

TEST BANK



24e

ACCOUNTING

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Learning Objective 1: Explain the accounting cycle

1. Identify the accounting cycle steps.

2. Explain the purpose of each step.

Practice Exercise

1. The following information is taken from the trial balance of a company at the end of the year:

Accounts Receivable	10,000
Inventory	5,000
Prepaid Insurance	2,000
Accounts Payable	8,000
Common Stock	15,000
Retained Earnings	10,000

Practice Exercise

1. The following information is taken from the trial balance of a company at the end of the year:

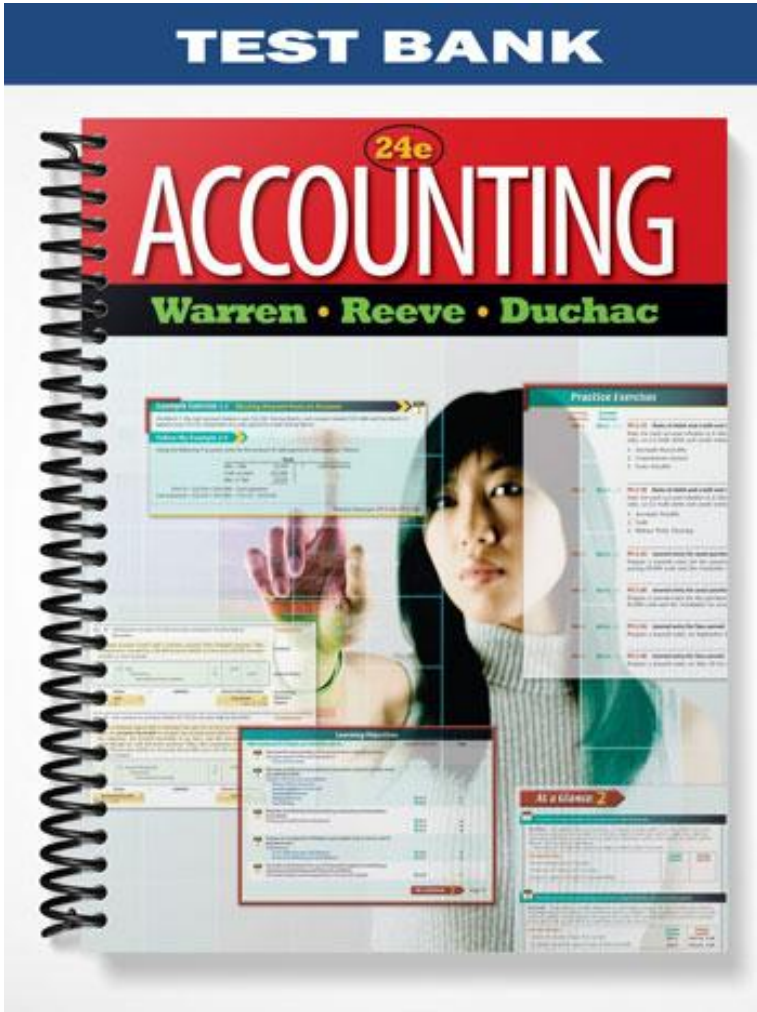
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Common Stock	15,000
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At a Glance

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Chapter 2--Analyzing Transactions

Student: _____

1. Accounts are records of increases and decreases in individual financial statement items.

True False

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

True False

3. The chart of accounts should be the same for each business.

True False

4. Accounts payable are accounts that you expect will be paid to you.

True False

5. Consuming goods and services in the process of generating revenues results in expenses.

True False

6. Prepaid expenses are an example of an expense.

True False

7. Unearned Revenues account is an example of a liability.

True False

8. The Drawings account is an example of an expense.

True False

9. Accounts in the ledger are usually maintained in alphabetical order.

True False

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

True False

11. To determine the balance in an account, always subtract credits from debits.

True False

12. The double-entry accounting system records each transaction twice.

True False

13. The increase side of all accounts is the normal balance.

True False

14. Transactions are initially entered into a record called a journal.

True False

15. The process of recording a transaction in the journal is called journalizing.

True False

16. Journalizing is the process of entering amounts in the ledger.

True False

17. Transactions are listed in the journal chronologically.

True False

18. Journalizing transactions using the double-entry bookkeeping system will eliminate fraud.

True False

19. Liability accounts are increased by debits.

True False

20. Expense accounts are increased by credits.

True False

21. Revenue accounts are increased by credits.

True False

22. The normal balance of a capital account is a debit.

True False

23. The normal balance of the drawing account is a debit.

True False

24. The normal balance of an expense account is a credit.

True False

25. The normal balance of revenue accounts is a credit.

True False

26. Withdrawals decrease owner's equity and are listed on the income statement as a deduction from revenue.

True False

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

True False

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

True False

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

True False

30. An account has three parts to it; a title, an increase side, and a decrease side.

True False

31. The T account got its name because it resembles the letter "T."

True False

32. The right hand side of a T account is known as a debit and the left hand side is known as a credit.

True False

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

True False

34. Debiting the cash account will increase the account.

True False

35. A credit to the cash account will increase the account.

True False

36. The cash account will always be debited.

True False

37. The recording of cash receipts to the cash account will be done by debiting the account.

True False

38. The recording of cash payments from the cash account is done by entering the amount as a credit.

True False

39. The balance of the account can be determined by adding all of the debits, adding all of the credits, and adding the amounts together.

True False

40. When an owner contributes equipment to the business, he or she retains ownership of the property.

True False

41. Liabilities are debts owed by the business entity.

True False

42. The accounts payable account is listed in the chart of accounts as an asset.

True False

43. A drawing account represents the amount of withdrawals made by the owner.

True False

44. Revenues are equal to the difference between cash receipts and cash payments.

True False

45. Expenses use up assets or consume services in the process of generating revenues.

True False

46. Owner's capital will be reduced by the amount in the drawing account.

True False

47. The journal includes both debit and credit accounts for each transaction.

True False

48. A transaction that is recorded in the journal is called a journal entry.

True False

49. Assets are increased with debits and decreased with credits.

True False

50. Liabilities are increased with debits and decreased with credits.

True False

51. Debits will increase Unearned Revenues and Revenues.

True False

52. All owner's equity accounts record increases to the accounts with credits.

True False

53. Journal entries can have more than two accounts as long as the debits equal the credits.

True False

54. Normal balances are the side that increase the account balance.

True False

55. When an owner invests assets in the business, the capital account increases due to revenue being earned.

True False

56. When an accounts payable account is paid in cash, the owner's equity in the business decreases.

True False

57. When an account receivable is collected in cash, the total assets of the business increase.

True False

58. The process of transferring the data from the journal to the ledger accounts is posting.

True False

59. The post reference notation used in the ledger is the account number.

True False

60. The post reference notation used in the journal is the page number.

True False

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

True False

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

True False

63. The process of transferring the debits and credits from the journal entries to the accounts is known as "updating the accounts".

True False

64. Journalizing eliminates fraud.

True False

65. Once journal entries are posted to accounts, each account will show a new balance after each entry.

True False

66. A group of related accounts that make up a complete unit is called a trial balance.

True False

67. A trial balance determines the accuracy of the numbers.

True False

68. Even when a trial balance is in balance, there may be errors in the individual accounts.

True False

69. The totals at the bottom of the trial balance and the totals at the bottom of the balance sheet both show equality and balancing, and therefore should be equal.

True False

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

True False

71. If the trial balance is in balance, it can be assumed that all journal entries were posted correctly and no errors were made.

True False

72. Posting a part of a transaction to the wrong account will cause the trial balance totals to be unequal.

True False

73. The erroneous arrangement of digits, such as writing \$45 as \$54, is called a slide.

True False

74. Journalizing a transaction with both the debit and the credit for \$69 instead of \$96 will cause the trial balance to be out of balance.

True False

75. Posting a transaction twice will cause the trial balance totals to be equal.

True False

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

True False

77. Accounts

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

78. Accounts are classified in the ledger

- A. chronologically
- B. alphabetically
- C. in accordance with their appearance in the financial statements
- D. so that accounts used most often are listed first

79. Revenue should be recognized when

- A. cash is received
- B. the service is performed
- C. the customer places an order
- D. the customer charges an order

80. Which of the following accounts is an owner's equity account?

- A. Cash
- B. Accounts Payable
- C. Prepaid Insurance
- D. Ross Morris, Capital

81. The gross increases in owner's equity attributable to business activities are called

- A. assets
- B. liabilities
- C. revenues
- D. net income

82. A chart of accounts is

- A. the same as a balance sheet
- B. usually a listing of accounts in alphabetical order
- C. usually a listing of accounts in financial statement order
- D. used in place of a ledger

83. The debit side of an account

- A. depends on whether the account is an asset, liability or owner's equity
- B. can be either side of the account depending on how the accountant set up the system
- C. is the right side of the account
- D. is the left side of the account

84. An account is said to have a debit balance if

- A. the amount of the debits exceeds the amount of the credits
- B. there are more entries on the debit side than on the credit side
- C. its normal balance is debit without regard to the amounts or number of entries on the debit side
- D. the first entry of the accounting period was posted on the debit side

85. Which statement(s) concerning cash is (are) true?

- A. cash will always have more debits than credits
- B. cash will never have a credit balance
- C. cash is increased by debiting
- D. all of the above

86. A debit may signify a(n)

- A. decrease in asset accounts
- B. decrease in liability accounts
- C. increase in the capital account
- D. decrease in the drawing account

87. Which of the following types of accounts have a normal credit balance?

- A. assets and liabilities
- B. liabilities and expenses
- C. revenues and liabilities
- D. capital and drawing

88. Which of the following groups of accounts have a normal debit balance?

- A. revenues, liabilities, capital
- B. capital, assets
- C. liabilities, expenses
- D. assets, expenses

89. Which one of the statements below is **not** a purpose for the journal?

- A. to show increases and decreases in accounts
- B. to show a chronological order by date
- C. to show a complete transaction in one place
- D. to help locate errors

90. A credit may signify a

- A. decrease in assets
- B. decrease in liabilities
- C. decrease in capital
- D. decrease in revenue

91. A debit signifies a decrease in

- A. assets
- B. expenses
- C. drawing
- D. revenues

92. Which of the following applications of the rules of debit and credit is true?

- A. decrease Prepaid Insurance with a credit and the normal balance is a credit
- B. increase Accounts Payable with a credit and the normal balance is a debit
- C. increase Supplies Expense with a debit and the normal balance is a debit
- D. decrease Cash with a debit and the normal balance is a credit

93. Which of the following describes the classification and normal balance of the fees earned account?

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

94. The classification and normal balance of the accounts payable account is

- A. an asset with a credit balance
- B. a liability with a credit balance
- C. owner's equity with a credit balance
- D. revenue with a credit balance

95. The classification and normal balance of the drawing account is

- A. an expense with a credit balance
- B. an expense with a debit balance
- C. a liability with a credit balance
- D. owner's equity with a debit balance

96. The classification and normal balance of the supplies expense account is a(n)

- A. asset with a debit balance
- B. asset with a credit balance
- C. expense with a debit balance
- D. liability with a credit balance

97. In which of the following types of accounts are increases recorded by debits?

- A. assets, liabilities
- B. drawing, liabilities
- C. expenses, liabilities
- D. assets, expenses

98. In which of the following types of accounts are increases recorded by credits?

- A. revenues, liabilities
- B. drawing, assets
- C. liabilities, drawing
- D. expenses, liabilities

99. In which of the following types of accounts are decreases recorded by debits?

- A. assets
- B. revenues
- C. expenses
- D. drawing

100. In which of the following types of accounts are decreases recorded by credits?

- A. liabilities
- B. owner's capital
- C. drawing
- D. revenues

101. A credit balance in which of the following accounts would indicate a likely error?

- A. Fees Earned
- B. Salary Expense
- C. Janet James, Capital
- D. Accounts Payable

102. A debit balance in which of the following accounts would indicate a likely error?

- A. Salaries Expense
- B. Notes Payable
- C. Edgar Martin, Drawing
- D. Supplies

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

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

What is the proper order of these steps?

- A. (3), (2), (4), (1)
- B. (2), (3), (4), (1)
- C. (3), (2), (1), (4)
- D. (4), (3), (2), (1)

104. Which of the following entries records the payment of an account payable?

- A. debit Cash; credit Accounts Payable
- B. debit Accounts Receivable; credit Cash
- C. debit Cash; credit Supplies Expense
- D. debit Accounts Payable; credit Cash

105. Which of the following entries records the investment of cash by Ron York, owner of a proprietorship?

- A. debit Ron York, Capital; credit Accounts Receivable
- B. debit Cash; credit Ron York, Capital
- C. debit Ron York, Drawing; credit Cash
- D. debit Cash; credit Ron York, Drawing

106. Which of the following entries records the receipt of a utility bill from the water company?

- A. debit Utilities Expense; credit Accounts Payable
- B. debit Utilities Payable; credit Accounts Receivable
- C. debit Accounts Payable; credit Cash
- D. debit Accounts Payable; credit Utilities Payable

107. Which of the following entries records the withdrawal of cash by Sue Martin, owner of a proprietorship, for personal use?

- A. debit Sue Martin, Capital; credit Cash
- B. debit Sue Martin, Drawing; credit Cash
- C. debit Salaries Expense; credit Cash
- D. debit Salaries Expense; credit Salaries Payable

108. Office supplies were sold by Ari's Alarm Service at cost to another repair shop, with cash received. Which of the following entries for Ari's Alarm Service records this transaction?

- A. Office Supplies, debit; Cash, credit
- B. Office Supplies, debit; Accounts Payable, credit
- C. Cash, debit; Office Supplies, credit
- D. Accounts Payable, debit; Office Supplies, credit

109. Office supplies purchased by Ari's Alarm Service on account were returned. Which of the following entries for Ari's Alarm Service records this transaction?

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

110. Cash was paid by Ari's Alarm Service to creditors on account. Which of the following entries for Ari's Alarm Service records this transaction?

- A. Cash, debit; Ari Fleish, Capital, credit
- B. Accounts Payable, debit; Cash, credit
- C. Accounts Receivable, debit; Cash, credit
- D. Accounts Payable, debit; Account Receivable, credit

111. The process of initially recording a business transaction is called

- A. trial balancing
- B. posting
- C. journalizing
- D. balancing

112. Which of the following entries records the acquisition of office supplies on account?

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

113. Which of the following entries records the payment of rent for the current month?

- A. Cash, debit; Rent Expense, credit
- B. Rent Expense, debit; Cash, credit
- C. Rent Expense, debit; Accounts Receivable, credit
- D. Accounts Payable, debit; Rent Expense, credit

114. Which of the following entries records the receipt of cash from patients on account?

- A. Accounts Payable, debit; Fees Earned, credit
- B. Accounts Receivable, debit; Fees Earned, credit
- C. Accounts Receivable, debit; Cash, credit
- D. Cash, debit; Accounts Receivable, credit

115. Which of the following entries records the collection of cash from cash customers?

- A. Fees Earned, debit; Cash, credit
- B. Fees Earned, debit; Accounts Receivable, credit
- C. Cash, debit; Fees Earned, credit
- D. Accounts Receivable, debit; Fees Earned, credit

116. Which of the following entries records the receipt of cash for two months' rent? The cash was received in advance of providing the service.

- A. Prepaid Rent, debit; Rent Revenue, credit.
- B. Cash, debit; Unearned Rent, credit.
- C. Cash, debit; Prepaid Rent, credit.
- D. Cash, debit; Rent Expense credit.

117. A patient has a physical examination and asks the bookkeeper to mail the bill. The bookkeeper should

- A. make no entry until the cash is received
- B. Cash, debit; Accounts Receivable, credit
- C. Cash, debit; Fees Earned, credit
- D. Accounts Receivable, debit; Fees Earned, credit

118. Proof that the dollar amount of the debits equals the dollar amount of the credits in the ledger means

- A. *all* of the information from the journal was correctly transferred to the ledger
- B. *all* accounts have their correct balances in the ledger
- C. *only* the journal is accurate; the ledger may be incorrect
- D. *only* that the debit dollar amounts equal the credit dollar amounts

119. Which of the following is true about a T-Account?

- A. Left hand side of the T-Account is called a debit.
- B. Left hand side of the T-Accounts is called a credit
- C. Right hand side of the T-Account is called a debit
- D. None are true.

120. Which of the following abbreviations are correct?

- A. Debit "Dr", Credit "Cd"
- B. Debit "Db", Credit "Cr"
- C. Debit "Db", Credit "Cd"
- D. Debit "Dr", Credit "Cr"

121. Which side of the account increases a cash account?

- A. credit
- B. neither a debit or a credit
- C. debit
- D. either a debit or a credit

122. A cash payment is recorded on the cash account as a

- A. neither a debit or a credit
- B. credit
- C. debit
- D. either a debit or a credit

123. The balance of the account is determined by

- A. adding all of the debits to all of the credits.
- B. always subtracting the debits from the credits.
- C. always subtracting the credits from the debits.
- D. adding all of the debits, adding all of the credits, and then subtracting the smaller sum from the larger sum.

124. A list of the accounts is called

- A. ledger
- B. chart of accounts
- C. T-Account
- D. Debit

125. On the chart of accounts, the balance sheet accounts are normally listed in the following order

- A. liabilities, assets, owner's equity
- B. assets, liabilities, owner's equity
- C. owner's equity, assets, liabilities
- D. assets, owner's equity, liabilities

126. In which order are the accounts listed in the chart of accounts?

- A. assets, expenses, liabilities, owners' equity, revenues
- B. owners' equity, assets, liabilities, revenues, expenses
- C. assets, liabilities, owner' equity, revenues, expenses
- D. assets, liabilities, revenues, expenses, owners' equity

127. Which are the parts of the T account?

- A. title, date, total
- B. date, debit side, credit side
- C. title, debit side, credit side
- D. title, debit side, total

128. Which of the following is **not** a correct rule of debits and credits?

- A. assets, expenses and withdrawals are increased by debits
- B. assets are decreased by credits and have a normal debit balance
- C. liabilities, revenues and owner's equity are increased by credits
- D. the normal balance for revenues and expenses is a credit

129. Prarie Clinic purchased X-ray equipment for \$4,000, paid \$1,275 down, with the remainder to be paid later. The correct entry would be

- A. Equipment 1,275
 Cash 1,275
- B. Cash 1,275
 Accounts Payable 2,725
 Equipment 4,000
- C. Equipment Expense 4,000
 Accounts Payable 1,275
 Cash 2,725
- D. Equipment 4,000
 Accounts Payable 2,725
 Cash 1,275

130. The chart of accounts is designed to

- A. alphabetize the accounts to make reading easier for its financial statement users.
- B. analyze the accounts and organize them in order of dollar amount to simplify the accounting information for users.
- C. summarize the transactions and determine their ending balances.
- D. meet the information needs of a company and other financial statement users.

131. Which group of accounts is comprised of only assets?

- A. Cash, Accounts Payable, Buildings
- B. Accounts Receivable, Revenue, Cash
- C. Prepaid Expenses, Buildings, Patents
- D. Unearned Revenues, Prepaid Expenses, Cash

132. Of the following which is **true** about assets?

- A. Assets include physical and intangible assets.
- B. Assets include only physical assets.
- C. Assets are owned solely by the owner of the company.
- D. Assets are the result of selling products or services to customers.

133. Which of the following is **not** considered to be a liability?

- A. Wages Payable
- B. Accounts Receivable
- C. Unearned Revenues
- D. Accounts Payable

134. Which of the following statements is **not** true about liabilities?

- A. Liabilities are debts owed to outsiders.
- B. Account titles of liabilities often include the term “payable”.
- C. Cash received before services are performed are considered to be liabilities.
- D. Liabilities do not include wages owed to employees of the company.

135. The owner’s equity will be reduced by all of the following accounts **except**:

- A. Revenues
- B. Expenses
- C. Drawing account
- D. All are true.

136. Expenses can result from:

- A. increasing owner’s equity.
- B. consuming services.
- C. using up liabilities.
- D. all are true.

137. The chart of accounts classify the accounts to make identification of the accounts easier. This is done by way of assigning a number to each account. The first number identifies the classification of the type of account. Which of the following indicates the use of this classification?

- A. 1-Assets, 2-Liabilities, 3-Owner’s Equity, 4-Expenses, 5-Revenues
- B. 1-Assets, 2-Liabilities, 3-Owner’s Equity, 4-Revenues, 5-Expenses
- C. 1-Assets, 2-Owner’s Equity, 3-Revenues, 4-Expenses, 5-Drawing
- D. 1-Owner’s Equity, 2-Drawing, 3-Revenues, 4-Expenses

138. The ____ is where a transaction can first be found on the accounting records.

- A. chart of accounts
- B. income statement
- C. balance sheet
- D. journal

139. The process of recording a transaction in the journal is called

- A. recording
- B. journalizing
- C. posting
- D. summarizing

140. Joshua Scott invests \$65,000 into his new business. How would the journal entry for this transaction be entered in the journal?

- A. Cash 65,000
Joshua Scott, Capital 65,000
Invested cash in business
- B. Cash 65,000
Joshua Scott, Capital 65,000
Invested cash in business
- C. Joshua Scott, Capital 65,000
Cash 65,000
Invested cash in business
- D. Joshua Scott, Capital 65,000
Cash 65,000
Invested cash in business

141.

April	23	Cash	14,000	
		Jim Xu, Capital		14,000
		Invest cash in Xu Co.		

The journal entry will:

- A. Increase Capital and decrease Cash
- B. Increase Cash and decrease Capital
- C. Increase Cash and increase Capital
- D. Decrease Cash and decrease Capital

142.

May	24	Land	53,000	
		Cash		53,000
		Purchased land for business		

What effects does this journal entry have on the accounts?

- A. Increase to Cash and increase to Land
- B. Increase to Land and decrease to Cash
- C. Decrease to Cash and decrease to Land
- D. Increase to Cash and decrease to Land

143.

May	31	Supplies	120	
		Accounts Payable		120
		????????????		

What is the best explanation for this journal entry?

- A. Purchased supplies with cash
- B. Investment of supplies by owner
- C. Purchased supplies on account
- D. Paid accounts payable.

144.

March	10	Accounts Payable	3,300	
		Cash		3,300
		Paid creditors on account		

What effect does this journal entry have on the accounts?

- A. Decrease accounts payable, increase cash
- B. Increase cash, decrease accounts payable
- C. Increase accounts payable, increase cash
- D. Decrease accounts payable, decrease cash

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

- A. Land, Accounts Payable, Drawing
- B. Accounts Payable, Unearned revenue, Collins Capital
- C. Collins Capital, Accounts Receivable, Unearned Revenue
- D. Cash, Accounts Receivable, Collins Capital

146. In accordance with the debit and credit rules, which of the following is true?

- A. Debits increase assets.
- B. Credits increase assets.
- C. Debits increase both assets and capital.
- D. Credits increase both assets and liabilities.

147. All of the following accounts are increased with a debit **except**:

- A. Unearned Revenues
- B. Land
- C. Accounts Receivable
- D. Cash

148. Which of the following owner's equity accounts follow the same debit and credit rules as liabilities?

- A. Expense accounts only
- B. Drawing accounts only
- C. Revenues accounts only
- D. Expenses and drawing accounts

149. The payment for the monthly rent will require the following entry

- A. Debit Cash and Debit Rent Expense
- B. Credit Cash and Credit Rent Expense
- C. Debit Rent Expense and Credit Cash
- D. Credit Rent Expense and Debit Cash

150. Expenses follow the same debit and credit rules as

- A. Revenues
- B. Drawing Account
- C. Capital Account
- D. Liabilities

151. Net income will result when

- A. revenues (credits) > expenses (debits)
- B. revenues (debits) > expenses (credits)
- C. expenses (credits) < revenues (debits)
- D. revenues (credits) = expenses (debits)

152. Which of the following will increase owner's equity?

- A. Expenses > revenues
- B. the owner draws money for personal use
- C. Revenues > expenses
- D. Cash is received from customers on account.

153. Which of the following situations increase owner's equity?

- A. Supplies are purchased on account.
- B. Services are provided on account.
- C. Cash is received from customers.
- D. Utility bill will be paid next month.

154. Which of the following group of accounts are increased with a debit?

- A. assets, liabilities, owner's equity
- B. assets, drawing, expenses
- C. assets, revenues, expenses
- D. assets, liabilities, revenues

155. Which of the following group of accounts increase with a credit?

- A. Capital, revenues, expenses
- B. Assets, capital, revenues
- C. Liabilities, capital, revenues
- D. None of these

156. Which of the following is true regarding normal balances of accounts?

- A. All accounts have a normal debit balance.
- B. The normal balance of all accounts will have either a positive or negative balance.
- C. Accounts that have a normal debit balance will only have debit entries, never credit entries.
- D. The normal balance is the side of the account that increases the account.

157. All of the following occur with a double-entry accounting system **except**:

- A. The accounting equation remains in balance.
- B. The sum of all debits is always equal to the sum of all credits in each journal entry.
- C. Each business transaction will have only two entries.
- D. Every transaction affects at least two accounts.

158.

March	6	Cash		375	
		Unearned Fees			375
		???????????			

What is the best explanation for this journal entry?

- A. Received cash for services performed
- B. Received cash for services to be performed in the future.
- C. Paid cash in advance for services to be done.
- D. Paid cash for services to be performed.

159.

April	14	Equipment		6,700	
		Cash			2,000
		Note Payable			4,700
		???????????			

Which is the best explanation for this journal entry?

- A. Purchased equipment, paid cash of \$2,000, with the remainder to be paid in payments.
- B. Purchased equipment, paid cash of \$4,700, with the remainder to be received in the future.
- C. Purchased equipment, paid cash for the entire amount.
- D. Purchased equipment on credit.

160. The process of rewriting the information from the journal into the ledger is called

- A. sliding
- B. transposing
- C. journalizing
- D. posting

161. The verification that the total dollar amount of the debits equals the total dollar amount of the credits in the ledger is called a

- A. ledger
- B. trial balance
- C. account
- D. balance sheet

162. The process of transferring the journal entries to the accounts is known as

- A. posting
- B. updating
- C. journalizing
- D. summarizing

163. The posting process will include the transfer of the following information from the journal to the account.

- A. date, amount (debit or credit)
- B. date, amount (debit or credit), journal page number
- C. amount (debit or credit), account number
- D. date, amount (debit or credit) account number

164. The post reference columns are used to trace transactions from the journal to the accounts. What will be posted on the post reference column of (a) the journal and (b) on the account?

- A. (a) the amount of the debit or credit (b) the journal page number
- B. (a) the journal page number (b) the date of the transaction
- C. (a) the journal page number, (b) the account number
- D. (a) the account number, (b) the journal page number

165. The chart of account for the Corning Company includes some of the following accounts:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Corning, Capital	31
Corning, Drawing	32
Fees Earned	41
Salaries Expense	54
Rent Expense	56

On the journal page 3, the following transaction was found:

Prepaid Insurance	1,530	
Cash		1,530

What is the post reference that will be found on the cash account?

- A. 11
- B. 15
- C. 3
- D. None

166. The chart of account for the Corning Company includes some of the following accounts:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Corning, Capital	31
Corning, Drawing	32
Fees Earned	41
Salaries Expense	54
Rent Expense	56

On the journal page 3, the following transaction was found:

Prepaid Insurance	1,530	
Cash		1,530

What is the post reference that will be found on the Prepaid Insurance account?

- A. 11
- B. 15
- C. 3
- D. None

167. The chart of account for the Corning Company includes some of the following accounts:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Corning, Capital	31
Corning, Drawing	32
Fees Earned	41
Salaries Expense	54
Rent Expense	56

On the journal page 3, the following transaction was found:

Prepaid Insurance	1,530	
Cash		1,530

What is the post reference that will be found on the journal entry?

- A. 15, 11
- B. 15
- C. 11
- D. 3

168. The chart of account for the Miguel Company includes some of the following accounts:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Miguel, Capital	31
Miguel, Drawing	32
Fees Earned	41
Salaries Expense	54
Rent Expense	56

On the journal page 3, the following transaction was found:

Cash	640	
Fees Earned		640

What is the post reference that will be found on the journal entry?

- A. 41
- B. 3
- C. 11, 41
- D. 11

169. The chart of account for the Miguel Company includes some of the following accounts:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Miguel, Capital	31
Miguel, Drawing	32
Fees Earned	41
Salaries Expense	54
Rent Expense	56

On the journal page 5, the following transaction was found:

Salaries Expense	525	
Cash		525

What is the post reference that will be found on the Salaries Expense account?

- A. 5
- B. 11
- C. 54
- D. None

170. The accounts in the ledger of Monroe Entertainment Co. are listed in alphabetical order. All accounts have normal balances.

Accounts Payable	1,500	Fees Earned	3,000
Accounts Receivable	1,800	Insurance Expense	1,300
Investment	2,000	Land	3,000
Cash	2,600	Wages Expense	1,400
Drawing	1,200	Capital	8,800

The total of all the assets is:

- A. \$9,400
- B. \$9,000
- C. \$9,100
- D. \$9,800

171. A trial balance is prepared to

- A. prove that there were no errors made in recording transactions into the journal
- B. prove that no errors were made in posting to the ledger
- C. prove that each account balance is correct
- D. summarize the account balances to help prepare financial statements

172. The accounts in the ledger of Monroe Entertainment Co. are listed in alphabetical order. All accounts have normal balances.

Accounts Payable	1,500	Fees Earned	3,000
Accounts Receivable	1,800	Insurance Expense	1,300
Investment	2,000	Land	3,000
Cash	2,600	Wages Expense	1,400
Drawing	1,200	Capital	8,800

Prepare a trial balance. The total of the debits is

- A. \$13,300
- B. \$9,400
- C. \$9,100
- D. \$9,600

173. Of the following financial reports, which one is the one that will determine if the accounting equation is in balance?

- A. Journal entry
- B. Income statement
- C. Trial balance
- D. Account reconciliation

174. An overpayment error was discovered in computing and paying the wages of a Jamison Tree Trimming employee. When Jamison receives cash from the employee for the amount of the overpayment, which of the following entries will Jamison make?

- A. Cash, debit; Wages Expense, credit
- B. Wages Payable, debit; Wages Expense, credit
- C. Wages Expense, debit, Cash, credit
- D. Cash, debit; Wages Payable, credit

175. If the two totals of a trial balance are not equal, it could be due to

- A. failure to record a transaction
- B. recording the same erroneous amount for both the debit and the credit parts of a transaction
- C. an error in determining the account balances, such as a balance being incorrectly computed
- D. recording the same transaction more than once

176. When a transposition error is made on the trial balance, the difference between the debit and credit totals on the trial balance will be

- A. zero
- B. twice the amount of the transposition
- C. one-half the amount of the transposition
- D. divisible by 9

177. Which of the following errors, each considered individually, would cause the trial balance totals to be unequal?

- A. a transaction was not posted
- B. a payment of \$67 for insurance was posted as a debit of \$42 to Prepaid Insurance and a credit of \$42 to Cash
- C. a payment of \$1,311 to a creditor was posted as a debit of \$3,111 to Accounts Payable and a debit of \$311 to Accounts Receivable
- D. cash received from customers on account was posted as a debit of \$680 to Cash and a credit of \$680 to Accounts Payable

178. Supplies purchased on account were incorrectly recorded as Office Equipment. The correcting entry would be

- A. Supplies, debit; Office Equipment, credit.
- B. Accounts Receivable, debit; Supplies, credit.
- C. Office Equipment, debit; Supplies Expense, credit.
- D. Supplies, debit; Accounts Payable, credit.

179. Which of the following errors will cause the trial balance totals to be unequal?

- A. post the debit portion of a journal entry incorrectly and the credit portion of the entry is correctly posted
- B. failure to record a transaction or to post a transaction
- C. recording the same transaction more than once
- D. recording the same erroneous amount for both the debit and the credit parts of a transaction
- E. posting a part of a transaction correctly as a debit or credit but to the wrong account

180. The trial balance is out of balance and the accountant suspects that a transposition or slide error has occurred. What will the accountant do to find the error?

- A. Determine the amount of the error and look for that amount on the trial balance.
- B. Determine the amount of the error and divide by two, then look for that amount on the trial balance.
- C. Determine the amount of the error and refer to the journal entries for that amount.
- D. Determine the amount of the error and divide by nine. If the result is evenly divided, then this type of error is likely.

181. Which of the following is **not** a short-cut in finding errors on the trial balance?

- A. Determine the difference between debits and credits and look for the amount.
- B. Determine the amount and change any account to make the trial balance correct.
- C. Determine the difference between debits and credits, divide the amount by 2, look for the amount.
- D. Determine the difference between debits and credits, divide the amount by 9, if it divides evenly, look for a transposition or slide error.

182. All of the following statements regarding a horizontal analysis are true **except**:

A. A horizontal analysis is used to compare an item in a current statement with the same item in prior statements.

B. A horizontal analysis can be performed on a balance sheet and income statement, but not on a statement of cash flows.

C. If Fees Earned in 2010 is \$150,000 and Fees Earned in 2011 is \$187,500, a horizontal analysis will indicate a 25% increase over this period.

D. When two statements are compared in horizontal analysis, the earlier statement is used as the base for computing the amount and the percent of change.

183. The chart of accounts classifies the accounts to make identification of the accounts easier. Discuss how companies set up their chart of accounts for use in their business.

184. On September 1st, Erika Company purchased land for \$47,500 cash. Write the journal entry in the space below.

185. On October 10th, Nikle Company purchased supplies worth \$2,750 on account.

(a) Write the journal entry in the space below.

(b) Nikle Company paid this bill on October 25th. Write the journal entry in the space below.

186. On October 17th Nikle Company purchased a building and a plot of land for \$750,000. The building was valued at \$500,000 while the land carried a value of \$250,000. Nikle paid \$300,000 down in cash and signed a notes payable for the balance. In the space below write the journal entry.

187. On November 1st Nikle Company made a cash payment of \$200,000 on a note payable that was generated in the purchase of a building and land plot. Write the journal entry for this payment in the space below.

188. Damien Lawson invests \$45,000 to initiate the operation of his business, JumpStart, on January 7th. Journalize this transaction.

189. On January 8th, Damien Lawson transfers ownership of several pieces of office equipment to his new business, JumpStart. When new, these items were worth \$72,500. The fair market value of the equipment is \$60,000. Journalize this transfer.

190. On August 30th JumpStart pays numerous bills which include:
Payment to the landlord for August rent - \$950
Payment to the Gas & Electric Company for August's bill - \$525
Payment of employee wages for the last half of August - \$1,880
Payment of shopping center's parking lot cleaning fee - \$275
Journalize these payments as one compound journal entry.

191. On October 30th Damien Lawson withdraws \$3,330 from JumpStart for personal use. Journalize this event.

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

193. Prepare a journal entry on October 12 for the fees earned on account, \$14,600.

194. Prepare a journal entry on March 27 for the payment of \$8,000 to the owner of Credit Consultant Company, Neal Stone, for personal use.

195. State for each account whether it is likely to have (a) debit entries only, (b) credit entries only, or (c) both debit and credit entries. Also, indicate the normal balance of each account.

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

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

197. For each of the following errors, considered individually, indicate whether the error would cause the trial balance totals to be unequal. If the error would cause the trial balance total to be unequal, indicate whether the debit or credit total is higher and by how much.

- A. Payment of a cash withdrawal of \$6,800 was journalized and posted as a debit of \$8,600 to Salaries Expense and a credit of \$8,600 to Cash.
- B. A fee of \$9,780 earned was debited to Accounts Receivable for \$7,980 and credited to Fees Earned for \$9,780.
- C. A payment of \$3,000 to a creditor was posted as a credit of \$3,000 to Accounts Payable and a credit of \$3,000 to Cash.

198. The following errors took place in journalizing and posting transactions:

- A. A withdrawal of \$5,000 by Stan Norton, owner of the business, was recorded as a debit to Office Expense and a credit to Cash.
- B. Accounts receivable payment for \$7,800 was recorded as a debit to Cash and a credit to Fees Earned.

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

199. Discuss and describe how errors in accounts can be found.

200. On November 30th, Damien Lawson is informed by his accountant that \$550 of a transaction recording the purchase of office supplies was really office equipment. He has been asked to correct this journal entry. Write the journal entry to correct this situation.

201. Journalize the entries to correct the following errors:

- (a) A purchase of supplies for \$200 on account was recorded and posted as a debit to Supplies for \$500 and as a credit to Accounts Receivable for \$500.
- (b) A receipt of \$4,000 from Fees Earned was recorded and posted as a debit to Fees Earned for \$4,000 and a credit to Cash for \$4,000.

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

- _____ 1. Notes Payable
- _____ 2. Mortgage Payable
- _____ 3. Drawing
- _____ 4. Accounts Receivable
- _____ 5. Capital
- _____ 6. Rent Revenue
- _____ 7. Unearned Income
- _____ 8. Utility Expense
- _____ 9. Automobiles

203. On January 1, 2010, Cary Parsons established a catering service. Listed below are accounts to use for transactions (a) through (d), each identified by a number. Following this list are the transactions that occurred during the first month of operations. You are to indicate for each transaction the accounts that should be debited and credited by place the account number(s) in the appropriate box.

1.	Cash
2.	Accounts Receivable
3.	Supplies
4.	Prepaid Insurance
5.	Equipment
6.	Truck
7.	Notes Payable
8.	Accounts Payable
9.	Cary Parsons, Capital
10.	Cary Parsons, Drawing
11.	Fees Earned
12.	Wages Expense
13.	Rent Expense
14.	Utilities Expense
15.	Truck Expense
16.	Miscellaneous Expense

Transactions	Account(s) Debited	Account(s) Credited
a. Cary transferred cash from a personal bank account to an account to be used for the business.		
b. Paid rent for the period of January 3 to the end of the month.		
c. Purchased truck for \$30,000 with a cash down payment of \$5,000 and the remainder on a note.		
d. Purchased equipment on account.		

204. On January 1, 2010, Cary Parsons established a catering service. Listed below are accounts to use for transactions (a) through (e), each identified by a number. Following this list are the transactions that occurred in Parsons' first month of operation. You are to indicate for each transaction the accounts that should be debited and credited by place the account number(s) in the appropriate box.

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

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

205. On January 1, 2010, Cary Parsons established a catering service. Listed below are accounts to use for transactions (a) through (f), each identified by a number. Following this list are the transactions that occurred in Parsons' first month of operation. You are to indicate for each transaction the accounts that should be debited and credited by place the account number(s) in the appropriate box.

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

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

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

1.	Cash
2.	Accounts Receivable
3.	Office Supplies
4.	Land
5.	Interest Receivable
6.	Building
7.	Accumulated Depreciation - Building
8.	Depreciation Expense - Building
9.	Accounts Payable
10.	Interest Payable
11.	Insurance Payable
12.	Utility Expense
13.	Notes Payable
14.	Prepaid Insurance
15.	Service Revenue
16.	Owner, Capital
17.	Insurance Expense
18.	Utility Payable
19.	Office Supplies Expense
20.	Unearned Service Revenue
21.	Owner, Drawing
22.	Interest Expense

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

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

REQUIRED:

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

Dawson Co. Unadjusted Trial Balance For the Month of January 2011		
	Debits	Credits
Cash	23,000	
Accounts Receivable		49,700
Prepaid Insurance	11,300	
Equipment	150,500	
Accounts Payable	6,050	
Salaries Payable		4,250
Tim Dawson, Capital		110,000
Tim Dawson, Drawing		18,500
Service Revenue		236,600
Salary Expense	98,930	
Miscellaneous Expense		4,970
	<u>424,020</u>	<u>424,020</u>

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

1. On June 1, the cash account balance was \$38,750. During June, cash payments totaled \$239,140 and the June 30 balance was \$42,175. Determine the cash receipts during June and show your calculation.
2. On March 1, the supplies account balance was \$1,340. During March, supplies of \$4,335 were purchased and \$890 of supplies were on hand as of March 31. Determine the supplies expense for March and show your calculation.

209. On January 1, 2010, Cary Parsons established a catering service. Listed below are accounts she would like to open in the general ledger. List the accounts in the order in which they should appear in the ledger and propose a two digit account numbering scheme that is consistent with the rules of a proper chart of accounts.

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

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

I-Increase

D-Decrease

NE-No Effect

		<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Owners' Equity</u>
Example	John Smith invests in his new business by giving it his personal drill press valued at \$3,500.	<u>I</u>		<u>NE</u>		<u>I</u>
A)	Cash sales are made.	_____		_____		_____
B)	Equipment is purchased on credit.	_____		_____		_____
C)	Payment is made for the equipment purchased on credit in (B).	_____		_____		_____
D)	The company sold excess supplies to another company on credit.	_____		_____		_____
E)	Cash is collected from customers for accounts receivable balances.	_____		_____		_____

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

- August
1 Mirmax purchases two new saws on credit at \$375 each. The saws are added to Mirmax's rental inventory. Payment is due in 30 days.
- 8 Mirmax accepts advance deposits for tool rentals of \$75 that will be applied to the cash rental when the tools are returned.
- 15 Mirmax receives a bill from Macon Utility Company for \$150. Payment is due in 30 days.
- 20 Customers are charged \$750 by Mirmax for tool rentals. Payment is due from the customers in 30 days.
- 31 Mirmax receives \$500 in payments from the customers that were billed for rentals on August 20.

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

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

31 Salaries of \$850 are paid to employees.

213. McMann Company has a condensed income statement as shown::

	2011	2010
Sales	\$178,400	\$162,500
Wage expenses	100,000	92,500
Rent expenses	33,000	30,000
Utilities expenses	30,000	25,000
Total operating expenses	163,000	147,500
Net income	15,400	15,000

REQUIRED:

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

214. Georgia Company has a condensed income statement as shown::

	2011	2010
Sales	\$158,400	\$162,500
Wage expenses	80,000	92,500
Rent expenses	28,000	30,000
Utilities expenses	30,000	25,000
Total operating expenses	138,000	147,500
Net income	20,400	15,000

REQUIRED:

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

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

Miscellaneous Expense
Accounts Payable
Accounts Receivable
Cash
Alecia Morris, Capital
Fees Earned
Prepaid Rent
Salaries Expense
Unearned Revenue
Alecia Morris, Drawing

216. Selected accounts from the ledger of Garrison Company appear below. For each account, indicate the following:

- (a) In the first column at the right, indicate the nature of each account, using the following abbreviations:

Asset - A	Rev enu e - R
Liability - L	Exp ense - E
None of the above - N	

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

<u>Account</u>	<u>Type</u> <u>Increase</u> <u>Side</u> <u>of</u> <u>Acc</u> <u>ount</u>
(1) Supplies	_____ _____ -
(2) Notes Receivable	_____ _____ -
(3) Fees Earned	_____ _____ -
(4) Garrison, Drawing	_____ _____ -
(5) Accounts Payable	_____ _____ -
(6) Salaries Expense	_____ _____ -
(7) Garrison, Capital	_____ _____ -
(8) Accounts Receivable	_____ _____ -
(9) Equipment	_____ _____ -
(10) Notes Payable	_____ _____ -

217. Calculate the following:

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

Cash payments during April	\$45,500
Cash account balance, April 1	6,750
Cash account balance, April 30	10,000

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

Accounts receivable account balance, April 1	\$10,500
Accounts receivable account balance, April 30	7,250
Fees billed to customers during April	26,000

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

	(a) Recorded <u>As</u>	(b) Normal <u>Balance</u>
(1) Increase in Denice Dickenson, Capital	_____	_____
(2) Increase in Denice Dickenson, Drawing	_____	_____
(3) Decrease in Accounts Receivable	_____	_____
(4) Increase in Note Payable	_____	_____
(5) Increase in Accounts Payable	_____	_____
(6) Decrease in Supplies	_____	_____
(7) Decrease in Salaries Expense	_____	_____
(8) Increase in Accounts Receivable	_____	_____
(9) Increase in Cash	_____	_____
(10) Decrease in Land	_____	_____

219. Record the following selected transactions for April in a two-column journal, identifying each entry by letter:

- (a) Received \$12,000 from Katie Long, owner.
- (b) Purchased equipment for \$25,000, paying \$10,000 in cash and giving a note payable for the remainder.
- (c) Paid \$1,800 for rent for April.
- (d) Purchased \$9,800 of supplies on account.
- (e) Recorded \$2,250 of fees earned on account.
- (f) Received \$9,000 in cash for fees earned.
- (g) Paid \$300 to creditors on account.
- (h) Paid wages of \$1,650.
- (i) Received \$1,190 from customers on account.
- (j) Recorded owner's withdrawal of \$2,350.

220. All nine transactions for Dalton Survey Company for September, the first month of operations, are recorded in the following T accounts:

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

Accounts Receivable		Michael Dalton, Drawing						
(4)	4,900	(9)	4,700		(8)	2,000		

Supplies		Fees Earned						
(3)	7,500						(4)	4,900
							(7)	6,900

Equipment		Operating Expense						
(2)	4,500				(6)	5,500		

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

Indicate the following for each debit and each credit:

- (a) The type of account affected (asset, liability, capital, drawing, revenue, or expense).
- (b) The effect on the account, using + for increase and - for decrease.

Present your answers in the following form:

<u>Transaction</u>	<u>Account Debited</u> <u>Type</u>	<u>Accounted Credited</u> <u>Effect</u>	<u>Type</u>	<u>Effect</u>
--------------------	---------------------------------------	--------------------------------------------	-------------	---------------

221. On January 12th, JumpStart Co. purchased \$870 in office supplies.

- (a) Journalize this transaction as if JumpStart paid cash.
- (b) (1) Journalize this transaction as if JumpStart placed it on account.
- (b) (2) On January 18th, JumpStart pays the amount due. Journalize this event.

222. On December 1st, JumpStart Company provides \$2,800 in services to clients.

(a) Journalize this event as if the clients had paid cash at the time the services were rendered.

(b)(1) Journalize this event as if the clients had placed this on account.

(b)(2) Assume that the clients paid \$1,200 of the amount on account on December 30th. Journalize this transaction.

223. On November 10th, JumpStart Co. provides \$2,900 in services to clients. At the time of service, the clients paid \$600.00 in cash and put the balance on account.

(a) Journalize this event.

(b) On November 20th, JumpStart Co. clients paid an additional \$900 on their accounts due. Journalize this event.

(c) Calculate the amount on accounts receivable on November 30th.

224. Journalize the following selected transactions for April 2011 in a two-column journal. Journal entry explanations may be omitted.

April 1	Received cash from the investment made by the owner, \$14,000.
2	Received cash for providing accounting services, \$9,500.
3	Billed customers on account for providing services, \$4,200.
4	Paid advertising expense, \$700.
5	Received cash from customers on account, \$2,500.
6	Owner withdraws, \$1,010.
7	Received telephone bill, \$900.
8	Paid telephone bill, \$900.

Put the appropriate letter next to each transaction.

226. Set up T accounts for Cash; Accounts Receivable; Supplies; Accounts Payable; Clay Potter, Capital; Clay Potter, Drawing; Professional Fees; and Operating Expenses.

- (a) In the T accounts, record the following transactions of Clay Potter, Pool Services for June, 2011, identifying each entry by number:
- (1) Potter invested \$12,500 cash in the business.
 - (2) Purchased supplies on account, \$6,250.
 - (3) Paid operating expenses, \$5,500.
 - (4) Billed clients for fees, \$7,440.
 - (5) Received cash from cash clients, \$4,700.
 - (6) Paid creditors on account, \$1,400.
 - (7) Received \$3,100 from clients on account.
 - (8) Withdrew \$1,500 cash for personal use.
- (b) Prepare a trial balance as of June 30, 2011 for Clay Potter, Pool Services.
- (c) Assuming that supplies expense (which has not been recorded) amounts to \$1,500 for June, determine the following:
- (1) Net income for the month.
 - (2) Owner's equity as of June 30.

227. Prepare a trial balance, listing the following accounts in proper sequence. The accounts (all normal balances) were taken from the ledger of Sophie Designs Co. on April 30, 2010.

Accounts Payable	\$ 4,100	Rent Expense	\$11,500
Accounts Receivable	3,450	Salary Expense	14,000
Cash	7,375	Fees Earned	54,100
Sophie Dawson, Capital	17,800	Supplies	3,125
Sophie Dawson, Drawing	15,500	Supplies Expense	1,700
Equipment	14,500	Utilities Expense	4,000
Miscellaneous Expense	850		

228. **Exhibit 2-1**

All nine transactions for Ralston Sports Co. for September 2011, the first month of operations, are recorded in the following T accounts:

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

Accounts Receivable		James Ralston, Drawing						
(4)	9,900	(9)	9,700		(8)	7,000		

Supplies		Fees Earned					
(3)	12,500					(4)	9,900
						(7)	11,900

Equipment		Operating Expense					
(2)	9,500			(6)	10,500		

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

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

229.

- (a) List the errors in the following trial balance. All accounts have normal balances.
- (b) What would be the new balance of the trial balance after errors are corrected? What would be the balance of Accounts Receivable?

Winslow's Auto Body		
Trial Balance		
For Month Ending April 30, 2011		
Cash		19,475
Accounts Receivable	?	
Supplies		1,000
Equipment	15,000	
Prepaid Insurance		500
Accounts Payable		2,500
Thad Winslow, Capital	17,000	
Thad Winslow, Drawing		1,000
Fees Earned		49,600
Salary Expense	14,500	
Rent Expense		9,000
Utilities Expense	1,400	
Supplies Expense	3,900	
Miscellaneous Expense	<u>250</u>	
	<u>55,000</u>	<u>81,575</u>

230. Answer the following questions for each of the errors listed below, considered individually:

- (a) Did the error cause the trial balance totals to be unequal?
- (b) What is the amount of the difference between the trial balance totals (where applicable)?
- (c) Which of the trial balance totals, debit or credit, is the larger (where applicable)?

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

<u>Error</u> <u>(identifying number)</u>	<u>Totals</u> <u>(equal or unequal)</u>	<u>Difference in Totals</u> <u>(amount)</u>	<u>Larger of Totals</u> <u>(debit or credit)</u>
---------------------------------------------	--------------------------------------------	------------------------------------------------	-----------------------------------------------------

Errors:

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

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

Journal entries:

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

<u>ACCOUNTS RECEIVABLE</u>		<u>SERVICE REVENUE</u>							
7/3	1,000					7/3	1,000		
								7/11	500

<u>CASH</u>		<u>ACCOUNTS PAYABLE</u>							
7/11	500		7/25	700		7/12	600		

<u>OFFICE SUPPLIES</u>		<u>OFFICE FURNITURE</u>							
7/12	600					7/25	700		

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

Chapter 2--Analyzing Transactions **Key**

1. Accounts are records of increases and decreases in individual financial statement items.

TRUE

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

FALSE

3. The chart of accounts should be the same for each business.

FALSE

4. Accounts payable are accounts that you expect will be paid to you.

FALSE

5. Consuming goods and services in the process of generating revenues results in expenses.

TRUE

6. Prepaid expenses are an example of an expense.

FALSE

7. Unearned Revenues account is an example of a liability.

TRUE

8. The Drawings account is an example of an expense.

FALSE

9. Accounts in the ledger are usually maintained in alphabetical order.

FALSE

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

FALSE

11. To determine the balance in an account, always subtract credits from debits.

FALSE

12. The double-entry accounting system records each transaction twice.

FALSE

13. The increase side of all accounts is the normal balance.

TRUE

14. Transactions are initially entered into a record called a journal.

TRUE

15. The process of recording a transaction in the journal is called journalizing.

TRUE

16. Journalizing is the process of entering amounts in the ledger.

FALSE

17. Transactions are listed in the journal chronologically.

TRUE

18. Journalizing transactions using the double-entry bookkeeping system will eliminate fraud.

FALSE

19. Liability accounts are increased by debits.

FALSE

20. Expense accounts are increased by credits.

FALSE

21. Revenue accounts are increased by credits.

TRUE

22. The normal balance of a capital account is a debit.

FALSE

23. The normal balance of the drawing account is a debit.

TRUE

24. The normal balance of an expense account is a credit.

FALSE

25. The normal balance of revenue accounts is a credit.

TRUE

26. Withdrawals decrease owner's equity and are listed on the income statement as a deduction from revenue.

FALSE

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

FALSE

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

FALSE

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

FALSE

30. An account has three parts to it; a title, an increase side, and a decrease side.

TRUE

31. The T account got its name because it resembles the letter "T."

TRUE

32. The right hand side of a T account is known as a debit and the left hand side is known as a credit.

FALSE

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

FALSE

34. Debiting the cash account will increase the account.

TRUE

35. A credit to the cash account will increase the account.

FALSE

36. The cash account will always be debited.

FALSE

37. The recording of cash receipts to the cash account will be done by debiting the account.

TRUE

38. The recording of cash payments from the cash account is done by entering the amount as a credit.

TRUE

39. The balance of the account can be determined by adding all of the debits, adding all of the credits, and adding the amounts together.

FALSE

40. When an owner contributes equipment to the business, he or she retains ownership of the property.

FALSE

41. Liabilities are debts owed by the business entity.

TRUE

42. The accounts payable account is listed in the chart of accounts as an asset.

FALSE

43. A drawing account represents the amount of withdrawals made by the owner.

TRUE

44. Revenues are equal to the difference between cash receipts and cash payments.

FALSE

45. Expenses use up assets or consume services in the process of generating revenues.

TRUE

46. Owner's capital will be reduced by the amount in the drawing account.

TRUE

47. The journal includes both debit and credit accounts for each transaction.

TRUE

48. A transaction that is recorded in the journal is called a journal entry.

TRUE

49. Assets are increased with debits and decreased with credits.

TRUE

50. Liabilities are increased with debits and decreased with credits.

FALSE

51. Debits will increase Unearned Revenues and Revenues.

FALSE

52. All owner's equity accounts record increases to the accounts with credits.

FALSE

53. Journal entries can have more than two accounts as long as the debits equal the credits.

TRUE

54. Normal balances are the side that increase the account balance.

TRUE

55. When an owner invests assets in the business, the capital account increases due to revenue being earned.

FALSE

56. When an accounts payable account is paid in cash, the owner's equity in the business decreases.

FALSE

57. When an account receivable is collected in cash, the total assets of the business increase.

FALSE

58. The process of transferring the data from the journal to the ledger accounts is posting.

TRUE

59. The post reference notation used in the ledger is the account number.

FALSE

60. The post reference notation used in the journal is the page number.

FALSE

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

TRUE

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

FALSE

63. The process of transferring the debits and credits from the journal entries to the accounts is known as “updating the accounts”.

FALSE

64. Journalizing eliminates fraud.

FALSE

65. Once journal entries are posted to accounts, each account will show a new balance after each entry.

TRUE

66. A group of related accounts that make up a complete unit is called a trial balance.

FALSE

67. A trial balance determines the accuracy of the numbers.

FALSE

68. Even when a trial balance is in balance, there may be errors in the individual accounts.

TRUE

69. The totals at the bottom of the trial balance and the totals at the bottom of the balance sheet both show equality and balancing, and therefore should be equal.

FALSE

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

FALSE

71. If the trial balance is in balance, it can be assumed that all journal entries were posted correctly and no errors were made.

FALSE

72. Posting a part of a transaction to the wrong account will cause the trial balance totals to be unequal.

FALSE

73. The erroneous arrangement of digits, such as writing \$45 as \$54, is called a slide.

FALSE

74. Journalizing a transaction with both the debit and the credit for \$69 instead of \$96 will cause the trial balance to be out of balance.

FALSE

75. Posting a transaction twice will cause the trial balance totals to be equal.

TRUE

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

FALSE

77. Accounts

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

78. Accounts are classified in the ledger

- A. chronologically
- B. alphabetically
- C.** in accordance with their appearance in the financial statements
- D. so that accounts used most often are listed first

79. Revenue should be recognized when

- A. cash is received
- B.** the service is performed
- C. the customer places an order
- D. the customer charges an order

80. Which of the following accounts is an owner's equity account?

- A. Cash
- B. Accounts Payable
- C. Prepaid Insurance
- D.** Ross Morris, Capital

81. The gross increases in owner's equity attributable to business activities are called

- A. assets
- B. liabilities
- C.** revenues
- D. net income

82. A chart of accounts is

- A. the same as a balance sheet
- B. usually a listing of accounts in alphabetical order
- C.** usually a listing of accounts in financial statement order
- D. used in place of a ledger

83. The debit side of an account

- A. depends on whether the account is an asset, liability or owner's equity
- B. can be either side of the account depending on how the accountant set up the system
- C. is the right side of the account
- D.** is the left side of the account

84. An account is said to have a debit balance if

- A.** the amount of the debits exceeds the amount of the credits
- B. there are more entries on the debit side than on the credit side
- C. its normal balance is debit without regard to the amounts or number of entries on the debit side
- D. the first entry of the accounting period was posted on the debit side

85. Which statement(s) concerning cash is (are) true?

- A. cash will always have more debits than credits
- B. cash will never have a credit balance
- C.** cash is increased by debiting
- D. all of the above

86. A debit may signify a(n)

- A. decrease in asset accounts
- B.** decrease in liability accounts
- C. increase in the capital account
- D. decrease in the drawing account

87. Which of the following types of accounts have a normal credit balance?

- A. assets and liabilities
- B. liabilities and expenses
- C.** revenues and liabilities
- D. capital and drawing

88. Which of the following groups of accounts have a normal debit balance?

- A. revenues, liabilities, capital
- B. capital, assets
- C. liabilities, expenses
- D.** assets, expenses

89. Which one of the statements below is **not** a purpose for the journal?

- A.** to show increases and decreases in accounts
- B. to show a chronological order by date
- C. to show a complete transaction in one place
- D. to help locate errors

90. A credit may signify a

- A.** decrease in assets
- B. decrease in liabilities
- C. decrease in capital
- D. decrease in revenue

91. A debit signifies a decrease in

- A. assets
- B. expenses
- C. drawing
- D.** revenues

92. Which of the following applications of the rules of debit and credit is true?

- A. decrease Prepaid Insurance with a credit and the normal balance is a credit
- B. increase Accounts Payable with a credit and the normal balance is a debit
- C.** increase Supplies Expense with a debit and the normal balance is a debit
- D. decrease Cash with a debit and the normal balance is a credit

93. Which of the following describes the classification and normal balance of the fees earned account?

- A. asset, credit
- B. liability, credit
- C. owner's equity, debit
- D.** revenue, credit

94. The classification and normal balance of the accounts payable account is

- A. an asset with a credit balance
- B.** a liability with a credit balance
- C. owner's equity with a credit balance
- D. revenue with a credit balance

95. The classification and normal balance of the drawing account is

- A. an expense with a credit balance
- B. an expense with a debit balance
- C. a liability with a credit balance
- D.** owner's equity with a debit balance

96. The classification and normal balance of the supplies expense account is a(n)

- A. asset with a debit balance
- B. asset with a credit balance
- C.** expense with a debit balance
- D. liability with a credit balance

97. In which of the following types of accounts are increases recorded by debits?

- A. assets, liabilities
- B. drawing, liabilities
- C. expenses, liabilities
- D.** assets, expenses

98. In which of the following types of accounts are increases recorded by credits?

- A.** revenues, liabilities
- B. drawing, assets
- C. liabilities, drawing
- D. expenses, liabilities

99. In which of the following types of accounts are decreases recorded by debits?

- A. assets
- B.** revenues
- C. expenses
- D. drawing

100. In which of the following types of accounts are decreases recorded by credits?

- A. liabilities
- B. owner's capital
- C.** drawing
- D. revenues

101. A credit balance in which of the following accounts would indicate a likely error?

- A. Fees Earned
- B. Salary Expense**
- C. Janet James, Capital
- D. Accounts Payable

102. A debit balance in which of the following accounts would indicate a likely error?

- A. Salaries Expense
- B. Notes Payable**
- C. Edgar Martin, Drawing
- D. Supplies

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

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

What is the proper order of these steps?

- A. (3), (2), (4), (1)**
- B. (2), (3), (4), (1)
- C. (3), (2), (1), (4)
- D. (4), (3), (2), (1)

104. Which of the following entries records the payment of an account payable?

- A. debit Cash; credit Accounts Payable
- B. debit Accounts Receivable; credit Cash
- C. debit Cash; credit Supplies Expense
- D. debit Accounts Payable; credit Cash**

105. Which of the following entries records the investment of cash by Ron York, owner of a proprietorship?

- A. debit Ron York, Capital; credit Accounts Receivable
- B. debit Cash; credit Ron York, Capital**
- C. debit Ron York, Drawing; credit Cash
- D. debit Cash; credit Ron York, Drawing

106. Which of the following entries records the receipt of a utility bill from the water company?

- A.** debit Utilities Expense; credit Accounts Payable
- B. debit Utilities Payable; credit Accounts Receivable
- C. debit Accounts Payable; credit Cash
- D. debit Accounts Payable; credit Utilities Payable

107. Which of the following entries records the withdrawal of cash by Sue Martin, owner of a proprietorship, for personal use?

- A. debit Sue Martin, Capital; credit Cash
- B.** debit Sue Martin, Drawing; credit Cash
- C. debit Salaries Expense; credit Cash
- D. debit Salaries Expense; credit Salaries Payable

108. Office supplies were sold by Ari's Alarm Service at cost to another repair shop, with cash received. Which of the following entries for Ari's Alarm Service records this transaction?

- A. Office Supplies, debit; Cash, credit
- B. Office Supplies, debit; Accounts Payable, credit
- C.** Cash, debit; Office Supplies, credit
- D. Accounts Payable, debit; Office Supplies, credit

109. Office supplies purchased by Ari's Alarm Service on account were returned. Which of the following entries for Ari's Alarm Service records this transaction?

- A. Cash, debit; Office Supplies, credit
- B. Office Supplies, debit; Accounts Receivable, credit
- C.** Accounts Payable, debit; Office Supplies, credit
- D. Office Supplies, debit; Accounts Payable, credit

110. Cash was paid by Ari's Alarm Service to creditors on account. Which of the following entries for Ari's Alarm Service records this transaction?

- A. Cash, debit; Ari Fleish, Capital, credit
- B.** Accounts Payable, debit; Cash, credit
- C. Accounts Receivable, debit; Cash, credit
- D. Accounts Payable, debit; Account Receivable, credit

111. The process of initially recording a business transaction is called

- A. trial balancing
- B. posting
- C.** journalizing
- D. balancing

112. Which of the following entries records the acquisition of office supplies on account?

- A. Office Supplies, debit; Cash, credit
- B. Cash, debit; Office Supplies, credit
- C.** Office Supplies, debit; Accounts Payable, credit
- D. Accounts Receivable, debit; Office Supplies, credit

113. Which of the following entries records the payment of rent for the current month?

- A. Cash, debit; Rent Expense, credit
- B.** Rent Expense, debit; Cash, credit
- C. Rent Expense, debit; Accounts Receivable, credit
- D. Accounts Payable, debit; Rent Expense, credit

114. Which of the following entries records the receipt of cash from patients on account?

- A. Accounts Payable, debit; Fees Earned, credit
- B. Accounts Receivable, debit; Fees Earned, credit
- C. Accounts Receivable, debit; Cash, credit
- D.** Cash, debit; Accounts Receivable, credit

115. Which of the following entries records the collection of cash from cash customers?

- A. Fees Earned, debit; Cash, credit
- B. Fees Earned, debit; Accounts Receivable, credit
- C.** Cash, debit; Fees Earned, credit
- D. Accounts Receivable, debit; Fees Earned, credit

116. Which of the following entries records the receipt of cash for two months' rent? The cash was received in advance of providing the service.

- A. Prepaid Rent, debit; Rent Revenue, credit.
- B.** Cash, debit; Unearned Rent, credit.
- C. Cash, debit; Prepaid Rent, credit.
- D. Cash, debit; Rent Expense credit.

117. A patient has a physical examination and asks the bookkeeper to mail the bill. The bookkeeper should

- A. make no entry until the cash is received
- B. Cash, debit; Accounts Receivable, credit
- C. Cash, debit; Fees Earned, credit
- D.** Accounts Receivable, debit; Fees Earned, credit

118. Proof that the dollar amount of the debits equals the dollar amount of the credits in the ledger means

- A. *all* of the information from the journal was correctly transferred to the ledger
- B. *all* accounts have their correct balances in the ledger
- C. *only* the journal is accurate; the ledger may be incorrect
- D.** *only* that the debit dollar amounts equal the credit dollar amounts

119. Which of the following is true about a T-Account?

- A.** Left hand side of the T-Account is called a debit.
- B. Left hand side of the T-Accounts is called a credit
- C. Right hand side of the T-Account is called a debit
- D. None are true.

120. Which of the following abbreviations are correct?

- A. Debit "Dr", Credit "Cd"
- B. Debit "Db", Credit "Cr"
- C. Debit "Db", Credit "Cd"
- D.** Debit "Dr", Credit "Cr"

121. Which side of the account increases a cash account?

- A. credit
- B. neither a debit or a credit
- C.** debit
- D. either a debit or a credit

122. A cash payment is recorded on the cash account as a

- A. neither a debit or a credit
- B.** credit
- C. debit
- D. either a debit or a credit

123. The balance of the account is determined by

- A. adding all of the debits to all of the credits.
- B. always subtracting the debits from the credits.
- C. always subtracting the credits from the debits.
- D.** adding all of the debits, adding all of the credits, and then subtracting the smaller sum from the larger sum.

124. A list of the accounts is called

- A. ledger
- B.** chart of accounts
- C. T-Account
- D. Debit

125. On the chart of accounts, the balance sheet accounts are normally listed in the following order

- A. liabilities, assets, owner's equity
- B.** assets, liabilities, owner's equity
- C. owner's equity, assets, liabilities
- D. assets, owner's equity, liabilities

126. In which order are the accounts listed in the chart of accounts?

- A. assets, expenses, liabilities, owners' equity, revenues
- B. owners' equity, assets, liabilities, revenues, expenses
- C.** assets, liabilities, owner' equity, revenues, expenses
- D. assets, liabilities, revenues, expenses, owners' equity

127. Which are the parts of the T account?

- A. title, date, total
- B. date, debit side, credit side
- C.** title, debit side, credit side
- D. title, debit side, total

128. Which of the following is **not** a correct rule of debits and credits?

- A. assets, expenses and withdrawals are increased by debits
- B. assets are decreased by credits and have a normal debit balance
- C. liabilities, revenues and owner's equity are increased by credits
- D.** the normal balance for revenues and expenses is a credit

129. Prarie Clinic purchased X-ray equipment for \$4,000, paid \$1,275 down, with the remainder to be paid later. The correct entry would be

- A. Equipment 1,275
 Cash 1,275
- B. Cash 1,275
 Accounts Payable 2,725
 Equipment 4,000
- C. Equipment Expense 4,000
 Accounts Payable 1,275
 Cash 2,725
- D.** Equipment 4,000
 Accounts Payable 2,725
 Cash 1,275

130. The chart of accounts is designed to

- A. alphabetize the accounts to make reading easier for its financial statement users.
- B. analyze the accounts and organize them in order of dollar amount to simplify the accounting information for users.
- C. summarize the transactions and determine their ending balances.
- D.** meet the information needs of a company and other financial statement users.

131. Which group of accounts is comprised of only assets?

- A. Cash, Accounts Payable, Buildings
- B. Accounts Receivable, Revenue, Cash
- C.** Prepaid Expenses, Buildings, Patents
- D. Unearned Revenues, Prepaid Expenses, Cash

132. Of the following which is **true** about assets?

- A.** Assets include physical and intangible assets.
- B. Assets include only physical assets.
- C. Assets are owned solely by the owner of the company.
- D. Assets are the result of selling products or services to customers.

133. Which of the following is **not** considered to be a liability?

- A. Wages Payable
- B.** Accounts Receivable
- C. Unearned Revenues
- D. Accounts Payable

134. Which of the following statements is **not** true about liabilities?

- A. Liabilities are debts owed to outsiders.
- B. Account titles of liabilities often include the term “payable”.
- C. Cash received before services are performed are considered to be liabilities.
- D. Liabilities do not include wages owed to employees of the company.**

135. The owner’s equity will be reduced by all of the following accounts **except**:

- A. Revenues**
- B. Expenses
- C. Drawing account
- D. All are true.

136. Expenses can result from:

- A. increasing owner’s equity.
- B. consuming services.**
- C. using up liabilities.
- D. all are true.

137. The chart of accounts classify the accounts to make identification of the accounts easier. This is done by way of assigning a number to each account. The first number identifies the classification of the type of account. Which of the following indicates the use of this classification?

- A. 1-Assets, 2-Liabilities, 3-Owner’s Equity, 4-Expenses, 5-Revenues
- B. 1-Assets, 2-Liabilities, 3-Owner’s Equity, 4-Revenues, 5-Expenses**
- C. 1-Assets, 2-Owner’s Equity, 3-Revenues, 4-Expenses, 5-Drawing
- D. 1-Owner’s Equity, 2-Drawing, 3-Revenues, 4-Expenses

138. The ____ is where a transaction can first be found on the accounting records.

- A. chart of accounts
- B. income statement
- C. balance sheet
- D. journal**

139. The process of recording a transaction in the journal is called

- A. recording
- B. journalizing**
- C. posting
- D. summarizing

140. Joshua Scott invests \$65,000 into his new business. How would the journal entry for this transaction be entered in the journal?

- A.** Cash 65,000
Joshua Scott, Capital 65,000
Invested cash in business
- B. Cash 65,000
Joshua Scott, Capital 65,000
Invested cash in business
- C. Joshua Scott, Capital 65,000
Cash 65,000
Invested cash in business
- D. Joshua Scott, Capital 65,000
Cash 65,000
Invested cash in business

141.

April	23	Cash	14,000	
		Jim Xu, Capital		14,000
		Invest cash in Xu Co.		

The journal entry will:

- A. Increase Capital and decrease Cash
- B. Increase Cash and decrease Capital
- C. Increase Cash and increase Capital**
- D. Decrease Cash and decrease Capital

142.

May	24	Land	53,000	
		Cash		53,000
		Purchased land for business		

What effects does this journal entry have on the accounts?

- A. Increase to Cash and increase to Land
- B. Increase to Land and decrease to Cash**
- C. Decrease to Cash and decrease to Land
- D. Increase to Cash and decrease to Land

143.

May	31	Supplies	120	
		Accounts Payable		120
		????????????		

What is the best explanation for this journal entry?

- A. Purchased supplies with cash
- B. Investment of supplies by owner
- C. Purchased supplies on account**
- D. Paid accounts payable.

144.

March	10	Accounts Payable	3,300	
		Cash		3,300
		Paid creditors on account		

What effect does this journal entry have on the accounts?

- A. Decrease accounts payable, increase cash
- B. Increase cash, decrease accounts payable
- C. Increase accounts payable, increase cash
- D. Decrease accounts payable, decrease cash**

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

- A. Land, Accounts Payable, Drawing
- B. Accounts Payable, Unearned revenue, Collins Capital**
- C. Collins Capital, Accounts Receivable, Unearned Revenue
- D. Cash, Accounts Receivable, Collins Capital

146. In accordance with the debit and credit rules, which of the following is true?

- A. Debits increase assets.**
- B. Credits increase assets.
- C. Debits increase both assets and capital.
- D. Credits increase both assets and liabilities.

147. All of the following accounts are increased with a debit **except**:

- A. Unearned Revenues**
- B. Land
- C. Accounts Receivable
- D. Cash

148. Which of the following owner's equity accounts follow the same debit and credit rules as liabilities?

- A. Expense accounts only
- B. Drawing accounts only
- C. Revenues accounts only**
- D. Expenses and drawing accounts

149. The payment for the monthly rent will require the following entry

- A. Debit Cash and Debit Rent Expense
- B. Credit Cash and Credit Rent Expense
- C. Debit Rent Expense and Credit Cash**
- D. Credit Rent Expense and Debit Cash

150. Expenses follow the same debit and credit rules as

- A. Revenues
- B. Drawing Account**
- C. Capital Account
- D. Liabilities

151. Net income will result when

- A. revenues (credits) > expenses (debits)**
- B. revenues (debits) > expenses (credits)
- C. expenses (credits) < revenues (debits)
- D. revenues (credits) = expenses (debits)

152. Which of the following will increase owner's equity?

- A. Expenses > revenues
- B. the owner draws money for personal use
- C. Revenues > expenses**
- D. Cash is received from customers on account.

153. Which of the following situations increase owner's equity?

- A. Supplies are purchased on account.
- B. Services are provided on account.**
- C. Cash is received from customers.
- D. Utility bill will be paid next month.

154. Which of the following group of accounts are increased with a debit?

- A. assets, liabilities, owner's equity
- B. assets, drawing, expenses**
- C. assets, revenues, expenses
- D. assets, liabilities, revenues

155. Which of the following group of accounts increase with a credit?

- A. Capital, revenues, expenses
- B. Assets, capital, revenues
- C. Liabilities, capital, revenues**
- D. None of these

156. Which of the following is true regarding normal balances of accounts?

- A. All accounts have a normal debit balance.
- B. The normal balance of all accounts will have either a positive or negative balance.
- C. Accounts that have a normal debit balance will only have debit entries, never credit entries.
- D. The normal balance is the side of the account that increases the account.**

157. All of the following occur with a double-entry accounting system **except**:

- A. The accounting equation remains in balance.
- B. The sum of all debits is always equal to the sum of all credits in each journal entry.
- C. Each business transaction will have only two entries.**
- D. Every transaction affects at least two accounts.

158.

March	6	Cash		375	
		Unearned Fees			375
		???????????			

What is the best explanation for this journal entry?

- A. Received cash for services performed
- B. Received cash for services to be performed in the future.**
- C. Paid cash in advance for services to be done.
- D. Paid cash for services to be performed.

159.

April	14	Equipment		6,700	
		Cash			2,000
		Note Payable			4,700
		???????????			

Which is the best explanation for this journal entry?

- A. Purchased equipment, paid cash of \$2,000, with the remainder to be paid in payments.**
- B. Purchased equipment, paid cash of \$4,700, with the remainder to be received in the future.
- C. Purchased equipment, paid cash for the entire amount.
- D. Purchased equipment on credit.

160. The process of rewriting the information from the journal into the ledger is called

- A. sliding
- B. transposing
- C. journalizing
- D. posting**

161. The verification that the total dollar amount of the debits equals the total dollar amount of the credits in the ledger is called a

- A. ledger
- B. trial balance**
- C. account
- D. balance sheet

162. The process of transferring the journal entries to the accounts is known as

- A. posting**
- B. updating
- C. journalizing
- D. summarizing

163. The posting process will include the transfer of the following information from the journal to the account.

- A. date, amount (debit or credit)
- B. date, amount (debit or credit), journal page number**
- C. amount (debit or credit), account number
- D. date, amount (debit or credit) account number

164. The post reference columns are used to trace transactions from the journal to the accounts. What will be posted on the post reference column of (a) the journal and (b) on the account?

- A. (a) the amount of the debit or credit (b) the journal page number
- B. (a) the journal page number (b) the date of the transaction
- C. (a) the journal page number, (b) the account number
- D. (a) the account number, (b) the journal page number**

165. The chart of account for the Corning Company includes some of the following accounts:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Corning, Capital	31
Corning, Drawing	32
Fees Earned	41
Salaries Expense	54
Rent Expense	56

On the journal page 3, the following transaction was found:

Prepaid Insurance	1,530	
Cash		1,530

What is the post reference that will be found on the cash account?

- A. 11
- B. 15
- C. 3**
- D. None

166. The chart of account for the Corning Company includes some of the following accounts:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Corning, Capital	31
Corning, Drawing	32
Fees Earned	41
Salaries Expense	54
Rent Expense	56

On the journal page 3, the following transaction was found:

Prepaid Insurance	1,530	
Cash		1,530

What is the post reference that will be found on the Prepaid Insurance account?

- A. 11
- B. 15
- C. 3**
- D. None

167. The chart of account for the Corning Company includes some of the following accounts:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Corning, Capital	31
Corning, Drawing	32
Fees Earned	41
Salaries Expense	54
Rent Expense	56

On the journal page 3, the following transaction was found:

Prepaid Insurance	1,530	
Cash		1,530

What is the post reference that will be found on the journal entry?

- A.** 15, 11
- B. 15
- C. 11
- D. 3

168. The chart of account for the Miguel Company includes some of the following accounts:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Miguel, Capital	31
Miguel, Drawing	32
Fees Earned	41
Salaries Expense	54
Rent Expense	56

On the journal page 3, the following transaction was found:

Cash	640	
Fees Earned		640

What is the post reference that will be found on the journal entry?

- A. 41
- B. 3
- C.** 11, 41
- D. 11

169. The chart of account for the Miguel Company includes some of the following accounts:

Account Name	Account Number
Cash	11
Accounts Receivable	13
Prepaid Insurance	15
Accounts Payable	21
Unearned Revenue	24
Miguel, Capital	31
Miguel, Drawing	32
Fees Earned	41
Salaries Expense	54
Rent Expense	56

On the journal page 5, the following transaction was found:

Salaries Expense	525	
Cash		525

What is the post reference that will be found on the Salaries Expense account?

- A.** 5
- B. 11
- C. 54
- D. None

170. The accounts in the ledger of Monroe Entertainment Co. are listed in alphabetical order. All accounts have normal balances.

Accounts Payable	1,500	Fees Earned	3,000
Accounts Receivable	1,800	Insurance Expense	1,300
Investment	2,000	Land	3,000
Cash	2,600	Wages Expense	1,400
Drawing	1,200	Capital	8,800

The total of all the assets is:

- A.** \$9,400
- B. \$9,000
- C. \$9,100
- D. \$9,800

171. A trial balance is prepared to

- A. prove that there were no errors made in recording transactions into the journal
- B. prove that no errors were made in posting to the ledger
- C. prove that each account balance is correct
- D.** summarize the account balances to help prepare financial statements

172. The accounts in the ledger of Monroe Entertainment Co. are listed in alphabetical order. All accounts have normal balances.

Accounts Payable	1,500	Fees Earned	3,000
Accounts Receivable	1,800	Insurance Expense	1,300
Investment	2,000	Land	3,000
Cash	2,600	Wages Expense	1,400
Drawing	1,200	Capital	8,800

Prepare a trial balance. The total of the debits is

- A.** \$13,300
- B. \$9,400
- C. \$9,100
- D. \$9,600

173. Of the following financial reports, which one is the one that will determine if the accounting equation is in balance?

- A. Journal entry
- B. Income statement
- C.** Trial balance
- D. Account reconciliation

174. An overpayment error was discovered in computing and paying the wages of a Jamison Tree Trimming employee. When Jamison receives cash from the employee for the amount of the overpayment, which of the following entries will Jamison make?

- A.** Cash, debit; Wages Expense, credit
- B. Wages Payable, debit; Wages Expense, credit
- C. Wages Expense, debit, Cash, credit
- D. Cash, debit; Wages Payable, credit

175. If the two totals of a trial balance are not equal, it could be due to

- A. failure to record a transaction
- B. recording the same erroneous amount for both the debit and the credit parts of a transaction
- C.** an error in determining the account balances, such as a balance being incorrectly computed
- D. recording the same transaction more than once

176. When a transposition error is made on the trial balance, the difference between the debit and credit totals on the trial balance will be

- A. zero
- B. twice the amount of the transposition
- C. one-half the amount of the transposition
- D.** divisible by 9

177. Which of the following errors, each considered individually, would cause the trial balance totals to be unequal?

- A. a transaction was not posted
- B. a payment of \$67 for insurance was posted as a debit of \$42 to Prepaid Insurance and a credit of \$42 to Cash
- C.** a payment of \$1,311 to a creditor was posted as a debit of \$3,111 to Accounts Payable and a debit of \$311 to Accounts Receivable
- D. cash received from customers on account was posted as a debit of \$680 to Cash and a credit of \$680 to Accounts Payable

178. Supplies purchased on account were incorrectly recorded as Office Equipment. The correcting entry would be

- A.** Supplies, debit; Office Equipment, credit.
- B. Accounts Receivable, debit; Supplies, credit.
- C. Office Equipment, debit; Supplies Expense, credit.
- D. Supplies, debit; Accounts Payable, credit.

179. Which of the following errors will cause the trial balance totals to be unequal?

- A.** post the debit portion of a journal entry incorrectly and the credit portion of the entry is correctly posted
- B. failure to record a transaction or to post a transaction
- C. recording the same transaction more than once
- D. recording the same erroneous amount for both the debit and the credit parts of a transaction
- E. posting a part of a transaction correctly as a debit or credit but to the wrong account

180. The trial balance is out of balance and the accountant suspects that a transposition or slide error has occurred. What will the accountant do to find the error?

- A. Determine the amount of the error and look for that amount on the trial balance.
- B. Determine the amount of the error and divide by two, then look for that amount on the trial balance.
- C. Determine the amount of the error and refer to the journal entries for that amount.
- D.** Determine the amount of the error and divide by nine. If the result is evenly divided, then this type of error is likely.

181. Which of the following is **not** a short-cut in finding errors on the trial balance?

- A. Determine the difference between debits and credits and look for the amount.
- B.** Determine the amount and change any account to make the trial balance correct.
- C. Determine the difference between debits and credits, divide the amount by 2, look for the amount.
- D. Determine the difference between debits and credits, divide the amount by 9, if it divides evenly, look for a transposition or slide error.

182. All of the following statements regarding a horizontal analysis are true **except**:

A. A horizontal analysis is used to compare an item in a current statement with the same item in prior statements.

B. A horizontal analysis can be performed on a balance sheet and income statement, but not on a statement of cash flows.

C. If Fees Earned in 2010 is \$150,000 and Fees Earned in 2011 is \$187,500, a horizontal analysis will indicate a 25% increase over this period.

D. When two statements are compared in horizontal analysis, the earlier statement is used as the base for computing the amount and the percent of change.

183. The chart of accounts classifies the accounts to make identification of the accounts easier. Discuss how companies set up their chart of accounts for use in their business.

A chart of accounts is set-up by assigning numbers to each of the accounts. The account number for assets will begin with (1), liabilities (2), owner's equity (3), revenues (4), and expenses (5).

184. On September 1st, Erika Company purchased land for \$47,500 cash. Write the journal entry in the space below.

Sep 1	Land	47,500
Cash	47,500	
	Purchased land for the company	

187. On November 1st Nikle Company made a cash payment of \$200,000 on a note payable that was generated in the purchase of a building and land plot. Write the journal entry for this payment in the space below.

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

188. Damien Lawson invests \$45,000 to initiate the operation of his business, JumpStart, on January 7th. Journalize this transaction.

Jan 7	Cash	45,000
	Damien Lawson, Capital	45,000

189. On January 8th, Damien Lawson transfers ownership of several pieces of office equipment to his new business, JumpStart. When new, these items were worth \$72,500. The fair market value of the equipment is \$60,000. Journalize this transfer.

January 8	Office Equipment	60,000
	Damien Lawson, Capital	60,000

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

190. On August 30th JumpStart pays numerous bills which include:
 Payment to the landlord for August rent - \$950
 Payment to the Gas & Electric Company for August's bill - \$525
 Payment of employee wages for the last half of August - \$1,880
 Payment of shopping center's parking lot cleaning fee - \$275
 Journalize these payments as one compound journal entry.

Aug 30	Rent	950	
	Expense		
	Utilities	525	
	Expense		
	Wages	1,880	
	Expense		
	Maintena	275	
	nce		
	Expense		
	Cash		3,630

191. On October 30th Damien Lawson withdraws \$3,330 from JumpStart for personal use. Journalize this event.

Oct 30	Damien	3,330	
	Lawson,		
	Drawing		
	Cash	3,330	

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

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

193. Prepare a journal entry on October 12 for the fees earned on account, \$14,600.

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

194. Prepare a journal entry on March 27 for the payment of \$8,000 to the owner of Credit Consultant Company, Neal Stone, for personal use.

Mar 27	Neal Stone,	8,000
	Drawing	
	Cash	8,000

195. State for each account whether it is likely to have (a) debit entries only, (b) credit entries only, or (c) both debit and credit entries. Also, indicate the normal balance of each account.

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

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

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

$$96,750 = 75,880 + 305,000 - ?$$

Cash payments = \$284,130

197. For each of the following errors, considered individually, indicate whether the error would cause the trial balance totals to be unequal. If the error would cause the trial balance total to be unequal, indicate whether the debit or credit total is higher and by how much.

- A. Payment of a cash withdrawal of \$6,800 was journalized and posted as a debit of \$8,600 to Salaries Expense and a credit of \$8,600 to Cash.
- B. A fee of \$9,780 earned was debited to Accounts Receivable for \$7,980 and credited to Fees Earned for \$9,780.
- C. A payment of \$3,000 to a creditor was posted as a credit of \$3,000 to Accounts Payable and a credit of \$3,000 to Cash.

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

198. The following errors took place in journalizing and posting transactions:

- A. A withdrawal of \$5,000 by Stan Norton, owner of the business, was recorded as a debit to Office Expense and a credit to Cash.
- B. Accounts receivable payment for \$7,800 was recorded as a debit to Cash and a credit to Fees Earned.

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

a.	Stan Norton, Drawing	5,000		
	Office Expense		5,000	
b.	Fees Earned	7,800		
	Accounts Receivable		7,800	

199. Discuss and describe how errors in accounts can be found.

- 1) through audit procedures.
- 2) by looking at the trial balance.
- 3) by chance.

200. On November 30th, Damien Lawson is informed by his accountant that \$550 of a transaction recording the purchase of office supplies was really office equipment. He has been asked to correct this journal entry. Write the journal entry to correct this situation.

Nov 30	Office Equipmen t	550		
	Office Supplies	550		

201. Journalize the entries to correct the following errors:

- (a) A purchase of supplies for \$200 on account was recorded and posted as a debit to Supplies for \$500 and as a credit to Accounts Receivable for \$500.
 (b) A receipt of \$4,000 from Fees Earned was recorded and posted as a debit to Fees Earned for \$4,000 and a credit to Cash for \$4,000.

(a)	Accounts Receivable	500	
	Supplies		500
	Supplies	200	
	Accounts Payable		200
(b)	Cash	8,000	
	Fees Earned		8,000

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

- _____ 1. Notes Payable
 _____ 2. Mortgage Payable
 _____ 3. Drawing
 _____ 4. Accounts Receivable
 _____ 5. Capital
 _____ 6. Rent Revenue
 _____ 7. Unearned Income
 _____ 8. Utility Expense
 _____ 9. Automobiles

1.C 2.C 3.D 4.D 5.C 6.C 7.C 8.D 9.D

203. On January 1, 2010, Cary Parsons established a catering service. Listed below are accounts to use for transactions (a) through (d), each identified by a number. Following this list are the transactions that occurred during the first month of operations. You are to indicate for each transaction the accounts that should be debited and credited by place the account number(s) in the appropriate box.

1.	Cash
2.	Accounts Receivable
3.	Supplies
4.	Prepaid Insurance
5.	Equipment
6.	Truck
7.	Notes Payable
8.	Accounts Payable
9.	Cary Parsons, Capital
10.	Cary Parsons, Drawing
11.	Fees Earned
12.	Wages Expense
13.	Rent Expense
14.	Utilities Expense
15.	Truck Expense
16.	Miscellaneous Expense

Transactions	Account(s) Debited	Account(s) Credited
a. Cary transferred cash from a personal bank account to an account to be used for the business.		
b. Paid rent for the period of January 3 to the end of the month.		
c. Purchased truck for \$30,000 with a cash down payment of \$5,000 and the remainder on a note.		
d. Purchased equipment on account.		

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

204. On January 1, 2010, Cary Parsons established a catering service. Listed below are accounts to use for transactions (a) through (e), each identified by a number. Following this list are the transactions that occurred in Parsons' first month of operation. You are to indicate for each transaction the accounts that should be debited and credited by place the account number(s) in the appropriate box.

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

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

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

205. On January 1, 2010, Cary Parsons established a catering service. Listed below are accounts to use for transactions (a) through (f), each identified by a number. Following this list are the transactions that occurred in Parsons' first month of operation. You are to indicate for each transaction the accounts that should be debited and credited by place the account number(s) in the appropriate box.

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

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

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

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

1.	Cash
2.	Accounts Receivable
3.	Office Supplies
4.	Land
5.	Interest Receivable
6.	Building
7.	Accumulated Depreciation - Building
8.	Depreciation Expense - Building
9.	Accounts Payable
10.	Interest Payable
11.	Insurance Payable
12.	Utility Expense
13.	Notes Payable
14.	Prepaid Insurance
15.	Service Revenue
16.	Owner, Capital
17.	Insurance Expense
18.	Utility Payable
19.	Office Supplies Expense
20.	Unearned Service Revenue
21.	Owner, Drawing
22.	Interest Expense

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

	Debit	Credit
a.	12	18
b.	18	1
c.	15	1
d.	1	20

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

REQUIRED:

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

Dawson Co. Unadjusted Trial Balance For the Month of January 2011		
	Debits	Credits
Cash	23,000	
Accounts Receivable		49,700
Prepaid Insurance	11,300	
Equipment	150,500	
Accounts Payable	6,050	
Salaries Payable		4,250
Tim Dawson, Capital		110,000
Tim Dawson, Drawing		18,500
Service Revenue		236,600
Salary Expense	98,930	
Miscellaneous Expense		4,970
	<u>424,020</u>	<u>424,020</u>

- (1)
 - a. The debit column is added incorrectly; the sum is actually \$289,780.
 - b. The date of the trial balance should be dated January 31, 2011, rather than “For the Month of January 2011.”
 - c. The accounts receivable balance should be in the debit column.
 - d. The accounts payable should be in the credit column.
 - e. Tim Dawson, Drawing should be in the debit column.
 - f. Miscellaneous Expense should be in the debit column.

(2)

Dawson Co. Unadjusted Trial Balance January 31, 2011		
	Debits	Credits
Cash	23,000	
Accounts Receivable	49,700	
Prepaid Insurance	11,300	
Equipment	150,500	
Accounts Payable		6,050
Salaries Payable		4,250
Tim Dawson, Capital		110,000
Tim Dawson, Drawing	18,500	
Service Revenue		236,600
Salary Expense	98,930	
Miscellaneous Expense	4,970	
	<u>356,900</u>	<u>356,900</u>

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

1. On June 1, the cash account balance was \$38,750. During June, cash payments totaled \$239,140 and the June 30 balance was \$42,175. Determine the cash receipts during June and show your calculation.

2. On March 1, the supplies account balance was \$1,340. During March, supplies of \$4,335 were purchased and \$890 of supplies were on hand as of March 31. Determine the supplies expense for March and show your calculation.

$$1. \$42,175 = \$38,750 + \text{Cash receipts} - \$239,140$$
$$\text{Cash receipts} = \$242,565$$

$$2. \$890 = \$1,340 + \$4,335 - \text{Supplies Expense}$$
$$\text{Supplies expense} = \$4,785$$

209. On January 1, 2010, Cary Parsons established a catering service. Listed below are accounts she would like to open in the general ledger. List the accounts in the order in which they should appear in the ledger and propose a two digit account numbering scheme that is consistent with the rules of a proper chart of accounts.

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

- 11 Cash
- 12 Accounts Receivable
- 13 Supplies
- 14 Prepaid Insurance
- 15 Equipment
- 16 Truck
- 21 Accounts Payable
- 22 Notes Payable
- 31 Cary Parsons, Capital
- 32 Cary Parons, Drawing
- 41 Fees Earned
- 51 Wages Expense
- 52 Rent Expense
- 53 Utilities Expense
- 54 Truck Expense
- 55 Insurance Expense
- 56 Miscellaneous Expense

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

I-Increase	D-Decrease	NE-No Effect					
			<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Owners' Equity</u>
Example	John Smith invests in his new business by giving it his personal drill press valued at \$3,500.	<u>I</u>			<u>NE</u>		<u>I</u>
A)	Cash sales are made.	_____			_____		_____
B)	Equipment is purchased on credit.	_____			_____		_____
C)	Payment is made for the equipment purchased on credit in (B).	_____			_____		_____
D)	The company sold excess supplies to another company on credit.	_____			_____		_____
E)	Cash is collected from customers for accounts receivable balances.	_____			_____		_____

		<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Owners' Equity</u>
A)	Cash sales are made.	<u>I</u>		<u>NE</u>		<u>I</u>
B)	Equipment is purchased on credit.	<u>I</u>		<u>I</u>		<u>NE</u>
C)	Payment is made for the equipment purchased on credit in (B).	<u>D</u>		<u>D</u>		<u>NE</u>
D)	The company sold excess supplies to another company on credit.	<u>NE</u>		<u>NE</u>		<u>NE</u>
E)	Cash is collected from customers for accounts receivable balances.	<u>NE</u>		<u>NE</u>		<u>NE</u>

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

- August
1 Mirmax purchases two new saws on credit at \$375 each. The saws are added to Mirmax's rental inventory. Payment is due in 30 days.
- 8 Mirmax accepts advance deposits for tool rentals of \$75 that will be applied to the cash rental when the tools are returned.
- 15 Mirmax receives a bill from Macon Utility Company for \$150. Payment is due in 30 days.
- 20 Customers are charged \$750 by Mirmax for tool rentals. Payment is due from the customers in 30 days.
- 31 Mirmax receives \$500 in payments from the customers that were billed for rentals on August 20.

Aug. 1	Equipment	750	
	Accounts Payable		750
8	Cash	75	
	Unearned Revenue		75
15	Utilities Expense	150	
	Accounts Payable		150
20	Accounts Receivable	750	
	Rental Revenue		750
31	Cash	500	
	Accounts Receivable		500

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

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

31 Salaries of \$850 are paid to employees.

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

213. McMann Company has a condensed income statement as shown::

	2011	2010
Sales	\$178,400	\$162,500
Wage expenses	100,000	92,500
Rent expenses	33,000	30,000
Utilities expenses	30,000	25,000
Total operating expenses	163,000	147,500
Net income	15,400	15,000

REQUIRED:

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

	2011	2010	Increase/ Decrease Amount	Percent Change
Sales	\$178,400	\$162,500	15,900	9.8
Wage expenses	100,000	92,500	7,500	8.1
Rent expenses	33,000	30,000	3,000	10.0
Utilities expenses	30,000	25,000	5,000	20.0
Total operating expenses	163,000	147,500	15,500	10.5
Net income	15,400	15,000	400	2.7

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

214. Georgia Company has a condensed income statement as shown::

	2011	2010
Sales	\$158,400	\$162,500
Wage expenses	80,000	92,500
Rent expenses	28,000	30,000
Utilities expenses	30,000	25,000
Total operating expenses	138,000	147,500
Net income	20,400	15,000

REQUIRED:

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

	2011	2010	Increase/Decrease Amount	Percent Change
Sales	\$158,400	\$162,500	(4,100)	(2.5)
Wage expenses	80,000	92,500	(12,500)	(13.5)
Rent expenses	28,000	30,000	(2,000)	(6.7)
Utilities expenses	30,000	25,000	5,000	20.0
Total operating expenses	138,000	147,500	(9,500)	(6.4)
Net income	20,400	15,000	5,400	36.0

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

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

Miscellaneous Expense
Accounts Payable
Accounts Receivable
Cash
Alecia Morris, Capital
Fees Earned
Prepaid Rent
Salaries Expense
Unearned Revenue
Alecia Morris, Drawing

Cash
Accounts Receivable
Prepaid Rent
Accounts Payable
Unearned Revenue
Alecia Morris, Capital
Alecia Morris, Drawing
Fees Earned
Salaries Expense
Miscellaneous Expense

216. Selected accounts from the ledger of Garrison Company appear below. For each account, indicate the following:

- (a) In the first column at the right, indicate the nature of each account, using the following abbreviations:

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

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

<u>Account</u>	<u>Type of Account</u>	<u>Increase Side</u>
(1) Supplies	_____	_____
(2) Notes Receivable	_____	_____
(3) Fees Earned	_____	_____
(4) Garrison, Drawing	_____	_____
(5) Accounts Payable	_____	_____
(6) Salaries Expense	_____	_____
(7) Garrison, Capital	_____	_____
(8) Accounts Receivable	_____	_____
(9) Equipment	_____	_____
(10) Notes Payable	_____	_____

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

217. Calculate the following:

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

Cash payments during April	\$45,500
Cash account balance, April 1	6,750
Cash account balance, April 30	10,000

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

Accounts receivable account balance, April 1	\$10,500
Accounts receivable account balance, April 30	7,250
Fees billed to customers during April	26,000

(a) \$48,750 ($\$10,000 + \$45,500 - \$6,750$)

(b) \$29,250 ($\$10,500 + \$26,000 - \$7,250$)

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

	(a) Recorded <u>As</u>	(b) Normal <u>Balance</u>
(1) Increase in Denice Dickenson, Capital	_____	_____
(2) Increase in Denice Dickenson, Drawing	_____	_____
(3) Decrease in Accounts Receivable	_____	_____
(4) Increase in Note Payable	_____	_____
(5) Increase in Accounts Payable	_____	_____
(6) Decrease in Supplies	_____	_____
(7) Decrease in Salaries Expense	_____	_____
(8) Increase in Accounts Receivable	_____	_____
(9) Increase in Cash	_____	_____
(10) Decrease in Land	_____	_____

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

219. Record the following selected transactions for April in a two-column journal, identifying each entry by letter:

- (a) Received \$12,000 from Katie Long, owner.
- (b) Purchased equipment for \$25,000, paying \$10,000 in cash and giving a note payable for the remainder.
- (c) Paid \$1,800 for rent for April.
- (d) Purchased \$9,800 of supplies on account.
- (e) Recorded \$2,250 of fees earned on account.
- (f) Received \$9,000 in cash for fees earned.
- (g) Paid \$300 to creditors on account.
- (h) Paid wages of \$1,650.
- (i) Received \$1,190 from customers on account.
- (j) Recorded owner's withdrawal of \$2,350.

Equipment		Operating Expense						
(2)	4,500				(6)	5,500		

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

Indicate the following for each debit and each credit:

- (a) The type of account affected (asset, liability, capital, drawing, revenue, or expense).
- (b) The effect on the account, using + for increase and - for decrease.

Present your answers in the following form:

<u>Transaction</u>	<u>Account Debited</u> <u>Type</u>	<u>Accounted Credited</u> <u>Effect</u>	<u>Type</u>	<u>Effect</u>
--------------------	---------------------------------------	--------------------------------------------	-------------	---------------

<u>Transaction</u>	<u>Account Debited</u> <u>Type</u>	<u>Accounted Credited</u> <u>Effect</u>	<u>Type</u>	<u>Effect</u>
(1)	asset	+	capital	+
(2)	asset	+	liability	+
(3)	asset	+	asset	-
(4)	asset	+	revenue	+
(5)	liability	-	asset	-
(6)	expense	+	asset	-
(7)	asset	+	revenue	+
(8)	drawing	+	asset	-
(9)	asset	+	asset	-

221. On January 12th, JumpStart Co. purchased \$870 in office supplies.

(a) Journalize this transaction as if JumpStart paid cash.

(b) (1) Journalize this transaction as if JumpStart placed it on account.

(b) (2) On January 18th, JumpStart pays the amount due. Journalize this event.

(a) Journalize this transaction as if JumpStart paid cash.

Jan 12	Office Supplies	870	
	Cash		870

(b)(1) Journalize this transaction as if JumpStart placed it on account.

Jan 12	Office Supplies	870
	Accounts Payable	870

(b)(2) On January 18th, JumpStart pays the amount due. Journalize this event.

Jan 18	Accounts Payable	870
	Cash	870

222. On December 1st, JumpStart Company provides \$2,800 in services to clients.

(a) Journalize this event as if the clients had paid cash at the time the services were rendered.

(b)(1) Journalize this event as if the clients had placed this on account.

(b)(2) Assume that the clients paid \$1,200 of the amount on account on December 30th. Journalize this transaction.

(a) December 1	Cash	2,800
	Fe	2,800
	es	
	Ea	
	rne	
	d	

(b)(1) December 1	Accounts Receivable	2,800
	Fe	2,800
	es	
	Ea	
	rne	
	d	

(b)(2) December 30	Cash	1,200
	Ac	1,200
	co	
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223. On November 10th, JumpStart Co. provides \$2,900 in services to clients. At the time of service, the clients paid \$600.00 in cash and put the balance on account.

(a) Journalize this event.

(b) On November 20th, JumpStart Co. clients paid an additional \$900 on their accounts due. Journalize this event.

(c) Calculate the amount on accounts receivable on November 30th.

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

(b) Nov 20 Cash 900
 Accounts 900
 Receivable

(c)

	Original invoice	\$2,900
	Less cash paid upon completion	<u>600</u>
	Original amount on accounts receivable	2,300
	Less Nov 20th payment	<u>900</u>
	Accounts Receivable balance	<u>\$1,400</u>

224. Journalize the following selected transactions for April 2011 in a two-column journal. Journal entry explanations may be omitted.

April 1 Received cash from the investment made by the owner, \$14,000.
 2 Received cash for providing accounting services, \$9,500.
 3 Billed customers on account for providing services, \$4,200.
 4 Paid advertising expense, \$700.
 5 Received cash from customers on account, \$2,500.
 6 Owner withdraws, \$1,010.
 7 Received telephone bill, \$900.
 8 Paid telephone bill, \$900.

225. Analyze the following transactions as to their effect on the accounting equation.

- (a) The company paid \$725 to a vendor for supplies purchased previously on account.
- (b) The company performed \$850 of services and billed the customer.
- (c) The company received a utility bill for \$395 and will pay it next month.
- (d) The owner of the company withdrew \$145 of supplies for personal use.
- (e) The company paid \$315 in salaries to its employees.
- (f) The company collected \$730 of cash from its customers on account.

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

- (1) Asset, dr.; Asset, cr.
- (2) Asset, dr.; Owner's Equity, cr.
- (3) Asset, dr.; Liability, cr.
- (4) Asset, dr.; Revenue, cr.
- (5) Liability, dr.; Assets, cr.
- (6) Drawing, dr.; Asset, cr.
- (7) Expense, dr.; Assets, cr.
- (8) Expense, dr.; Liability, cr.

Put the appropriate letter next to each transaction.

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

226. Set up T accounts for Cash; Accounts Receivable; Supplies; Accounts Payable; Clay Potter, Capital; Clay Potter, Drawing; Professional Fees; and Operating Expenses.

- (a) In the T accounts, record the following transactions of Clay Potter, Pool Services for June, 2011, identifying each entry by number:
- (1) Potter invested \$12,500 cash in the business.
 - (2) Purchased supplies on account, \$6,250.
 - (3) Paid operating expenses, \$5,500.
 - (4) Billed clients for fees, \$7,440.
 - (5) Received cash from cash clients, \$4,700.
 - (6) Paid creditors on account, \$1,400.
 - (7) Received \$3,100 from clients on account.
 - (8) Withdrew \$1,500 cash for personal use.
- (b) Prepare a trial balance as of June 30, 2011 for Clay Potter, Pool Services.
- (c) Assuming that supplies expense (which has not been recorded) amounts to \$1,500 for June, determine the following:
- (1) Net income for the month.
 - (2) Owner's equity as of June 30.

(a)								
Cash		Clay Potter, Capital						
(1)	12,500	(3)	5,500				(1)	12,500
(5)	4,700	(6)	1,400					
(7)	3,100	(8)	1,500					

Accounts Receivable		Clay Potter, Drawing						
(4)	7,440	(7)	3,100		(8)	1,500		

Supplies		Professional Fees						
(2)	6,250						(4)	7,440
							(5)	4,700

Accounts Payable		Operating Expenses						
(6)	1,400	(2)	6,250		(3)	5,500		

(b)

Potter Pool Services		
Trial Balance		
June 30, 2011		
Cash	11,900	
Accounts Receivable	4,340	
Supplies	6,250	
Accounts Payable		4,850
Clay Potter, Capital		12,500
Clay Potter, Drawing	1,500	
Professional Fees		12,140
Operating Expenses	<u>5,500</u>	
	<u>29,490</u>	<u>29,490</u>

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

227. Prepare a trial balance, listing the following accounts in proper sequence. The accounts (all normal balances) were taken from the ledger of Sophie Designs Co. on April 30, 2010.

Accounts Payable	\$ 4,100	Rent Expense	\$11,500
Accounts Receivable	3,450	Salary Expense	14,000
Cash	7,375	Fees Earned	54,100
Sophie Dawson, Capital	17,800	Supplies	3,125
Sophie Dawson, Drawing	15,500	Supplies Expense	1,700
Equipment	14,500	Utilities Expense	4,000
Miscellaneous Expense	850		

Sophie Designs

Trial Balance

April 30, 2010

Cash		7,375	
Accounts Receivable		3,450	
Supplies		3,125	
Equipment		14,500	
Accounts Payable			4,100
Sophie Dawson, Capital			17,800
Sophie Dawson, Drawing		15,500	
Fees Earned			54,100
Salary Expense		14,000	
Rent Expense		11,500	
Utilities Expense		4,000	
Supplies Expense		1,700	
Miscellaneous Expense		850	
		<u>76,000</u>	<u>76,000</u>

228. Exhibit 2-1

All nine transactions for Ralston Sports Co. for September 2011, the first month of operations, are recorded in the following T accounts:

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

Accounts Receivable		James Ralston, Drawing					
(4)	9,900	(9)	9,700	(8)	7,000		

Supplies		Fees Earned					
(3)	12,500					(4)	9,900
						(7)	11,900

Equipment		Operating Expense					
(2)	9,500				(6)	10,500	

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

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

Ralston Sports Company

Trial Balance

September 30, 2011

Cash	9,000	
Accounts Receivable	200	
Supplies	12,500	
Equipment	9,500	
Accounts Payable		1,900
James Ralston, Capital		25,000
James Ralston, Drawing	7,000	
Fees Earned		21,800
Operating Expense	<u>10,500</u>	
	<u>48,700</u>	<u>48,700</u>

229.

- (a) List the errors in the following trial balance. All accounts have normal balances.
 (b) What would be the new balance of the trial balance after errors are corrected? What would be the balance of Accounts Receivable?

Winslow's Auto Body

Trial Balance

For Month Ending April 30, 2011

Cash		19,475
Accounts Receivable	?	
Supplies		1,000
Equipment	15,000	
Prepaid Insurance		500
Accounts Payable		2,500
Thad Winslow, Capital	17,000	
Thad Winslow, Drawing		1,000
Fees Earned		49,600
Salary Expense	14,500	
Rent Expense		9,000
Utilities Expense	1,400	
Supplies Expense	3,900	
Miscellaneous Expense	<u>250</u>	
	<u>55,000</u>	<u>81,575</u>

- (a)
- (1) In the heading, the date should be April 30, 2011; not for a period of time.
 - (2) The cash balance should be a debit.
 - (3) Thad Winslow, Capital should be a credit.
 - (4) The supplies account should be a debit.
 - (5) Prepaid Insurance should be a debit and follow Accounts Receivable.
 - (6) Thad Winslow, Drawing should be a debit.
 - (7) Rent Expense should be a debit.
 - (8) The trial balance does not balance.
- (b) The new balance for credits would be accounts payable \$2,500 + fees earned \$49,600 + \$17,000 for capital = \$69,100. Accounts receivable would be \$69,100 (total credits) - \$66,025 (corrected debits) = \$3,075

230. Answer the following questions for each of the errors listed below, considered individually:

- (a) Did the error cause the trial balance totals to be unequal?
- (b) What is the amount of the difference between the trial balance totals (where applicable)?
- (c) Which of the trial balance totals, debit or credit, is the larger (where applicable)?

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

<u>Error</u> <u>(identifying number)</u>	<u>Totals</u> <u>(equal or unequal)</u>	<u>Difference in Totals</u> <u>(amount)</u>	<u>Larger of Totals</u> <u>(debit or credit)</u>
---------------------------------------------	--------------------------------------------	------------------------------------------------	-----------------------------------------------------

Errors:

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

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

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

Journal entries:

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

ACCOUNTS RECEIVABLE		SERVICE REVENUE								
7/3	1,000					7/3	1,000			
									7/11	500

CASH		ACCOUNTS PAYABLE								
7/11	500		7/25	700		7/12	600			

OFFICE SUPPLIES		OFFICE FURNITURE								
7/12	600					7/25	700			

Required: If you assume that all journal entries have been recorded correctly, use the above information to:

- (1) Identify the postings to the general ledger that were made incorrectly.
- (2) Describe how the each incorrect posting should have been made.

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