was recorded correctly in the journal but was posted twice to the general ledger.

E) $5,500 cash paid for salaries was recorded in the journal as a $5,500 debit to Cash and a $5,500 credit to Salaries Expense.

Indicate whether or not the debit and credit columns of the trial balance will be equal after recording each of these erroneous entries. Then identify the account(s) that will be misstated as a result of these errors and the direction of the misstatement (i.e., understatement or overstatement).

ANSWER:

A) The trial balance will still balance, but both of the accounts will be overstated by $90.

B) The trial balance will be out of balance, as Service Revenues will be overstated by $180.

C) The trial balance will still balance, but the Supplies account will be understated by $200 and the Cash account will be overstated by $200.

D) The trial balance will still balance, but the Accounts Receivable and Service Revenue accounts will both be overstated by $3,800.

E) The trial balance will still balance, but the Cash account will be overstated by $11,000 and the Salaries Expense account will be understated by $11,000.

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: CORN.RICH.14.2.3 - LO: 2-3
CORN.RICH.14.2.4 - LO: 2-4
CORN.RICH.14.2.7 - LO: 2-7

NATIONAL STANDARDS: United States - BUSPROG: Communication - Communication

STATE STANDARDS: United States - WY - ACBSP-APC-05-Accounting Cycle
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United States - AR - ACBSP-APC-05-Accounting Cycle
United States - AK - ACBSP-APC-05-Accounting Cycle
United States - AK - AICPA FN-Reporting
United States - AL - AICPA FN-Reporting
United States - AR - AICPA FN-Reporting
United States - AZ - AICPA FN-Reporting
United States - CA - AICPA FN-Reporting
United States - CO - AICPA FN-Reporting
United States - CT - AICPA FN-Reporting
United States - DE - AICPA FN-Reporting
United States - FL - AICPA FN-Reporting
United States - GA - AICPA FN-Reporting
United States - HI - AICPA FN-Reporting
United States - IA - AICPA FN-Reporting
United States - ID - AICPA FN-Reporting

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United States - IL - AICPA FN-Reporting
United States - IN - AICPA FN-Reporting
United States - KS - AICPA FN-Reporting
United States - KY - AICPA FN-Reporting
United States - LA - AICPA FN-Reporting
United States - MA - AICPA FN-Reporting
United States - MD - AICPA FN-Reporting
United States - ME - AICPA FN-Reporting
United States - MI - AICPA FN-Reporting
United States - MN - AICPA FN-Reporting
United States - MO - AICPA FN-Reporting
United States - MS - AICPA FN-Reporting
United States - MT - AICPA FN-Reporting
United States - NC - AICPA FN-Reporting
United States - ND - AICPA FN-Reporting
United States - NE - AICPA FN-Reporting
United States - NH - AICPA FN-Reporting
United States - NJ - AICPA FN-Reporting
United States - NM - AICPA FN-Reporting
United States - NV - AICPA FN-Reporting
United States - NY - AICPA FN-Reporting
United States - OH - AICPA FN-Reporting
United States - OK - AICPA FN-Reporting
United States - OR - AICPA FN-Reporting
United States - PA - AICPA FN-Reporting
United States - RI - AICPA FN-Reporting
United States - SC - AICPA FN-Reporting
United States - SD - AICPA FN-Reporting
United States - TN - AICPA FN-Reporting
United States - TX - AICPA FN-Reporting
United States - UT - AICPA FN-Reporting
United States - VA - AICPA FN-Reporting
United States - VT - AICPA FN-Reporting
United States - WA - AICPA FN-Reporting
United States - WI - AICPA FN-Reporting
United States - WV - AICPA FN-Reporting
United States - WY - AICPA FN-Reporting

KEYWORDS: Bloom's: Evaluation

NOTES: 15 min.

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