

Test Bank for Accounting Volume 1 Canadian Edition 9th Edition by Horngren Harrison Oliver Norwood and Meissner

Chapter 2 Recording Business Transactions

Objective 2-1

1) The basic summary device of accounting is the account. Answer: TRUE

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

2) Notes receivable is a liability account.

Answer: FALSE

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

3) A chart of accounts is a list of all of a company's accounts with their account numbers. Answer: TRUE

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

4) A chart of accounts is organized in order of the accounting equation, with assets first, followed by liabilities and owner's equity.

Answer: TRUE

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

5) The ledger is the first book of entry for a business transaction. Answer: FALSE

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

6) An account receivable for the selling company is an account payable for the purchasing company. Answer: TRUE

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-1 Define and use key accounting terms

7) The basic summary device of accounting is the: A) ledger.

B) account.

C) debit.

D) credit.

Answer:

B Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

8) Accounts are grouped in a book called the:

A) trial balance.

B) chart of accounts.

C) journal.

D) ledger.

Answer: D

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

9) All of the following are assets

except: A) cash.

B) accounts receivable. C) land.

D) accounts

payable. Answer:

D Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

10) An organization's list of all its accounts and the related account numbers is called

a: A) balance sheet.

B) chart of accounts. C) ledger.

D) trial balance.

Answer: B Diff:

1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

11) A chart of accounts

is: A) a source document.

B) another name for a trial balance.

C) a list of all of the accounts of an organization and their related account numbers. D) prepared as the last step in analyzing transactions.

Answer: C

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

12) Which of the following is a revenue

account? A) accounts receivable

B) accumulated amortization

C) unearned revenue

D) sales

Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-1 Define and use key accounting terms

13) Which of the following most completely describes businesses that use a chart of accounts? A) service but not merchandising or manufacturing businesses

B) merchandising but not service or manufacturing businesses C) manufacturing but not service or merchandising businesses

D) Service, merchandising, and manufacturing businesses all use a chart of accounts. Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

14) The year end balance in the capital account is determined by:

A) the change in cash from the beginning to the end of the year.

B) the beginning capital balance, investments, net income or loss, and withdrawals. C) only investments and withdrawals.

D) the change in total assets from the beginning to the end of the year.

Answer: B

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-1 Define and use key accounting terms

Match the following.

- A) account
- B) ledger
- C) journal
- D) chart of accounts

15) The basic summary device of accounting Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

16) The book of accounts

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

17) The chronological record of an entity's transactions Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

18) A list of all an entity's accounts and their account numbers

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

Answers: 15) A 16) B 17) C 18) D

For the items listed below, choose the appropriate code letter to indicate whether the item is an asset, liability, owner's equity, revenue, expense or withdrawal item:

Asset	A
Liability	L
Owner's Equity	OE
Revenue	R
Expense	E
Withdrawal	W

19) Accounts
receivable Diff: 1

Learning Outcome:
Skill: Knowledge

A-03 Analyze and record transactions and their effects on the financial
statements Objective: 2-1 Define and use key accounting terms

20) Service
revenue Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements
Skill: Knowledge
Objective: 2-1 Define and use key accounting terms

21) Salary
expense Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements
Skill: Knowledge
Objective: 2-1 Define and use key accounting terms

22) Accounts payable
Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements
Skill: Knowledge
Objective: 2-1 Define and use key accounting terms

23) Office
supplies Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements
Skill: Knowledge
Objective: 2-1 Define and use key accounting terms

24) Cash
Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements
Skill: Knowledge
Objective: 2-1 Define and use key accounting terms

25) Note payable

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

26) Tim Brown, Capital

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

27) Building

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

28) Tim Brown, withdrawals

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

29) Land

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

30) Truck

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

31) Rent

expense Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

32) Furniture

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

33) Equipment

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

34) Supplies expense

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-1 Define and use key accounting terms

Answers: 19) A 20) R 21) E 22) L 23) A 24) A 25) L 26) OE 27) A 28) W 29) A 30) A 31) E 32) A
33) A 34) E

Objective 2-2

1) A transaction always involves exactly two accounts. Answer: FALSE

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

2) The right-hand side of an account is called the increase side.

Answer: FALSE

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

3) Assets, revenues, and withdrawals are all increased by debits. Answer: FALSE

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

4) Total debits must always equal total credits.

Answer: TRUE

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

5) The right side of the account is the correct side. Answer: FALSE

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

6) The normal balance of account Accounts Payable is a debit.

Answer: FALSE

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

7) The purchase of equipment by issuing a note payable would involve a debit to note payable. Answer: FALSE

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

8) The purchase of a building with a down payment of cash and the signing of a note payable for the remainder would include a debit to building and a credit to note payable and to cash.

Answer: TRUE

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

9) The normal balance of a revenue account is a credit.

Answer: TRUE

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

10) Double-entry accounting means entering business transactions twice to avoid possible errors. Answer: FALSE

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

11) Credit is a term representing: A) the right side of an account. B) an increase. C) a decrease.

D) the left side of an account.

Answer: A Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

12) Which of the following groups of accounts have normal debit balances? A) assets, revenues, and owner withdrawals

B) assets, expenses, and owner withdrawals

C) assets, liabilities, and capital

D) assets, revenues, and expenses

Answer: B

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

13) The normal balance of an expense is a _____ while the normal balance of an asset is a _____.

A) debit, credit

B) debit, debit

C) credit, credit

D) credit, debit

Answer: B Diff:

2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

14) The normal balance of a liability is a _____ while the normal balance of revenue is a _____.

A) credit, debit

B) debit, debit

C) debit, credit

D) credit, credit

Answer: D Diff:

2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

15) Incurring an expense in the current accounting period, which is paid in the current accounting period, will require:

- A) a debit to an expense and a credit to a liability.
- B) a debit to a liability and a credit to an expense.
- C) a debit to an expense and a credit to cash.
- D) a debit to an expense and a credit to capital.

Answer: C

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

16) Incurring an expense in the current accounting period, which will be paid in the following accounting period, will require:

- A) a debit to an expense and a credit to a liability.
- B) a debit to a liability and a credit to an expense.
- C) a debit to an expense and a credit to cash.
- D) a debit to an expense and a credit to capital.

Answer: A

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

17) The withdrawal of cash by the owner for personal use would include

- a: A) debit to the owner's capital account.
- B) credit to the owner's withdrawals account.
- C) credit to the owner's capital account.
- D) debit to the owner's withdrawals account.

Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

18) An owner investment of cash into the business would include

- a: A) debit to capital.
- B) credit to withdrawals.
- C) debit to withdrawals.
- D) credit to capital.

Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

19) Purchasing a truck by signing a note payable would include a: A) credit to truck.

B) debit to note payable.

C) credit to note payable.

D) debit to truck expense. Answer: C

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

20) Performing a service on account would include a:

A) debit to accounts payable.

B) credit to accounts payable.

C) credit to the cash.

D) credit to service revenue. Answer:

D Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

21) The normal balance of cash is a _____ because it is a(n) _____ account.

A) debit, expense

B) credit, asset

C) debit, asset

D) credit, revenue

Answer: C Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

22) The normal balance of notes payable is a _____ because it is a(n) _____ account.

A) debit, expense

B) credit, revenue

C) debit, asset

D) credit, liability

Answer: D Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

23) The normal balance of wages payable is a _____ because it is a(n) _____ account.

- A) credit, liability
- B) credit, revenue
- C) credit, owner's equity
- D) credit, asset

Answer: A

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

24) The normal balance of land is a _____ because it is a(n) _____ account.

- A) debit, expense
- B) credit, asset
- C) debit, asset

D) credit, revenue

Answer: C Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

25) The purchase of equipment for cash would:

- A) increase total assets.
- B) increase total assets and decrease liabilities.
- C) decrease both liabilities and owner's equity.
- D) have no effect on total assets.

Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

26) An owner investment of a building, valued at \$200,000, along with a \$55,000 outstanding mortgage, into an entity would:

- A) increase owner's equity \$145,000.
- B) increase total assets \$55,000.
- C) decrease liabilities \$145,000.

D) increase owner's equity \$200,000.

Answer: A

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-2 Apply the rules of debit and credit

27) Performing services on account would:

A) increase net income, decrease total assets, and decrease owner's equity.

B) increase net income, increase owner's equity, and increase total assets.

C) increase total assets and liabilities.

D) decrease total assets, increase net income, and increase owner's equity. Answer: B

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

28) The payment of the owner's personal expenses from the business's chequebook should be recorded with a debit to:

A) withdrawals.

B) accounts payable. C) cash.

D) capital.

Answer: A

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

29) The account debited when supplies are purchased on account is: A) accounts payable.

B) cash.

C) capital.

D) supplies.

Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

30) The account credited when cash is received from a customer on account is: A) cash.

B) accounts payable.

C) accounts receivable. D) service revenue.

Answer: C Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

31) The owner withdrawing cash for personal use would: A) have no effect on assets.

B) decrease owner's equity.

C) decrease net income.

D) increase

assets. Answer: B

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

32) An advertising bill received in the current period that will be paid the following period would:

A) decrease liabilities.

B) have no effect on liabilities.

C) increase net income.

D) decrease owner's equity.

Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

33) The account debited when payment is made for equipment purchased previously on account is: A) accounts payable.

B) cash.

C) accounts

receivable. D)

equipment. Answer: A

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

34) The purchase of a building by signing a note payable would:

A) increase owner's equity.

B) decrease total liabilities.

C) have no effect on owner's

equity. D) decrease total assets.

Answer: C

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

35) The purchase of a building by signing a note payable would: A) increase owner's equity.

B) increase total liabilities.

C) decrease owner's

equity. D) decrease

total assets. Answer: B

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

36) The investment of cash into the business by the owner would: A) increase net income.

B) decrease owner's equity.

C) have no effect on

liabilities. D) decrease assets.

Answer: C

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

37) The payment of an amount owed to a supplier would: A) have no effect on total assets or liabilities.

B) increase owner's equity and liabilities.

C) decrease net income and increase

assets. D) decrease assets and

liabilities. Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

38) The payment of salaries to employees for wages of the current period would: A) increase owner's equity and decrease liabilities.

B) increase net income and decrease assets.

C) decrease assets and owner's equity.

D) increase assets and decrease owner's

equity. Answer: C

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

39) Performing a service for cash would:

- A) affect the accounting equation the same as if the service was performed on account.
- B) increase assets more than if the service had been performed on account.
- C) increase net income less than if the service had been performed on account.
- D) decrease expenses more than if the service had been performed on account.

Answer: A

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

40) Performing a service on account would:

- A) affect the accounting equation the same as if the service was performed for cash.
- B) increase assets more than if the service had been performed for cash.
- C) increase net income less than if the service had been performed for cash.
- D) decrease expenses more than if the service had been performed for cash.

Answer: A

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

41) Performing a service and immediately collecting the cash would:

- A) increase net income less than if the service had been performed on account.
- B) increase assets more than if the service had been performed on account.
- C) increase owner's equity less than if the service had been performed on account.
- D) have no effect on liabilities.

Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

42) The journal entry to record the payment of a telephone bill immediately upon receipt of the bill would:

- A) have no effect on owner's equity. B) decrease liabilities.
- C) decrease owner's equity.
- D) increase owner's equity.

Answer: C

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

43) Making a payment on account of a liability would: A) decrease assets and increase liabilities.

B) increase liabilities and decrease owner's equity. C) decrease assets and decrease liabilities.

D) decrease assets and increase net income. Answer: C

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

44) Receiving a payment from a customer on account would: A) increase both assets and owner's equity.

B) increase net income and decrease liabilities.

C) have no effect on total assets or owner's equity.

D) decrease liabilities and increase owner's equity. Answer: C

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

45) An owner investment of equipment into the business would: A) increase net income.

B) have no effect on total assets.

C) have no effect on owner's equity. D) have no effect on liabilities. Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

46) An owner withdrawal of \$20,000 cash would:

A) decrease owner's equity and increase assets by \$20,000.

B) increase owner's equity and decrease liabilities by \$20,000.

C) increase liabilities and assets by \$20,000.

D) decrease assets and owner's equity by \$20,000.

Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-2 Apply the rules of debit and credit

47) In the double-entry accounting system each transaction:
A) involves exactly two accounts.
B) involves at least two accounts.
C) involves an asset account and a liability account.
D) involves a liability account and an equity account. Answer: B

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

48) Owner equity accounts include:
A) assets, liabilities and capital.
B) assets, revenues and expenses.
C) only the capital and withdrawal accounts.
D) the revenue, expense, capital and withdrawal accounts. Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

49) Which of the following is correct?
A) liabilities = assets - owner's equity
B) owner's equity = assets + liabilities
C) assets = liabilities - owner's equity
D) assets = owner's equity - liabilities

Answer: A

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

Match the following.

- A) debit
- B) normal balance
- C) credit

50) The left-hand side of an account Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

51) The right-hand side of an account

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

52) The side of the account where increases are recorded Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-2 Apply the rules of debit and credit

Answers: 50) A 51) C 52) B

53) State whether the account should be debited or credited and the normal balance of the account for the items listed below:

Account	Recorded as a debit or credit	Normal balance of the account
a) Increase in Accounts payable		
b) Increase in Salary expense		
c) Increase in Withdrawals		
d) Decrease in Capital		
e) Decrease in Supplies		
f) Increase in Accounts receivable		
g) Decrease in Note payable		
h) Decrease in Note receivable		
i) Increase in Utilities expense		
j) Decrease in Land		

Answer:

Account	Recorded as a debit or credit	Normal balance of the account
a) Increase in Accounts payable	Credit	Credit
b) Increase in Salary expense	Debit	Debit
c) Increase in Withdrawals	Debit	Debit
d) Decrease in Capital	Debit	Credit
e) Decrease in Supplies	Credit	Debit
f) Increase in Accounts receivable	Debit	Debit
g) Decrease in Note payable	Debit	Credit
h) Decrease in Note receivable	Credit	Debit
i) Increase in Utilities expense	Debit	Debit
j) Decrease in Land	Credit	Debit

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

54) State whether the account should be debited or credited and the normal balance of the account for the items listed below:

Account	Recorded as a debit or credit	Normal balance of the account
a) Decrease in Accounts payable		
b) crease in Salary expense		
c) Decrease in Withdrawals		
d) Increase in Capital		
e) Increase in Supplies		
f) Decrease in Accounts receivable		
g) Increase in Note payable		
h) Increase in Note receivable		
i) Decrease in Rent expense		
j) Increase in Land		

Answer:

Account	Recorded as a debit or credit	Normal balance of the account
a) Decrease in Accounts payable	Debit	Credit
b) Decrease in Salary expense	Credit	Debit
c) Increase in Withdrawals	Debit	Debit
d) Increase in Capital	Credit	Credit
e) Increase in Supplies	Debit	Debit
f) Decrease in Accounts receivable	Credit	Debit
g) Increase in Note payable	Credit	Credit
h) Increase in Note receivable	Debit	Debit
i) Decrease in Rent expense	Credit	Debit
j) Increase in Land	Debit	Debit

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

55) Explain the rules for debits and credits. Use the accounting equation as a basis for your explanation and indicate the specific rules for debits and credits as they apply to the various accounts. Your answer should include the rules for all types of accounts affecting owner's equity.

Answer:

<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Owner's Equity</u>	
Dr Cr		Dr Cr		Dr Cr	
+ -		- +		- +	
				<u>Capital</u>	
				Dr Cr	
				- +	
				<u>Revenues</u>	
				Dr Cr	
				- +	
				<u>Expenses</u>	
				Dr Cr	
				+ -	
				<u>Withdrawals</u>	
				Dr Cr	
				+ -	

Debits are on the left-hand side and credits are on the right-hand side. Depending upon which side of the equation you are on, debits will either increase or decrease an accounting equation item. Owner's equity has four specific accounts that have an effect on the owner's investment in the firm. Revenues and capital (investments by the owner) increase with credits while expenses and withdrawals increase with debits. Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

56) Describe owner's equity in relation to the assets of the business.

Answer: Owner's equity represents a residual interest in the assets of the business available to the owners.

The accounting equation can be presented showing owner's equity as being the net assets:

Owner's equity = Assets - Liabilities

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-2 Apply the rules of debit and credit

Objective 2-3

1) The purchase of office equipment for cash would increase assets and decrease liabilities. Answer: FALSE

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-3 Analyze and record transactions in the journal

2) A payment to a creditor would increase assets and decrease liabilities.

Answer: FALSE

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-3 Analyze and record transactions in the journal

3) A journal is a chronological record of transactions. Answer: TRUE

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-3 Analyze and record transactions in the journal

4) The first step in the journalizing process is to identify the transaction and its data.

Answer: TRUE

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-3 Analyze and record transactions in the journal

5) A journal is like a diary; it shows a chronological listing of a business's activities. Answer: TRUE

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-3 Analyze and record transactions in the journal

6) Recording the transaction in the journal is the first step in the journalizing process.

Answer: FALSE

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-3 Analyze and record transactions in the journal

7) Transactions are first recorded in
a(n): A) trial balance.

- B) journal.
- C) account.
- D) ledger.

Answer:

B Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-3 Analyze and record transactions in the journal

8) A chronological record of an entity's transactions is called
a(n): A) journal.

- B) ledger.
- C) trial balance.

D) account.

Answer: A

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-3 Analyze and record transactions in the journal

9) The last step in the journalizing process
is to: A) enter the transaction to the journal.
B) post the transaction to the ledger.

C) determine the accounts involved in the
transaction. D) identify the transaction and its
data. Answer: A

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-3 Analyze and record transactions in the journal

10) All of the following are included in the journal entry for a transaction
except: A) the name of the person making the entry.

B) the titles of the accounts to be debited and
credited. C) the date of the transaction.

D) the dollar amounts of the debit
and credit. Answer: A

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-3 Analyze and record transactions in the journal

11) A business purchases equipment for cash of \$100,000. This transaction will cause: A) cash to be credited for \$100,000.

B) equipment to be credited for \$100,000.

C) capital to be credited for \$100,000.

D) capital to be debited for

\$100,000. Answer: A

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

12) A business acquires equipment costing \$10,000 by making a \$2,000 down payment and issuing a note for the balance. This transaction will cause:

A) equipment to be debited for \$10,000.

B) notes payable to be debited for

\$8,000. C) cash to be credited for \$8,000.

D) equipment to be credited for

\$8,000. Answer: A

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

13) A payment of \$400 to a creditor, on account, will cause: A) cash to be debited for \$400.

B) accounts receivable to be credited for \$400.

C) accounts payable to be debited for \$400.

D) accounts payable to be credited for

\$400. Answer: C

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

14) Providing services for \$2,000 where cash is immediately received, will cause: A) service revenue to be debited for \$2,000.

B) service revenue to be credited for

\$2,000. C) cash to be credited for \$2,000.

D) accounts receivable to be credited for

\$2,000. Answer: B

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

15) An owner investment of land valued at \$20,000 and a building valued at \$55,000 into the business would include a:

A) debit to the land and building account for \$75,000. B) debit to the land account for \$75,000.

C) debit to the capital account for \$75,000.

D) debit to the building account for \$55,000. Answer: D

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

16) An owner investment of land valued at \$20,000 and a building valued at \$55,000 into the business would include a:

A) debit to the land account for \$55,000 and building account for \$20,000. B) debit to the land account for \$75,000.

C) debit to the land account for \$20,000 and building account for \$55,000. D) debit to the building account for \$75,000.

Answer: C

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

17) Purchasing supplies on account would include a:

A) debit to supplies and a credit to note payable.

B) debit to supplies and a credit to cash.

C) debit to supplies and a debit to accounts payable.

D) debit to supplies and a credit to accounts payable. Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

18) Purchasing supplies and office equipment for cash would include a: A) debit to supplies; credit to office equipment and cash.

B) debit to supplies and office equipment; credit to cash.

C) debit to office equipment; credit to supplies and cash.

D) debit to cash; credit to office equipment and supplies.

Answer: B

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

19) Which of the following records the payment of the current month's rent bill for a business? A) debit to cash and a credit to rent expense

B) debit to rent expense and a credit to cash

C) debit to rent expense and a credit to accounts

payable D) debit to accounts payable and a credit

to cash Answer: B

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

20) Receiving cash on account of \$1,200 from a customer would include

a: A) debit to accounts receivable and a credit to service revenue for

\$1,200. B) debit to cash and a credit to accounts receivable for \$800.

C) debit to accounts payable and a credit to cash for \$1,200.

D) debit to cash and a credit to accounts receivable for \$1,200.

Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

21) Making a \$350 payment on an account with a current balance of \$800 would include

a: A) debit to accounts receivable and a credit to cash for \$350.

B) debit to accounts payable and a credit to cash for \$450. C)

debit to accounts payable and a credit to cash for \$350.

D) debit to accounts receivable and a credit to capital

for \$350. Answer: C

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

22) Receiving a \$350 payment on an account with a current balance of \$800 would include

a: A) debit to cash and a credit to accounts payable for \$350.

B) debit to cash and a credit to accounts receivable for \$350. C)

credit to cash and a credit to accounts receivable for \$350.

D) debit to accounts receivable and a credit to cash

for \$350. Answer: B

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

23) Which of the following entries records the billing of service revenue performed on account for \$5,400? A) debit to service revenue and a credit to accounts receivable for \$5,400

B) debit to accounts payable and a credit to service revenue for \$5,400

C) debit to accounts receivable and a credit to the owner's capital for

\$5,400 D) debit to accounts receivable and a credit to service revenue for

\$5,400 Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

24) Which of the following entries records the billing of service revenue performed for cash for \$5,400? A) debit to service revenue and a credit to cash for \$5,400

B) debit to accounts payable and a credit to cash for \$5,400

C) debit to cash and a credit to the owner's capital for

\$5,400 D) debit to cash and a credit to service revenue

for \$5,400 Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

25) Performing a service for \$500 cash and \$700 on account would include

a: A) debit to cash for \$1,200.

B) debit to service revenue for \$1,200.

C) credit to service revenue for \$500.

D) debit to accounts receivable

for \$700. Answer: D

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

26) Performing a service for \$500 cash and \$700 on account would include

a: A) debit to cash for \$700.

B) debit to service revenue for \$700. C)

credit to service revenue for \$1,200. D)

credit to accounts receivable for \$700.

Answer: C

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

27) A \$500 rent bill received for the current period that will be paid in the following period would include a:

- A) debit to accounts payable for \$500.
- B) credit to rent expense for \$500.
- C) debit to rent expense for \$500.
- D) credit to cash for \$500.

Answer: C

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

28) The entry to record the purchase of supplies for \$200 cash would be:

A)

Supplies	200	
Accounts Payable		200

B)

Cash	200	
Supplies		200

C)

Cash	200	
Supplies Expense		200

D)

Supplies	200	
Cash		200

Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

29) The entry to record an owner investment of \$400 cash into the business would be:

A)

Withdrawals	400	
Capital		400

B)

Cash	400	
Accounts Receivable		400

C)

Cash	400	
Capital		400

D)

Capital	400	
Cash		400

Answer: C

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

30) The entry to record the return of \$300 of supplies purchased on account would be:

A)

Cash	300	
Supplies		300

B)

Supplies	300	
Accounts Payable		300

C)

Accounts Payable	300	
Supplies		300

D)

Accounts Payable	300	
Capital		300

Answer: C

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-3 Analyze and record transactions in the journal

31) The entry to record the receipt of \$650 on account for services previously rendered and billed would be:

A)

Accounts Receivable	650	
Service Revenue		650

B)

Service Revenue	650	
Accounts Receivable		650

C)

Cash	650	
Accounts Receivable		650

D)

Cash	650	
Accounts Payable		650

Answer: C

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

32) Which of the following journal entries most accurately records an owner investing building and land into a business valued at \$250,000 and \$400,000 respectively?

A)

Building and land	650,000	
Capital		650,000

B)

Building and land	650,000	
Cash		650,000

C)

Building	250,000	
Land	400,000	
Cash		650,000

D)

Building	250,000	
Land	400,000	
Capital		650,000

Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

33) The proper journal entry to record a proprietor taking \$500 cash from the business for personal use is:

A)

Cash	500	
Withdrawals		500

B)

Withdrawals	500	
Cash		500

C)

Salary expense	500	
Cash		500

D)

Loans payable	500	
Cash		500

Answer: B

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

34) A business making a monthly mortgage payment that included \$1,200 principal and \$300 interest should be recorded as:

A)

Mortgage payable	1,200	
Interest payable	300	
Cash		1,500

B)

Mortgage payable	1,500	
Cash		1,500

C)

Cash	1,500	
Mortgage payable		1,500

D)

Mortgage payable	1,200	
Interest expense	300	
Cash		1,500

Answer: D

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

35) A customer with an overdue account of \$450 pays \$150 and provides a promissory note for the balance. Which of the following is the most appropriate journal entry to record this transaction? A)

Cash	150	
Bad debts expense	300	
Accounts receivable		450

B)

Cash	150	
Notes receivable	300	
Accounts receivable		450

C)

Accounts receivable	450	
Cash		450

D)

Cash	150	
Accounts receivable		150

Answer: B

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

36) Which of the following journal entries correctly records paying for a \$900 one year insurance policy in advance?

A)

Insurance expense	900	
Prepaid insurance		900

B)

Prepaid insurance	900	
Insurance payable		900

C)

Insurance expense	900	
Cash		900

D)

Prepaid insurance	900	
Cash		900

Answer: D

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

37) Sam Snead the owner of Snead's Fine Golf Wear used \$1,800 of his personal funds to go on vacation. Which of the following is the most appropriate treatment regarding this transaction? A)

Withdrawals	1,800	
Cash		1,800

B)

Travel expense	1,800	
Cash		1,800

C) record a memorandum in the general journal

D) do not record the transaction in the general journal

Answer: D

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-3 Analyze and record transactions in the journal

38) Which of the following journal entries would be recorded if a business makes a cash payment to a supplier of \$600 "on account" (the business had purchased supplies on account in the previous month)? A)

Cash	600	
Accounts payable		600

B)

Accounts payable	600	
Cash		600

C)

Cash	600	
Supplies		600

D)

Accounts payable	600	
Supplies		600

Answer: B

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

Match the following.

A) journalizing

39) The process of entering transactions into the journal

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-3 Analyze and record transactions in the journal

Answers: 39) A

Matching Source Documents

- A) bank reconciliation
- B) purchase order
- C) bank cheque
- D) packing slip
- E) deposit slip
- F) cash receipt
- G) sales invoice

40) a company places an order with a vendor to purchase inventory Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-3 Analyze and record transactions in the journal

41) an order of materials is received from a vendor via a delivery truck

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-3 Analyze and record transactions in the journal

42) the company accountant deposits the cash and cheques received at the bank Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-3 Analyze and record transactions in the journal

43) paid a vendor on account

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-3 Analyze and record transactions in the journal

44) sold merchandise to a customer on account Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-3 Analyze and record transactions in the journal

45) paid employee for one week's wages

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-3 Analyze and record transactions in the journal

46) customer pays the company immediately for services performed Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-3 Analyze and record transactions in the journal

Answers: 40) B 41) D 42) E 43) C 44) G 45) C 46) F

47) State the account to be debited and the account to be credited for the following transactions. Choose from the following list of accounts: cash, accounts receivable, supplies, equipment, land, accounts payable, note payable, capital, withdrawals, service revenue, utilities expense, and salary expense.

- a) Purchased equipment for cash.
- b) Performed services for cash.
- c) Owner invests cash into the business.
- d) Purchased supplies for cash.
- e) Purchased equipment by issuing a note payable.
- f) Purchased supplies on account.
- g) Performed services on account.
- h) Received cash on account.
- i) Paid a creditor on account.
- j) Paid salary of employees for the current period.
- k) Owner invested land in the business.

Debit	Credit
a) _____	_____
b) _____	_____
c) _____	_____
d) _____	_____
e) _____	_____
f) _____	_____
g) _____	_____
h) _____	_____
i) _____	_____
j) _____	_____
k) _____	_____

Answer:

Debit	Credit
a) Equipment	Cash
b) Cash	Service revenue
c) Cash	Capital
d) Supplies	Cash
e) Equipment	Note payable
f) Supplies	Accounts payable
g) Accounts receivable	Service revenue
h) Cash	Accounts receivable
i) Accounts payable	Cash
j) Salary expense	Cash
k) Land	Capital

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

48) Prepare journal entries in good form for the following transactions.

- a) Francine Forestell opened a consulting firm by investing \$20,700 cash and office furniture valued at \$8,300.
- b) Paid monthly rent of \$1,000
- c) Purchased office supplies for cash, \$700.
- d) Paid \$1,200 employee salary.
- e) Billed a client \$4,000 for services rendered.
- f) Owner, Francine Forestell withdrew \$1,500 for personal living expenses.

Answer:

General Journal

Date	Accounts	Debit	Credit
a)	Office Furniture	8,300	
	Cash	20,700	
	Francine Forestell, Capital		29,000
b)	Rent Expense	1,000	
	Cash		1,000
c)	Office Supplies	700	
	Cash		700
d)	Wages Expense	1,200	
	Cash		1,200
e)	Accounts Receivable	4,000	
	Service Revenue		4,000
f)	Francine Forestell, Withdrawals	1,500	
	Cash		1,500

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

49) Prepare journal entries in good form for the following transactions.

- a) Owner, Mira Addington invested equipment valued at \$4,500 and cash of \$7,000 into the business.
- b) Purchased office supplies for cash, \$550.
- c) Paid \$700 for current month's rent of office space.
- d) Billed a client \$2,000 for services rendered.
- e) Owner, Mira Addington withdrew \$1,600 for personal living expenses.

Answer:

General Journal

Date	Accounts	Debit	Credit
a)	Equipment	4,500	
	Cash	7,000	
	Mira Addington, Capital		11,500
b)	Office Supplies	550	
	Cash		550
c)	Rent Expense	700	
	Cash		700
d)	Accounts Receivable	2,000	
	Service Revenue		2,000
e)	Mira Addington, Withdrawals	1,600	
	Cash		1,600

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

50) Given the journal entries below, write an explanation of the event that created the transaction.

General Journal

Date	Accounts	Debit	Credit
a)	Cash	25,500	
	Mira Addington, Capital		25,500
b)	Office Equipment	2,000	
	Cash		1,000
	Note payable		1,000
c)	Supplies	2,400	
	Cash		2,400
d)	Accounts Receivable	4,500	
	Cash	1,500	
	Service Revenue		6,000
e)	Note Payable	2,500	
	Cash		2,500

Answer:

- a) Owner, Mira Addington invested \$25,500 cash into the business.
- b) Purchased office equipment costing \$2,000 by making a down payment of \$1,000 and issuing a note payable for \$1,000.
- c) Purchased supplies for \$2,400 cash.
- d) Recorded service revenue of \$6,000, receiving \$1,500 cash and \$4,500 on account.
- e) Made a \$2,500 payment on a note payable.

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-3 Analyze and record transactions in the journal

51) Prepare journal entries in good form for the following transactions:

- a) Owner, Janet Simpson, invested equipment valued at \$5,800 and cash of \$5,000 into the business.
- b) Purchased office supplies for cash, \$250.
- c) Paid \$800 for current month's rent of office space.
- d) Billed a client \$2,000 for services rendered.
- e) Owner, Janet Simpson, withdrew \$1,000 for personal living expenses.

Answer:

General Journal

Date	Accounts	Debit	Credit
a)	Equipment	5,800	
	Cash	5,000	
	Janet Simpson, Capital		10,800
	Owner invested cash and equipment in the business.		
b)	Office Supplies	250	
	Cash		250
	Purchased office supplies for cash.		
c)	Rent Expense	800	
	Cash		800
	Paid one month's rent for office space.		
d)	Accounts Receivable	2,000	
	Service Revenue		2,000
	Performed services on account.		
e)	Janet Simpson, Withdrawals	1,000	
	Cash		1,000
	Owner withdrew cash for personal use.		

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

52) Based on the following transactions that occurred during 2014, prepare a trial balance dated December 31, 2014, for Wellman Water Services

- a) Randy Wellman invested \$13,000 cash in the business.
- b) Purchased \$500 of supplies on account.
- c) Bought equipment on account, \$5,000.
- d) Performed \$6,000 of services on account.
- e) Performed \$3,000 of services for cash.
- f) Paid \$3,000 on equipment purchased in transaction c.
- g) Paid salaries to employees for the current period, \$2,500. Answer:

Wellman Water Services
Trial Balance December
31, 2014

	Debit	Credit
Cash	\$10,500	
Accounts receivable	6,000	
Supplies	500	
Equipment	5,000	
Accounts payable		\$ 2,500
Randy Wellman, Capital		13,000
Service revenue		9,000
Salary expense	<u>2,500</u>	
Total	<u><u>\$24,500</u></u>	<u><u>\$24,500</u></u>

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

53) Journalize the following transactions for Redmond Storage and prepare a trial balance dated June 30, 2014.

- a) Owner, Roger Redmond invested \$10,000 cash into the business.
- b) Rented an office and paid one month's rent, \$1,100.
- c) Purchased \$450 of supplies on account.
- d) Performed a service on account, \$1,550.
- e) Paid \$2,500 cash for office furniture.
- f) Owner, Roger Redmond withdrew \$1,700 cash for personal use.
- g) Collected \$1,200 on account.

Answer:

Journal

Date	Description	Debit	Credit
a)	Cash	10,000	
	Roger Redmond, Capital		10,000
	Owner investment of cash in business.		
b)	Rent Expense	1,100	
	Cash		1,100
	Paid cash for one month's rent.		
c)	Supplies	450	
	Accounts Payable		450
	Purchased supplies on account.		
d)	Accounts Receivable	1,550	
	Service Revenue		1,550
	Performed a service on account.		
e)	Office Furniture	2,500	
	Cash		2,500
	Paid cash for office furniture.		
f)	Roger Redmond, Withdrawals	1,700	
	Cash		1,700
	Owner withdrew cash for personal use.		
g)	Cash	1,200	
	Accounts Receivable		1,200
	Collect cash on account.		

Redmond Storage
Trial Balance
June 30, 2014

	Debit	Credit
Cash	\$5,900	
Accounts receivable	350	
Supplies	450	
Office furniture	2,500	
Accounts payable		\$ 450
Roger Redmond, Capital		10,000
Roger Redmond, Withdrawals	1,700	
Service revenue		1,550
Rent expense	<u>1,100</u>	
Total	<u><u>\$12,000</u></u>	<u><u>\$12,000</u></u>

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

54) Journalize the following transactions for Stanley's Repair Shop and prepare a trial balance dated May 31, 2014.

- a) Owner, Stanley Knowles invested \$5,000 cash into the business.
- b) Rented a garage and paid one month's rent, \$1,400.
- c) Purchased \$50 of supplies for cash.
- d) Performed repair services on account, \$1,590.
- e) Paid \$1,500 cash for equipment.
- f) Owner, Stanley Knowles withdrew \$700 cash for personal use.

Answer: **Journal**

Date	Description	Debit	Credit
a)	Cash	5,000	
	Stanley Knowles, Capital		5,000
	Owner invested cash in business.		
b)	Rent Expense	1,400	
	Cash		1,400
	Paid cash for one month's rent for garage.		
c)	Supplies	50	
	Cash		50
	Purchased supplies for cash.		
d)	Accounts Receivable	1,590	
	Service Revenue		1,590
	Performed repair services on account.		
e)	Equipment	1,500	
	Cash		1,500
	Purchased equipment for cash.		
f)	Stanley Knowles, Withdrawals	700	
	Cash		700
	Owner withdrew cash for personal use.		

Stanley's Repair Shop
Trial Balance
May 31, 2014

	Debit	Credit
Cash	\$1,350	
Accounts receivable	1,590	
Supplies	50	
Equipment	1,500	
Stanley Knowles, Capital		5,000
Stanley Knowles, Withdrawals	700	
Service revenue		1,590
Rent expense	<u>1,400</u>	
Total	<u><u>\$6,590</u></u>	<u><u>\$6,590</u></u>

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

55) Given the following transactions for the The Warren Candle Company, prepare a trial balance as of August 31, 2013.

- a) Owner, Wendy Warren invested \$16,000 cash and equipment with a value of \$7,500 into the business.
- b) Purchased supplies on account, \$350.
- c) Rented office space paying one month's rent, \$950.
- d) Performed a service on account, \$1,500.
- e) Purchased a truck by paying \$2,000 down and signing a note for the balance of \$19,900.
- f) Performed a service and immediately collected \$900 cash.
- g) Owner, Wendy Warren withdrew \$900 for personal use.

Answer:

The Warren Candle Company
Trial Balance
August 31, 2013

	Debit	Credit
Cash	\$13,050	
Accounts receivable	1,500	
Supplies	350	
Equipment	7,500	
Truck	21,900	
Accounts payable		\$ 350
Note payable		19,900
Wendy Warren, Capital		23,500
Wendy Warren, Withdrawals	900	
Service revenue		2,400
Rent expense	950	
Total	<u>\$46,150</u>	<u>\$46,150</u>

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

56) Prepare a trial balance, in good form, based on the following transactions.

- a. Edward Wilson invested \$8,000 cash in his new landscaping business.
- b. The business paid the first month's rent with \$300 cash.
- c. The business purchased equipment by paying \$2,000 cash and executing a note payable for \$3,000.
- d. The business purchased supplies for \$200 cash.
- e. The business billed clients for a total of \$1,000 for design services rendered.
- f. The business received \$750 cash from clients for services rendered above.
- g. The owner took a withdrawal of \$2,000.

Account Title	Debit	Credit

Answer:

Account Title	Debit	Credit
Cash	\$4,250	
Accounts receivable	250	
Supplies	200	
Equipment	5,000	
Note payable		\$3,000
Capital		8,000
Withdrawals	2,000	
Service revenue		1,000
Rent expense	300	
Total	\$12,000	\$12,000

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

57) Journalize the following transactions for Benjie's Repair Shop and prepare a trial balance dated June 30, 2014.

- a) Owner, Benjie Brown invested \$6,000 cash into the business.
- b) Rented a garage and paid one month's rent, \$1,200.
- c) Purchased \$80 of supplies for cash.
- d) Performed repair services on account, \$1,700.
- e) Paid \$1,100 cash for equipment.
- f) Owner, Benjie Brown withdrew \$500 cash for personal use. Answer:

Journal

Date	Description	Debit	Credit
a)	Cash	6,000	
	Benjie Brown, Capital		6,000
	Owner invest cash in the business.		
b)	Rent Expense	1,200	
	Cash		1,200
	Paid one month's rent for the garage.		
c)	Supplies	80	
	Cash		80
	Purchased supplies for cash.		
d)	Accounts Receivable	1,700	
	Service Revenue		1,700
	Performed repair services on account.		
e)	Equipment	1,100	
	Cash		1,100
	Purchased equipment for cash.		
f)	Benji Brown, Withdrawals	500	
	Cash		500
	Owner withdrew cash for personal use.		

Benjie's Repair Shop
Trial Balance
June 30, 2014

	Debit	Credit
Cash	\$3,120	
Accounts receivable	1,700	
Supplies	80	
Equipment	1,100	
Benjie Brown, Capital		6,000
Benjie Brown, Withdrawals	500	
Service revenue		1,700
Rent expense	<u>1,200</u>	
Total	<u><u>\$7,700</u></u>	<u><u>\$7,700</u></u>

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

Table 2-1

The following is a list of the accounts and their balances appearing in the ledger of Henry Garage Repairs as of December 31, 2014, the company's year end. The accounts are in alphabetical order and have normal balances.

Accounts payable	\$450
Accounts receivable	1,250
Cash	400
Equipment	12,600
Gasoline expense	600
Ian Henry, Capital	6,600
Ian Henry, Withdrawals	500
Notes payable	11,000
Rent expense	1,200
Repairs expense	650
Salary expense	700
Salary payable	100
Service revenue	8,250
Supplies	200
Supplies expense	300
Truck	8,000

58) Refer to Table 2-1. Prepare a Statement of Owner's Equity for Henry Garage Repairs for the year ended December 31, 2014. Assume the capital amount did not change since January 1, 2014.
Answer:

Henry Garage Repairs
Statement of Owner's Equity
For the Year Ended December 31, 2014

Ian Henry, Capital January 1, 2014	\$6,600
Add: Net income for the year	<u>4,800</u>
	11,400
Less: Withdrawal by owner	<u>500</u>
Ian Henry, Capital December 31, 2014	<u><u>\$10,900</u></u>

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-3 Analyze and record transactions in the journal

59) Refer to Table 2-1. Prepare an Income statement for Henry Garage Repairs for the year ended December 31, 2014.

Answer:

Henry Garage Repairs
Income Statement
For the Year Ended December 31, 2014

Service revenue		\$8,250
Gasoline expense	\$ 600	
Rent expense	1,200	
Repairs expense	650	
Salary expense	700	
Supplies expense	<u>300</u>	
Total expenses		<u>3,450</u>
Net income		<u><u>\$ 4,800</u></u>

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-3 Analyze and record transactions in the journal

Table 2-2

The following is a list of the accounts and their balances appearing in the ledger of Martin Mann Garage as of December 31, 2014, the company's year end. The accounts are in alphabetical order and have normal balances.

Accounts payable	1,350
Accounts receivable	3,750
Cash	1,200
Equipment	37,800
Gasoline expense	1,800
Martin Mann, Capital	19,800
Martin Mann, Withdrawals	1,500
Notes payable	33,000
Rent expense	3,600
Repairs expense	1,950
Salary expense	2,100
Salary payable	300
Service revenue	24,750
Supplies	600
Supplies expense	900
Truck	24,000

60) Refer to Table 2-2. Prepare an Income statement for Martin Mann Garage for the year ended December 31, 2014.

Answer:

Martin Mann Garage
Income Statement
For the Year Ended December 31, 2014

Service revenue		\$ 24,750
Gasoline expense	\$ 1,800	
Rent expense	3,600	
Repairs expense	1,950	
Salary expense	2,100	
Supplies expense	<u>900</u>	
Total expenses		<u>10,350</u>
Net income		<u><u>\$ 14,400</u></u>

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-3 Analyze and record transactions in the journal

61) Refer to Table 2-2. Prepare a Statement of Owner's Equity for Martin Mann Garage for the year ended December 31, 2014. Assume the capital amount did not change since January 1, 2014.

Answer:

Martin Mann Garage
Statement of Owner's Equity
for the year ended December 31, 2014

Martin Mann, Capital January 1, 2014	\$19,800
Add: Net income for the year	<u>14,400</u>
	34,200
Less: Withdrawal by owner	<u>1,500</u>
Martin Mann, Capital December 31, 2014	<u><u>\$ 32,700</u></u>

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-3 Analyze and record transactions in the journal

62) Prepare a balance sheet dated December 31, 2013, for Canfield Enterprises based on the following transactions completed during 2013.

- a) Marilyn Canfield invested \$16,000 cash and equipment valued at \$6,000 into the business.
- b) Purchased \$500 of supplies on account.
- c) Purchased \$2,000 of equipment for cash.
- d) Purchased a building by issuing a \$10,000 note.

Answer:

Canfield Enterprises
Balance Sheet
December 31, 2013

Assets		Liabilities	
Cash	\$14,000	Accounts payable	\$ 500
Supplies	500	Note payable	<u>10,000</u>
Equipment	8,000	Total liabilities	10,500
Building	<u>10,000</u>		
		Owner's equity	
		Marilyn Canfield, Capital	<u>22,000</u>
Total assets	<u><u>\$32,500</u></u>	Total liabilities and owners' equity	<u><u>\$ 32,500</u></u>

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

63) Given the following transactions in the month of July for Kootenay Outdoor Adventures, prepare journal entries; and, a trial balance and balance sheet as of July 31, 2013.

- a) Owner, Bill Thompson invested \$35,000 cash and equipment with a value of \$67,500 into the business.
- b) Purchased supplies on account, \$250.
- c) Rented office space paying one month's rent, \$950.
- d) Performed guide service on account, \$4,500.
- e) Purchased a truck by paying \$4,000 cash and signing a promissory note for the balance of \$29,800.
- f) Performed guiding service and immediately collected \$2,900 cash.
- g) Owner, Bill Thompson withdrew \$900 for personal use.

Answer:

Cash	35,000	
Equipment	67,500	
Thompson, capital		102,500

Owner invested cash and equipment in the business.

Supplies	250	
Accounts payable		250

Purchased supplies on account.

Rent expense	950	
Cash		950

Paid cash for one month's rent.

Accounts receivable	4,500	
Service revenue		4,500

Performed service on account.

Truck	33,800	
Cash		4,000
Notes payable		29,800

Purchased a truck with cash and a promissory note.

Cash	2,900	
Service revenue		2,900

Performed service for cash.

Withdrawals	900	
Cash		900

Owner withdrew cash for personal use.

Kootenay Outdoor Adventures
 Trial Balance
 July 31, 2013

	Debit	Credit
Cash	\$32,050	
Accounts receivable	4,500	
Supplies	250	
Equipment	67,500	
Truck	33,800	
Accounts payable		\$250
Note payable		29,800
Bill Thompson, Capital		102,500
Bill Thompson, Withdrawals	900	
Service revenue		7,400
Rent expense	<u>950</u>	
Total	<u>\$139,950</u>	<u>\$139,950</u>

Kootenay Outdoor Adventures
 Balance Sheet
 July 31, 2013

Assets:		Liabilities and Owner's Equity:	
Cash	\$32,050	Accounts payable	\$250
Accounts receivable	4,500	Notes payable	<u>29,800</u>
Supplies	250	Total liabilities	\$30,050
Equipment	67,500		
Truck	<u>33,800</u>	Bill Thompson, capital	<u>108,050</u>
	<u>\$138,100</u>		<u>\$138,100</u>

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

Objective: 2-3 Analyze and record transactions in the journal

Answer:

Journal

Date 2014	Accounts	Debit	Credit
Nov. 1	Cash	25,000	
	Janet Smythe, Capital		25,000
	Owner investment to begin business.		
1	Rent Expense (or Prepaid Rent)	1,500	
	Cash		1,500
	Paid rent for the month of November.		
3	Computer	1,800	
	Janet Smythe, Capital		1,800
	Owner contributed computer to the business.		
5	Office Supplies	75	
	Accounts Payable		75
	Purchased office supplies on account.		
10	Cash	500	
	Unearned Coaching Revenue		500
	Received payment in advance for coaching.		
17	Travel Expenses	1,500	
	Conference Expenses	750	
	Cash		2,250
	To pay for conference and travel expenses.		
25	Accounts Payable	75	
	Cash		75
	Paid for office supplies purchased on November 5.		
30	Office Supplies Expense	50	
	Office Supplies		50
	To record supplies used during November.		
30	Unearned Coaching Revenue	100	
	Coaching Revenue		100
	To record coaching revenue earned		

	during November.		
30	Amortization Expense, Computer	50	
	Accum. Amortization, Computer		50
	To record amortization for the month of November, calculated as $(1,800/36 \text{ months}) \times 1 \text{ month} = \50 .		

Diff: 3

Learning Outcome: A-05 Define and record adjusting and closing entries

Skill: Analysis

Objective: 2-3 Analyze and record transactions in the journal

65) The steps in the accounting cycle (excluding the preparation of the worksheet) are listed below in random order. List the steps in the proper sequence, inserting the number 1 to 11.

- a) Prepare a postclosing trial balance _____
- b) Prepare an adjusted trial balance _____
- c) Analyse transactions as they occur _____
- d) Prepare an unadjusted trial balance _____
- e) Compute the adjusted balance in each of the ledger accounts _____
- f) Post the journal entries to the ledger accounts _____
- g) Journalize adjusting journal entries _____
- h) Journalize and post closing entries _____
- i) Prepare financial statements _____
- j) Compute the unadjusted balance in each of the ledger accounts _____
- k) Journalize the transactions _____

- a) 11
- b) 8
- c) 1
- d) 5
- e) 7
- f) 3
- g) 6
- h) 10
- i) 9
- j) 4
- k) 2

Diff: 3

Learning Outcome: A-02 Describe the components of and prepare the four basic financial statements

Skill: Knowledge

Objective: 2-3 Analyze and record transactions in the journal

Objective 2-4

1) Journalizing is the process of copying information from the ledger to the journal. Answer: FALSE

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-4 Post from the journal to the ledger

2) A journal produces a balance in each account.

Answer: FALSE

Diff: 2

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-4 Post from the journal to the ledger

3) If the debit part of a journal entry is not posted but the credit part is, assets will always be overstated. Answer: FALSE

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Comprehension

Objective: 2-4 Post from the journal to the ledger

4) When posting transactions debits must always equal credits.

Answer: TRUE

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-4 Post from the journal to the ledger

5) The copying of amounts from the journal to the appropriate ledger accounts is referred to as: A) verifying.

B) journalizing.

C) posting.

D) balancing.

Answer: C

Diff: 1

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-4 Post from the journal to the ledger

6) A \$75 payment for rent expense was posted as a debit to salary expense and a credit to cash. This error will cause:

- A) the trial balance to be in balance.
- B) the sum of the credits to exceed the sum of the debits by \$75.
- C) the sum of the debits to exceed the sum of the credits by \$75.
- D) the sum of the debits to exceed the sum of the credits by \$150.

Answer: A

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-4 Post from the journal to the ledger

7) A \$200 payment on a notes payable posted as a debit to notes payable and a debit to cash. This error will cause:

- A) the trial balance to be in balance.
- B) the sum of the credits to exceed the sum of the debits by \$400.
- C) the sum of the debits to exceed the sum of the credits by \$400.
- D) the sum of the debits to exceed the sum of the credits by \$200.

Answer: C

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-4 Post from the journal to the ledger

8) A \$50 collection on account was posted as a debit to cash and a debit to accounts receivable. This error will cause:

- A) the trial balance to be in balance.
- B) the sum of the credits to exceed the sum of the debits by \$100.
- C) the sum of the debits to exceed the sum of the credits by \$50.
- D) the sum of the debits to exceed the sum of the credits by \$100.

Answer: D

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-4 Post from the journal to the ledger

9) A \$100 collection on account was posted as a debit to cash and a credit to accounts payable. This error will cause:

- A) the trial balance to be in balance.
- B) the sum of the credits to exceed the sum of the debits by \$100.
- C) the sum of the debits to exceed the sum of the credits by \$100.
- D) accounts receivable account to be too low by \$100.

Answer: A

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-4 Post from the journal to the ledger

10) A \$250 payment on account was recorded as a debit to accounts receivable and a credit to accounts payable. This error will cause:

- A) accounts receivable to be overstated.
- B) accounts payable to be understated.
- C) cash to be understated.

D) owner's equity to be overstated. Answer: A

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-4 Post from the journal to the ledger

11) A \$300 receipt of cash on account was recorded as a \$500 debit to cash and a \$500 credit to accounts receivable. This error will cause:

- A) cash to be overstated \$200. B) cash to be understated \$500. C) cash to be understated by \$800.

D) accounts receivable to be overstated \$500. Answer: A

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-4 Post from the journal to the ledger

12) Recording service revenue on account as a cash transaction will cause:

- A) accounts receivable to be overstated.
- B) owner's equity to be understated.
- C) cash to be overstated.

D) service revenue to be understated.

Answer: C Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-4 Post from the journal to the ledger

13) Recording salaries paid to employees as a debit to accounts receivable and a credit to cash will cause: A) accounts receivable to be understated.

B) total credits on the trial balance to be understated. C) salary expense to be understated.

D) total debits on the trial balance to be overstated. Answer: C

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-4 Post from the journal to the ledger

14) If the credit amount of an entry to record the purchase of supplies on account was not posted: A) liabilities would be unaffected.

B) assets would be understated.

C) owner's equity would be understated. D) liabilities would be understated. Answer: D

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-4 Post from the journal to the ledger

15) If the credit amount of an entry to record the payment of salaries was not posted:

A) assets would be overstated.

B) assets would be unaffected.

C) liabilities would be understated.

D) assets would be understated.

Answer: A

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Analysis

Objective: 2-4 Post from the journal to the ledger

16) Posting involves:

A) transferring information from the general journal to the general ledger.

B) using information from the general ledger to prepare the trial balance.

C) using information from the general ledger to prepare the financial statements.

D) transferring information from the general ledger to the general journal. Answer: A

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-4 Post from the journal to the ledger

17) The posting reference column in the general journal is used to:

A) indicate if the account is an asset, a liability, or an owner equity.

B) provide space for the bookkeeper to initial the transaction.

C) record the page number of the general journal.

D) record the account number of the general ledger account. Answer: D

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Knowledge

Objective: 2-4 Post from the journal to the ledger

18) A business has the following transactions: The business is started by receiving \$20,000 from the owner. The business purchases \$500 of supplies on account. The business purchases \$2,000 of furniture on account. The business renders services to various clients totaling \$9,000 on account. The business pays out \$2,000 for Salary expense and \$3,000 for Rent expense. The business pays \$500 to a supplier for the supplies purchased earlier. The business collects \$1,500 from one of its clients for services rendered earlier in the month. At the end of the month, all journal entries are posted to the ledger. The Cash account will appear as follows:

A)

Cash	
20,000	
	2,000
	3,000
	500
1,500	
16,000	

B)

Cash	
20,000	
	2,000
	3,000
15,000	

C)

Cash	
	20,000
2,000	
3,000	
500	
	1,500
	16,000

D)

Cash	
20,000	
2,000	
3,000	
500	
	1,500
24,000	

Answer: A

Diff: 3

Learning Outcome: A-03 Analyze and record transactions and their effects on the financial statements

Skill: Application

