Accounting Summary Section 1

Total points 11/45

Resource(s): Lumen Learning (Financial Accounting), OpenStax (Principles of Accounting - Volume 1)

Every adjusting entry affects accounts on which two financial statements? 0/1

- (selected, incorrect) The statement of retained earnings and balance sheet.
- Income statement and statement of retained earnings.
- Balance sheet and income statement.

Correct answer

- Balance sheet and income statement.

Adjusting entries are made because: 0/1

- (selected, incorrect) It is more convenient to wait until the end of the period to record activity.
- No source document for the activity has arrived.
- Because we need to match revenues and expenses.
- All of the above.
- None of the above.

Correct answer

- All of the above.

In the trial balance, 1/1

- (selected, correct) Total debits must equal total credits.
- Assets must equal liabilities - equity.
- Net income is calculated

Adjusting journal entries will always contain CASH 0/1

- (selected, incorrect) True
- False

Correct answer

- False

Accountants use a trial balance to test: 1/1

- (selected) The equality of debits and credits ✓
- The balance of an account
- Whether a transaction was recorded
- All of the above
- None of the above

A company performed legal services for a client and received $5,000 cash. How should this be recorded? 0/1

- (selected) Debit accounts receivable and credit cash $5,000 ✗
- Debit cash and credit accounts receivable $5,000
- Debit cash and credit service revenue $5,000
- Debit service revenue and credit cash $5,000

Correct answer

- Debit cash and credit service revenue $5,000

If an account is an asset, how do we decrease the account? 0/1

- (selected) Debit ✗
- Credit

Correct answer

- Credit

The chart of accounts is: 0/1

- (selected) The recording of a business transaction in the journal. ✗
- A listing of all account titles listed in the ledger.
- A listing of all account with ending balances.

Correct answer

- A listing of all account titles listed in the ledger.

Adjusting journal entries are made: 0/1

- ( ) After the balance sheet is prepared (selected)
- ( ) At the time of the initial journal entry
- ( ) Before the company prepares financial statements
- ( ) All of the above

Correct answer

- Before the company prepares financial statements

Closing journal entries: 0/1

- ( ) Are the journal entry form of the statement of cash flows. (selected)
- ( ) Are the journal entry form of the statement of retained earnings.
- ( ) Must be performed every month.
- ( ) Are used to make the account balance of permanent accounts zero.

Correct answer

- Are the journal entry form of the statement of retained earnings.

If an account is a liability, how do we decrease the account? 1/1

- ( ) Debit (selected)
- ( ) Credit

Accrued expenses occur: 0/1

- ( ) When a revenue has been earned and paid. (selected)
- ( ) When an expense has been incurred but not paid.
- ( ) When a revenue has been earned but not paid.
- ( ) When an expense has been incurred and paid.

Correct answer

- When an expense has been incurred but not paid.

Journal entries must: 0/1

- (selected) Contain at least one asset and one liability. ✗
- Contain at least one debit and one credit.
- Contain at least 2 accounts.
- Both 1 and 2
- Both 2 and 3

Correct answer

- Both 2 and 3

Accrued adjusting entries occur: 0/1

- (selected) When we transfer money from one account to another. ✗
- When we add money to two accounts that have not already been recorded.
- When we want to balance the accounting equation.

Correct answer

- When we add money to two accounts that have not already been recorded.

Posting to a general ledger happens after: 1/1

- (selected) Transactions are journalized. ✓
- Transactions are analyzed.
- The accounts are defined.

The difference between the cash and accrual basis of accounting is: 0/1

- (selected) Revenues are recorded when the work is performed and expenses are recorded when cash is paid. ✗
- Revenues are recorded when cash is received and expenses are recorded when cash is paid.
- Revenues are recorded when cash is received and expenses are recorded when incurred.
- Revenues are recorded when the work is performed and expenses are recorded when incurred.

Correct answer

- Revenues are recorded when the work is performed and expenses are recorded when incurred.

Where would you look to see the net income of the company? 0/1

- (selected) Balance sheet ✗
- Income statement
- Adjusted Trial Balance

Correct answer

- Income statement

The complete collection of all accounts and transactions for a business is called 0/1

- (selected) Journal ✗
- Ledger
- Account
- Chart of Accounts

Correct answer

- Ledger

After a transaction is journalized, it must be: 0/1

- (selected) Posted to the equity account ✗
- Posted to either a T-account or ledger card
- Listed as a compound journal entry

Correct answer

- Posted to either a T-account or ledger card

A company purchased $150 of supplies on credit. How would this be recorded in a journal entry? 0/1

- (selected) Debit cash and credit office supplies $150 ✗
- Debit accounts receivable and debit office supplies $150
- Debit office supplies and credit cash $150
- Debit office supplies and credit accounts payable $150

Correct answer

- Debit office supplies and credit accounts payable $150

A company had a beginning supplies balance of $200. Supplies purchased during the month was $300. At the end of the period, we counted $150 of supplies remaining. How much was supplies expense? 0/1

- (x) $150
- ( ) $200
- ( ) $300
- ( ) $350

Correct answer

- (x) $350

A post closing trial balance includes 1/1

- (x) Permanent accounts only
- ( ) Temporary accounts only
- ( ) Both permanent and temporary accounts

After adjusting journal entries are prepared, they must be posted to the: 0/1

- (x) Balance sheet
- ( ) Statement of Retained Earnings
- ( ) Income statement
- ( ) Ledger

Correct answer

- (x) Ledger

Temporary accounts: 0/1

- (x) Close at the end of each accounting period.
- ( ) Begin each accounting period with a zero balance.
- ( ) Include revenues, expenses and dividends.
- ( ) All of the above.
- ( ) None of the above.

Correct answer

- (x) All of the above.

Which financial statement proves the accounting equation? 1/1

- (selected) Balance sheet ✓
- Income statement
- Statement of retained earnings
- Statement of cash flows

The matching principles states: 0/1

- (selected) Revenues must be recorded when earned. ✗
- Expenses should be recorded when incurred.
- Expenses should be recorded when paid.

Correct answer

- Expenses should be recorded when incurred.

A listing of all accounts in the ledger with the ending balances is called a: 0/1

- (selected) Balance Sheet ✗
- Income Statement
- Chart of Accounts
- Trial Balance

Correct answer

- Trial Balance

An example of an accrued revenue is: 0/1

- (selected) Employees worked the last day of the year but have not been paid. ✗
- Rent paid in advance for the next 3 months.
- A company provided photography services but have not billed the client.
- 1 and 3 are correct.
- All are correct.

Correct answer

- 1 and 3 are correct.

If an account is a revenue, how do we increase the account? 0/1

- (selected) Debit ✗
- Credit

Correct answer

- Credit

Deferred items occur: 0/1

- (selected) When add money to two accounts that have not already been recorded. ✗
- When we have already recorded as an asset and want to record usage as an expense.
- When we have paid a liability.

Correct answer

- When we have already recorded as an asset and want to record usage as an expense.

Which financial statement is prepared first? 0/1

- (selected) Balance sheet ✗
- Income statement
- Statement of retained earnings
- Statement of cash flows

Correct answer

- Income statement

Under the revenue recognition principles, revenue should be recorded: 1/1

- (selected) When the work has been performed. ✓
- When the company received payment.
- When the work is ordered or contracted.

An asset is considered 1/1

- (selected) A permanent account ✓
- A temporary account

If an account is an expense, how do we increase the account? 1/1

- (●) Debit ✓
- ( ) Credit

For every transaction, debits must equal: 0/1

- (●) Assets ✗
- ( ) Liabilities
- ( ) Equity
- ( ) Credits

Correct answer

- (●) Credits

Unearned revenue is: 1/1

- (●) A liability account used to record cash received in advance of doing work. ✓
- ( ) A revenue account used to record cash received in advance of doing work.
- ( ) An asset account used to record the receipt of cash.

A corporation received $10,000 cash from an investor, how would the business record this journal entry? 0/1

- (●) Debit Common Stock and Credit Cash for $10,000 ✗
- ( ) Debit Cash and Credit Common Stock for $10,000
- ( ) Debit Accounts Payable and Credit Cash for $10,000

Correct answer

- (●) Debit Cash and Credit Common Stock for $10,000

When posting adjusting journal entries: 0/1

- (selected) You will create new T-accounts or ledger cards. ✗
- You do not need T-accounts or ledger cards.
- You will add on to the same T-accounts or ledger cards.

Correct answer

- You will add on to the same T-accounts or ledger cards.

Which of the following would be considered prepaid assets? 0/1

- (selected) Supplies purchased for future use ✗
- Insurance paid for the next 2 years
- Truck purchased for use over the next 5 years
- 1 and 2 only
- All of the above

Correct answer

- All of the above

Posting must be done immediately after preparing journal entries. 0/1

- (selected) True ✗
- False

Correct answer

- False

A ledger card (or general ledger): 0/1

- (selected) MUSTED be used for all posting. ✗
- Calculates a balance after each transaction is posted.
- Is used most often in business.
- 2 and 3 only
- All are correct

Correct answer

- 2 and 3 only

What is an account? 1/1

- (selected) Increase and decreases of a specific asset, liability, equity, revenue or expense. ✓
- Assets = Liabilities + Equity
- Net Income
- Working Capital

What does debit mean? 0/1

- (selected) Increase ✗
- Decrease
- Left side
- Right side

Correct answer

- Left side

A classified balance sheet is used 0/1

- (selected) To group assets and liabilities into subgroups ✗
- To make the balance sheet easier for investors
- To prove that assets = liabilities and equity
- All of the above
- None of the above

Correct answer

- All of the above

The next step in the accounting cycle after preparing adjusting journal entries is to 0/1

- (selected) Prepare financial statements ✗
- Post the adjusting journal entries
- Prepare an adjustec trial balance

Correct answer

- Post the adjusting journal entries