

TEST BANK

WARREN REEVE

CORPORATE FINANCIAL
ACCOUNTING



9E

Chapter 2--Analyzing Transactions

Student: _____

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

True False

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

True False

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

True False

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

True False

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

True False

6. Prepaid expenses are an example of an expense.

True False

7. Unearned Revenues are an example of a liability.

True False

8. Dividends are an example of an expense.

True False

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

True False

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

True False

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

True False

12. Unless the transaction is compound, the dollar amount of the debits for each transaction is equal to the dollar amount of the credits for that transaction, and thus the term double-entry bookkeeping.

True False

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

True False

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

True False

15. The journal is the book of original entry.

True False

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

True False

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

True False

18. Transactions are listed in the journal chronologically.

True False

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

True False

20. Liability accounts are increased by debits.

True False

21. Expense accounts are increased by credits.

True False

22. Revenue accounts are increased by credits.

True False

23. The normal balance of a capital stock account is a debit.

True False

24. The normal balance of the dividend account is a debit.

True False

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

True False

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

True False

27. Dividends decrease stockholders' equity and are listed on the income statement as a deduction from revenue.

True False

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

True False

29. For a month's transactions for a typical medium-sized business, the accounts payable account is likely to have only credit entries.
True False
30. When a business receives a bill from the utility company, no entry should be made until the invoice is paid.
True False
31. An account has three parts to it; a title, an increase side, and a decrease side.
True False
32. The T account got its name because it resembles the letter "T"
True False
33. The right hand side of a T account is known as a debit and the left hand side is known as a credit.
True False
34. A debit is abbreviated as *Db* and a credit is abbreviated as *Cr*.
True False
35. Debiting the cash account, will increase the account.
True False
36. A credit to the cash account will increase the account.
True False
37. The cash account will always be debited.
True False
38. The recording of cash receipts to the cash account will be done by debiting the account.
True False

39. The recording of cash payments to the cash account will be done by entering the amount as a credit.

True False

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

True False

41. Assets are owned by creditors or stockholders.

True False

42. Liabilities are debts owned by the business entity.

True False

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

True False

44. A capital stock account represents the amount of investments less dividends made by the owner.

True False

45. Revenues is the difference between cash receipts and cash payments.

True False

46. Expenses are assets that no longer have a value to the company.

True False

47. Retained earnings will be reduced by the amount in the dividend account.

True False

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

True False

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

True False

50. Assets are increased with debits and decrease with credits.

True False

51. Liabilities are increase with debits and decrease with credits.

True False

52. Debits will increase Unearned Revenues and Revenues.

True False

53. Recording a credit to *all* stockholders' equity accounts will increase the account.

True False

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

True False

55. Normal balances are the side that increases the account balance.

True False

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

True False

57. When an accounts payable account is paid in cash, the stockholders' equity in the business decreases.

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

65. Businesses may use several special journals in their accounting systems.

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

77. The erroneous moving of an entire number one or more spaces to the right or left, such as writing \$75 as \$750, is called a transposition.

True False

78. The materiality concept implies that if an error is large enough or could effect the decisions of its users, a correction is absolutely necessary.

True False

79. A correction entry is required for all errors that are discovered.

True False

80. Accounts

A. do not reflect money amounts

B. are not used by entities that manufacture products

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

D. are only used by large entities with many transactions

81. A group of related accounts that comprise a complete unit is called a

A. journal

B. liability

C. ledger

D. transaction

82. Accounts are classified in the ledger

A. chronologically

B. alphabetically

C. in accordance with their appearance in the financial statements

D. so that accounts used most often are listed first

83. Revenue should be recognized when

A. cash is received

B. the service is performed

C. the customer places an order

D. the customer charges an order

84. Which of the following accounts is an stockholders' equity account?

- A. Cash
- B. Accounts Payable
- C. Prepaid Insurance
- D. Retained Earnings

85. The gross increases in stockholders' equity attributable to business activities are called

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

86. A chart of accounts is

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

87. The debit side of an account

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

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

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

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

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

90. A debit may signify a(n)
- A. decrease in asset accounts
 - B. decrease in liability accounts
 - C. increase in the capital stock account
 - D. decrease in the dividend account

91. Which of the following types of accounts have a normal credit balance?
- A. assets and liabilities
 - B. liabilities and expenses
 - C. revenues and liabilities
 - D. capital stock and dividends

92. Which of the following groups of accounts have a normal debit balance?
- A. revenues, liabilities, stockholders' equity
 - B. stockholders' equity, assets
 - C. liabilities, expenses
 - D. assets, expenses

93. Which one of the statements below is **not** a purpose for the journal?
- A. to show increases and decreases in accounts
 - B. to show a chronological order by date
 - C. to show a complete transaction in one place
 - D. to help locate errors

94. A credit signifies a decrease in
- A. dividends
 - B. liabilities
 - C. capital stock
 - D. revenue

95. A credit may signify a
- A. decrease in assets
 - B. decrease in liabilities
 - C. decrease in capital stock
 - D. decrease in revenue

96. A debit signifies a decrease in

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

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

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

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

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

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

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

100. The classification and normal balance of the dividends account is

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

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

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

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

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

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

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

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

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

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

- A. liabilities
- B. capital stock
- C. dividends
- D. revenues

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

- A. Fees Earned
- B. Salary Expense
- C. Capital Stock
- D. Accounts Payable

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

- A. Salaries Expense
- B. Notes Payable
- C. Dividends
- D. Supplies

108. Randomly listed below are the steps in the accounting cycle:

- (1) prepare the financial statements
- (2) post the journal entries to the ledger
- (3) record journal entries
- (4) prepare a trial balance

What is the proper order of these steps?

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

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

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

110. Which of the following entries records the investment of cash by Tito to the Tito Corporation in exchange for capital stock?

- A. debit Capital Stock; credit Accounts Receivable
- B. debit Cash; credit Capital Stock
- C. debit Dividends; credit Cash
- D. debit Cash; credit Dividends

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

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

112. Which of the following entries records the cash payment by Joe's Care, Inc.?

- A. debit Capital Stock; credit Cash
- B. debit Dividends; credit Cash
- C. debit Salaries Expense; credit Cash
- D. debit Salaries Expense; credit Salaries Payable

113. Office supplies were sold by J's Appliance Repair at cost to another repair shop, with cash received. Which of the following entries for J's Appliance Repair records this transaction?
- A. Office Supplies, debit; Cash, credit
 - B. Office Supplies, debit; Accounts Payable, credit
 - C. Cash, debit; Office Supplies, credit
 - D. Accounts Payable, debit; Office Supplies, credit
114. Office supplies purchased by J's Appliance Repair on account were returned. Which of the following entries for J's Appliance Repair records this transaction?
- A. Cash, debit; Office Supplies, credit
 - B. Office Supplies, debit; Accounts Receivable, credit
 - C. Accounts Payable, debit; Office Supplies, credit
 - D. Office Supplies, debit; Accounts Payable, credit
115. Cash was paid by J's Appliance Repair to creditors on account. Which of the following entries for J's records this transaction?
- A. Cash, debit; Capital Stock, credit
 - B. Accounts Payable, debit; Cash, credit
 - C. Accounts Receivable, debit; Cash, credit
 - D. Accounts Payable, debit; Account Receivable, credit
116. The process of initially recording a business transaction is called
- A. trial balancing
 - B. posting
 - C. journalizing
 - D. balancing
117. Which of the following entries records the acquisition of office supplies on account?
- A. Office Supplies, debit; Cash, credit
 - B. Cash, debit; Office Supplies, credit
 - C. Office Supplies, debit; Accounts Payable, credit
 - D. Accounts Receivable, debit; Office Supplies, credit
118. Which of the following entries records the acquisition of equipment on account?
- A. Equipment, debit; Accounts Payable, credit
 - B. Equipment, debit; Cash, credit
 - C. Accounts Payable, debit; Equipment, credit
 - D. Accounts Payable, debit; Notes Payable, credit

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

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

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

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

121. Which of the following entries records the billing of patients for services performed?

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

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

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

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

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

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

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

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

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

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

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

127. Which of the following abbreviations are correct?

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

128. When amounts of a transaction are entered on the left side of an account, they are said to be

- A. credited
- B. summarized
- C. totaled
- D. debited

129. When amounts of a transactions are entered in an account on the right hand side, they are said to be

- A. credited
- B. debited
- C. added
- D. subtracted

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

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

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

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

132. The balance of the account is determined by

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

133. A list of the accounts is called

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

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

- A. liabilities, assets, stockholders' equity
- B. assets, liabilities, stockholders' equity
- C. stockholders' equity, assets, liabilities
- D. assets, stockholders' equity, liabilities

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

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

136. Which are the parts of the T account?

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

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

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

138. XYZ Hospital purchased X-ray equipment for \$3,000, paid \$750 down, with the remainder to be paid later. The correct entry would be

- A. Equipment 750
 Cash 750
- B. Cash 750
 Accounts Payable 2,250
 Equipment 3,000
- C. Equipment Expense 3,000
 Accounts Payable 750
 Cash 2,250
- D. Equipment 3,000
 Accounts Payable 2,250
 Cash 750
- E. Cash 750
 Equipment 750

139. The chart of accounts is designed to

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

140. Which of the following group of accounts are all assets?

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

141. Of the following which is *true* about assets

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

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

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

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

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

144. The stockholders' equity will be reduced by all of the following accounts except:

- A. Revenues
- B. Expenses
- C. Dividends
- D. All are true.

145. Expenses can best be defined as

- A. assets with no future value to the company.
- B. services that have been consumed in the process of generating revenues.
- C. costs that have been incurred during the course of business.
- D. all are true.

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

- A. 1-Assets, 2-Liabilities, 3-Stockholders' Equity, 4-Expenses, 5-Revenues
- B. 1-Assets, 2-Liabilities, 3-Stockholders' Equity, 4-Revenues, 5-Expenses
- C. 1-Assets, 2-Stockholders' Equity, 3-Revenues, 4-Expenses, 5-Dividends
- D. 1-Stockholders' Equity, 2-Dividends, 3-Revenues, 4-Expenses

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

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

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

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

149. Joe Brown invests \$10,000 into his new business in exchange for capital stock. How would the journal entry for this transaction be entered in the journal?

- A. Cash 10,000
Capital stock 10,000
Invested cash in business
- B. Cash 10,000
Capital stock 10,000
Invested cash in business
- C. Capital stock 10,000
Cash 10,000
Invested cash in business
- D. Capital stock 10,000
Cash 10,000
Invested cash in business

150.

June	23	Cash	6,000	
		Capital stock		6,000
		Invest cash in Able, Co.		

The journal entry will:

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

151.

June	24	Land	15,000	
		Cash		15,000
		Purchased land for business		

What effects does this journal entry have on the accounts?

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

152.

June	26	Supplies	500	
		Accounts Payable		500
		???????????		

What is the best explanation for this journal entry?

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

153.

July	14	Accounts Payable	1,000	
		Cash		1,000
		Paid creditors on account		

What effect does this journal have on the accounts?

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

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

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

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

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

156. All except one of the following accounts will be increased with a debit:

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

157. Which of the following stockholders' equity accounts follow the same debit and credit rules as liabilities?

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

158.

May	24	Cash	770	
		Fees earned		770
		Received fees from customers		

Recording this transaction will

- A. decrease cash and decrease revenues
- B. increase cash and increase revenues
- C. increase cash and decrease revenues
- D. increase revenues and decrease cash

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

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

160. Expenses follow the same debit and credit rules as

- A. Revenues
- B. Dividends
- C. Capital Stock
- D. Liabilities

161. Net income will result when

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

162. Which of the following will increase stockholders' equity?

- A. Expenses > revenues
- B. Dividends
- C. Revenues > expenses
- D. Cash is received from customers on account.

163. Which of the following situations increase stockholders' equity?

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

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

- A. assets, liabilities, stockholders' equity
- B. assets, dividends, expenses
- C. assets, revenues, expenses
- D. assets, liabilities, revenues

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

- A. Capital stock, revenues, expenses
- B. Assets, capital stock, revenues
- C. Liabilities, capital stock, revenues
- D. none are true

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

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

167. The double-entry accounting system is responsible for each of the following except

- A. Maintains the accounting equation in balance.
- B. The sum of all debits is always equal to the sum of all credits in each journal entry.
- C. Each business transaction will have only two entries.
- D. All are correct.

168. Which of the following is the best explanation for this journal entry?

June	26	Cash	450	
		Unearned Fees		450
		????????????		

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

169.

June	26	Equipment	14,000	
		Cash		4,000
		Note Payable		10,000
		????????????		

Which is the best explanation for this journal entry?

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

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

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

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

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

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

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

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

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

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

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

175. The chart of account for the Frias Company includes some of the following accounts:

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

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

Prepaid Insurance	1,200	
Cash		1,200

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

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

176. The chart of account for the Frias Company includes some of the following accounts:

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

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

Prepaid Insurance	1,200	
Cash		1,200

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

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

177. The chart of account for the Frias Company includes some of the following accounts:

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

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

Prepaid Insurance	1,200	
Cash		1,200

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

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

178. The chart of account for the Frias Company includes some of the following accounts:

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

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

Cash	750	
Fees Earned		750

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

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

179. The chart of account for the Frias Company includes some of the following accounts:

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

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

Salaries Expense	300	
Cash		300

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

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

180. The accounts in the ledger of Mickeys Park Co. are listed in alphabetical order. All accounts have normal balances.

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

The total of all the assets is:

- A. 4,400
- B. 5,300
- C. 5,200
- D. 4,700
- E. 5,700

181. A trial balance is prepared to

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

182. The accounts in the ledger of Mickeys Park Co. are listed in alphabetical order. All accounts have normal balances.

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

Prepare a trial balance. The total of the debits is

- A. \$5,300
- B. \$10,600
- C. \$4,100
- D. \$10,400
- E. \$4,700

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

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

184. An overpayment error was discovered in computing and paying the wages of a Bartson Repair Shop employee. When Bartson receives cash from the employee for the amount of the overpayment, which of the following entries will Bartson make?

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

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

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

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

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

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

- A. a transaction was not posted
- B. a payment of \$96 for insurance was posted as a debit of \$46 to Prepaid Insurance and a credit of \$46 to Cash
- C. a payment of \$311 to a creditor was posted as a debit of \$3,111 to Accounts Payable and a debit of \$311 to Accounts Receivable
- D. cash received from customers on account was posted as a debit of \$140 to Cash and a credit of \$140 to Accounts Payable

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

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

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

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

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

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

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

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

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

193. On November 1st, Clark Company. purchased land for \$27,500.00 cash. Write the journal entry in the space below.

194. On November 10th, NetSolutions purchased supplies worth \$1,275.00 on account.

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

(b) NetSolutions paid this bill on November 25th. Write the journal entry in the space below.

195. On November 17th NetSolutions purchased a building and a plot of land for \$275,000.00. The building was valued at \$185,000.00 while the land carried a value of \$90,000.00. NetSolutions paid \$55,000.00 down in cash and signed a notes payable for the balance. In the space below write the journal entry.

196. On December 1st NetSolutions made a cash payment of \$2,500.00 on a note payable that was generated in the purchase of a building and land plot. Write the journal entry for this payment in the space below.

197. Chris Clark transfers \$25,000.00 from his personal account in exchange for capital stock to NetSolutions Company, on January 2nd. Journalize this transaction.

198. On January 3rd Chris Clark transfers ownership of several pieces of office equipment to his new business, NetSolutions. When new, these items were worth \$22,500. The fair market value of the equipment is \$15,000.00. Journalize this transfer.

199. On November 30th NetSolutions pays numerous bills which include:

Payment to the landlord for November rent - \$750.00
Payment to the Gas & Electric Company for November's bill - \$325.00
Payment of employee wages for the last half of November - \$1,680.00
Payment of shopping center's parking lot cleaning fee - \$75.00

Journalize these payments as one compound journal entry.

200. On November 30th Chris Clark receives a \$1,250.00 cash dividend from NetSolutions. Journalize this event.

201. Prepare a journal entry for the purchase of a truck on May 24 for \$56,900, paying \$4,000 cash and the remainder on account.

202. Prepare a journal entry on September 15 for the fees earned on account, \$35,600.

203. Prepare a journal entry on February 27 for the payment of \$5,000 for dividends from Laborstaff Counseling Services.

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

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

205. On April 1, the cash account balance was \$67,880. During April, cash receipts totaled \$345,600 and the April 30 balance was \$95,230. Determine the cash payments made during April.

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

- (a) Payment of a cash dividend of \$4,500 was journalized and posted as a debit of \$5,400 to Salaries Expense and a credit of \$5,400 to Cash.
- (b) A fee of \$6,780 earned was debited to Accounts Receivable for \$7,680 and credited to Fees Earned for \$6,780.
- (c) A payment of \$2,000 to a creditor was posted as a credit of \$2,000 to Accounts Payable and a credit of \$2,000 to Cash.

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

- (a) A dividend of \$3,000 was recorded as a debit to Office Expense and a credit to Cash.
- (b) Accounts receivable payment for \$5,600 was recorded as a debit to Cash and a credit to Fees Earned.

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

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

209. On November 30th Chris Clark is informed by his accountant that \$250.00 of a transaction recording the purchase of office supplies was really office equipment. He has been asked to correct this journal entry. Write the journal entry to correct this situation.

210. Journalize the entries to correct the following errors:

- (a) A purchase of supplies for \$100 on account was recorded and posted as a debit to Supplies for \$400 and as a credit to Accounts Receivable for \$400.
- (b) A receipt of \$3,000 from Fees Earned was recorded and posted as a debit to Fees Earned for \$3,000 and a credit to Cash for \$3,000.

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

Miscellaneous Expense

Accounts Payable

Accounts Receivable

Cash

Capital Stock

Fees Earned

Prepaid Rent

Salaries Expense

Unearned Revenue

Dividends

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

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

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

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

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

213. Calculate the following:

(a)	Determine the cash receipts for June based on the following data:	
	Cash payments during May	\$42,500
	Cash account balance, May 1	3,750
	Cash account balance, May 30	7,000
(b)	Determine the cash received from customers on account during June based on the following data:	
	Accounts receivable account balance, May 1	\$11,500
	Accounts receivable account balance, May 30	8,250
	Fees billed to customers during May	27,000

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

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

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

- (a) Received \$10,000 from Shirley Knowles in exchange for capital stock.
- (b) Purchased equipment for \$35,000, paying \$10,000 in cash and giving a note payable for the remainder.
- (c) Paid \$1,000 for rent for March.
- (d) Purchased \$8,500 of supplies on account.
- (e) Recorded \$2,500 of fees earned on account.
- (f) Received \$11,000 in cash for fees earned.
- (g) Paid \$200 to creditors on account.
- (h) Paid wages of \$1,250.
- (i) Received \$1,150 from customers on account.
- (j) Recorded dividends of \$1,850.

216. All nine transactions for Bowan Realty for June, the first month of operations, are recorded in the following T accounts:

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

Accounts Receivable		Dividends					
(4)	4,900	(9)	4,700		(8)	2,000	

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

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

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

Indicate the following for each debit and each credit:

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

Present your answers in the following form:

<u>Transaction</u>	<u>Account Debited</u> <u>Type</u>	<u>Account Credited</u> <u>Effect</u>	<u>Type</u>	<u>Effect</u>
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217. On January 2nd NetSolutions purchased \$750.00 in office supplies.

- (a) Journalize this transaction as if NetSolutions paid cash.
- (b)(1) Journalize this transaction as if NetSolutions placed it on account.
- (b)(2) On January 15th NetSolutions pays the amount due. Journalize this event.

218. On November 15th NetSolutions provides \$2,250.00 in services to clients.

- (a) Journalize this event as if the clients had paid cash at the time the services were rendered.
- (b)(1) Journalize this event as if the clients had placed this on account.
- (b)(2) Assume that the clients paid \$1,700.00 of the amount on account on November 30th. Journalize this transaction.

219. On November 12th NetSolutions provides \$1,900.00 in services to clients. At the time of service, the clients paid \$500.00 in cash and put the balance on account.

- (a) Journalize this event.
- (b) On November 29th NetSolutions clients paid an additional \$800.00 on their accounts due. Journalize this event.
- (c) Calculate the amount on accounts receivable on November 30th.

220. Journalize the following selected transactions for August 2008 in a two-column journal. Journal entry explanations may be omitted.

- Aug 1 Received cash from the investment in exchange for capital stock, \$15,000.
- 2 Received cash for providing accounting services, \$8,000.
- 3 Billed customers on account for providing services, \$4,000.
- 4 Paid advertising expense, \$400.
- 5 Received cash from customers on account, \$3,500.
- 6 Dividends paid, \$1,000
- 7 Received telephone bill, \$100
- 8 Paid telephone bill, \$100.

Put the appropriate letter next to each transaction.

222. Set up T accounts for Cash; Accounts Receivable; Supplies; Accounts Payable; Capital Stock; Dividends; Professional Fees; and Operating Expenses.

- (a) In the T accounts, record the following transactions of Wells Consultant Services for May, 2007, identifying each entry by number:
- (1) Wells invested \$12,000 cash in the business in exchange for capital stock.
 - (2) Purchased supplies on account, \$5,750.
 - (3) Paid operating expenses, \$5,000.
 - (4) Billed clients for fees, \$6,940.
 - (5) Received cash from cash clients, \$4,200.
 - (6) Paid creditors on account, \$1,000.
 - (7) Received \$2,600 from clients on account.
 - (8) Paid cash dividends \$1,000.
- (b) Prepare a trial balance as of May 31, 2007 for Wells Consultant Services.
- (c) Assuming that supplies expense (which has not been recorded) amounts to \$1,000 for May, determine the following:
- (1) Net income for the month.
 - (2) Stockholders' equity as of May 31.

223. Prepare a trial balance, listing the following accounts in proper sequence. The accounts (all normal balances) were taken from the ledger of Jilson Consultants on June 30, 2008.

Accounts Payable	\$ 2,100	Rent Expense	\$10,500
Accounts Receivable	1,450	Salary Expense	13,000
Cash	5,375	Fees Earned	46,600
Capital Stock	15,800	Supplies	1,125
Dividends	13,500	Supplies Expense	1,400
Equipment	13,500	Utilities Expense	4,400
Miscellaneous Expense	250		

224. **Exhibit 2-1**

All nine transactions for Bowan Realty for June, the first month of operations, are recorded in the following T accounts:

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

Accounts Receivable		Dividends						
(4)	4,900	(9)	4,700		(8)	2,000		

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

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

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

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

225.

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

Herb's Auto Service
 Trial Balance
 For Month Ending September 30, 2007

Cash		19,475
Accounts Receivable	?	
Supplies		1,000
Equipment	15,000	
Prepaid Insurance		500
Accounts Payable		2,500
Capital Stock	17,000	
Dividends		1,000
Fees Earned		49,600
Salary Expense	14,500	
Rent Expense		9,000
Utilities Expense	1,400	
Supplies Expense	3,900	
Miscellaneous Expense	<u>250</u>	
	<u>55,000</u>	<u>81,575</u>

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

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

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

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

Errors:

- (1) Cash Dividends of \$1,000 cash paid to the stockholders was recorded by a debit of \$1,000 to Salary Expense and a credit of \$1,000 to Cash.
- (2) A \$950 purchase of supplies on account was recorded as a debit of \$1,950 to Equipment and a credit of \$1,950 to Accounts Payable.
- (3) A purchase of equipment for \$4,500 on account was not recorded.
- (4) A \$630 receipt on account was recorded as a \$630 debit to Cash and a \$360 credit to Accounts Receivable.
- (5) A payment of \$1,030 cash on account was recorded only as a credit to Cash.
- (6) Cash sales of \$9,500 were recorded as a credit of \$9,500 to Cash and a credit of \$9,500 to Fees Earned.
- (7) The debit to record a \$5,000 cash receipt on account was posted twice; the credit was posted once.
- (8) The credit to record an \$800 cash payment on account was posted twice; the debit was posted once.
- (9) The debit balance of \$9,400 in Accounts Receivable was recorded in the trial balance as a debit of \$9,300.

Chapter 2--Analyzing Transactions **Key**

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

TRUE

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

FALSE

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

FALSE

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

FALSE

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

TRUE

6. Prepaid expenses are an example of an expense.

FALSE

7. Unearned Revenues are an example of a liability.

TRUE

8. Dividends are an example of an expense.

FALSE

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

FALSE

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

FALSE

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

FALSE

12. Unless the transaction is compound, the dollar amount of the debits for each transaction is equal to the dollar amount of the credits for that transaction, and thus the term double-entry bookkeeping.

FALSE

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

FALSE

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

TRUE

15. The journal is the book of original entry.

TRUE

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

TRUE

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

FALSE

18. Transactions are listed in the journal chronologically.

TRUE

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

FALSE

20. Liability accounts are increased by debits.

FALSE

21. Expense accounts are increased by credits.

FALSE

22. Revenue accounts are increased by credits.

TRUE

23. The normal balance of a capital stock account is a debit.

FALSE

24. The normal balance of the dividend account is a debit.

TRUE

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

FALSE

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

TRUE

27. Dividends decrease stockholders' equity and are listed on the income statement as a deduction from revenue.

FALSE

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

FALSE

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

FALSE

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

FALSE

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

TRUE

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

TRUE

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

FALSE

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

FALSE

35. Debiting the cash account, will increase the account.

TRUE

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

FALSE

37. The cash account will always be debited.

FALSE

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

TRUE

39. The recording of cash payments to the cash account will be done by entering the amount as a credit.

TRUE

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

FALSE

41. Assets are owned by creditors or stockholders.

FALSE

42. Liabilities are debts owned by the business entity.

TRUE

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

FALSE

44. A capital stock account represents the amount of investments less dividends made by the owner.

FALSE

45. Revenues is the difference between cash receipts and cash payments.

FALSE

46. Expenses are assets that no longer have a value to the company.

TRUE

47. Retained earnings will be reduced by the amount in the dividend account.

TRUE

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

TRUE

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

TRUE

50. Assets are increased with debits and decrease with credits.

TRUE

51. Liabilities are increase with debits and decrease with credits.

TRUE

52. Debits will increase Unearned Revenues and Revenues.

FALSE

53. Recording a credit to *all* stockholders' equity accounts will increase the account.

FALSE

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

TRUE

55. Normal balances are the side that increases the account balance.

TRUE

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

FALSE

57. When an accounts payable account is paid in cash, the stockholders' equity in the business decreases.

FALSE

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

FALSE

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

TRUE

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

FALSE

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

FALSE

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

TRUE

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

FALSE

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

FALSE

65. Businesses may use several special journals in their accounting systems.

TRUE

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

TRUE

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

FALSE

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

FALSE

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

TRUE

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

FALSE

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

FALSE

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

FALSE

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

FALSE

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

FALSE

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

FALSE

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

TRUE

77. The erroneous moving of an entire number one or more spaces to the right or left, such as writing \$75 as \$750, is called a transposition.

FALSE

78. The materiality concept implies that if an error is large enough or could effect the decisions of its users, a correction is absolutely necessary.

TRUE

79. A correction entry is required for all errors that are discovered.

FALSE

80. Accounts

A. do not reflect money amounts

B. are not used by entities that manufacture products

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

D. are only used by large entities with many transactions

81. A group of related accounts that comprise a complete unit is called a

A. journal

B. liability

C. ledger

D. transaction

82. Accounts are classified in the ledger

A. chronologically

B. alphabetically

C. in accordance with their appearance in the financial statements

D. so that accounts used most often are listed first

83. Revenue should be recognized when

A. cash is received

B. the service is performed

C. the customer places an order

D. the customer charges an order

84. Which of the following accounts is an stockholders' equity account?

- A. Cash
- B. Accounts Payable
- C. Prepaid Insurance
- D.** Retained Earnings

85. The gross increases in stockholders' equity attributable to business activities are called

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

86. A chart of accounts is

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

87. The debit side of an account

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

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

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

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

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

90. A debit may signify a(n)

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

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

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

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

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

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

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

94. A credit signifies a decrease in

- A.** dividends
- B. liabilities
- C. capital stock
- D. revenue

95. A credit may signify a

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

96. A debit signifies a decrease in

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

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

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

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

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

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

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

100. The classification and normal balance of the dividends account is

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

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

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

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

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

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

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

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

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

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

- A. liabilities
- B. capital stock
- C.** dividends
- D. revenues

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

- A. Fees Earned
- B.** Salary Expense
- C. Capital Stock
- D. Accounts Payable

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

- A. Salaries Expense
- B.** Notes Payable
- C. Dividends
- D. Supplies

108. Randomly listed below are the steps in the accounting cycle:

- (1) prepare the financial statements
- (2) post the journal entries to the ledger
- (3) record journal entries
- (4) prepare a trial balance

What is the proper order of these steps?

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

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

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

110. Which of the following entries records the investment of cash by Tito to the Tito Corporation in exchange for capital stock?

- A. debit Capital Stock; credit Accounts Receivable
- B.** debit Cash; credit Capital Stock
- C. debit Dividends; credit Cash
- D. debit Cash; credit Dividends

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

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

112. Which of the following entries records the cash payment by Joe's Care, Inc.?

- A. debit Capital Stock; credit Cash
- B.** debit Dividends; credit Cash
- C. debit Salaries Expense; credit Cash
- D. debit Salaries Expense; credit Salaries Payable

113. Office supplies were sold by J's Appliance Repair at cost to another repair shop, with cash received. Which of the following entries for J's Appliance Repair records this transaction?
- A. Office Supplies, debit; Cash, credit
 - B. Office Supplies, debit; Accounts Payable, credit
 - C. Cash, debit; Office Supplies, credit**
 - D. Accounts Payable, debit; Office Supplies, credit
114. Office supplies purchased by J's Appliance Repair on account were returned. Which of the following entries for J's Appliance Repair records this transaction?
- A. Cash, debit; Office Supplies, credit
 - B. Office Supplies, debit; Accounts Receivable, credit
 - C. Accounts Payable, debit; Office Supplies, credit**
 - D. Office Supplies, debit; Accounts Payable, credit
115. Cash was paid by J's Appliance Repair to creditors on account. Which of the following entries for J's records this transaction?
- A. Cash, debit; Capital Stock, credit
 - B. Accounts Payable, debit; Cash, credit**
 - C. Accounts Receivable, debit; Cash, credit
 - D. Accounts Payable, debit; Account Receivable, credit
116. The process of initially recording a business transaction is called
- A. trial balancing
 - B. posting
 - C. journalizing**
 - D. balancing
117. Which of the following entries records the acquisition of office supplies on account?
- A. Office Supplies, debit; Cash, credit
 - B. Cash, debit; Office Supplies, credit
 - C. Office Supplies, debit; Accounts Payable, credit**
 - D. Accounts Receivable, debit; Office Supplies, credit
118. Which of the following entries records the acquisition of equipment on account?
- A. Equipment, debit; Accounts Payable, credit**
 - B. Equipment, debit; Cash, credit
 - C. Accounts Payable, debit; Equipment, credit
 - D. Accounts Payable, debit; Notes Payable, credit

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

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

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

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

121. Which of the following entries records the billing of patients for services performed?

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

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

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

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

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

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

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

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

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

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

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

127. Which of the following abbreviations are correct?

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

128. When amounts of a transaction are entered on the left side of an account, they are said to be

- A. credited
- B. summarized
- C. totaled
- D.** debited

129. When amounts of a transactions are entered in an account on the right hand side, they are said to be

- A.** credited
- B. debited
- C. added
- D. subtracted

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

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

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

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

132. The balance of the account is determined by

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

133. A list of the accounts is called

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

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

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

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

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

136. Which are the parts of the T account?

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

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

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

138. XYZ Hospital purchased X-ray equipment for \$3,000, paid \$750 down, with the remainder to be paid later. The correct entry would be

- A. Equipment 750
 Cash 750
- B. Cash 750
 Accounts Payable 2,250
 Equipment 3,000
- C. Equipment Expense 3,000
 Accounts Payable 750
 Cash 2,250
- D.** Equipment 3,000
 Accounts Payable 2,250
 Cash 750
- E. Cash 750
 Equipment 750

139. The chart of accounts is designed to

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

140. Which of the following group of accounts are all assets?

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

141. Of the following which is *true* about assets

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

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

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

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

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

144. The stockholders' equity will be reduced by all of the following accounts except:

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

145. Expenses can best be defined as

- A. assets with no future value to the company.**
- B. services that have been consumed in the process of generating revenues.
- C. costs that have been incurred during the course of business.
- D. all are true.

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

- A. 1-Assets, 2-Liabilities, 3-Stockholders' Equity, 4-Expenses, 5-Revenues
- B. 1-Assets, 2-Liabilities, 3-Stockholders' Equity, 4-Revenues, 5-Expenses**
- C. 1-Assets, 2-Stockholders' Equity, 3-Revenues, 4-Expenses, 5-Dividends
- D. 1-Stockholders' Equity, 2-Dividends, 3-Revenues, 4-Expenses

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

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

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

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

149. Joe Brown invests \$10,000 into his new business in exchange for capital stock. How would the journal entry for this transaction be entered in the journal?

- A.** Cash 10,000
Capital stock 10,000
Invested cash in business
- B. Cash 10,000
Capital stock 10,000
Invested cash in business
- C. Capital stock 10,000
Cash 10,000
Invested cash in business
- D. Capital stock 10,000
Cash 10,000
Invested cash in business

150.

June	23	Cash	6,000	
		Capital stock		6,000
		Invest cash in Able, Co.		

The journal entry will:

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

151.

June	24	Land	15,000	
		Cash		15,000
		Purchased land for business		

What effects does this journal entry have on the accounts?

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

152.

June	26	Supplies	500	
		Accounts Payable		500
		????????????		

What is the best explanation for this journal entry?

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

153.

July	14	Accounts Payable	1,000	
		Cash		1,000
		Paid creditors on account		

What effect does this journal have on the accounts?

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

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

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

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

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

156. All except one of the following accounts will be increased with a debit:

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

157. Which of the following stockholders' equity accounts follow the same debit and credit rules as liabilities?

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

158.

May	24	Cash	770	
		Fees earned		770
		Received fees from customers		

Recording this transaction will

- A. decrease cash and decrease revenues
- B. increase cash and increase revenues**
- C. increase cash and decrease revenues
- D. increase revenues and decrease cash

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

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

160. Expenses follow the same debit and credit rules as

- A. Revenues
- B. Dividends**
- C. Capital Stock
- D. Liabilities

161. Net income will result when

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

162. Which of the following will increase stockholders' equity?

- A. Expenses > revenues
- B. Dividends
- C. Revenues > expenses**
- D. Cash is received from customers on account.

163. Which of the following situations increase stockholders' equity?

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

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

- A. assets, liabilities, stockholders' equity
- B. assets, dividends, expenses**
- C. assets, revenues, expenses
- D. assets, liabilities, revenues

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

- A. Capital stock, revenues, expenses
- B. Assets, capital stock, revenues
- C. Liabilities, capital stock, revenues**
- D. none are true

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

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

167. The double-entry accounting system is responsible for each of the following except

- A. Maintains the accounting equation in balance.
- B. The sum of all debits is always equal to the sum of all credits in each journal entry.
- C. Each business transaction will have only two entries.**
- D. All are correct.

168. Which of the following is the best explanation for this journal entry?

June	26	Cash	450	
		Unearned Fees		450
		????????????		

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

169.

June	26	Equipment	14,000	
		Cash		4,000
		Note Payable		10,000
		????????????		

Which is the best explanation for this journal entry?

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

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

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

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

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

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

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

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

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

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

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

175. The chart of account for the Frias Company includes some of the following accounts:

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

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

Prepaid Insurance	1,200	
Cash		1,200

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

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

176. The chart of account for the Frias Company includes some of the following accounts:

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

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

Prepaid Insurance	1,200	
Cash		1,200

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

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

177. The chart of account for the Frias Company includes some of the following accounts:

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

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

Prepaid Insurance	1,200	
Cash		1,200

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

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

178. The chart of account for the Frias Company includes some of the following accounts:

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

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

Cash	750	
Fees Earned		750

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

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

179. The chart of account for the Frias Company includes some of the following accounts:

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

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

Salaries Expense	300	
Cash		300

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

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

180. The accounts in the ledger of Mickeys Park Co. are listed in alphabetical order. All accounts have normal balances.

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

The total of all the assets is:

- A.** 4,400
- B. 5,300
- C. 5,200
- D. 4,700
- E. 5,700

181. A trial balance is prepared to

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

182. The accounts in the ledger of Mickeys Park Co. are listed in alphabetical order. All accounts have normal balances.

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

Prepare a trial balance. The total of the debits is

- A.** \$5,300
- B. \$10,600
- C. \$4,100
- D. \$10,400
- E. \$4,700

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

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

184. An overpayment error was discovered in computing and paying the wages of a Bartson Repair Shop employee. When Bartson receives cash from the employee for the amount of the overpayment, which of the following entries will Bartson make?

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

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

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

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

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

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

- A. a transaction was not posted
- B. a payment of \$96 for insurance was posted as a debit of \$46 to Prepaid Insurance and a credit of \$46 to Cash
- C.** a payment of \$311 to a creditor was posted as a debit of \$3,111 to Accounts Payable and a debit of \$311 to Accounts Receivable
- D. cash received from customers on account was posted as a debit of \$140 to Cash and a credit of \$140 to Accounts Payable

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

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

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

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

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

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

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

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

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

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

193. On November 1st, Clark Company. purchased land for \$27,500.00 cash. Write the journal entry in the space below.

Nov 1	Land	27,500.00
Cash	27,500.00	
	0	
	Purchased land	
	for the	
	company	

197. Chris Clark transfers \$25,000.00 from his personal account in exchange for capital stock to NetSolutions Company, on January 2nd. Journalize this transaction.

Jan 2nd	Cash	25,000.00	
	Capital stock	25,000.00	

198. On January 3rd Chris Clark transfers ownership of several pieces of office equipment to his new business, NetSolutions. When new, these items were worth \$22,500. The fair market value of the equipment is \$15,000.00. Journalize this transfer.

January 3rd	Office Equipment	15,000.00	
	Capital stock	15,000.00	

While Chris may have paid \$22,500.00 for this equipment some time in the past, it should be transferred into the company at fair market value (FMV), \$15,000.00.

199. On November 30th NetSolutions pays numerous bills which include:

- Payment to the landlord for November rent - \$750.00
- Payment to the Gas & Electric Company for November's bill - \$325.00
- Payment of employee wages for the last half of November - \$1,680.00
- Payment of shopping center's parking lot cleaning fee - \$75.00

Journalize these payments as one compound journal entry.

Nov 30	Rent Expense	750.00	
	Utilities Expense	325.00	
	Wages Expense	1,680.00	
	Maintenance Expense	75.00	
	Cash		2,830.00

200. On November 30th Chris Clark receives a \$1,250.00 cash dividend from NetSolutions. Journalize this event.

Nov 30	Dividends	1,250.00
	Cash	1,250.00

201. Prepare a journal entry for the purchase of a truck on May 24 for \$56,900, paying \$4,000 cash and the remainder on account.

May 24	Truck	56,900
	Cash	4,000
	Accounts Payable	52,900

202. Prepare a journal entry on September 15 for the fees earned on account, \$35,600.

Sept 15	Accounts Receivable	35,600
	Fees Earned	35,600

203. Prepare a journal entry on February 27 for the payment of \$5,000 for dividends from Laborstaff Counseling Services.

Feb 27	Dividends	5,000
	Cash	5,000

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

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

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

205. On April 1, the cash account balance was \$67,880. During April, cash receipts totaled \$345,600 and the April 30 balance was \$95,230. Determine the cash payments made during April.

$$95,230 = 67,880 + 345,600 - ?$$

$$\text{Cash payments} = \$318,250$$

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

- (a) Payment of a cash dividend of \$4,500 was journalized and posted as a debit of \$5,400 to Salaries Expense and a credit of \$5,400 to Cash.
- (b) A fee of \$6,780 earned was debited to Accounts Receivable for \$7,680 and credited to Fees Earned for \$6,780.
- (c) A payment of \$2,000 to a creditor was posted as a credit of \$2,000 to Accounts Payable and a credit of \$2,000 to Cash.

- (a) The totals are equal.
- (b) The totals are unequal. The debit total would be \$900 more than credit total.
- (c) The totals are unequal. The credit total is higher by \$4,000.

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

- (a) A dividend of \$3,000 was recorded as a debit to Office Expense and a credit to Cash.
- (b) Accounts receivable payment for \$5,600 was recorded as a debit to Cash and a credit to Fees Earned.

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

- | | | | |
|-----|-----------------|--|-------|
| (a) | Dividends 3,000 | | |
| | Office Expense | | 3,000 |

(b)	Fees Earned	5,600	
	Accounts Receivable		5,600

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

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

209. On November 30th Chris Clark is informed by his accountant that \$250.00 of a transaction recording the purchase of office supplies was really office equipment. He has been asked to correct this journal entry. Write the journal entry to correct this situation.

Nov 30	Office Equipment	250.00	
	Office Supplies	250.00	

210. Journalize the entries to correct the following errors:

- (a) A purchase of supplies for \$100 on account was recorded and posted as a debit to Supplies for \$400 and as a credit to Accounts Receivable for \$400.
- (b) A receipt of \$3,000 from Fees Earned was recorded and posted as a debit to Fees Earned for \$3,000 and a credit to Cash for \$3,000.

(a)	Accounts Receivable	400	
	Supplies		400
	Supplies	100	
	Accounts Payable		100
(b)	Cash	6,000	
	Fees Earned		6,000

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

Miscellaneous Expense
Accounts Payable
Accounts Receivable
Cash
Capital Stock
Fees Earned
Prepaid Rent
Salaries Expense
Unearned Revenue
Dividends

Cash
Accounts Receivable
Prepaid Rent
Accounts Payable
Unearned Revenue
Capital Stock
Dividends
Fees Earned
Salaries Expense
Miscellaneous Expense

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

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

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

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

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

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

213. Calculate the following:

(a)	Determine the cash receipts for June based on the following data:	
	Cash payments during May	\$42,500
	Cash account balance, May 1	3,750
	Cash account balance, May 30	7,000

(b)	Determine the cash received from customers on account during June based on the following data:	
	Accounts receivable account balance, May 1	\$11,500
	Accounts receivable account balance, May 30	8,250
	Fees billed to customers during May	27,000

- (a) \$45,750 ($\$7,000 + \$42,500 - \$3,750$)
 (b) \$30,250 ($\$11,500 + \$27,000 - \$8,250$)

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

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

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

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

- (a) Received \$10,000 from Shirley Knowles in exchange for capital stock.
- (b) Purchased equipment for \$35,000, paying \$10,000 in cash and giving a note payable for the remainder.
- (c) Paid \$1,000 for rent for March.
- (d) Purchased \$8,500 of supplies on account.
- (e) Recorded \$2,500 of fees earned on account.
- (f) Received \$11,000 in cash for fees earned.
- (g) Paid \$200 to creditors on account.
- (h) Paid wages of \$1,250.
- (i) Received \$1,150 from customers on account.
- (j) Recorded dividends of \$1,850.

(a)	Cash	10,000	
	Capital Stock		10,000
(b)	Equipment	35,000	
	Cash		10,000
	Notes Payable		25,000
(c)	Rent Expense	1,000	
	Cash		1,000
(d)	Supplies	8,500	
	Accounts Payable		8,500
(e)	Accounts Receivable	2,500	
	Fees Earned		2,500
(f)	Cash	11,000	
	Fees Earned		11,000
(g)	Accounts Payable	200	
	Cash		200
(h)	Wages Expense	1,250	
	Cash		1,250
(i)	Cash	1,150	
	Accounts Receivable		1,150
(j)	Dividends	1,850	
	Cash		1,850

216. All nine transactions for Bowan Realty for June, the first month of operations, are recorded in the following T accounts:

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

Accounts Receivable		Dividends	
(4)	4,900	(9)	4,700
		(8)	2,000

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

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

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

Indicate the following for each debit and each credit:

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

Present your answers in the following form:

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

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

217. On January 2nd NetSolutions purchased \$750.00 in office supplies.

- (a) Journalize this transaction as if NetSolutions paid cash.
- (b)(1) Journalize this transaction as if NetSolutions placed it on account.
- (b)(2) On January 15th NetSolutions pays the amount due. Journalize this event.

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

Jan 2nd	Office Supplies	750.00	
	Cash		750.00

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

Jan 2nd	Office	750.00
	Supplies	
	Accounts Payable	750.00

(b)(2) On January 15th NetSolutions pays the amount due. Journalize this event.

Jan 15th	Accounts Payable	750.00
	Cash	750.00

218. On November 15th NetSolutions provides \$2,250.00 in services to clients.

- (a) Journalize this event as if the clients had paid cash at the time the services were rendered.
- (b)(1) Journalize this event as if the clients had placed this on account.
- (b)(2) Assume that the clients paid \$1,700.00 of the amount on account on November 30th. Journalize this transaction.

(a) November 15	Cash	2,250.00
	Services rendered	2,250.00

(b)(1) November 15	Accounts Receivable	2,250.00
	Services rendered	2,250.00

(b)(2) November 15	Cash	1,700.00
	Accounts Receivable	500.00

219. On November 12th NetSolutions provides \$1,900.00 in services to clients. At the time of service, the clients paid \$500.00 in cash and put the balance on account.

- (a) Journalize this event.
- (b) On November 29th NetSolutions clients paid an additional \$800.00 on their accounts due. Journalize this event.
- (c) Calculate the amount on accounts receivable on November 30th.

(a) Nov 12 Cash 500.00
 Accounts 1,400.00
 Receivable
 Fees 1,900.00
 Earned

(b) Nov 29 Cash 800.00
 Accounts 800.00
 Receivable

(c)

Original invoice	\$1,900
Less cash paid upon completion	500
Original amount on accounts receivable	1,400
Less Nov 29th payment	<u>800</u>
Accounts Receivable balance	<u>\$ 600</u>

220. Journalize the following selected transactions for August 2008 in a two-column journal. Journal entry explanations may be omitted.

Aug 1 Received cash from the investment in exchange for capital stock, \$15,000.
 2 Received cash for providing accounting services, \$8,000.
 3 Billed customers on account for providing services, \$4,000.
 4 Paid advertising expense, \$400.
 5 Received cash from customers on account, \$3,500.
 6 Dividends paid, \$1,000
 7 Received telephone bill, \$100
 8 Paid telephone bill, \$100.

221. Analyze the following transactions as to their effect on the accounting equation.

- (a) The company paid \$225 to a vendor for supplies purchased previously on account.
- (b) The company performed \$1,050 of services and billed the customer.
- (c) The company received a utility bill for \$195 and will pay it next month.
- (d) The stockholders were paid cash dividends of \$50.
- (e) The company paid \$305 in salaries to its employees.
- (f) The company collected \$725 of cash from its customers on account.

Some of the possible effects of a transaction on the accounting equation are listed below:

- (1) Asset, dr.; Asset, cr.
- (2) Asset, dr.; Stockholders' Equity, cr.
- (3) Asset, dr.; Liability, cr.
- (4) Asset, dr.; Revenue, cr.
- (5) Liability, dr.; Assets, cr.
- (6) Dividends, dr.; Asset, cr.
- (7) Expense, dr.; Assets, cr.
- (8) Expense, dr.; Liability, cr.

Put the appropriate letter next to each transaction.

Transaction	Effect on the accounting equation
(a)	5
(b)	4
(c)	8
(d)	6
(e)	7
(f)	1

222. Set up T accounts for Cash; Accounts Receivable; Supplies; Accounts Payable; Capital Stock; Dividends; Professional Fees; and Operating Expenses.

- (a) In the T accounts, record the following transactions of Wells Consultant Services for May, 2007, identifying each entry by number:
- (1) Wells invested \$12,000 cash in the business in exchange for capital stock.
 - (2) Purchased supplies on account, \$5,750.
 - (3) Paid operating expenses, \$5,000.
 - (4) Billed clients for fees, \$6,940.
 - (5) Received cash from cash clients, \$4,200.
 - (6) Paid creditors on account, \$1,000.
 - (7) Received \$2,600 from clients on account.
 - (8) Paid cash dividends \$1,000.
- (b) Prepare a trial balance as of May 31, 2007 for Wells Consultant Services.
- (c) Assuming that supplies expense (which has not been recorded) amounts to \$1,000 for May, determine the following:
- (1) Net income for the month.
 - (2) Stockholders' equity as of May 31.

(a)								
Cash		Capital Stock						
(1)	12,000	(3)	5,000				(1)	12,000
(5)	4,200	(6)	1,000					
(7)	2,600	(8)	1,000					

Accounts Receivable		Dividends						
(4)	6,940	(7)	2,600		(8)	1,000		

Supplies		Professional Fees						
(2)	5,750						(4)	6,940
							(5)	4,200

Accounts Payable		Operating Expenses						
(6)	1,000	(2)	5,750		(3)	5,000		

(b)
Wells Consultant Services

Trial Balance
May 31, 2007

Cash	11,800	
Accounts Receivable	4,340	
Supplies	5,750	
Accounts Payable		4,750
Capital Stock		12,000
Dividends	1,000	
Professional Fees		11,140
Operating Expenses	<u>5,000</u>	
	<u>27,890</u>	<u>27,890</u>

- (a) (1) \$6,140 (\$11,140 - \$5,000)
(b) (2) \$17,140 (\$12,000 + \$6,140 - \$1,000)

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

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

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

Bowan Realty		
Trial Balance		
June 30, 2007		
Cash	14,000	
Accounts Receivable	200	
Supplies	7,500	
Equipment	4,500	
Accounts Payable		1,900
Capital Stock		20,000
Dividends	2,000	
Fees Earned		11,800
Operating Expense	<u>5,500</u>	
	<u>33,700</u>	<u>33,700</u>

225.

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

Herb's Auto Service		
Trial Balance		
For Month Ending September 30, 2007		
Cash		19,475
Accounts Receivable	?	
Supplies		1,000
Equipment	15,000	
Prepaid Insurance		500
Accounts Payable		2,500
Capital Stock	17,000	
Dividends		1,000
Fees Earned		49,600
Salary Expense	14,500	
Rent Expense		9,000
Utilities Expense	1,400	
Supplies Expense	3,900	
Miscellaneous Expense	<u>250</u>	
	<u>55,000</u>	<u>81,575</u>

- (a)
- (1) In the heading, the date should be September 30, 2007; not for a period of time.
 - (2) The cash balance should be a debit.
 - (3) Capital Stock account should be a credit.
 - (4) The supplies account should be a debit.
 - (5) Prepaid Insurance should be a debit and follow Accounts Receivable.
 - (6) Dividends should be a debit.
 - (7) Rent Expense should be a debit.
 - (8) The trial balance does not balance.
- (b) The new balance for credits would be accounts payable \$2,500 + fees earned \$49,600 + \$17,000 for capital = \$69,100.
Accounts receivable would be \$69,100 (total credits) - \$66,025 (corrected debits) = \$3,075

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

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

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

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

- (1) Cash Dividends of \$1,000 cash paid to the stockholders was recorded by a debit of \$1,000 to Salary Expense and a credit of \$1,000 to Cash.
- (2) A \$950 purchase of supplies on account was recorded as a debit of \$1,950 to Equipment and a credit of \$1,950 to Accounts Payable.
- (3) A purchase of equipment for \$4,500 on account was not recorded.
- (4) A \$630 receipt on account was recorded as a \$630 debit to Cash and a \$360 credit to Accounts Receivable.
- (5) A payment of \$1,030 cash on account was recorded only as a credit to Cash.
- (6) Cash sales of \$9,500 were recorded as a credit of \$9,500 to Cash and a credit of \$9,500 to Fees Earned.
- (7) The debit to record a \$5,000 cash receipt on account was posted twice; the credit was posted once.
- (8) The credit to record an \$800 cash payment on account was posted twice; the debit was posted once.
- (9) The debit balance of \$9,400 in Accounts Receivable was recorded in the trial balance as a debit of \$9,300.

<u>Error</u>	<u>Totals</u>	<u>Difference in Totals</u>	<u>Larger of Totals</u>
(1)	equal	----	----
(2)	equal	----	----
(3)	equal	----	----
(4)	unequal	\$ 270	debit
(5)	unequal	1,030	credit
(6)	unequal	19,000	credit
(7)	unequal	5,000	debit
(8)	unequal	800	credit
(9)	unequal	100	credit

