**Question Bank for Chapter 2 - Accounting and the Business Environment**

**Theory:**

1. Explain accounts, journals, and ledgers as they relate to recording transactions and describe common accounts.
2. “The terms debit and credit mean increase and decrease, respectively.” Do you agree? Explain.
3. Define debits, credits, and normal account balances, and use double-entry accounting and T-accounts.
4. List the steps of the transaction recording process.

**Math:**

**Problem-1: -**

On September 1, 2014, Michael Moe incorporated Moe’s Mowing, Inc., a company that provides mowing and landscaping services. During the month of September, the business incurred the following transactions:

a. To begin operations, Michael deposited $10,000 cash in the business’s bank account. The business received the cash and issued common stock to Michael.

b. The business purchased equipment for $3,500 on account.

c. The business purchased office supplies for $800 cash.

d. The business provided $2,600 of services to a customer on account.

e. The business paid $500 cash toward the equipment previously purchased on account in transaction b.

f. The business received $2,000 in cash for services provided to a new customer.

g. The business paid $200 cash to repair equipment.

h. The business paid $900 cash in salary expense.

i. The business received $2,100 cash from customers on account.

j. The business paid cash dividends of $1,500.

Requirements:

1. Journalize the transactions and show how they are recorded in T-accounts.

2. Total all of the T-accounts to determine their balances at the end of the month.

**Problem-2: -**

Mrs. Sultana is a licensed dentist. During the first month of the operation of her business, the following events and transactions occurred.

Nov. 1 Invested Tk. 400,000 cash.

1 Hired a secretary-receptionist at a salary of Tk. 6,000 per week.

2 Paid office rent for the month Tk. 10,000.

3 Purchased dental supplies on account Tk. 40,000.

10 Provided dental services and billed insurance companies Tk. 15,100.

11 Received Tk. 10,000 cash advance from Mr. X for an implant.

20 Received Tk. 12,000 cash for services completed.

30 Paid secretary-receptionist for the month Tk. 6,000.

30 Paid Tk. 40,000 to Smile Company for accounts payable due.

Ms. Sultana uses the following chart of accounts: No. 101 Cash, No. 112 Accounts Receivable, No. 126 Supplies, No. 201 Accounts Payable, No. 205 Unearned Revenue, No. 301 Maria Juarez, Capital; No. 400 Service Revenue, No. 726 Salaries Expense, and No. 729 Rent Expense.

Instructions

(a) Journalize the transactions.

(b) Post to the ledger accounts.

(c) Prepare a trial balance on November 30, 2021.

**Problem-3: -**

Holz Disc Golf Course was opened on March 1 by Ian Holz. The following selected events and transactions occurred during March.

Mar. 1 Invested $20,000 cash in the business.

3 Purchased Rainbow Golf Land for $15,000 cash. The price consists of land $12,000, shed $2,000, and equipment $1,000. (Make one compound entry.)

5 Paid advertising expenses of $900.

6 Paid cash $600 for a one-year insurance policy.

10 Purchased golf discs and other equipment for $1,050 from Stevenson Company payable in 30 days.

18 Received $1,100 in cash for golf fees (Holz records golf fees as service revenue).

19 Sold 150 coupon books for $10 each. Each book contains 4 coupons that enable the holder to play one round of disc golf.

25 Withdrew $800 cash for personal use.

30 Paid salaries of $250.

30 Paid Stevenson Company in full.

31 Received $2,700 cash for golf fees.

Holz Disc Golf uses the following accounts: Cash, Prepaid Insurance, Land, Buildings, Equipment, Accounts Payable, Unearned Service Revenue, Owner’s Capital, Owner’s Drawings, Service Revenue, Advertising Expense, and Salaries and Wages Expense.

Instructions: Journalize the March transactions.