



**IS Accounting for Partnership and Corporate Entities**  
**Midterm Examination**

Name: \_\_\_\_\_

Course&Section: \_\_\_\_\_

**GENERAL INSTRUCTION:**

- Using cell phones is **prohibited**. Only, **CALCULATORS** are allowed to be used for computation.
- Caught cheating during the exam will be deducted **20 points**.
- STRICTLY NO ERASURES, ERASURES ARE CONSIDERED WRONG.**

**Test I.** Modified **TRUE OR FALSE**. Base on the underlined words. Write **TRUE** if the statement is correct and **WRITE THE CORRECT ANSWER** if the statement is wrong.

1. Accounting is a service entity that provides quantitative information, primarily financial in nature.
2. When a company hires an employee, there is no journal entry to be recorded.
3. A partnership is owned by two partners only.
4. A sole proprietor business must be owned by 2 to 5 proprietors.
5. Both sides of the accounting equation must be sometimes equal.
6. The Entity Concept states that a company's transactions should be accounted for separately from other entities.
7. An owner can invest cash or assets of value in the business.
8. Auditing is a branch of accounting that deals with the recording of business transactions and preparation of financial statements.
9. Assets are things of value owned by the business.
10. Withdrawal represents the owner's investment, or equity, in a business.
11. The Objectivity Principle ensures that accounting records are based on reliable information to avoid disputes.
12. The Revenue Recognition Principle dictates that revenue should be recognized when payment is received, regardless of when goods or services are delivered.
13. A decrease in an asset is recorded by a debit.
14. A credit to an asset means that an account has been increased.
15. Another name for the journal is the book of original entry.
16. An increase in revenue is recorded with a debit.
17. Accounts receivable is considered an Non - current asset.
18. The land is considered as Property, Plant, and Equipment.
19. An increase in liability is recorded as a debit.
20. When the owner of a business entity withdraws cash or other assets it is directly deducted from the capital account.
21. Liabilities are something that the company/entity owed.

- \_\_\_\_\_ 22. A corporation can have more than 50 stockholders.
- \_\_\_\_\_ 23. In a sole proprietorship, there are multiple owner's equity accounts to represent each partner's interest.
- \_\_\_\_\_ 24. Accounts receivable is considered an asset.
- \_\_\_\_\_ 25. Operating activities include research and development, design, purchasing, and production.
- \_\_\_\_\_ 26. When a company hires an employee, there is no journal entry to be recorded.
- \_\_\_\_\_ 27. A decrease in owner's equity is recorded with a credit.
- \_\_\_\_\_ 28. Every business transaction affects a minimum of two accounts.
- \_\_\_\_\_ 29. A debit entry to an expense account will increase it.
- \_\_\_\_\_ 30. Another word for liability is debt.
- \_\_\_\_\_ 31. Salaries payable is a type of expense.
- \_\_\_\_\_ 32. Income increases owner's equity and is recorded by a debit.
- \_\_\_\_\_ 33. The account balance is the difference between total debits and total credits in an account.
- \_\_\_\_\_ 34. Normally income accounts have credit balance.
- \_\_\_\_\_ 35. Unearned revenues are classified as assets on the balance sheet.

#### Test II. FILL IN THE BLANK.

**1-15.** Rules of Debit and Credit. The account type determines how increases or decreases in it are recorded. Determine whether the word **debit** or **credit** is appropriate for each statement.

**Asset** accounts normally have \_\_\_\_\_ (1) balances. An increase in asset is recorded as a \_\_\_\_\_ (2) while a decrease in asset is recorded as a \_\_\_\_\_ (3).

**Liability** accounts normally have \_\_\_\_\_ (4) balances. An increase in liability is recorded by a \_\_\_\_\_ (5) and a decrease is entered as a \_\_\_\_\_ (6).

The **owner's capital** account normally has a \_\_\_\_\_ (7) balance. This account increases on the \_\_\_\_\_ (8) side and decreases on the \_\_\_\_\_ (9) side.

**Expenses** accounts normally have \_\_\_\_\_ (10) balances. This account increases on the \_\_\_\_\_ (11) side and decreases on the \_\_\_\_\_ (12) side.

**Income** accounts normally have a \_\_\_\_\_ (13) balance. This account increases on the \_\_\_\_\_ (14) side and decreases on the \_\_\_\_\_ (15) side.

**16-40.** Write the correct answer in the space provided.

- \_\_\_\_\_ 16. It is the art of recording, classifying, and summarizing transactions that are, in part at least, of a financial character.
- \_\_\_\_\_ 17. These are tangible assets that are held by enterprise for use in the production, or supply of goods or service.
- \_\_\_\_\_ 18. This concept allows an entity's life to be subdivided into equal time periods for reporting purposes.
- \_\_\_\_\_ 19. It is a device used to separate the balances of each account.
- \_\_\_\_\_ 20. This branch of accounting is responsible for the preparation and consideration of tax returns.
- \_\_\_\_\_ 21. This branch of accounting provides information for managerial planning and control by adapting cost data for decision-making.
- \_\_\_\_\_ 22. It is the expenditures of the business.
- \_\_\_\_\_ 23. It is the residual interest of the entity after deducting all liabilities.
- \_\_\_\_\_ 24. It is the normal balance of an Asset account.
- \_\_\_\_\_ 25. It is the normal balance of Revenue account.
- \_\_\_\_\_ 26. It is the end product of the accounting cycle.
- \_\_\_\_\_ 27. It is the revenue earned as a result of sale of merchandise.
- \_\_\_\_\_ 28. These are expenses paid for by the business in advance.
- \_\_\_\_\_ 29. This account represents the reverse relationship of the accounts receivable.
- \_\_\_\_\_ 30. These are short-term highly liquid investments that are readily convertible to known amount of cash.
- \_\_\_\_\_ 31. This is any medium of exchange that the bank will accept for deposit at face value.
- \_\_\_\_\_ 32. It is a contra asset account that contains the sum of the periodic depreciation charges.
- \_\_\_\_\_ 33. These are expenses that the business' incurred but hasn't yet paid.
- \_\_\_\_\_ 34. These are portion of mortgage notes, bonds and other long term indebtedness which are to be paid within one year from the balance sheet date.
- \_\_\_\_\_ 35. The act of removing funds from a business account or using business resources for personal or non-business purposes.
- \_\_\_\_\_ 36. Revenues earned by performing services for customer or client.
- \_\_\_\_\_ 37. An expense which includes all the payments as a result of an employer-employee relationship such as salaries or wages, 13th month pay, cost of living allowances and other related benefits.
- \_\_\_\_\_ 38. The portion of the cost of tangible asset (ex. Building and Equipment) allocated or charged as expense during an accounting period.
- \_\_\_\_\_ 39. The amount of receivable estimated to be doubtful of collection and charge as expense during an accounting period.
- \_\_\_\_\_ 40. Expense related to the cost that the company incurs during a period to avail of the services provided by the public utility companies in the place of operation of the company.

**Test III. MULTIPLE CHOICES.** Write the letter of the correct answer in the space provided.

- \_\_\_\_\_ 1. What is the primary function of accounting?
  - a. To design financial products
  - b. To provide quantitative information
  - c. To create marketing strategies
  - d. To hire employees
- \_\_\_\_\_ 2. Which of the following equation is the fundamental accounting equation?
  - a. Asset – Liabilities = Owner's Equity
  - b. Asset + Owner's Equity = Liabilities
  - c. Asset = Liabilities + Owner's Equity
  - d. Asset – Owner's Equity = Liabilities
- \_\_\_\_\_ 3. Amounts owed by a business are referred to as
  - a. Assets
  - b. Liabilities
  - c. Expenses
  - d. Owner's Equity
- \_\_\_\_\_ 4. Amounts owned by the business are referred to as
  - a. Assets
  - b. Owner's Equity
  - c. Liabilities
  - d. Revenue
- \_\_\_\_\_ 5. When an owner deposits cash in an account in the name of the business, it is an increase to
  - a. Cash and Accounts Receivable
  - b. Cash and Capital
  - c. Cash and Withdrawals
  - d. Cash and Accounts Payable
- \_\_\_\_\_ 6. Purchase of supplies for cash will
  - a. Increase Supplies and Decrease Cash
  - b. Increase Supplies Expense and decrease Cash
  - c. Decrease Cash and increase Accounts Payable
  - d. Decrease Cash and Increase Capital
- \_\_\_\_\_ 7. Which of the following is NOT an activity within the fundamental business model?
  - a. Investor provides capital
  - b. Operating cost management
  - c. Product assembly
  - d. Employee training programs
- \_\_\_\_\_ 8. Expenses can be defined as
  - a. Increase in owner's Equity
  - b. Decrease in economic benefits during the accounting period in the form of outflows or depletion of assets or incurred of liabilities that result in a decrease in equity.
  - c. Decrease in owner's equity
  - d. Inflows of assets from delivering or producing goods or rendering services.
- \_\_\_\_\_ 9. Which type of business involves selling people's time?
  - a. Manufacturing
  - b. Services
  - c. Raw Materials

- d. Financial
- \_\_\_\_\_ 10 What is a key disadvantage of a sole proprietorship?
- Profit is shared among many owners
  - The owner absorbs all losses and is solely responsible for debts
  - It requires a large number of employees
  - It is heavily taxed by the government
- \_\_\_\_\_ 11. When the owner withdraws cash or other assets, the withdrawal account is
- Debited
  - Debited and Credited
  - Credited
  - Not affected
- \_\_\_\_\_ 12. Which of the following is a liability of a business?
- A building owned by the firm
  - Money that the firm has borrowed and has not yet repaid.
  - Cash in the firm's safe
  - Money owed to the firm by its debtors.
- \_\_\_\_\_ 13. The company collected in full an account receivable. Considering this transaction alone,
- Total assets will remain the same
  - Total assets will decrease
  - Total assets will increase
  - Equity will increase
- \_\_\_\_\_ 14. When the rent for the business is paid with a check,
- Cash is decreased and rent expense is decreased
  - Cash is decreased and rent income is increased
  - Cash is decreased and rent expense is increased
  - Cash is increased and rent expense is decreased
- \_\_\_\_\_ 15. The issuance of a note by an entity for services received should be recorded as
- An unearned revenue
  - A prepaid expense
  - Notes payable
  - An accounts receivable
- \_\_\_\_\_ 16. Which of the following is an intangible asset?
- Trademarks
  - Patents
  - Copyrights
  - All of the above
- \_\_\_\_\_ 17. The expectation of payment from a customer for goods sold is
- Prepaid expense
  - Accounts receivable
  - Notes payable
  - Notes receivable
- \_\_\_\_\_ 18. When an entity received cash for services performed,
- An asset is decreased
  - The owner's equity is decreased
  - The owner's equity is increased
  - Total assets remain unchanged
- \_\_\_\_\_ 19. When an entity pays employees for their services, the effect is an increase in

- a. Expenses
  - b. Income
  - c. Assets
  - d. Liabilities
- \_\_\_\_\_ 20. Which of the following is a form of revenue?
- a. A check paying a mortgage
  - b. Credit sales to charge customers
  - c. A credit Purchase invoice
  - d. A check paying utilities
- \_\_\_\_\_ 21. All of the following affects owner's equity except,
- a. Original investments
  - b. Additional investment
  - c. Payment of liability
  - d. Withdrawal by the owner
- \_\_\_\_\_ 22. A credit entry decreases the balance of
- a. Owner's equity
  - b. Income
  - c. Assets
  - d. Liabilities
- \_\_\_\_\_ 23. The purchase of a service vehicle on account
- a. Increases asset and increase a liability
  - b. Decreases equity
  - c. Increases asset and decrease liability
  - d. Decreases asset and decrease liability
- \_\_\_\_\_ 24. Which of the following is an asset of the firm?
- a. The capital of the business.
  - b. Computer equipment owned by the business.
  - c. Money owed by the business to its supplier.
  - d. An overdrawn balance on the firm's bank account.
- \_\_\_\_\_ 25. A debit may signify a decrease in
- a. A liability account
  - b. A revenue account
  - c. An asset account
  - d. A liability and a revenue account
- \_\_\_\_\_ 26. A P1,000 debit item is accidentally posted as credit. The trial balance column total thereof differ by
- a. P0
  - b. P1,000
  - c. P500
  - d. P2,000
- \_\_\_\_\_ 27. Which of the following errors will not cause the debit and credit columns of a trial balance to be unequal?
- a. Only part of the journal entry was posted
  - b. The trial balance was incorrectly summed
  - c. A debit amount was different from credit amount
  - d. A journal entry was accidentally posted twice
- \_\_\_\_\_ 28. Which of the following does not require entry in a journal form?
- a. A payment on a service performed previously

- b. A purchase of a one year insurance policy
  - c. Agreement to perform service at a future date
  - d. Perform a service to a customer
- \_\_\_\_\_ 29. Which of the following decreases both assets and owner's equity?
- a. Payment of a liability
  - b. Receipt of phone bill to be paid at later time
  - c. Owner withdrawal of cash
  - d. Advance payment made for insurance
- \_\_\_\_\_ 30. A depreciation is
- a. A decrease in the fair market value of an asset
  - b. An expense that is incurred during an accounting period
  - c. Added to the cost of equipment on the balance sheet
  - d. Shown on the balance sheet as a liability

**31-35.** Using the formula

**A. Cost of an Asset --(less) Accumulated depreciation = Book Value**

**B. Cost of an Asset --(less) Salvage Value / (divided by) Useful Life = Depreciation Expense**

find for the ff.

- \_\_\_\_\_ 31. If the equipment cost P200,000 and accumulated depreciation amounts to P60,000, the book value of the equipment is
- a. P260,000
  - b. P60,000
  - c. P140,000
  - d. Cannot be determined with the information provided
- \_\_\_\_\_ 32. If a machine has an original cost of P300,000, a salvage value of 20% of the original cost, and a useful life of 10 years, what is the annual depreciation expense?
- a. a. P16,000
  - b. b. P19,000
  - c. c. P90,000
  - d. d. P390,000
- \_\_\_\_\_ 33. The Furniture account has a net book value of P300,000 and accumulated depreciation recorded for 2 years is P150,000. What was the original cost of the furniture?
- a. P450,000
  - b. P150,000
  - c. P600,000
  - d. Cannot be determined with the information provided
- \_\_\_\_\_ 34. A building originally cost P1,200,000 and has a current book value of P900,000. What is the accumulated depreciation on the building?
- a. P300,000
  - b. P1,500,000
  - c. P1,200,000
  - d. P2,100,000
- \_\_\_\_\_ 35. A vehicle is bought for P500,000 with an annual depreciation rate of 15% of its cost. What is the accumulated depreciation for 2 years?
- a. P250,000
  - b. P125,000
  - c. P150,000

- d. P300,000
- \_\_\_\_\_ 36. A vehicle has an accumulated depreciation of P150,000 after 2 years, with an annual depreciation rate of 15%. What was the original cost of the vehicle?
- P500,000
  - P125,000
  - P1,000,000
  - P300,000
- 37-40.** Using the **T-Account (Debit - (less) Credit = (Normal Balance))** compute for the ff
- \_\_\_\_\_ 37. If Accounts Receivable has debit postings of P580,000, credit posting of P440,000, and a normal ending balance of P480,000, which of the followig was its beginnig balance?
- P620,000 CR
  - P340,000 CR
  - P620,000 DR
  - P340,000 DR
- \_\_\_\_\_ 38. If the Supplies account has a debit posting of P180,000, credit posting of P130,000, and an ending balance of P100,000, what was the beginning balance of the account?
- P50,000 DR
  - P100,000 DR
  - P50,000 CR
  - P200,000 DR
- \_\_\_\_\_ 39. If Accounts Payable has a beginning balance of P250,000, credit postings of P300,000, and debit postings of P200,000, what is the ending balance?
- P350,000 CR
  - P50,000 DR
  - P50,000 CR
  - P350,000 DR
- \_\_\_\_\_ 40. If Accounts Payable has a beginning balance of P250,000 and debit postings of P200,000, what is the ending balance, assuming there are no credit postings?
- P50,000 CR
  - P450,000 DR
  - P50,000 DR
  - P450,000 CR

**41– 45: If ASSET = LIBALITIES+OWNER'S EQUITY**, which of the following is correct?

Assets	Liabilities	Owner's Equity
41.		
a. P7,850	P1,250	P6,660
b. P8,200	P0	P8,200
c. P9,550	P1,150	P8,200
d. P5,240	P6,540	P1,120
42.		
a. P100,000	P2,000,000	P1,900,000
b. P200,000	P100,000	P100,000
c. P800,000	P400,000	P300,000
d. P320,00	P300,000	P10,000
43.		
a. P500	P250	P250

b.	P1,000	P2,000	P1,000
c.	P500	P500	P1,000
d.	P1,500	P2,500	P1,000
<u>44.</u>			
a.	P1,000	P500	P500
b.	P1,200	P700	P700
c.	P1,000	P700	P500
d.	P2,000	P1,500	P600
<u>45.</u>			
a.	P150,000	P100,000	P55,000
b.	P200,000	P100,000	P100,000
c.	P180,000	P100,000	P180,000
d.	P100,000	P50,000	P40,000

**46-50.** Use the following information to answer the question below. The following is the trial balance for Christina Duran Company:

**Christina Duran Company**

Trial Balance

October 31, 2024

Cash	30,000	
Accounts Receivable	20,000	
Supplies	80,000	
Prepaid Rent	70,000	
Prepaid Insurance	80,000	
Equipment	50,000	
Accounts Payable		50,000
Salaries Expense	?	
Utilities Expense	80,000	
Service Revenues		?
Duran, Withdrawal	?	
Duran, Capital		<u>15,000</u>
	<u>A</u>	<u>B</u>

**Note:** Trial balance is always equal.

46. If the balance of the Duran, withdrawals account were P120,000 and the balance of the Salaries Expense account were P50,000, what would be the amount of B?
- a. P180,000
  - b. P580,000
  - c. P370,000
  - d. P380,000
47. If the trial balance showed a balance of P70,000 in the Duran, withdrawals account and balance of P50,000 in the Salaries expense account, what would be the amount of Service Revenue during the period?
- a. P335,000
  - b. P465,000

- c. P180,000
  - d. P435,000
- \_\_\_\_\_ 48. In the balance, the total asset is equals to
- a. P330,000
  - b. P230,000
  - c. P410,000
  - d. P430,000
- \_\_\_\_\_ 49. If the balance showed a balance of P80,000 in the Salaries expense account and a balance of P350,000 in the Service Revenues account, what would be the amount of A?
- a. P500,000
  - b. P510,000
  - c. P415,000
  - d. P430,000
- \_\_\_\_\_ 50. If the balance showed a balance of P80,000 in the Salaries expense account and a balance of P550,000 in the Service Revenues account, what would be the amount of Duran, withdrawal?
- a. P125,000
  - b. P155,000
  - c. P45,000
  - d. P60,000

----- Nothing Follows -----