

**TEST BANK**

# Accounting



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NINTH EDITION

## Chapter 2: Recording Business Transactions

2.1-1 An account is the detailed record of the changes in a particular asset, liability, or owner's equity.

Answer: True

LO: 2-1

Difficulty: 1

EOC Ref: Accounting Vocabulary

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

2.1-2 A chart of accounts is the book holding all of the company's accounts.

Answer: False

LO: 2-1

Difficulty: 1

EOC Ref: Accounting Vocabulary

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Legal/Regulatory

AICPA Functional Competencies: Reporting

2.1-3 A trial balance is the list of all a company's accounts along with their account numbers.

Answer: False

LO: 2-1

Difficulty: 1

EOC Ref: Accounting Vocabulary

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Legal/Regulatory

AICPA Functional Competencies: Measurement, Reporting

2.1-4 A journal is a chronological record of transactions.

Answer: True

LO: 2-1

Difficulty: 1

EOC Ref: S2-1

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

2.1-5 In a typical chart of accounts, liabilities appear before assets.

Answer: False

LO: 2-1

Difficulty: 1

EOC: P2-27A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Legal/Regulatory

AICPA Functional Competencies: Reporting

2.1-6 A trial balance is a list of all of the accounts with their balances.

Answer: True

LO: 2-1

Difficulty: 1

EOC Ref: Accounting Vocabulary

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Legal/Regulatory

AICPA Functional Competencies: Reporting

2.1-7 Expenses are increases in owner's equity caused by providing goods or services for customers.

Answer: False

LO: 2-1

Difficulty: 1

EOC Ref: S2-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Legal/Regulatory

AICPA Functional Competencies: Reporting

2.1-8 Which of the following accounts is NOT an example of an asset?

A) Accounts receivable

B) Cash

C) Building

D) Notes payable

Answer: D

LO: 2-1

Difficulty: 1

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Legal/Regulatory

AICPA Functional Competencies: Reporting

2.1-9 Which of the following accounts is NOT an example of a liability?

A) Wages payable

B) Notes payable

C) Accounts payable

D) Accounts receivable

Answer: D

LO: 2-1

Difficulty: 1

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Legal/Regulatory

AICPA Functional Competencies: Reporting

- 2.1-10 Which of the following accounts is an example of an owner's equity account?  
A) Accounts payable  
B) Equipment  
C) Cash  
D) Drawing

Answer: D

LO: 2-1

Difficulty: 1

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Legal/Regulatory

AICPA Functional Competencies: Reporting

- 2.1-11 Accountants first record transactions in the:  
A) chart of accounts.  
B) trial balance.  
C) journal.  
D) ledger.

Answer: C

LO: 2-1

Difficulty: 1

EOC Ref: S2-4

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.1-12 Which of the following accounts is an asset?  
A) Salary expense  
B) Accounts payable  
C) Service revenue  
D) Prepaid expenses

Answer: D

LO: 2-1

Difficulty: 1

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Legal/Regulatory

AICPA Functional Competencies: Reporting

2.1-13 Which of the following accounts is a liability?

- A) Accounts payable
- B) Prepaid expenses
- C) Salary expense
- D) Service revenue

Answer: A

LO: 2-1

Difficulty: 1

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Legal/Regulatory

AICPA Functional Competencies: Reporting

2.1-14 Which of the following accounts is an owner's equity account?

- A) Accrued liability
- B) Accounts payable
- C) Prepaid expense
- D) Capital

Answer: D

LO: 2-1

Difficulty: 1

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Legal/Regulatory

AICPA Functional Competencies: Reporting

2.1-15 Prepaid expenses are recorded as:

- A) assets.
- B) liabilities.
- C) debits and credits.
- D) owner's equity.

Answer: A

LO: 2-1

Difficulty: 1

EOC: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Legal/Regulatory

AICPA Functional Competencies: Reporting

- 2.1-16 In a typical chart of accounts, what information is provided along with the account name?  
A) Account balance  
B) Account number  
C) Dates of transactions  
D) Transaction amounts

Answer: B

LO: 2-1

Difficulty: 1

EOC: P2-27A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Legal/Regulatory

AICPA Functional Competencies: Reporting

- 2.1-17 Which of the following are accrued liabilities?  
A) Taxes payable  
B) Interest payable  
C) Salary payable  
D) All of the above

Answer: D

LO: 2-1

Difficulty: 1

EOC: S2-1

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Legal/Regulatory

AICPA Functional Competencies: Reporting

- 2.1-18 Which of the following accounts is an example of a liability?  
A) Service revenue  
B) Building  
C) Accounts receivable  
D) Notes payable

Answer: D

LO: 2-1

Difficulty: 1

EOC Ref: S2-3

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Legal/Regulatory

AICPA Functional Competencies: Reporting

- 2.1-19 A listing of all account titles in numerical order is a(n):  
A) ledger.  
B) journal.  
C) income statement.  
D) chart of accounts.

Answer: D

LO: 2-1

Difficulty: 1

EOC: Accounting Vocabulary

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Legal/Regulatory

AICPA Functional Competencies: Reporting

- 2.1-20 Which of the following accounts is an asset?  
A) Cash  
B) Notes payable  
C) Drawing  
D) Expenses
- Answer: A  
LO: 2-1  
Difficulty: 2  
EOC: S2-3  
AACSB: Reflective Thinking  
AICPA Business Perspective Competencies: Legal/Regulatory  
AICPA Functional Competencies: Reporting
- 2.1-21 Which of the following is NOT part of owner's equity?  
A) Accounts receivable  
B) Capital  
C) Notes payable  
D) Both A and C
- Answer: D  
LO: 2-1  
Difficulty: 1  
EOC: S2-3  
AACSB: Reflective Thinking  
AICPA Business Perspective Competencies: Legal/Regulatory  
AICPA Functional Competencies: Reporting
- 2.1-22 A book holding all of the accounts is called the:  
A) ledger.  
B) journal.  
C) income statement.  
D) balance sheet.
- Answer: A  
LO: 2-1  
Difficulty: 2  
EOC: Accounting Vocabulary  
AACSB: Reflective Thinking  
AICPA Business Perspective Competencies: Legal/Regulatory  
AICPA Functional Competencies: Reporting

- 2.1-23 Which of the following is the detailed record of the changes in a particular asset, liability, or owner's equity?  
A) Journal  
B) Trial balance  
C) Ledger  
D) Account

Answer: D

LO: 2-1

Difficulty: 1

EOC Ref: Accounting Vocabulary

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Legal/Regulatory  
AICPA Functional Competencies: Measurement, Reporting

- 2.2-1 Debit refers to the right side of the T-account, and credit refers to the left side.

Answer: False

LO: 2-2

Difficulty: 1

EOC Ref: S2-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.2-2 In the standard accounting system, we use double entry accounting, which means we record the dual effects of each transaction.

Answer: True

LO: 2-2

Difficulty: 1

EOC Ref: Accounting Vocabulary

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.2-3 An asset account is increased by a debit.

Answer: True

LO: 2-2

Difficulty: 1

EOC Ref: S2-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement



2.2-4 The owner's capital account is increased by a debit.

Answer: False

LO: 2-2

Difficulty: 1

EOC Ref: S2-2

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.2-5 The drawing (withdrawals) account is increased by a debit.

Answer: True

LO: 2-2

Difficulty: 1

EOC Ref: S2-2

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.2-6 A liability account is increased by a debit.

Answer: False

LO: 2-2

Difficulty: 1

EOC Ref: S2-2

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.2-7 Which of the following accounts increases with a credit?

A) Cash

B) Capital

C) Accounts receivable

D) Prepaid expenses

Answer: B

LO: 2-2

Difficulty: 1

EOC Ref: S2-2

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.2-8 Which of the following accounts decreases with a credit?

- A) Cash
- B) Capital
- C) Accounts payable
- D) Notes Payable

Answer: A

LO: 2-2

Difficulty: 1

EOC Ref: S2-2

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.2-9 Which of the following accounts increases with a debit?

- A) Cash
- B) Interest payable
- C) Accounts payable
- D) Capital

Answer: A

LO: 2-2

Difficulty: 1

EOC Ref: S2-2

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.2-10 Which of the following accounts decreases with a debit?

- A) Notes payable
- B) Prepaid insurance
- C) Cash
- D) Land

Answer: A

LO: 2-2

Difficulty: 1

EOC Ref: S2-2

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.3-1 An account that normally has a debit balance may occasionally have a credit balance.

Answer: True

LO: 2-3

Difficulty: 1

EOC Ref: S2-2

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.3-2           Assets, Drawing, and Expenses have a normal balance on the debit side.
- Answer: True  
LO: 2-3  
Difficulty: 1  
EOC: S2-3  
AACSB: Analytic Skills  
AICPA Business Perspective Competencies: Strategic/Critical Thinking  
AICPA Functional Competencies: Measurement
- 2.3-3           For assets and expenses, a debit increases the account.
- Answer: True  
LO: 2-3  
Difficulty: 1  
EOC Ref: S2-3  
AACSB: Analytic Skills  
AICPA Business Perspective Competencies: Strategic/Critical Thinking  
AICPA Functional Competencies: Measurement
- 2.3-4           For liabilities and revenues, a debit increases the account.
- Answer: False  
LO: 2-3  
Difficulty: 1  
EOC Ref: S2-2  
AACSB: Analytic Skills  
AICPA Business Perspective Competencies: Strategic/Critical Thinking  
AICPA Functional Competencies: Strategic/Critical Thinking
- 2.3-5           When recording a transaction in a journal, the credit side is entered first, followed by the debit side.
- Answer: False  
LO: 2-3  
Difficulty: 1  
EOC Ref: S2-5  
AACSB: Reflective Thinking  
AICPA Business Perspective Competencies: Strategic/Critical Thinking  
AICPA Functional Competencies: Reporting
- 2.3-6           Both the date of the transaction and a brief description are included in a journal entry.
- Answer: True  
LO: 2-3  
Difficulty: 1  
EOC Ref: S2-5  
AACSB: Reflective Thinking  
AICPA Business Perspective Competencies: Strategic/Critical Thinking  
AICPA Functional Competencies: Reporting

- 2.3-7 The process of copying from the journal to the ledger is called posting.
- Answer: True  
LO: 2-3  
Difficulty: 1  
EOC Ref: S2-1  
AACSB: Reflective Thinking  
AICPA Business Perspective Competencies: Strategic/Critical Thinking  
AICPA Functional Competencies: Reporting
- 2.3-8 A journal entry includes BOTH debit and credit amounts.
- Answer: True  
LO: 2-3  
Difficulty: 1  
EOC Ref: S2-6  
AACSB: Reflective Thinking  
AICPA Business Perspective Competencies: Strategic/Critical Thinking  
AICPA Functional Competencies: Reporting
- 2.3-9 In the accounting system, the first place that transactions are recorded is the ledger.
- Answer: False  
LO: 2-3  
Difficulty: 1  
EOC Ref: S2-1  
AACSB: Reflective Thinking  
AICPA Business Perspective Competencies: Strategic/Critical Thinking  
AICPA Functional Competencies: Measurement, Reporting
- 2.3-10 Which of the following groups of accounts BOTH normally have a debit balance?
- A) Assets and Expenses
  - B) Revenues and Expenses
  - C) Liabilities and Owner's equity
  - D) Assets and Liabilities
- Answer: A  
LO: 2-3  
Difficulty: 1  
EOC Ref: S2-4  
AACSB: Analytic Skills  
AICPA Business Perspective Competencies: Strategic/Critical Thinking  
AICPA Functional Competencies: Measurement

- 2.3-11 Which of the following groups of accounts BOTH normally have a credit balance?
- A) Assets and Expenses
  - B) Revenues and Expenses
  - C) Liabilities and Owner's equity
  - D) Assets and Liabilities

Answer: C

LO: 2-3

Difficulty: 1

EOC Ref: S2-4

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.3-12 Journalizing a transaction means:
- A) calculating the balance in an account.
  - B) finding the account number in the chart of accounts.
  - C) recording the transaction, including a brief explanation.
  - D) copying the information from the journal to the ledger.

Answer: C

LO: 2-3

Difficulty: 1

EOC Ref: S2-5

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.3-13 Posting a transaction means:
- A) calculating the balance in an account.
  - B) finding the account number in the chart of accounts.
  - C) recording the transaction including a brief explanation.
  - D) copying the information from the journal to the ledger.

Answer: D

LO: 2-3

Difficulty: 1

EOC Ref: S2-7

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.3-14 Which of the following statements about expenses is CORRECT?
- A) Expenses increase owner's equity, so an expense account's normal balance is a credit balance.
  - B) Expenses decrease owner's equity, so an expense account's normal balance is a credit balance.
  - C) Expenses increase owner's equity, so an expense account's normal balance is a debit balance.
  - D) Expenses decrease owner's equity, so an expense account's normal balance is a debit balance.

Answer: D

LO: 2-3

Difficulty: 2

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.3-15 The balance of an account is the:
- A) amount remaining in an account.
  - B) account number, as shown in the chart of accounts.
  - C) sum of the debits only.
  - D) sum of the credits only.

Answer: A

LO: 2-3

Difficulty: 1

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.3-16 For Accounts receivable, the category of account and its normal balance are:
- A) Owner's equity and a credit balance.
  - B) Assets and a debit balance.
  - C) Liabilities and a credit balance.
  - D) Assets and a credit balance.

Answer: B

LO: 2-3

Difficulty: 2

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.3-17 For Accounts payable, the category of account and its normal balance are:  
A) Owner's equity and a credit balance.  
B) Assets and a debit balance.  
C) Liabilities and a credit balance.  
D) Assets and a credit balance.

Answer: C

LO: 2-3

Difficulty: 2

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.3-18 For Cash, the category of account and its normal balance are:  
A) Assets and a debit balance.  
B) Liabilities and a credit balance.  
C) Owner's equity and a credit balance.  
D) Assets and a credit balance.

Answer: A

LO: 2-3

Difficulty: 2

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.3-19 For Capital, the category of account and its normal balance are:  
A) Owner's equity and a credit balance.  
B) Assets and a debit balance.  
C) Liabilities and a credit balance.  
D) Owner's equity and a debit balance.

Answer: A

LO: 2-3

Difficulty: 2

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.3-20 For Supplies, the category of account and its normal balance are:  
A) Owner's equity and a credit balance.  
B) Assets and a debit balance.  
C) Liabilities and a credit balance.  
D) Assets and a credit balance.

Answer: B

LO: 2-3

Difficulty: 2

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.3-21 For Salary Payable, the category of account and its normal balance are:  
A) Owner's equity and a credit balance.  
B) Assets and a debit balance.  
C) Liabilities and a credit balance.  
D) Assets and a credit balance.

Answer: C

LO: 2-3

Difficulty: 2

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.3-22 For Expenses, the category of account and its normal balance are:  
A) Owner's equity and a credit balance.  
B) Assets and a debit balance.  
C) Liabilities and a credit balance.  
D) Owner's equity and a debit balance.

Answer: D

LO: 2-3

Difficulty: 2

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.3-23 For Revenues, the category of account and its normal balance are:  
A) Owner's equity and a credit balance.  
B) Assets and a debit balance.  
C) Liabilities and a credit balance.  
D) Owner's equity and a debit balance.

Answer: A

LO: 2-3

Difficulty: 2

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.3-24 For Capital, the category of account and its normal balance are:  
A) Owner's' equity and a credit balance.  
B) Assets and a debit balance.  
C) Liabilities and a credit balance.  
D) Assets and a credit balance.

Answer: A

LO: 2-3

Difficulty: 2

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement



2.3-25 For Drawing, the category of account and its normal balance are:

- A) Owner's equity and a credit balance.
- B) Owner's equity and a debit balance.
- C) Liabilities and a credit balance.
- D) Assets and a credit balance.

Answer: B

LO: 2-3

Difficulty: 2

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.3-26 After initially recording a transaction, the data is then copied, or posted, to the:

- A) chart of accounts.
- B) ledger.
- C) trial balance.
- D) journal.

Answer: B

LO: 2-3

Difficulty: 1

EOC Ref: S2-1

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

2.3-27 The accounting process of copying a transaction from the journal to the ledger is called:

- A) journalizing.
- B) posting.
- C) proofing.
- D) footing.

Answer: B

LO: 2-3

Difficulty: 1

EOC Ref: S2-1

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

2.3-28 The first step of journalizing an entry is to:

- A) post the accounts to the ledger.
- B) identify each account affected and its type.
- C) determine whether each account is increased or decreased.
- D) record the transaction in the journal, including a brief explanation.

Answer: B

LO: 2-3

Difficulty: 1

EOC Ref: S2-6

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.3-29 Which of the following is the order of steps to journalize an entry?
- A) Identify each account affected, determine increase or decrease in each account, record the transaction.
  - B) Identify each account affected, record the transaction, determine increase or decrease in each account.
  - C) Record the transaction, identify each account affected, determine increase or decrease in each account.
  - D) Determine increase or decrease in each account, identify each account affected, record the transaction.

Answer: A

LO: 2-3

Difficulty: 1

EOC Ref: S2-7

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 3.3-30 Which of the following is the last step of journalizing an entry?
- A) Post the accounts to the ledger.
  - B) Identify each account affected and its type.
  - C) Record the transaction in the journal, including a brief explanation.
  - D) Determine whether each account has increased or decreased.

Answer: C

LO: 2-3

Difficulty: 1

EOC Ref: S2-7

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.3-31 The normal sequence of information flow in an accounting system is:
- A) ledger, journal, source document.
  - B) journal, source document, ledger.
  - C) source document, journal, ledger.
  - D) source document, ledger, journal .

Answer: C

LO: 2-3

Difficulty: 1

EOC Ref: S2-1

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.3-32 Which of the following is NOT an example of a source document?
- A) Journal
  - B) Sales invoice
  - C) Bank deposit slip
  - D) Purchase invoice

Answer: A

LO: 2-3

Difficulty: 1

EOC: S2-1

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.3-33

Which of the following statements about revenue is CORRECT?

- A) Revenues decrease owner's equity, so a revenue account's normal balance is a credit balance.
- B) Revenues decrease owner's equity, so a revenue account's normal balance is a debit balance.
- C) Revenues increase owner's equity, so a revenue account's normal balance is a debit balance.
- D) Revenues increase owner's equity, so a revenue account's normal balance is a credit balance.

Answer: D

LO: 2-3

Difficulty: 2

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

2.4-34

A business purchased \$200 of supplies on account and recorded the following journal entry:

Supplies	200	
Accounts payable		200

Which of the following sets of ledger accounts reflect the posting of this transaction?

A)

Supplies	
	200

Accounts payable	
200	

B)

Supplies	
200	

Accounts payable	
200	

C)

Supplies	
200	

Accounts payable	
	200

D)

Supplies	
	200

Accounts payable	
	200

Answer: C

LO: 2-3

Difficulty: 1

EOC Ref: S2-8

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.3-35 A business renders service to a client and sends out a sales invoice. The amount will be collected from the customer at a later time. Which of the following would be TRUE at the time when the invoice is sent out?
- A) Owner's equity will decrease.
  - B) Total liabilities will increase.
  - C) Total assets will decrease.
  - D) Net income will increase.

Answer: D

LO: 2-3

Difficulty: 2

EOC Ref: S2-2

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.4-1 When a business makes a cash payment, the cash account is always debited.

Answer: False

LO: 2-4

Difficulty: 2

EOC Ref: S2-2

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-2 When a business collects cash, the cash account is always debited.

Answer: True

LO: 2-4

Difficulty: 2

EOC Ref: S2-2

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-3 When a business records an expense incurred, the expense account is always credited.

Answer: False

LO: 2-4

Difficulty: 2

EOC Ref: S2-2

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

2.4-4 When a business records revenue earned, the revenue account is always credited.

Answer: True

LO: 2-4

Difficulty: 2

EOC Ref: S2-2

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

2.4-5 An owner invests \$20,000 in her new business by depositing the cash in the business's checking account. Which account is debited?

A) Accounts receivable

B) Cash

C) Capital

D) Accounts payable

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

2.4-6 An owner invests \$20,000 in her new business by depositing the cash in the business's checking account. Which account is credited?

A) Accounts receivable

B) Cash

C) Capital

D) Accounts payable

Answer: C

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

2.4-7 A business purchases equipment for cash in the amount of \$8,000. Which account is debited?

A) Cash

B) Accounts payable

C) Utilities expense

D) Equipment

Answer: D

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-8 A business purchases equipment for cash in the amount of \$8,000. Which account is credited?  
A) Cash  
B) Accounts payable  
C) Utilities expense  
D) Equipment

Answer: A

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-9 A business makes a cash payment of \$12,000 to a creditor. Which account is debited?  
A) Cash  
B) Accounts payable  
C) Service revenue  
D) Accounts receivable

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-10 A business makes a cash payment of \$12,000 to a creditor. Which account is credited?  
A) Cash  
B) Accounts payable  
C) Service revenue  
D) Accounts receivable

Answer: A

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-11 A business renders services to a customer for \$16,000 on account. Which account is debited?  
A) Cash  
B) Accounts receivable  
C) Service revenue  
D) Accounts payable

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-12 A business renders services to a customer for \$16,000 on account. Which account is credited?  
A) Cash  
B) Accounts receivable  
C) Service revenue  
D) Accounts payable

Answer: C

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-13 A business renders services for \$16,000 and collects cash from the customer. Which account is debited?  
A) Cash  
B) Accounts receivable  
C) Service revenue  
D) Accounts payable

Answer: A

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-14 A business renders services for \$16,000 and collects cash from the customer. Which account is credited?  
A) Cash  
B) Accounts receivable  
C) Service revenue  
D) Accounts payable

Answer: C

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

2.4-15 A business pays \$500 cash for supplies. Which account is debited?

- A) Cash
- B) Accounts payable
- C) Supplies
- D) Service revenue

Answer: C

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

2.4-16 A business pays \$500 cash for supplies. Which account is credited?

- A) Cash
- B) Accounts payable
- C) Supplies
- D) Service revenue

Answer: A

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

2.4-17 A business buys \$500 of supplies on account. Which account is debited?

- A) Cash
- B) Accounts payable
- C) Supplies
- D) Service revenue

Answer: C

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting



- 2.4-18 A business buys \$500 of supplies on account. Which account is credited?  
A) Cash  
B) Accounts payable  
C) Supplies  
D) Service revenue

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-19 A business makes a cash payment to a supplier “on account” (for supplies which were purchased earlier.) Which account is debited?  
A) Cash  
B) Accounts payable  
C) Supplies  
D) Service revenue

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-20 A business makes a cash payment to a supplier “on account” (for supplies which were purchased earlier.) Which account is credited?  
A) Cash  
B) Accounts payable  
C) Supplies  
D) Service revenue

Answer: A

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-21 A business collects cash from a customer in payment of accounts receivable. Which account is debited?  
A) Cash  
B) Accounts receivable  
C) Service revenue  
D) Supplies

Answer: A

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-22 A business collects cash from a customer in payment of accounts receivable. Which account is credited?  
A) Cash  
B) Accounts receivable  
C) Service revenue  
D) Supplies

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-23 A business borrows cash by signing a note payable. Which account is debited?  
A) Notes payable  
B) Accounts payable  
C) Accounts receivable  
D) Cash

Answer: D

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-24 A business borrows cash by signing a note payable. Which account is credited?  
A) Notes payable  
B) Accounts payable  
C) Accounts receivable  
D) Cash

Answer: A

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-25 A business repays the amount borrowed on a note payable. Which account is debited?  
A) Cash  
B) Equipment  
C) Notes payable  
D) Notes receivable

Answer: C

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-26 A business repays the amount borrowed on a note payable. Which account is credited?  
A) Cash  
B) Equipment  
C) Notes payable  
D) Notes receivable

Answer: A

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-27 A business makes a cash payment for advertising expense. Which account is debited?
- A) Cash
  - B) Service revenue
  - C) Accounts receivable
  - D) Advertising expense

Answer: D

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-28 A business makes a cash payment for advertising expense. Which account is credited?
- A) Cash
  - B) Service revenue
  - C) Accounts receivable
  - D) Advertising expense

Answer: A

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-29 A business pays cash back to the owner. Which account is debited?
- A) Cash
  - B) Drawing
  - C) Accounts payable
  - D) Service revenue

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

2.4-30 A business pays cash back to the owner. Which account is credited?

- A) Cash
- B) Drawing
- C) Accounts payable
- D) Service Revenue

Answer: A

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

2.4-31 A business makes a payment of \$1,200 on a note payable, consisting of a \$200 interest payment and a \$1,000 principal payment. Which of the following journal entries would be recorded?

- A) Cash is credited for \$1,000; Interest expense is credited for \$200; and Notes payable is debited for \$1,200.
- B) Notes payable is credited for \$1,000; Cash is credited for \$200; and Interest expense is debited for \$1,200.
- C) Cash is credited for \$1,200; Notes payable is debited for \$1,000; and Interest expense is debited for \$200.
- D) Notes payable is credited for \$1,200; Cash is debited for \$1,000; and Interest expense is debited for \$200.

Answer: C

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-32 A business purchases equipment by paying cash of \$8,000 and issuing a note payable of \$12,000. Which of the following occurs?

- A) Cash is credited for \$8,000; Equipment is credited for \$20,000; and Notes payable is debited for \$12,000.
- B) Cash is credited for \$8,000; Equipment is debited for \$20,000; and Notes payable is credited for \$12,000.
- C) Cash is debited for \$8,000; Equipment is debited for \$12,000; and Notes payable is credited for \$20,000.
- D) Cash is credited for \$8,000; Equipment is credited for \$12,000; and Notes payable is debited for \$4,000.

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-33

Which of the following journal entries would be recorded if a business purchased \$200 of supplies on account?

A)

Accounts payable	200	
Supplies		200

B)

Supplies	200	
Accounts payable		200

C)

Supplies	200	
Cash		200

D)

Cash	200	
Supplies		200

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-34

Which of the following journal entries would be recorded if a business renders service and receives cash of \$400 from the customer?

A)

Service revenue	400	
Cash		400

B)

Service revenue	400	
Accounts payable		400

C)

Cash	400	
Service revenue		400

D)

Service revenue	400	
Accounts receivable		400

Answer: C

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-35

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

A)

Cash	600	
Accounts payable		600

B)

Accounts payable	600	
Cash		600

C)

Cash	600	
Supplies		600

D)

Accounts payable	600	
Supplies		600

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting



2.4-36

Which of the following journal entries would be recorded if Jane Brown started a business, and then deposited cash of \$6,000 into the business's bank account?

A)

Cash	6,000	
Jane Brown, capital		6,000

B)

Accounts payable	6,000	
Cash		6,000

C)

Jane Brown, capital	6,000	
Cash		6,000

D)

Jane Brown, capital	6,000	
Accounts payable		6,000

Answer: A

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-37

Which of the following journal entries would be recorded if a business purchased equipment for \$3,000 cash?

A)

Cash	3,000	
Equipment		3,000

B)

Equipment	3,000	
Cash		3,000

C)

Cash	3,000	
Accounts payable		3,000

D)

Equipment	3,000	
Accounts payable		3,000

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-38

Which of the following journal entries would be recorded if a business collects \$1,000 cash on account from a customer for services performed at an earlier date?

A)

Cash	1,000	
Service revenue		1,000

B)

Accounts receivable	1,000	
Service revenue		1,000

C)

Cash	1,000	
Accounts receivable		1,000

D)

Service revenue	1,000	
Accounts receivable		1,000

Answer: C

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-39

Which of the following journal entries would be recorded if a business purchases equipment for \$2,500 cash and supplies for \$450 cash?

A)

Equipment	2,950	
Cash		2,500
Supplies		450

B)

Cash	2,500	
Equipment	450	
Accounts receivable		2,950

C)

Cash	2,950	
Equipment		2,500
Supplies		450

D)

Equipment	2,500	
Supplies	450	
Cash		2,950

Answer: D

LO: 2-4

Difficulty: 3

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-40

A business makes a payment of \$1,200 on a note payable, consisting of a \$200 interest payment and a \$1,000 principal payment. Which of the following journal entries would be recorded?

A)

Notes payable	1,000	
Interest expense	200	
Cash		1,200

B)

Cash	1,200	
Notes payable		1,000
Interest expense		200

C)

Notes payable	1,200	
Cash		1,000
Interest expense		200

D)

Cash	1,000	
Notes payable		1,200
Interest expense		200

Answer: A

LO: 2-4

Difficulty: 3

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

2.4-41

A business purchases equipment by paying \$8,000 in cash and issuing a note payable of \$12,000. Which of the following journal entries would be recorded?

A)

Equipment	20,000	
Notes payable		12,000
Cash		8,000

B)

Cash	8,000	
Notes payable	12,000	
Equipment		20,000

C)

Cash	8,000	
Notes payable	4,000	
Equipment		12,000

D)

Equipment	8,000	
Notes payable	4,000	
Cash		12,000

Answer: A

LO: 2-4

Difficulty: 3

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-42

The following transactions have been journalized and posted to the proper accounts.

1. Mark Call invested \$7,000 cash in his new design services business.
2. The business paid the first month's rent of \$700.
3. The business purchased equipment by paying \$2,000 cash and executing a note payable for \$4,500.
4. The business purchased supplies for \$850 cash.
5. The business billed a client for \$4,000 of design services completed.
6. The business received \$3,000 of the account for the completed services.

What is the balance in Cash?

- A) \$7,850
- B) \$6,450
- C) \$8,450
- D) \$8,150

Answer: B

Calculations:  $\$7,000 - \$700 - \$2,000 - \$850 + \$3,000 = \$6,450$

LO: 2-4

Difficulty: 3

EOC Ref: E2-19

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.4-43

Which of the following journal entries would be recorded if a business purchased \$200 of supplies by paying cash?

A) 

Cash	200	
Supplies		200

B) 

Accounts payable	200	
Supplies		200

C) 

Supplies	200	
Cash		200

D) 

Supplies	200	
Accounts payable		200

Answer: C

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.4-44 A business purchased a building by paying part of the purchase price in cash as a down payment and signing a mortgage note for the remainder. The business should:
- A) debit the mortgage note payable for the amount of the mortgage.
  - B) debit the building account for the amount of the mortgage.
  - C) debit cash for the amount paid on the down payment.
  - D) credit the mortgage note payable for the amount of the mortgage.

Answer: D

LO: 2-4

Difficulty: 2

EOC: E2-20

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies, Reporting

- 2.4-45 A company received \$75,000 from a customer “on account.” The journal entry would be to:
- A) debit Accounts receivable and credit Sales revenue.
  - B) debit Accounts receivable and credit Cash.
  - C) debit Cash and credit Accounts receivable.
  - D) debit Sales revenue and credit Accounts receivable.

Answer: C

LO: 2-4

Difficulty: 2

EOC: E2-2AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting



2.4-46

ABC Services reported the following transactions for September, 2013.

- A) The owner opened the business with a capital contribution of \$23,500 cash. It was credited to Capital.
- B) The business purchased office equipment for \$11,500. The business paid \$2,500 down and put the balance on a note payable.
- C) The business paid a utility bill for \$980 cash.
- D) The business paid \$2,000 cash for September rent.
- E) The business had sales of \$15,000 in September. Of these sales, 60% were cash sales, and the balance was credit sales.
- F) The business paid \$9,700 cash for office furniture.

What is the net income for September, 2013?

- A) \$12,020
- B) \$ 9,000
- C) \$ 6,020
- D) \$ 5,300

Answer: A

Calculations: \$12,020 (Sales of \$15,000 – expenses of \$2,980)

LO: 2-4

Difficulty: 3

EOC: E2-20

AACSB: Analytic Skills

AICPA Business Perspective Competencies: /Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.4-47

ABC Services reported the following transactions for September, 2013.

- A) The owner opened the business with a capital contribution of \$23,500 cash. It was credited to Capital.
- B) The business purchased office equipment for \$11,500. The business paid \$2,500 cash down and put the balance on a note payable.
- C) The business paid insurance expense of \$1,350 cash.
- D) The business paid a utility bill for \$980 cash.
- E) The business paid \$2,000 cash for September rent.
- F) The business had sales of \$12,000 in September. Of these sales, 60% were cash sales, and the balance was credit sales.
- G) The business paid \$9,700 cash for office furniture.

What are the total liabilities at the end of September, 2013?

- A) \$ 980
- B) \$2,330
- C) \$9,000
- D) \$4,800

Answer: C

Calculations: \$9,000 (Just the amount of the note payable.)

LO: 2-4

Difficulty: 3

EOC: E2-20

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

ABC Services reported the following transactions for September, 2013.

- A) The owner opened the business with a capital contribution of \$23,500 cash. It was credited to Capital.
- B) The business purchased office equipment for \$11,500. The business paid cash of \$2,500 down and put the balance on a note payable.
- C) The business purchased \$1,350 of supplies on account.
- D) The business paid a utility bill for \$980 cash.
- E. The business paid \$2,000 cash for September rent.
- F. The business had sales of \$20,000 in September. Of these sales, 60% were cash sales, and the balance was credit sales.
- G. The business paid \$9,700 cash for office furniture.

What is the total amount in the Cash account at the end of September, 2013?

- A) \$15,520
- B) \$20,320
- C) \$28,320
- D) \$18,970

Answer: B

Calculations: \$20,320 ( $\$23,500 - \$2,500 - \$980 - \$2,000 + \$12,000 - \$9,700$ )

LO: 2-4

Difficulty: 3

EOC: E2-20

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.4-49

The following transactions have been journalized and posted to the proper accounts.

1. Mark Call invested \$7,000 cash in his new design services business.
2. The business paid the first month's rent with \$700 cash.
3. The business purchased equipment by paying \$2,000 down and executing a note payable for \$4,500.
4. The business purchased supplies for \$850 cash.
5. The business billed its clients a total of \$4,000 for design services rendered.
6. The business collected \$3,000 on account from one of its clients.

What is the balance in Accounts receivable?

- A) \$8,500
- B) \$1,000
- C) \$7,000
- D) \$4,000

Answer: B

Calculations:  $\$4,000 - \$3,000 = \$1,000$

LO: 2-4

Difficulty: 3

EOC Ref: E2-20

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.4-50

The following transactions have been journalized and posted to the proper accounts.

1. Mark Call invested \$7,000 cash in his new design services business.
2. The business paid the first month's rent with \$700 cash.
3. The business purchased equipment by paying \$2,000 down and executing a note payable for \$4,500.
4. The business purchased supplies for \$850 cash.
5. The business billed its clients a total of \$4,000 for design services rendered.
6. The business collected \$3,000 on account from one of its clients.

What is the total amount of assets after all the above transactions have been completed?

- A) \$ 7,800
- B) \$13,800
- C) \$12,800
- D) \$14,800

Answer: D

Calculations:

Cash:  $\$7,000 - \$700 - \$2,000 - \$850 + \$3,000 = \$6,450$

Equipment: \$6,500

Supplies: \$850

Accounts receivable: \$1,000

Total assets = \$14,800

LO: 2-4

Difficulty: 3

EOC Ref: E2-20

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.4-51

The following transactions have been journalized and posted to the proper accounts.

1. Mark Call invested \$7,000 cash in his new design services business.
2. The business paid the first month's rent with \$700 cash.
3. The business purchased equipment by paying \$2,000 down and executing a note payable for \$4,500.
4. The business purchased supplies for \$850 cash.
5. The business billed its clients a total of \$4,000 for design services rendered.
6. The business collected \$3,000 on account from one of its clients.

What is the balance in Service revenue?

- A) \$1,000
- B) \$3,000
- C) \$4,000
- D) \$3,150

Answer: C

Calculations: \$4,000 only

LO: 2-4

Difficulty: 3

EOC Ref: E2-20

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.4-52 The following transactions have been journalized and posted to the proper accounts.

1. Mark Call invested \$7,000 cash in his new design services business.
2. The business paid the first month's rent with \$700 cash.
3. The business purchased equipment by paying \$2,000 down and executing a note payable for \$4,500.
4. The business purchased supplies for \$850 cash.
5. The business billed its clients a total of \$4,000 for design services rendered.
6. The business collected \$3,000 on account from one of its clients.

How much was net income?

- A) \$ 700
- B) \$ 300
- C) \$3,300
- D) \$2,450

Answer: C

Calculations:  $\$4,000 - \$700 = \$3,300$

LO: 2-4

Difficulty: 3

EOC Ref: E2-20

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.4-53 The following entries were made by the accountant of Patel Pastries during its first month of operation:

1. James Patel, the owner, deposited \$3,000 in the business's new checking account.
2. Patel Pastries paid the first month's rent of \$400 in cash.
3. Patel Pastries purchased equipment by signing a note payable of \$11,000.
4. Cash sales for the month were \$4,500.
5. Patel Pastries purchased cooking supplies for \$1,400 cash.

After the accountant posts these entries to the general ledger, what is the balance in the Cash account?

- A) \$ 7,500
- B) \$ 7,100
- C) \$ 5,700
- D) \$16,700

Answer: C

Calculations:  $\$3,000 - \$400 + \$4,500 - \$1,400 = \$5,700$

LO: 2-4

Difficulty: 3

EOC Ref: E2-20

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.4-54 The following entries were made by the accountant of Patel Pastries during its first month of operation.

1. James Patel, the owner, deposited \$3,000 in the business's new checking account.
2. Patel Pastries paid the first month's rent of \$400 in cash.
3. Patel Pastries purchased equipment by signing a note payable of \$11,000.
4. Cash sales for the month were \$4,500.
5. Patel Pastries purchased cooking supplies for \$1,400 cash.

After the accountant posts these entries to the general ledger, how much are total assets?

- A) \$16,700
- B) \$18,100
- C) \$ 7,100
- D) \$ 6,100

Answer: B

Calculations:

Cash:  $\$3,000 - \$00 + \$500 - \$1,400 = \$5,700$

Equipment: \$11,000

Supplies: \$1,400

Total Assets: \$18,100

LO: 2-4

Difficulty: 3

EOC Ref: E2-20AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.4-55 Equipment is purchased for cash. Which of the following would be TRUE?

- A) There is an increase in total assets.
- B) There is a decrease in both total assets and total liabilities.
- C) There is an increase in total assets and a decrease in total liabilities.
- D) There is no effect on total assets.

Answer: D

LO: 2-4

Difficulty: 2

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement



- 2.4-56 A business owner took a withdrawal. Which of the following would be TRUE?
- A) Net income would decrease.
  - B) Total assets would increase.
  - C) There would be no effect on total assets.
  - D) Owner's equity would decrease.

Answer: D

LO: 2-4

Difficulty: 2

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.4-57 A utility bill is received for expenses incurred. It will be paid in the following accounting period. Which of the following would be TRUE as a result of the receipt of the utility bill?
- A) Net income will increase.
  - B) Owner's equity will decrease.
  - C) Total liabilities will decrease.
  - D) There will be no effect on total liabilities.

Answer: B

LO: 2-4

Difficulty: 2

EOC Ref: S2-3

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.4-58

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

A)

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

B)

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

C)

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

D)

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

Answer: A

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-59

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

A)

Accounts receivable	
9,000	
	1,500
	7,500

B)

Accounts receivable	
9,000	
1,500	
10,500	

C)

Accounts receivable	
9,000	
9,000	

D)

Accounts receivable	
9,000	
	1,500
7,500	

Answer: D

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-60

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

A)

Accounts payable	
	500
	2,000
	<hr/>
	2,500

B)

Accounts payable	
	500
	2,000
	<hr/>
	500
	3,000

C)

Accounts payable	
2,000	
500	
	<hr/>
	500
2,000	

D)

Accounts payable	
	500
	2,000
500	
	<hr/>
	2,000

Answer: D

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.4-61

A business is started by receiving \$5,000 cash from the owner. Please provide the journal entry (debits first, credits second.)


Answer:

Cash	5,000	
Capital		5,000

LO: 2-4

Difficulty: 2

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

**This question is not available in MyAccountingLab.**

2.4-62

A business purchases land for \$100,000 cash. Please provide the journal entry (debits first, credits second.)


Answer:

Land	100,000	
Cash		100,000

LO: 2-4

Difficulty: 2

EOC Ref: S2-6

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

**This question is not available in MyAccountingLab.**

2.4-63

A business purchases supplies for \$200 on account. Please provide the journal entry (debits first, credits second.)


Answer:

Supplies	200	
Accounts payable		200

LO: 2-4

Difficulty: 2

EOC Ref: S2-6

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

**This question is not available in MyAccountingLab.**

2.4-64

A business renders services to its customer and collects \$900 cash. Please provide the journal entry (debits first, credits second.)


Answer:

Cash	900	
Service revenue		900

LO: 2-4

Difficulty: 2

EOC Ref: S2-6

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

**This question is not available in MyAccountingLab.**

2.4-65

A business renders services to its customer for \$350 on account. Please provide the journal entry (debits first, credits second.)


Answer:

Accounts receivable	350	
Service revenue		350

LO: 2-4

Difficulty: 2

EOC Ref: S2-6

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

This question is not available in MyAccountingLab.

2.4-66

A business pays salary expense of \$4,000 in cash. Please provide the journal entry (debits first, credits second.)


Answer:

Salary expense	4,000	
Cash		4,000

LO: 2-4

Difficulty: 2

EOC Ref: S2-6

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

This question is not available in MyAccountingLab.

2.4-67

In a previous month, the business purchased supplies for \$800 on account. Now the business makes a cash payment of \$800 to the supplier. Please provide the journal entry (debits first, credits second.)


Answer:

Accounts payable	800	
Cash		800

LO: 2-4

Difficulty: 2

EOC Ref: S2-6

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

This question is not available in MyAccountingLab.

2.4-68

In a previous month, the business rendered services of \$5,000 to a client on account. Now the business receives \$5,000 cash from the client. Please provide the journal entry (debits first, credits second.)


Answer:

Cash	5,000	
Accounts receivable		5,000

LO: 2-4

Difficulty: 2

EOC Ref: S2-6

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

This question is not available in MyAccountingLab.



2.4-69

At the end of the month, the business receives a bill for utility expenses of \$800 incurred during the month. The business will pay the bill during the following month. Please provide the journal entry (debits first, credits second.)


Answer:

Utilities expense	800	
Accounts payable		800

LO: 2-4

Difficulty: 2

EOC Ref: S2-6

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

**This question is not available in MyAccountingLab.**

2.4-70

At the end of the month, the business owner takes a withdrawal of \$10,000. Please provide the journal entry (debits first, credits second.)


Answer:

Drawing	10,000	
Cash		10,000

LO: 2-4

Difficulty: 2

EOC Ref: S2-6

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

**This question is not available in MyAccountingLab.**

2.5-1

In a trial balance, total debits are always equal to total credits.

Answer: True

LO: 2-5

Difficulty: 1

EOC Ref: E2-17

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/ Critical Thinking

AICPA Functional Competencies: Measurement

- 2.5-2 The trial balance is generally used only inside the business and is not published with the other financial statements.
- Answer: True  
LO: 2-5  
Difficulty: 1  
EOC Ref: E2-17  
AACSB: Reflective Thinking  
AICPA Business Perspective Competencies: Strategic/Critical Thinking  
AICPA Functional Competencies: Reporting
- 2.5-3 A trial balance summarizes a ledger by listing all the accounts with their ending balances.
- Answer: True  
LO: 2-5  
Difficulty: 1  
EOC Ref: E2-17  
AACSB: Reflective Thinking  
AICPA Business Perspective Competencies: Strategic/Critical Thinking  
AICPA Functional Competencies: Measurement, Reporting
- 2.5-4 Data from a trial balance is used to prepare the three basic financial statements.
- Answer: True  
LO: 2-5  
Difficulty: 1  
EOC Ref: E2-17  
AACSB: Analytic Skills  
AICPA Business Perspective Competencies: Strategic/Critical Thinking  
AICPA Functional Competencies: Measurement, Reporting
- 2.5-5 The trial balance is one of the three basic financial statements.
- Answer: False  
LO: 2-5  
Difficulty: 1  
EOC Ref: E2-17  
AACSB: Reflective Thinking  
AICPA Business Perspective Competencies: Strategic/Critical Thinking  
AICPA Functional Competencies: Reporting
- 2.5-6 The trial balance shows total amounts for assets, liabilities, and equity.
- Answer: False  
LO: 2-5  
Difficulty: 1  
EOC Ref: E2-17  
AACSB: Reflective Thinking  
AICPA Business Perspective Competencies: Strategic/Critical Thinking  
AICPA Functional Competencies: Measurement, Reporting

2.5-7

Which of the following statements is TRUE?

- A) A trial balance is in the same format as a balance sheet.
- B) A trial balance presents data in debit and credit format, but a balance sheet does not.
- C) A trial balance shows total amounts for assets, liabilities, and equity.
- D) A trial balance is created after the balance sheet is prepared.

Answer: B

LO: 2-5

Difficulty: 1

EOC Ref: E2-17

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.5-8

Which of the following statements is FALSE?

- A) A trial balance shows total debits and total credits.
- B) A trial balance presents data in debit and credit format, but a balance sheet does not.
- C) A trial balance shows total amounts for assets, liabilities, and equity.
- D) A trial balance is created before the balance sheet is prepared.

Answer: C

LO: 2-5

Difficulty: 1

EOC Ref: E2-17

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.5-9

Which of the following is a method used to detect errors when the two columns of the trial balance are NOT equal?

- A) Compute the difference in the columns and search the trial balance for a transposition error or a slide error if the difference is evenly divisible by 9.
- B) Compute the difference in the columns, divide the difference between total debits and total credits by 2 and search for a debit shown as a credit, or vice versa.
- C) Compute the difference in the columns and search for a missing account with that balance.
- D) All of the above are suggested methods for detecting errors.

Answer: D

LO: 2-5

Difficulty: 1

EOC Ref: E2-26

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.5-10 A journal entry for a \$75 payment for Rent expense was posted as a debit to Salary expense and a credit to Cash. This error will cause which of the following conditions on the trial balance?
- A) The sum of the credits will equal the sum of the debits.
  - B) The sum of the debits will exceed the sum of the credits by \$75.
  - C) The sum of the debits will exceed the sum of the credits by \$150.
  - D) The sum of the credits will exceed the sum of the debits by \$150.

Answer: A

LO: 2-5

Difficulty: 2

EOC Ref: E2-26

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.5-11 A journal entry for a \$250 payment to purchase supplies was erroneously recorded as a debit to Supplies for \$520 and a credit to Cash for \$250. Which of the following statements about the trial balance is TRUE?
- A) The sum of the credits will exceed the sum of the debits by \$270.
  - B) The sum of the debits will exceed the sum of the credits by \$250.
  - C) The sum of the debits will exceed the sum of the credits by \$270.
  - D) The trial balance will be in balance; the sum of the credits will equal the sum of the debits.

Answer: C

LO: 2-5

Difficulty: 2

EOC Ref: E2-26

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

- 2.5-12 A trial balance lists accounts in which order?
- A) Assets, Liabilities, Revenues, Expenses, Owner's equity
  - B) Assets, Expenses, Liabilities, Revenues, Owner's equity
  - C) Assets, Revenues, Liabilities, Expenses, Owner's equity
  - D) Assets, Liabilities, Owner's equity, Revenues, Expenses

Answer: D

LO: 2-5

Difficulty: 1

EOC Ref: E2-26

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

- 2.5-13 When is a trial balance usually prepared?
- A) After each entry is journalized
  - B) Before financial statements are prepared
  - C) After financial statements are published
  - D) At the beginning of an accounting period

Answer: B

LO: 2-5

Difficulty: 1

EOC Ref: QC2-1

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.5-14 Which of the following statements CORRECTLY describes a trial balance?
- A) A trial balance is the first step in the accounting cycle.
  - B) A trial balance is also known as a balance sheet.
  - C) A trial balance is a list of all accounts with their balances.
  - D) A trial balance is also known as the chart of accounts.

Answer: C

LO: 2-5

Difficulty: 1

EOC Ref: QC2-1

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

- 2.5-15 The last step before preparing financial statements is to:
- A) post all entries.
  - B) record all transactions in the journal.
  - C) prepare the trial balance.
  - D) review source documents.

Answer: C

LO: 2-5

Difficulty: 1

EOC: QC2-1

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.5-16 On a trial balance, which accounts are listed last?

- A) Expenses
- B) Revenues
- C) Liabilities
- D) Assets

Answer: A

LO: 2-5

Difficulty: 1

EOC: E2-26

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

2.5-17 The following are the ending month's balances for Toys Galore, before preparing the trial balance.

Accounts payable	\$6,790
Revenues	8,680
Cash	4,500
Expenses	1,050
Furniture	8,370
Accounts receivable	7,710
Capital	???
Notes payable	5,230

What amount should be shown for Capital on the trial balance?

- A) \$ 930
- B) \$16,190
- C) \$42,330
- D) \$21,165

Answer: A

Calculations:  $\$4,500 + \$1,050 + \$8,370 + \$7,710 - \$6,790 - \$8,680 - \$5,230 = \$930$

LO: 2-5

Difficulty: 2

EOC: E2-25

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.5-18

The following are the ending month's balances for Toys Galore.

Accounts payable	\$6,790
Revenue	8,680
Cash	4,500
Expenses	1,050
Furniture	8,370
Accounts receivable	7,710
Capital	930
Notes payable	5,230

What is the total amount of credits for the trial balance?

- A) \$21,630
- B) \$16,400
- C) \$20,580
- D) \$30,310

Answer: A

Calculations:  $\$6,790 + \$8,680 + \$930 + \$5,230 = \$21,630$

LO: 2-5

Difficulty: 2

EOC: E2-25

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement

2.5-19

The following are the ending month's balances for Toys Galore.

Accounts payable	\$6,790
Revenue	8,680
Cash	4,500
Expenses	1,050
Furniture	8,370
Accounts receivable	7,710
Capital	930
Notes payable	5,230

What is the total amount of debits for the trial balance?

- A) \$21,630
- B) \$16,400
- C) \$20,580
- D) \$30,310

Answer: A

Calculations:  $\$4,500 + \$1,050 + \$8,370 + \$7,710 = \$21,630$

LO: 2-5

Difficulty: 2

EOC: E2-25

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.5-20

The following are the ending month's balances for Toys Galore.

Accounts payable	\$6,790
Revenue	8,680
Cash	4,500
Expenses	1,050
Furniture	8,370
Accounts receivable	7,710
Capital	930
Notes payable	5,230

What is the net income for Toys Galore for September?

- A) \$8,680
- B) \$1,050
- C) \$7,630
- D) \$ 970

Answer: C

Calculations:  $\$8,680 - \$1,050 = \$7,630$

LO: 2-5

Difficulty: 2

EOC: E2-25

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Measurement, Reporting

2.5-21

The following are the ending month's balances for Toys Galore.

Accounts payable	\$6,790
Revenue	8,680
Cash	4,500
Expenses	1,050
Furniture	8,370
Accounts receivable	7,710
Capital	930
Notes payable	5,230

What would be the last account listed on the trial balance for Toys Galore?

- A) Revenue
- B) Expenses
- C) Cash
- D) Accounts payable

Answer: B

LO: 2-5

Difficulty: 1

EOC: E2-25

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting



2.5-22

The following are the ending month's balances for Toys Galore.

Accounts payable	\$6,790
Revenue	8,680
Cash	4,500
Expenses	1,050
Furniture	8,370
Accounts receivable	7,710
Capital	930
Notes payable	5,230

What would be the first account listed on the trial balance for Toys Galore?

- A) Revenue
- B) Expenses
- C) Cash
- D) Accounts payable

Answer: C

LO: 2-5

Difficulty: 1

EOC: E2-25

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

The following transactions have been journalized and posted to the proper accounts. Prepare a trial balance in good form.

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

Account Title	Debit	Credit

Answer:

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

LO: 2-5

Difficulty: 3

EOC Ref: P2-29A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

This question is not available in MyAccountingLab.

2.5-24

Thermo HVAC is a heating and air conditioning service business. On December 31, 2010, after its first month of business, Thermo HVAC had the following balances in its accounts, listed alphabetically.

Accounts receivable	4,100
Accounts payable	22,000
Advertising expense	1,600
Building	17,000
Cash	???
Capital	45,000
Withdrawals	1,800
Equipment	1,800
Land	67,000
Note payable	58,000
Salary expense	1,800
Service revenue	62,000
Supplies	2,900
Utilities expense	4,200

Determine the balance in the cash account and prepare a trial balance using proper format.

Account Title	Debit	Credit

Answer:

Account Title	Debit	Credit
Cash	84,800	
Accounts receivable	4,100	
Supplies	2,900	
Equipment	1,800	
Building	17,000	
Land	67,000	
Accounts payable		22,000
Note payable		58,000
Capital		45,000
Withdrawals	1,800	
Service revenue		62,000
Advertising expense	1,600	
Salary expense	1,800	
Utilities expense	4,200	
	<u>\$187,000</u>	<u>\$187,000</u>

LO: 2-5

Difficulty: 3

EOC Ref: E2-25

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

This question is not available in MyAccountingLab.

2.5-25

At the end of a month, a business shows the following balances in its ledger.

Cash		Accounts receivable		Supplies		Land	
5,000		1,200		200		20,000	
Accounts payable		Capital		Service revenue		Rent expense	
	1,300		1,000		35,500		4,500
Salary expense		Utility expense					
6,000		900					

Please use this data to prepare a trial balance.

Account title	Debit	Credit

Answer:

Account Title	Debit	Credit
Cash	\$5,000	
Accounts receivable	1,200	
Supplies	200	
Land	20,000	
Accounts payable		\$1,300
Capital		1,000
Service revenue		35,500
Rent expense	4,500	
Salary expense	6,000	
Utility expense	900	
Total	\$37,800	\$37,800

LO: 2-5

Difficulty: 1

EOC Ref: P2-30A

AACSB: Analytic Skills

AICPA Business Perspective Competencies: Strategic/Critical Thinking

AICPA Functional Competencies: Reporting

**This question is not available in MyAccountingLab.**