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

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.01 – Purpose

ACCT.ACBSP.APC.02 – GAAP

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

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

*ANSWER:*  False

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.01 – Purpose

ACCT.ACBSP.APC.02 – GAAP

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The chart of accounts should be the same for each business.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 - GAAP

ACCT.ACBSP.APC.03 - Business Forms

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Accounts payable are accounts that you expect will be paid to you.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.04 - Cash vs. Accrual

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Consuming goods and services in the process of generating revenues results in expenses.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Prepaid expenses are an example of an expense.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.04 - Cash vs. Accrual

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The Unearned Revenues account is an example of a liability.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.04 - Cash vs. Accrual

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The Dividends account is an expense.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Accounts in the ledger are usually maintained in alphabetical order.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Depending on the account title, the right side of the account is referred to as the credit side.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. To determine the balance in an account, always subtract credits from debits.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. An account in its simplest form has three parts to it: a title, an increase side, and a decrease side.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The T account got its name because it resembles the letter “T.”
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The right hand side of a T account is known as a debit and the left hand side is known as a credit.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Debiting the cash account will increase the account.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A credit to the cash account will increase the account.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The cash account will always be debited.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The recording of cash receipts to the cash account will be done by debiting the account.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The recording of cash payments from the cash account is done by entering the amount as a credit.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The balance of the account can be determined by adding all of the debits, adding all of the credits, and adding the amounts together.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Liabilities are debts owed by the business entity.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.03 - Business Forms

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The accounts payable account is listed in the chart of accounts as an asset.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.16 - Current Liabilities Reporting

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A dividends account represents the amount of earnings paid to the stockholders.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.03 - Business Forms

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Revenues are equal to the difference between cash receipts and cash payments.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.04 - Cash vs. Accrual

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Expenses result from using up assets or consuming services in the process of generating revenues.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Stockholders' equity will be reduced by the amount in the dividends account.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.03 - Business Forms

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. When an owner invests assets in the business, the retained earnings account increases due to revenue being earned.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. When an account receivable is collected in cash, the total assets of the business increase.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.15 - Current Assets Reporting

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. When an account payable is paid with cash, the stockholders' equity in the business decreases.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.16 - Current Liabilities Reporting

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The normal balance of a stockholders' equity account is a debit.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

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

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

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

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.ACBSP.APC.16 - Current Liabilities Reporting

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A debit is abbreviated as *Db.* and a credit is abbreviated as *Cr*.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

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

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Dividends decrease stockholders' equity and are listed on the income statement as a deduction from revenue.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The normal balance of revenue accounts is a credit.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The normal balance of the dividends account is a debit.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The normal balance of an expense account is a credit.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Expense accounts are increased by credits.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Revenue accounts are increased by credits.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Liability accounts are increased by debits.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Journalizing transactions using the double-entry bookkeeping system will eliminate fraud.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Transactions are listed in the journal chronologically.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Journalizing is the process of entering amounts in the ledger.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The process of recording a transaction in the journal is called journalizing.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Transactions are initially entered into a record called a journal.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The double-entry accounting system records each transaction twice.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The increase side of an account is also the side of the normal balance.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Journal entries include both debit and credit accounts for each transaction.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A transaction that is recorded in the journal is called a journal entry.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Assets are increased with debits and decreased with credits.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Liabilities are increased with debits and decreased with credits.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Debits will increase unearned revenues and revenues.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.04 - Cash vs. Accrual

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. All stockholders' equity accounts record increases to the accounts with credits.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Journalizing always eliminates fraudulent activity.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.01 – Purpose

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Journal entries can have more than two accounts as long as the debits equal the credits.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Normal account balances are on the increase side of the accounts.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The process of transferring the data from the journal to the ledger accounts is called posting.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The post reference notation used in the ledger is the account number.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The post reference notation used in the journal is the page number.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A notation in the post reference column of the general journal indicates that the amount has been posted to the ledger.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

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

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The process of transferring the debits and credits from the journal entries to the accounts is known as posting.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Postings made to standard account forms show a new balance after each entry.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A group of related accounts that make up a complete unit is called a trial balance.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A trial balance determines the accuracy of the numbers.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Even when a trial balance is in balance, there may be errors in the individual accounts.
   1. True
   2. False

*ANSWER:*  True

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. 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.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

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

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. If the trial balance is in balance, it can be assumed that all journal entries were posted correctly and no errors were made.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Posting a part of a transaction to the wrong account will cause the trial balance totals to be unequal.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The erroneous arrangement of digits, such as writing $45 as $54, is called a slide.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. 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.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The erroneous moving of an entire number one or more spaces to the right or left, such as writing $85 as $850, is called a transposition.
   1. True
   2. False

*ANSWER:*  False

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Accounts
   1. do not reflect money amounts
   2. are not used by entities that manufacture products
   3. are records of increases and decreases in individual financial statement items
   4. are only used by large entities with many transactions

*ANSWER:*  c

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.01 – Purpose

ACCT.ACBSP.APC.02 – GAAP

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Accounts are classified in the ledger
   1. chronologically
   2. alphabetically
   3. in accordance with their appearance in the financial statements
   4. with the accounts used most often listed first

*ANSWER:*  c

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following accounts is a stockholders' equity account?
   1. Cash
   2. Accounts Payable
   3. Prepaid Insurance
   4. Common Stock

*ANSWER:*  d

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The gross increases in stockholders' equity attributable to business activities are called
   1. assets
   2. liabilities
   3. revenues
   4. expenses

*ANSWER:*  c

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A chart of accounts is
   1. the same as a balance sheet
   2. usually a listing of accounts in alphabetical order
   3. usually a listing of accounts in financial statement order
   4. used in place of a ledger

*ANSWER:*  c

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The debit side of an account
   1. depends on whether the account is an asset, liability, or stockholders' equity
   2. can be either side of the account depending on how the accountant set up the system
   3. is the right side of the account
   4. is the left side of the account

*ANSWER:*  d

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. An account is said to have a debit balance if
   1. the amount of the debits exceeds the amount of the credits
   2. there are more entries on the debit side than on the credit side
   3. there are more entries on the credit side than on the debit side
   4. the first entry of the accounting period was posted on the debit side

*ANSWER:*  a

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which side of the account increases the cash account?
   1. credit
   2. neither a debit or a credit
   3. debit
   4. either a debit or a credit

*ANSWER:*  c

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which statement(s) concerning cash is (are) true?
   1. cash will always have more debits than credits
   2. cash will never have a credit balance
   3. cash is increased by debiting
   4. all are true

*ANSWER:*  c

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following is true about T accounts?
   1. The left side of a T account is called the debit side.
   2. The left side of a T account is called the credit side.
   3. The right side of a T account is called the debit side.
   4. Transactions are first recorded in T accounts and then posted to the journal.

*ANSWER:*  a

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A cash payment is recorded in the cash account as
   1. neither a debit nor a credit
   2. a credit
   3. a debit
   4. either a debit or a credit

*ANSWER:*  b

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The balance of an account is determined by
   1. adding all of the debits to all of the credits
   2. always subtracting the debits from the credits
   3. always subtracting the credits from the debits
   4. adding all of the debits, adding all of the credits, and then subtracting the smaller sum from the larger sum

*ANSWER:*  d

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A list of the accounts used by a business is called the
   1. journal
   2. chart of accounts
   3. T chart
   4. debit listing

*ANSWER:*  b

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. In the chart of accounts, the balance sheet accounts are normally listed in which order?
   1. liabilities, assets, stockholders' equity
   2. assets, liabilities, stockholders' equity
   3. stockholders' equity, assets, liabilities
   4. assets, stockholders' equity, liabilities

*ANSWER:*  b

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. In which order are the accounts listed in the chart of accounts?
   1. assets, expenses, liabilities, stockholders' equity, revenues
   2. stockholders' equity, assets, liabilities, revenues, expenses
   3. assets, liabilities, stockholders' equity, revenues, expenses
   4. assets, liabilities, revenues, expenses, stockholders' equity

*ANSWER:*  c

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which are the parts of the T account?
   1. title, date, total
   2. date, debit side, credit side
   3. title, debit side, credit side
   4. title, debit side, total

*ANSWER:*  c

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The chart of accounts is designed to
   1. alphabetize the accounts to make reading easier for financial statement users
   2. organize accounts in order of dollar amount to simplify the accounting information for users
   3. summarize the transactions and determine ending account balances
   4. meet the information needs of a company's managers and other users of its financial statements

*ANSWER:*  d

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which group of accounts is comprised of only assets?
   1. Cash, Accounts Payable, Buildings
   2. Accounts Receivable, Revenue, Cash
   3. Prepaid Expenses, Buildings, Patents
   4. Unearned Revenues, Prepaid Expenses, Cash

*ANSWER:*  c

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Of the following, which is **true** about assets?
   1. Assets include both physical and intangible items.
   2. Assets include only physical items.
   3. Assets are the personal property of the stockholders of the company.
   4. Assets are the result of selling products or services to customers.

*ANSWER:*  a

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following is **not** considered to be a liability?
   1. Wages Payable
   2. Accounts Receivable
   3. Unearned Revenues
   4. Accounts Payable

*ANSWER:*  b

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following statements is **not** true about liabilities?
   1. Liabilities are debts owed to outsiders.
   2. Account titles of liabilities often include the term “payable.”
   3. Cash received before a service is performed creates a liability.
   4. Liabilities do not include wages owed to employees of the company.

*ANSWER:*  d

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The stockholders' equity will be reduced by all of the following **except**
   1. revenues
   2. expenses
   3. dividends
   4. all of these

*ANSWER:*  a

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. ​The accounts in the ledger of Monroe Entertainment Co. are listed below. All accounts have normal balances.

​

Accounts payable $1,500 Fees earned $3,600

Accounts receivable 1,800 Insurance expense 1,300

Prepaid insurance 2,000 Land 3,000

Cash 3,200 Wages expense 1,400

Dividends 1,200 Common stock 8,800

​

Total assets are

1. ​$10,000
2. ​$8,000
3. ​$9,700
4. ​$9,800

*ANSWER:*  a

*RATIONALE:*  Total assets = Accounts receivable + Prepaid insurance + Cash + Land

= $1,800 + $2,000 + $3,200 + $3,000​ = $10,000​

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Expenses can result from
   1. increasing stockholders' equity
   2. consuming services
   3. using up liabilities
   4. purchasing assets

*ANSWER:*  b

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. In the chart of accounts, each account number has two digits. The first digit indicates the major account group to which the account belongs. Which of the following correctly identifies the major account groups typically represented by the numbers 1 through 5?
   1. 1-Assets, 2-Liabilities, 3-Stockholders' Equity, 4-Expenses, 5-Revenues
   2. 1-Assets, 2-Liabilities, 3-Stockholders' Equity, 4-Revenues, 5-Expenses
   3. 1-Assets, 2-Stockholders' Equity, 3-Revenues, 4-Expenses, 5-Dividends
   4. 1-Stockholders' Equity, 2-Dividends, 3-Revenues, 4-Expenses

*ANSWER:*  b

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The balance of an account is determined by
   1. adding all of the debits to all of the credits
   2. always subtracting the debits from the credits
   3. always subtracting the credits from the debits
   4. adding all of the debits, adding all of the credits, and then subtracting the smaller sum from the larger sum

*ANSWER:*  d

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following entries records the purchase of common stock by stockholders?
   1. debit Common Stock; credit Accounts Receivable
   2. debit Cash; credit Common Stock
   3. debit Dividends; credit Cash
   4. debit Cash; credit Common Stock

*ANSWER:*  b

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.03 - Business Forms

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A debit may signify a(n)
   1. decrease in asset accounts
   2. decrease in liability accounts
   3. increase in the common stock account
   4. decrease in the dividends account

*ANSWER:*  b

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following types of accounts have a normal credit balance?
   1. assets and liabilities
   2. liabilities and expenses
   3. revenues and common stock
   4. common stock and dividends

*ANSWER:*  c

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following groups of accounts have a normal debit balance?
   1. revenues, liabilities, and stockholders' equity
   2. stockholders' equity and assets
   3. liabilities and stockholders' equity
   4. assets and expenses

*ANSWER:*  d

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which one of the statements below is **not** a purpose for the journal?
   1. to show increases and decreases in accounts
   2. to show a chronological order by date
   3. to show a complete transaction in one place
   4. to help locate errors

*ANSWER:*  a

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.01 – Purpose

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A credit may signify a
   1. decrease in assets
   2. decrease in liabilities
   3. decrease in common stock
   4. decrease in revenue

*ANSWER:*  a

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A debit signifies a decrease in
   1. assets
   2. expenses
   3. dividends
   4. revenues

*ANSWER:*  d

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following applications of the rules of debit and credit is true?
   1. decrease Prepaid Insurance with a credit and the normal balance is a credit
   2. increase Accounts Payable with a credit and the normal balance is a debit
   3. increase Equipment with a debit and the normal balance is a debit
   4. decrease Cash with a debit and the normal balance is a credit

*ANSWER:*  c

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following describes the classification and normal balance of the fees earned account?
   1. asset, credit
   2. liability, credit
   3. stockholders' equity, debit
   4. revenue, credit

*ANSWER:*  d

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The classification and normal balance of the accounts payable account is
   1. an asset with a credit balance
   2. a liability with a credit balance
   3. stockholders' equity with a credit balance
   4. revenue with a credit balance

*ANSWER:*  b

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The classification and normal balance of the dividends account is
   1. an expense with a credit balance
   2. an expense with a debit balance
   3. a liability with a credit balance
   4. stockholders' equity with a debit balance

*ANSWER:*  d

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following accounts are debited to record increases?
   1. assets and liabilities
   2. dividends and liabilities
   3. expenses and liabilities
   4. assets and expenses

*ANSWER:*  d

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. In which of the following types of accounts are increases recorded by credits?
   1. revenues and liabilities
   2. dividends and assets
   3. liabilities and dividends
   4. expenses and liabilities

*ANSWER:*  a

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. In which of the following types of accounts are decreases recorded by debits?
   1. assets
   2. liabilities
   3. expenses
   4. dividends

*ANSWER:*  b

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. In which of the following types of accounts are decreases recorded by credits?
   1. liabilities
   2. stockholders' equity
   3. assets
   4. revenues

*ANSWER:*  c

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A credit balance in which of the following accounts would indicate a likely error?
   1. Fees Earned
   2. Salary Expense
   3. Common Stock
   4. Accounts Payable

*ANSWER:*  b

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A debit balance in which of the following accounts would indicate a likely error?
   1. Salaries Expense
   2. Notes Payable
   3. Common Stock
   4. Supplies

*ANSWER:*  b

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following entries records the payment of an account payable?
   1. debit Cash; credit Accounts Payable
   2. debit Accounts Receivable; credit Cash
   3. debit Cash; credit Supplies Expense
   4. debit Accounts Payable; credit Cash

*ANSWER:*  d

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following entries records the payment of a bill for your insurance premium?
   1. debit Prepaid Insurance; credit Cash
   2. debit Insurance Payable; credit Accounts Receivable
   3. debit Accounts Payable; credit Cash
   4. debit Cash; credit Prepaid Insurance

*ANSWER:*  a

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following entries records the payment of dividends?
   1. debit Common Stock; credit Cash
   2. debit Dividends; credit Cash
   3. debit Salaries Expense; credit Cash
   4. debit Salaries Expense; credit Salaries Payable

*ANSWER:*  b

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Office supplies were sold by Janer's Cleaning Service at cost to another repair shop, with cash received. Which of the following entries for Janer's Cleaning Service records this transaction?
   1. Office Supplies, debit; Cash, credit
   2. Office Supplies, debit; Accounts Payable, credit
   3. Cash, debit; Office Supplies, credit
   4. Accounts Payable, debit; Office Supplies, credit

*ANSWER:*  c

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Office supplies purchased by Janer's Cleaning Service on account were returned. Which of the following entries for Janer's Cleaning Service records this transaction?
   1. Cash, debit; Office Supplies, credit
   2. Office Supplies, debit; Accounts Receivable, credit
   3. Accounts Payable, debit; Office Supplies, credit
   4. Office Supplies, debit; Accounts Payable, credit

*ANSWER:*  c

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Cash was paid by Janer's Cleaning Service to creditors on account. Which of the following entries for Janer's Cleaning Service records this transaction?
   1. Cash, debit; Common Stock, credit
   2. Accounts Payable, debit; Cash, credit
   3. Accounts Receivable, debit; Cash, credit
   4. Accounts Payable, debit; Account Receivable, credit

*ANSWER:*  b

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The process of initially recording a business transaction is called
   1. closing
   2. posting
   3. journalizing
   4. balancing

*ANSWER:*  c

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following entries records the acquisition of office supplies on account?
   1. Office Supplies, debit; Cash, credit
   2. Cash, debit; Office Supplies, credit
   3. Office Supplies, debit; Accounts Payable, credit
   4. Accounts Receivable, debit; Office Supplies, credit

*ANSWER:*  c

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following entries records the payment of insurance for the current month?
   1. Cash, debit; Insurance Expense, credit
   2. Insurance Expense, debit; Cash, credit
   3. Insurance Expense, debit; Accounts Receivable, credit
   4. Prepaid Insurance, debit; Cash, credit

*ANSWER:*  b

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following entries records the receipt of cash from clients on account?
   1. Accounts Payable, debit; Fees Earned, credit
   2. Accounts Receivable, debit; Fees Earned, credit
   3. Accounts Receivable, debit; Cash, credit
   4. Cash, debit; Accounts Receivable, credit

*ANSWER:*  d

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following entries records the collection of cash from cash customers?
   1. Fees Earned, debit; Cash, credit
   2. Fees Earned, debit; Accounts Receivable, credit
   3. Cash, debit; Fees Earned, credit
   4. Accounts Receivable, debit; Fees Earned, credit

*ANSWER:*  c

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following entries records the receipt of cash for two months' rent? The cash was received in advance of providing the service.
   1. Prepaid Rent, debit; Rent Revenue, credit.
   2. Cash, debit; Unearned Rent, credit.
   3. Cash, debit; Prepaid Rent, credit.
   4. Cash, debit; Rent Expense, credit.

*ANSWER:*  b

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A client has a massage and asks the company bookkeeper to mail her the bill. The bookkeeper should make which entry to record the invoice?
   1. No entry until the cash is received
   2. Fees Earned, debit; Accounts Receivable, credit
   3. Cash, debit; Fees Earned, credit
   4. Accounts Receivable, debit; Fees Earned, credit

*ANSWER:*  d

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following abbreviations is correct?
   1. Debit, “Dr”; Credit, “Cd”
   2. Debit, “Db”; Credit, “Cr”
   3. Debit, “Db”; Credit, “Cd”
   4. Debit, “Dr”; Credit, “Cr”

*ANSWER:*  d

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following is **not** a correct rule of debits and credits?
   1. Assets, expenses, and dividends are increased by debits.
   2. Assets are decreased by credits and have a normal debit balance.
   3. Liabilities, revenues, and stockholders' equity are increased by credits.
   4. The normal balance for revenues and expenses is a credit.

*ANSWER:*  d

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Gently Laser Clinic purchased laser equipment for $8,500 and paid $2,250 down, with the remainder to be paid later. The correct entry would be
2. Equipment 2,250

Cash 2,250

1. Cash 2,250

Accounts Payable 6,250

Equipment 8,500

1. Equipment Expense 8,500

Accounts Payable 2,250

Cash 6,250

1. Equipment 8,500

Accounts Payable 6,250

Cash 2,250

*ANSWER:*  d

*RATIONALE:*  Debit Credit

Equipment 8,500

Accounts Payable 6,250

Cash 2,250

​

Accounts Payable = $8,500 – $2,250 = $6,250

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.04 - Cash vs. Accrual

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The \_\_\_\_ is where a transaction can first be found in the accounting records.
   1. chart of accounts
   2. income statement
   3. balance sheet
   4. journal

*ANSWER:*  d

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The process of recording a transaction in the journal is called
   1. ledgerizing
   2. journalizing
   3. posting
   4. summarizing

*ANSWER:*  b

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Joshua Scott invests $40,000 into his new business. How would this transaction be entered in the journal in good form?
2. ​Cash 40,000

Common Stock 40,000

Invested cash in business.

1. Accounts Receivable 40,000

Common Stock 40,000

Invested cash in business.

1. ​Common Stock 40,000

Cash 40,000

Invested cash in business.

1. Loans Payable 40,000

Cash 40,000

Invested cash in business.

*ANSWER:*  a

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. May 23 Cash   22,000

    Common Stock    22,000

    Invest cash in business.

​

This journal entry will

1. increase Common Stock and decrease Cash
2. increase Cash and decrease Common Stock
3. increase Cash and increase Common Stock
4. decrease Cash and decrease Common Stock

*ANSWER:*  c

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. May 24 Land   105,000

    Cash    105,000

    Purchased land for business.

​

What effects does this journal entry have on the accounts?

1. increase Cash and increase Land
2. increase Land and decrease Cash
3. decrease Cash and decrease Land
4. increase Cash and decrease Land

*ANSWER:*  b

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. March 10 Accounts Payable  800

    Cash   800

    Paid creditors on account.

​

What effects does this journal entry have on the accounts?

1. decrease Accounts Payable, increase Cash
2. increase Cash, decrease Accounts Payable
3. increase Accounts Payable, increase Cash
4. decrease Accounts Payable, decrease Cash

*ANSWER:*  d

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 - Measurement

BUSPROG: Analytic

1. Which of the following accounts would be increased with a credit?
   1. Land; Accounts Payable; Dividends
   2. Accounts Payable; Unearned Revenue; Common Stock
   3. Dividends; Accounts Receivable; Unearned Revenue
   4. Cash; Accounts Receivable; Common Stock

*ANSWER:*  b

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. In accordance with the debit and credit rules, which of the following is true?
   1. Debits increase assets.
   2. Credits increase assets.
   3. Debits increase both assets and common stock.
   4. Credits increase both assets and liabilities.

*ANSWER:*  a

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. All of the following accounts are increased with a debit **except**
   1. Unearned Revenues
   2. Land
   3. Accounts Receivable
   4. Cash

*ANSWER:*  a

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following stockholders' equity accounts follows the same debit and credit rules as liabilities?
   1. expense accounts only
   2. dividends accounts only
   3. revenue accounts only
   4. expense and dividends accounts

*ANSWER:*  c

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The payment for the monthly rent will require which of the following entries?
   1. debit Cash and debit Rent Expense
   2. credit Cash and credit Rent Expense
   3. debit Rent Expense and credit Cash
   4. credit Rent Expense and debit Cash

*ANSWER:*  c

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Expenses follow the same debit and credit rules as
   1. revenues
   2. the asset account
   3. the common stock account
   4. liabilities

*ANSWER:*  b

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Net income will result when
   1. revenues (credits) > expenses (debits)
   2. revenues (debits) > expenses (credits)
   3. expenses (credits) = revenues (debits)
   4. revenues (credits) = expenses (debits)

*ANSWER:*  a

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following will increase stockholders' equity?
   1. ​expenses > revenues
   2. ​the company pays dividends
   3. ​revenues > expenses
   4. ​cash is received from customers on account

*ANSWER:*  c

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following situations increase stockholders' equity?
   1. ​Supplies are purchased on account.
   2. ​Services are provided on account.
   3. ​Cash is received from customers on account.
   4. ​Utility bill will be paid next month.

*ANSWER:*  b

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following groups of accounts are increased with a debit?
   1. assets, liabilities, stockholders’ equity
   2. assets, dividends, expenses
   3. assets, revenues, expenses
   4. assets, liabilities, revenues

*ANSWER:*  b

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following groups of accounts increase with a credit?
   1. common stock, revenues, expenses
   2. assets, common stock, revenues
   3. liabilities, common stock, revenues
   4. none of these

*ANSWER:*  c

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following is true regarding normal balances of accounts?
   1. ​All accounts have a normal debit balance.
   2. ​The normal balance of all accounts will have either a positive or negative balance.
   3. ​Accounts that have a normal debit balance will only have debit entries, never credit entries.
   4. ​The normal balance is on the increase side of the account.

*ANSWER:*  d

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following is **not** true with a double-entry accounting system?
   1. The accounting equation remains in balance.
   2. The sum of all debits is always equal to the sum of all credits in each journal entry.
   3. Each business transaction will have two debits.
   4. Every transaction affects at least two accounts.

*ANSWER:*  c

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. March 6 Cash   2,500

    Unearned Fees    2,500

    ????????????.

What is the best explanation for this journal entry?

1. ​Received cash for services performed.
2. ​Received cash for services to be performed in the future.
3. ​Paid cash in advance for services to be performed.
4. ​Performed services for which cash is owed.

*ANSWER:*  b

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.04 - Cash vs. Accrual

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. April 14 Equipment  15,000

    Cash    5,000

    Note Payable    10,000

    ????????????.

Which is the best explanation for this journal entry?

1. Purchased equipment; paid cash of $5,000, with the remainder to be paid in the future.
2. Purchased equipment; paid cash of $10,000, with the remainder to be received in the future.
3. Purchased equipment with cash.
4. Purchased equipment on account.

*ANSWER:*  a

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.04 - Cash vs. Accrual

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The process of transferring the debits and credits from the journal entries to the accounts is called
   1. sliding
   2. transposing
   3. journalizing
   4. posting

*ANSWER:*  d

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The posting process will include the transfer of which of the following data from the journal to the account?
   1. date, amount (debit or credit)
   2. date, amount (debit or credit), journal page number
   3. amount (debit or credit), account number
   4. date, amount (debit or credit), account number

*ANSWER:*  b

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The Posting Reference columns are used to trace transactions from the accounts to the journal. What will be entered in the Posting Reference column of (1) the journal and (2) the account?
   1. (1) the amount of the debit or credit and (2) the journal page number
   2. (1) the journal page number and (2) the date of the transaction
   3. (1) the journal page number and (2) the account number
   4. (1) the account number and (2) the journal page number

*ANSWER:*  d

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

The chart of accounts for the Corning Company includes the following:

**Account Name** **Account Number**

Cash 11

Accounts Receivable 13

Prepaid Insurance 15

Accounts Payable 21

Unearned Revenue 24

Common Stock 31

Dividends 32

Fees Earned 41

Salaries Expense 54

Rent Expense 56

​

Page 3 of the journal contains the following entry:

Prepaid Insurance 1,530

Cash   1,530

​

1. What is the posting reference that will be found in the cash account?
   1. 11
   2. 15
   3. 3
   4. 13

*ANSWER:*  c

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. What is the posting reference that will be found in the prepaid insurance account?
   1. 11
   2. 15
   3. 3
   4. 13

*ANSWER:*  c

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. What posting references will be found in the journal entry?
   1. 15, 11
   2. 15, 3
   3. 11, 3
   4. 3, 15

*ANSWER:*  a

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The chart of accounts for the Miguel Company includes the following:

**Account Name** **Account Number**

Cash 11

Accounts Receivable 13

Prepaid Insurance 15

Accounts Payable 21

Unearned Revenue 24

Common Stock 31

Dividends 32

Fees Earned 41

Salaries Expense 54

Rent Expense 56

​

Page 3 of the journal contains the following transaction:

Cash 640

Fees Earned   640

​

What posting references will be found in the journal entry?

1. 41, 3
2. 3, 11
3. 11, 41
4. 11, 3

*ANSWER:*  c

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The chart of accounts for the Miguel Company includes the following:

**Account Name** **Account Number**

Cash 11

Accounts Receivable 13

Prepaid Insurance 15

Accounts Payable 21

Unearned Revenue 24

Common Stock 31

Dividends 32

Fees Earned 41

Salaries Expense 54

Rent Expense 56

​

Page 5 of the journal contains the following transaction:

Salaries Expense 525

Cash   525

​

What is the posting reference that will be found in the salaries expense account?

1. 5
2. 11
3. 54
4. 21

*ANSWER:*  a

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following errors, each considered individually, would cause the trial balance totals to be unequal?
   1. A transaction was not posted.
   2. A payment of $67 for insurance was posted as a debit of $76 to Prepaid Insurance and a credit of $76 to Cash.
   3. A payment of $4,450 to a creditor was posted as a debit of $4,500 to Accounts Payable and a credit of $450 to Cash.
   4. Cash received from customers on account was posted as a debit of $720 to Cash and a credit of $720 to Accounts Payable.

*ANSWER:*  c

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Proof that the dollar amount of the debits equals the dollar amount of the credits in the ledger means
   1. all of the information from the journal was correctly transferred to the ledger
   2. all accounts have their correct balances in the ledger
   3. only the journal is accurate; the ledger may be incorrect
   4. only that the debit dollar amounts equal the credit dollar amounts

*ANSWER:*  d

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. That the total dollar amount of the debits equals the total dollar amount of the credits in the ledger accounts can be verified through a(n):
   1. chart of accounts
   2. trial balance
   3. income statement
   4. balance sheet

*ANSWER:*  b

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Randomly listed below are the steps for preparing a trial balance:

(1) Verify that the total of the Debit column equals the total of the Credit column.

(2) List the accounts from the ledger and enter their debit or credit balance in the Debit or Credit column of the

trial balance.

(3) List the name of the company, the title of the trial balance, and the date the trial balance is prepared.

(4) Total the Debit and Credit columns of the trial balance.

​

What is the proper order of these steps?

1. (3), (2), (4), (1)
2. (2), (3), (4), (1)
3. (3), (2), (1), (4)
4. (4), (3), (2), (1)

*ANSWER:*  a

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. A trial balance is prepared to
   1. prove that there were no errors made in recording transactions into the journal
   2. prove that no errors were made in posting to the ledger
   3. prove that each account balance is correct
   4. discover errors that affect the equality of debits and credits

*ANSWER:*  d

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The accounts in the ledger of Monroe Entertainment Co. are listed below. All accounts have normal balances.

​

Accounts Payable $1,500  Fees Earned $3,600

Accounts Receivable 1,800  Insurance Expense 1,300

Prepaid Insurance 2,000  Land 3,000

Cash 3,200  Wages Expense 1,400

Dividends 1,200  Common Stock 8,800

​

Prepare a trial balance. The total of the debits is

1. $13,900
2. $11,200
3. $12,700
4. $9,700

*ANSWER:*  a

*RATIONALE:*  Monroe Entertainment Co.

Trial Balance

​ ​ Debit Balances Credit Balances

Accounts Payable ​ $1,500

Accounts Receivable $ 1,800 ​

Prepaid Insurance 2,000 ​

Cash ​ 3,200 ​

Dividends ​ 1,200 ​

Fees Earned ​ 3,600

Insurance Expense 1,300 ​

Land ​ 3,000 ​

Wages Expense 1,400 ​

Common Stock ​ 8,800

​ ​ $13,900 $13,900

​

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Of the following, which is an internal report that will determine if debit balances equal credit balances in the ledger?
   1. chart of accounts
   2. income statement
   3. trial balance
   4. account reconciliation

*ANSWER:*  c

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. An overpayment error was discovered in computing and paying the wages of a Jamison Tree Trimming employee. When Jamison receives cash from the employee for the amount of the overpayment, which of the following entries will Jamison make?
   1. Cash, debit; Wages Expense, credit
   2. Wages Payable, debit; Wages Expense, credit
   3. Wages Expense, debit; Cash, credit
   4. Cash, debit; Wages Payable, credit

*ANSWER:*  a

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. If the two totals of a trial balance are not equal, it could be due to
   1. failure to record a transaction
   2. recording the same erroneous amount for both the debit and the credit parts of a transaction
   3. an error in determining the account balances, such as a balance being incorrectly computed
   4. recording the same transaction more than once

*ANSWER:*  c

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. When a transposition error is made on the trial balance, the difference between the debit and credit totals on the trial balance will be
   1. zero
   2. twice the amount of the transposition
   3. one-half the amount of the transposition
   4. divisible by 9

*ANSWER:*  d

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following errors could cause the trial balance totals to be unequal?
   1. posting the debit portion of a journal entry incorrectly when the credit portion of the entry is correctly posted
   2. failure to record a transaction or to post a transaction
   3. recording the same transaction more than once
   4. recording the same erroneous amount for both the debit and the credit parts of a transaction

*ANSWER:*  a

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. 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 confirm this suspicion?
   1. Determine the amount of the error and look for that amount on the trial balance.
   2. Determine the amount of the error and divide by two, then look for that amount on the trial balance.
   3. Determine the amount of the error and refer to the journal entries for that amount.
   4. Determine the amount of the error and divide by nine. If the result is evenly divided, then this type of error is likely.

*ANSWER:*  d

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The purchase of supplies on account was recorded and posted as a debit to Supplies for $500 and a credit to Accounts Receivable for $500. The correcting entry would include a:
   1. credit to Accounts Receivable for $500
   2. credit to Accounts Receivable for $1,000
   3. credit to Accounts Payable for $500
   4. credit to Accounts Payable for $1,000

*ANSWER:*  c

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Which of the following is **not** a useful step in finding errors on the trial balance?
   1. Determine the difference between debits and credits and look for the amount.
   2. Determine the difference between debits and credits and change any account to make the trial balance correct.
   3. Determine the difference between debits and credits, divide the amount by 2, and look for the amount.
   4. Determine the difference between debits and credits, divide the amount by 9, and if it divides evenly, look for a transposition or slide error.

*ANSWER:*  b

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. All of the following statements regarding a horizontal analysis are true **except**:
   1. ​A horizontal analysis is used to compare an item in a current statement with the same item in prior statements.
   2. ​A horizontal analysis can be performed on a balance sheet and income statement, but not on a statement of cash flows.
   3. ​If Fees Earned in Year 1 is $125,000 and Fees Earned in Year 2 is $143,750, a horizontal analysis will indicate a 15% increase over this period.
   4. ​When two statements are compared in horizontal analysis, the earlier statement is used as the base for computing the amount and the percent of change.

*ANSWER:*  b

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-05 - LO: 02-05

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. McNally Industries has a condensed income statement as shown.

**Year 2** **Year 1**

Sales $198,000 $165,500

Total operating expenses 163,000 147,500

Net income 35,000 18,000

​

Using horizontal analysis, calculate the amount and percent change for sales. Round to one decimal place.

1. $32,500, 19.6%
2. $18,000, 10.9%
3. $35,000, 17.7%
4. $17,000, 9.4%

*ANSWER:*  a

*RATIONALE:*  Change in sales = Sales in Year 2 – Sales in Year 1

= $198,000 – $165,500​ = $32,500

Percent change in sales = (Sales in Year 2 – Sales in Year 1) / Sales in Year 1

= ($198,000 – $165,500​) / $165,500​ = 19.6%

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-05 - LO: 02-05

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Richardson Company has a condensed income statement as shown.

**Year 2** **Year 1**

Sales $150,000 $165,500

Total operating expenses 133,000 147,500

Net income 17,000 18,000

​

Using horizontal analysis, calculate the amount and percent change for sales. Round to one decimal place.

1. $(17,000), (11.3%)
2. $(15,500), (10.3%)
3. $(18,000), (10.9%)
4. $(15,500), (9.4%)

*ANSWER:*  d

*RATIONALE:*  Change in sales = Sales in Year 2 – Sales in Year 1

= $150,000 – $165,500​ = –$15,500

Percent change in sales = (Sales in Year 2 – Sales in Year 1) / Sales in Year 1

= ($150,000 – $165,500​) / $165,500​ = –9.4%

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-05 - LO: 02-05

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On January 1, Cassie Harris and other stockholders established a catering service. Listed below are accounts she would like to open in the general ledger. List the accounts in the order in which they should appear in the ledger and propose a two digit account numbering scheme that is consistent with the rules of a proper chart of accounts.

1. Cash

2. Supplies

3. Equipment

4. Accounts Payable

5. Common Stock

6. Wages Expense

7. Rent Expense

8. Truck

9. Utilities Expense

10. Dividends

11. Truck Expense

12. Prepaid Insurance

13. Fees Earned

14. Miscellaneous Expense

15. Insurance Expense

16. Notes Payable

17. Accounts Receivable

*ANSWER:*  11 Cash

12 Accounts Receivable

13 Supplies

14 Prepaid Insurance

15 Equipment

16 Truck

21 Accounts Payable

22 Notes Payable

31 Common Stock

32 Dividends

41 Fees Earned

51 Wages Expense

52 Rent Expense

53 Utilities Expense

54 Truck Expense

55 Insurance Expense

56 Miscellaneous Expense

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The chart of accounts classifies the accounts to make identification of the accounts easier. Describe the numbering system businesses use in setting up the chart of accounts.

*ANSWER:*  A chart of accounts is set up by assigning 2-digit numbers to each of the accounts

for use as references. The first digit indicates the major account group of the

ledger in which the account is located. Accounts beginning with 1 represent

assets; 2, liabilities; 3, stockholders' equity; 4, revenue; 5, expenses. The second

digit indicates the location of the account within its group. Large companies may

have additional digits to accommodate a large number of accounts.

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On January 31, the cash account balance was $96,750. During January, cash receipts totaled $305,000 and cash payments totaled $375,880. Determine the cash balance on January 1.

*ANSWER:*  ??? + $305,000 − $375,880 = $96,750

Cash balance at January 1 is $167,630

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

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

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

*ANSWER:*  Cash

Accounts Receivable

Prepaid Rent

Accounts Payable

Unearned Revenue

Common Stock

Dividends

Fees Earned

Salaries Expense

Miscellaneous Expense

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Calculate the following:

(a) Determine the cash receipts for April based on the following data:

  Cash payments during April $63,000

  Cash account balance, April 1 25,500

  Cash account balance, April 30 31,750

(b) Determine the cash received from customers on account during April based on the following data:

  Accounts receivable account balance, April 1 $22,500

  Accounts receivable account balance, April 30 15,250

  Fees billed to customers during April 45,000

*ANSWER:*  (a) $69,250 ($31,750 + $63,000 − $25,500)

(b) $52,250 ($22,500 + $45,000 − $15,250)

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Selected accounts from the ledger of Garrison 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 Revenue - R

  Liability - L Expense - E

  None of the above - N

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

  Account Type of Account Increase Side

(1) Supplies \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_

(2) Notes Receivable \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_

(3) Fees Earned \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_

(4) Retained Earnings \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_

(5) Accounts Payable \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_

(6) Salaries Expense \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_

(7) Common Stock \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_

(8) Accounts Receivable \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_

(9) Equipment \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_

(10) Notes Payable \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_

*ANSWER:*    Type of Account Increase Side

(1) A Dr.

(2) A Dr.

(3) R Cr.

(4) N Cr.

(5) L Cr.

(6) E Dr.

(7) N Cr.

(8) A Dr.

(9) A Dr.

(10) L Cr.

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 - GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. All nine transactions for Dalton Survey Company for September, the first month of operations, are recorded in the following T accounts:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ​ Cash | | | |  | Common 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 Expenses | | | |
| (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, equity, dividends, revenue, or expense).

(b) The effect on the account, using "+" for increase and "−" for decrease.

​

Present your answers in the following form:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Account Debited​ | | Account Credited | |
| Transaction | Type | Effect | Type | Effect |

*ANSWER:*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Account Debited | | Account Credited | |
| Transaction | Type | Effect | Type | Effect |
| (1) | asset | + | equity | + |
| (2) | asset | + | liability | + |
| (3) | asset | + | asset | − |
| (4) | asset | + | revenue | + |
| (5) | liability | − | asset | − |
| (6) | expense | + | asset | − |
| (7) | asset | + | revenue | + |
| (8) | equity | + | asset | − |
| (9) | asset | + | asset | − |

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On June 1, the cash account balance was $96,750. During June, cash receipts totaled $305,000 and the June 30 balance was $75,880. Determine the cash payments made during June.

*ANSWER:*  $75,880 = $96,750 + $305,000 − ?

Cash payments = $325,870

*DIFFICULTY:*  Easy

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 - Measurement

BUSPROG: Analytic

1. On January 1, Merry Walker and other stockholders established a catering service. Listed below are accounts to use for transactions (a) through (d), each identified by a number. Following this list are the transactions that occurred during the first month of operations. You are to indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate box.

1. Cash

2. Accounts Receivable

3. Supplies

4. Prepaid Insurance

5. Equipment

6. Truck

7. Accounts Payable

8. Notes Payable

9. Common Stock

10. Dividends

11. Fees Earned

12. Wages Expense

13. Rent Expense

14. Utilities Expense

15. Truck Expense

16. Miscellaneous Expense

​

|  |  |  |
| --- | --- | --- |
| Transactions | Account(s) Debited | Account(s) Credited |
| a. Stockholders purchased shares of common  stock. |  |  |
| b. Paid rent for the period of January 3 to the  end of the month. |  |  |
| c. Purchased truck for $30,000 with a cash  down payment of $5,000 and the remainder  on a note. |  |  |
| d. Purchased equipment on account. |  |  |

*ANSWER:*

|  |  |  |
| --- | --- | --- |
| Transactions | Account(s) Debited | Account(s) Credited |
| a. | 1 | 9 |
| b. | 13 | 1 |
| c. | 6 | 1,8 |
| d. | 5 | 7 |

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On January 1, Merry Walker and other stockholders established a catering service. Listed below are accounts to use for transactions (a) through (e), each identified by a number. Following this list are the transactions that occurred in Walker’s first month of operations. You are to indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate box.

1. Cash

2. Accounts Receivable

3. Supplies

4. Prepaid Insurance

5. Equipment

6. Truck

7. Accounts Payable

8. Notes Payable

9. Common Stock

10. Dividends

11. Fees Earned

12. Wages Expense

13. Rent Expense

14. Utilities Expense

15. Truck Expense

16. Insurance Expense

17. Miscellaneous Expense

​

|  |  |  |
| --- | --- | --- |
| Transactions | Account(s) Debited | Account(s) Credited |
| a. Purchased supplies for cash. |  |  |
| b. Paid the annual premiums on property and  casualty insurance. |  |  |
| c. Received cash for a job previously recorded  on account. |  |  |
| d. Paid a creditor a portion of the amount owed  for equipment previously purchased on  account. |  |  |
| e. Received cash for a completed job. |  |  |

*ANSWER:*

|  |  |  |
| --- | --- | --- |
| Transactions | Account(s) Debited | Account(s) Credited |
| a. | 3 | 1 |
| b. | 4 | 1 |
| c. | 1 | 2 |
| d. | 7 | 1 |
| e. | 1 | 11 |

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On January 1, Merry Walker and other stockholders established a catering service. Listed below are accounts to use for transactions (a) through (f), each identified by a number. Following this list are the transactions that occurred in Walker’s first month of operations. You are to indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate box.

1. Cash

2. Accounts Receivable

3. Supplies

4. Prepaid Insurance

5. Equipment

6. Truck

7. Accounts Payable

8. Notes Payable

9. Common Stock

10. Dividends

11. Fees Earned

12. Wages Expense

13. Rent Expense

14. Utilities Expense

15. Truck Expense

16. Insurance Expense

17. Miscellaneous Expense

​

|  |  |  |
| --- | --- | --- |
| Transactions | Account(s) Debited | Account(s) Credited |
| a. Recorded jobs completed on account and sent  invoices to customers. |  |  |
| b. Received an invoice for truck expenses to be  paid in February. |  |  |
| c. Paid utilities expense |  |  |
| d. Received cash from customers on account. |  |  |
| e. Paid employee wages. |  |  |
| f. Paid dividends to stockholders. |  |  |

*ANSWER:*

|  |  |  |
| --- | --- | --- |
| Transactions | Account(s) Debited | Account(s) Credited |
| a. | 2 | 11 |
| b. | 15 | 7 |
| c. | 14 | 1 |
| d. | 1 | 2 |
| e. | 12 | 1 |
| f. | 10 | 1 |

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Listed below are accounts to use for transactions (a) through (d), each identified by a number. Following this list are the transactions. You are to indicate for each transaction the accounts that should be debited and credited by placing the account number(s) in the appropriate box.

1. Cash

2. Accounts Receivable

3. Office Supplies

4. Land

5. Interest Receivable

6. Building

7. Accumulated Depreciation - Building

8. Depreciation Expense- Building

9. Accounts Payable

10. Interest Payable

11. Insurance Payable

12. Utilities Expense

13. Notes Payable

14. Prepaid Insurance

15. Service Revenue

16. Common Stock

17. Insurance Expense

18. Interest Expense

19. Office Supplies Expense

20. Unearned Service Revenue

21. Dividends

​

|  |  |  |
| --- | --- | --- |
| Transactions | Account(s) Debited | Account(s) Credited |
| a. Utility bill is received; payment will be made  in 10 days. |  |  |
| b. Paid the utility bill previously recorded in  transaction (a). |  |  |
| c. Bought a three-year insurance policy and paid  in full. |  |  |
| d. Received $7,000 from a contract to perform  accounting services over the next two years. |  |  |

*ANSWER:*

|  |  |  |
| --- | --- | --- |
| Transactions | Account(s) Debited | Account(s) Credited |
| a. | 12 | 9 |
| b. | 9 | 1 |
| c. | 14 | 1 |
| d. | 1 | 20 |

*DIFFICULTY:* Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The following two situations are independent of each other.

1. On June 1, the cash account balance was $45,750. During June, cash payments totaled $243,910, and the June

30 balance was $53,200. Determine the cash receipts during June and show your calculation.

​

2. On March 1, the supplies account balance was $1,800. During March, supplies of $2,450 were purchased, and

$630 of supplies were on hand as of March 31. Determine the supplies expense for March and show your

calculation.

*ANSWER:*  1. $53,200 = $45,750 + Cash receipts − $243,910

Cash receipts = $251,360

​

2. $630 = $1,800 + $2,450 − Supplies expense

Supplies expense = $3,620

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

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

(a) In the T accounts, record the following transactions of Potter Pool Services for June, identifying each entry

by number:

  (1) Shareholders invested $12,500 cash in the business by purchasing common stock.

  (2) Purchased supplies on account, $6,250.

  (3) Paid operating expenses, $5,500.

  (4) Billed clients for fees, $7,440.

  (5) Received cash from cash clients, $4,700.

  (6) Paid creditors on account, $1,400.

  (7) Received $3,100 from clients on account.

  (8) Paid $1,500 cash dividends.

(b) Prepare a trial balance as of June 30 for Potter Pool Services.

(c) Assuming that supplies expense (which has not been recorded) amounts to $1,500 for June, determine the

following:

  (1) Net income for the month.

  (2) Stockholders' equity as of June 30.

*ANSWER:* (a)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Cash | | | |  | Common Stock | | | | |
| (1) | 12,500 | (3) | 5,500 |  |  |  | (1) | 12,500 |
| (5) | 4,700 | (6) | 1,400 |  |  |  |  |  |
| (7) | 3,100 | (8) | 1,500 |  |  |  |  |  |
| Bal. | 11,900 |  |  |  |  |  |  |  |

​

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Accounts Receivable | | | |  | Dividends | | | |
| (4) | 7,440 | (7) | 3,100 |  | (8) | 1,500 |  |  |
| Bal. | 4,340 |  |  |  |  |  |  |  |

​

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Supplies | | | |  | Professional Fees | | | |
| (2) | 6,250 |  |  |  |  |  | (4) | 7,440 |
|  |  |  |  |  |  |  | (5) | 4,700 |
|  |  |  |  |  |  |  | Bal. | 12,140 |

​

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Accounts Payable | | | | |  | | Operating Expenses | | | | |
| (6) | 1,400 | (2) | 6,250 |  | | (3) | | 5,500 |  |  |
|  |  | Bal. | 4,850 |  | |  | |  |  |  |

(b) Potter Pool Services

Trial Balance

June 30

Cash 11,900

Accounts Receivable 4,340

Supplies 6,250

Accounts Payable   4,850

Common Stock   12,500

Dividends 1,500

Professional Fees   12,140

Operating Expenses 5,500

  29,490 29,490

​

(c) (1) $5,140 ($12,140 − $5,500 − $1,500)

  (2) $16,140 ($12,500 + $5,140 − $1,500)

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On September 1, Erika Company purchased land for $47,500 cash. Provide the journal entry for this transaction.

*ANSWER:*  Sept. 1 Land 47,500

  Cash   47,500

    Purchased land for the company.

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On October 10, Nikle Company purchased supplies for $1,800 on account. On October 25, Nikle Company paid the invoice.

(a) Provide the journal entry for the purchase on account.​

(b) Provide the journal entry for the payment of the invoice.

*ANSWER:*  (a)  Oct. 10 Supplies 1,800

    Accounts Payable 1,800

    Purchased supplies on account.

(b)  Oct. 25 Accounts Payable 1,800

    Cash 1,800

    Paid for supplies on account.

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On October 17, Nikle Company purchased a building and a plot of land for $750,000. The building was valued at $500,000 while the land carried a value of $250,000. Nikle paid $300,000 down in cash and signed a note payable for the balance. Provide the journal entry for this transaction.

*ANSWER:*  Oct. 17 Building 500,000

  Land 250,000

  Cash 300,000

  Notes Payable 450,000

  Purchased building and land with cash down payment.

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On November 1, Nikle Company made a cash payment of $200,000 on a note payable that was generated in the purchase of a building and land. Provide the journal entry for this transaction.

*ANSWER:*   Nov. 1 Notes Payable 200,000

  Cash   200,000

  Made payment on note payable.

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On January 7, stockholders invest $45,000 to initiate the operation of a business, JumpStart. Provide the journal entry for this transaction.

*ANSWER:*  Jan. 7 Cash 45,000

  Common Stock  45,000

    Invest cash in JumpStart.

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On January 8, stockholders transfer ownership of several pieces of office equipment to the new business, JumpStart, for common stock. When new, these items were worth $72,500. The fair market value of the equipment is $60,000. Journalize this transfer.

*ANSWER:*  Jan. 8 Office Equipment 60,000

  Common Stock  60,000

  Invested equipment in business.

​

While stockholders may have paid $72,500 for this equipment sometime in the

past, it should be transferred into the company at fair market value (FMV),

$60,000.

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On August 30, JumpStart incurred the following expenses:

Payment to the landlord for August rent, $2,300

Payment to the Gas & Electric Company for August’s bill, $525

Payment of employee wages for the last half of August, $1,750

Payment of shopping center’s parking lot cleaning fee, $275

​

Journalize these payments as one compound journal entry.

*ANSWER:*  Aug. 30 Rent Expense 2,300

  Utilities Expense 525

  Wages Expense 1,750

  Maintenance Expense 275

  Cash   4,850

    Paid expenses.

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.04 - Cash vs. Accrual

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On October 30, JumpStart pays $3,330 in dividends to its stockholders. Journalize this event.

*ANSWER:*  Oct. 30 Dividends   3,330

  Cash   3,330

  Payment of dividends to stockholders.

*DIFFICULTY:*  Easy

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Several transactions are listed below, with the accounting equation stated to the right side of each. Use the following identification codes to indicate the effects of each transaction on the accounting equation. Write your answers in the space provided under the accounting equation. You need an identification code for **each** element of the accounting equation. An example is given before the first transaction.

I-Increase

D-Decrease

NE-No Effect

    Assets = Liabilities + Stockholders'

Equity

Example A stockholder invests in

his new business by giving

equipment valued at $3,500. I NE I

(a) Cash sales are made.

(b) Equipment is purchased

on credit.

(c) Payment is made for the

equipment purchased on

credit in (b).

(d) The company sold excess

supplies to another company

on credit.

(e) Cash is collected from

customers for accounts

receivable balances.

​

*ANSWER:*  ​ Assets = Liabilities + Stockholders'

Equity

(a) Cash sales are made. I NE I

(b) Equipment is purchased on credit. I I  NE

(c) Payment is made for the equipment

purchased on credit in (b). D D NE

(d) The company sold excess supplies to

another company on credit. NE  NE  NE

(e) Cash is collected from customers for

accounts receivable balances. NE  NE  NE

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. *Journalize the following five transactions for Nexium & Associates, Inc. Omit explanations.*

March  1 Bills are sent to clients for services provided in February in the amount of $800.

   9 Corner Office, Inc. delivers office furniture ($1,060) and office supplies ($160) to Nexium, leaving an

invoice for $1,220.

  15 Payment is made to Corner Office, Inc. for the furniture and office supplies delivered on March 9.

  23 A bill for $430 for electricity for the month of March is received and will be paid on its due date

in April.

  31 Salaries of $850 are paid to employees.

*ANSWER:*  March 1 Accounts Receivable 800

  Service Revenue   800

9 Office Furniture 1,060

  Office Supplies 160

  Accounts Payable   1,220

15 Accounts Payable 1,220

  Cash   1,220

23 Electricity Expense 430

  Accounts Payable   430

31 Salaries Expense 850

  Cash   850

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. For the following, mark a “D” if the following account normally has a debit balance and mark a “C” if the following account normally has a credit balance.

​

1. Notes Payable

2. Mortgage Payable

3. Dividends

4. Accounts Receivable

5. Common Stock

6. Rent Revenue

7. Unearned Income

8. Utility Expense

9. Automobiles

*ANSWER:*  1.C 2.C 3.D 4.D 5.C 6.C 7.C 8.D 9.D

*DIFFICULTY:*  Easy

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. 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) (b)

    Recorded Normal

As Balance

(1) Increase in Common 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 \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_

*ANSWER:*    (a) (b)

(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.

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

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

(a) Received $18,000 from sale of common stock.

(b) Purchased equipment for $27,000, paying $10,000 in cash and giving a note payable for the remainder.

(c) Paid $2,300 for rent for April.

(d) Purchased $1,500 of supplies on account.

(e) Recorded $9,800 of fees earned on account.

(f) Received $7,500 in cash for fees earned.

(g) Paid $1,200 to creditors on account.

(h) Paid wages of $3,425.

(i) Received $7,900 from customers on account.

(j) Recorded dividends of $1,875.

*ANSWER:*  (a) Cash 18,000

  Common Stock   18,000

(b) Equipment 27,000

  Cash   10,000

  Notes Payable   17,000

(c) Rent Expense 2,300

  Cash   2,300

(d) Supplies 1,500

  Accounts Payable   1,500

(e) Accounts Receivable 9,800

  Fees Earned   9,800

(f) Cash 7,500

  Fees Earned   7,500

(g) Accounts Payable 1,200

  Cash   1,200

(h) Wages Expense 3,425

  Cash   3,425

(i) Cash 7,900

  Accounts Receivable   7,900

(j) Dividends 1,875

  Cash   1,875

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On January 12, JumpStart Co. purchased $870 in office supplies.

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

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

(b) (2) On January 18, JumpStart pays the amount due. Journalize this event.

*ANSWER:*  (a) Jan. 12 Office Supplies 870

  Cash 870

​

(b) (1) Jan. 12 Office Supplies 870

  Accounts Payable 870

​

(b) (2) Jan. 18 Accounts Payable 870

  Cash 870

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On November 10, JumpStart Co. provides $2,900 in services to clients. At the time of service, the clients paid $600 in cash and put the balance on account.

(a) Journalize this event.

(b) On November 20, JumpStart Co. clients paid an additional $900 on their accounts due. Journalize this event.

(c) Calculate the accounts receivable balance on November 30.

*ANSWER:*  (a) Nov. 10 Cash 600

  Accounts Receivable 2,300

  Fees Earned 2,900

(b) Nov. 20 Cash 900

  Accounts Receivable 900

​

(c)  Original invoice $2,900

  Less cash paid upon completion 600

  Original amount on accounts receivable $2,300

  Less Nov. 20 payment 900

  Accounts receivable balance $1,400

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Prepare a journal entry for the purchase of a truck on April 4 for $85,700, paying $15,000 cash and the remainder on account. Omit explanation.

*ANSWER:*  April 4 Truck  85,700

  Cash   15,000

  Accounts Payable   70,700

*DIFFICULTY:*  Easy

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.04 - Cash vs. Accrual

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Journalize the following selected transactions for January. Explanations may be omitted.

Jan. 1 Received cash from the sale of common stock, $14,000.

  2 Received cash for providing accounting services, $9,500.

  3 Billed customers on account for providing services, $4,200.

  4 Paid advertising expense, $700.

  5 Received cash from customers on account, $2,500.

  6 Paid dividends, $1,010.

  7 Received telephone bill, $900.

  8 Paid telephone bill, $900.

​

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| **Date** | **Description** | **Post. Ref.** | **Debit** | **Credit** |
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*ANSWER:*

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| **Date** | **Description** | **Post. Ref.** | **Debit** | **Credit** |
| Jan. 1 | Cash |  | 14,000 |  |
|  | Common Stock |  |  | 14,000 |
|  |  |  |  |  |
| 2 | Cash |  | 9,500 |  |
|  | Revenues |  |  | 9,500 |
|  |  |  |  |  |
| 3 | Accounts Receivable |  | 4,200 |  |
|  | Revenues |  |  | 4,200 |
|  |  |  |  |  |
| 4 | Advertising Expense |  | 700 |  |
|  | Cash |  |  | 700 |
|  |  |  |  |  |
| 5 | Cash |  | 2,500 |  |
|  | Accounts Receivable |  |  | 2,500 |
|  |  |  |  |  |
| 6 | Dividends |  | 1,010 |  |
|  | Cash |  |  | 1,010 |
|  |  |  |  |  |
| 7 | Telephone Expense |  | 900 |  |
|  | Accounts Payable |  |  | 900 |
|  |  |  |  |  |
| 8 | Accounts Payable |  | 900 |  |
|  | Cash |  |  | 900 |

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On December 1, JumpStart Company provides $2,800 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 $1,200 of the amount on account on December 30. Journalize this transaction.

*ANSWER:*  (a) Dec. 1 Cash 2,800

​ Fees Earned 2,800

(b) (1) Dec. 1 Accounts Receivable 2,800

​ Fees Earned 2,800

(b) (2) Dec. 30 Cash 1,200

Accounts Receivable 1,200

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Analyze the effect of the following transactions on the accounting equation.

(a) The company paid $725 to a vendor for supplies purchased previously on account.

(b) The company performed $850 of services and billed the customer.

(c) The company received a utility bill for $395 and will pay it next month.

(d) The company paid dividends of $145.

(e) The company paid $315 in salaries to its employees.

(f) The company collected $730 of cash from its customers on account.

​

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

(1) Assets, Dr.; Assets, Cr.

(2) Assets, Dr.; Stockholders' Equity, Cr.

(3) Assets, Dr.; Liabilities, Cr.

(4) Assets, Dr.; Revenues, Cr.

(5) Liabilities, Dr.; Assets, Cr.

(6) Dividends, Dr.; Assets, Cr.

(7) Expenses, Dr.; Assets, Cr.

(8) Expenses, Dr.; Liabilities, Cr.

​

Put the appropriate letter next to each transaction.

*ANSWER:*  Transaction Effect on the accounting equation

(a) 5

(b) 4

(c) 8

(d) 6

(e) 7

(f) 1

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Prepare a journal entry on October 12 for the fees earned on account, $14,600. Omit explanation.

*ANSWER:*  Oct. 12 Accounts Receivable 14,600

  Fees Earned ​  14,600

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. *Journalize the five transactions for Mirmax Rentals described below.*

August   1 Mirmax purchases two new saws on credit at $425 each. The saws are added to Mirmax’s rental

inventory. Payment is due in 30 days.

   8 Mirmax accepts advance deposits for tool rentals of $125 that will be applied to the cash rental when

the tools are returned.

  15 Mirmax receives a bill from Macon Utility Company for $180. Payment is due in 30 days.

  20 Customers are charged $1,250 by Mirmax for tool rentals. Payment is due from the customers

in 30 days.

  31 Mirmax receives $600 in payments from the customers that were billed for rentals on August 20.

*ANSWER:*  Aug. 1 Equipment 850

  Accounts Payable   850

8 Cash 125

  Unearned Revenue   125

15 Utilities Expense 180

  Accounts Payable   180

20 Accounts Receivable 1,250

  Rental Revenue   1,250

31 Cash 600

  Accounts Receivable   600

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. 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 when recording business transactions during the month. Also, indicate the normal balance of each account.

1. Fees Earned 4. Supplies

2. Utilities Expense 5. Cash

3. Accounts Payable 6. Accounts Receivable

*ANSWER:*  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

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. The bookkeeper for Brockton Industries prepared the following journal entries and posted the entries to the general ledger as indicated in the T accounts presented. Assume that the dollar amounts and the descriptions of the entries are correct.

​

July 3 Accounts Receivable 1,000

  Service Revenue   1,000

  Customers were billed for services completed.

​  11 Cash 500

  Accounts Receivable    500

  Payment is received from a customer billed for services on July 3.

​  12 Office Supplies 600

  Accounts Payable   600

  Purchased office supplies on credit; payment is due in 30 days.

​  25 Office Furniture 700

  Cash   700

  Payment is made for office furniture received on July 25.

​

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS RECEIVABLE | | | |  | SERVICE REVENUE | | | |
| 7/3 | 1,000 | ​ |  |  | 7/3 | 1,000 | ​ |  |
|  |  | ​ |  |  |  |  | ​7/11 | 500 |

​

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| CASH | | | |  | ACCOUNTS PAYABLE | | | |
| 7/11 | ​500 | 7/25 | 700 |  | 7/12 | ​600 |  |  |

​

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| OFFICE SUPPLIES | | | |  | OFFICE FURNITURE | | | |
| 7/12 | ​600 |  |  |  | 7/25 | ​700 |  |  |

​

**Required**: If you assume that all journal entries have been recorded correctly, use the above information to:  
(1) Identify the postings to the general ledger that were made incorrectly.  
(2) Describe how each incorrect posting should have been made.

*ANSWER:*  (1) The bookkeeper incorrectly posted the July 3, July 11, and 12 journal entries.

(2) For the July 3 journal entry, the $1,000 credit to Service Revenue should

have been posted to the Service Revenue account as a credit, not as a

debit. For the July 11 journal entry, the $500 credit should be posted to

Accounts Receivable, not to Service Revenue. For the July 12 journal entry,

the $600 credit to Accounts Payable should have been posted as a credit, not

as a debit.

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-03 - LO: 02-03

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Journalize the entries to correct the following errors:

(a) A purchase of supplies for $500 on account was recorded and posted as a debit to Supplies for $200 and as a

credit to Accounts Receivable for $200.

(b) A receipt of $2,500 from Fees Earned was recorded and posted as a debit to Fees Earned for $2,500 and a credit

to Cash for $2,500.

*ANSWER:*  (a) Accounts Receivable 200

  Supplies   200

  Supplies 500

  Accounts Payable   500

(b) Cash 5,000

  Fees Earned   5,000

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. On November 30, the company accountant discovers that $550 of a transaction recording the purchase of office supplies was really office equipment. Prepare the journal entry to correct this situation.

*ANSWER:*  Nov. 30 Office Equipment 550

    Office Supplies 550

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

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

a. Dividends were recorded as a debit to Office Expense and a credit to Cash.

b. Accounts receivable payment for $7,800 was recorded as a debit to Cash and a credit to Fees Earned.

​

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

*ANSWER:*  a. Dividends 5,000

    Office Expense   5,000

​

b. Fees Earned 7,800

    Accounts Receivable   7,800

*DIFFICULTY:*  Easy

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. 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 totals to be unequal, indicate whether the debit or credit total is higher and by how much.

​

A. Payment of a cash dividend $6,800 was journalized and posted as a debit of $8,600 to Salaries Expense and a

credit of $8,600 to Cash.

B. A fee of $9,780 earned was debited to Accounts Receivable for $7,980 and credited to Fees Earned for $9,780.

C. A payment of $3,000 to a creditor was posted as a credit of $3,000 to Accounts Payable and a credit of $3,000

to Cash.

*ANSWER:*  a. The totals are equal.

b. The totals are unequal. The credit total is higher by $1,800.

c. The totals are unequal. The credit total is higher by $6,000.

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Below is the unadjusted trial balance for Dawson Designs.   
     
   **REQUIRED:**  
   (1) Identify the errors in the trial balance. All accounts have normal balances.  
   (2) Prepare a corrected trial balance.

Dawson Designs Co.

Unadjusted Trial Balance

For the Month of January

  Debits Credits

Cash 23,000

Accounts Receivable   49,700

Prepaid Insurance 11,300

Equipment 150,500

Accounts Payable 6,050

Salaries Payable   4,250

Common Stock   110,000

Dividends   18,500

Service Revenue   236,600

Salary Expense 98,930

Miscellaneous Expense 4,970

  424,020 424,020

*ANSWER:*  (1) a. The debit column is added incorrectly; the sum is actually $289,780.

b. The trial balance should be dated January 31, rather than “For the Month

of January”

c. The Accounts Receivable balance should be in the debit column.

d. The Accounts Payable balance should be in the credit column.

e. The Dividends balance should be in the debit column.

f. The Miscellaneous Expense balance should be in the debit column.

(2) Dawson Designs Co.

Unadjusted Trial Balance

January 31

Debits Credits

Cash 23,000

Accounts Receivable 49,700

Prepaid Insurance 11,300

Equipment 150,500

Accounts Payable   6,050

Salaries Payable   4,250

Common Stock   110,000

Dividends 18,500

Service Revenue   236,600

Salary Expense 98,930

Miscellaneous Expense 4,970

  356,900 356,900

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Prepare a trial balance, listing the following accounts in proper sequence. The accounts (all normal balances) were taken from the ledger of Sophie Designs Co. on April 30.

Accounts Payable $ 4,100  Rent Expense $11,500

Accounts Receivable 3,450  Salary Expense 14,000

Cash 6,700  Fees Earned 45,425

Common Stock 17,800  Supplies 3,125

Dividends 7,500  Supplies Expense 1,700

Equipment 14,500  Utilities Expense 4,000

Miscellaneous Expense 850

*ANSWER:*  ​Sophie Designs

Trial Balance

April 30

Cash 6,700

Accounts Receivable 3,450

Supplies 3,125

Equipment 14,500

Accounts Payable   4,100

Common Stock   17,800

Dividends 7,500

Fees Earned   45,425

Salary Expense 14,000

Rent Expense 11,500

Utilities Expense 4,000

Supplies Expense 1,700

Miscellaneous Expense 850

  67,325 67,325

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. (a) List the errors in the following trial balance. All accounts have normal balances.

(b) What would be the new totals of the trial balance after errors are corrected? What would be the balance of

Accounts Receivable?

Winslow’s Auto Body

Trial Balance

For Month Ending April 30

Cash   19,475

Accounts Receivable ?

Supplies   1,000

Equipment 15,000

Prepaid Insurance   500

Accounts Payable   2,500

Common 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 250 ​

  55,000 81,575

*ANSWER:*   (a) (1) In the heading, the date should be April 30; not for a period of time.

  (2) The Cash balance should be a debit.

  (3) The Accounts Receivable balance is missing.

  (4) The Supplies balance should be a debit.

  (5) The Prepaid Insurance balance should be a debit and this account should

follow Accounts Receivable.

  (6) The Common Stock balance should be a credit.

  (7) The Dividends balance should be a debit.

  (8) Rent Expense should be a debit.

  (9) The trial balance does not balance.

​

(b) The new total for credits would be $69,100 ($2,500 accounts payable +

$49,600 fees earned + $17,000 common stock). Accounts receivable would

be $3,075 ($69,100 total credits − $66,025 corrected debits).

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. 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:

Error Totals Difference in Totals Larger of Totals

(identifying number) (equal or unequal) (amount) (debit or credit)

Errors:

(1) A dividend of $3,000 cash to shareholders was recorded by a debit of $3,000 to Salary Expense and a credit of

$3,000 to Cash.

(2) A $650 purchase of supplies on account was recorded as a debit of $1,650 to Equipment and a credit of $1,650

to Accounts Payable.

(3) A purchase of equipment for $3,450 on account was not recorded.

(4) A $870 receipt on account was recorded as a $870 debit to Cash and a $780 credit to Accounts Receivable.

(5) A payment of $1,530 cash on account was recorded only as a credit to Cash.

(6) Cash sales of $8,500 were recorded as a credit of $8,500 to Cash and a credit of $8,500 to Fees Earned.

(7) The debit to record a $4,000 cash receipt on account was posted twice; the credit was posted once.

(8) The credit to record a $300 cash payment on account was posted twice; the debit was posted once.

(9) The debit balance of $7,400 in Accounts Receivable was recorded in the trial balance as a debit of $7,200.

*ANSWER:*  Error Totals Difference in Totals Larger of Totals

(1) equal — —

(2) equal —  —

(3) equal —  —

(4) unequal $ 90  debit

(5) unequal 1,530  credit

(6) unequal  17,000  credit

(7) unequal  4,000  debit

(8) unequal 300  credit

(9) unequal 200  credit

*DIFFICULTY:*  Challenging

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

**Exhibit 2-1**All nine transactions for Ralston Sports Co. for September, the first month of operations, are recorded in the following T accounts:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Cash | | | |  | Common Stock | | | |
| (1) | 25,000 | (3) | 12,500 |  |  |  | (1) | 25,000 |
| (7) | 11,900 | (5) | 7,600 |  |  |  |  |  |
| (9) | 9,700 | (6) | 10,500 |  |  |  |  |  |
|  |  | (8) | 7,000 |  |  |  |  |  |

​

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Accounts Receivable | | | |  | Dividends | | | |
| (4) | 9,900 | (9) | 9,700 |  | (8) | 7,000 |  |  |

​

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Supplies | | | |  | Fees Earned | | | |
| (3) | 12,500 |  |  |  |  |  | (4) | 9,900 |
|  |  |  |  |  |  |  | (7) | 11,900 |

​

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Equipment | | | |  | Operating Expense | | | |
| (2) | 9,500 |  |  |  | (6) | 10,500 |  |  |

​

|  |  |  |  |
| --- | --- | --- | --- |
| Accounts Payable | | | |
| (5) | 7,600 | (2) | 9,500 |

​

​

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

*ANSWER:*  ​Ralston Sports Company

Trial Balance

September 30

Cash 9,000

Accounts Receivable 200

Supplies 12,500

Equipment 9,500

Accounts Payable   1,900

Common Stock   25,000

Dividends 7,000

Fees Earned   21,800

Operating Expense 10,500 ​

  48,700 48,700

*DIFFICULTY:*  Easy

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.05 - Accounting Cycle

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Lewis Company has a condensed income statement as shown:

**Year 2** **Year 1**

Sales $178,400 $162,500

Wage expense $100,000 $ 92,500

Rent expense 33,000 30,000

Utilities expense 30,000 25,000

Total operating expenses $163,000 $147,500

Net income $ 15,400 $ 15,000

​

**REQUIRED:**  
Prepare a horizontal analysis of Lewis Company’s income statements. Comment on the trends, both favorable and unfavorable.

*ANSWER:*  **Increase/**

**Decrease Percent**

**Year 2 Year 1 Amount Change**

Sales $178,400 $162,500 $15,900 9.8%

Wage expense $100,000 $ 92,500 $ 7,500 8.1%

Rent expense 33,000 30,000 3,000 10.0%

Utilities expense 30,000 25,000 5,000 20.0%

Total operating expenses $163,000 $147,500 $15,500 10.5%

Net income $ 15,400 $ 15,000 $ 400 2.7%

​

While the trend in sales revenue is favorable, it is not sufficient enough to offset

the rising expenses, resulting in a positive but small and slowing increase in net

income.

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-05 - LO: 02-05

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Nebraska Technologies has a condensed income statement as shown:

**Year 2** **Year 1**

Sales $158,400 $162,500

Wage expense $ 80,000 $ 92,500

Rent expense 28,000 30,000

Utilities expense 30,000 25,000

Total operating expenses $138,000 $147,500

Net income $ 20,400 $ 15,000

​

**REQUIRED:**  
Prepare a horizontal analysis of Nebraska Technologies' income statements. Comment on the trends, both favorable and unfavorable.

*ANSWER:* **Increase/**   ​

**Decrease Percent**

**Year 2 Year 1 Amount Change**

Sales $158,400 $162,500 $ (4,100) (2.5)%

Wage expense $ 80,000 $ 92,500 $(12,500) (13.5)%

Rent expense 28,000 30,000 (2,000) (6.7)%

Utilities expense 30,000 25,000 5,000 20.0%

Total operating expenses $138,000 $147,500 $ (9,500) (6.4)%

Net income $ 20,400 $ 15,000 $ 5,400 36.0%

​

The trend in sales revenue is unfavorable, but that is more than offset by the

declines in operating expenses, with the exception of utilities, which increased

over the period. Despite the 2.5% drop in sales, the net effect was a favorable

increase in net income of 36%, which was in large part spurred by the drop in

wages expense.

*DIFFICULTY:*  Moderate

Bloom's: Applying

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-05 - LO: 02-05

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

*Match each of the following accounts with its proper account group from groups listed below.*

1. Assets
2. Liabilities
3. Stockholders’ Equity
4. Revenue
5. Expenses

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-01 - LO: 02-01

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.09 - Financial Statements

ACCT.ACBSP.APC.13 - Long-term Assets Reporting

ACCT.ACBSP.APC.15 - Current Assets Reporting

ACCT.ACBSP.APC.16 - Current Liabilities Reporting

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Unearned Rent

*ANSWER:*  b

1. Prepaid Insurance

*ANSWER:*  a

1. Fees Earned

*ANSWER:*  d

1. Patents

*ANSWER:*  a

1. Dividends

*ANSWER:*  c

*For each of the following accounts, indicate whether its normal balance is on the credit side or the debit side of the T account.*

1. Credit side
2. Debit side

*DIFFICULTY:*  Moderate

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-02 - LO: 02-02

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Common Stock

*ANSWER:*  a

1. Accounts Receivable

*ANSWER:*  b

1. Accounts Payable

*ANSWER:*  a

1. Interest Earned

*ANSWER:*  a

1. Copyrights

*ANSWER:*  b

*Several types of errors can be made during the journalizing and posting process. Match the following with their best description.*

1. Trial balance preparation errors
2. Account balance errors
3. Posting errors

*DIFFICULTY:*  Challenging

Bloom's: Remembering

*LEARNING OBJECTIVES:*  FNMN.WARD.16.02-04 - LO: 02-04

*ACCREDITING STANDARDS:*  ACCT.ACBSP.APC.02 – GAAP

ACCT.ACBSP.APC.06 - Recording Transactions

ACCT.AICPA.FN.03 – Measurement

BUSPROG: Analytic

1. Balance incorrectly computed.

*ANSWER:*  b

1. Debit or credit posting omitted.

*ANSWER:*  c

1. Wrong amount posted to an account.

*ANSWER:*  c

1. Column incorrectly added.

*ANSWER:*  a

1. Balance entered on wrong side of account.

*ANSWER:*  b

1. Amount incorrectly entered on trial balance.

*ANSWER:*  a

1. Balance entered in wrong column or omitted.

*ANSWER:*  a

1. Debit posted as credit, or vice versa.

*ANSWER:*  c