

**General Directions:**

- Read and understand each statement carefully.
- Write your answers on your test booklet.
- Avoid unnecessary erasures.
- Use black or blue pen only.

**I. MULTIPLE CHOICE (25 x 1)**

**Choose the letter of the correct answer.**

1. What is the system that measures business activities, processes that information into reports, and communicates these findings to decision makers?
  - a. Accounting
  - b. Decision-making
  - c. Transacting
  - d. Allocating
2. Which of the following refers to a systematic and chronologic noting of business transactions in the appropriate books?
  - a. Classifying
  - b. Interpreting
  - c. Summarizing
  - d. Recording
3. How do you call the process of sorting accounting entries and grouping similar items?
  - a. Classifying
  - b. Interpreting
  - c. Summarizing
  - d. Recording
4. Which of the following processes refers to summing up the classified data into financial statements?
  - a. Classifying
  - b. Interpreting
  - c. Summarizing
  - d. Recording
5. What do you call the process of analyzing the financial statements to provide answers to management questions?
  - a. Classifying
  - b. Interpreting
  - c. Summarizing
  - d. Recording
6. How do you call the organization in which basic resources are assembled and processed to provide goods or services to customers?
  - a. Business
  - b. Government
  - c. Charity
  - d. Cooperative
7. Which of the following is the difference between the amount received from customers for goods or services provided and the amounts paid for the inputs used to provide the said goods or services?
  - a. Income
  - b. Profit
  - c. Tax
  - d. Expenses
8. What type of business organization changes the basic inputs into products that are sold to individual customers?
  - a. Sole Proprietorship
  - b. Merchandising Business
  - c. Service Business
  - d. Manufacturing Business
9. What type of business organization sells products to customers?
  - a. Sole Proprietorship
  - b. Merchandising Business
  - c. Service Business
  - d. Manufacturing Business
10. Which of the following provides service and intangible products to customers?
  - a. Sole Proprietorship
  - b. Merchandising Business
  - c. Service Business
  - d. Manufacturing Business

11. What do you call a business with only one official owner?
- a. Sole Proprietorship
  - b. Merchandising Business
  - c. Service Business
  - d. Manufacturing Business
12. Which of the following is owned by two or more individuals who have agreed to combine their resources to run their business or exercise their profession profitably?
- a. Sole Proprietorship
  - b. Partnership
  - c. Corporation
  - d. Cooperative
13. Which of the following is composed of partners whose liability extends to their own personal property?
- a. General Partnership
  - b. Limited Partnership
  - c. Corporation
  - d. Cooperative
14. Which of the following is composed of several general partners and at least one partner who has restricted liability?
- a. General Partnership
  - b. Limited Partnership
  - c. Corporation
  - d. Cooperative
15. Which of the following has the liability only to the extent of his interest in the partnership?
- a. General Partner
  - b. Limited Partner
  - c. Corporation
  - d. Cooperative
16. How do you call a business organization characterized as being an entity separate from its owners?
- a. General Partner
  - b. Limited Partner
  - c. Corporation
  - d. Cooperative
17. What form of business organization is composed by small producers and consumers who voluntarily join to form a business that the members own, control and patronize?
- a. General Partner
  - b. Limited Partner
  - c. Corporation
  - d. Cooperative
18. Which of the following refers to information describing the financial resources, obligations and activities on an economic entity?
- a. Financial Accounting
  - b. Management Accounting
  - c. Tax Accounting
  - d. Government Accounting
19. Which among the choices involves the development and interpretation of accounting information intended specifically to help the organization in running the business?
- a. Financial Accounting
  - b. Management Accounting
  - c. Tax Accounting
  - d. Government Accounting
20. How do you call the economic resources a business owns that are expected to be of benefit in the future?
- a. Liability
  - b. Owner's Equity
  - c. Equity
  - d. Assets
21. What are the legal and economic claims to the assets?
- a. Liability
  - b. Owner's Equity
  - c. Equity
  - d. Assets

22. How do you call the resources invested by the owner/s?
- a. Liability
  - b. Owner's Equity
  - c. Equity
  - d. Assets
23. What are the economic obligations payable to outsiders?
- a. Liability
  - b. Owner's Equity
  - c. Equity
  - d. Assets
24. What is the other term for "Balance Sheet"?
- a. Statement of Cash Flows
  - b. Statement of Financial Position
  - c. Statement of Owner's Equity
  - d. Income Statement
25. What is the other term for "Income Statement"?
- a. Statement of Cash Flows
  - b. Statement of Financial Position
  - c. Statement of Owner's Equity
  - d. Statement of Operations

## II. MODIFIED TRUE OR FALSE (25 x 2)

Write the word TRUE if the statement is correct, otherwise, change the underlined word/s to make the statement correct.

1. The liability arising from the purchase of goods and services on credit is called accounts receivable.
2. Letter of credit is a formal written promise to pay a certain amount of money at a definite future time.
3. Accounts receivable is listed first in the Assets section of balance sheet.
4. Liabilities are economic obligations - debts - payable to outsiders.
5. In corporations, Statement of Owner's Equity is replaced by the Statement of Retained Earnings.
6. Balance sheet summarizes the cash receipts and cash payments of the business over the same time period covered by the income statement.
7. Accounting systems are designed to show the increases and decreases in each financial statement item in a separate record called journal.
8. T-account is a list of the accounts on a ledger.
9. Chart of account is simply a group of accounts for a business entity.
10. Resources owned by the business entity are called cash.
11. Assets means money and any medium of exchange that a bank accepts at face value.
12. Accounts receivable is a written pledge that the customer will pay a fixed amount of money by a certain date.
13. An oral or implied promise for future cash receipt is called notes receivable.
14. Receivables are debts owed to outsiders.
15. The accounts payable records the amounts that the business must pay because it signed a promissory note to purchase goods or services.
16. Notes payable is the oral or implied promise to pay debts arising from credit purchases of goods.
17. The owner's right to the assets of the business is called capital.
18. Liabilities show the owner's claim to the assets of the business.
19. Withdrawals or Drawing Account is the amounts taken out of the business.
20. The increase in owner's equity from delivering goods or services to customer or clients is called revenue.
21. Merchandising revenue is revenue earned by performing a service.
22. Revenue earned by selling a product is called profit.

23. Capital is the cost of operating a business.
24. Journal is the simplest form of account.
25. The process of recording transactions in a journal is called journalizing.

### III. Problem Solving. (25 points)

Journalize the following transactions.

On March 1 of the current year, R. Traqueña opened a T.V. repair shop by investing P500,000 cash in the business. He had completed the following transactions in the said month.

- March 2 – Paid the rent on the shop space for the month, P4,000. (2 points)
- 5 – Purchased shop supplies for cash, P13,500. (2 points)
- 7 – Paid P4,500 for newspaper advertising. (2 points)
- 8 – Completed repair work to various customers and received P75,000 in full payment. (2 points)
- 9 – Completed repair work for R. Locsin on credit, P45,000. (2 points)
- 13 – Purchased a filing cabinet from M. De Mesa Trading on credit P25,200. (2 points)
- 15 – Paid M. De Mesa Trading. (2 points)
- 19 – Received payment from R. Locsin. (2 points)
- 25 – Paid utility bills, P1,750. (2 points)
- 26 – Withdrew P5,000 cash for personal living expenses. (2 points)
- 27 – Purchased a service van, P200,000 on credit. Gave P80,000 cash and a note for the balance. (3 points)
- 30 – Paid the helper's salary, P5,000. (2 points)