

# TEST BANK



## Accounting for Canadian Colleges

Fifth Edition

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

- 1) The left side of a T-account: 1) \_\_\_\_\_  
A) is the debit side.  
B) is used to decrease assets.  
C) is the credit side.  
D) is used to increase all accounts.  
E) is used to increase liabilities.
- 2) A ledger is 2) \_\_\_\_\_  
A) a group of accounts.  
B) another name for a balance sheet.  
C) a statement that summarizes total assets, total liabilities and total equity.  
D) where transactions are initially recorded.  
E) a financial statement.
- 3) Double-entry accounting 3) \_\_\_\_\_  
A) allows only two accounts to be used in any given transaction.  
B) requires entries to be posted to the general ledger.  
C) is another name for a trial balance.  
D) requires that debits equal credits for every transaction.  
E) requires entries to be recorded twice.
- 4) The new balance in an account: 4) \_\_\_\_\_  
A) is based only on the last transaction entered into the account.  
B) is placed on the side of the account with the highest total.  
C) is calculated by adding all numbers together to get a total.  
D) is calculated by ignoring any opening balance in the account.  
E) is calculated by adding the debit side and adding the credit side and entering the difference on the debit side.
- 5) A trial balance: 5) \_\_\_\_\_  
A) lists all the balance sheet accounts in alphabetical order.  
B) ensures that the correct dollar value is used in each transaction.  
C) identifies errors made in recording transactions.  
D) proves that the correct account has been debited and credited.  
E) proves the mathematical accuracy of calculations.
- 6) A Credit: 6) \_\_\_\_\_  
A) refers to the left side of an account.  
B) means that the company has a \$10,000 credit line.  
C) can be used only once in any transaction.  
D) is used to increase an asset.  
E) refers to the right side of an account.
- 7) When an owner invests cash into the business, the entry would debit the \_\_\_\_\_ account and credit the \_\_\_\_\_ account. 7) \_\_\_\_\_  
A) capital, cash  
B) cash, accounts receivable  
C) drawings, cash

- D) cash, capital
- E) cash, drawings

- 8) When a company purchases office supplies on account, the entry would be a debit to the \_\_\_\_\_ account and a credit to the \_\_\_\_\_ account. 8) \_\_\_\_\_
- A) cash, office supplies
  - B) office supplies, accounts payable
  - C) account receivable, office supplies
  - D) office supplies, capital
  - E) office supplies, cash
- 9) When a company receives cash from a customer on account, the transaction would include a debit to: 9) \_\_\_\_\_
- A) accounts receivable.
  - B) capital.
  - C) cash.
  - D) sales.
  - E) accounts payable.
- 10) When a company pays for goods previously purchased on account, the entry would require a debit to the \_\_\_\_\_ account and a credit to the \_\_\_\_\_ account. 10) \_\_\_\_\_
- A) cash, account payable
  - B) account payable, cash
  - C) account receivable, cash
  - D) cash, account receivable
  - E) account receivable, account payable
- 11) The financial statement that reports assets, liabilities and owner's equity is the: 11) \_\_\_\_\_
- A) general ledger.
  - B) statement of cash flows.
  - C) balance sheet.
  - D) income statement.
  - E) trial balance.
- 12) A list of all accounts and their balances used to prove mathematical accuracy of calculations is called a: 12) \_\_\_\_\_
- A) a T-account.
  - B) Trial Balance.
  - C) a Balance Sheet.
  - D) a journal.
  - E) a ledger.
- 13) Initially entering the name and opening balance of an individual account is known as: 13) \_\_\_\_\_
- A) opening the liability.
  - B) listing the accounts.
  - C) completing a trial balance.
  - D) organizing the ledger.
  - E) opening the ledger.

- 14) Which of the following statements about an account is true? 14) \_\_\_\_\_
- A) The account shows individual records of assets, liabilities and owner's equity.
  - B) The right side of the account is the increase side.
  - C) The left side of the account is the increase side.
  - D) There is only one account for owner's equity.
  - E) The right side of the account is the debit side.
- 15) A ledger: 15) \_\_\_\_\_
- A) is not required in accounting.
  - B) does not contain any transactions.
  - C) is similar to a T-account.
  - D) contains only asset and equity accounts.
  - E) lists accounts in alphabetical order.
- 16) A trial balance will not balance if: 16) \_\_\_\_\_
- A) double entry recording is done.
  - B) a \$100 payment for supplies is debited to Supplies for \$100 and credited to Cash for \$10.
  - C) a \$100 receipt of cash is debited to Cash for \$100 and credited to Accounts receivable for \$100.
  - D) correct entries are posted twice.
  - E) debits equal credits for every transaction.
- 17) If assets total \$50,000 and liabilities total \$30,000, then owner's equity will total: 17) \_\_\_\_\_
- A) \$80,000.
  - B) \$50,000.
  - C) \$30,000.
  - D) \$20,000.
  - E) cannot be calculated from the information provided.
- 18) In preparing the balance sheet, the following account should appear under the Equity section: 18) \_\_\_\_\_
- A) capital
  - B) supplies
  - C) accounts payable
  - D) equipment
  - E) cash
- 19) In preparing the balance sheet, the following account should appear under the Liability section: 19) \_\_\_\_\_
- A) cash
  - B) capital
  - C) accounts receivable
  - D) supplies
  - E) accounts payable
- 20) The accounting equation is: 20) \_\_\_\_\_
- A) not a mathematical equation.
  - B)  $\text{Equity} = \text{Assets} + \text{Liabilities}$ .
  - C) used to determine individual account balances.

- D) Assets = Liabilities - Equity.
- E) the basis of the balance sheet.

- 21) The following accounts appear on a trial balance: Accounts receivable, \$2,200; Accounts payable, \$900; Bank loan, \$1,600; Cash, \$2,600; Land, \$115,000. The only account missing is Owner's Equity. Its balance must be: 21) \_\_\_\_\_
- A) \$122,300.
  - B) \$0.
  - C) \$114,880.
  - D) \$117,300.
  - E) can't be calculated from the information given.
- 22) The following accounts appear on a partial trial balance: Accounts receivable, \$600; Accounts payable, \$400; Bank loan, \$900; Cash, \$1,100; Land, \$45,000; Capital, \$40,000. The total in the debit and credit columns for the partial trial balance will be: 22) \_\_\_\_\_
- A) \$41,300 debit and \$46,700 credit.
  - B) \$16,700 debit and \$41,900 credit.
  - C) equal.
  - D) \$46,700 debit and \$41,300 credit.
  - E) \$41,900 debit and \$16,700 credit.
- 23) The following accounts appear on a trial balance: Capital, \$14,000; Bank loan, \$23,000; Land, \$41,000; Equipment, \$12,500; Office supplies, \$250 and Accounts payable, \$8,500. The only account not entered is Cash. The balance of the Cash account must be: 23) \_\_\_\_\_
- A) \$8,250.
  - B) \$1,250
  - C) \$1,750.
  - D) \$2,750.
  - E) cannot be calculated with the balances given.
- 24) Which of the following transactions will result in debits that do not equal credits: 24) \_\_\_\_\_
- A) A \$2,000 bank loan is debited to Bank loan and credited to Cash.
  - B) A payment for supplies is debited to Supplies for \$100 and credited to Cash for \$100.
  - C) A \$2,000 bank loan is credited to Bank loan and credited to Cash.
  - D) A receipt of \$150 cash is debited to Cash and credited to Accounts receivable.
  - E) A payment for supplies is debited to Supplies for \$125 and debited to Cash for \$125.
- 25) Which of the following transactions will result in debits that do not equal credits: 25) \_\_\_\_\_
- A) A customer pays his outstanding account. The Accounts Receivable account is credited for \$1,000 and the Cash account is debited for \$1,000.
  - B) A customer pays his outstanding account. The Accounts Payable account is credited for \$1,000 and the Cash account is debited for \$1,000.

- C) A payment on account is made for equipment previously purchased. The Cash account is credited for \$600 and the Accounts payable account is debited for \$600.
- D) The owner invests \$4,000 in the company. The Capital account is credited with \$4,000 and Cash is debited with \$4,000.
- E) A customer pays his outstanding account. The Accounts Payable account is debited for \$1,000 and the Cash account is debited for \$1,000.

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

- 26) Double entry accounting ensures the total of the debit amounts equal the total of the credit amounts for each transaction. 26) \_\_\_\_\_
- 27) The left side of a T-account is the credit side. 27) \_\_\_\_\_
- 28) Asset accounts are always increased by debits. 28) \_\_\_\_\_
- 29) A Balance Sheet is a list of the ledger account balances. 29) \_\_\_\_\_
- 30) The bank loan account would normally have a debit balance. 30) \_\_\_\_\_
- 31) Liability accounts are decreased on the debit side. 31) \_\_\_\_\_
- 32) When a company purchases office supplies, the office supplies account would be debited. 32) \_\_\_\_\_
- 33) Debit and credit columns are used on a balance sheet. 33) \_\_\_\_\_
- 34) When cash is decreased, the cash account would be credited. 34) \_\_\_\_\_
- 35) Accounts payable represent amounts owed to our vendors and are referred to as an asset account. 35) \_\_\_\_\_
- 36) When Smith Company pays a creditor cash towards their Accounts Payable, the Accounts Payable account is debited. 36) \_\_\_\_\_
- 37) When a company buys office supplies on account, the cash account is credited. 37) \_\_\_\_\_
- 38) The purpose of a trial balance is to make sure you used the correct accounts in the transactions. 38) \_\_\_\_\_
- 39) If an owner takes money out of the company for their personal use, Owner's Equity would decrease. 39) \_\_\_\_\_
- 40) The Account Balance is the difference between the debit and credit sides of an account. 40) \_\_\_\_\_

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 41) Darvesh Company's cash account has an opening balance of \_\_\_\_\_ of 000 and \$5,000. During the month, the company receives additional cash \$4, \_\_\_\_\_, disburses cash

of \$6,500. 41)

Set up a T-account for the cash account, enter the above information, and indicate the ending balance in the account as of the end of the month.

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42) Hendsbee Delivery Company's accounts payable account has an opening balance of \$8,000. During the month, the company buys additional supplies on credit of \$4,500 and pays down their liabilities with \$2,500 in cash. Set up a T-account for the accounts payable account, enter the above information, and indicate the ending balance as of the end of the month. 42) \_\_\_\_\_

43) When Calgary Services prepared a trial balance on October 31, it did not balance. As a result of checking through the recording of transactions, an error was discovered; namely, \$650 received from a customer was recorded by a debit to Cash of \$65 and a credit to Accounts Receivable of \$650. The total of the credit side of the trial balance was \$84,109. Answer the following questions regarding the preceding trial balance information. Explain each of your answers fully. 43) \_\_\_\_\_

- (a) Was the Accounts Receivable account too high, too low or correct?
- (b) Was the Cash account too high, too low, or correct
- (c) Was the trial balance credit total of \$84,109 too high, too low, or correct
- (d) What was the amount of the debit total on the unbalanced trial balance?
- (e) Was this debit total too high, too low, or correct?

44) When Pubnico Printing prepared a trial balance on October 31, it did not balance. As a result of checking through the recording of transactions, an error was discovered; namely, \$550 received from a customer was recorded by a debit to Cash of \$55 and a credit to Accounts Receivable of \$550. The total of the credit side of the trial balance was \$52,225. Answer the following questions regarding trial balance and information. Explain each of your answers fully. 44) \_\_\_\_\_

- (a) Was the Accounts Receivable account too high, too low or correct?
- (b) Was the Cash account too high, too low, or correct?
- (c) Was the trial balance credit total of \$52,225 too high, too low, or correct?
- (d) What was the amount of the debit total on the unbalanced trial balance?
- (e) Was this debit total too high, too low, or correct?

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45) a) Set up T-accounts and record the balance of all items on the following balance sheet.

Purcell's Delivery  
Balance Sheet  
May 1, 2008

Cash	\$ 7,000	Accounts payable
Accounts receivable	1,600	Bank loan
Office supplies	900	Total liabilities
Equipment	6,000	Owner's equity
Trucks	17,000	K. Purcell, Capital
Total Assets	\$ 32,500	Total liabilities and owner's equity

<b>Assets</b>			<b>Liabilities</b>	(b) May 2	Paid
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\$300 cash      7    Bought a new truck worth \$11,000 from S. K. Motors.      45) \_\_\_\_\_  
on the      Paid \$7,000 cash;  
bank      the \$4,000 balance is to be paid later.  
loan.

3    (c) Calculate the new balances in the T-accounts.

K.  
Smithers,  
a  
customer  
, paid  
\$650 on  
his  
account.

3  
Bought  
office  
supplies  
for \$450  
cash  
from  
Taylor  
Stationer  
s.

5  
Returned  
defective  
office  
supplies  
to Taylor  
Stationer  
s for a  
cash  
refund of  
\$50.

6  
K.  
Purcell,  
the  
owner,  
invested  
a further  
\$4,000 in  
the  
business.

6  
Borrowe  
d an  
addition  
al  
\$10,000  
from the  
bank.

- 46) (a) Set up T-accounts for all items on the balance sheet that follows and record the balance of each account. 46) \_\_\_\_\_

Singh's Dental Clinic  
Balance Sheet  
October 1, 2008

Assets		Liabilities	
Cash	\$ 2,700	Accounts payable	\$ 14,500
Accounts receivable	8,000	Bank loan	9,000
Dental Supplies	12,000	Total liabilities	23,500
Equipment	30,000	<b>Owner's Equity</b>	
Trucks	8,000	R. Singh, Capital	37,200
Total Assets	<u>\$ 60,700</u>	Total liabilities and equity	<u>\$ 60,700</u>

(b) In the T-accounts that you have set up in part (a), record the following transactions:

Oct. 2 R. Singh, the owner, invested a further \$4,000 in the clinic.

3 Paid \$200 cash on the bank loan.

3 Bought dental equipment for \$3,500 cash.

5 Bought dental supplies for \$750 from H. L. Laboratories on account.

6 Received \$300 cash from a patient on his account.

6 Borrowed an additional \$7,000 from the bank.

7 Bought new equipment worth \$14,500 from Lintel Equipment.

Paid \$8,000 cash; the \$6,500 balance is to be paid later.

(c) Calculate the new balances in the T-accounts.

- 47) Briefly explain the following: 47) \_\_\_\_\_

- (a) journal
- (b) debit
- (c) credit
- (d) ledger

- 48) What are the three stages followed in calculating the balance of an account? 48) \_\_\_\_\_

- 49) Explain the principle of double-entry accounting. 49) \_\_\_\_\_

- 50) Give the rules that apply to the following: 50) \_\_\_\_\_

- (a) recording the opening balance of an account
- (b) recording the decreases in an account

- 51) On which side does the owner's capital account decrease? Explain your answer fully. 51) \_\_\_\_\_

- 52) Place the following procedures in order and provide a brief description of each: (a) Ledger (b)

52)

Determine  
T-account  
balances  
(c)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Original  
Balance  
Sheet  
(d)

New  
Balance  
Sheet  
(e)

Transactions  
(f)

Trial  
Balance

53) How are T-accounts and Ledger Accounts related? How are they different? How are they similar?

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

54) Explain how a Debit can increase one type of account and decrease another type of account. How does this relate to double-entry accounting?

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

55) What is a trial balance and what is its purpose?

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

- 1) A
- 2) A
- 3) D
- 4) B
- 5) E
- 6) E
- 7) D
- 8) B
- 9) C
- 10) B
- 11) C
- 12) B
- 13) E
- 14) A
- 15) C
- 16) B
- 17) D
- 18) A
- 19) E
- 20) E
- 21) D
- 22) D
- 23) A
- 24) E
- 25) E
- 26) TRUE
- 27) FALSE
- 28) TRUE
- 29) TRUE
- 30) FALSE
- 31) TRUE
- 32) TRUE
- 33) FALSE
- 34) TRUE
- 35) FALSE
- 36) FALSE
- 37) FALSE
- 38) FALSE
- 39) TRUE
- 40) TRUE
- 41)
- 42)
- 43)
- 44)
- 45)
- 46)
- 47)
- 48)
- 49)
- 50)
- 51)

- 52)
- 53)
- 54)
- 55)