

TEST BANK

HARRISON • HORNGREN

FINANCIAL ACCOUNTING

SEVENTH EDITION



Financial Accounting, 7e
Harrison/Horngren
Test Item File
Chapter 2: Transaction Analysis

- 2.1-1 A journal entry is an event that has a financial impact on the business that can be reliably measured.
Answer: False LO: 2-1 Diff: 2 EOC: S2-5
- 2.1-2 The trial balance is a NOT a formal accounting statement.
Answer: True LO: 2-1 Diff: 1 EOC: S2-25
- 2.1-3 Accrued Liabilities is a liability account.
Answer: True LO: 2-1 Diff: 1 EOC: E2-28
- 2.1-4 The retained earnings account represents the excess of net income over dividends retained in the business since its inception.
Answer: True LO: 2-1 Diff: 1 EOC: P2-50A
- 2.1-5 Expense accounts always represent expired assets.
Answer: False LO: 2-1 Diff: 2 EOC: E2-11
- 2.1-6 The dividends account indicates an increase in common stock.
Answer: False LO: 2-1 Diff: 2 EOC: E2-15
- 2.1-7 Double-entry accounting records only those transactions affecting the income statement.
Answer: False LO: 2-1 Diff: 2 EOC: QC 8
- 2.1-8 The purchase of office equipment for cash would increase both an asset and a liability account.
Answer: False LO: 2-1 Diff: 2 EOC: P2-49A
- 2.1-9 Which of the following is NOT an asset account?
- A. Accounts Receivable
 - B. Prepaid Rent
 - C. Common Stock
 - D. All of these are asset accounts.
- Answer: C LO: 2-1 Diff: 2 EOC: P2-49A

2.1-10 Prepaid expense accounts appear on:

- A. the income statement.
- B. the balance sheet.
- C. the statement of retained earnings and on the income statement.
- D. both the income statement and balance sheet.

Answer: B LO: 2-1 Diff: 2 EOC: P2-56A

2.1-11 The term "double-entry accounting" indicates that the accountant:

- A. records both sides of each transaction in the accounts affected.
- B. computes the income statement and balance sheet effect of each transaction.
- C. identifies both the cash inflows and the cash outflows.
- D. uses both the general journal and the general ledger when recording transactions.

Answer: A LO: 2-1 Diff: 2 EOC: QC 8

2.1-12 A company received cash in exchange for issuing stock. This transaction increased assets and:

- a. increased expenses.
- b. increased revenues.
- c. increased liabilities.
- d. increased equity.

Answer: D LO: 2-1 Diff: 1 EOC: E2-16

2.1-13 A company purchased office supplies for cash. This transaction increased assets and:

- A. increased equity.
- B. increased liabilities.
- C. increased revenues.
- D. decreased assets.

Answer: D LO: 2-1 Diff: 1 EOC: QC 10

2.1-14 A company performed services for a customer on account. This transaction increased assets and:

- A. decreased equity.
- B. increased liabilities.
- C. increased expenses.
- D. increased revenues.

Answer: D LO: 2-1 Diff: 1 EOC: QC 3

2.1-15 A company paid cash for employee wages. This transaction:

- A. increased cash and increased expenses.
- B. increased cash and decreased expenses.
- C. decreased cash and increased expenses.
- D. decreased cash and decreased revenues.

Answer: C LO: 2-1 Diff: 1 EOC: S2-5

2.1-16 A company paid cash for an amount owed to a creditor. This transaction decreased cash and:

- A. decreased revenues.
- B. decreased liabilities.
- C. decreased expenses.
- D. increased expenses.

Answer: B LO: 2-1 Diff: 1 EOC: E2-16

2.1-17 The owner of a business paid cash from his personal checking account to purchase an automobile for his personal use. This transaction:

- A. increased a liability account and increased liabilities.
- B. decreased cash and increased expenses.
- C. increased assets and increased owners' equity.
- D. is not a transaction recognized by the business.

Answer: D LO: 2-1 Diff: 2 EOC: E2-15

2.1-18 Which type of account is increased when a company records a debt?

- A. Expense
- B. Retained earnings
- C. Liability
- D. None of the above are correct.

Answer: C LO: 2-1 Diff: 2 EOC: QC 1

2.1-19 All of the following accounts would be considered assets EXCEPT for:

- A. cash.
- B. retained earnings.
- C. prepaid expenses.
- D. notes receivable.

Answer: B LO: 2-1 Diff: 1 EOC: S2-9

2.1-20 What type of account is prepaid insurance?

- A. A liability
- B. An expense
- C. Stockholders' equity
- D. An asset

Answer: D LO: 2-1 Diff: 2 EOC: P2-49A

2.1-21 Which of the following accounts are a standard component of stockholders' equity?

- A. Prepaid Expenses
- B. Dividends
- C. Additional Paid In Stock
- D. Unearned Income

Answer: B LO: 2-1 Diff: 2 EOC: P2-50A

2.1-22 Notes payable, accounts payable, taxes payable and salaries payable are all examples of:

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

Answer: A LO: 2-1 Diff: 1 EOC: S2-9

2.1-23 Which type of account is decreased when a company pays its employees with cash?

- A. A liability
- B. A prepaid asset
- C. An asset
- D. Owners' equity

Answer: C LO: 2-1 Diff: 2 EOC: S2-5

2.1-24 Which of the following business events would NOT be recorded in a company's accounting records?

- A. The company paid a monthly utility bill of \$1,000.
- B. The company issued 100 shares of common stock for \$75,000.
- C. The company purchased two acres of land for future plant expansion for \$600,000.
- D. The company signed a contract to provide services in the next accounting period for \$125,000.

Answer: D LO: 2-1 Diff: 2 EOC: P2-52A

2.1-25 Which of the following transactions would increase total assets?

- I. Borrowed cash on a note payable, \$80,000
 - II. Provided services on account, \$10,000
 - III. Received cash from a customer as payment on account, \$8,000
 - IV. Received a utility bill, \$1,200
- A. I and II
 - B. I and III
 - C. I, II, and III
 - D. All of these answers are correct.

Answer: A LO: 2-1 Diff: 3 EOC: E2-16

2.1-26 Consider the following transactions:

- I. Borrowed cash on a note payable, \$80,000
- II. Provided services on account, \$10,000
- III. Received cash from a customer as payment on account, \$8,000
- IV. Received a utility bill, \$1,200

Total assets would be:

- A. \$96,800.
- B. \$88,000.
- C. \$90,000.
- D. \$98,000.

Answer: C LO: 2-1 Diff: 3 EOC: E2-16

2.1-27 The payment of an amount owed to a creditor would:

- A. decrease assets.
- B. increase net income.
- C. decrease liabilities.
- D. both decrease assets and decrease liabilities.

Answer: D LO: 2-1 Diff: 2 EOC: E2-15

2.1-28 The payment of salaries to employees would:

- A. increase assets and increase liabilities.
- B. decrease net income and decrease assets.
- C. increase liabilities and increase net income.
- D. decrease assets and decrease liabilities.

Answer: B LO: 2-1 Diff: 2 EOC: S2-5

2.1-29 When a company performs a service and immediately collects the cash from the customer, which of the following would occur?

- A. Stockholders' equity would decrease.
- B. Assets would decrease.
- C. Expenses would decrease.
- D. Net income would increase.

Answer: D LO: 2-1 Diff: 2 EOC: QC 3

2.1-30 Purchasing supplies on account would:

- A. increase total assets and decrease total liabilities.
- B. increase total liabilities and decrease total assets.
- C. increase total assets and increase total liabilities.
- D. increase total liabilities and increase stockholders' equity.

Answer: C LO: 2-1 Diff: 2 EOC: E2-14

2.1-31 Paying a utility bill as soon as it was received would:

- A. increase expenses.
- B. increase liabilities.
- C. increase owners' equity.
- D. decrease revenues.

Answer: A LO: 2-1 Diff: 2 EOC: E2-16

2.1-32 Borrowing money from the bank by signing a note payable would:

- A. increase stockholders' equity.
- B. have no effect on stockholders' equity.
- C. decrease liabilities.
- D. increase net income.

Answer: B LO: 2-1 Diff: 2 EOC: E2-15

2.1-33 Receiving a payment from a customer on account would:

- A. increase stockholders' equity.
- B. have no effect on total assets.
- C. increase stockholders' equity.
- D. decrease liabilities.

Answer: B LO: 2-1 Diff: 2 EOC: E2-15

2.1-34 The purchase of land for cash would:

- A. increase total assets.
- B. decrease stockholders' equity.
- C. increase the total debits on the trial balance.
- D. have no effect on total assets.

Answer: D LO: 2-1 Diff: 3 EOC: E2-15

2.1-35 If a person starting a business had an investment of a building, valued at \$300,000 with an \$180,000 outstanding mortgage, the effect would be to:

- A. increase assets by \$120,000.
- B. increase assets by \$180,000.
- C. increase stockholders' equity by \$120,000.
- D. increase stockholders' equity by \$300,000.

Answer: C LO: 2-1 Diff: 3 EOC: E2-14

2.1-36 Performing services on account would:

- A. decrease both assets and liabilities.
- B. increase assets and decrease stockholders' equity.
- C. decrease revenue and decrease stockholders' equity.
- D. increase net income and stockholders' equity.

Answer: D LO: 2-1 Diff: 3 EOC: E2-16

2.1-37 The collection of cash from a cash sale would:

- A. increase assets and stockholders' equity.
- B. increase assets and decrease liabilities.
- C. decrease assets and increase net income.
- D. have no effect on net income or stockholders' equity.

Answer: A LO: 2-1 Diff: 3 EOC: E2-16

2.1-38 Cash dividends paid to the stockholders will:

- A. increase assets and decrease liabilities.
- B. increase assets and increase liabilities.
- C. have no effect on stockholders' equity or revenue.
- D. decrease assets and decrease stockholders' equity.

Answer: D LO: 2-1 Diff: 3 EOC: E2-15

2.1-39 Consider the following transactions:

- I. Borrowed cash on a note payable, \$80,000
- II. Provided services on account, \$10,000
- III. Received cash from a customer as payment on account, \$8,000
- IV. Received a utility bill, \$1,200

Total liabilities would be:

- A. \$1,200.
- B. \$81,200.
- C. \$98,000.
- D. \$80,000.

Answer: B LO: 2-1 Diff: 3 EOC: S2-2

2.1-40 Consider the following transactions:

- I. Owners invested \$8,000 cash to begin the business
- II. Provided services for cash, \$6,000
- III. Provided services on account, \$4,000
- IV. Paid cash for expenses, \$7,500

How much cash does the business have?

- A. \$ 2,500
- B. \$ 4,500
- C. \$ 6,500
- D. \$10,500

Answer: C LO: 2-1 Diff: 2 EOC: S2-3

2.1-41 Consider the following transactions:

- I. Owners invested \$8,000 cash to begin the business
- II. Provided services for cash, \$6,000
- III. Provided services on account, \$4,000
- IV. Paid cash for expenses, \$7,500

How much net income did the business have?

- A. \$2,500
- B. \$3,000
- C. \$4,000
- D. \$6,000

Answer: A LO: 2-1 Diff: 2 EOC: E2-16

2.2-1 An account with a normal balance of a debit indicates that the account is a liability account.

Answer: False LO: 2-2 Diff: 1 EOC: S2-9

2.2-2 An account with a normal credit balance is most often a liability or stockholders' equity account.

Answer: True LO: 2-2 Diff: 1 EOC: QC 2

2.2-3 Liabilities and revenues are decreased by credits.

Answer: False LO: 2-2 Diff: 2 EOC: P2-51A

2.2-4 Assets, owners' equity and dividends are all increased by debits.

Answer: False LO: 2-2 Diff: 2 EOC: E2-17

2.2-5 Revenues and expenses are specialized owners' equity accounts, all having debit balances.

Answer: False LO: 2-2 Diff: 1 EOC: E2-21

2.2-6 Dividends and expenses are specialized owners' equity accounts that are increased by debits.

Answer: True LO: 2-2 Diff: 2 EOC: E2-17

2.2-7 Every business transaction involves at least one debit and one credit part of the transaction.

Answer: True LO: 2-2 Diff: 2 EOC: S2-5

2.2-8 All business transactions involve an increase in at least one account and a decrease in at least one other account.

Answer: False LO: 2-2 Diff: 2 EOC: S2-5.

2.2-9 The left side of a T-account is always the:

- A. increase side.
- B. decrease side.
- C. debit side.
- D. credit side.

Answer: C LO: 2-2 Diff: 1 EOC: S2-7

2.2-10 Which of the following statements regarding accounts is TRUE?

- A. An asset is increased by a debit and decreased by a credit.
- B. Dividends are decreased by debits and increased by credits.
- C. A liability is increased by a debit and decreased by a credit.
- D. Revenue is increased by a debit; an expense is increased by a credit.

Answer: A LO: 2-2 Diff: 3 EOC: QC 1

2.2-11 Which accounts are increased by debits?

- A. Assets and owners' equity
- B. Expenses and owners' equity
- C. Assets, expenses and dividends
- D. Assets, expenses and owners' equity

Answer: C LO: 2-2 Diff: 2 EOC: E2-23

2.2-12 An account is increased by a debit and has a normal balance of a debit. This account is a(n)

- A. expense account.
- B. liability account.
- C. asset account.
- D. both an expense account and an asset account.

Answer: D LO: 2-2 Diff: 3 EOC: E2-25

2.2-13 A business purchases a truck by signing a note payable to the seller. This transaction would include a:

- A. credit to Truck.
- B. debit to Note Payable.
- C. credit to Note Payable.
- D. debit to Prepaid Maintenance.

Answer: C LO: 2-2 Diff: 2 EOC: P2-53A

2.2-14 The accounting transaction to record a loan would include a credit to:

- A. Cash.
- B. Notes Payable.
- C. Utilities Expense.
- D. Accounts Receivable.

Answer: B LO: 2-2 Diff: 2 EOC: P2-53A

2.2-15 The entry to record \$1,000 received from a customer for services previously rendered would be:

A.

Cash	1,000
Accounts Receivable	1,000

B.

Cash	1,000
Service Revenue	1,000

C.

Service Revenue	1,000
Accounts Receivable	1,000

D.

Dividends	1,000
Cash	1,000

Answer: A LO: 2-2 Diff: 2 EOC: P2-53A

2.3-1 Debits are always recorded (journalized) before credits.

Answer: True LO: 2-3 Diff: 2 EOC: S2-5

2.3-2 A journal shows a chronological listing of the accounting activities of a business—because business transactions occur in this manner.

Answer: True LO: 2-3 Diff: 1 EOC: P2-51A

2.3-3 Posting accounting transactions avoids the necessity of journalizing transactions, and the use of T-accounts.

Answer: False LO: 2-3 Diff: 1 EOC: QC 11

2.3-4 The ledger provides a good indication of how much cash is available for the business to use at any one point in time.

Answer: True LO: 2-3 Diff: 2 EOC: S2-12

2.3-5 The accounting records are considered to be correct if the total debits of the trial balance equal the total credits on the Post Closing Trial Balance.

Answer: False LO: 2-3 Diff: 2 EOC: E2-22

2.3-6 A trial balance is a list of all accounts and their balances for a period of time.

Answer: False LO: 2-4 Diff: 1 EOC: P2-49A

2.3-7 A trial balance is an optional financial statement that reports the financial position of the company as of a given day in time.

Answer: False LO: 2-4 Diff: 2 EOC: E2-21

2.3-8 Accounting transactions are initially recorded in the:

A. T-account.

B. ledger.

C. journal.

D. poster.

Answer: C LO: 2-3 Diff: 2 EOC: QC 11

2.3-9 A chronological record (or history) of an entity's transactions is called a:

A. T-account.

B. ledger.

C. journal.

D. poster.

Answer: C LO: 2-3 Diff: 1 EOC: E2-18

2.3-10 What is one of the first steps in the journalizing process?

- A. Enter the transaction in the journal.
- B. Post the transaction to the ledger.
- C. Determine what accounts will be affected and whether to debit or credit them.
- D. Identify the transaction from source documents and other information.

Answer: D LO: 2-3 Diff: 2 EOC: E2-18

2.3-11 Which of the following items would NOT be included in the journal entry for a transaction?

- A. The source documents initiating the transaction
- B. The date the accounting transaction was entered
- C. The titles of the accounts debited
- D. The dollar amount credited

Answer: A LO: 2-3 Diff: 1 EOC: S2-5

2.3-12 The proper order for the accounting process is:

- A. posting, transacting, closing and journalizing.
- B. transacting, posting, journalizing and closing.
- C. transacting, journalizing, posting and closing.
- D. posting, closing, transacting and journalizing.

Answer: C LO: 2-3 Diff: 2 EOC: QC 11

2.3-13 The process of transferring information from the journal to the ledger is known as:

- A. converting.
- B. bookkeeping.
- C. posting.
- D. ledgerizing.

Answer: C LO: 2-3 Diff: 1 EOC: P2-51A

2.3-14 In accounting, the process of posting involves transferring data from:

- A. the ledger to the journal.
- B. the journal to the ledger.
- C. the source documents to the ledger.
- D. the source documents to the journal.

Answer: B LO: 2-3 Diff: 2 EOC: P2-51A

2.3-15 Accounts are grouped together in a book called the:

- A. accounting equation.
- B. trial balance.
- C. journal.
- D. ledger.

Answer: D LO: 2-3 Diff: 1 EOC: P2-54A

2.3-16 Double-entry accounting means that each transaction:

- A. increases at least one account and decreases at least one account.
- B. debits at least one account and credits at least one account.
- C. is recorded in both the journal and in the ledger.
- D. affects both an income statement account and a balance sheet account.

Answer: B LO: 2-3 Diff: 2 EOC: S2-5

2.3-17 Which element(s) of an accounting system provide(s) information about the balance in each account?

- A. Source documents
- B. Journals
- C. Ledgers
- D. Accrual record

Answer: C LO: 2-3 Diff: 2 EOC: P2-53A

2.3-18 Debits to revenue accounts ultimately result in a(n):

- A. decrease in owners' equity and assets.
- B. increase in owners' equity and assets.
- C. decrease in assets and liabilities.
- D. increase in liabilities assets.

Answer: A LO: 2-3 Diff: 2 EOC: E2-19

2.3-19 The entry to record the purchase of supplies on account would include a debit to:

- A. Supplies.
- B. Accounts Payable.
- C. Supplies Expense.
- D. Retained Earnings.

Answer: A LO: 2-3 Diff: 2 EOC: E2-19

2.3-20 The entry to record the payment of salaries to employees would include a:

- A. credit to Salary Expense.
- B. debit to Accounts Payable.
- C. debit to Salary Expense.
- D. debit to Accounts Receivable.

Answer: C LO: 2-3 Diff: 2 EOC: S2-5

2.3-21 The journal entry to record performing a service on account would include a debit to:

- A. Cash.
- B. Service Revenue Expense.
- C. Accounts Receivable.
- D. Retained Earnings.

Answer: C LO: 2-3 Diff: 2 EOC: S2-5

2.3-22 The payment for rent of the office building for one month would include a:

- A. debit to Cash.
- B. debit to Prepaid Rent.
- C. debit to Rent Expense.
- D. credit to Revenue.

Answer: C LO: 2-3 Diff: 2 EOC: E2-18

2.3-23 The purchase of office furniture for cash would include a debit to:

- A. Accounts Payable.
- B. Office Furniture.
- C. Office Furniture Expense.
- D. Cash.

Answer: B LO: 2-3 Diff: 2 EOC: E2-18

2.3-24 An owner makes an investment of cash into the business. This transaction would include a:

- A. debit to Common Stock and a credit to Common Stock.
- B. debit to Cash and a credit to Common Stock.
- C. debit to Retained Earnings and a credit to Cash.
- D. debit to Common Stock and a credit to Retained Earnings.

Answer: B LO: 2-3 Diff: 2 EOC: E2-18

2.3-25 A stockholder's investment of land and a building into the business would include a debit to:

- A. Land and a credit to Common Stock.
- B. Land and a credit to Building.
- C. Common Stock and a credit to Building.
- D. Building and a credit to Retained Earnings.

Answer: A LO: 2-3 Diff: 3 EOC: E2-19

2.3-26 The purchase of an automobile involving a cash down payment and a promise to pay the balance in the future would include a debit to:

- A. Note Payable and a credit to Cash.
- B. Cash and a credit to Automobile.
- C. Cash and a debit to Note Payable.
- D. none of the above.

Answer: D LO: 2-3 Diff: 2 EOC: P2-52A

2.3-27 The purchase of office computers for cash would include a debit to:

- A. Cash and a credit to Office Equipment.
- B. Office Equipment and a credit to Accounts Payable.
- C. Accounts Receivable and credit to Office Equipment.
- D. Office Equipment and a credit to Cash.

Answer: D LO: 2-3 Diff: 2 EOC: E2-25

2.3-28 Paying a dividend to the company's stockholders would include a debit to:

- A. Cash and a credit to Dividends.
- B. Dividends and a credit to Cash.
- C. Retained Earnings and a credit to Cash.
- D. Accounts Payable and a credit to Retained Earnings.

Answer: B LO: 2-3 Diff: 2 EOC: E2-23

2.3-29 Receiving a check from a customer on account would include a credit to:

- A. Cash.
- B. Accounts Payable.
- C. Sales Revenue.
- D. Accounts Receivable.

Answer: D LO: 2-3 Diff: 2 EOC: P2-54A

2.3-30 Making a cash payment to settle a debt would include a:

- A. debit to Cash.
- B. credit to Cash Payments.
- C. debit to Accounts Payable.
- D. credit to Accounts Receivable.

Answer: C LO: 2-3 Diff: 3 EOC: E2-20

2.3-31 Purchasing a three-year insurance policy for cash would include a:

- A. credit to Prepaid Insurance.
- B. debit to Insurance Expense.
- C. credit to Insurance Expense.
- D. debit to Prepaid Insurance.

Answer: D LO: 2-3 Diff: 3 EOC: E2-25

2.3-32 The entry to record the purchase of office supplies on account for \$400 would be:

A.

Office Supplies	400
Cash	400

B.

Accounts Payable	400
Cash	400

C.

Office Supplies	400
Accounts Payable	400

D.

Cash	400
Office Supplies Expense	400

Answer: C LO: 2-3 Diff: 2 EOC: P2-53A

2.3-33 The entry to record an owner investment of \$600 into the business would be:

A.

Dividends	600
Cash	600

B.

Cash	600
Dividends	600

C.

Cash	600
Service Revenue	600

D.

Cash	600
Common Stock	600

Answer: D LO: 2-3 Diff: 1 EOC: E2-16

2.3-34 The entry to record the payment of \$925 to a supplier for office supplies previously purchased on account would be:

A.

Cash	925
Accounts Payable	925

B.

Accounts Payable	925
Cash	925

C.

Office Supplies Expense	925
Cash	925

D.

Office Supplies Expense	925
Accounts Payable	925

Answer: B LO: 2-3 Diff: 2 EOC: E2-16

2.3-35 The normal balance of an expense account is a _____ because expenses decrease _____.

- A. debit, assets
- B. debit, expenses
- C. debit, stockholders' equity
- D. credit, stockholders' equity

Answer: C LO: 2-3 Diff: 2 EOC: E2-21

2.3-36 The normal balance of the Dividends account is a _____ because it decreases _____.

- A. debit, assets
- B. debit, expenses
- C. debit, stockholders' equity
- D. credit, stockholders' equity

Answer: C LO: 2-3 Diff: 2 EOC: P2-50A

2.3-37 The normal balance of a revenue account is a _____ because revenues increase _____ .

- A. debit, assets
- B. debit, expenses
- C. debit, stockholders' equity
- D. credit, stockholders' equity

Answer: D LO: 2-3 Diff: 2 EOC: E2-21

2.3-38 A trial balance is:

- A. prepared before the posting process is completed.
- B. a list of all accounts with their balances.
- C. a list of balance sheet accounts with their balances.
- D. a list of income statement accounts with their balances.

Answer: B LO: 2-4 Diff: 2 EOC: E2-19

2.3-39 The trial balance is used to determine whether:

- A. total assets equal total liabilities.
- B. total debits equal total credits.
- C. total revenues plus gains equal total expenses plus losses.
- D. total increases in accounts equal total decreases in accounts.

Answer: B LO: 2-4 Diff: 2 EOC: S2-8

2.3-40 If the debit amount of an entry to record the purchase of supplies on account was not posted,:

- A. assets would be understated.
- B. assets would be overstated.
- C. liabilities would be understated.
- D. liabilities would be overstated.

Answer: A LO: 2-3 Diff: 3 EOC: E2-25

2.3-41 If a posting error has occurred when recording a transaction, then the out-of-balance amount will be evenly divisible by:

- A. 11.
- B. 9.
- C. 2.
- D. 5.

Answer: C LO: 2-4 Diff: 2 EOC: QC 12

2.3-42 A trial balance prepared by an inexperienced accountant showed total debits of \$360,000 and total credits of \$36,000. This discrepancy is most likely due to which type of error?

- A. Slide
- B. Transposition
- C. Mislabeling
- D. Failure to post a transaction

Answer: A LO: 2-4 Diff: 2 EOC: S2-10

2.3-43 A trial balance prepared by an inexperienced accountant showed total debits of \$540,000 and total credits of \$450,000. This discrepancy is most likely due to which type of error?

- A. Slide
- B. Transposition
- C. Mislabeling
- D. Failure to post a transaction

Answer: B LO: 2-4 Diff: 2 EOC: S2-10

2.3-44 If the credit amount of an entry to record the payment of salaries was not posted,:

- A. assets would be overstated and owners' equity would be overstated.
- B. liabilities would be understated and owners' equity would be overstated.
- C. expenses would be understated and owners' equity would be understated.
- D. there would be no effect on stockholders' equity.

Answer: D LO: 2-3 Diff: 3 EOC: E2-25

2.3-45 Which of the following statements regarding a trial balance is TRUE?

- A. A trial balance may be taken at any time during the accounting period.
- B. A trial balance is a list of all accounts with their balances.
- C. A trial balance shows that total debits equals total credits.
- D. All of the above is true.

Answer: D LO: 2-4 Diff: 2 EOC: S2-8

2.3-46 A trial balance has which of the following features?

- A. totals for balance sheet accounts only
- B. totals for income statement accounts only
- C. totals for all accounts listed in the ledger
- D. both A and B are correct

Answer: C LO: 2-4 Diff: 2 EOC: E2-25

- 2.4-1 A chart of accounts is organized in the alphabetical order of the accounting equation—with assets first, followed by expenses, liabilities, owners' equity, and revenues—because using numbers can be very complicated.
- Answer: False LO: 2-4 Diff: 1 EOC: E2-19
- 2.4-2 When the trial balance is out of balance due to a transposition error, the difference between total debits and total credits will be evenly divisible by 2.
- Answer: False LO: 2-4 Diff: 2 EOC: S2-10
- 2.4-3 When the trial balance is out of balance due to a slide-type error, the difference between total debits and total credits will be evenly divisible by 9.
- Answer: False LO: 2-4 Diff: 2 EOC: QC 12
- 2.4-4 When the trial balance is out of balance due to an incorrect posting of a debit or a credit, the difference is evenly divisible by 2.
- Answer: True LO: 2-4 Diff: 2 EOC: S2-10
- 2.4-5 If the payment of a utilities bill is not posted, assets will be overstated.
- Answer: True LO: 2-4 Diff: 2 EOC: E2-22
- 2.4-6 The normal balance for any account is always the side of the account (debit or credit) where the largest amount is found.
- Answer: False LO: 2-4 Diff: 2 EOC: S2-11
- 2.4-7 The T-account is a tool for visualizing business transactions and usually can be easily prepared.
- Answer: True LO: 2-4 Diff: 2 EOC: S2-7
- 2.4-8 The normal balance of Accounts Receivable is a _____ because it is a(n) _____ account.
- A. credit, liability
 - B. debit, asset
 - C. credit, stockholders' equity
 - D. debit, expense
- Answer: B LO: 2-4 Diff: 2 EOC: S2-9

2.4-9 The normal balance of Dividends is a _____ because it is a(n) _____ account.

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

Answer: D LO: 2-4 Diff: 2 EOC: E2-21

2.4-10 The normal balance of the Supplies account is a _____ because it is a(n) _____ account.

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

Answer: D LO: 2-4 Diff: 2 EOC: S2-9

2.4-11 The normal balance of the Accounts Payable account is a _____ because it is a(n) _____ account.

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

Answer: A LO: 2-4 Diff: 2 EOC: S2-9

2.4-12 The normal balance of the Common Stock account is a _____ because it increases _____.

- A. debit, assets
- B. debit, expenses
- C. debit, stockholders' equity
- D. credit, stockholders' equity

Answer: D LO: 2-4 Diff: 2 EOC: E2-21

2.4-13 A chart of accounts is:

- A. prepared as the first step in analyzing transactions.
- B. a source document.
- C. a list of all of the accounts of the organization.
- D. a list of all of the accounts of the organization and their related account numbers.

Answer: D LO: 2-4 Diff: 1 EOC: E2-19

2.4-14 When using a four-column ledger account format, the pair of columns on the far right is used to show the:

- A. names of the accounts being debited and credited.
- B. transactions date and journal reference.
- C. account balance.
- D. debit and credit amounts posted from journal entries.

Answer: C LO: 2-4 Diff: 3 EOC: E2-19

2.4-15 When using a four-column ledger account format, the initial pair of columns is used to show the:

- A. names of the accounts being debited and credited
- B. transactions date and journal reference
- C. account balance
- D. debit and credit amounts posted from journal entries

Answer: D LO: 2-4 Diff: 3 EOC: E2-19

2.5-1 All information about a particular account is contained in the:

- A. journal.
- B. ledger.
- C. trial balance.
- D. post closing trial balance.

Answer: B LO: 2-5 Diff: 1 EOC: S2-12

2-5-2 The results of operations are reported on the:

- A. statement of operation.
- B. statement of financial position.
- C. trial balance.
- D. statement of stockholders' equity.

Answer: A

LO: 2-5

Diff: 1

EOC: E2-21