

Exam

Name\_\_\_\_\_

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

- 1) The entry to record the purchase of supplies on account would include a debit to: 1) \_\_\_\_\_
- A) Accounts Payable. B) Supplies Expense.  
C) Retained Earnings. D) Supplies.

Answer: D

Explanation: A)  
B)  
C)  
D)

- 2) Which of the following items would NOT be included in the journal entry for a transaction? 2) \_\_\_\_\_
- A) The titles of the accounts debited  
B) The dollar amount credited  
C) The source documents initiating the transaction  
D) The date the accounting transaction was entered

Answer: C

Explanation: A)  
B)  
C)  
D)

- 3) A trial balance prepared by an inexperienced accountant showed total debits of \$540,000 and total credits of \$450,000. This discrepancy is most likely due to which type of error? 3) \_\_\_\_\_
- A) Failure to post a transaction B) Mislabeling  
C) Slide D) Transposition

Answer: D

Explanation: A)  
B)  
C)  
D)

4) The entry to record the purchase of office supplies on account for \$400 would be:

4) \_\_\_\_\_

- A) 

|                 |     |
|-----------------|-----|
| Office Supplies | 400 |
| Cash            | 400 |
- B) 

|                  |     |
|------------------|-----|
| Office Supplies  | 400 |
| Accounts Payable | 400 |
- C) 

|                         |     |
|-------------------------|-----|
| Cash                    | 400 |
| Office Supplies Expense | 400 |
- D) 

|                  |     |
|------------------|-----|
| Accounts Payable | 400 |
| Cash             | 400 |

Answer: B

Explanation: A)  
B)  
C)  
D)

5) The normal balance of Accounts Receivable is a \_\_\_\_\_ because it is a(n) \_\_\_\_\_ account.

5) \_\_\_\_\_

- A) credit, stockholders' equity  
B) debit, expense  
C) credit, liability  
D) debit, asset

Answer: D

Explanation: A)  
B)  
C)  
D)

6) The entry to record \$1,000 received from a customer for services previously rendered would be:

6) \_\_\_\_\_

- A) 

|           |       |
|-----------|-------|
| Dividends | 1,000 |
| Cash      | 1,000 |
- B) 

|                 |       |
|-----------------|-------|
| Cash            | 1,000 |
| Service Revenue | 1,000 |
- C) 

|                     |       |
|---------------------|-------|
| Cash                | 1,000 |
| Accounts Receivable | 1,000 |
- D) 

|                     |       |
|---------------------|-------|
| Service Revenue     | 1,000 |
| Accounts Receivable | 1,000 |

Answer: C

Explanation: A)  
B)  
C)  
D)

- 7) A company paid cash for employee wages. This transaction: 7) \_\_\_\_\_  
A) decreased cash and decreased revenues. B) decreased cash and increased expenses.  
C) increased cash and decreased expenses. D) increased cash and increased expenses.

Answer: B

Explanation: A)  
B)  
C)  
D)

- 8) The payment of salaries to employees would: 8) \_\_\_\_\_  
A) increase liabilities and increase net income.  
B) decrease net income and decrease assets.  
C) decrease assets and decrease liabilities.  
D) increase assets and increase liabilities.

Answer: B

Explanation: A)  
B)  
C)  
D)

- 9) When a company performs a service and immediately collects the cash from the customer, which of the following would occur? 9) \_\_\_\_\_  
A) Expenses would decrease. B) Stockholders' equity would decrease.  
C) Assets would decrease. D) Net income would increase.

Answer: D

Explanation: A)  
B)  
C)  
D)

- 10) Consider the following transactions: 10) \_\_\_\_\_  
I. Borrowed cash on a note payable, \$80,000  
II. Provided services on account, \$10,000  
III. Received cash from a customer as payment on account, \$8,000  
IV. Received a utility bill, \$1,200  
Total liabilities would be:  
A) \$98,000. B) \$1,200. C) \$81,200. D) \$80,000.

Answer: C

Explanation: A)  
B)  
C)  
D)

- 11) The normal balance of the Supplies account is a \_\_\_\_\_ because it is a(n) \_\_\_\_\_ account. 11) \_\_\_\_\_  
A) credit, liability B) debit, stockholders' equity  
C) debit, asset D) credit, expense

Answer: C

Explanation: A)  
B)  
C)  
D)

- 12) Which type of account is decreased when a company pays its employees with cash? 12) \_\_\_\_\_  
A) A prepaid asset B) A liability  
C) An asset D) Owners' equity

Answer: C

Explanation: A)  
B)  
C)  
D)

- 13) The normal balance of the Accounts Payable account is a \_\_\_\_\_ because it is a(n) \_\_\_\_\_ 13) \_\_\_\_\_  
account.  
A) debit, stockholders' equity B) debit, asset  
C) credit, liability D) credit, expense

Answer: C

Explanation: A)  
B)  
C)  
D)

- 14) A stockholder's investment of land and a building into the business would include a debit to: 14) \_\_\_\_\_  
A) Building and a credit to Retained Earnings.  
B) Land and a credit to Common Stock.  
C) Common Stock and a credit to Building.  
D) Land and a credit to Building.

Answer: B

Explanation: A)  
B)  
C)  
D)

- 15) The accounting transaction to record a loan would include a credit to: 15) \_\_\_\_\_  
A) Utilities Expense. B) Notes Payable.  
C) Accounts Receivable. D) Cash.

Answer: B

Explanation: A)  
B)  
C)  
D)

- 16) Consider the following transactions: 16) \_\_\_\_\_  
I. Borrowed cash on a note payable, \$80,000  
II. Provided services on account, \$10,000  
III. Received cash from a customer as payment on account, \$8,000  
IV. Received a utility bill, \$1,200  
Total assets would be:  
A) \$96,800. B) \$98,000. C) \$90,000. D) \$88,000.

Answer: C

Explanation: A)  
B)  
C)  
D)

17) Performing services on account would:

17) \_\_\_\_\_

- A) decrease revenue and decrease stockholders' equity.
- B) increase net income and stockholders' equity.
- C) decrease both assets and liabilities.
- D) increase assets and decrease stockholders' equity.

Answer: B

Explanation: A)  
B)  
C)  
D)

18) A company received cash in exchange for issuing stock. This transaction increased assets and:

18) \_\_\_\_\_

- A) increased liabilities.
- B) increased revenues.
- C) increased expenses.
- D) increased equity.

Answer: D

Explanation: A)  
B)  
C)  
D)

19) Which of the following statements regarding accounts is true?

19) \_\_\_\_\_

- A) Revenue is increased by a debit; an expense is increased by a credit.
- B) Dividends are decreased by debits and increased by credits.
- C) A liability is increased by a debit and decreased by a credit.
- D) An asset is increased by a debit and decreased by a credit.

Answer: D

Explanation: A)  
B)  
C)  
D)

20) The purchase of land for cash would:

20) \_\_\_\_\_

- A) have no effect on total assets.
- B) decrease stockholders' equity.
- C) increase total assets.
- D) increase the total debits on the trial balance.

Answer: A

Explanation: A)  
B)  
C)  
D)

- 21) Which of the following business events would NOT be recorded in a company's accounting records? 21) \_\_\_\_\_
- A) The company signed a contract to provide services in the next accounting period for \$125,000.
  - B) The company paid a monthly utility bill of \$1,000.
  - C) The company issued 100 shares of common stock for \$75,000.
  - D) The company purchased two acres of land for future plant expansion for \$600,000.
- Answer: A
- Explanation: A)  
B)  
C)  
D)
- 22) A business purchases a truck by signing a note payable to the seller. This transaction would include a: 22) \_\_\_\_\_
- A) debit to Note Payable.
  - B) credit to Note Payable.
  - C) debit to Prepaid Maintenance.
  - D) credit to Truck.
- Answer: B
- Explanation: A)  
B)  
C)  
D)
- 23) A company purchased office supplies for cash. This transaction increased assets and: 23) \_\_\_\_\_
- A) increased revenues.
  - B) increased equity.
  - C) increased liabilities.
  - D) decreased assets.
- Answer: D
- Explanation: A)  
B)  
C)  
D)
- 24) Which of the following is NOT an asset account? 24) \_\_\_\_\_
- A) Prepaid Rent
  - B) Accounts Receivable
  - C) Common Stock
  - D) All of these are asset accounts.
- Answer: C
- Explanation: A)  
B)  
C)  
D)
- 25) Receiving a payment from a customer on account would: 25) \_\_\_\_\_
- A) decrease liabilities.
  - B) increase stockholders' equity.
  - C) have no effect on total assets.
  - D) increase stockholders' equity.
- Answer: C
- Explanation: A)  
B)  
C)  
D)

- 26) If the debit amount of an entry to record the purchase of supplies on account was not posted: 26) \_\_\_\_\_  
A) liabilities would be understated. B) liabilities would be overstated.  
C) assets would be understated. D) assets would be overstated.

Answer: C

Explanation: A)  
B)  
C)  
D)

- 27) Double-entry accounting means that each transaction: 27) \_\_\_\_\_  
A) debits at least one account and credits at least one account.  
B) is recorded in both the journal and in the ledger.  
C) increases at least one account and decreases at least one account.  
D) affects both an income statement account and a balance sheet account.

Answer: A

Explanation: A)  
B)  
C)  
D)

- 28) Accounting transactions are initially recorded in the: 28) \_\_\_\_\_  
A) poster. B) ledger. C) journal. D) T-account.

Answer: C

Explanation: A)  
B)  
C)  
D)

- 29) A chronological record (or history) of an entity's transactions is called a: 29) \_\_\_\_\_  
A) journal. B) ledger. C) poster. D) T-account.

Answer: A

Explanation: A)  
B)  
C)  
D)

- 30) Notes payable, accounts payable, taxes payable and salaries payable are all examples of: 30) \_\_\_\_\_  
A) revenues. B) expenses. C) assets. D) liabilities.

Answer: D

Explanation: A)  
B)  
C)  
D)

- 31) Making a cash payment to settle a debt would include a: 31) \_\_\_\_\_
- A) debit to Cash. B) credit to Cash Payments.  
C) credit to Accounts Receivable. D) debit to Accounts Payable.

Answer: D

Explanation: A)  
B)  
C)  
D)

- 32) Consider the following transactions: 32) \_\_\_\_\_
- I. Owners invested \$8,000 cash to begin the business  
II. Provided services for cash, \$6,000  
III. Provided services on account, \$4,000  
IV. Paid cash for expenses, \$7,500  
How much cash does the business have?  
A) \$ 2,500 B) \$ 6,500 C) \$ 4,500 D) \$10,500

Answer: B

Explanation: A)  
B)  
C)  
D)

- 33) A chart of accounts is: 33) \_\_\_\_\_
- A) a list of all of the accounts of the organization.  
B) a source document.  
C) prepared as the first step in analyzing transactions.  
D) a list of all of the accounts of the organization and their related account numbers.

Answer: D

Explanation: A)  
B)  
C)  
D)

- 34) The entry to record the payment of salaries to employees would include a: 34) \_\_\_\_\_
- A) debit to Accounts Receivable. B) credit to Salary Expense.  
C) debit to Salary Expense. D) debit to Accounts Payable.

Answer: C

Explanation: A)  
B)  
C)  
D)

- 35) The normal balance of the Common Stock account is a \_\_\_\_\_ because it increases \_\_\_\_\_. 35) \_\_\_\_\_
- A) debit, assets B) debit, expenses  
C) credit, stockholders' equity D) debit, stockholders' equity

Answer: C

Explanation: A)  
B)  
C)  
D)

- 36) In accounting, the process of posting involves transferring data from: 36) \_\_\_\_\_  
A) the source documents to the journal. B) the source documents to the ledger.  
C) the journal to the ledger. D) the ledger to the journal.

Answer: C

Explanation: A)  
B)  
C)  
D)

- 37) If a person starting a business had an investment of a building, valued at \$300,000 with an \$180,000 37) \_\_\_\_\_  
outstanding mortgage, the effect would be to:  
A) increase stockholders' equity by \$120,000. B) increase assets by \$120,000.  
C) increase assets by \$180,000. D) increase stockholders' equity by \$300,000.

Answer: A

Explanation: A)  
B)  
C)  
D)

- 38) Which element(s) of an accounting system provide(s) information about the balance in each 38) \_\_\_\_\_  
account?  
A) Source documents B) Journals  
C) Accrual record D) Ledgers

Answer: D

Explanation: A)  
B)  
C)  
D)

- 39) A trial balance has which of the following features? 39) \_\_\_\_\_  
A) Totals for all accounts listed in the ledger  
B) Totals for balance sheet accounts only  
C) Totals for income statement accounts only  
D) Both A and B are correct.

Answer: A

Explanation: A)  
B)  
C)  
D)

- 40) A trial balance is: 40) \_\_\_\_\_  
A) a list of balance sheet accounts with their balances.  
B) prepared before the posting process is completed.  
C) a list of all accounts with their balances.  
D) a list of income statement accounts with their balances.

Answer: C

Explanation: A)  
B)  
C)  
D)

41) The entry to record an owner investment of \$600 into the business would be:

41) \_\_\_\_\_

|    |                 |     |
|----|-----------------|-----|
| A) | Cash            | 600 |
|    | Service Revenue | 600 |
| B) | Dividends       | 600 |
|    | Cash            | 600 |
| C) | Cash            | 600 |
|    | Dividends       | 600 |
| D) | Cash            | 600 |
|    | Common Stock    | 600 |

Answer: D

Explanation: A)  
B)  
C)  
D)

42) Purchasing a three-year insurance policy for cash would include a:

42) \_\_\_\_\_

- A) credit to Prepaid Insurance. B) debit to Prepaid Insurance.  
C) credit to Insurance Expense. D) debit to Insurance Expense.

Answer: B

Explanation: A)  
B)  
C)  
D)

43) Debits to revenue accounts ultimately result in a(n):

43) \_\_\_\_\_

- A) increase in owners' equity and assets. B) decrease in owners' equity and assets.  
C) increase in liabilities assets. D) decrease in assets and liabilities.

Answer: B

Explanation: A)  
B)  
C)  
D)

44) Receiving a check from a customer on account would include a credit to:

44) \_\_\_\_\_

- A) Cash. B) Sales Revenue.  
C) Accounts Payable. D) Accounts Receivable.

Answer: D

Explanation: A)  
B)  
C)  
D)

- 45) An owner makes an investment of cash into the business. This transaction would include a: 45) \_\_\_\_\_
- A) debit to Common Stock and a credit to Retained Earnings.
  - B) debit to Retained Earnings and a credit to Cash.
  - C) debit to Common Stock and a credit to Common Stock.
  - D) debit to Cash and a credit to Common Stock.

Answer: D

Explanation: A)  
B)  
C)  
D)

- 46) Which of the following transactions would increase total assets? 46) \_\_\_\_\_
- I. Borrowed cash on a note payable, \$80,000
  - II. Provided services on account, \$10,000
  - III. Received cash from a customer as payment on account, \$8,000
  - IV. Received a utility bill, \$1,200
- A) I, II, and III
  - B) I and II
  - C) I and III
  - D) All of these answers are correct.

Answer: B

Explanation: A)  
B)  
C)  
D)

- 47) The payment of an amount owed to a creditor would: 47) \_\_\_\_\_
- A) decrease liabilities.
  - B) decrease assets.
  - C) increase net income.
  - D) both decrease assets and decrease liabilities.

Answer: D

Explanation: A)  
B)  
C)  
D)

- 48) Which of the following statements regarding a trial balance is true? 48) \_\_\_\_\_
- A) A trial balance may be taken at any time during the accounting period.
  - B) A trial balance shows that total debits equals total credits.
  - C) A trial balance is a list of all accounts with their balances.
  - D) All of the above is true.

Answer: D

Explanation: A)  
B)  
C)  
D)

49) The trial balance is used to determine whether:

49) \_\_\_\_\_

- A) total assets equal total liabilities.
- B) total revenues plus gains equal total expenses plus losses.
- C) total increases in accounts equal total decreases in accounts.
- D) total debits equal total credits.

Answer: D

Explanation: A)  
B)  
C)  
D)

50) The normal balance of the Dividends account is a \_\_\_\_\_ because it decreases \_\_\_\_\_.

50) \_\_\_\_\_

- A) debit, expenses
- B) debit, assets
- C) debit, stockholders' equity
- D) credit, stockholders' equity

Answer: C

Explanation: A)  
B)  
C)  
D)

51) The normal balance of a revenue account is a \_\_\_\_\_ because revenues increase \_\_\_\_\_.

51) \_\_\_\_\_

- A) debit, expenses
- B) debit, stockholders' equity
- C) credit, stockholders' equity
- D) debit, assets

Answer: C

Explanation: A)  
B)  
C)  
D)

52) Accounts are grouped together in a book called the:

52) \_\_\_\_\_

- A) trial balance.
- B) ledger.
- C) journal.
- D) accounting equation.

Answer: B

Explanation: A)  
B)  
C)  
D)

53) The process of transferring information from the journal to the ledger is known as:

53) \_\_\_\_\_

- A) converting.
- B) posting.
- C) ledgerizing.
- D) bookkeeping.

Answer: B

Explanation: A)  
B)  
C)  
D)

54) Consider the following transactions:

54) \_\_\_\_\_

- I. Owners invested \$8,000 cash to begin the business
- II. Provided services for cash, \$6,000
- III. Provided services on account, \$4,000
- IV. Paid cash for expenses, \$7,500

How much net income did the business have?

- A) \$6,000                      B) \$2,500                      C) \$4,000                      D) \$3,000

Answer: B

Explanation:    A)  
                      B)  
                      C)  
                      D)

55) A company paid cash for an amount owed to a creditor. This transaction decreased cash and:

55) \_\_\_\_\_

- A) decreased expenses.                      B) increased expenses.  
C) decreased liabilities.                      D) decreased revenues.

Answer: C

Explanation:    A)  
                      B)  
                      C)  
                      D)

56) The normal balance of an expense account is a \_\_\_\_\_ because expenses decrease \_\_\_\_\_.

56) \_\_\_\_\_

- A) debit, expenses                      B) debit, assets  
C) debit, stockholders' equity                      D) credit, stockholders' equity

Answer: C

Explanation:    A)  
                      B)  
                      C)  
                      D)

57) The purchase of an automobile involving a cash down payment and a promise to pay the balance in the future would include a debit to:

57) \_\_\_\_\_

- A) Cash and a credit to Automobile.                      B) Cash and a debit to Note Payable.  
C) Note Payable and a credit to Cash.                      D) none of the above.

Answer: D

Explanation:    A)  
                      B)  
                      C)  
                      D)

- 58) The owner of a business paid cash from his personal checking account to purchase an automobile for his personal use. This transaction: 58) \_\_\_\_\_
- A) is not a transaction recognized by the business.
  - B) decreased cash and increased expenses.
  - C) increased assets and increased owners' equity.
  - D) increased a liability account and increased liabilities.
- Answer: A
- Explanation: A)  
B)  
C)  
D)
- 59) The collection of cash from a cash sale would: 59) \_\_\_\_\_
- A) have no effect on net income or stockholders' equity.
  - B) increase assets and decrease liabilities.
  - C) decrease assets and increase net income.
  - D) increase assets and stockholders' equity.
- Answer: D
- Explanation: A)  
B)  
C)  
D)
- 60) Paying a utility bill as soon as it was received would: 60) \_\_\_\_\_
- A) increase owners' equity.
  - B) decrease revenues.
  - C) increase expenses.
  - D) increase liabilities.
- Answer: C
- Explanation: A)  
B)  
C)  
D)
- 61) Cash dividends paid to the stockholders will: 61) \_\_\_\_\_
- A) decrease assets and decrease stockholders' equity.
  - B) increase assets and increase liabilities.
  - C) have no effect on stockholders' equity or revenue.
  - D) increase assets and decrease liabilities.
- Answer: A
- Explanation: A)  
B)  
C)  
D)

62) Paying a dividend to the company's stockholders would include a debit to:

62) \_\_\_\_\_

- A) Accounts Payable and a credit to Retained Earnings.
- B) Retained Earnings and a credit to Cash.
- C) Dividends and a credit to Cash.
- D) Cash and a credit to Dividends.

Answer: C

Explanation: A)  
B)  
C)  
D)

63) The results of operations are reported on the:

63) \_\_\_\_\_

- A) statement of financial position.
- B) trial balance.
- C) statement of operation.
- D) statement of stockholders' equity.

Answer: C

Explanation: A)  
B)  
C)  
D)

64) A company performed services for a customer on account. This transaction increased assets and:

64) \_\_\_\_\_

- A) increased revenues.
- B) increased expenses.
- C) increased liabilities.
- D) decreased equity.

Answer: A

Explanation: A)  
B)  
C)  
D)

65) The entry to record the payment of \$925 to a supplier for office supplies previously purchased on account would be:

65) \_\_\_\_\_

- A) 

|                  |     |
|------------------|-----|
| Accounts Payable | 925 |
| Cash             | 925 |
- B) 

|                         |     |
|-------------------------|-----|
| Office Supplies Expense | 925 |
| Cash                    | 925 |
- C) 

|                         |     |
|-------------------------|-----|
| Office Supplies Expense | 925 |
| Accounts Payable        | 925 |
- D) 

|                  |     |
|------------------|-----|
| Cash             | 925 |
| Accounts Payable | 925 |

Answer: A

Explanation: A)  
B)  
C)  
D)

- 66) What is one of the first steps in the journalizing process? 66) \_\_\_\_\_
- A) Identify the transaction from source documents and other information.
  - B) Post the transaction to the ledger.
  - C) Enter the transaction in the journal.
  - D) Determine what accounts will be affected and whether to debit or credit them.
- Answer: A
- Explanation: A)  
B)  
C)  
D)
- 67) A trial balance prepared by an inexperienced accountant showed total debits of \$360,000 and total credits of \$36,000. This discrepancy is most likely due to which type of error? 67) \_\_\_\_\_
- A) Slide
  - B) Failure to post a transaction
  - C) Transposition
  - D) Mislabeling
- Answer: A
- Explanation: A)  
B)  
C)  
D)
- 68) The payment for rent of the office building for one month would include a: 68) \_\_\_\_\_
- A) debit to Cash.
  - B) debit to Prepaid Rent.
  - C) credit to Revenue.
  - D) debit to Rent Expense.
- Answer: D
- Explanation: A)  
B)  
C)  
D)
- 69) The journal entry to record performing a service on account would include a debit to: 69) \_\_\_\_\_
- A) Service Revenue Expense.
  - B) Cash.
  - C) Accounts Receivable.
  - D) Retained Earnings.
- Answer: C
- Explanation: A)  
B)  
C)  
D)
- 70) Which type of account is increased when a company records a debt? 70) \_\_\_\_\_
- A) Liability
  - B) Retained earnings
  - C) Expense
  - D) None of the above are correct.
- Answer: A
- Explanation: A)  
B)  
C)  
D)

- 71) An account is increased by a debit and has a normal balance of a debit. This account is a(n) 71) \_\_\_\_\_  
A) liability account.  
B) expense account.  
C) asset account.  
D) both an expense account and an asset account.

Answer: D

Explanation: A)  
B)  
C)  
D)

- 72) When using a four-column ledger account format, the initial pair of columns is used to show the: 72) \_\_\_\_\_  
A) account balance.  
B) names of the accounts being debited and credited.  
C) debit and credit amounts posted from journal entries.  
D) transactions date and journal reference.

Answer: C

Explanation: A)  
B)  
C)  
D)

- 73) What type of account is prepaid insurance? 73) \_\_\_\_\_  
A) An asset  
B) A liability  
C) An expense  
D) Stockholders' equity

Answer: A

Explanation: A)  
B)  
C)  
D)

- 74) Prepaid expense accounts appear on: 74) \_\_\_\_\_  
A) both the income statement and balance sheet.  
B) the balance sheet.  
C) the income statement.  
D) the statement of retained earnings and on the income statement.

Answer: B

Explanation: A)  
B)  
C)  
D)

75) The purchase of office computers for cash would include a debit to:

75) \_\_\_\_\_

- A) Office Equipment and a credit to Cash.
- B) Cash and a credit to Office Equipment.
- C) Accounts Receivable and credit to Office Equipment.
- D) Office Equipment and a credit to Accounts Payable.

Answer: A

Explanation: A)  
B)  
C)  
D)

76) When using a four-column ledger account format, the pair of columns on the far right is used to show the:

76) \_\_\_\_\_

- A) debit and credit amounts posted from journal entries.
- B) transactions date and journal reference.
- C) names of the accounts being debited and credited.
- D) account balance.

Answer: D

Explanation: A)  
B)  
C)  
D)

77) Borrowing money from the bank by signing a note payable would:

77) \_\_\_\_\_

- A) increase stockholders' equity.
- B) decrease liabilities.
- C) have no effect on stockholders' equity.
- D) increase net income.

Answer: C

Explanation: A)  
B)  
C)  
D)

78) The left side of a T-account is always the:

78) \_\_\_\_\_

- A) credit side.
- B) increase side.
- C) decrease side.
- D) debit side.

Answer: D

Explanation: A)  
B)  
C)  
D)

79) Purchasing supplies on account would:

79) \_\_\_\_\_

- A) increase total assets and increase total liabilities.
- B) increase total assets and decrease total liabilities.
- C) increase total liabilities and increase stockholders' equity.
- D) increase total liabilities and decrease total assets.

Answer: A

Explanation: A)  
B)  
C)  
D)

80) Which accounts are increased by debits?

- A) Assets, expenses and owners' equity
- C) Expenses and owners' equity

- B) Assets and owners' equity
- D) Assets, expenses and dividends

80) \_\_\_\_\_

Answer: D

Explanation: A)  
B)  
C)  
D)

81) The purchase of office furniture for cash would include a debit to:

- A) Cash.
- C) Office Furniture Expense.
- B) Office Furniture.
- D) Accounts Payable.

81) \_\_\_\_\_

Answer: B

Explanation: A)  
B)  
C)  
D)

82) All information about a particular account is contained in the:

- A) post closing trial balance.
- C) journal.
- B) trial balance.
- D) ledger.

82) \_\_\_\_\_

Answer: D

Explanation: A)  
B)  
C)  
D)

83) The normal balance of Dividends is a \_\_\_\_\_ because it is a(n) \_\_\_\_\_ account.

- A) debit, asset
- C) credit, liability
- B) debit, stockholders' equity
- D) credit, stockholders' equity

83) \_\_\_\_\_

Answer: B

Explanation: A)  
B)  
C)  
D)

84) All of the following accounts would be considered assets EXCEPT for:

- A) prepaid expenses.
- C) retained earnings.
- B) notes receivable.
- D) cash.

84) \_\_\_\_\_

Answer: C

Explanation: A)  
B)  
C)  
D)

- 85) The proper order for the accounting process is: 85) \_\_\_\_\_
- A) transacting, journalizing, posting and closing.
  - B) posting, transacting, closing and journalizing.
  - C) posting, closing, transacting and journalizing.
  - D) transacting, posting, journalizing and closing.

Answer: A

Explanation: A)  
B)  
C)  
D)

- 86) If the credit amount of an entry to record the payment of salaries was not posted, 86) \_\_\_\_\_
- A) assets would be overstated and owners' equity would be overstated.
  - B) there would be no effect on stockholders' equity.
  - C) expenses would be understated and owners' equity would be understated.
  - D) liabilities would be understated and owners' equity would be overstated.

Answer: B

Explanation: A)  
B)  
C)  
D)

- 87) Which of the following accounts are a standard component of stockholders' equity? 87) \_\_\_\_\_
- A) Dividends
  - B) Unearned Income
  - C) Prepaid Expenses
  - D) Additional Paid In Stock

Answer: A

Explanation: A)  
B)  
C)  
D)

- 88) If a posting error has occurred when recording a transaction, then the out-of-balance amount will 88) \_\_\_\_\_  
be evenly divisible by:
- A) 5.
  - B) 2.
  - C) 9.
  - D) 11.

Answer: B

Explanation: A)  
B)  
C)  
D)

- 89) The term "double-entry accounting" indicates that the accountant: 89) \_\_\_\_\_
- A) uses both the general journal and the general ledger when recording transactions.
  - B) computes the income statement and balance sheet effect of each transaction.
  - C) records both sides of each transaction in the accounts affected.
  - D) identifies both the cash inflows and the cash outflows.

Answer: C

Explanation: A)  
B)  
C)  
D)

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

90) Accrued Liabilities is a liability account.

90) \_\_\_\_\_

Answer: ☒ True ☐ False

Explanation:

91) A trial balance is a list of all accounts and their balances for a period of time.

91) \_\_\_\_\_

Answer: ☐ True ☒ False

Explanation:

92) The T-account is a tool for visualizing business transactions and usually can be easily prepared.

92) \_\_\_\_\_

Answer: ☒ True ☐ False

Explanation:

93) When the trial balance is out of balance due to an incorrect posting of a debit or a credit, the difference is evenly divisibly by 2.

93) \_\_\_\_\_

Answer: ☒ True ☐ False

Explanation:

94) Every business transaction involves at least one debit and one credit part of the transaction.

94) \_\_\_\_\_

Answer: ☒ True ☐ False

Explanation:

95) When the trial balance is out of balance due to a slide-type error, the difference between total debits and total credits will be evenly divisible by 9.

95) \_\_\_\_\_

Answer: ☐ True ☒ False

Explanation:

96) An account with a normal credit balance is most often a liability or stockholders' equity account.

96) \_\_\_\_\_

Answer: ☒ True ☐ False

Explanation:

97) The normal balance for any account is always the side of the account (debit or credit) where the largest amount is found.

97) \_\_\_\_\_

Answer: ☐ True ☒ False

Explanation:

98) A trial balance is an optional financial statement that reports the financial position of the company as of a given day in time.

98) \_\_\_\_\_

Answer: ☐ True ☒ False

Explanation:

99) Assets, owners' equity and dividends are all increased by debits.

99) \_\_\_\_\_

Answer: ☐ True ☒ False

Explanation:

100) The ledger provides a good indication of how much cash is available for the business to use at any one point in time.

100) \_\_\_\_\_

Answer: ☒ True ☐ False

Explanation:

- 101) The accounting records are considered to be correct if the total debits of the trial balance equal the total credits on the Post Closing Trial Balance. 101) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 102) Expense accounts always represent expired assets. 102) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 103) Dividends and expenses are specialized owners' equity accounts that are increased by debits. 103) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 104) An account with a normal balance of a debit indicates that the account is a liability account. 104) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 105) Liabilities and revenues are decreased by credits. 105) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 106) A journal entry is an event that has a financial impact on the business that can be reliably measured. 106) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 107) The retained earnings account represents the excess of net income over dividends retained in the business since its inception. 107) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 108) Double-entry accounting records only those transactions affecting the income statement. 108) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 109) Revenues and expenses are specialized owners' equity accounts, all having debit balances. 109) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 110) All business transactions involve an increase in at least one account and a decrease in at least one other account. 110) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 111) When the trial balance is out of balance due to a transposition error, the difference between total debits and total credits will be evenly divisible by 2. 111) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:

- 112) If the payment of a utilities bill is not posted, assets will be overstated. 112) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 113) A journal shows a chronological listing of the accounting activities of a business—because business transactions occur in this manner. 113) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 114) A chart of accounts is organized in the alphabetical order of the accounting equation—with assets first, followed by expenses, liabilities, owners' equity, and revenues—because using numbers can be very complicated. 114) \_\_\_\_\_  
Answer: ☐ True ☒ False  
Explanation:
- 115) The trial balance is not a formal accounting statement. 115) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 116) Posting accounting transactions avoids the necessity of journalizing transactions, and the use of T-accounts. 116) \_\_\_\_\_  
Answer: ☐ True ☒ False  
Explanation:
- 117) The dividends account indicates an increase in common stock. 117) \_\_\_\_\_  
Answer: ☐ True ☒ False  
Explanation:
- 118) The purchase of office equipment for cash would increase both an asset and a liability account. 118) \_\_\_\_\_  
Answer: ☐ True ☒ False  
Explanation:
- 119) Debits are always recorded (journalized) before credits. 119) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:

## Answer Key

Testname: C2

- 1) D
- 2) C
- 3) D
- 4) B
- 5) D
- 6) C
- 7) B
- 8) B
- 9) D
- 10) C
- 11) C
- 12) C
- 13) C
- 14) B
- 15) B
- 16) C
- 17) B
- 18) D
- 19) D
- 20) A
- 21) A
- 22) B
- 23) D
- 24) C
- 25) C
- 26) C
- 27) A
- 28) C
- 29) A
- 30) D
- 31) D
- 32) B
- 33) D
- 34) C
- 35) C
- 36) C
- 37) A
- 38) D
- 39) A
- 40) C
- 41) D
- 42) B
- 43) B
- 44) D
- 45) D
- 46) B
- 47) D
- 48) D
- 49) D
- 50) C

Answer Key  
Testname: C2

- 51) C
- 52) B
- 53) B
- 54) B
- 55) C
- 56) C
- 57) D
- 58) A
- 59) D
- 60) C
- 61) A
- 62) C
- 63) C
- 64) A
- 65) A
- 66) A
- 67) A
- 68) D
- 69) C
- 70) A
- 71) D
- 72) C
- 73) A
- 74) B
- 75) A
- 76) D
- 77) C
- 78) D
- 79) A
- 80) D
- 81) B
- 82) D
- 83) B
- 84) C
- 85) A
- 86) B
- 87) A
- 88) B
- 89) C
- 90) TRUE
- 91) FALSE
- 92) TRUE
- 93) TRUE
- 94) TRUE
- 95) FALSE
- 96) TRUE
- 97) FALSE
- 98) FALSE
- 99) FALSE
- 100) TRUE

Answer Key

Testname: C2

- 101) FALSE
- 102) FALSE
- 103) TRUE
- 104) FALSE
- 105) FALSE
- 106) FALSE
- 107) TRUE
- 108) FALSE
- 109) FALSE
- 110) FALSE
- 111) FALSE
- 112) TRUE
- 113) TRUE
- 114) FALSE
- 115) TRUE
- 116) FALSE
- 117) FALSE
- 118) FALSE
- 119) TRUE