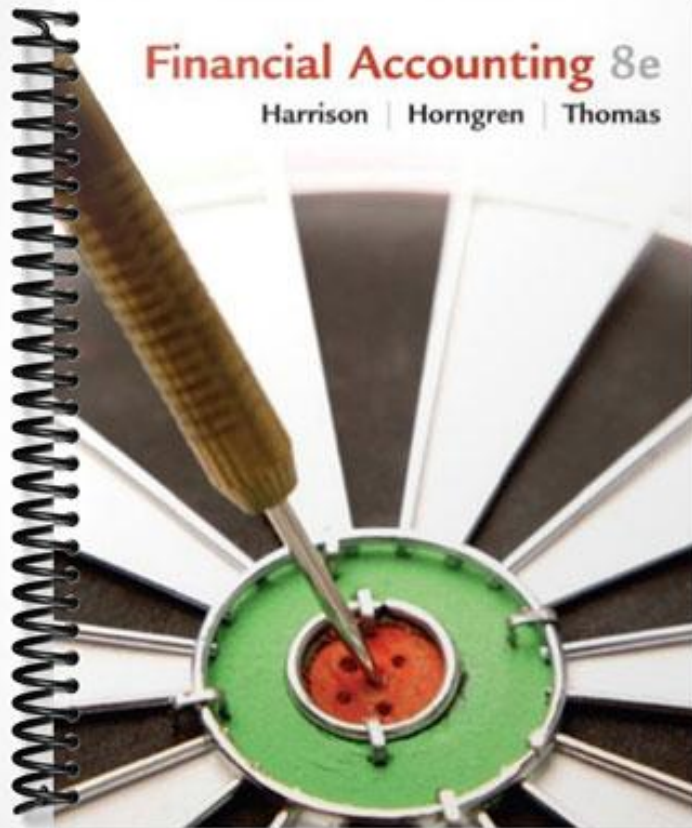


**TEST BANK**

**Financial Accounting 8e**

Harrison | Horngren | Thomas



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

- 1) A journal entry is a record of an event that has a financial impact on the business that can be reliably measured. 1) \_\_\_\_\_  
Answer:  True  False
- 2) Every transaction has two sides—you give something and you receive something. 2) \_\_\_\_\_  
Answer:  True  False
- 3) It is the collection of cash, not the performance of the service that earns revenue. 3) \_\_\_\_\_  
Answer:  True  False
- 4) Accrued Salaries Payable is a liability account. 4) \_\_\_\_\_  
Answer:  True  False
- 5) The Retained Earnings account represents the excess of net income over dividends retained in the business since its inception. 5) \_\_\_\_\_  
Answer:  True  False
- 6) The Dividends account indicates an increase in common stock. 6) \_\_\_\_\_  
Answer:  True  False
- 7) Income statement data appears as revenues and expenses under Retained Earnings. 7) \_\_\_\_\_  
Answer:  True  False
- 8) The purchase of office equipment for cash would increase both an asset and a liability account. 8) \_\_\_\_\_  
Answer:  True  False

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

- 9) Which of the following is NOT a business transaction? 9) \_\_\_\_\_  
A) The company sells goods for cash.  
B) The company buys land for cash.  
C) The company pays a dividend to its stockholders.  
D) The company hires a new president.  
Answer: D
- 10) A business transaction has occurred when: 10) \_\_\_\_\_  
A) an event affects the entity's financial position.  
B) the event can be reliably measured.  
C) the accountant determines that the event is important enough to be a business transaction.  
D) both A and B occur.  
Answer: D
- 11) A record of all the changes in a particular asset, liability, or stockholders' equity during a period is called a (n): 11) \_\_\_\_\_  
A) journal                      B) transaction.                      C) trial balance.                      D) account.  
Answer: D
- 12) Which of the following is NOT an asset account? 12) \_\_\_\_\_  
A) Prepaid Rent                      B) Common Stock  
C) Accounts Receivable                      D) All of these are asset accounts.  
Answer: B

- 13) Any event that has a financial impact on the business and can be measured reliably is a(n): 13) \_\_\_\_\_  
A) asset. B) income statement.  
C) transaction. D) journal.  
Answer: C
- 14) The rules for recording accounting transactions do NOT include which of the following? 14) \_\_\_\_\_  
A) Total assets must always equal total liabilities plus total equity.  
B) Every transaction affects the financial statements of the business.  
C) Every transaction's net amount on the left side of the equation must equal the net amount on the right side.  
D) Both sides of the accounting equation must be affected.  
Answer: D
- 15) Prepaid expense accounts appear on: 15) \_\_\_\_\_  
A) the Statement of Retained Earnings and on the Income Statement.  
B) the Income Statement.  
C) the Balance Sheet.  
D) both the Income Statement and Balance Sheet.  
Answer: C
- 16) Revenues are recorded when: 16) \_\_\_\_\_  
A) work is begun on the job.  
B) cash is received from the customer.  
C) the company signs a contract.  
D) the work is completed on the job, whether or not the cash is received.  
Answer: D
- 17) Goods purchased on account for future use in the business, such as Office Supplies, are called: 17) \_\_\_\_\_  
A) Revenues. B) Prepaid expenses.  
C) Accrued liabilities. D) Expenses.  
Answer: B
- 18) A company received cash in exchange for issuing stock. This transaction increased assets and: 18) \_\_\_\_\_  
A) increased revenues. B) increased equity.  
C) increased expenses. D) increased liabilities.  
Answer: B
- 19) When a business makes a sale on account, the asset created is a(n): 19) \_\_\_\_\_  
A) revenue. B) account receivable.  
C) expense. D) account payable.  
Answer: B
- 20) The debt created by a business when it makes a purchase on account is a(n): 20) \_\_\_\_\_  
A) account receivable. B) revenue.  
C) account payable. D) prepaid expense.  
Answer: C
- 21) Transactions affecting Stockholders' Equity include: 21) \_\_\_\_\_  
A) sale of common stock and payment of expenses.  
B) payment of a liability and payment of expenses.  
C) purchase of land and a sale on account.

D) revenues and purchase of supplies on account.

Answer: A

- 22) A company purchased Office Supplies for cash. This transaction increased assets and: 22) \_\_\_\_\_  
A) increased liabilities. B) increased equity.  
C) decreased assets. D) increased revenues.

Answer: C

- 23) A company performed services for a customer on account. This transaction increased assets and: 23) \_\_\_\_\_  
A) increased liabilities. B) decreased equity.  
C) increased expenses. D) increased revenues

Answer: D

- 24) A company paid cash for employee wages. This transaction: 24) \_\_\_\_\_  
A) increased cash and increased expenses. B) decreased cash and increased expenses.  
C) increased cash and decreased expenses. D) decreased cash and decreased revenues.

Answer: B

- 25) A company paid cash for an amount owed to a creditor. This transaction decreased cash and: 25) \_\_\_\_\_  
A) increased expenses. B) decreased revenues.  
C) decreased liabilities. D) decreased expenses.

Answer: C

- 26) The owner of a business paid cash from his personal checking account to purchase an automobile for his personal use. This transaction: 26) \_\_\_\_\_  
A) decreased cash and increased expenses.  
B) increased assets and increased owners' equity.  
C) is not a transaction recognized by the business.  
D) increased a liability account and increased liabilities.

Answer: C

- 27) Which type of account is increased when a company records an increase in debt? 27) \_\_\_\_\_  
A) Expense B) Liability  
C) Retained earnings D) None of the above

Answer: B

- 28) All of the following accounts would be considered assets EXCEPT for: 28) \_\_\_\_\_  
A) Retained earnings. B) Prepaid expenses.  
C) Notes receivable. D) Cash.

Answer: A

- 29) What type of account is prepaid insurance? 29) \_\_\_\_\_  
A) A liability B) An expense  
C) An asset D) Stockholders' equity

Answer: C

- 30) Which of the following accounts are a standard component of stockholders' equity? 30) \_\_\_\_\_  
A) Additional Paid In Stock B) Unearned Income  
C) Prepaid Expenses D) Dividends

Answer: D

- 31) Notes payable, accounts payable, taxes payable and salaries payable are all examples of: 31) \_\_\_\_\_

A) revenues.                      B) liabilities.                      C) expenses.                      D) assets.  
Answer: B

32) Which type of account is decreased when a company pays its employees with cash?                      32) \_\_\_\_\_  
A) An asset                      B) A prepaid asset                      C) A liability                      D) Owners' equity  
Answer: A

33) Which of the following business events would NOT be recorded in a company's accounting records?                      33) \_\_\_\_\_  
A) The company purchased two acres of land for future plant expansion for \$600,000.  
B) The company issued 100 shares of common stock for \$75,000.  
C) The company paid a monthly utility bill of \$1,000.  
D) The company signed a contract to provide services in the next accounting period for \$125,000.  
Answer: D

34) Which of the following transactions would increase total assets?                      34) \_\_\_\_\_  
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, II, and III                      B) I and III  
C) I and II                      D) All of these answers are correct.  
Answer: C

35) Consider the following transactions:                      35) \_\_\_\_\_  
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) \$90,000.                      B) \$96,800.                      C) \$88,000.                      D) \$98,000.  
Answer: A

36) The payment of an amount owed to a creditor would:                      36) \_\_\_\_\_  
A) decrease liabilities.  
B) decrease assets.  
C) increase net income.  
D) both decrease assets and decrease liabilities.  
Answer: D

37) The payment of salaries to employees would:                      37) \_\_\_\_\_  
A) decrease assets and increase liabilities.  
B) decrease net income and decrease assets.  
C) increase liabilities and increase net income.  
D) increase assets and increase liabilities.  
Answer: B

38) When a company performs a service and immediately collects the cash from the customer, which of the following would occur?                      38) \_\_\_\_\_  
A) Assets would decrease.                      B) Expenses would decrease.

C) Stockholders' equity would decrease.

D) Net income would increase.

Answer: D

39) Purchasing supplies on account would:

39) \_\_\_\_\_

A) increase total assets and increase total liabilities.

B) increase total assets and decrease total liabilities.

C) increase total liabilities and increase stockholders' equity.

D) increase total liabilities and decrease total assets.

Answer: A

40) Paying a utility bill as soon as it was received would:

40) \_\_\_\_\_

A) increase liabilities.

B) decrease revenues.

C) increase owners' equity.

D) increase expenses.

Answer: D

41) Borrowing money from the bank by signing a note payable would:

41) \_\_\_\_\_

A) have no effect on stockholders' equity.

B) decrease liabilities.

C) increase stockholders' equity.

D) increase net income.

Answer: A

42) Receiving a payment from a customer on account would:

42) \_\_\_\_\_

A) decrease liabilities.

B) increase stockholders' equity.

C) have no effect on total assets.

D) increase stockholders' equity.

Answer: C

43) The purchase of land for cash would:

43) \_\_\_\_\_

A) increase the total debits on the trial balance.

B) have no effect on total assets.

C) decrease stockholders' equity.

D) increase total assets.

Answer: B

44) If a person starting a business had an investment of a building, valued at \$300,000 with an \$180,000 outstanding mortgage and issued stock for the balance, the effect would be to:

44) \_\_\_\_\_

A) increase stockholders' equity by \$300,000.

B) increase assets by \$180,000.

C) increase stockholders' equity by \$120,000.

D) increase assets by \$120,000.

Answer: C

45) Performing services on account would:

45) \_\_\_\_\_

A) decrease both assets and liabilities.

B) increase assets and decrease stockholders' equity.

C) increase net income and stockholders' equity.

D) decrease revenues and decrease stockholders' equity.

Answer: C

46) The collection of cash from a cash sale would:

46) \_\_\_\_\_

A) have no effect on net income or stockholders' equity.

B) increase assets and decrease liabilities.

C) increase assets and stockholders' equity.

D) decrease assets and increase net income.

Answer: C

- 47) Cash dividends paid to the stockholders will: 47) \_\_\_\_\_
- A) decrease assets and decrease stockholders' equity.
  - B) increase assets and decrease liabilities.
  - C) have no effect on stockholders' equity or revenues.
  - D) increase assets and increase liabilities.

Answer: A

- 48) Consider the following transactions: 48) \_\_\_\_\_
- 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) \$81,200.
- B) \$1,200.
- C) \$98,000.
- D) \$80,000.

Answer: A

- 49) Consider the following transactions: 49) \_\_\_\_\_
- 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) \$ 6,500
- C) \$10,500
- D) \$ 4,500

Answer: B

- 50) Consider the following transactions: 50) \_\_\_\_\_
- 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) \$ 4,500
- B) \$ 6,500
- C) \$10,500
- D) \$ 2,500

Answer: D

- 51) All of the statements are true about the income statement EXCEPT the income statement: 51) \_\_\_\_\_
- A) reports a net income or a net loss.
  - B) is as of a specific date and not a period of time.
  - C) reports revenues and expenses.
  - D) data appears as revenues and expenses under Retained Earnings.

Answer: B

- 52) To compute ending retained earnings on the Statement of Retained Earnings: 52) \_\_\_\_\_
- A) net income is added to the beginning retained earnings and dividends are subtracted from the beginning retained earnings.
  - B) net income or net loss does not affect retained earnings.
  - C) net income and dividends are both added to beginning retained earnings
  - D) net loss and dividends are both added to beginning retained earnings

Answer: A

- 53) The Balance Sheet lists: 53) \_\_\_\_\_  
A) revenues and expenses.  
B) assets, liabilities, and revenues.  
C) dividends and assets.  
D) assets, liabilities, and stockholders' equity.

Answer: D

- 54) If Joe Donaldson deposited \$80,000 in a bank account, purchased a company for \$60,000 cash (Building \$40,000 and Inventory \$20,000), performed services for clients for \$10,000 cash, purchased supplies for \$5,000 cash, and paid utilities of \$2,000 cash, what is the company's net income for the month? 54) \_\_\_\_\_  
A) \$5,000 B) \$8,000  
C) \$3,000 D) None of the above

Answer: B

- 55) Joe Donaldson deposited \$80,000 in a bank account, purchased a company for \$60,000 cash (Building \$40,000 and Inventory \$20,000), performed services for clients for \$10,000 cash, purchased supplies for \$5,000 cash, and paid utilities of \$2,000 cash. What is the amount of total assets? 55) \_\_\_\_\_  
A) \$88,000 B) \$78,000  
C) \$80,000 D) None of the above

Answer: A

- 56) Joe Donaldson deposited \$80,000 in a bank account, purchased a company for \$60,000 cash (Building \$40,000 and Inventory \$20,000), performed services for clients for \$10,000 cash, purchased supplies for \$5,000 cash, and paid utilities of \$2,000 cash. The amount of stockholders' equity at the end of the period is: 56) \_\_\_\_\_  
A) \$140,000. B) \$80,000.  
C) \$60,000. D) none of the above.

Answer: D

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

- 57) An account with a normal debit balance indicates that the account is a liability account. 57) \_\_\_\_\_  
Answer: True  False

- 58) The amount remaining in an account is called its balance. 58) \_\_\_\_\_  
Answer:  True  False

- 59) Double-entry accounting records only those transactions affecting the income statement. 59) \_\_\_\_\_  
Answer: True  False

- 60) The left hand side of a T account is the debit side and the right hand side is the credit side. 60) \_\_\_\_\_  
Answer:  True  False

- 61) Accounts are records of increases and decreases in individual financial statement items. 61) \_\_\_\_\_  
Answer:  True  False

- 62) An account with a normal credit balance is most often a liability or stockholders' equity account. 62) \_\_\_\_\_  
Answer:  True  False



- 63) Liabilities and revenues are decreased by credits. 63) \_\_\_\_\_  
Answer: True  False
- 64) Assets, owners' equity and dividends are all increased by debits. 64) \_\_\_\_\_  
Answer: True  False
- 65) Revenues and expenses are specialized stockholders' equity accounts, all having debit balances. 65) \_\_\_\_\_  
Answer: True  False
- 66) Dividends and expenses are specialized stockholders' equity accounts that are increased by debits. 66) \_\_\_\_\_  
Answer:  True  False
- 67) Every business transaction involves both debits and credits. 67) \_\_\_\_\_  
Answer:  True  False
- 68) All business transactions involve an increase in at least one account and a decrease in at least one other account. 68) \_\_\_\_\_  
Answer: True  False

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

- 69) The left side of a T-account is always the: 69) \_\_\_\_\_  
A) increase side. B) decrease side. C) credit side. D) debit side.  
Answer: D
- 70) Which of the following statements regarding T accounts is FALSE? 70) \_\_\_\_\_  
A) The account title appears at the top of the T account.  
B) T accounts are a useful tool in accounting.  
C) The right side is the debit side.  
D) The right side is the credit side.  
Answer: C
- 71) The credit side of an account: 71) \_\_\_\_\_  
A) is the left side of the account.  
B) can change as needed.  
C) depends on whether the account is an asset or liability.  
D) is the right side of the account.  
Answer: D
- 72) Which of the following statements regarding accounts is TRUE? 72) \_\_\_\_\_  
A) An asset is increased by a debit and decreased by a credit.  
B) Revenue is increased by a debit; an expense is increased by a credit.  
C) A liability is increased by a debit and decreased by a credit.  
D) Dividends are decreased by debits and increased by credits.  
Answer: A
- 73) Transactions affecting stockholders' equity include: 73) \_\_\_\_\_  
A) common stock, revenues, expenses, dividends and retained earnings.  
B) common stock, revenues, expenses and collection of an account receivable.  
C) retained earnings, revenues, expenses, and liabilities.  
D) common stock, retained earnings, revenues and assets.  
Answer: A

74) Increases in stockholders' equity that result from delivering goods or services to customers are: 74) \_\_\_\_\_  
A) expenses. B) liabilities. C) assets. D) revenues.  
Answer: D

75) Decreases in stockholders' equity that are due to the cost of operating the business are: 75) \_\_\_\_\_  
A) revenues. B) expenses. C) assets. D) liabilities.  
Answer: B

76) Which statement is NOT true? 76) \_\_\_\_\_  
A) Expenses are increased by a debit. B) Revenues are increased by a debit.  
C) A credit increases a liability account. D) A debit increases an asset account  
Answer: B

77) Which accounts are increased by debits? 77) \_\_\_\_\_  
A) Assets, expenses and owners' equity B) Assets, expenses and dividends  
C) Assets and owners' equity D) Expenses and owners' equity  
Answer: B

78) An account is increased by a debit and has a normal balance of a debit. This account is: 78) \_\_\_\_\_  
A) a liability account.  
B) an asset account.  
C) an expense account.  
D) both an expense account and an asset account.  
Answer: D

79) A business purchases a truck by signing a note payable to the seller. This transaction would 79) \_\_\_\_\_  
include a:  
A) credit to Truck. B) debit to Note Payable.  
C) debit to Prepaid Maintenance. D) credit to Note Payable.  
Answer: D

80) The accounting transaction to record a loan would include a credit to: 80) \_\_\_\_\_  
A) Utilities Expense. B) Cash.  
C) Accounts Receivable. D) Notes Payable.  
Answer: D

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

81) Debits are always listed before credits in a journal entry. 81) \_\_\_\_\_  
Answer:  True  False

82) The cash account is always debited. 82) \_\_\_\_\_  
Answer:  True  False

83) Entering a transaction in the journal automatically gets the data into the ledger. 83) \_\_\_\_\_  
Answer:  True  False

84) The balance of an account is the difference between the account's total debits and its total credits. 84) \_\_\_\_\_  
Answer:  True  False

85) In a journal entry, the sum of the debits must always equal the sum of the credits. 85) \_\_\_\_\_  
Answer:  True  False

- 86) The chart of accounts would be the same for General Motors and Wal-Mart. 86) \_\_\_\_\_  
 Answer: True  False
- 87) Journal entries can have more than two accounts as long as the total debits equal the total credits. 87) \_\_\_\_\_  
 Answer:  True  False
- 88) If an account's total debits exceed its total credits, the account would have a credit balance. 88) \_\_\_\_\_  
 Answer: True  False
- 89) The balance of an account can be determined by adding all of the debits, adding all of the credits, and then subtracting the two amounts. 89) \_\_\_\_\_  
 Answer:  True  False
- 90) Accounts in the ledger are maintained in alphabetical order. 90) \_\_\_\_\_  
 Answer: True  False
- 91) A journal shows a chronological listing of the accounting activities of a business. 91) \_\_\_\_\_  
 Answer:  True  False
- 92) Posting accounting transactions avoids the necessity of journalizing transactions. 92) \_\_\_\_\_  
 Answer: True  False
- 93) If a company wanted to know how much cash it had available, it would look in the journal. 93) \_\_\_\_\_  
 Answer: True  False

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

- 94) Accounting transactions are initially recorded in the: 94) \_\_\_\_\_  
 A) ledger. B) journal.  
 C) T-account. D) financial statements.  
 Answer: B
- 95) The process of recording a transaction in the journal is called: 95) \_\_\_\_\_  
 A) journalizing. B) preparing the financial statements.  
 C) summarizing. D) posting.  
 Answer: A
- 96) The process of copying the information from the journal to the ledger is called: 96) \_\_\_\_\_  
 A) journalizing. B) preparing the financial statements.  
 C) posting. D) summarizing.  
 Answer: C
- 97) A listing of all of the accounts that make up the ledger is called the: 97) \_\_\_\_\_  
 A) ledger. B) journal.  
 C) chart of accounts. D) T-account.  
 Answer: C
- 98) A chronological record (or history) of an entity's transactions is called a: 98) \_\_\_\_\_  
 A) T-account. B) financial statements.  
 C) journal. D) ledger.  
 Answer: C

- 99) Which statement about the journal is NOT true? 99) \_\_\_\_\_
- A) The journal entry lists debits before credits.
  - B) The journal entry shows a complete transaction in one place.
  - C) The journal lists transactions in chronological order.
  - D) The journal entry shows the balance in each account.
- Answer: D
- 100) Accounts are listed in the ledger: 100) \_\_\_\_\_
- A) in random order.
  - B) in the same order as they appear on the financial statements.
  - C) chronologically.
  - D) alphabetically.
- Answer: B
- 101) An account will have a debit balance if: 101) \_\_\_\_\_
- A) the amount of the debits exceeds the amount of the credits.
  - B) the account has more debit entries than credit entries.
  - C) it is a liability account.
  - D) the amount of the credits exceeds the amount of the debits.
- Answer: A
- 102) What is the first step in the journalizing process? 102) \_\_\_\_\_
- A) Record the transaction in the journal.
  - B) Specify each account affected by the transaction and classify each account by type.
  - C) Determine whether each account is increased or decreased by the transaction.
  - D) Post the transaction to the ledger.
- Answer: B
- 103) Which of the following items would NOT be included in the journal entry for a transaction? 103) \_\_\_\_\_
- A) The source documents initiating the transaction
  - B) The date the accounting transaction was entered
  - C) The dollar amount credited
  - D) The titles of the accounts debited
- Answer: A
- 104) The proper order for the accounting process is: 104) \_\_\_\_\_
- A) transaction occurs, posting, transaction analyzed, journalizing.
  - B) transaction occurs, posting, journalizing.
  - C) transaction occurs, transaction analyzed, journalizing, and posting.
  - D) posting, transaction occurs, journalizing.
- Answer: C
- 105) In accounting, the process of posting involves transferring data from the: 105) \_\_\_\_\_
- A) source documents to the ledger.
  - B) journal to the ledger.
  - C) ledger to the journal.
  - D) source documents to the journal.
- Answer: B
- 106) A grouping of all the T-accounts with their balances is called the: 106) \_\_\_\_\_
- A) ledger.
  - B) journal.
  - C) accounting equation.
  - D) trial balance.
- Answer: A

- 107) Double-entry accounting means that each transaction: 107) \_\_\_\_  
A) is recorded in both the journal and in the ledger.  
B) increases at least one account and decreases at least one account.  
C) affects both an income statement account and a balance sheet account.  
D) debits at least one account and credits at least one account.  
Answer: D
- 108) Which element(s) of an accounting system provide(s) information about the balance in each account? 108) \_\_\_\_  
A) Journals  
B) Ledgers  
C) Source documents  
D) Accrual record  
Answer: B
- 109) The normal balance of an account: 109) \_\_\_\_  
A) is always a debit.  
B) can be determined from the journal.  
C) is the side that increases the account balance.  
D) is always a credit.  
Answer: C
- 110) Credits to revenue accounts ultimately result in a(n): 110) \_\_\_\_  
A) decrease in stockholders' equity and assets.  
B) increase in liabilities and assets.  
C) decrease in assets and liabilities.  
D) increase in stockholders' equity and assets.  
Answer: D
- 111) The entry to record the purchase of supplies on account would include a debit to: 111) \_\_\_\_  
A) Accounts Payable.  
B) Retained Earnings.  
C) Supplies.  
D) Supplies Expense.  
Answer: C
- 112) The entry to record the payment of salaries to employees would include a: 112) \_\_\_\_  
A) debit to Salary Expense.  
B) debit to Accounts Payable.  
C) debit to Accounts Receivable.  
D) credit to Salary Expense.  
Answer: A
- 113) The journal entry to record performing a service on account would include a debit to: 113) \_\_\_\_  
A) Accounts Receivable.  
B) Service Revenue Expense.  
C) Cash.  
D) Retained Earnings.  
Answer: A
- 114) The payment for monthly rent of an office building would include a: 114) \_\_\_\_  
A) credit to Revenue.  
B) debit to Cash.  
C) debit to Rent Expense.  
D) debit to Prepaid Rent.  
Answer: C
- 115) The purchase of office furniture for cash would include a debit to: 115) \_\_\_\_  
A) Accounts Payable.  
B) Office Furniture.  
C) Cash.  
D) Office Furniture Expense.  
Answer: B

- 116) An owner makes an investment of cash into the business. This transaction would include a: 116) \_\_\_\_  
 A) debit to Retained Earnings and a credit to Cash.  
 B) debit to Cash and a credit to Common Stock.  
 C) debit to Common Stock and a credit to Retained Earnings.  
 D) debit to Common Stock and a credit to Common Stock.

Answer: B

- 117) A stockholder's investment of land and a building into the business would include a debit to: 117) \_\_\_\_  
 A) Land and a credit to Building.  
 B) Land and Building and a credit to Common Stock.  
 C) Common Stock and a credit to Building.  
 D) Building and a credit to Retained Earnings.

Answer: B

- 118) 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: 118) \_\_\_\_  
 A) Cash and a credit to Automobile.                      B) Note Payable and a credit to Cash.  
 C) Cash and a debit to Note Payable.                      D) none of the above.

Answer: D

- 119) The purchase of office computers for cash would include a debit to: 119) \_\_\_\_  
 A) Office Equipment and a credit to Cash.  
 B) Accounts Receivable and credit to Office Equipment.  
 C) Cash and a credit to Office Equipment.  
 D) Office Equipment and a credit to Accounts Payable.

Answer: A

- 120) Paying a previous dividend due to the company's stockholders would include a debit to: 120) \_\_\_\_  
 A) Dividends Payable and a credit to Cash.  
 B) Accounts Payable and a credit to Retained Earnings.  
 C) Cash and a credit to Dividends.  
 D) Retained Earnings and a credit to Cash.

Answer: A

- 121) Receiving a check from a customer on account would include a credit to: 121) \_\_\_\_  
 A) Cash.    B) Sales Revenue.  
 C) Accounts Payable.    D) Accounts Receivable.

Answer: D

- 122) Making a cash payment to settle a debt would include a: 122) \_\_\_\_  
 A) debit to Accounts Receivable.                                      B) credit to Cash.  
 C) debit to Cash.    D) credit to Accounts Payable.

Answer: B

- 123) The entry to record the purchase of office supplies on account for \$400 would be: 123) \_\_\_\_

- A) 

Accounts Payable	
	Cash
- B) 

Cash	
	Office Supplies Expense



Cash

Answer: D

127) The entry to record \$1,000 received from a customer for services previously rendered would be: 127) \_\_\_\_\_

- A) 

Service Revenue
-----------------

Accounts Receivable
---------------------
- B) 

Dividends
-----------

Cash
------
- C) 

Cash
------

Service Revenue
-----------------
- D) 

Cash
------

Accounts Receivable
---------------------

Answer: D

128) The normal balance of an expense account is a \_\_\_\_\_ because expenses decrease \_\_\_\_\_. 128) \_\_\_\_\_

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

Answer: C

129) The normal balance of the Dividends account is a \_\_\_\_\_ because it decreases \_\_\_\_\_. 129) \_\_\_\_\_

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

Answer: B

130) The normal balance of a revenue account is a \_\_\_\_\_ because revenues increase \_\_\_\_\_. 130) \_\_\_\_\_

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

Answer: B

131) The classification and normal balance of the cash account is: 131) \_\_\_\_\_

- A) an asset account with a credit balance.
- B) an asset account with a debit balance.
- C) an expense account with a debit balance.
- D) an expense account with a credit balance.

Answer: B

132) Joe Donaldson deposited \$80,000 in a bank account, purchased a company for \$60,000 cash 132) \_\_\_\_\_

(Building \$40,000 and Inventory \$20,000), performed services for clients for \$10,000 cash, purchased supplies for \$5,000 cash, and paid utilities of \$2,000 cash. The journal entry to record the purchase of the company includes a:

- A) debit to Common Stock for \$60,000.
- B) credit to Building for \$40,000.
- C) credit to Cash for \$40,000.
- D) debit to Inventory for \$20,000.

Answer: D

133) George P. Smythe Co. purchased equipment from Chester Grahame Co for \$200,000, paying 10% 133) \_\_\_\_\_ as a down payment and financing the remainder. The proper journal entry for this event is:

- A) 

Equipment
-----------

Cash
------

Notes Receivable
------------------



- B) Equipment  Cash
- C) Equipment  Cash   
Notes Payable
- D) Equipment  Equipment

Answer: C

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

- 134) A trial balance is a list of all accounts and their balances for a period of time. 134) \_\_\_\_\_  
Answer: True  False
- 135) A trial balance is an optional financial statement that reports the financial position of the company as of a given day in time. 135) \_\_\_\_\_  
Answer: True  False
- 136) 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. 136) \_\_\_\_\_  
Answer: True  False
- 137) 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. 137) \_\_\_\_\_  
Answer: True  False
- 138) 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. 138) \_\_\_\_\_  
Answer:  True  False
- 139) When the trial balance is out of balance due to an incorrect posting of a debit as a credit, the difference is evenly divisible by 2. 139) \_\_\_\_\_  
Answer:  True  False
- 140) If the payment of a utilities bill is not posted, assets will be overstated. 140) \_\_\_\_\_  
Answer:  True  False
- 141) The normal balance for any account is always the side of the account (debit or credit) where the largest amount is found. 141) \_\_\_\_\_  
Answer: True  False
- 142) The T-account is a tool for visualizing business transactions and usually can be easily prepared. 142) \_\_\_\_\_  
Answer:  True  False

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

- 143) The trial balance is used to determine whether: 143) \_\_\_\_\_  
A) total increases in accounts equal total decreases in accounts

- B) total assets equal total liabilities.
- C) total revenues plus gains equal total expenses plus losses.
- D) total debits equal total credits.

Answer: D

- 144) If the debit amount of an entry to record the purchase of supplies on account was not posted: 144) \_\_\_\_\_
- A) liabilities would be understated.
  - B) assets would be overstated.
  - C) liabilities would be overstated.
  - D) assets would be understated.

Answer: D

- 145) If a posting error has occurred when recording a transaction by posting a debit as a credit, then the out-of-balance amount will be evenly divisible by: 145) \_\_\_\_\_
- A) 2.
  - B) 5.
  - C) 9.
  - D) 11.

Answer: A

- 146) A trial balance showed total debits of \$360,000 and total credits of \$36,000. This discrepancy is most likely due to which type of error? 146) \_\_\_\_\_
- A) Mislabeling
  - B) Failure to post a transaction
  - C) Slide
  - D) Transposition

Answer: C

- 147) A trial balance showed total debits of \$540,000 and total credits of \$450,000. This discrepancy is most likely due to which type of error? 147) \_\_\_\_\_
- A) Failure to post a transaction
  - B) Mislabeling
  - C) Slide
  - D) Transposition

Answer: D

- 148) If the credit amount of an entry to record the payment of salaries was not posted: 148) \_\_\_\_\_
- A) assets would be overstated and owners' equity would be overstated.
  - B) expenses would be understated and owners' equity would be understated.
  - C) liabilities would be understated and owners' equity would be overstated.
  - D) there would be no effect on stockholders' equity.

Answer: D

- 149) If the total debits and the total credits of a trial balance are not equal, the error could be due to: 149) \_\_\_\_\_
- A) forgetting to record a transaction.
  - B) recording the same transaction twice.
  - C) an error in determining an account balance.
  - D) recording both the debit and credit of the journal entry for the same incorrect amount.

Answer: C

- 150) Which of the following statements regarding a trial balance is TRUE? 150) \_\_\_\_\_
- A) A trial balance shows that total debits equals total credits.
  - B) A trial balance may be taken at any time during the accounting period.
  - C) A trial balance is a list of all accounts with their balances.
  - D) All of the above are true.

Answer: D

- 151) A trial balance has which of the following features? 151) \_\_\_\_\_
- A) Totals for income statement accounts only
  - B) Totals for all accounts listed in the ledger
  - C) Totals for balance sheet accounts only

D) Both A and B are correct

Answer: B

152) A trial balance is: 152) \_\_\_\_\_

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

Answer: B

153) Which statement about a trial balance is NOT true? 153) \_\_\_\_\_

- A) The trial balance is a list of all accounts with their balances.
- B) The trial balance lists asset accounts and their balances first, then liability accounts and their balances, and then stockholders' equity accounts and their balances.
- C) The trial balance can be prepared at any time, but is generally prepared at the end of the accounting period.
- D) The trial balance lists the income statement accounts and their balances first and then the balance sheet accounts and their balances.

Answer: D

154) A trial balance has total debits of \$720,000 and total credits of \$850,000, with a debit balance of \$65,000 for notes payable. This situation indicates: 154) \_\_\_\_\_

- A) a slide.
- B) a transposition.
- C) an incorrect posting.
- D) that none of the above are correct.

Answer: C

155) The normal balance of Accounts Receivable is a \_\_\_\_\_ because it is a(n) \_\_\_\_\_ account. 155) \_\_\_\_\_

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

Answer: D

156) The normal balance of the Supplies account is a \_\_\_\_\_ because it is a(n) \_\_\_\_\_ account. 156) \_\_\_\_\_

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

Answer: D

157) The normal balance of the Accounts Payable account is a \_\_\_\_\_ because it is a(n) \_\_\_\_\_ account. 157) \_\_\_\_\_

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

Answer: B

158) The normal balance of the Common Stock account is a \_\_\_\_\_ because it increases \_\_\_\_\_. 158) \_\_\_\_\_

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

Answer: C

159) ABC Company had a beginning cash balance of \$10,000, received cash of \$8,000 and ended the month with a cash balance of \$6,000. Cash payments for the month: 159) \_\_\_\_\_

- A) were \$24,000.
- B) were \$12,000.
- C) were \$6,000.

D) cannot be determined from the information given.

Answer: B

160) ABC Company had a beginning Accounts Receivable balance of \$10,000, and had \$12,000 of sales on account for the month. The ending Accounts Receivable balance was \$14,000. Collections on Accounts Receivable for the month: 160) \_\_\_\_\_

A) were \$12,000.

B) were \$36,000.

C) were \$8,000.

D) cannot be determined from the information given.

Answer: C

161) The accounts receivable account for James Rivers Inc. had a beginning balance of \$6,000. During the month, the company received payments of \$8,000 and additional accounts of \$11,000. The ending balance in accounts receivable is \_\_\_\_\_ and is a \_\_\_\_\_. 161) \_\_\_\_\_

A) \$3,000, credit

B) \$9,000, debit

C) \$3,000, debit

D) \$9,000, credit

Answer: B

162) A chart of accounts is: 162) \_\_\_\_\_

A) a list of all of the accounts of the organization.

B) prepared as the first step in analyzing transactions.

C) a source document.

D) a list of all of the accounts of the organization and their related account numbers.

Answer: D

163) When using a four-column ledger account format, the pair of columns on the far right is used to show the: 163) \_\_\_\_\_

A) debit and credit amounts posted from journal entries.

B) transaction dates and journal reference.

C) account balance.

D) names of the accounts being debited and credited.

Answer: C

164) Joe Donaldson deposited \$80,000 in a bank account, purchased a company for \$60,000 cash (Building \$40,000 and Inventory \$20,000), performed services for clients for \$10,000 cash, purchased supplies for \$5,000 cash, and paid utilities of \$2,000 cash. What is the amount of credits in the trial balance for the month? 164) \_\_\_\_\_

A) \$78,000

B) \$90,000

C) \$80,000

D) \$88,000

Answer: B

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

165) Businesspeople must often make decisions without the benefit of a complete accounting system: 165) \_\_\_\_\_

Answer:  True  False

166) To see how transactions affect a business, managers can go directly to T-accounts. 166) \_\_\_\_\_

Answer:  True  False

167) Managers who need information quickly can analyze the transaction by using T-accounts. 167) \_\_\_\_\_

Answer:  True  False

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

- 52) A
- 53) D
- 54) B
- 55) A
- 56) D
- 57) FALSE
- 58) TRUE
- 59) FALSE
- 60) TRUE
- 61) TRUE
- 62) TRUE
- 63) FALSE
- 64) FALSE
- 65) FALSE
- 66) TRUE
- 67) TRUE
- 68) FALSE
- 69) D
- 70) C
- 71) D
- 72) A
- 73) A
- 74) D
- 75) B
- 76) B
- 77) B
- 78) D
- 79) D
- 80) D
- 81) TRUE
- 82) FALSE
- 83) FALSE
- 84) TRUE
- 85) TRUE
- 86) FALSE
- 87) TRUE
- 88) FALSE
- 89) TRUE
- 90) FALSE
- 91) TRUE
- 92) FALSE
- 93) FALSE
- 94) B
- 95) A
- 96) C
- 97) C
- 98) C
- 99) D
- 100) B
- 101) A
- 102) B
- 103) A

104) C  
105) B  
106) A  
107) D  
108) B  
109) C  
110) D  
111) C  
112) A  
113) A  
114) C  
115) B  
116) B  
117) B  
118) D  
119) A  
120) A  
121) D  
122) B  
123) C  
124) B  
125) C  
126) D  
127) D  
128) C  
129) B  
130) B  
131) B  
132) D  
133) C  
134) FALSE  
135) FALSE  
136) FALSE  
137) FALSE  
138) TRUE  
139) TRUE  
140) TRUE  
141) FALSE  
142) TRUE  
143) D  
144) D  
145) A  
146) C  
147) D  
148) D  
149) C  
150) D  
151) B  
152) B  
153) D  
154) C  
155) D

- 156) D
- 157) B
- 158) C
- 159) B
- 160) C
- 161) B
- 162) D
- 163) C
- 164) B
- 165) TRUE
- 166) TRUE
- 167) TRUE