Fundamental Accounting Principles Vol 1 (Canadian) 16th edition Larson Test Bank

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Chapter 02
Analyzing and Recording Transactions

True / False Questions

1. The first step in the accounting cycle is to analyze transactions.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Explain the accounting cycle.
Topic: 02-01 The Accounting Cycle

2. An account is a detailed record of increases and decreases in a specific asset, liability or equity item.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-03 The Account

3. A ledger is a type of account.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-03 The Account

4. Goods sold on credit to customers are called accounts payable.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-04 Asset Accounts

5. A prepaid expense occurs when a company pays in advance for a service or goods for which the benefit extends beyond the current accounting period.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-04 Asset Accounts

6. Withdrawals are a type of transaction that affects equity.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-06 Equity Accounts

7. A building is an example of an asset that does not provide any benefit to its owner.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-04 Asset Accounts

8. To make it easier for the bookkeeper, the cost of land is separated from the cost of buildings located on the land.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-04 Asset Accounts

9. Unearned revenues are assets, because a service or product is owed to the customer.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-05 Liability Accounts

10. Cash withdrawn by the owner of an unincorporated business in the form of a monthly salary should be treated as an expense of the business.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-06 Equity Accounts

11. When a company sells services in which cash will not be received until some future date, the company should credit an unearned revenues account for the amount charged to the customer.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-05 Liability Accounts

12. A T-Account is a formal account frequently used in business.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-07 T-Accounts

13. An account balance is the difference between the increases and decreases recorded in an account.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-08 Balance of an Account

14. The left side of a T-account is always the credit side, while the right side is always the debit side.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-07 T-Accounts

15. The accounting equation is expressed as assets = liabilities - equity.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

16. The accounting equation can be expressed as liabilities = assets - equity.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

17. In a double-entry accounting system, total debits must always equal total credits.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

18. Double-entry accounting means that every transaction affects and is recorded in at least two accounts.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

19. Debits increase asset and expense accounts.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

20. Credits to accounts are always increases.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

21. To credit an asset account means to decrease it.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

22. Increases in liabilities are recorded as debits.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

23. All increases and decreases in cash are not necessarily recorded in the Cash account.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

24. A revenue account normally has a debit balance.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

25. Debits to accounts are normally decreases.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

26. Because they decrease equity, withdrawals made by a business owner are credited to his/her Withdrawals account.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Hard
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

27. Asset accounts normally have credit balances and expense accounts normally have debit balances.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

28. The normal balance of an account refers to the debit or credit side where increases are recorded.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

29. The chart of accounts is a list of all the accounts used by a company.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-04 Describe a chart of accounts and its relationship to the ledger.
Topic: 02-11 Chart of Accounts

30. A chart of accounts lists the accounts and balances at a specific time.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-04 Describe a chart of accounts and its relationship to the ledger.
Topic: 02-11 Chart of Accounts

31. Purchasing supplies on credit increases assets while decreasing liabilities.
FALSE

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-15 Accounting Transactions in Action

32. Prepaid Insurance is an expense account which is used for recording expenses that have been paid in advance.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-16 Accounting Equation Analysis

33. A credit purchase of a business expense item should be recorded with a debit to an expense account and a credit to Accounts Payable.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-16 Accounting Equation Analysis

34. If a company purchases land, paying part with cash and issuing a note payable for the balance, the journal entry to record this transaction will include a debit to Cash.
FALSE

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis
Topic: 02-14 Posting Journal Entries

35. If a company sells products and receives from the customer a formal written promise to pay a definite sum of money on demand or on a defined future date (or dates), the seller should debit the promised amount to Accounts Receivable.
FALSE

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-16 Accounting Equation Analysis

36. A transaction that decreases an asset account and increases a liability account must also affect another account.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Hard
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-16 Accounting Equation Analysis

37. When a business sends a bill for $200 to a customer for services rendered, the journal entry to record this transaction will include a $200 credit to Accounts Receivable.
FALSE

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis
Topic: 02-14 Posting Journal Entries

38. A transaction that increases an asset account and decreases a liability account must also affect another account.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Hard
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-16 Accounting Equation Analysis

39. Step Two of the accounting cycle requires that we record transactions in a record called a journal.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis

40. A compound journal entry usually affects three or more accounts.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis

41. A general journal entry usually includes information about the date of a transaction, titles of affected accounts, dollar amount of each debit and credit and an explanation of the transaction.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis

42. Posting is the process of copying the debit and credit amounts from a journal to the general ledger accounts.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-15 Accounting Transactions in Action

43. Since all figures are eventually posted to the ledger, the posting reference column in a journal is not necessary.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-14 Posting Journal Entries

44. An abnormal balance in an account refers to a balance on the side where decreases are recorded.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Hard
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-18 Trial Balance

45. The trial balance is a list of the accounts that have balances in the ledger.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-19 Preparing a Trial Balance

46. A trial balance that is in balance is proof that no errors were made in journalizing the transactions, posting to the ledger, and preparing the trial balance.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-19 Preparing a Trial Balance
Topic: 02-21 Searching for Errors

47. If an account was incorrectly debited for $300 instead of correctly credited for $300, the account is out of balance by $300.
FALSE

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-19 Preparing a Trial Balance
Topic: 02-21 Searching for Errors
Topic: 02-22 Formatting Conventions

48. If an error is discovered in either the journal or the ledger, it must be corrected by erasing the incorrect amount and entering the corrected amount.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-19 Preparing a Trial Balance
Topic: 02-22 Formatting Conventions

49. The total dollar value of all debits and credits recorded in a journal entry must be equal.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-14 Posting Journal Entries

Multiple Choice Questions

50. The accounting cycle begins with
A. preparing financial statements and other reports
B. analysis of economic events and recording their effects
C. posting to the ledger
D. presentation of financial information to decision makers
E. None of these

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Explain the accounting cycle.
Topic: 02-01 The Accounting Cycle

51. A place or location within an accounting system in which the increases and decreases in a specific asset, liability, or equity item is recorded and stored is called a(n)
A. journal
B. ledge
C. trial balance
D. account
E. chart of accounts

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-02 Accounts
Topic: 02-03 The Account

52. An account used to record the owner's investments in the business plus any more or less permanent changes in the equity is called a(n)
A. withdrawals account
B. capital account
C. asset account
D. expense account
E. revenue account

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-06 Equity Accounts

53. The account sometimes referred to as the owner's personal account or drawing account is called a(n)
A. revenue account
B. withdrawals account
C. capital account
D. expense account
E. liability account

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-06 Equity Accounts

54. Which of the following statements is correct?
A. When an insurance premium is paid in advance, the payment is normally recorded in a liability account called Prepaid Insurance.
B. Goods and services are commonly sold to customers on the basis of oral or implied promises of future payment, called promissory notes.
C. Increases and decreases in cash are always recorded in the equity account.
D. An account called Land is commonly used to record increases and decreases in the land and buildings owned by a business.
E. None of these statements are correct.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Hard
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-02 Accounts
Topic: 02-03 The Account
Topic: 02-04 Asset Accounts
Topic: 02-05 Liability Accounts
Topic: 02-06 Equity Accounts

55. Unearned revenues are
A. revenues that have been earned and received
B. revenues that have been earned but not yet collected
C. liabilities created by advance cash payments from customers for products or services
D. recorded as an asset in the accounting records
E. increases to owners' equity

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-05 Liability Accounts

56. What are prepaid expenses?
A. Payments made for economic benefits that never expire
B. Classified as liabilities on the balance sheet
C. Generally, all combined into one account called "Miscellaneous Expenses"
D. Assets created by payments for economic benefits that are not used up until later
E. Always debited to an expense account

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-04 Asset Accounts

57. Which of the following statements is correct?
A. The left side of a T-account is the credit side.
B. Entries that decrease asset and expense accounts, or increase liability, equity, and revenue accounts are posted as debits.
C. The left side of a T-account is the debit side.
D. The right side of a T-account is the debit side.
E. Entries that increase asset, expense, and revenue accounts are posted as debits.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-07 T-Accounts

58. An unconditional written promise to pay a definite sum of money on demand or on a defined future date (or dates) is a(n)
A. unearned revenue
B. prepaid expense
C. account payable
D. notes receivable
E. account receivable

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-04 Asset Accounts

59. What is a simple account form widely used in accounting education to illustrate how debits and credits work is called?
A. Withdrawals account
B. Capital account
C. Ledger
D. T-account
E. Balance column account

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-07 T-Accounts

60. An account balance is
A. the total of the credit side of the account
B. the total of the debit side of the account
C. the difference between the increases (including the beginning balance) and decreases recorded in the account
D. the same as the balance sheet equation
E. not used in the real world

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-08 Balance of an Account

61. A record of all accounts used by a business is called a
A. journal
B. book of original entry
C. general journal
D. trial balance
E. ledger

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-03 The Account
Topic: 02-18 Trial Balance

62. The right side of a T-account is a(n)
A. debit
B. increase
C. credit
D. decrease
E. account balance

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-07 T-Accounts
Topic: 02-09 Debits and Credits

63. What is double-entry accounting?
A. An accounting system that disregards the accounting equation, A = L + E
B. An accounting system that records the effects of transactions and other events in at least two accounts with equal debits and credits
C. An accounting system in which each transaction affects and is recorded in two or more accounts with unequal debits and equal credits
D. An accounting system in which the sum of the debit account balances never equals the sum of the credit account balances
E. An accounting system in which errors never occur

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

64. A debit is used to record
A. an increase in a liability account
B. a decrease in an asset account
C. a decrease in the withdrawals account
D. an increase in an asset account
E. an increase in a revenue account

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Hard
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-09 Debits and Credits
Topic: 02-10 Double-Entry Accounting

65. Of the following accounts, the one that normally has a debit balance is
A. accounts payable
B. accounts receivable
C. Ted Neal, capital
D. sales revenue
E. unearned revenue

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

66. Of the following accounts, the one that normally has a credit balance is
A. cash
B. office equipment
C. sales salaries payable
D. Ted Neal, withdrawals
E. sales salaries expense

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

67. Which of the following statements is *incorrect*?
A. The normal balance of the accounts receivable account is a debit.
B. The normal balance of the owner's withdrawals account is a debit.
C. The normal balance of an unearned revenues account is a credit.
D. The normal balance of an expense account is a credit.
E. The abnormal balance of a revenue account is a debit.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

68. A credit is used to record
A. a decrease in an expense account
B. a decrease in an asset account
C. an increase in an unearned revenue account
D. an increase in a revenue account
E. All of these

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

69. A debit entry
A. increases asset and expense account
B. decreases liability and equity accounts
C. increases the owner's withdrawals account
D. decreases revenue accounts
E. All of these

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Hard
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

70. A credit entry
A. increases asset and expense accounts, or decreases liability, equity, and revenue accounts
B. Is recorded on the left side of a T-account
C. Decreases asset and expense accounts, or increases liability, equity, and revenue account
D. Decreases asset, expense and revenue accounts.
E. Increases the withdrawals account

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-10 Double-Entry Accounting

71. A list of all accounts used by a company, including the identification number assigned to each account, is called a
A. ledger
B. journal
C. trial balance
D. chart of accounts
E. general journal

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-04 Describe a chart of accounts and its relationship to the ledger.
Topic: 02-11 Chart of Accounts

72. An asset created by a payment for economic benefits that does not expire until some later time is
A. recorded as a debit to an unearned revenue account
B. recorded as a debit to a prepaid expense account
C. recorded as a credit to an unearned revenue account
D. recorded as a credit to a prepaid expense account
E. not recorded in the accounting records

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Hard
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-16 Accounting Equation Analysis

73. A liability created by the receipt of cash from customers in payment for products or services that have not yet been delivered to the customers is
A. recorded as a debit to an unearned revenue account
B. recorded as a debit to a prepaid expense account
C. recorded as a credit to an unearned revenue account
D. recorded as a credit to a prepaid expense account
E. not recorded in the accounting records

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Hard
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-14 Posting Journal Entries
Topic: 02-16 Accounting Equation Analysis

74. On May 31, Charlotte Company had an Accounts Payable balance of $57,000. During the month of June, total credits to Accounts Payable were $34,000, which resulted from purchases on credit. The June 30 Accounts Payable balance was $7,000. What was the amount of payments made during June?
A. $32,000
B. $34,000
C. $57,000
D. $59,000
E. $84,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-16 Accounting Equation Analysis

75. On June 30, the Cash account of Majeau Company had a normal balance of $4,300. During July the account was debited for a total of $3,400 and credited for a total of $3,600. What was the balance in the Cash account on August 1?
A. $-0
B. $4,100 debit
C. $3,400 credit
D. $3,400 debit
E. $4,100 credit

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-16 Accounting Equation Analysis

76. During the month of November, Duffee Company had cash receipts of $3,500 and paid out $1,000 for expenses. The November 30th cash balance was $5,300. What was the cash balance on November 1?
A. $1,800
B. $2,800
C. $4,300
D. $5,800
E. $7,300

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-16 Accounting Equation Analysis

77. The following transactions occurred during July for Hurley Services:

1	Received $1,800 cash for photography services provided to customer during the month.
2	Received $1,500 cash from Barbara Blanc, the owner of the business.
3	Received $1,300 from a customer in partial payment of his account receivable which arose as a result of sales during June.
4	Rendered photography services to a customer on credit, $1,100.
5	Borrowed $300 from the bank by signing a promissory note.
6	Received $700 from a customer in payment for services to be rendered next year.

How much revenue was earned in July?
A. $1,200
B. $2,300
C. $2,900
D. $5,500
E. $7,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis
Topic: 02-14 Posting Journal Entries
Topic: 02-15 Accounting Transactions in Action
Topic: 02-16 Accounting Equation Analysis

78. If Girard Don, the owner of Girard's Software proprietorship, uses cash of the business to purchase a personal computer, the business should record this use of cash with an entry to
A. debit Salary Expense and credit cash.
B. debit Girard Don, Salary and credit cash.
C. debit cash and credit Girard Don, withdrawals
D. debit Girard Don, capital and credit cash
E. debit Girard Don, withdrawals and credit cash

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-14 Posting Journal Entries

79. The process of copying journal information to the ledger is called
A. double-entering
B. posting
C. an internal business transaction
D. journalizing
E. an external business transaction

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-18 Trial Balance
Topic: 02-21 Searching for Errors

80. A column in journals and accounts used to cross reference journal and ledger entries is called the
A. account balance
B. debit
C. posting reference
D. credit
E. description

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-14 Posting Journal Entries

81. A journal in which transactions are first recorded is
A. a book of original entry
B. a ledger
C. a book of final entry
D. a revenue account
E. the cash ledger

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis
Topic: 02-14 Posting Journal Entries

82. The general journal provides a place for recording
A. the transaction date
B. the names of the accounts involved
C. the amount of each debit and credit
D. an explanation of the transaction
E. All of these

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis

83. A balance column ledger account is
A. An account entered on the balance sheet
B. An account with debit and credit columns for recording entries and a third column for showing the balance of the account after each entry is posted
C. Another name for the withdrawals account
D. An account used to record the transfers of assets from a business to its owner
E. A simple form of account that is widely used in accounting education to illustrate the debits and credits required in recording a transaction

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-18 Trial Balance

84. A ledger is
A. A book of original entry
B. A journal in which transactions are first recorded
C. A book in which a complete record of transactions is recorded and from which transaction amounts are posted to the accounts
D. A book of final entry
E. Another name for the bank account

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-18 Trial Balance

85. A book of original entry is
A. A book in which amounts are posted from a journal
B. Another name for the cash account
C. Another name for the general journal
D. Also called a ledger
E. Sometimes called a book of final entry

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis

86. A compound journal entry is
A. A journal entry that has three or more debits and three or more credits
B. A journal entry that affects at least three account
C. A journal entry that affects at least four accounts
D. A journal entry involving at least two accounting periods
E. A journal entry involving only two ledger accounts

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-13 Journal Entry Analysis

87. The most flexible type of journal that can be used to record any kind of transaction is called a
A. Ledger
B. Trial balance
C. Chart of accounts
D. General Journal
E. Balance column account

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis

88. Welder Company purchases supplies from Plumber Company on account. The entry for this transaction will include a
A. Debit to Accounts Payable for Welder Company
B. Debit to Accounts Receivable for Welder Company
C. Debit to Accounts Receivable for Plumber Company
D. Credit to Accounts Payable for Plumber Company
E. Credit to Accounts Receivable for Welder Company

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-16 Accounting Equation Analysis

89. Green's Book Store purchased a new automobile that cost $35,000, made a down payment of $14,000, and signed a note payable for the balance. The entry to record this transaction is

A.

Cash		21,000	
Note Payable		14,000	
	Automobile		35,000

B.

Cash		35,000	
	Automobile		35,000

C.

Automobile		35,000	
	Cash		21,000
	Janfer, Capital		14,000

D.

Automobile		35,000	
	Cash		35,000

E.

Automobile		35,000	
	Notes Payable		21,000
	Cash		14,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-14 Posting Journal Entries
Topic: 02-16 Accounting Equation Analysis

90. Willa opened a new business by investing the following assets: cash, $16,000; land, $23,000; building, $100,000. Also, the business will assume responsibility for a note payable of $22,000. Willa signed the note as part of his payment for the land and building. Which journal entry should be used on the books of the new business to record the investment by Eli?

A.

Assets		139,000	
	Eli, Capital		139,000

B.

Assets		139,000	
	Liability		22,000
	Eli, Capital		117,000

C.

Cash		16,000	
Land		23,000	
Building		100,000	
	Eli, Capital		139,000

D.

Cash		16,000	
Land		23,000	
Building		100,000	
	Note Payable		22,000
	Eli, Capital		117,000

E.

Cash		3,000	
Assets		136,000	
	Eli, Capital		139,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-14 Posting Journal Entries
Topic: 02-16 Accounting Equation Analysis

91. Zen Hatha opened a Yoga Studio and during a short period as a dealer completed these transactions:

(1)	Started the yoga studio, Asha Yoga Studio, by investing $50,000 in cash and equipment with a $28,000 fair value.
(2)	Purchased land valued at $35,000 and a small building valued at $80,000; paid $30,000 cash and signed a note payable, agreeing to pay the balance over a period of years.
(3)	Purchased office supplies on credit, $100.
(4)	Zen Hatha contributed his personal automobile, which had a $12,000 fair value, for exclusive use in the business.
(5)	Paid the yoga instructor salary, $500.
(6)	Completed monthly yoga classes for the value of $6,500 cash.
(7)	Paid $650 cash for a magazine advertisement.
(8)	Paid for the supplies purchased in transaction (3).
(9)	Purchased new yoga mats for the business, paying $300 cash.
(10)	Completed a yoga assessment and billed the client $400.
(11)	Zen Hatha withdrew $200 from the business to pay personal expenses.
(12)	Received payment in full for the appraisal of transaction (10).

What was the total of the debit balances shown in the trial balance prepared after these transactions were posted?
A. $152,300
B. $167,700
C. $173,95
D. $181,900
E. $243,620

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-19 Preparing a Trial Balance
Topic: 02-20 Using a Trial Balance

92. A summary of the ledger that lists the accounts and their balances, in which the total debit balances should equal the total credit balances, is called a(n)
A. Account balance
B. Trial balance
C. Ledger
D. Chart of account
E. General Journal

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-19 Preparing a Trial Balance

93. Which of the following statements is *true*?
A. The trial balance is never used to prepare financial statements.
B. The trial balance is a list of all the accounts in the journal
C. Another name for the trial balance is the "chart of accounts"
D. The trial balance is a list of the accounts in the general ledger
E. A trial balance is only prepared at year end

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-19 Preparing a Trial Balance

94. While in the process of posting from the journal to the ledger, the accountant of X Company failed to post a $50 debit to the Office Supplies account. The effect of this error will be as follows:
A. The Office Supplies account balance will be overstated.
B. The trial balance will not balance.
C. The error will overstate the debits listed in the journal.
D. The total debits in the trial balance will be larger than the total credits.
E. This error will not make any difference.

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-22 Formatting Conventions

95. A $15 credit to Sales was posted as a $150 credit. By what amount is Sales out of balance?
A. $150 understated
B. $135 overstated
C. $150 overstated
D. $15 understated
E. $135 understated

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-22 Formatting Conventions

96. If, on a trial balance, the total of the debits is $7,500 and the total of the credits is $7,419, the difference could have been caused by
A. An error in copying an account balance from the ledger to the trial balance
B. A transposition error
C. A sliding error
D. Posting only one side of an entry
E. All of these

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-22 Formatting Conventions

97. In which of the following situations would the trial balance not balance?
A. A $1,000 collection of an account receivable was incorrectly posted as a debit to Accounts Receivable and a credit to Cash.
B. The purchase of office supplies on account for $3,250 was incorrectly recorded in the journal as $2,350.
C. $50 cash receipt for the performance of a service was not recorded.
D. The purchase of office equipment for $1,200 was posted as a debit to Office Supplies.
E. The payment of a $750 account payable was posted as a debit to Accounts Payable and a debit to Cash for $750.

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-22 Formatting Conventions

98. The purchase on credit of a delivery truck for $9,600 was posted to Delivery Trucks as a $9,600 debit and to Rent Expense as a $9,600 debit. What effect would this error have on the trial balance?
A. The total of the Debit column of the trial balance will exceed the total of the Credit column by $9,600.
B. The total of the Credit column of the trial balance will exceed the total of the Debit column by $9,600.
C. The total of the Debit column of the trial balance will exceed the total of the Credit column by $19,200.
D. The total of the Credit column of the trial balance will exceed the total of the Debit column by $19,200.
E. The total of the Debit column of the trial balance will equal the total of the Credit column.

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-22 Formatting Conventions

99. If the Debit and Credit column totals of a trial balance are equal, then
A. All transactions have been recorded correctly.
B. All entries from the journal have been posted to the ledger correctly.
C. All ledger account balances are correct.
D. The total debit entries and total credit entries in the ledger are equal.
E. No sliding or transposition errors have been made.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-21 Searching for Errors
Topic: 02-22 Formatting Conventions

100. Jelly's Grocery Store showed the following account balances at the end of 2020:

Cash	$32,000
Accounts receivable	39,000
Accounts payable	27,000
Revenue	51,000
Rent expense	2,000
Insurance expense	13,600
Salary expense	8,000
Supplies	25,000
Jelly, capital	49,600
Jelly, withdrawals	8,000

If all of the accounts have normal balances, what is the total of the trial balance?
A. $86,000
B. $119,600
C. $127,600
D. $186,600
E. $255,500

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-19 Preparing a Trial Balance
Topic: 02-20 Using a Trial Balance

101. Of the following errors, which one by itself will cause the trial balance to be out of balance?
A. A $200 salary payment posted as a $200 debit to Cash and a $200 credit to Salaries Expense
B. A $100 receipt from a customer in payment of his account posted as a $100 debit to Cash and a $10 credit to Accounts Receivable
C. A $75 receipt from a customer in payment of his account posted as a $75 debit to Cash and a $75 credit to Cash
D. A $50 cash purchase of office supplies posted as a $50 debit to Office Equipment and a $50 credit to Cash
E. All of these errors will cause the trial balance to be out of balance.

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-20 Using a Trial Balance

102. A $130 credit to Office Equipment was credited to Sales by mistake. By what amounts are the accounts under- or overstated as a result of this error?
A. Office Equipment, understated $130; Sales, overstated $130
B. Office Equipment, understated $260; Sales, overstated $130
C. Office Equipment, overstated $130; Sales, overstated $130
D. Office Equipment, overstated $130; Sales, understated $130
E. Office Equipment, overstated $260; Sales, understated $130

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-20 Using a Trial Balance

103. A receipt of $12,600 cash from a customer as a payment on their account was incorrectly credited to Rent Revenue. What is the effect of this error on the financial statements of the company?
A. Assets are understated by $12,600 and owners' equity is understated by $12,600.
B. Assets are overstated by $12,600 and owners' equity is overstated by $12,600.
C. Assets are overstated by $25,200 and owners' equity is overstated by $25,200.
D. Assets are understated by $12,600 and liabilities are understated by $12,600.
E. Assets are understated by $25,200 and owners' equity is understated by $25,200.

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-10 Double-Entry Accounting
Topic: 02-12 Recording and Posting Transactions
Topic: 02-16 Accounting Equation Analysis
Topic: 02-22 Formatting Conventions

104. On March 2, 2020, Lang Company provided snow removal services to a customer for $1,000 cash. What is the impact of this transaction on the net assets of Lang?
A. No impact
B. Decrease of $1,000
C. Increase of $1,00
D. Increase of $2,000
E. Decrease of $2,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-16 Accounting Equation Analysis

105. What types of account balances are increased by credits?
A. Liabilities and expenses
B. Liabilities and revenues
C. Revenues and expenses
D. Owners' equity and expenses
E. Assets and Liabilities

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-09 Debits and Credits
Topic: 02-10 Double-Entry Accounting

106. The following is a correct journal entry:

Cash	14,400	
Consulting revenue		14,400

What is this journal entry recording?
A. An increase in an asset and an increase in owners' equity.
B. An increase in an asset and a decrease in owners' equity.
C. An increase in an asset and an increase in a liability.
D. An increase in owners' equity and a decrease in assets.
E. A decrease in an asset and a decrease in owners' equity.

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-14 Posting Journal Entries

107. The process of transferring data from the general journal to the general ledger is called
A. Ledgerizing
B. Posting
C. Analyzing
D. Recording
E. Journalizing

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis

108. The following T-accounts reflect the correct posting of a journal entry on January 9, 2017 by Bailey Company:

Cash	
	10,000

Accounts Payable	
10,000	

What transaction is represented by the posting?
A. Bailey sold inventory to a customer for $10,000 on credit.
B. Bailey bought supplies on credit from a supplier for $10,000 on credit.
C. Bailey bought supplies from a supplier for $10,000 cash.
D. Bailey paid a supplier $10,000 cash to pay down the amount owing on their account.
E. Bailey received $10,000 from a customer in payment of his account.

Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis
Topic: 02-15 Accounting Transactions in Action

Short Answer Questions

109. List the steps in the accounting cycle.

(1) Analyze transactions, (2) Journalize, (3) Post, (4) Prepare unadjusted trial balance, (5) Adjust, (6) Prepare adjusted trial balance, (7) Prepare statements, (8) Close, (9) Prepare post-closing trial balance

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-01 Explain the accounting cycle.
Topic: 02-01 The Accounting Cycle

110. Put the steps of the accounting cycle in the correct order: Adjust Analyze transactions Close Journalize Post Prepare adjusted trial balance Prepare post-closing trial balance Prepare statements Prepare unadjusted trial balance

1. Analyze transactions 2. Journalize 3. Post 4. Prepare unadjusted trial balance 5. Adjust 6. Prepare adjusted trial balance 7. Prepare statements 8. Close 9. Prepare post-closing trial balance

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Explain the accounting cycle.
Topic: 02-01 The Accounting Cycle

111. Identify each of the following accounts as a revenue, expense, asset, liability, or equity by placing initials (R, E, A, L or E) in the blanks._____ (1) Rent Expense _____ (2) Cash _____ (3) Equipment _____ (4) Owner, Capital _____ (5) Revenue _____ (6) Accounts Receivable _____ (7) Accounts Payable _____ (8) Owner, Withdrawals _____ (9) Supplies _____ (10) Unearned Revenue _____ (11) Prepaid Insurance _____ (12) Sales

(1) E (2) A (3) A (4) E (5) R (6) A (7) L (8) E (9) A (10) L (11) A (12) R

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-03 The Account
Topic: 02-04 Asset Accounts
Topic: 02-05 Liability Accounts
Topic: 02-06 Equity Accounts

112. The following accounts appear on either the Income Statement (IS) or Balance Sheet (BS). In the space provided next to each account write the letters, IS or BS, that identify the statement on which the account appears.

_______(1) Office Equipment	_______(6) Owner, Capital
_______(2) Salaries Expense	_______(7) Revenue
_______(3) Unearned Revenue	_______(8) Cash
_______(4) Rent Expense	_______(9) Notes Receivable
_______(5) Accounts Payable	_______(10) Wages Payable

(1) BS (2) IS (3) BS (4) IS (5) BS (6) BS (7) IS (8) BS (9) BS (10) BS

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-03 The Account
Topic: 02-04 Asset Accounts
Topic: 02-05 Liability Accounts
Topic: 02-06 Equity Accounts

113. David Thomas is a computer consultant and software engineer. Below are the names of several accounts in his ledger with each account name preceded by a number. Following the account names are several transactions completed by Mr. Thomas. Indicate the accounts debited and credited in recording each transaction by placing the proper account numbers in the boxes to the right of each transaction.

(1) Accounts Payable	(6) Office Supplies Expense
(2) Accounts Receivable	(7) Telephone Expense
(3) Cash	(8) Unearned Engineering Service Revenue
(4) Engineering Service Revenue	(9) David Thomas, Capital
(5) Office Supplies	(10) David Thomas, Withdrawals

		Debit	Credit
Example	Completed consulting for a client who promised to pay at a later date.	2	4
(1)	Received payment in advance for designing a software package.	____	____
(2)	Purchased office supplies on credit.	____	____
(3)	David Thomas wrote a cheque on the bank account of the business to pay his home telephone bill. There were no business calls on the bill.	____	____
(4)	Received the telephone bill of the business and immediately issued a cheque to pay it.	____	____
(5)	Returned for credit a portion of the supplies purchased in Transaction 2.	____	____

(1) debit 3, credit 8 (2) debit 5, credit 1 (3) debit 10, credit 3 (4) debit 7, credit 3 (5) debit 1, credit 5

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-09 Debits and Credits
Topic: 02-10 Double-Entry Accounting

114. Dawn Roberts is a real estate consultant and property manager. Below are the names of several accounts in her ledger with each account name preceded by a number. Following the account names are several transactions completed by Ms. Roberts. Indicate the accounts debited and credited in recording each transaction by placing the proper account numbers in the boxes to the right of each transaction.

(1) Accounts Payable	(9) Management revenue
(2) Accounts Receivable	(10) Prepaid Insurance
(3) Appraisal Service Revenue	(11) Salaries Expense
(4) Cash	(12) Telephone Expense
(5) Insurance Expense	(13) Unearned Appraisal Service Revenue
(6) Office Equipment	(14) Unearned Management Revenue
(7) Office Supplies	(15) Dawn Roberts, Capital
(8) Office Supplies Expense	(16) Dawn Roberts, Withdrawals

	Debit	Credit	
Example: Completed an appraisal for a client who promised to pay at a later date.	2	3	
(1)	Received payment in advance for managing an office building.	____	____
(2)	Purchased office supplies on credit.	____	____
(3)	Dawn Roberts wrote a cheque on the bank account of the business to pay her home telephone bill. There were no business calls on the bill.	____	____
(4)	Received the telephone bill of the business and immediately issued a cheque to pay it.	____	____
(5)	Paid the salary of the office assistant.	____	____
(6)	Paid for the supplies purchased in Transaction 2.	____	____
(7)	Complete an appraisal for a client and immediately collected cash for the work done.	____	____

(1) debit 4, credit 14 (2) debit 7, credit 1 (3) debit 16, credit 4 (4) debit 12, credit 4 (5) debit 11, credit 4 (6) debit 1, credit 4 (7) debit 4, credit 3

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-09 Debits and Credits
Topic: 02-12 Recording and Posting Transactions
Topic: 02-14 Posting Journal Entries
Topic: 02-16 Accounting Equation Analysis

115. Explain the steps in processing transactions in an accounting system.

Business transactions and events are documented by source documents. These source documents are analyzed for the effects of the transactions and events on the accounting records. The information is recorded into the accounting system. The information is then posted to the accounts and organized in the trial balance. The final step is the preparation of financial statements and reports for decision makers.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-01 Explain the accounting cycle.
Topic: 02-01 The Accounting Cycle

116. Explain how accounts are used in recording information about transactions.

Accounts are classified into five major classifications: assets, liabilities, equity, revenues and expenses. Accounts are used to record detailed information about increases or decreases of specific items in these categories. The accounts serve as the information resource for financial statements and reports.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 Describe an account, its use, and its relationship to the ledger.
Topic: 02-03 The Account
Topic: 02-04 Asset Accounts
Topic: 02-05 Liability Accounts
Topic: 02-06 Equity Accounts

117. Explain the difference between a ledger and a chart of accounts.

A ledger is a record containing all of the accounts of a business. The chart of accounts is a list of all of the accounts in the ledger. The chart of accounts usually includes a numbering system for the accounts.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-04 Describe a chart of accounts and its relationship to the ledger.
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-11 Chart of Accounts
Topic: 02-18 Trial Balance

118. Explain debits and credits and their role in the accounting system.

Debit refers to the left side of an account and credit refers to the right side of an account. Debits and credits form the basis of the double-entry accounting system. This system is based on the concept that all transactions and events affect at least two accounts. The double-entry system is organized around the accounting equation which states that assets = liabilities + equity. The left side is the normal balance for assets and the right side is the normal balance for liabilities and equity. Revenues have a right-side normal balance and expenses have a left-side normal balance.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Hard
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-09 Debits and Credits
Topic: 02-10 Double-Entry Accounting

119. Indicate whether a debit or a credit entry would be made to record the following changes in each account.(a) To decrease Cash.(b) To increase Owner, Capital.(c) To decrease Accounts Payable.(d) To increase Salaries Expense.(e) To decrease Supplies.(f) To increase Revenue.(g) To decrease Accounts Receivable.(h) To increase Owner, Withdrawals.

(a) Credit (b) Credit (c) Debit (d) Debit (e) Credit (f) Credit (g) Credit (h) Debit

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-09 Debits and Credits
Topic: 02-10 Double-Entry Accounting

120. The following list of accounts is for Shannon Sales Co.:

(A) Shannon, Capital	(F) Unearned Rent Revenue
(B) Advertising Expense	(G) Interest Payable
(C) Notes Receivable	(H) Commissions Revenue
(D) Land	(I) Shannon, Withdrawals
(E) Prepaid Rent	(J) Service Revenue

Use the form below to identify the type of account and its normal balance. The first one has been done for you as an example.

		Type of Accounts		Normal Balance	
	Asset	**Liab.**	**Equity**	**Dr.**	**Cr.**
(A)	____	____	X	____	X
(B)	____	____	____	____	____
(C)	____	____	____	____	____
(D)	____	____	____	____	____
(E)	____	____	____	____	____
(F)	____	____	____	____	____
(G)	____	____	____	____	____
(H)	____	____	____	____	____
(I)	____	____	____	____	____
(J)	____	____	____	____	____

	Type of Accounts	Normal Balance			
	Asset	**Liab.**	**Equity**	**Dr.**	**Cr.**
(A)	____	____	X	____	X
(B)	____	____	X	X	____
(C)	X	____	____	X	____
(D)	X	____	____	X	____
(E)	X	____	____	_ X	____
(F)	____	X	____	____	X
(G)	____	X	____	____	X
(H)	____	____	X	____	X
(I)	____	____	X	X	____
(J)	____	____	X	____	X

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 Define debits and credits and explain their role in double-entry accounting.
Topic: 02-09 Debits and Credits
Topic: 02-10 Double-Entry Accounting

121. Discuss how the following transactions affect accounts and financial statements. (1) Jillian Robb invested $30,000 cash in Profile Design Co. (2) Profile Design Co. purchased supplies for $5,000 on its credit card. (3) Profile Design Co. purchased equipment for $19,000 and signed a note payable.

(1) Assets increased by $30,000 and equity increased by $30,000. This transaction affects the Balance Sheet, Statement of Changes in Equity, and Statement of Cash Flows. (2) Assets increased by $5,000 and liabilities increased by $5,000. This transaction affects the Balance Sheet. (3) Assets increased by $19,000 and liabilities increased by $19,000. This transaction affects the Balance Sheet.

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-16 Accounting Equation Analysis

122. The Shreddy Company receives a $3,200 bill from a supplier for delivery services rendered. Set up two or more T-accounts below and show how this transaction would be recorded directly in those accounts.

Accounts Payable		**Delivery Expense**	
	3,200	3,200	

Blooms: Apply
Difficulty: Easy
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-15 Accounting Transactions in Action

123. A business paid $2,500 to satisfy a previously recorded account payable. Set up two or more T-accounts below and show how this transaction would be recorded directly in those accounts.

Accounts Payable		Cash	
2,500			2,500

Blooms: Apply
Difficulty: Easy
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-15 Accounting Transactions in Action

124. A business paid $100 to Karen Smith (the owner of the business) for her personal use. Set up two or more T-accounts below and show how this transaction would be recorded directly in those accounts.

Karen Smith, Withdrawal		**Cash**	
100			100

Blooms: Apply
Difficulty: Easy
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-15 Accounting Transactions in Action

125. The following are all of the accounts of Vita Mix Company that have a balance at the end of August, the company's first month of operation:

Accounts receivable	$11,000	Cash	$10,100
Equipment	39,700	Utilities expense	3,000
Service revenues	42,000	Accounts payable	13,800
Rent expense	1,500	Withdrawals, J. Parsons	2,000
Office supplies	2,300	Salaries expense	19,000
Notes payable	22,500	Capital, J. Parsons	10,300

All accounts have normal balances. (A) Calculate profit. (B) Calculate the amount of equity to be shown on the August 31 balance sheet.

(A)	$42,000	Service revenues
	- 1,500	Rent expense
	- 3,000	Utilities expense
	- 19,000	Salaries expense
	$18,500	Profit
(B)	$10,300	Investment by owner
	+18,500	Profit
	- 2,000	Withdrawals
	$26,800	Ending capital

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-16 Accounting Equation Analysis

126. Record the following transactions by making entries directly to the T-accounts provided.

(a) Walter Nole began an auditing firm by investing $4,000 cash and a computer equipment with a 7,000 fair value.
(b) Purchased equipment from Johnson Bros. on credit, $1,500.
(c) Completed auditing work for clients on credit, $2,200.
(d) Paid Johnson Bros. $1,500 of the amount owed.
(e) Completed auditing work for clients on credit, $2,200.
(f) Walter Nole withdrew $500 cash from the practice for personal use.
(g) Received $2,200 for the audit work completed for the clients in Transaction e.
(h) Paid secretary's salary, $1,000.

Cash	**Equipment**	**Accounts Payable**	**Accounts Receivable**
Walter Nole, Withdrawal	**Salary Expense**	**Walter Nole, Capital**	**Audit Revenue**

Cash		Equipment	Accounts Payable		Accounts Receivable	
4,000	1,500	7,000		1,500	2,200	
3,000	500	1,500	1,500			2,200
2,200	1,000					
6,200		8,500				
Walter Nole, Withdrawal		**Salary Expense**	**Walter Nole, Capital**		**Audit Revenue**	
500		1,000		4,000		3,000
				7,000		2,200
500		1,000		11,000		5,200

Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-15 Accounting Transactions in Action

127. On December 2, 2020, the Tropic Company paid $400 for office supplies. Prepare the general journal entry to record this transaction.

Dec 2	Office Supplies	400
	Cash	400
	To record payment of supplies	

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis
Topic: 02-14 Posting Journal Entries

128. Record the following transactions by making entries directly to the T-accounts provided.

(a) Ben Horcica began a legal firm by investing $3,000 cash and a computer equipment with a 1,000 fair value.
(b) Purchased a computer from Wayjax Ltd. on credit, $500.
(c) Completed legal work and received $4,000 cash in full payment.
(d) Paid Wayjax Ltd. $250 of the amount owed.
(e) Completed legal work for clients on credit, $2,500.
(f) Ben Horcica withdrew $500 cash from the practice for personal use.
(g) Received $1,500 for the legalwork completed for the clients in Transaction e.
(h) Paid assistant salary, $700.

Cash	**Computer**	**Accounts Payable**	**Accounts Receivable**
Ben Horcica, Withdrawal	**Salary Expense**	**Ben Horcica, Capital**	**Legal Revenue**

Cash		Computer	Accounts Payable		Accounts Receivable	
3,000	250	1,000		500	2,500	
4,000	500	500	250			1,500
1,500	700					
7,050		1,500		250	1,000	
Ben Horcica, Withdrawal		**Salary Expense**	**Ben Horcica, Capital**		**Audit Revenue**	
500		700		3,000		4,000
				1,000		2,500
500		700		4,000		6,500

Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis
Topic: 02-14 Posting Journal Entries

129. KrenzKarKare, owned and operated by Karl Krenz, began business in September of the current year. Karl, a master mechanic, had no experience with keeping a set of books. As a result, Karl entered all of September's transactions directly to the General Ledger accounts. When he tried to locate a particular entry originally made on September 8, he found it confusing and time-consuming. He has hired you to improve his bookkeeping procedures. The accounts in his General Ledger follow:

Cash 100		**Equipment 150**	
9/1 (a) 2,550	9/8 (b) 375	9/1 (a) 450	
9/11 (d) 45		9/8 (b) 1,125	
9/15 (e) 22			
K.Krenz, Capital 300		**Notes Payable 250**	
	9/1 (a) 3,000		9/8 (b) 750
Accounts Receivable 105		**Revenue 400**	
9/9 (c) 90	9/15 (e) 22		9/9 (c) 90
			9/11 (d) 45

Prepare the general journal entries, in chronological order, from the general ledger entries shown. Include a brief description of the probable nature of each transaction.

1	Cash	100		2,550	
	Equipment	150		450	
	K. Krenz, Capital	300			3,000
	To record initial investment.				
8	Equipment	150		1,125	
	Cash	100			375
	Notes Payable	250			750
	To record purchase equipment				
9	Accounts Receivable		105	90	
	Revenue		400		90
	To record credit sale of services				
11	Cash		100	45	
	Revenue		400		45
	To record cash sale of services.				
15	Cash		100	22	
	Accounts Receivable		105		22
	To record collection from customer				

Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis
Topic: 02-14 Posting Journal Entries
Topic: 02-15 Accounting Transactions in Action
Topic: 02-16 Accounting Equation Analysis

130. Cheryl Fereday began an engineering design company and during the month of October completed these transactions:(a) Began business by investing cash, $11,000, and computer equipment with a fair value of $3,000.(b) Paid rent for one year in advance, $3,000.(c) Completed a beam design and billed the client for $3,000.(d) Paid the utilities bill for the month, $100.(e) Wrote a $1,000 cheque on the business bank account for personal expenses. Prepare journal entries to record the above transactions. Include a brief description for each entry.

(a)	Cash	11,000	
	Computer Equipment	3,000	
	Cheryl Fereday, Capital		14,000
	To record initial investment		
(b)	Prepare Rent	3,000	
	Cash		3,000
	To record payment for one year's rent		
(c)	Accounts Receivable	3,000	
	Engineering Design Revenue		3,000
	To record computer services completed on account		
(d)	Utilities Expense	100	
	Cash		100
	To record payment of utilities		
(e)	Cheryl Fereday, Withdrawals	1,000	
	Cash		1,000
	To record withdrawal by owner		

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis
Topic: 02-14 Posting Journal Entries
Topic: 02-16 Accounting Equation Analysis

131. Jay Smith's Word Processing began business and completed these transactions during the month of November:(a) Purchased office supplies on account, $75.(b) Completed work for a publisher on credit, $500.(c) Paid for the office supplies purchased in Transaction a.(d) Completed work for a resume writing service and received $85 cash.(e) Received $500 for the work described in Transaction b. Prepare journal entries to record the above transactions. Include a brief description for each entry.

(a)	Office Supplies	75	
	Accounts Payable		75
	To record office supplies purchased on account		
(b)	Accounts Receivable	500	
	Word Processing Revenue		500
	To record work completed on credit		
(c)	Accounts Payable	75	
	Cash		75
	To record payment of account payable		
(d)	Cash		
	Word Processing Revenue	85	
	To record work completed for cash		85
(e)	Cash	500	
	Accounts Receivable		500
	To record receipt of receivable		

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis
Topic: 02-14 Posting Journal Entries
Topic: 02-16 Accounting Equation Analysis

132. Dave Shurek started Hindsight Electric in February 2020. Hindsight completed the following transactions during February of the current year:

Feb. 1	Began a Hindsight Electric company by investing $7,000 in cash and
	computer equipment having a $5,000 fair value.
Feb. 2	Purchased electrical tools for $1,100 on account.
Feb. 4	Completed hot tub electrical work for $1,900 on account.
Feb. 8	Completed electrical panel upgrade for $500 cash.
Feb. 10	Paid for the items purchased on credit on February 2.
Feb. 14	Paid $1,600 for the annual rent.
Feb. 18	Received $900 for the work completed on February 4.
Feb. 27	D. Shurek withdrew $200 cash from the practice to pay personal expenses.
Feb. 28	Paid the February utility bills, $100.

Prepare general journal entries to record the transactions. Include a brief description for each entry.

Feb	1	Cash	7,000	
		Computer Equipment	5,000	
		D. Shurek, Capital		12,000
		Owner invested in business		
	2	Tools	1,100	
		Accounts Payable		1,100
		Purchased electrical tools on credit		
	4	Accounts Receivable	1,900	
		Electrical Service Revenue		1,900
		Rendered repair services on account		
	8	Cash	500	
		Electrical Service Revenue		500
		Rendered electrical services for cash		
	10	Accounts Payable	1,100	
		Cash		1,100
		Paid for accounts payable on Feb 2		
	14	Prepaid Rent	1,600	
		Cash		1,600
		Paid for rent in advance for one year		
	18	Cash	900	
		Accounts Receivable		900
		Received payment on account		
	27	D. Shurek, Withdrawals	200	
		Cash		200
		Owner withdraw cash		
	28	Utilities Expense	100	
		Cash		100

		Paid utility bill		

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis
Topic: 02-14 Posting Journal Entries
Topic: 02-16 Accounting Equation Analysis

133. On June 20, 2020, Lucie Majeau invested the following assets in a new sole proprietorship: cash, $12,000; office equipment, $6,000; land, $100,000; building, $115,000. Majeau owes the bank a $25,000 note payable that is secured by the land and building. Prepare the general journal entry to record Majeau's investments in the new business.

Jun 20	Cash	12,000	
	Office Equipment	6,000	
	Land	100,000	
	Building	115,000	
	Lucie Majeau, Capital		208,000
	Note Payable		25,000
	To record initial investment by owner		

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-13 Journal Entry Analysis
Topic: 02-14 Posting Journal Entries
Topic: 02-16 Accounting Equation Analysis

134. Explain the recording and posting processes.

Information from business transactions is recorded in the journal in the form of journal entries. The journal entries include the date, the account titles, debit and credit amounts, and a description of the transaction. During the posting process the debit and credit amounts recorded in the journal are transferred to the individual accounts in the general ledger.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-14 Posting Journal Entries
Topic: 02-15 Accounting Transactions in Action

135. Discuss the use of the trial balance.

The trial balance is a list of all of the accounts in the general ledger with their balances at a specific date. The list is organized in general ledger order, by debit and credit balances. The purpose of the trial balance is to summarize the account totals and to verify the accuracy of the total debits and credits. If the total debits and credits are not equal, then the trial balance is out of balance, which indicates an error in the accounting records.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-19 Preparing a Trial Balance
Topic: 02-21 Searching for Errors

136. For each of the following errors, indicate on the schedule the amount it will cause the trial balance to be out of balance and which trial balance column (i.e., debit or credit) will have the larger total as a result of the error.(a) A $100 debit to Cash was debited to the Cash account twice.(b) A $1,900 credit to Sales was posted as a $190 credit.(c) A $5,000 debit to Office Equipment was debited to Office Supplies.(d) A $625 debit to Prepaid Insurance was posted as a $62.50 debit.(e) A $520 debit to Supplies (purchased on account) was posted correctly, but the corresponding credit to Accounts Payable was not posted.

Error	Amount Out of Balance	Column Having Larger Total
(a)	_________	_________
(b)	_________	_________
(c)	_________	_________
(d)	_________	_________
(e)	_________	_________

Error	Amount Out of Balance	Column Having Larger Total
(a)	$100	Debit
(b)	$1,710	Debit
(c)	-	-
(d)	$562.50	Credit
(e)	$520	Debit

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-19 Preparing a Trial Balance
Topic: 02-22 Formatting Conventions

137. After preparing an unadjusted trial balance at year-end, the accountant for Chu Design Company discovered the following errors:(1) The payment of the $225 telephone bill for December was recorded twice.(2) The payment of a $1,000 note payable was recorded as a debit to Cash and a debit to Notes Payable.(3) A $900 withdrawal by the owner was recorded to the correct accounts as $90.(4) An additional investment of $5,000 by the owner was recorded as a debit to G. Chu, Capital and a credit to Cash.(5) A credit purchase of office equipment for $1,800 was recorded as a debit to the Office Equipment account with no offsetting credit entry. Using the form below, indicate if each error would cause the trial balance to be out of balance. Would the error cause the trial balance to be out of balance?

Error	Yes	No
(1)	________	________
(2)	________	________
(3)	________	________
(4)	________	________
(5)	________	________

Would the error cause the trial balance to be out of balance?

Error	Yes	No
(1)		X
(2)	X	
(3)		X
(4)		X
(5)	X	

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-22 Formatting Conventions

138. The balances for the accounts of Millie's Maintenance Co. for the year ended December 31, 2020 are shown below. Each account shown has a normal balance.

Accounts payable	$15,000	Equipment	$11,250
Accounts receivable	10,000	Wages expense	22,000
Cash	?	Utilities expense	2,450
Maintenance supplies	3,300	Millie, withdrawals	?
Building	50,500	Notes payable	32,000
Supplies expense	2,200	Land	10,000
Millie, capital, beginning	5,000*	Unearned maintenance revenue	22,500
Maintenance revenue	206,000		

*The ending balance of the capital account is $20,000; the only addition to the account for the year was profit. Calculate the correct balances for Cash and Millie, Withdrawals and prepare a trial balance.

Millie's Maintenance Co. Trial Balance December 31, 2020		
Cash**	19,450	
Accounts receivable	10,000	
Maintenance supplies	3,300	
Land	10,000	
Building	50,500	
Equipment	$11,250	
Accounts payable		15,000
Unearned maintenance revenue		22,500
Notes payable		32,000
Millie, capital		20,000
Millie, withdrawals*	164,350	
Maintenance revenue		206,000
Wages expense	22,000	
Utilities expense	2,450	
Supplies expense	2,200	
Totals	295,500	295,500

*Millie, capital, beginning	$5,000	
Add: Profit	179,350	
Millie, capital, end	(20,000)	
Millie, withdrawals	164,350	
Profit		
Maintenance revenue		206,000
Wages expense	22,000	
Utilities expense	2,450	
Supplies expense	2,200	
Total Operating Expenses		26,650
Profit		179,350
**Cash		
Total Credits	295,500	
Total Debits	276,050	
Cash	19,450	

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-19 Preparing a Trial Balance
Topic: 02-20 Using a Trial Balance

139. Charlene Addemup prepared the following trial balance from the general ledger of Big Bang Cleaning Service. It did not balance.

Big Bang Cleaning Service
Trial Balance
December 31, 2020

Cash	$975	
Accounts receivable	3,800	
Cleaning equipment	13,500	
Office equipment	6,600	
Accounts payable		4,510
Millie, capital		23,000
Millie, withdrawals*	4,200	
Cleaning fees earned		10,875
Cleaning expense	8,600	
Totals	$37,675	$38,385

Because the trial balance did not balance, Charlene decided to examine the accounting records very closely. She found that the following errors had been made:

(1)	A purchase of cleaning equipment on account for $400 was posted as a debit to Cleaning Equipment and as a debit to Accounts Payable.
(2)	An investment of $600 by the owner was debited to Frank, Capital and credited to Cash.
(3)	In calculating the balance of the Accounts Receivable account, a debit of $910 was omitted from the calculation.
(4)	One debit of $300 to the Frank, Withdrawals account was posted as a credit.
(5)	Office equipment purchased for $600 was posted to the Cleaning Equipment account.
(6)	One entire entry was not posted to the general ledger. The transaction involved the receipt of $100 for cleaning services performed for cash.

Prepare a corrected trial balance for the Big Blue Cleaning Service at December 31, 2020.

Big Bang Cleaning Service Trial Balance December 31, 2020				
			Errors	
			Debit	Credit
Cash	$975		1,200 100	
Accounts receivable	3,800		910	
Cleaning equipment	13,500			600
Office equipment	6,600		600	
Accounts payable		4,510		800
Frank, capital		23,000		1,200
Frank, withdrawals*	4,200		600	
Cleaning fees earned		10,875		100
Cleaning expense	8,600			
Totals	$37,675	$38,385		

Big Bang Cleaning Service Trial Balance December 31, 2020			
(2) (6)	Cash	$2,275	
(3)	Accounts receivable	4,710	
(5)	Cleaning equipment	12,900	
(5)	Office equipment	7,200	
(1)	Accounts payable		5,310
(2)	Frank, capital		24,200
(4)	Frank, withdrawals*	4,800	
(6)	Cleaning fees earned		10,975
	Cleaning expense	8,600	
	Totals	$40,485	$40,485

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-19 Preparing a Trial Balance
Topic: 02-22 Formatting Conventions

The following postings show transactions for November, 2020 for Guttierez Contracting.

Cash		**Accounts Payable**	
Nov 1 60,000	Nov 8 33,600	Nov 21 480	Nov 15 3,200
Nov 30 35,000	Nov 25 10,000		
Land		**Notes Payable**	
Nov 8 70,000		Nov 25 10,000	Nov 8 100,000
Building		**Joe Guttierez, Capital**	
Nov 8 63,600			Nov 1 60,000
			Nov 30 35,000
Office Equipment			
Nov 15 3,200	Nov 21 480		
(a) Nov 1:			
Cash	60,000		
	Joe Guttierez, Capital 60,000		

140. Use the data from the T account postings to re-create the journal entries made for November. Prepare an explanation for each entry. The first one is done for you as an example for the November 1 posting.

Nov-01	Cash		60,000	
		Joe Guttierez,		
		Capital		60,000
	Owner invested 60,000 in the business			
Nov-08	Land		70,000	
	Building		63,600	
		Notes payable		100,000
		Cash		33,600
	Purchased land and building, paid cash and assumed a notes payable			
Nov-15	Office Equipment		3,200	
		Accounts		
		Payable		3,200
	Purchased Office Equipment on account			
Nov-21	Account payable		480	
		Office		
		Equipment		480
	Returned Office Equipment			
Nov-25	Notes payable		10,000	
		Cash		10,000
	Paid portion of bank loan			
Nov-30	Cash		35,000	
		Joe Guttierez,		
		Capital	35,000	
	Owner invested 35,000 into the business			

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-05 Analyze the impact of transactions on accounts, record transactions in a journal, and post entries to a ledger.
Topic: 02-12 Recording and Posting Transactions
Topic: 02-15 Accounting Transactions in Action
Topic: 02-16 Accounting Equation Analysis

141. Use the information in the "T" accounts and prepare a trial balance at November 30, 2020

Guttierez Contracting
Trial Balance
November 30, 2020

Account	Debit	Credit
Cash	$51,400	
Land	70,000	
Building	63,600	
Office Equipment	2,720	
Accounts Payable		$2,720
Notes Payable		90,000
Joe Guttierez, Capital		95,000
	$187,720	$187,720

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-06 Prepare and explain the use of a trial balance.
Topic: 02-19 Preparing a Trial Balance
Topic: 02-20 Using a Trial Balance