Financial Accounting 16th edition Warren Test Bank

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TRUE/FALSE

1 : Accounts are records of increases and decreases in individual financial statement items.
A : true
B : false

Correct Answer : A

2 : A chart of accounts is a listing of accounts that make up the journal.
A : true
B : false

Correct Answer : B

3 : The chart of accounts should be the same for each business.
A : true
B : false

Correct Answer : B

4 : Accounts payable are accounts that you expect will be paid to you.
A : true
B : false

Correct Answer : B

5 : Consuming goods and services in the process of generating revenues results in expenses.
A : true
B : false

Correct Answer : A

6 : Prepaid expenses are an example of an expense.
A : true
B : false

Correct Answer : B

7 : The unearned revenue account is an example of a liability.
A : true
B : false

Correct Answer : A

8 : The drawing account is an expense.
A : true
B : false

Correct Answer : B

9 : Accounts in the ledger are usually maintained in alphabetical order.
A : true

B : false

Correct Answer : B

10 : Depending on the account title, the right side of the account is referred to as the credit side.
A : true
B : false

Correct Answer : B

11 : To determine the balance in an account, always subtract credits from debits.
A : true
B : false

Correct Answer : B

12 : An account in its simplest form has three parts to it: a title, an increase side, and a decrease side.
A : true
B : false

Correct Answer : A

13 : The T account got its name because it resembles the letter “T.”
A : true
B : false

Correct Answer : A

14 : The right side of a T account is known as a debit and the left side is known as a credit.
A : true
B : false

Correct Answer : B

15 : A debit entry to the cash account will increase the account.
A : true
B : false

Correct Answer : A

16 : A credit entry to the cash account will increase the account.
A : true
B : false

Correct Answer : B

17 : The cash account will always be debited.
A : true
B : false

Correct Answer : B

18 : The recording of cash receipts to the cash account will be done by debiting the account.
A : true
B : false

Correct Answer : A

19 : The recording of cash payments from the cash account is done by entering the amount as a credit.
A : true
B : false

Correct Answer : A

20 : The balance of an account can be determined by adding all of the debits, adding all of the credits, and adding the amounts together.
A : true
B : false

Correct Answer : B

21 : Liabilities are debts owed by the business entity.
A : true
B : false

Correct Answer : A

22 : The accounts payable account is listed in the chart of accounts as an asset.
A : true
B : false

Correct Answer : B

23 : A drawing account represents the amount of withdrawals made by the owner.
A : true
B : false

Correct Answer : A

24 : Revenues are equal to the difference between cash receipts and cash payments.
A : true
B : false

Correct Answer : B

25 : Expenses result from using up assets or consuming services in the process of generating revenues.
A : true
B : false

Correct Answer : A

26 : Owner’s equity will be reduced by the amount in the drawing account.
A : true

B : false

Correct Answer : A

27 : When an owner invests assets in the business, the capital account increases due to revenue being earned.
A : true
B : false

Correct Answer : B

28 : When an account receivable is collected in cash, the total assets of the business increase.
A : true
B : false

Correct Answer : B

29 : When an account payable is paid with cash, the owner's equity in the business decreases.
A : true
B : false

Correct Answer : B

30 : For a month's transactions for a typical medium-sized business, the salary expense account is likely to have only credit entries.
A : true
B : false

Correct Answer : B

31 : A debit is abbreviated as Db and a credit is abbreviated as Cr.
A : true
B : false

Correct Answer : B

32 : When a business purchases supplies on account, no entry should be made until the invoice is paid.
A : true
B : false

Correct Answer : B

33 : For a month's transactions for a typical medium-sized business, the accounts payable account is likely to have only credit entries.
A : true
B : false

Correct Answer : B

34 : Withdrawals decrease owner's equity and are listed on the income statement as a deduction from revenue.
A : true
B : false

Correct Answer : B

35 : The normal balance of revenue accounts is a credit.
A : true
B : false

Correct Answer : A

36 : The normal balance of an expense account is a credit.
A : true
B : false

Correct Answer : B

37 : The normal balance of the drawing account is a debit.
A : true
B : false

Correct Answer : A

38 : Expense accounts are increased by credits.
A : true
B : false

Correct Answer : B

39 : The normal balance of a capital account is a debit.
A : true
B : false

Correct Answer : B

40 : Revenue accounts are increased by credits.
A : true
B : false

Correct Answer : A

41 : Liability accounts are increased by debits.
A : true
B : false

Correct Answer : B

42 : Journalizing transactions using the double-entry bookkeeping system will eliminate fraud.
A : true
B : false

Correct Answer : B

43 : Transactions are listed in the journal chronologically.
A : true

B : false

Correct Answer : A

44 : Journalizing is the process of entering amounts in the ledger.
A : true
B : false

Correct Answer : B

45 : The process of recording a transaction in the journal is called journalizing.
A : true
B : false

Correct Answer : A

46 : Transactions are initially entered into a record called a journal.
A : true
B : false

Correct Answer : A

47 : The double-entry accounting system records each transaction twice.
A : true
B : false

Correct Answer : B

48 : The increase side of an account is also the side of the normal balance.
A : true
B : false

Correct Answer : A

49 : Journal entries include both debit and credit accounts for each transaction.
A : true
B : false

Correct Answer : A

50 : A transaction that is recorded in the journal is called a journal entry.
A : true
B : false

Correct Answer : A

51 : Assets are increased with debits and decreased with credits.
A : true
B : false

Correct Answer : A

52 : Liabilities are increased with debits and decreased with credits.

A : true
B : false

Correct Answer : B

53 : Debits will increase unearned revenues and revenues.
A : true
B : false

Correct Answer : B

54 : All owner’s equity accounts record increases to the accounts with credits.
A : true
B : false

Correct Answer : B

55 : Journalizing always eliminates fraudulent activity.
A : true
B : false

Correct Answer : B

56 : Journal entries can have more than two accounts as long as the debits equal the credits.
A : true
B : false

Correct Answer : A

57 : Normal account balances are on the increase side of the accounts.
A : true
B : false

Correct Answer : A

58 : The process of transferring data from the journal to the ledger accounts is called posting.
A : true
B : false

Correct Answer : A

59 : The posting reference notation used in the ledger is the account number.
A : true
B : false

Correct Answer : B

60 : The posting reference notation used in the journal is the page number.
A : true
B : false

Correct Answer : B

61 : A notation in the Post. Ref. column of the general journal indicates that the amount has been posted to the ledger.
A : true
B : false

Correct Answer : A

62 : The order of the flow of accounting data is (1) record in the ledger, (2) record in the journal, and (3) prepare the financial statements.
A : true
B : false

Correct Answer : B

63 : The process of transferring the debits and credits from the journal entries to the accounts is known as posting.
A : true
B : false

Correct Answer : A

64 : Postings made to four-column account forms show a new balance after each entry.?
A : true
B : false

Correct Answer : A

65 : A group of related accounts that make up a complete unit is called a trial balance.
A : true
B : false

Correct Answer : B

66 : A trial balance determines the accuracy of the numbers.
A : true
B : false

Correct Answer : B

67 : Even when a trial balance is in balance, there may be errors in the individual accounts.
A : true
B : false

Correct Answer : A

68 : The totals at the bottom of the trial balance and the totals at the bottom of the balance sheet both show equality and balancing and therefore should be equal.
A : true
B : false

Correct Answer : B

69 : A proof of the equality of debits and credits in the ledger at the end of an accounting period

is called a balance sheet.
A : true
B : false

Correct Answer : B

70 : If the trial balance is in balance, it can be assumed that all journal entries were posted correctly and no errors were made.
A : true
B : false

Correct Answer : B

71 : Posting the credit part of a journal entry to the wrong account will cause the trial balance totals to be unequal.
A : true
B : false

Correct Answer : B

72 : The erroneous arrangement of digits, such as writing $45 as $54, is called a slide.
A : true
B : false

Correct Answer : B

73 : Journalizing a transaction with both the debit and the credit for $69 instead of $96 will cause the trial balance to be out of balance.
A : true
B : false

Correct Answer : B

74 : The erroneous moving of an entire number one or more spaces to the right or left, such as writing $85 as $850, is called a transposition.
A : true
B : false

Correct Answer : B

SHORT RESPONSE

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

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

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

Correct Answer : 11 Cash12 Accounts Receivable13 Supplies14 Prepaid Insurance15 Equipment16 Truck21 Accounts Payable22 Notes Payable31 Cassie Harris, Capital32 Cassie Harris, Drawing41 Fees Earned51 Wages Expense52 Rent Expense53 Utilities Expense54 Truck Expense55 Insurance Expense56 Miscellaneous Expense

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

Correct Answer : ? + $305,000 ? $375,880 = $96,750Cash balance at January 1 = $167,630

78 : Organize the following accounts into the usual sequence of a chart of accounts.Alecia Morris, CapitalAlecia Morris, DrawingAccounts PayableAccounts ReceivableCashFees EarnedMiscellaneous ExpensePrepaid RentSalaries ExpenseUnearned Revenue

Correct Answer : CashAccounts ReceivablePrepaid RentAccounts PayableUnearned RevenueAlecia Morris, CapitalAlecia Morris, DrawingFees EarnedSalaries ExpenseMiscellaneous Expense

79 : Organize the following accounts into the usual sequence of a chart of accounts.Alecia Morris, CapitalAlecia Morris, DrawingAccounts PayableAccounts ReceivableCashFees EarnedMiscellaneous ExpensePrepaid RentSalaries ExpenseUnearned Revenue

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

80 : Organize the following accounts into the usual sequence of a chart of accounts.Alecia Morris, CapitalAlecia Morris, DrawingAccounts PayableAccounts ReceivableCashFees EarnedMiscellaneous ExpensePrepaid RentSalaries ExpenseUnearned Revenue

Correct Answer : Type of AccountIncrease Side(1)ADr.(2)ADr.(3)RCr.(4)NDr.(5)LCr.(6)EDr.(7)NCr.(8)ADr.(9)ADr.(10)LCr.

81 : Organize the following accounts into the usual sequence of a chart of accounts.Alecia Morris, CapitalAlecia Morris, DrawingAccounts PayableAccounts ReceivableCashFees EarnedMiscellaneous ExpensePrepaid RentSalaries ExpenseUnearned Revenue

Correct Answer : Account DebitedAccount CreditedTransactionTypeEffectTypeEffect(1)asset+capital+(2)asset+liability+(3)asset+asset?(4)asset+revenue+(5)liability?asset?(6)expense+asset?(7)asset+revenue+(8)drawing+asset?(9)asset+asset?

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

Correct Answer : $75,880 = $96,750 + $305,000 ? ?Cash Payments = $325,870

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

Correct Answer : Sept. 1Land47,500 Cash 47,500 Purchased land for the company.

84 : On October 10, Nickle Company purchased supplies for $1,800 on account. On October 25, Nickle Company paid the invoice. Journalize the entries required for these transactions

Correct Answer : Oct. 10Supplies1,800 Accounts Payable1,800 Purchased supplies on account. Oct. 25Accounts Payable1,800 Cash1,800 Paid creditor on account.

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

Correct Answer : Oct. 17Building500,000 Land250,000 Cash300,000 Notes Payable450,000 Purchased building and land with cash down payment.

86 : On November 1, Nickle Company made a cash payment of $200,000 on a note payable that was generated in the purchase of a building and land. Journalize the entry required for this transaction.

Correct Answer : Nov. 1 Notes Payable200,000 Cash 200,000 Made payment on note payable.

87 : On January 7, Damien Lawson invested $45,000 cash to initiate the operation of his business, JumpStart. Journalize the entry required for this transaction.

Correct Answer : Jan. 7Cash45,000 Damien Lawson, Capital 45,000 Invested cash in business.

88 : On January 8, Jumpstart purchased several pieces of office equipment at a clearance price of $20,000, paying cash. The equipment was originally priced at $35,000. Journalize the entry required for this transaction.

Correct Answer : Jan. 8Office Equipment20,000 Cash 20,000 Purchased office equipment.

89 : On August 30, JumpStart paid the following expenses: rent, $2,300; utilities, $525; wages, $1,750, and miscellaneous, $275. Journalize these payments as one entry.

Correct Answer : Aug. 30Rent Expense2,300 Utilities Expense525 Wages Expense1,750 Miscellaneous Expense275 Cash 4,850 Paid expenses.

90 : On October 30, Damien Lawson withdraws $3,330 from JumpStart for personal use. Journalize this event.

Correct Answer : Oct. 30Damien Lawson, Drawing 3,330 Cash 3,330 Withdrew cash for personal use.

91 : On October 30, Damien Lawson withdraws $3,330 from JumpStart for personal use. Journalize this event.

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

92 : On October 30, Damien Lawson withdraws $3,330 from JumpStart for personal use. Journalize this event.

Correct Answer : (a)(b) Recorded As Normal Balance(1)Cr.Cr.(2)Dr.Dr.(3)Cr.Dr.(4)Cr.Cr.(5)Cr. Cr.(6)Cr.Dr.(7)Cr.Dr.(8)Dr.Dr.(9)Dr.Dr.(10)Cr.Dr.

93 : On October 30, Damien Lawson withdraws $3,330 from JumpStart for personal use. Journalize this event.

Correct Answer : (a)Cash18,000 Katie Long,
Capital 18,000 (b)Equipment27,000 Cash 10,000 Notes Payable 17,000 (c)Rent Expense2,300 Cash 2,300 (d)Supplies1,500 Accounts Payable 1,500 (e)Accounts Receivable9,800 Fees Earned 9,800 (f)Cash7,500 Fees Earned 7,500 (g)Accounts Payable1,200 Cash 1,200 (h)Wages
Expense3,425 Cash 3,425 (i)Cash7,900 Accounts Receivable 7,900 (j)Katie Long, Drawing1,875 Cash 1,875

94 : On January 12, JumpStart purchased $870 in office supplies.?(a) Journalize this transaction as if JumpStart paid cash.?(b) Journalize this transaction as if JumpStart made the purchase on account.?(c) Assuming Jumpstart made the purchase on account, journalize the full payment on January 18.

Correct Answer : (a)Jan. 12Office Supplies870 Cash870?(b)Jan. 12Office Supplies870 Accounts Payable870?(c)Jan. 18Accounts Payable870 Cash870

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

Correct Answer : (a) Nov. 10Cash600 Accounts Receivable2,300 Fees Earned2,900 (b) Nov. 20Cash900 Accounts Receivable900?(c) Original invoice$2,900 Less cash paid upon completion 600 Original amount on accounts receivable$2,300 Less November 20 payment 900 Accounts receivable balance$1,400

96 : Journalize the transaction for the purchase of a truck on April 4 for $85,700, paying $15,000 cash and the remainder on account. Omit explanation.

Correct Answer : Apr. 4Truck 85,700 Cash 15,000 Accounts Payable 70,700

97 : Journalize the transaction for the purchase of a truck on April 4 for $85,700, paying $15,000 cash and the remainder on account. Omit explanation.

Correct Answer : ?DateDescriptionPost. Ref.DebitCreditJan. 1 Cash 14,000 Owner, Capital 14,000 2 Cash 9,500 Revenues 9,500 3 Accounts Receivable 4,200 Revenues 4,200 4 Advertising Expense 700 Cash 700 5 Cash 2,500 Accounts Receivable 2,500 6 Owner, Drawing 1,010 Cash 1,010 7 Telephone Expense 900 Accounts Payable 900 8 Accounts Payable 900 Cash 900

98 : On December 1, JumpStart provides $2,800 in services to clients.(a) Journalize this event as if the clients had paid cash at the time the services were rendered.?(b) Journalize this event as if the clients received the services on account.?(c) Assuming that the clients received the services on account, journalize $1,200 in payments received from the clients on December 30.

Correct Answer : (a) Dec. 1 Cash2,800 ? Fees Earned2,800 (b) Dec. 1 Accounts Receivable2,800 ? Fees Earned2,800 (c) Dec. 30 Cash1,200 ? Accounts Receivable1,200

99 : On December 1, JumpStart provides $2,800 in services to clients.(a) Journalize this event as if the clients had paid cash at the time the services were rendered.?(b) Journalize this event as if the clients received the services on account.?(c) Assuming that the clients received the services on account, journalize $1,200 in payments received from the clients on December 30.

Correct Answer : 1. Credit entries only, normal credit balance2. Debit entries only, normal debit balance3. Both debit and credit entries, normal credit balance4. Both debit and credit entries, normal debit balance5. Both debit and credit entries, normal debit balance6. Both debit and credit entries, normal debit balance

100 : On October 12, fees earned on account were $14,600. Journalize this transaction. Omit explanation.

Correct Answer : Oct. 12Accounts Receivable14,600 Fees Earned? 14,600

101 : On October 12, fees earned on account were $14,600. Journalize this transaction. Omit explanation.

Correct Answer : Mar. 1Accounts Receivable800 Service Revenue 800 9Office Furniture1,060 Office Supplies 160 Accounts Payable 1,220 15Accounts Payable1,220 Cash 1,220 23Utilities Expense430 Cash 430 31Salaries Expense850 Cash 850

102 : On October 12, fees earned on account were $14,600. Journalize this transaction. Omit explanation.

Correct Answer : Aug. 1Equipment (or Tools)850 Accounts Payable 850 8Cash125 Unearned Revenue 125 20Accounts Receivable1,250 Rental Revenue 1,250 31Utilities Expense180 Cash 180 31Cash600 Accounts Receivable 600

103 : On October 12, fees earned on account were $14,600. Journalize this transaction. Omit explanation.

Correct Answer : TransactionsAccount(s) DebitedAccount(s) Crediteda.1131b.5311c.1811,22d.1721

104 : On October 12, fees earned on account were $14,600. Journalize this transaction. Omit explanation.

Correct Answer : TransactionsAccount(s) DebitedAccount(s) Crediteda.1411b.1511c.1112d.2111e.1141

105 : On October 12, fees earned on account were $14,600. Journalize this transaction. Omit explanation.

Correct Answer : TransactionsAccount(s) DebitedAccount(s) Crediteda.1241b.5521c.5411d.1112e.5111f.3211

106 : On October 12, fees earned on account were $14,600. Journalize this transaction. Omit explanation.

Correct Answer : TransactionsAccount(s) DebitedAccount(s) Crediteda.1421b.2111c.1511d.1123

107 : The following two situations are independent of each other.?(a) On June 1, the cash account balance was $45,750. During June, cash payments totaled $243,910, and the June 30 balance was $53,200. Determine the cash receipts during June and show your calculation.?(b) On March 1, the supplies account balance was $1,800. During March, supplies of $2,450 were purchased, and supplies of $630 were on hand as of March 31. Determine the supplies expense for March and show your calculation.

Correct Answer : (a) $53,200 = $45,750 + Cash Receipts ? $243,910 Cash Receipts = $251,360?(b) $630 = $1,800 + $2,450 ? Supplies Expense Supplies Expense = $3,620

108 : The following two situations are independent of each other.?(a) On June 1, the cash account balance was $45,750. During June, cash payments totaled $243,910, and the June 30 balance was $53,200. Determine the cash receipts during June and show your calculation.?(b) On March 1, the supplies account balance was $1,800. During March, supplies of $2,450 were purchased, and supplies of $630 were on hand as of March 31. Determine the supplies expense for March and show your calculation.

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

109 : The following two situations are independent of each other.?(a) On June 1, the cash account balance was $45,750. During June, cash payments totaled $243,910, and the June 30 balance was $53,200. Determine the cash receipts during June and show your calculation.?(b) On March 1, the supplies account balance was $1,800. During March, supplies of $2,450 were purchased, and supplies of $630 were on hand as of March 31. Determine the supplies expense for March and show your calculation.

Correct Answer : (a)Accounts Receivable200 Supplies 200 Supplies500 Accounts Payable 500 (b)Cash5,000 Fees Earned 5,000

110 : On November 30, Damien Lawson is informed by his accountant that $550 of a transaction recording the purchase of office supplies was really office equipment. Prepare the journal entry to correct this situation.

Correct Answer : Nov. 30 Office Equipment550 Office Supplies550

111 : On November 30, Damien Lawson is informed by his accountant that $550 of a transaction recording the purchase of office supplies was really office equipment. Prepare the journal entry to correct this situation.

Correct Answer : (a)Stan Norton, Drawing5,000 Office Expense 5,000?(b)Fees Earned7,800 Accounts Receivable 7,800

112 : On November 30, Damien Lawson is informed by his accountant that $550 of a transaction recording the purchase of office supplies was really office equipment. Prepare the journal entry to correct this situation.

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

113 : On November 30, Damien Lawson is informed by his accountant that $550 of a transaction recording the purchase of office supplies was really office equipment. Prepare the journal entry to correct this situation.

Correct Answer : (1)a. The Debit column is added incorrectly; the sum is actually $289,780.b. The trial balance should be dated January 31, rather than “For the Month of January”c. The Accounts Receivable balance should be in the Debit column.d. The Accounts Payable balance should be in the Credit column.e. The Tim Dawson, Drawing balance should be in the Debit column.f. The Miscellaneous Expense balance should be in the Debit column.(2) Dawson Designs Co.Unadjusted Trial BalanceJanuary 31 Debit BalancesCredit BalancesCash23,000 Accounts Receivable49,700 Prepaid Insurance11,300 Equipment150,500 Accounts Payable 6,050Salaries Payable 4,250Tim Dawson, Capital 110,000Tim Dawson, Drawing18,500 Service Revenue 236,600Salary Expense98,930 Miscellaneous Expense 4,970 356,900356,900

114 : On November 30, Damien Lawson is informed by his accountant that $550 of a transaction recording the purchase of office supplies was really office equipment. Prepare the journal entry to correct this situation.

Correct Answer : ?Sophie Designs Co.Trial BalanceApril 30 Debit Balances Credit Balances Cash6,700 Accounts Receivable3,450 Supplies3,125 Equipment14,500 Accounts Payable 4,100Sophie Dawson, Capital 17,800Sophie Dawson, Drawing7,500 Fees Earned 45,425Salary Expense14,000 Rent Expense11,500 Utilities Expense4,000 Supplies Expense1,700 Miscellaneous Expense 850 67,32567,325

115 : On November 30, Damien Lawson is informed by his accountant that $550 of a transaction recording the purchase of office supplies was really office equipment. Prepare the journal entry to correct this situation.

Correct Answer : (a)(1)In the heading, the date should be April 30; not for a period of time. (2)The Cash balance should be a debit. (3)The Accounts Receivable balance is missing. (4)The Supplies balance should be a debit. (5)The Prepaid Insurance balance should be a debit and this account should follow Accounts Receivable. (6)The Thad Winslow, Capital balance should be a credit. (7)The Thad Winslow, Drawing balance should be a debit. (8)Rent Expense should be a debit. (9)The trial balance does not balance.?(b)The new total for credits would be $69,100 ($2,500 accounts payable + $49,600 fees earned + $17,000 capital). The debits would also total $69,100. Accounts receivable would be $3,075 ($69,100 total credits ? $66,025 corrected debits).

116 : On November 30, Damien Lawson is informed by his accountant that $550 of a transaction recording the purchase of office supplies was really office equipment. Prepare the journal entry to correct this situation.

Correct Answer : ErrorTotalsDifference in TotalsLarger of Totals(1)equal— — (2)equal— — (3)equal— — (4)unequal$ 90 debit (5)unequal 1,530 credit (6)unequal17,000 credit (7)unequal 4,000 debit (8)unequal 300 credit (9)unequal 200 credit ?

117 : On November 30, Damien Lawson is informed by his accountant that $550 of a transaction recording the purchase of office supplies was really office equipment. Prepare the journal entry to correct this situation.

Correct Answer : ?Ralston Sports CompanyTrial BalanceSeptember 30 Debit Balances Credit Balances Cash9,000 Accounts Receivable200 Supplies12,500 Equipment9,500 Accounts Payable 1,900James Ralston, Capital 25,000James Ralston, Drawing7,000 Fees Earned 21,800Operating Expenses10,500 48,70048,700

118 : On November 30, Damien Lawson is informed by his accountant that $550 of a transaction recording the purchase of office supplies was really office equipment. Prepare the journal entry to correct this situation.

Correct Answer : ??Year 2??Year 1Increase/DecreaseAmount?PercentChangeSales$178,400$162,500$15,9009.8%Wages expense$100,000$ 92,500$ 7,5008.1Rent expenses33,000 30,0003,00010.0Utilities expense 30,000 25,000 5,00020.0Total operating expenses$163,000$147,500$15,50010.5Net income$ 15,400$ 15,000$ 4002.7?While the increase in sales revenue is favorable, it is not sufficient to offset the rising expenses (unfavorable), resulting in a positive but small increase in net income.

119 : On November 30, Damien Lawson is informed by his accountant that $550 of a transaction recording the purchase of office supplies was really office equipment. Prepare the journal entry to correct this situation.

Correct Answer : ?Year 2?Year 1Increase/DecreaseAmountPercent ChangeSales$158,400$162,500$ (4,100)(2.5)%Wages expense$ 80,000$ 92,500$(12,500)(13.5)Rent expense28,00030,000(2,000)(6.7)Utilities expense 30,000 25,000 5,00020.0Total operating expenses$138,000$147,500$ (9,500)(6.4)Net income$ 20,400$ 15,000$ 5,40036.0?The decrease in sales revenue is unfavorable, but it is more than offset by the declines in operating expenses, with the exception of utilities, which increased over the period. Despite the 2.5% drop in sales, the net effect was a favorable increase in net income of 36.0%, which was in large part spurred by the drop in wages expense.

MULTIPLE CHOICE

120 : Accounts
A : do not reflect money amounts
B : are not used by entities that manufacture products
C : are records of increases and decreases in individual financial statement items
D : are only used by large entities with many transactions

Correct Answer : C

121 : Accounts are classified in the ledger
A : chronologically
B : alphabetically
C : in accordance with their appearance in the financial statements
D : with the accounts used most often listed first

Correct Answer : C

122 : Which of the following accounts is an owner's equity account?
A : Cash
B : Accounts Payable

C : Prepaid Insurance
D : Ross Morris, Capital

Correct Answer : D

123 : The gross increases in owner's equity attributable to business activities are called
A : assets
B : liabilities
C : revenues
D : expenses

Correct Answer : C

124 : A chart of accounts is
A : the same as a balance sheet
B : usually a listing of accounts in alphabetical order
C : usually a listing of accounts in financial statement order
D : used in place of a ledger

Correct Answer : C

125 : The debit side of an account
A : depends on whether the account is an asset, liability, or owners equity
B : can be either side of the account depending on how the accountant set up the system
C : is the right side of the account
D : is the left side of the account

Correct Answer : D

126 : An account is said to have a debit balance if
A : the amount of the debits exceeds the amount of the credits
B : there are more entries on the debit side than on the credit side
C : there are more entries on the credit side than on the debit side
D : the first entry of the accounting period was posted on the debit side

Correct Answer : A

127 : Which side of the account increases the cash account?
A : credit
B : neither a debit nor a credit
C : debit
D : either a debit or a credit

Correct Answer : C

128 : Which statement(s) concerning cash is (are) true?
A : Cash will always have more debits than credits.
B : Cash will never have a credit balance.
C : Cash is increased by debiting.
D : All of these choices.

Correct Answer : C

129 : Which of the following is true about T accounts?
A : The left side of a T account is called the debit side.
B : The left side of a T account is called the credit side.
C : The right side of a T account is called the debit side.
D : Transactions are first recorded in T accounts and then posted to the journal.

Correct Answer : A

130 : A cash payment is recorded in the cash account as
A : neither a debit nor a credit
B : a credit
C : a debit
D : either a debit or a credit

Correct Answer : B

131 : A list of the accounts used by a business is called the
A : journal
B : chart of accounts
C : T chart
D : debit listing

Correct Answer : B

132 : In the chart of accounts, the balance sheet accounts are normally listed in which order?
A : liabilities, assets, owner's equity
B : assets, liabilities, owner's equity
C : owner's equity, assets, liabilities
D : assets, owner's equity, liabilities

Correct Answer : B

133 : In which order are the accounts listed in the chart of accounts?
A : assets, expenses, liabilities, owner's equity, revenues
B : owners equity, assets, liabilities, revenues, expenses
C : assets, liabilities, owner's equity, revenues, expenses
D : assets, liabilities, revenues, expenses, owners equity

Correct Answer : C

134 : Which are the parts of the T account?
A : title, date, total
B : date, debit side, credit side
C : title, debit side, credit side
D : title, debit side, total

Correct Answer : C

135 : The chart of accounts is designed to
A : alphabetize the accounts to make reading easier for financial statement users
B : organize accounts in order of dollar amount to simplify the accounting information for users
C : summarize the transactions and determine ending account balances
D : meet the information needs of a companys managers and other users of its financial statements

Correct Answer : D

136 : Which group of accounts is comprised of only assets?
A : Cash, Accounts Payable, Buildings
B : Accounts Receivable, Revenue, Cash
C : Prepaid Expenses, Buildings, Patents
D : Unearned Revenue, Prepaid Expenses, Cash

Correct Answer : C

137 : Which of the following is true about assets?
A : Assets include both physical and intangible items.
B : Assets include only physical items.
C : Assets are the personal property of the owner of the company.
D : Assets are the result of selling products or services to customers.

Correct Answer : A

138 : Which of the following is not considered to be a liability?
A : Wages Payable
B : Accounts Receivable
C : Unearned Revenue
D : Accounts Payable

Correct Answer : B

139 : Which of the following statements is not true about liabilities?
A : Liabilities are debts owed to outsiders.
B : Account titles of liabilities often include the term “payable.”
C : Cash received before a service is performed creates a liability.
D : Liabilities do not include wages owed to employees of the company.

Correct Answer : D

140 : Owner’s equity will be reduced by all of the following except
A : revenues
B : expenses
C : withdrawals
D : All of these choices

Correct Answer : A

141 : Expenses can result from
A : increasing owner’s equity
B : consuming services
C : using up liabilities
D : purchasing assets

Correct Answer : B

142 : Assume that you are creating a chart of accounts for a company. Each account number will have two digits. The first digit indicates the major account group to which the account belongs. Which of

the following correctly identifies the major account groups typically represented by the numbers 1 through 5?
A : 1-Assets, 2-Liabilities, 3-Owner's Equity, 4-Expenses, 5-Revenues
B : 1-Assets, 2-Liabilities, 3-Owner's Equity, 4-Revenues, 5-Expenses
C : 1-Assets, 2-Owner's Equity, 3-Revenues, 4-Expenses, 5-Drawing
D : 1-Owner's Equity, 2-Drawing, 3-Revenues, 4-Expenses

Correct Answer : B

143 : Assume that you are creating a chart of accounts for a company. Each account number will have two digits. The first digit indicates the major account group to which the account belongs. Which of the following correctly identifies the major account groups typically represented by the numbers 1 through 5?
A : $10,000
B : $8,000
C : $9,700
D : $9,800

Correct Answer : A

144 : The balance of an account is determined by
A : adding all of the debits to all of the credits
B : always subtracting the debits from the credits
C : always subtracting the credits from the debits
D : adding all of the debits, adding all of the credits, and then subtracting the smaller sum from the larger sum

Correct Answer : D

145 : Which of the following types of accounts have a normal credit balance?
A : assets and liabilities
B : liabilities and expenses
C : revenues and capital
D : capital and drawing

Correct Answer : C

146 : Which of the following groups of accounts have a normal debit balance?
A : revenues, liabilities, and capital
B : capital and assets
C : liabilities and capital
D : assets and expenses

Correct Answer : D

147 : Which of the following statements is not a purpose for the journal?
A : to show increases and decreases in accounts
B : to show a chronological order by date
C : to show a complete transaction in one place
D : to help locate errors

Correct Answer : D

148 : A credit signifies a decrease in

A : assets
B : liabilities
C : capital
D : revenue

Correct Answer : A

149 : A debit signifies a decrease in
A : assets
B : expenses
C : drawing
D : revenues

Correct Answer : D

150 : Which of the following applications of the rules of debit and credit is true?
A : decrease Prepaid Insurance with a credit and the normal balance is a credit
B : increase Accounts Payable with a credit and the normal balance is a debit
C : increase Equipment with a debit and the normal balance is a debit
D : decrease Cash with a debit and the normal balance is a credit

Correct Answer : C

151 : Which of the following describes the classification and normal balance of the fees earned account?
A : asset, credit
B : liability, credit
C : owners equity, debit
D : revenue, credit

Correct Answer : D

152 : The classification and normal balance of the accounts payable account are
A : asset, credit balance
B : liability, credit balance
C : owners equity, credit balance
D : revenue, credit balance

Correct Answer : B

153 : The classification and normal balance of the drawing account are
A : expense, credit balance
B : expense, debit balance
C : liability, credit balance
D : owners equity, debit balance

Correct Answer : D

154 : Which of the following accounts are debited to record increases?
A : assets and liabilities
B : drawing and liabilities
C : expenses and liabilities
D : assets and expenses

Correct Answer : D

155 : In which of the following types of accounts are increases recorded by credits?
A : revenues and liabilities
B : drawing and assets
C : liabilities and drawing
D : expenses and liabilities

Correct Answer : A

156 : In which of the following types of accounts are decreases recorded by debits?
A : assets
B : liabilities
C : expenses
D : drawing

Correct Answer : B

157 : In which of the following types of accounts are decreases recorded by credits?
A : liabilities
B : owners equity
C : assets
D : revenues

Correct Answer : C

158 : A credit balance in which of the following accounts would likely indicate an error?
A : Fees Earned
B : Salary Expense
C : Janet James, Capital
D : Accounts Payable

Correct Answer : B

159 : A debit balance in which of the following accounts would likely indicate an error?
A : Salaries Expense
B : Notes Payable
C : Edgar Martin, Drawing
D : Supplies

Correct Answer : B

160 : Which of the following entries records the payment of an account payable?
A : debit Cash; credit Accounts Payable
B : debit Accounts Receivable; credit Cash
C : debit Cash; credit Supplies Expense
D : debit Accounts Payable; credit Cash

Correct Answer : D

161 : Which of the following entries records the investment of cash by Taylor Thomas, owner of a proprietorship?

A : debit Taylor Thomas, Capital; credit Accounts Receivable
B : debit Cash; credit Taylor Thomas, Capital
C : debit Taylor Thomas, Drawing; credit Cash
D : debit Cash; credit Taylor Thomas, Drawing

Correct Answer : B

162 : Which of the following entries records the withdrawal of cash by Sally Anderson, owner of a proprietorship, for personal use?
A : debit Sally Anderson, Capital; credit Cash
B : debit Sally Anderson, Drawing; credit Cash
C : debit Salaries Expense; credit Cash
D : debit Salaries Expense; credit Salaries Payable

Correct Answer : B

163 : Office supplies were sold by Janer's Cleaning Service at cost to another repair shop, with cash received. Which of the following entries for Janer's Cleaning Service records this transaction?
A : Office Supplies, debit; Cash, credit
B : Office Supplies, debit; Accounts Payable, credit
C : Cash, debit; Office Supplies, credit
D : Accounts Payable, debit; Office Supplies, credit

Correct Answer : C

164 : Office supplies purchased by Janer's Cleaning Service on account were returned. Which of the following entries for Janer's Cleaning Service records this transaction?
A : Cash, debit; Office Supplies, credit
B : Office Supplies, debit; Accounts Receivable, credit
C : Accounts Payable, debit; Office Supplies, credit
D : Office Supplies, debit; Accounts Payable, credit

Correct Answer : C

165 : Cash was paid by Janer's Cleaning Service to creditors on account. Which of the following entries for Janer's Cleaning Service records this transaction?
A : Cash, debit; Debbi Janer, Capital, credit
B : Accounts Payable, debit; Cash, credit
C : Accounts Receivable, debit; Cash, credit
D : Accounts Payable, debit; Accounts Receivable, credit

Correct Answer : B

166 : The process of initially recording a business transaction is called
A : closing
B : posting
C : journalizing
D : balancing

Correct Answer : C

167 : Which of the following entries records the acquisition of office supplies on account?

A : Office Supplies, debit; Cash, credit
B : Cash, debit; Office Supplies, credit
C : Office Supplies, debit; Accounts Payable, credit
D : Accounts Receivable, debit; Office Supplies, credit

Correct Answer : C

168 : Which of the following abbreviations is correct?
A : Debit, “Dr”; Credit, “Cd”
B : Debit, “Db”; Credit, “Cr”
C : Debit, “Db”; Credit, “Cd”
D : Debit, “Dr”; Credit, “Cr”

Correct Answer : D

169 : Which of the following is not a correct rule of debits and credits?
A : Assets, expenses, and withdrawals are increased by debits.
B : Assets are decreased by credits and have a normal debit balance.
C : Liabilities, revenues, and owner’s equity are increased by credits.
D : The normal balance for revenues and expenses is a credit.

Correct Answer : D

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

Cash 2,250

B : Cash 2,250

Accounts Payable 6,250

Equipment 8,500

C : Equipment Expense 8,500

Accounts Payable 2,250

Cash 6,250

D : Equipment 8,500

Accounts Payable 6,250

Cash 2,250

Correct Answer : D

171 : A transaction can first be found in the accounting records in the
A : chart of accounts
B : income statement
C : balance sheet
D : journal

Correct Answer : D

172 : The process of recording a transaction in the journal is called
A : ledgerizing
B : journalizing
C : posting
D : summarizing

Correct Answer : B

173 : Joshua Scott invests $40,000 into his new business. How would this transaction be entered in the journal?
A : Cash 40,000

Joshua Scott, Capital 40,000

Invested cash in business.

B : Cash 40,000

Joshua Scott, Loan 40,000

Invested cash in business.

C : Joshua Scott, Capital 40,000

Cash 40,000

Invested cash in business.

D : Joshua Scott, Loan 40,000

Cash 40,000

Invested cash in business.

Correct Answer : A

174 : Joshua Scott invests $40,000 into his new business. How would this transaction be entered in the journal?
A : increase Capital and decrease Cash
B : increase Cash and decrease Capital
C : increase Cash and increase Capital
D : decrease Cash and decrease Capital

Correct Answer : C

175 : Joshua Scott invests $40,000 into his new business. How would this transaction be entered in the journal?
A : increase Cash and increase Land
B : increase Land and decrease Cash
C : decrease Cash and decrease Land
D : increase Cash and decrease Land

Correct Answer : B

176 : Joshua Scott invests $40,000 into his new business. How would this transaction be entered in the journal?
A : decrease Accounts Payable, increase Cash
B : increase Cash, decrease Accounts Payable
C : increase Accounts Payable, increase Cash
D : decrease Accounts Payable, decrease Cash

Correct Answer : D

177 : Which of the following accounts would be increased with a credit?
A : Land; Accounts Payable; Drawing
B : Accounts Payable; Unearned Revenue; Collins, Capital
C : Collins, Capital; Accounts Receivable; Unearned Revenue
D : Cash; Accounts Receivable; Collins, Capital

Correct Answer : B

178 : In accordance with the debit and credit rules, which of the following is true?
A : Debits increase assets.
B : Credits increase assets.
C : Debits increase both assets and capital.
D : Credits increase both assets and liabilities.

Correct Answer : A

179 : All of the following accounts are increased with a debit except
A : Unearned Revenue
B : Land
C : Accounts Receivable
D : Cash

Correct Answer : A

180 : Which of the following owner's equity accounts follows the same debit and credit rules as liabilities?
A : expense accounts only
B : drawing accounts only
C : revenue accounts only
D : expense and drawing accounts

Correct Answer : C

181 : The payment for the monthly rent will require which of the following entries?
A : debit Cash and debit Rent Expense
B : credit Cash and credit Rent Expense
C : debit Rent Expense and credit Cash
D : credit Rent Expense and debit Cash

Correct Answer : C

182 : Expenses follow the same debit and credit rules as
A : revenues
B : the drawing account
C : the capital account
D : liabilities

Correct Answer : B

183 : Which of the following transactions increases owner's equity?
A : Earn revenue
B : Withdraw money for personal use
C : Pay expenses
D : Receive cash from customers on account

Correct Answer : A

184 : Which of the following transactions increases owner's equity?
A : Purchase supplies on account
B : Provide services on account
C : Receive cash from customers on account
D : Receive utility bill to be paid next month

Correct Answer : B

185 : Which of the following groups of accounts is increased with a debit?
A : assets, liabilities, owner's equity
B : assets, drawing, expenses
C : assets, revenues, expenses
D : assets, liabilities, revenues

Correct Answer : B

186 : Which of the following groups of accounts is increased with a credit?
A : capital, revenues, expenses
B : assets, capital, revenues
C : liabilities, capital, revenues
D : None of these choices.

Correct Answer : C

187 : Which of the following is true regarding normal balances of accounts?
A : All accounts have a normal debit balance.
B : The normal balance of all accounts will have either a positive or negative balance.
C : Accounts that have a normal debit balance will only have debit entries, never credit entries.
D : The normal balance is on the increase side of the account.

Correct Answer : D

188 : Which of the following is not true with a double-entry accounting system?
A : The accounting equation remains in balance.
B : The sum of all debits is always equal to the sum of all credits in each journal entry.
C : Each business transaction will have two debits.
D : Every transaction affects at least two accounts.

Correct Answer : C

189 : Which of the following is not true with a double-entry accounting system?
A : Received cash for services performed.
B : Received cash for services to be performed in the future.
C : Paid cash in advance for services to be performed.
D : Performed services for which cash is owed.

Correct Answer : B

190 : Which of the following is not true with a double-entry accounting system?
A : Purchased equipment; paid cash of $5,000, with the remainder to be paid in the future.
B : Purchased equipment; paid cash of $10,000, with the remainder to be received in the future.
C : Purchased equipment with cash.
D : Purchased equipment on account.

Correct Answer : A

191 : A debit may signify a(n)
A : decrease in asset accounts
B : decrease in liability accounts
C : increase in the capital account
D : decrease in the drawing account

Correct Answer : B

192 : Which of the following entries records the payment of an insurance premium covering the next year?
A : debit Prepaid Insurance; credit Cash
B : debit Insurance Payable; credit Accounts Receivable
C : debit Accounts Payable; credit Cash
D : debit Cash; credit Prepaid Insurance

Correct Answer : A

193 : Which of the following entries records the payment of insurance for the current month?
A : Cash, debit; Insurance Expense, credit
B : Insurance Expense, debit; Cash, credit
C : Insurance Expense, debit; Accounts Receivable, credit
D : Prepaid Insurance, debit; Cash, credit

Correct Answer : B

194 : Which of the following entries records the receipt of cash from clients on account?
A : Accounts Payable, debit; Fees Earned, credit
B : Accounts Receivable, debit; Fees Earned, credit
C : Accounts Receivable, debit; Cash, credit
D : Cash, debit; Accounts Receivable, credit

Correct Answer : D

195 : Which of the following entries records the collection of cash from cash customers?
A : Fees Earned, debit; Cash, credit

B : Fees Earned, debit; Accounts Receivable, credit
C : Cash, debit; Fees Earned, credit
D : Accounts Receivable, debit; Fees Earned, credit

Correct Answer : C

196 : Which of the following entries records the receipt of cash for two months' rent? The cash was received in advance of providing the service.
A : Prepaid Rent, debit; Rent Revenue, credit
B : Cash, debit; Unearned Rent, credit
C : Cash, debit; Prepaid Rent, credit
D : Cash, debit; Rent Expense credit

Correct Answer : B

197 : A client has a massage and asks the company bookkeeper to mail her the bill. The bookkeeper should make which entry to record the invoice?
A : no entry until the cash is received
B : Fees Earned, debit; Accounts Receivable, credit
C : Cash, debit; Fees Earned, credit
D : Accounts Receivable, debit; Fees Earned, credit

Correct Answer : D

198 : The process of transferring the debits and credits from the journal entries to the accounts is called
A : sliding
B : transposing
C : journalizing
D : posting

Correct Answer : D

199 : The posting process will include the transfer of which of the following data from the journal to the ledger?
A : date, amount (debit or credit)
B : date, amount (debit or credit), journal page number
C : amount (debit or credit), account number
D : date, amount (debit or credit) account number

Correct Answer : B

200 : The Posting Reference columns are used to trace transactions from the ledger to the journal. What will be entered in the Posting Reference column of (1) the journal and (2) the ledger?
A : (1) the amount of the debit or credit and (2) the journal page number
B : (1) the journal page number and (2) the date of the transaction
C : (1) the journal page number and (2) the account number
D : (1) the account number and (2) the journal page number

Correct Answer : D

201 : The Posting Reference columns are used to trace transactions from the ledger to the

journal. What will be entered in the Posting Reference column of (1) the journal and (2) the ledger?
A : 11
B : 15
C : 3
D : 13

Correct Answer : C

202 : The Posting Reference columns are used to trace transactions from the ledger to the journal. What will be entered in the Posting Reference column of (1) the journal and (2) the ledger?
A : 11
B : 15
C : 3
D : 13

Correct Answer : C

203 : The Posting Reference columns are used to trace transactions from the ledger to the journal. What will be entered in the Posting Reference column of (1) the journal and (2) the ledger?
A : 15, 11
B : 15, 3
C : 11, 3
D : 3, 15

Correct Answer : A

204 : The Posting Reference columns are used to trace transactions from the ledger to the journal. What will be entered in the Posting Reference column of (1) the journal and (2) the ledger?
A : 41, 3
B : 3, 11
C : 11, 41
D : 11, 3

Correct Answer : C

205 : The Posting Reference columns are used to trace transactions from the ledger to the journal. What will be entered in the Posting Reference column of (1) the journal and (2) the ledger?
A : 5
B : 11
C : 54
D : 21

Correct Answer : A

206 : Proof that the dollar amount of the debits equals the dollar amount of the credits in the ledger means
A : all of the information from the journal was correctly transferred to the ledger
B : all accounts have their correct balances in the ledger

C : only the journal is accurate; the ledger may be incorrect
D : only that the debit dollar amounts equal the credit dollar amounts

Correct Answer : D

207 : That the total dollar amount of the debits equals the total dollar amount of the credits in the ledger accounts can be verified through a(n)
A : chart of accounts
B : trial balance
C : income statement
D : balance sheet

Correct Answer : B

208 : That the total dollar amount of the debits equals the total dollar amount of the credits in the ledger accounts can be verified through a(n)
A : (3), (2), (4), (1)
B : (2), (3), (4), (1)
C : (3), (2), (1), (4)
D : (4), (3), (2), (1)

Correct Answer : A

209 : A trial balance is prepared to
A : prove that there were no errors made in recording transactions into the journal
B : prove that no errors were made in posting to the ledger
C : prove that each account balance is correct
D : discover errors that affect the equality of debits and credits

Correct Answer : D

210 : A trial balance is prepared to
A : $13,900
B : $11,200
C : $12,700
D : $9,700

Correct Answer : A

211 : Which of the following is an internal report that will determine if debit balances equal credit balances in the ledger?
A : chart of accounts
B : income statement
C : trial balance
D : account reconciliation

Correct Answer : C

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

C : Wages Expense, debit; Cash, credit
D : Cash, debit; Wages Payable, credit

Correct Answer : A

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

Correct Answer : C

214 : When a transposition error is made on the trial balance, the difference between the debit and credit totals on the trial balance will be
A : zero
B : twice the amount of the transposition
C : one-half the amount of the transposition
D : divisible by 9

Correct Answer : D

215 : Which of the following errors would cause the trial balance totals to be unequal?
A : A transaction was not posted.
B : A payment of $67 for insurance was posted as a debit of $76 to Prepaid Insurance and a credit of $76 to Cash.
C : A payment of $4,450 to a creditor was posted as a debit of $4,500 to Accounts Payable and a credit of $450 to Cash.
D : Cash received from customers on account was posted as a debit of $720 to Cash and a credit of $720 to Accounts Payable.

Correct Answer : C

216 : Which of the following errors will cause the trial balance totals to be unequal?
A : posting the debit portion of a journal entry incorrectly when the credit portion of the entry is correctly posted
B : failure to record a transaction or to post a transaction
C : recording the same transaction more than once
D : recording the same erroneous amount for both the debit and the credit parts of a transaction

Correct Answer : A

217 : The trial balance is out of balance and the accountant suspects that a transposition or slide error has occurred. What will the accountant do to confirm this suspicion?
A : Determine the amount of the error and look for that amount on the trial balance.
B : Determine the amount of the error and divide by 2, then look for that amount on the trial balance.
C : Determine the amount of the error and refer to the journal entries for that amount.
D : Determine the amount of the error and divide by 9. If the result is evenly divided, then this type of error is likely.

Correct Answer : D

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

B : credit to Accounts Receivable for $1,000
C : credit to Accounts Payable for $500
D : credit to Accounts Payable for $1,000

Correct Answer : C

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

Correct Answer : B

220 : Which of the following statements regarding a horizontal analysis is false?
A : A horizontal analysis is used to compare an item in a current statement with the same item in prior statements.
B : A horizontal analysis can be performed on a balance sheet and income statement, but not on a statement of cash flows.
C : If Fees Earned in Year 1 is $125,000 and Fees Earned in Year 2 is $143,750, a horizontal analysis will indicate a 15% increase over this period.
D : When two statements are compared in horizontal analysis, the earlier statement is used as the base for computing the amount and the percent of change.

Correct Answer : B

221 : Which of the following statements regarding a horizontal analysis is false?
A : $32,500, 19.6%
B : $18,000, 10.9%
C : $35,000, 17.7%
D : $17,000, 9.4%

Correct Answer : A

222 : Which of the following statements regarding a horizontal analysis is false?
A : $(17,000), (11.3%)
B : $(15,500), (10.3%)
C : $(18,000), (10.9%)
D : $(15,500), (9.4%)

Correct Answer : D

MATCHING

223 : Match each of the following accounts with its proper account group.?

A : Unearned Rent	A : Assets
B : Prepaid Insurance	B : Liabilities
C : Fees Earned	C : Owner's Equity
D : Patents	D : Revenue
E : Chris Clark, Drawing	E : Expenses

Correct Answer :

A : B

B : A

C : D

D : A

E : C

224 : Match each of the following accounts to the side of the T account on which its normal balance would appear.

A : John Smith, Capital
B : Accounts Receivable
C : Accounts Payable
D : Fees Earned
E : Copyrights
F : Utilities Expense
G : Notes Payable
H : Unearned Revenues
I : John Smith, Drawing

A : Debit side
B : Credit side

Correct Answer :
A : B

B : A

C : B

D : B

E : A

F : A

G : B

H : B

I : A

225 : Match each of the following transactions to its effect on the accounting equation. A letter may be used more than once, and not all letters will be used.

A : Paid $725 to a vendor for supplies purchased previously on account.
B : Performed $850 of services and billed the customer.
C : Paid utility bill of $395.
D : Withdrew $145 of supplies for personal use.
E : Paid $315 in salaries.
F : Collected $730 from customers on account.

A : Assets, Dr.; Assets, Cr.
B : Assets, Dr.; Owner's Equity (Investment), Cr.
C : Assets, Dr.; Liabilities, Cr.
D : Assets, Dr.; Owner’s Equity (Revenue), Cr.
E : Liabilities, Dr.; Assets, Cr.
F : Owner’s Equity (Drawing), Dr.; Assets, Cr.

G : Owner’s Equity (Expense), Dr.; Assets, Cr.
H : Owner’s Equity (Expense), Dr.; Liabilities, Cr.

Correct Answer :
A : E

B : D

C : G

D : F

E : G

F : A

226 : Several types of errors can be made during the journalizing and posting process. Match each of the following errors with an error type.

A : Balance incorrectly computed
B : Debit or credit posting omitted
C : Wrong amount posted to an account
D : Column incorrectly added
E : Balance entered on wrong side of account
F : Amount incorrectly entered on trial balance
G : Balance entered in wrong column or omitted
H : Debit posted as credit, or vice versa

A : Trial balance preparation errors
B : Account balance errors
C : Posting errors

Correct Answer :
A : B

B : C

C : C

D : A

E : B

F : A

G : A

H : C