

TEST BANK



SLATER

College Accounting

A PRACTICAL APPROACH

ELEVENTH EDITION

CHAPTERS 1-25

 MyAccountingLab



Chapter 2

Objectives:

1. Setting up and organizing a chart of accounts.
2. Recording transactions in T accounts according to the rules of debit and credit.
3. Preparing a trial balance.
4. Preparing financial statements from a trial balance.

MULTIPLE CHOICE

2.1-1 A chart of accounts:

- a) is set up in alphabetical order.
- b) includes account balances.
- c) is a listing of all the accounts used by a company.
- d) All of the above are correct.

ANSWER: C

L.O.: 2-1

2.1-2 Accounts Payable had a normal starting balance of \$750. There were debit postings of \$600 and credit postings of \$350 during the month. The ending balance is:

- a) \$500 credit.
- b) \$1,000 debit.
- c) \$500 debit.
- d) \$1,000 credit.

ANSWER: A

L.O.: 2-1

2.1-3 The beginning balance in the Computers account was \$2,500. The company purchased an additional \$500 worth of computers. The balance in the account is:

- a) debit of \$2,000.
- b) credit of \$3,000.
- c) debit of \$3,000.
- d) credit of \$2,000.

ANSWER: C

L.O.: 2-1

TRUE/FALSE

2.1-4 Cash increases on the debit side of the account.

ANSWER: True

L.O.: 2-1

2.1-5 Revenues are recorded when earned.

ANSWER: True
L.O.: 2-1

ESSAY

2.1-6 Selected accounts from the ledger of Thomas Company appear below. For each account, indicate the following:

- a. In the first column at right, indicate the type of each account using the following abbreviations:

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

- b. In the second column, indicate the normal balance of the account by inserting a Dr. or Cr.

Account	Type of Account	Normal Balance
1. Office Supplies	_____	_____
2. Accounts Receivable	_____	_____
3. Fees Earned	_____	_____
4. Thomas, Withdrawals	_____	_____
5. Accounts Payable	_____	_____
6. Salaries Expense	_____	_____
7. Thomas, Capital	_____	_____
8. Accounts Receivable	_____	_____
9. Equipment	_____	_____
10. Telephone Expense	_____	_____

ANSWER:

Account	Type of Account	Normal Balance
1. Office Supplies	A	Dr
2. Accounts Receivable	A	Dr
3. Fees Earned	R	Cr
4. Thomas, Withdrawals	N	Dr
5. Accounts Payable	L	Cr
6. Salaries Expense	E	Dr
7. Thomas, Capital	N	Cr
8. Accounts Receivable	A	Dr
9. Equipment	A	Dr
10. Telephone Expense	E	Dr

L.O.: 2-1

2.1-7 Explain the difference between expenses and withdrawals.

ANSWER:

A withdrawal is used for recording the owner's withdrawal of company assets for personal use, and not related to the business. Expenses are costs the company incurs in carrying on operations in its effort to create revenue.

L.O.: 2-1

2.1-8 Why is Revenue increased on the Credit side? (Explain as it pertains to the expanded accounting equation and its relationship to Owner's Equity)

ANSWER:

Revenue is an increase to owner's equity; Capital is increased on the credit side, 1.

L.O.: 2-1

MULTIPLE CHOICE

2-2.1. An accounting device used to record increases and decreases in individual assets, liabilities, capital, revenue, expenses, and withdrawals is a(n):

- a) chart of accounts.
- b) account.
- c) trial balance.
- d) footing.

ANSWER: B

L.O.: 2-2

2-2.2 A compound entry is:

- a) a transaction involving more than one debit and/or credit.
- b) used to prepare the trial balance.
- c) the same as the chart of accounts.
- d) found on the income statement.

ANSWER: A

L.O.: 2-2

2.2-3 A formal account that has columns for date, explanation, post reference, debit, and credit is called the:

- a) T account.
- b) standard account form.
- c) ledger.
- d) chart of accounts.

ANSWER: B

L.O.: 2-2

2.2-4 A ledger:

- a) is a group of accounts and their balances.
- b) can replace the financial statements.
- c) is the same as a chart of accounts.
- d) None of these answers are correct.

ANSWER: A

L.O.: 2-2

2.2-5 The left side of any account is the:

- a) debit side.
- b) credit side.
- c) ending balance.
- d) footings.

ANSWER: A

L.O.: 2-2

2.2-6 The right side of any account is the:

- a) debit side.
- b) credit side.
- c) ending balance.
- d) footings.

ANSWER: B

L.O.: 2-2

2.2-7 The side that increases the account balance, by the rules of debit and credit, is said to be the:

- a) debit side.
- b) credit side.
- c) normal balance.
- d) None of these answers are correct.

ANSWER: C

L.O.: 2-2

2.2-8 The Accounts Payable account is:

- a) a revenue, and it has a normal debit balance.
- b) an expense, and it has a normal credit balance.
- c) a liability, and it has a normal debit balance.
- d) a liability, and it has a normal credit balance.

ANSWER: D

L.O.: 2-2

2.2-9 An account that would be increased by a credit is:

- a) Cash.
- b) Accounts Receivable.
- c) Utilities Expense.
- d) Accounts Payable.

ANSWER: D

L.O.: 2-2

2.2-10 An account is said to have a debit balance if:

- a) the footing of the debits exceeds the footing 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 last entry of the accounting period was posted on the debit side.

ANSWER: A

L.O.: 2-2

2.2-11 A debit may signify a(n):

- a) increase in asset accounts.
- b) increase in liability accounts.
- c) increase in the capital account.
- d) decrease in expense accounts.

ANSWER: A

L.O.: 2-2

2.2-12 A credit may signify a(n):

- a) increase in assets.
- b) decrease in liabilities.
- c) increase in capital.
- d) increase in withdrawals.

ANSWER: C

L.O.: 2-2

2.2-13 Which of the following types of accounts has a normal credit balance?

- a) Withdrawals
- b) Assets
- c) Expenses
- d) Revenues

ANSWER: D

L.O.: 2-2

2.2-14 Which of the following types of accounts has a normal debit balance?

- a) Withdrawals
- b) Assets
- c) Expenses
- d) All of these answers are correct.

ANSWER: D

L.O.: 2-2

2.2-15 When recording transactions in two or more accounts and the totals of the debits and credits are equal, it is called:

- a) debiting.
- b) crediting.
- c) posting.
- d) double-entry bookkeeping.

ANSWER: D

L.O.: 2-2

2.2-16 Which of the following groups of accounts have a normal debit balance?

- a) Revenue, liabilities, and capital
- b) Assets, capital, and withdrawals
- c) Liabilities, expenses, and assets
- d) Assets, expenses, and withdrawals

ANSWER: D

L.O.: 2-2

2.2-17 The ledger is:

- a) a group of accounts that records data from business transactions.
- b) a tool used to make sure that all accounts have normal balances.
- c) a chronological record of the day's transactions.
- d) a tool used to ensure that debits equal credits.

ANSWER: A

L.O.: 2-2

2.2-18 Which of the following accounts would be increased by a debit?

- a) Cash
- b) Accounts Payable
- c) Capital
- d) Fees Earned

ANSWER: A

L.O.: 2-2

2.2-19 What is the proper entry to show the owner making an investment in the company?

- a) A credit to Cash and a debit to Capital
- b) A debit to Cash and a credit to Capital
- c) A debit to Cash and a credit to Revenue
- d) A credit to Cash and a debit to Revenue

ANSWER: B

L.O.: 2-2

2.2-20 Which of the following entries would be used to record the billing of fees earned?

- a) Debit Accounts Receivable and credit Rental Fees

- b) Credit Cash and credit Rental Fees
- c) Debit Cash and credit Rental Fees
- d) Debit Cash and debit Rental Fees

ANSWER: A
L.O.: 2-2

- 2.2-21 Which of the statements of the rules of debit and credit is true?
- a) Decrease Accounts Receivable with a credit and the normal balance is a credit.
 - b) Increase Accounts Payable with a credit and the normal balance is a credit.
 - c) Increase Capital with a debit and the normal balance is a debit.
 - d) Decrease Cash with a debit and the normal balance is a debit .

ANSWER: B
L.O.: 2-2

- 2.2-22 Which of the following entries records the investment of cash by John, owner of a sole proprietorship?
- a) Debit John, Capital; credit Cash
 - b) Debit Cash; credit John , Withdrawals
 - c) Debit John, Withdrawals; credit Cash
 - d) Debit Cash; credit John, Capital

ANSWER: D
L.O.: 2-2

- 2.2-23 Dennis, owner of Dennis' Golf Center, withdrew \$700 in cash from the business. Record the transaction by:
- a) debiting Dennis, Withdrawals, \$700; crediting Cash, \$700.
 - b) debiting Accounts Receivable, \$700; crediting Cash, \$700.
 - c) debiting Expense, \$700; crediting Cash, \$700.
 - d) debiting Dennis, Withdrawals, \$700; crediting Dennis, Capital, \$700.

ANSWER: A
L.O.: 2-2

- 2.2-24 The entry to record Tom's payment of a home telephone bill is:
- a) debit Telephone Expense; credit Accounts Payable.
 - b) debit Tom's Withdrawals; credit Cash.
 - c) debit Telephone Expense; credit Cash.
 - d) debit Tom's Withdrawals; credit Accounts Payable .

ANSWER: B
L.O.: 2-2

- 2.2-25 Extreme Home bought painting equipment on account for \$2,200. The entry would include:
- a) debit to Supplies Expense, \$2,200; credit to Cash, \$2,200.

- b) debit to Equipment, \$2,200; credit to Cash, \$2,200.
- c) debit to Equipment, \$2,200; credit to Accounts Payable, \$2,200.
- d) debit to Supplies Expense, \$2,200; credit to Accounts Payable, \$2,200.

ANSWER: C

L.O.: 2-2

2.2-26 The owner of Wolverines R Us paid his personal MasterCard bill using a company check. The correct entry to record the transaction is:

- a) credit Cash; debit Capital.
- b) credit Cash; debit Supplies Expense.
- c) credit Cash; debit Withdrawals.
- d) credit Cash; debit Accounts Receivable.

ANSWER: C

L.O.: 2-2

2.2-27 Carrie flew to San Francisco on a business trip. The purchase price of the ticket was \$379 and it was bought on account. The entry to record the transaction is:

- a) debit Accounts Payable, \$379; credit Travel Expense, \$379.
- b) debit Capital, \$379; credit Accounts Payable, \$379.
- c) debit Travel Expense, \$379; credit Accounts Payable, \$379.
- d) debit Travel Expense, \$379; credit Cash, \$379.

ANSWER: C

L.O.: 2-2

2.2-28 The Accounts Receivable account has total debit postings of \$1,700 and credit postings of \$900. The balance of the account is:

- a) \$800 debit.
- b) \$800 credit.
- c) \$2,600 credit.
- d) \$2,600 debit .

ANSWER: A

L.O.: 2-2

2.2-29 The Accounts Payable account has total debit postings of \$800 and credit postings of \$1,400. The balance is:

- a) \$2,200 debit.
- b) \$600 credit.
- c) \$2,200 credit.
- d) \$600 debit.

ANSWER: B

L.O.: 2-2

2.2-30 Office Supplies had a normal starting balance of \$75. There were debit postings of \$90

and credit postings of \$70 during the month. The ending balance is:

- a) \$55 debit.
- b) \$55 credit.
- c) \$95 debit.
- d) \$95 credit.

ANSWER: C

L.O.: 2-2

2.2-31 Accounts Receivable has a normal balance of \$1,000. After collecting \$700, the balance in the account is:

- a) debit \$300.
- b) debit \$1,700.
- c) credit \$300.
- d) credit \$1,700.

ANSWER: A

L.O.: 2-2

2.2-32 The beginning balance in Cash was \$3,500. Additional cash of \$1,000 was received. Checks were written totaling \$1,500. The cash balance is:

- a) \$2,000.
- b) \$6,000.
- c) \$4,500.
- d) \$3,000.

ANSWER: D

L.O.: 2-2

2.2-33 A credit to an asset account was posted to the Capital account. This error would cause:

- a) assets to be overstated.
- b) liabilities to be overstated.
- c) Capital to be understated .
- d) Both "a" and "c" are correct.

ANSWER: A

L.O.: 2-2

2.2-34 A credit to a liability account was posted to an expense account. This error would cause:

- a) assets to be overstated.
- b) liabilities to be overstated.
- c) expenses to be overstated.
- d) None of the above are correct.

ANSWER: D

L.O.: 2-2

2.2-35 A debit to an expense account was posted to a revenue account. This error would cause:

- a) assets to be overstated.
- b) liabilities to be overstated.
- c) revenue to be understated.
- d) None of the above are correct.

ANSWER: C

L.O.: 2-2

2.2-36 A credit to an asset account was posted to a revenue account. This error would cause:

- a) assets to be overstated.
- b) revenue to be overstated.
- c) expenses to be overstated.
- d) Both "a" and "c" are correct.

ANSWER: D

L.O.: 2-2

2.2-37 A debit to a liability account was posted to the Capital account. This error would cause:

- a) assets to be overstated.
- b) liabilities to be overstated.
- c) Capital to be overstated.
- d) None of the above are correct.

ANSWER: B

L.O.: 2-2

2.2-38 A debit to an asset account was posted to an expense account. This error would cause:

- a) liabilities to be overstated.
- b) expenses to be overstated.
- c) assets to be understated
- d) Both "b" and "c" are correct.

ANSWER: D

L.O.: 2-2

2.2-39 A debit to a liability account was posted to a revenue account. This error would cause:

- a) revenues to be understated.
- b) liabilities to be understated.
- c) capital to be overstated.
- d) None of the above are correct.

ANSWER: A

L.O.: 2-2

2.2-40 A debit to an asset account was posted to a liability account. This error would cause:

- a) assets to be understated.
- b) liabilities to be overstated.
- c) capital to be overstated.

d) None of the above are correct.

ANSWER: A

L.O.: 2-2

2.2-41 The chart of accounts:

- a) is a numbered list of all of the business' accounts.
- b) allows accounts to be located quickly.
- c) can be expanded as the business grows.
- d) All of the above are correct.

ANSWER: A

L.O.: 2-2

2.2-42 A credit to an asset account was posted to a liability account. This error would cause:

- a) assets to be understated.
- b) liabilities to be overstated.
- c) capital to be understated.
- d) None of the above are correct.

ANSWER: B

L.O.: 2-2

2.2-43 The business incurred an expense and paid it immediately. To record this:

- a) an expense is debited and a liability is credited.
- b) an expense is debited and an asset is credited.
- c) an expense is debited and Capital is credited.
- d) None of these are correct.

ANSWER: B

L.O.: 2-2

2.2-44 The business provided services to a cash customer. To record this:

- a) an asset is debited and a liability is credited.
- b) an asset is debited and a revenue is credited.
- c) an expense is debited and Capital is credited.
- d) None of these are correct.

ANSWER: B

L.O.: 2-2

2.2-45 The owner invested personal equipment in the business. To record this transaction:

- a) debit Equipment and credit Accounts Payable.
- b) debit Accounts Payable and credit Equipment.
- c) debit Equipment and credit Capital.
- d) credit Equipment and debit Capital.

ANSWER: C

L.O.: 2-2

2.2-46 Which of the following errors would cause the trial balance to be out of balance?

- a) An entry is posted twice
- b) An entry is not posted at all
- c) A debit is entered as \$100 and the credit is entered at \$1,000
- d) None of these answers are correct.

ANSWER: C

L.O.: 2-2

2.2-47 The business bought supplies on account. To record this:

- a) an expense is debited and a liability is credited.
- b) an asset is debited and an asset is credited.
- c) an asset is debited and a liability is credited.
- d) None of these are correct.

ANSWER: C

L.O.: 2-2

2.2-48 A liability would be credited and an expense debited if:

- a) the business paid a creditor.
- b) the business incurred an expense and did not pay the expense immediately.
- c) the business bought supplies on account.
- d) the business bought supplies for cash.

ANSWER: B

L.O.: 2-2

2.2-49 One asset would be debited and another credited if:

- a) the business provided services to a cash customer.
- b) the business paid a creditor.
- c) the business bought supplies paying cash.
- d) the business provided services to a credit customer.

ANSWER: C

L.O.: 2-2

2.2-50 An asset would be debited and a liability credited if:

- a) the business bought supplies for cash.
- b) the business incurred an expense and paid it.
- c) the business incurred an expense and did not pay for the expense immediately.
- d) the business bought equipment on account.

ANSWER: D

L.O.: 2-2

2.2-51 What would be the effect on accounts if the business provided services to a customer on account?

- a) An asset would be debited and an expense credited.
- b) Capital would be debited and revenue credited.
- c) An asset would be debited and revenue credited.
- d) An asset would be debited and Capital credited.

ANSWER: C

L.O.: 2-2

2.2-52 What would be the effect on accounts if the business provided services to a customer collecting cash?

- a) An asset would be debited and an expense credited.
- b) Capital would be debited and revenue credited.
- c) An asset would be debited and revenue credited.
- d) An asset would be debited and Capital credited.

ANSWER: C

L.O.: 2-2

2.2-53 What would be the effect on accounts if the owner withdrew cash?

- a) An asset would be debited and an expense credited.
- b) Withdrawals would be debited and an asset credited.
- c) An asset would be debited and a revenue credited.
- d) An asset would be debited and Capital credited.

ANSWER: B

L.O.: 2-2

2.2-54 What would be the effect on accounts if the business purchased office supplies for cash?

- a) An asset would be debited and an expense credited.
- b) Capital would be debited and revenue credited.
- c) An asset would be debited and revenue credited.
- d) An asset would be debited and an asset credited.

ANSWER: D

L.O.: 2-2

2.2-55 What would be the effect on accounts if the business received the telephone bill but did not pay it immediately.

- a) An expense would be debited and a liability credited.
- b) Capital would be debited and revenue credited.
- c) An expense would be debited and an asset credited.
- d) An asset would be debited and Capital credited.

ANSWER: A

L.O.: 2-2

2.2-56 An account that would be increased by a debit is:

- a) Cash.
- b) Fees Earned.
- c) Capital.
- d) Accounts Payable.

ANSWER: A
L.O.: 2-2

2.2-57 Which of the following groups of accounts have a normal credit balance?

- a) Revenue, liabilities, and capital
- b) Assets, capital, and withdrawals
- c) Liabilities, expenses, and assets
- d) Assets, expenses, and withdrawals

ANSWER: A
L.O.: 2-2

TRUE/FALSE

2.2-58 Cash is debited when the business makes a payment for utilities.

ANSWER: False
L.O.: 2-2

2.2-59 Debits must always equal credits.

ANSWER: True
L.O.: 2-2

2.2-60 The debit side of all accounts increases the balance and the credit side decreases all accounts.

ANSWER: False
L.O.: 2-2

2.2-61 The debit side is always the right side of the account.

ANSWER: False
L.O.: 2-2

2.2-62 A transaction that involves more than one credit or more than one debit is called a compound entry.

ANSWER: True
L.O.: 2-2

2.2-63 The side of an account that increases the balance is always the same as the normal balance side.

ANSWER: True
L.O.: 2-2

2.2-64 Double-entry accounting requires transactions to affect two or more accounts, and the total of the debits and credits must equal.

ANSWER: True
L.O.: 2-2

2.2-65 The credit side is always the right side of the account.

ANSWER: True
L.O.: 2-2

2.2-66 A T account is used for demonstration purposes.

ANSWER: True
L.O.: 2-2

2.2-67. At least two accounts are affected in every transaction.

ANSWER: True
L.O.: 2-2

2.2-68 Withdrawals increase on the debit side of the account.

ANSWER: True
L.O.: 2-2

2.2-69 After deciding which accounts are affected, the next step in analyzing a transaction is to determine to which categories the accounts belong.

ANSWER: True
L.O.: 2-2

2.2-70 Equipment is an example of a liability.

ANSWER: False
L.O.: 2-2

2.2-71 A compound entry is when more than one transaction occurs.

ANSWER: False
L.O.: 2-2

2.2-72 When the owner invests computer equipment in the business, cash is increased.

ANSWER: False
L.O.: 2-2

2.2-73 Accounts Receivable indicates amounts owed to us by our clients or customers.

ANSWER: True
L.O.: 2-2

2.2-74 Accounts Payable indicates monies owed to us by our clients or customers.

ANSWER: False
L.O.: 2-2

2.2-75 Expenses are recorded when paid.

ANSWER: False
L.O.: 2-2

2.2-76 Accounts Payable is an asset account that is increased on the credit side.

ANSWER: False
L.O.: 2-2

2.2-77 The Supplies account is increased by a debit.

ANSWER: True
L.O.: 2-2

ESSAY

2.2-78 Identify the normal balance for each of the following accounts by placing a Dr. (debit) or a Cr. (credit) in the space provided.

- _____ 1. Computer
- _____ 2. M. Bryant, Withdrawals
- _____ 3. M. Bryant, Capital
- _____ 4. Legal Fees
- _____ 5. Cash
- _____ 6. Accounts Receivable
- _____ 7. Accounts Payable
- _____ 8. Rent Expense
- _____ 9. Office Equipment
- _____ 10. Supplies

ANSWER:

- 1. Dr.
- 2. Dr.
- 3. Cr.
- 4. Cr.

- 5. Dr.
 - 6. Dr.
 - 7. Cr.
 - 8. Dr.
 - 9. Dr.
 - 10. Dr.
- L.O.: 2-2

2.2-79 Identify whether a debit or credit would be correct for each of the following account changes. Use a Dr. (debit) or Cr. (credit) in the space provided.

- _____ 1. Increase Delivery Van
- _____ 2. Decrease Accounts Receivable
- _____ 3. Decrease Accounts Payable
- _____ 4. Increase Salaries Expense
- _____ 5. Increase Service Fees
- _____ 6. Decrease Cash
- _____ 7. Increase S. McCrae, Capital
- _____ 8. Increase S. McCrae, Withdrawals
- _____ 9. Increase Rent Expense
- _____ 10. Decrease Equipment

ANSWER:

- 1. Dr.
 - 2. Cr.
 - 3. Dr.
 - 4. Dr.
 - 5. Cr.
 - 6. Cr.
 - 7. Cr.
 - 8. Dr.
 - 9. Dr.
 - 10. Cr.
- L.O.: 2-2

2.2-80 Below is a chart of accounts. Following is a series of transactions. Indicate for each transaction the accounts that should be debited and credited by inserting the proper account number in the space provided.

- | | |
|-------------------------|-----------------------------|
| 111 Cash | 312 R. Andrews, Withdrawals |
| 112 Accounts Receivable | 411 Service Fees |
| 121 Office Equipment | 511 Salaries Expense |
| 211 Accounts Payable | 512 Rent Expense |
| 311 R. Andrews, Capital | 513 Advertising Expense |

Debit	Credit	Transaction
_____	_____	1. Purchased office equipment on account.
_____	_____	2. Paid salaries for the week.

- _____ 3. Invested additional cash in the business.
- _____ 4. Received cash for services performed.
- _____ 5. Billed a client on account for services performed.
- _____ 6. Paid accounts payable.
- _____ 7. Collected accounts receivable.
- _____ 8. Withdrew cash for personal use.
- _____ 9. Paid advertising expense.
- _____ 10. Paid rent expense for the month.

ANSWER:

- 121 211
- 511 111
- 111 311
- 111 411
- 112 411
- 211 111
- 111 112
- 312 111
- 513 111
- 512 111
- L.O.: 2-2

2.2-81 A chart of accounts is below. Following is a series of transactions. Indicate for each transaction the accounts that should be debited and credited by inserting the proper account number in the space provided.

- 111 Cash
- 112 Accounts Receivable
- 121 Delivery Equipment
- 211 Accounts Payable
- 311 C. Webster, Capital
- 312 C. Webster, Withdrawals
- 411 Delivery Fees Earned
- 511 Salaries Expense
- 512 Rent Expense
- 513 Advertising Expense
- 514 Gas Expense

Debit	Credit	Transaction
_____	_____	1. Invested cash in the business.
_____	_____	2. Received cash for delivery services performed.
_____	_____	3. Billed a customer for services performed.
_____	_____	4. Paid accounts payable.
_____	_____	5. Collected accounts receivable.
_____	_____	6. Withdrew cash for personal use.
_____	_____	7. Paid advertising expense.
_____	_____	8. Paid rent expense for the month.
_____	_____	9. Purchased delivery equipment on account.
_____	_____	10. Paid salaries for the week.

ANSWER:

- 111 311
- 111 411
- 112 411
- 211 111

111 112
 312 111
 513 111
 512 111
 121 211
 511 111

L.O.: 2-2

2.2-82 The following transactions occurred during June for Campus Cycle Shop. Record the transactions below in the T accounts. Place the letter of the transaction next to the entry. Foot and calculate the ending balances of the T accounts where appropriate.

- a. Tyler invested \$6,500 in the bike service from his personal savings account.
- b. Bought office equipment for cash, \$900.
- c. Performed bike service for a customer on account, \$1,000.
- d. Company cell phone bill received, but not paid, \$80.
- e. Collected \$300 from customer in transaction c.
- f. Tyler withdrew \$100 for personal use.

Cash	111

Accounts Receivable	112

Office Equipment	112

Accounts Payable	211

Tyler's, Capital	311

Tyler's, Withdrawals	312

Bike Fees	411

Telephone Expense	512

ANSWER:

Cash		111
a. 6,500	b. 900	
e. 300	f. 100	
5,800		

Accounts Receivable		112
c. 1,000	e. 300	
700		

Office Equipment		112
b. 900		

Accounts Payable		211
	d. 80	

Tyler's, Capital		311
	a. 6,500	

Tyler's, Withdrawals		312
	f. 100	

Bike Fees		411
	c. 1,000	

Telephone Expense		512
	d. 80	

L.O.: 2-2

2.2-83 through 2.2-91 For each of the following identify — in Column 1 the category to which the account belongs, in Column 2 the normal balance for the account, and in Column 3 the financial statement that the account appears upon.

	Column 1	Column 2	Column 3
2.2-83 Gas Expense	_____	_____	_____
2.2-84 Automobile	_____	_____	_____
2.2-85 Cleaning Equipment	_____	_____	_____
2.2-86 Cleaning Expense	_____	_____	_____
2.2-87 Cleaning Fees Earned	_____	_____	_____
2.2-88 Salaries Expense	_____	_____	_____
2.2-89 Installation Fees Earned	_____	_____	_____
2.2-90 Lawn Care Fees Earned	_____	_____	_____
2.2-91 Office Supplies	_____	_____	_____

ANSWER:

	Column 1	Column 2	Column 3
2.2-83 Gas Expense	expense	debit	income statement
2.2-84 Automobile	asset	debit	balance sheet
2.2-85 Cleaning Equipment	asset	debit	balance sheet
2.2-86 Cleaning Expense	expense	debit	income statement
2.2-87 Cleaning Fees Earned	revenue	credit	income statement
2.2-88 Salaries Expense	expense	debit	income statement
2.2-89 Installation Fees Earned	revenue	credit	income statement
2.2-90 Lawn Care Fees Earned	revenue	credit	income statement

2.2-91 Office Supplies asset debit balance sheet

L.O.: 2-2

MULTIPLE CHOICE

2.3-1 Which of the following is not a financial statement?

- a) Balance sheet
- b) Income statement
- c) Statement of owner's equity
- d) Trial balance

ANSWER: D

L.O.: 2-3

2.3-2 A list of all the accounts from the ledger with their ending balances is called a:

- a) normal balance.
- b) trial balance.
- c) chart of accounts.
- d) footing.

ANSWER: B

L.O.: 2-3

2.3-3 Which of the following is prepared first?

- a) Balance sheet
- b) Income statement
- c) Statement of owner's equity
- d) Trial balance

ANSWER: D

L.O.: 2-3

2.3-4 Given the following list of accounts with normal balances, what are the trial balance totals of the debits and credits?

Cash	\$1,200
Accounts Receivable	700
Capital	1,900
Withdrawals	500
Service Fees	1,000
Rent Expense	500

- a) \$2,900 debit, \$2,900 credit
- b) \$3,900 debit, \$3,900 credit
- c) \$2,000 debit, \$2,000 credit
- d) \$1,200 debit, \$1,200 credit

ANSWER: A

L.O.: 2-3

2.3-5 Given the following list of accounts with normal balances, what are the trial balance totals of the debits and credits?

Cash	\$1000
Equipment	500
Accounts Payable	250
Capital	1000
Service Fees	1000
Salaries Expense	750

- a) \$3,250 debit, \$3,250 credit
- b) \$1,125 debit, \$1,125 credit
- c) \$4,500 debit, \$4,500 credit
- d) \$2,250 debit, \$2,250 credit

ANSWER: D

L.O.: 2-3

TRUE/FALSE

2.3-6 The trial balance is a financial statement.

ANSWER: False

L.O.: 2-3

ESSAY

2.3-7 Number the following types of accounts (1-6) as they would appear on the Trial Balance.

- _____ Assets
- _____ Capital
- _____ Revenue
- _____ Liabilities
- _____ Withdrawals
- _____ Expenses

ANSWER:

- ___1___ Assets
- ___3___ Capital
- ___5___ Revenue

- _____2_____ Liabilities
- _____4_____ Withdrawals
- _____6_____ Expenses

L.O.: 2-3

2.3-8 The following is a list of accounts and their balances for Myra's Company for the month ended May 31, 20xx. Prepare a trial balance in good form.

Cash	\$1,380	Myra, Withdrawals	\$ 980
Accounts Payable	500	Accounts Receivable	1,030
Office Equipment	2,260	Service Fees	1,835
Myra, Capital	3,965	Rent Expense	650

ANSWER:

Myra's Company
Trial Balance
May 31, 20xx

	Debit	Credit
Cash	1,380	
Accounts Receivable	1,030	
Office Equipment	2,260	
Accounts Payable		500
Myra, Capital		3,965
Myra, Withdrawals	980	
Service Fees		1,835
Rent Expense	<u>650</u>	<u> </u>
Totals	<u>6,300</u>	<u>6,300</u>

L.O.: 2-3

2.3-9 The following is a list of accounts and their balances for Benson Company for the month ended June 30, 20xx. Prepare a trial balance in good form.

Cash	\$1,370	Benson, Withdrawals	\$ 500
Accounts Payable	770	Accounts Receivable	1,600
Office Equipment	900	Service Fees	2,730
Benson, Capital	1,500	Salaries Expense	630

ANSWER:

Benson Company
Trial Balance
June 30, 20xx

	Debit	Credit
Cash	1,370	
Accounts Receivable	1,600	
Office Equipment	900	
Accounts Payable		770
Benson, Capital		1,500
Benson, Withdrawals	500	
Service Fees		2,730
Salaries Expense	<u>630</u>	<u> </u>
Totals	<u>5,000</u>	<u>5,000</u>

L.O.: 2-3

MULTIPLE CHOICE

2.4-1 Which type of account would not be reported on the income statement?

- a) Revenue
- b) Expenses
- c) Withdrawals
- d) None of these answers are correct.

ANSWER: C

L.O.: 2-4

2.4-2 Accounts Payable would appear on which financial statement?

- a) Balance sheet
- b) Income statement
- c) Owner's equity statement
- d) None of these answers are correct.

ANSWER: A

L.O.: 2-4

2.4-3 The left column of a financial statement is often used to:

- a) show debits.
- b) show credits.
- c) show totals.
- d) subtotal numbers.

ANSWER: D

L.O.: 2-4

2.4-4 The Beginning Capital account would appear on which financial statement?

- a) Statement of owner's equity
- b) Balance sheet
- c) Income statement
- d) None of these answers are correct.

ANSWER: A

L.O.: 2-4

2.4-5 The income statement contains:

- a) liabilities.
- b) revenues.
- c) assets.
- d) Both "b" and "c" are correct.

ANSWER: B

L.O.: 2-4

2.4-6 On which financial statement would you find the ending Capital balance?

- a) Income statement
- b) Balance Sheet
- c) Statement of owner's equity
- d) Both "b" and "c" are correct

ANSWER: D

L.O.: 2-4

2.4-7 Which of the following is prepared last?

- a) Balance Sheet
- b) Income Statement
- c) Statement of Owner's Equity
- d) Trial Balance

ANSWER: A

L.O.: 2-4

2.4-8 Net income or net loss for a period is calculated by the following formula:

- a) total revenues - total withdrawals.
- b) total revenues - total expenses - total withdrawals.
- c) total revenues - total expenses.
- d) total revenues - total expenses + capital.

ANSWER: C

L.O.: 2-4

2.4-9 Which type of account would not be reported on the balance sheet?

- a) Revenue
- b) Cash
- c) Accounts Payable
- d) Accounts Receivable

ANSWER: A

L.O.: 2-4

2.4-10 What is X-cel Company's net income or net loss if it had Revenue of \$1,800, Salary Expense of \$500, Utility Expense of \$250, and Withdrawals of \$1,000 during October?

- a) \$50 net income
- b) \$1,050 net loss
- c) \$1,050 net income
- d) \$50 net loss

ANSWER: C

L.O.: 2-4

TRUE/FALSE

2.4-11 The financial statements contain debit and credit columns.

ANSWER: False

L.O.: 2-4

2.4-12 Withdrawals and expenses are reported on the income statement.

ANSWER: False

L.O.: 2-4

2.4-13 Accounts Receivable appears on the income statement.

ANSWER: False

L.O.: 2-4

2.4-14 Salaries Expense appears on the balance sheet.

ANSWER: False

L.O.: 2-4

ESSAY

2.4-15 Determine the ending owner's equity of a business having a beginning owner's equity of \$ 9,500, additional investments of \$450 withdrawals of \$ 1,000, and net income of \$ 1,400
\$ _____

ANSWER:

\$10,350 [\$9,500+ \$450- \$1,000 + 1,400]

(L.O. 4)

2.4-16 Determine the beginning owner's equity of a business having an ending owner's equity of \$3,500, additional investments of \$500 withdrawals of \$400, and net loss of \$750.

\$ _____

ANSWER:

\$4,150 [\$3,500 - \$500 + \$400 + \$750]

(L.O. 4)

2.4-17 Determine the beginning owner's equity of a business having beginning assets of \$12,000, ending liabilities of \$5,000. During the year the liabilities decreased by \$3,000.

\$ _____

ANSWER:

\$4,000 [\$12,000 - (\$5,000 + \$3,000)]

L.O.: 2-4