

***Accounting Essentials Custom Title for CSI 1st
edition Weinstein Test Bank***

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Name _____
Class _____
Date _____

Chapter 02 Test

1. A check written to a supplier is an example of a source document.
 - a. True
 - b. False
2. What CANNOT be a source document for a business?
 - a. A check from a customer
 - b. An invoice sent to a customer
 - c. A balance sheet
 - d. A bank statement
3. Which statement regarding a sales order is inaccurate?
 - a. It's an internal document that's never provided to the purchasing company.
 - b. It's prepared by the seller.
 - c. It's used by the billing department.
 - d. It's used to complete shipment of the goods sold
4. How is a recurring entry recorded?
 - a. Multiple times, in a different manner each time
 - b. Only once
 - c. Multiple times in the same manner
 - d. None of these options
5. What is the first step in the accounting cycle?
 - a. Post journal entries.
 - b. Prepare financial statements.
 - c. Analyze business transactions.
 - d. Prepare the unadjusted trial balance.
6. Match each term to its best description.

a. Check	_____ A bill for goods or services
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- | | | |
|--------------------|-------|---|
| b. Source document | _____ | Any document with information on one or more transactions |
| c. Invoice | _____ | Report outlining business activities for a given month |
| d. Bank statement | _____ | Document with information on a payment received or made |

7. The cost principle states that a business may record the current market price if it's greater than the amount listed on an invoice

- a. True
- b. False

8. The matching principle states that expenses must be matched with their appropriate source document.

- a. True
- b. False

9. Identify the item that is NOT a generally accepted accounting principle?

- a. Revenue principle
- b. Expense spending principle
- c. Matching principle
- d. Time-period principle

10. Match each GAAP principle to its best description.

- | | | |
|--------------------------|-------|---|
| a. Cost principle | _____ | Express amounts in a consistent currency (U.S. dollars). |
| b. Matching principle | _____ | Expenses must be recorded in the same time period as the revenue they generate. |
| c. Time-period principle | _____ | The amount recorded in the |

- | | |
|------------------------------|--|
| | financial records
reflects the cost
paid. |
| d. Revenue principle | _____ Revenue is
recorded when
earned, regardless
of when cash
exchanges hands. |
| e. Monetary unit principle | _____ A public company
must report all
pertinent
information about
company activities. |
| f. Full disclosure principle | _____ Accounting activity
must be reported
over specific
periods. |

11. After all postings are completed and prior to the recording of adjusting entries, an unadjusted trial balance is prepared.

- a. True
- b. False

12. When is revenue recognized under the accrual basis of accounting?

- a. When cash is received
- b. When services are rendered
- c. When a contract is signed
- d. None of these options

13. Match each term to its explanation.

- | | |
|--------------------------------|---|
| a. Unadjusted trial balance | _____ Summarizes
account balances in
one location |
| b. Accrual basis of accounting | _____ Expenses are
recorded when
incurred |
| c. Cash basis of accounting | _____ Revenue is
recorded when cash
is received |

14. Net income is reported on both the income statement and statement of owner's equity.

- a. True
- b. False

15. The statement of owner's equity displays all assets, liabilities, and owner's equity.

- a. True
- b. False

16. Which of these IS NOT a financial statement?

- a. Bank statement
- b. Income statement
- c. Balance sheet
- d. Statement of cash flows

17. Match each financial statement to its best description.

- | | |
|--------------------------------|--|
| a. Income statement | _____ Summarizes activities leading to a company's ending cash balance |
| b. Statement of owner's equity | _____ Illustrates that assets = liabilities + owner's equity |
| c. Balance sheet | _____ Reports net income and owner drawing |
| d. Statement of cash flows | _____ Reports revenue, expenses, and net income |

18. Classify each item as a source document, a rule dictated within GAAP, or a financial statement.

A. Bank statement

- a. Source document
- b. GAAP rule
- c. Financial statement

B. Statement of owner's equity

- a. Source document
- b. GAAP rule

- c. Financial statement

C. Time-period principle

- a. Source document
- b. GAAP rule
- c. Financial statement

D. Matching principle

- a. Source document
- b. GAAP rule
- c. Financial statement

E. Invoice

- a. Source document
- b. GAAP rule
- c. Financial statement

F. Balance sheet

- a. Source document
- b. GAAP rule
- c. Financial statement

19. Permanent accounts are closed and transferred to the owner's capital account.

- a. True
- b. False

20. Rent Expense and Owner's Drawing are examples of temporary accounts.

- a. True
- b. False

21. Which of these is a permanent account?

- a. Rent Expense
- b. Owner's Drawing
- c. Unearned Revenue
- d. Rent Revenue

22. Match each item related to closing a company's books to its best description.

- | | | |
|-------------------------------|-------|---|
| a. Temporary accounts | _____ | Accounts that remain after the closing process ends |
| b. Permanent accounts | _____ | Revenue, expenses, and drawing |
| c. Post-closing trial balance | _____ | Report created in the last step in the accounting cycle |
| d. Closing process | _____ | The act of resetting certain accounts to zero |

23. Indicate during which step of the accounting cycle each item would appear. (Step 1: Analyze Business Transactions. Step 5: Adjusting Entries and Adjusted Trial Balance Step 7: Closing Entries and Post-Closing Trial Balance)

A. Determine, prior to period end, accounts impacted by a transaction

- a. Step 1
- b. Step 5
- c. Step 7

B. Record transactions for activities not yet in the books

- a. Step 1
- b. Step 5
- c. Step 7

C. At period-end, conform to the accrual basis of accounting

- a. Step 1
- b. Step 5
- c. Step 7

D. Run a trial balance with only account balances used in the balance sheet

- a. Step 1
- b. Step 5
- c. Step 7

E. Examine a purchase order

- a. Step 1
- b. Step 5
- c. Step 7

F. Ensure temporary accounts have zero balances

- a. Step 1
- b. Step 5
- c. Step 7

24. Place the accounting cycle steps in the correct order.

- _____ Analyze Business Transactions
- _____ Record Journal Entries
- _____ Post Journal Entries
- _____ Unadjusted Trial Balance
- _____ Adjusting Entries and Adjusted Trial Balance
- _____ Financial Statements
- _____ Closing Entries and Post-Closing Trial Balance

25. Place the trial balances in the order they are completed within the accounting cycle.

- _____ Unadjusted Trial Balance
- _____ Adjusted Trial Balance
- _____ Post-Closing Trial Balance

Answer Key:

- 1. a
- 2. c
- 3. a
- 4. c
- 5. c

6. a. Check

c A bill for goods or services

b. Source document

Any document with
b information on one or more transactions

c. Invoice

d Report outlining business activities for a given month

d. Bank statement

a Document with information on a payment received or made

7. b

8. b

9. b

10.

a. Cost principle

Express amounts in a
e consistent currency (U.S.
dollars).

b. Matching principle

Expenses must be recorded in
b the same time period as the
revenue they generate.

c. Time-period principle

The amount recorded in the
a financial records reflects the
cost paid.

d. Revenue principle

Revenue is recorded when
earned, regardless of when cash
exchanges hands.

e. Monetary unit principle

A public company must report
f all pertinent information about
company activities.

f. Full disclosure principle

Accounting activity must be
c reported over specific periods.

11. a

12. b

13.

a. Unadjusted trial balance

a Summarizes account balances
in one location

b. Accrual basis of accounting

b Expenses are recorded when
incurred

c. Cash basis of accounting

c Revenue is recorded when
cash is received

14. a

15. b

16. a

17.

a. Income statement

Summarizes activities leading
d to a company's ending cash
balance

b. Statement of owner's equity

Illustrates that assets =
c liabilities + owner's equity

c. Balance sheet

b Reports net income and owner
drawing

	d. Statement of cash flows	Reports revenue, expenses, and net income
18-1.	a	
18-2.	c	
18-3.	b	
18-4.	b	
18-5.	a	
18-6.	c	
19.	b	
20.	a	
21.	c	
22.	a. Temporary accounts	<u>b</u> Accounts that remain after the closing process ends
	b. Permanent accounts	Revenue, expenses, and drawing
	c. Post-closing trial balance	<u>c</u> Report created in the last step in the accounting cycle
	d. Closing process	<u>d</u> The act of resetting certain accounts to zero
23-1.	a	
23-2.	b	
23-3.	b	
23-4.	c	
23-5.	a	
23-6.	c	

- 24.
 - 1 Analyze Business Transactions
 - 2 Record Journal Entries
 - 3 Post Journal Entries
 - 4 Unadjusted Trial Balance
 - 5 Adjusting Entries and Adjusted Trial Balance
 - 6 Financial Statements
 - 7 Closing Entries and Post-Closing Trial Balance
- 25.
 - 1 Unadjusted Trial Balance
 - 2 Adjusted Trial Balance
 - 3 Post-Closing Trial Balance

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Chapter 2 Quiz

1. Bank statements are typically provided to bank account holders monthly.
 - a. True
 - b. False
2. The first stage of the accounting cycle is to analyze business transactions.
 - a. True
 - b. False
3. Complying with GAAP is optional when recording journal entries.
 - a. True
 - b. False
4. The revenue principle dictates that revenue must be recorded in the same period the cash payment is received.
 - a. True
 - b. False
5. As part of the accounting cycle, three trial balances are completed.
 - a. True
 - b. False
6. You prepare the unadjusted trial balance before posting journal entries.
 - a. True
 - b. False
7. A benefit of the unadjusted trial balance is that it identifies all errors made during the period.
 - a. True

- b. False
8. Adjusting entries are associated with the accrual basis of accounting.
- a. True
 - b. False
9. The final figure on the income statement is net income (or net loss).
- a. True
 - b. False
10. The balance sheet is a reconciliation that displays all activity related to owner's equity.
- a. True
 - b. False
11. What is NOT considered a source document?
- a. A transaction
 - b. A check
 - c. A bank statement
 - d. A deposit slip
12. What's the first step of the accounting cycle?
- a. Record the journal entries
 - b. Prepare the unadjusted trial balance
 - c. Analyze the transactions
 - d. Create the financial statements
13. Which principle requires expenses are recorded in the same period the revenue is generated?
- a. Time-period principle
 - b. Cost principle
 - c. Matching principle
 - d. Full-disclosure principle
14. Which of these is NOT a financial statement?
- a. A balance sheet

- b. A statement of owner's equity
- c. A statement of cash flows
- d. A post-closing trial balance

15. Which statement describes a sales order?

- a. It's sent by the bank to the company and outlines all activity during the month.
- b. It provides information regarding a payment received from a customer or made to a supplier.
- c. Prepared by the purchasing company, it indicates a desire to purchase items from a seller.
- d. Prepared by a seller upon receipt of a purchase order, it verifies the seller's intent to accept the terms of the purchase order.

16. What is a recurring entry?

- a. An infrequent entry
- b. A type of entry that's recorded differently every accounting period
- c. One that is recorded in the same manner every accounting period
- d. An entry that requires a new source document each time it's recorded

17. Which principle dictates that accounting activity may be expressed over a specific period?

- a. Cost principle
- b. Time-period principle
- c. Full disclosure principle
- d. Matching principle

18. What's something the unadjusted trial balance CANNOT do?

- a. Help confirm account balances are correctly calculated
- b. Summarize account balances in one location
- c. Identify all potential errors
- d. Locate transposition errors (such as \$123 instead of \$132)

19. Under the accrual basis of accounting, _____ is recorded when earned and expenses are recorded when _____.

20. Which account would appear on a balance sheet?

- a. Sales Revenue
- b. Equipment

- c. Utilities Expense
- d. Service Revenue

Answer Key:

- 1. a
- 2. a
- 3. b
- 4. b
- 5. a
- 6. b
- 7. b
- 8. a
- 9. a
- 10. b
- 11. a
- 12. c
- 13. c
- 14. d
- 15. d
- 16. c
- 17. b
- 18. c
- 19. revenue,incurred
- 20. b