

1. A company paid \$500 for supplies that it purchased last month. The decrease in liabilities would be recorded with a _____ to Accounts Payable.	Debit	13. In May, Pasta Disasta, Inc. paid its suppliers \$500 that it owed for the pizza pans purchased and received in April. Which accounts are affected? (Check all that apply.)	Cash is decreased Accounts Payable is decreased
2. In May, Pasta Disasta, Inc. pays its suppliers \$1,000 for supplies received in April. The effect on the accounting equation is a _____. (Check all that apply.)	\$1,000 decrease in liabilities \$1,000 decrease in assets	14. A company paid \$200 cash for supplies that were purchased last month. However, the company recorded a debit to Accounts Payable of \$200 and a credit to Cash of \$20. This companies accounting records are _____.	Incorrect, because debits do not equal credits
3. Identify the account title that may be used to record borrowing cash in exchange for a promissory note.	Note Payable	15. Company X issued \$10,000 of common stock to its owners for cash. It recorded the transaction by increasing assets and increasing liabilities. Which of the following statements are correct? (Check all that apply.)	Stockholders' equity will be too low Liabilities will be too high
4. The Cash T-Account is increased with an entry on the _____ side of the T-Account. (Enter one word per blank.)	Left	16. When a company pays its supplier for amounts owed, its Cash and Accounts _____ accounts are decreased. (Enter only one word per blank.)	Payable
5. List the components of a classified balance sheet in the proper order in accordance with GAAP. List from top to bottom.	1. Current assets 2. Non-current assets 3. Current liabilities 4. Non-current liabilities 5. Stockholders' equity	17. Equipment on a balance sheet is the result of a(n) _____ activity.	Investing
6. The Common Stock account is increased with an entry on the _____ side of the T-Account.	Right	18. A company purchased a new cash register in exchange for a cash payment of \$1,200. As a result of recording the purchase, _____. (Check all that apply.)	Total assets remain the same One asset is exchanged for another
7. Two sources of financing for a new business are _____. (Check all that apply.)	Creditors Stockholders	19. A company typically receives _____, an asset, when it issues stock to its owners.	Cash
8. When a company buys an asset on account _____.	Assets increase Liabilities increase	20. The line item, Common Stock, on the balance sheet results from a(n) _____ activity.	Financing
9. Which of the following is an appropriate application of the cost principle regarding land that was purchased 20 years ago and has increased in value?	The land is reported on the balance sheet at the original price paid for it	21. The Mortgage Payable account is increased with an entry on the _____ side of the T-Account. (Enter one word per blank.)	Right
10. Liabilities have a normal _____ balance	Credit	22. Acme Enterprises borrowed \$20,000 from Last Bank on a 5-year note payable. Acme's journal entry to record this transaction will include a _____ of \$20,000. (Select all that apply.)	Debit to cash Credit to Notes Payable
11. True or False: An exchange of a promise to deliver an asset in the future for a promise to pay in the future is a transaction.	False	23. List these liability accounts in the order in which they would appear on a company's balance sheet.	1. Note Payable (due in 5 months) 2. Note Payable (due in 5 years) 3. Mortgage payable (due in 25 years)
12. MMM Pizza bought \$1,500 of supplies on account (i.e., on credit). What is the effect of recording this transaction on the company's total liabilities?	Total liabilities will increase		

24. A transaction may be recorded with an increase in a liability and a(n) _____.	Increase in an asset	36. A Company purchased \$100,000 building in exchange for a 20-year note payable. The company recorded a \$100,000 increase in the building account but did not record the note payable. As a result of this error _____. (Check all that apply.)	Total assets are correct Total liabilities are too low
25. A company paid \$2,000 cash to an employee for this month's salary. The entry to record this transaction would include a _____ to Cash.	Credit	37. The effect of journal entries on each account is summarized in the _____. (Enter one word per blank.)	Ledger
26. Which of these line items appear on a balance sheet? (Check all that apply.)	Assets Liabilities Stockholders' Equity	38. Able Company purchased \$25,000 worth of equipment for \$5,000 cash and a \$20,000, 5-year note payable. The journal entry to record this transaction would include a _____.	Debit to equipment of \$25,000 Credit to note payable of \$20,000 Credit to cash of \$5,000
27. Accounts _____ is a liability account and represents amounts owed to suppliers.	Payable	39. Shoe Fly, Inc. purchased software. It paid \$100 and promised to pay the remainder next month. What did Shoe Fly give and receive in this transaction? (Check all that apply.)	Cash is given A promise to pay is given Software is received
28. Acme Enterprises issued \$20,000 of stock in exchange for cash. the journal entry to record this transaction will include a _____ of \$20,000.	Debit to Cash	40. Assets that will be used up or converted to cash within 12 months are _____ assets. (Enter only one word per blank.)	Current
29. The Equipment Account is increased with an entry on the _____ side of the Equipment T-Account. (Enter one word per blank.)	Left	41. List the steps in the accounting cycle in chronological order	1. Record a journal entry 2. Summarize in the ledger (T-accounts) 3. Prepare an unadjusted trial balance 4. Adjust the accounts 5. Prepare financial statements 6. Close the books
30. Which of the following statements is true?	Accounts Payable is a liability		
31. Current assets divided by current liabilities is the _____ ratio.	Current		
32. Acme Enterprises issued \$20,000 of stock in exchange for cash. The posting of the journal entry will result in a \$20,000 _____ to the Common Stock account.	Credit		
33. A transaction may be recorded with an increase in an asset and a decrease in a(n) _____.	Another asset		
34. Show the order in which these asset accounts would appear on a company's balance sheet.	1. Cash 2. Supplies 3. Equipment		
35. Which of the following are possible effects on the accounting equation when recording a transaction that affects two accounts? (Select all that apply.)	-One asset account increases and one stockholders' equity account increases -One asset account increases and one asset account decreases.		

42. The _____ principle requires that assets be recorded at the amount exchanged for them at the time of purchase. (Enter only one word per blank.)	Cost	53. Which of the following are characteristics of debt financing, but not of equity financing. (Select all that apply.)	Interest Definite repayment date
43. A classified balance sheet _____.	Shows subtotals for current assets and current liabilities	54. Given that there is no change in Stockholders' equity, which of the following will keep the accounting equation in balance?	Increase Equipment by \$20,000, decrease Cash by \$5,000, and increase Notes Payable by \$15,000.
44. On May 1, Lord of the Fries, Inc. hires an employee to begin work next month. On May 1, Lord of the Fries will _____.	Not record anything	55. An Accounting system is referred to as a double-entry system because _____.	Both what is received and what is given in exchange are recorded
45. The journal entry to record the purchase of supplies on on account includes a credit to _____.	Accounts Payable	56. If a company is to be able to pay its debts in the next year, then its current assets should be _____ its current liabilities.	Greater than
46. A chart of accounts is a _____.	List of account titles with corresponding reference numbers used by companies so that transaction items are consistently named	57. Melon-Cauli Grocers, Inc. received \$50,000 worth of computers on account promising to pay next month. The journal entry to record this transaction would include _____ of \$50,000. (Select all that apply.)	A credit to accounts payable A debit to equipment
47. Which of the following are non-current assets that are found on the balance sheet? (Check all that apply.)	Buildings Equipment Land Machinery	58. On December 31, 2018, Cash had a balance of \$100,000. During 2019, there were \$1,100,000 debits and \$950,000 credits posted to Cash. The December 31, 2019 balance must equal \$ _____.	\$250,000
48. The formal document that lists all of the daily journal entries, but does not provide account balances, is the _____. (Enter one word only.)	Journal	59. Which of the following are similarities between notes payable and accounts payable? They both _____. (Select all that apply.)	Are amounts owed to creditors Are Liabilities
49. Squid Roe, Inc. purchased equipment that cost \$20,000 by promising to pay \$15,000 next month and paying the remainder in cash. The journal entry to record this transaction includes a _____. (Select all that apply.)	Credit to accounts payable of \$15,000 Credit to Cash of \$5,000 Debit to Equipment of \$20,000	60. Who has first claim to a business's assets should the company go out of business?	Creditors
50. Debits must always equal _____ in each journal entry. (Only add one word per blank.)	Credits	61. A ledger is used to _____.	Show increases and decreases in individual accounts, as well as an ending balance
51. Entries are first recorded in the general _____ and then summarized in the ledger. (Enter one word per blank.)	Journal	62. Buildings and Equipment owned and used by a company are _____.	Non-current assets
52. Current liabilities _____.	Will be paid or fulfilled within 12 months	63. The trial balance at year end shows _____.	The ending balance in each T-account

64. Which of the following are characteristics of Notes payable and not accounts payable? (Select all that apply.)	<ul style="list-style-type: none"> -Notes payable are documented with formal documents called notes -Only Notes payable have interest charges -Notes payable are amounts borrowed from a bank; Accounts payable are not 	
65. All Accounting systems _____. (Select all that apply.)	<ul style="list-style-type: none"> -Follow the accounting cycle -Combine beginning balances with the activity during the accounting cycle to yield the ending balances for each amount -Record and summarize financial effects of transactions 	
66. Equity financing is financing obtained from _____.	Stockholders	
67. Which of these are classified as non-current liabilities on the balance sheet? (Select all that apply.)	<ul style="list-style-type: none"> Note payable due in 10 years Note payable due in 3 years 	
68. Ace Electronics purchased a \$35,000 delivery truck in exchange for a 4-year promissory note. The journal entry to record this transaction would include a _____ of \$35,000.	<ul style="list-style-type: none"> Debit to Equipment Credit to note payable 	
69. T-Accounts represent a simplified version of the _____.	Ledger	
70. Which account is affected by recording the buying of goods on credit?	Accounts Payable	
71. Melon-Cauli Grocers, Inc. had a \$10,000 balance in Accounts Payable at the beginning of the month. During the month, it made \$60,000 of purchases on account due within 1 month and paid \$40,000 of the amounts owed. The Accounts Payable balance at the end of the month has a _____ balance.		\$30,000 credit
72. Squid Roe, Inc, purchased equipment that cost \$20,000 by issuing a 6%, \$15,000 promissory note and paying the remainder in cash. The effects on the accounting equation are _____.		Equipment, an asset, is increased by \$20,000 Note payable, a liability is increased by \$15,000
73. When a company receives an invoice for goods purchased and received from a supplier, it records _____.		An increase in accounts payable
74. A company purchased \$2,200 of equipment in exchange for a cash payment of \$1,200 and a \$1,000 promise to pay. The company recorded a \$1,200 increase in the equipment and a \$1,200 decrease in the cash account. No entry was made to the accounts payable account. As a result _____. (Check all that apply.)		Total assets are too low The accounting equation is in balance
75. A trial balance is prepared _____.		To check that debits equal credits
76. A current ratio that equals 2.0 suggests that a _____. (Check all that apply.)		Company has the ability to pay its current liabilities Company's current assets are larger than its current liabilities
77. Which of the following are considered business documents? (Check all that apply.)		Stock certificates Bills Invoices
78. True or False: A company has developed an exceptional customer base. The company may include this as an asset on its balance sheets.		False

79. **An advantage of a classified balance sheet is that it is easy to see _____.**

If current assets are large enough to pay current liabilities

80. **Business typically buy goods or services from others _____.**

On account