

1. MC.04-74

Accumulated Depreciation appears on the

- ☐ balance sheet in the long-term liabilities section
- ☐ income statement as an operating expense
- ☐ balance sheet in the current assets section
- ☐ balance sheet in the property, plant, and equipment section

2. MC.04-78

Prepaid insurance is reported on the balance sheet as a

- ☐ fixed asset
- ☐ long-term liability
- ☐ current asset
- ☐ current liability

3. MC.04-80

The first item appearing on the statement of retained earnings is

- ☐ the beginning balance of retained earnings
- ☐ net income
- ☐ the ending balance of retained earnings
- ☐ owner withdrawals

4. MC.04-79

The income statement is prepared from

- ☐ either the Adjusted Trial Balance or the Income Statement columns of the end-of-period spreadsheet
- ☐ the adjusted trial balance
- ☐ the Income Statement columns of the end-of-period spreadsheet
- ☐ both the Adjusted Trial Balance and the Income Statement columns of the end-of-period spreadsheet

5. MC.04-83

Use the adjusted trial balance for Stockton Company below to answer the question that follow.

Stockton Company		
Adjusted Trial Balance		
December 31		
Cash	6,530	
Accounts Receivable	2,100	
Prepaid Expenses	700	
Equipment	13,700	
Accumulated Depreciation		1,100
Accounts Payable		1,900
Notes Payable		4,300
Bob Steely, Capital		12,940
Bob Steely, Withdrawals	790	
Fees Earned		9,250
Wages Expense	2,500	
Rent Expense	1,960	
Utilities Expense	775	
Depreciation Expense	250	
Miscellaneous Expense	185	
Totals	29,490	29,490

Determine the net income (loss) for the period.

- ☐ a. net loss \$790
- ☐ b. net income \$9,250
- ☐ c. net income \$3,580
- ☐ d. net loss \$5,670

6. MC.04-84

Use the adjusted trial balance for Stockton Company below to answer the question that follow.

Stockton Company		
Adjusted Trial Balance		
December 31		
Cash	6,530	
Accounts Receivable	2,100	
Prepaid Expenses	700	
Equipment	13,700	
Accumulated Depreciation		1,100
Accounts Payable		1,900
Notes Payable		4,300
Bob Steely, Capital		12,940
Bob Steely, Withdrawals	790	
Fees Earned		9,250
Wages Expense	2,500	
Rent Expense	1,960	
Utilities Expense	775	
Depreciation Expense	250	
Miscellaneous Expense	185	
Totals	<u>29,490</u>	<u>29,490</u>

Determine the owner's equity ending balance.

- ☐ a. \$6,480
- ☐ b. \$15,730
- ☐ c. \$21,400
- ☐ d. \$12,150

7. MC.04-85

Use the adjusted trial balance for Stockton Company below to answer the question that follow.

Stockton Company		
Adjusted Trial Balance		
December 31		
Cash	6,530	
Accounts Receivable	2,100	
Prepaid Expenses	700	
Equipment	13,700	
Accumulated Depreciation		1,100
Accounts Payable		1,900
Notes Payable		4,300
Bob Steely, Capital		12,940
Bob Steely, Withdrawals	790	
Fees Earned		9,250
Wages Expense	2,500	
Rent Expense	1,960	
Utilities Expense	775	
Depreciation Expense	250	
Miscellaneous Expense	185	
Totals	<u>29,490</u>	<u>29,490</u>

Determine total assets.

- ☐ a. \$23,030
- ☐ b. \$9,330
- ☐ c. \$21,930
- ☐ d. \$8,630

8. MC.04-86

Use the adjusted trial balance for Stockton Company below to answer the question that follow.

Stockton Company		
Adjusted Trial Balance		
December 31		
Cash	6,530	
Accounts Receivable	2,100	
Prepaid Expenses	700	
Equipment	13,700	
Accumulated Depreciation		1,100
Accounts Payable		1,900
Notes Payable		4,300

Bob Steely, Capital		12,940
Bob Steely, Withdrawals	790	
Fees Earned		9,250
Wages Expense	2,500	
Rent Expense	1,960	
Utilities Expense	775	
Depreciation Expense	250	
Miscellaneous Expense	185	
Totals	29,490	29,490

Determine the current assets.

- ☐ a. \$8,630
- ☐ b. \$9,330
- ☐ c. \$23,030
- ☐ d. \$21,930

#### 9. MC.04-88

The balance sheet should be prepared

- ☐ after the income statement and the statement of owner's equity
- ☐ after the income statement and before the statement of owner's equity
- ☐ before the income statement and after the statement of owner's equity
- ☐ before the income statement and the statement of owner's equity

#### 10. MC.04-93

Debts listed as current liabilities are those that

- ☐ are due to be paid in 5 to 10 years
- ☐ are due to be paid in more than one year
- ☐ will be paid in less than one year
- ☐ are owed to the owner and will never be paid

#### 11. MC.04-94

Owner's equity is

- ☐ subtracted from liabilities and the net amount is equal to assets
- ☐ added to liabilities and the two are equal to assets
- ☐ added to assets and the two are equal to liabilities
- ☐ equal to the total of assets and liabilities

#### 12. MC.04-98

The income summary account is also called

- ☐ the adjustments account
- ☐ the clearing account
- ☐ the zero-out account
- ☐ the imprest account

#### 13. MC.04-100

What is the first account that should be listed in the post closing trial balance?

- ☐ Cash
- ☐ Income Summary
- ☐ Fees Earned
- ☐ Owner, Capital

#### 14. MC.04-105

Which of the accounts below would be closed by posting a debit to the account?

- ☐ Fees Earned
- ☐ Josh Morton, Drawing

- ☐ Unearned Revenue
- ☐ Miscellaneous Expense

15. MC.04-106

Which of the following accounts should be closed to Income Summary at the end of the fiscal year?

- ☐ Equipment
- ☐ Unearned Rent
- ☐ Service Revenue
- ☐ Prepaid Insurance

16. MC.04-112

The following accounts were taken from the Adjusted Trial Balance columns of the work sheet:

Accumulated Depreciation	\$ 3,200
Fees Earned	17,400
Depreciation Expense	1,300
Insurance Expense	400
Prepaid Insurance	4,800
Supplies	900
Supplies Expense	3,800

Net income for the period is

- ☐ a. \$8,700
- ☐ b. \$11,900
- ☐ c. \$5,500
- ☐ d. \$17,400

17. MC.04-114

Diane's Designs purchased a one-year liability insurance policy on March 1 of this year for \$8,400 and recorded it as a prepaid expense. Which of the following amounts would be recorded for insurance expense during the adjusting process at the end of Diane's first month of operations on March 31?

- ☐ a. \$840
- ☐ b. \$8,400
- ☐ c. \$700
- ☐ d. \$7,700

18. MC.04-116

Evan Roberts owns a business, Shores Sports, that rents canoes and kayaks. Below is the adjusted trial balance at December 31.

	<u>Debit</u>	<u>Credit</u>
Cash	1,500	
Accounts Receivable	2,000	
Interest Receivable	100	
Prepaid Insurance	1,600	
Notes Receivable (long-term)	2,800	
Equipment	15,000	
Accumulated Depreciation		3,000
Accounts Payable		2,400
Accrued Expenses Payable		3,920
Income Taxes Payable		2,700
Unearned Rent Fees		500
Evan Roberts, Capital		7,700
Evan Roberts, Drawing	2,000	
Rent Rees Earned		37,000
Furniture Rental Revenue		1,200
Interest Revenue		100

Wages Expense	19,000	
Depreciation Expense	1,800	
Utilities Expense	320	
Insurance Expense	700	
Maintenance Expense	9,000	
Income Tax Expense	<u>2,700</u>	<u>          </u>
	<u>58,520</u>	<u>58,520</u>

The entry required to close the revenue accounts at the end of the period includes a

- ☐ a. debit to Income Summary for \$38,200
- ☐ b. debit to Income Summary for \$37,000
- ☐ c. credit to Income Summary for \$38,300
- ☐ d. credit to Income Summary for \$37,000

19. MC.04-117

Evan Roberts owns a business, Shore Sports, that rents canoes and kayaks. Below is the adjusted trial balance at December 31.

	<u>Debit</u>	<u>Credit</u>
Cash	1,500	
Accounts Receivable	2,000	
Interest Receivable	100	
Prepaid Insurance	1,600	
Notes Receivable (long-term)	2,800	
Equipment	15,000	
Accumulated Depreciation		3,000
Accounts Payable		2,400
Accrued Expenses Payable		3,920
Income Taxes Payable		2,700
Unearned Rent Fees		500
Evan Roberts, Capital		7,700
Evan Roberts, Drawing	2,000	
Rent Fees Earned		37,000
Furniture Rental Revenue		1,200
Interest Revenue		100
Wages Expense	19,000	
Depreciation Expense	1,800	
Utilities Expense	320	
Insurance Expense	700	
Maintenance Expense	9,000	
Income Tax Expense	<u>2,700</u>	<u>          </u>
Totals	<u>58,520</u>	<u>58,520</u>

The entry required to close the expense accounts at the end of the period includes:

- ☐ a. a debit to Income Summary for \$35,520
- ☐ b. a credit to Income Summary for \$35,520
- ☐ c. a credit to Income Summary for \$33,520
- ☐ d. a debit to Income Summary for \$33,520

20. MC.04-118

Use the following end-of-period spreadsheet below to answer the question that follow.

Finley Company  
End-of-Period Spreadsheet  
For the Year Ended December 31

	Adjusted Trial Balance		Income Statement		Balance Sheet	
Account Title	Debit	Credit	Debit	Credit	Debit	Credit
Cash	48,000				48,000	
Accounts Receivable	18,000				18,000	
Supplies	6,000				6,000	
Equipment	57,000				57,000	
Accumulated Depreciation		18,000				18,000
Accounts Payable		25,000				25,000
Wages Payable		6,000				6,000
C. Finley, Capital		33,000				33,000
C. Finley, Drawing	3,000				3,000	
Fees Earned		155,000		155,000		
Wages Expense	63,000		63,000			
Rent Expense	27,000		27,000			
Depreciation Expense	15,000		15,000			
Totals	<u>237,000</u>	<u>237,000</u>	105,000	155,000	132,000	82,000
Net Income (Loss)			50,000			50,000
			<u>155,000</u>	<u>155,000</u>	<u>132,000</u>	<u>132,000</u>

The journal entry to close revenues would be:

- ☐ a. debit Fees Earned, \$155,000; credit Income Summary, \$155,000
- ☐ b. credit Fees Earned, \$155,000; credit C. Finley, Capital, \$155,000
- ☐ c. debit Income Summary, \$155,000; credit Fees Earned, \$155,000
- ☐ d. debit C. Finley, Capital, \$155,000; credit Fees Earned, \$155,000

21. MC.04-119

Use the following end-of-period spreadsheet below to answer the question that follow.

Finley Company  
End-of-Period Spreadsheet  
For the Year Ended December 31

	Adjusted Trial Balance		Income Statement		Balance Sheet	
Account Title	Debit	Credit	Debit	Credit	Debit	Credit
Cash	48,000				48,000	
Accounts Receivable	18,000				18,000	
Supplies	6,000				6,000	
Equipment	57,000				57,000	
Accumulated Depreciation		18,000				18,000
Accounts Payable		25,000				25,000
Wages Payable		6,000				6,000

C. Finley, Capital		33,000				33,000
C. Finley, Drawing	3,000				3,000	
Fees Earned		155,000		155,000		
Wages Expense	63,000		63,000			
Rent Expense	27,000		27,000			
Depreciation Expense	15,000		15,000			
Totals	<u>237,000</u>	<u>237,000</u>	105,000	155,000	132,000	82,000
Net Income (Loss)			<u>50,000</u>			<u>50,000</u>
			<u>155,000</u>	<u>155,000</u>	<u>132,000</u>	<u>132,000</u>

The entry to close expenses would be:

- ☐ a. Wages Expense 63,000  
Rent Expense 27,000  
Depreciation Expense 15,000  
C. Finley, Drawing 105,000
- ☐ b. Income Summary 105,000  
Wages Expense 63,000  
Rent Expense 27,000  
Depreciation Expense 15,000
- ☐ c. Expenses 105,000  
Income Summary 105,000
- ☐ d. Wages Expense 63,000  
Rent Expense 27,000  
Depreciation Expense 15,000  
Income Summary 105,000

## 22. MC.04-122

Use the following end-of-period spreadsheet below to answer the question that follow.

Finley Company  
End-of-Period Spreadsheet  
For the Year Ended December 31

	Adjusted Trial Balance		Income Statement		Balance Sheet	
Account Title	Debit	Credit	Debit	Credit	Debit	Credit
Cash	48,000				48,000	
Accounts Receivable	18,000				18,000	
Supplies	6,000				6,000	
Equipment	57,000				57,000	
Accumulated Depreciation		18,000				18,000
Accounts Payable		25,000				25,000
Wages Payable		6,000				6,000
C. Finley, Capital		33,000				33,000
C. Finley, Drawing	3,000				3,000	
Fees Earned		155,000		155,000		
Wages Expense	63,000		63,000			
Rent Expense	27,000		27,000			
Depreciation Expense	15,000		15,000			
Totals	<u>237,000</u>	<u>237,000</u>	105,000	155,000	132,000	82,000

Net Income (Loss)			<u>50,000</u>			<u>50,000</u>
			<u>155,000</u>	<u>155,000</u>	<u>132,000</u>	<u>132,000</u>

The ending balance in C. Finley, Capital is

- ☐ a. \$33,000
- ☐ b. \$30,000
- ☐ c. \$80,000
- ☐ d. \$83,000

23. MC.04-124

In the accounting cycle, the last step is

- ☐ a. preparing a post-closing trial balance
- ☐ b. journalizing and posting the adjusting entries
- ☐ c. journalizing and posting the closing entries
- ☐ d. preparing the financial statements

24. MC.04-125

Of the following steps of the accounting cycle, which step should be completed first?

- ☐ Transactions are posted to the ledger.
- ☐ Closing entries are journalized and posted to the ledger.
- ☐ Financial statements are prepared.
- ☐ Adjusting entries are journalized and posted to the ledger.

25. MC.04-130

The natural business year is a

- ☐ calendar year that ends when business activities are at their lowest point
- ☐ calendar year that ends when business activities are at their highest point
- ☐ fiscal year that ends when business activities are at their lowest point
- ☐ fiscal year that ends when business activities are at their highest point

26. MC.04-131

The end-of-period spreadsheet

- ☐ eliminates the need to rewrite the financial statements
- ☐ is a working paper that is required
- ☐ is an integral part of the accounting cycle
- ☐ is used to summarize account balances and adjustments for the financial statements

27. MC.04-143

Daniel's end-of-period spreadsheet at the end of July has \$4,950 in the Balance Sheet Credit column for Accumulated Depreciation. The end-of-period spreadsheet at the end of August has \$7,600 in the Balance Sheet Credit column for Accumulated Depreciation. What was the amount of the depreciation expense adjustment for the month of August?

- ☐ a. \$4,950
- ☐ b. \$7,600
- ☐ c. \$12,550
- ☐ d. \$2,650

28. MC.04-148

On September 1, the company pays rent for twelve months in advance and debits an asset account. At year end, the adjusting entry on the work sheet would

- ☐ increase an asset account
- ☐ increase an expense account
- ☐ decrease a liability account
- ☐ decrease an expense account



29. MC.04-150  
Which of the following is **not** an essential part of the accounting records?

- ☐ the journal
- ☐ the ledger
- ☐ the chart of accounts
- ☐ the end-of-period spreadsheet

30. Ex.04-154  
You have just accepted your first job out of college, which requires you to evaluate loan requests at Eastwood National Bank. The first loan request you receive is from Richard Enterprises, a small proprietorship. Richard Tracy, the owner, is requesting \$105,000 and brings you the following trial balance (or statement of accounts) for his first year of operations ended December 31.

Which three accounts do you think should be relabeled for greater clarity?

Richard Enterprises		
Statement of Accounts		
December 31		
Cash	\$ 2,050	
Billings Due from Others	15,070	
Office Supplies	7,470	
Trucks	36,370	
Equipment	8,090	
Amounts Owed to Others		\$2,850
Investment in Business		33,500
Service Revenues		73,650
Wages Expense	30,050	
Rent Expense	7,330	
Insurance Expense	2,400	
Utilities Expenses	700	
Miscellaneous Expenses	470	
Totals	\$110,000	\$110,000

The following items should be relabeled for greater clarity:

- Billings Due from Others—
- Amounts Owed to Others—
- Investment in Business—

31. Ex.04-156  
The balances for the accounts listed below appear in the Adjusted Trial Balance columns of the end-of-period spreadsheet (work sheet). Indicate whether each balance should be extended to (a) an Income Statement column or (b) a Balance Sheet column.

- 1. Dobson, Capital
- 2. Dobson, Drawing
- 3. Depreciation Expense
- 4. Accumulated Depreciation
- 5. Fees Earned
- 6. Unearned Fees
- 7. Supplies

8. Supplies Expense

32. Ex.04-160

The following accounts appear in an adjusted trial balance of Blaine Auto Service Company. Indicate whether each account would be reported in the (a) current assets, (b) property, plant, and equipment, (c) current liabilities, (d) long-term liabilities, or (e) owner’s equity section of the December 31 balance sheet of Blaine Auto Service Company.

1. Blaine Brock, Capital
2. Accumulated Depreciation
3. Unearned Revenues
4. Mortgage Payable
5. Equipment
6. Notes Payable (due in two years)
7. Cash
8. Accounts Receivable

33. Ex.04-163.Guided

The following balance sheet contains errors.

Mark Brock Services Co. Balance Sheet For the Year Ended December 31					
Assets			Liabilities		
Current assets:			Current liabilities:		
Cash	\$ 7,170		Accounts receivable	\$ 10,000	
Accounts payable	7,500		Accum. depr.—building	12,525	
Supplies	2,590		Accum. depr.—equipment	7,340	
Prepaid insurance	800		Net income	11,500	
Land	24,000				
Total current assets		\$ 42,060	Total liabilities		\$41,365
Property, plant, and equipment:			Owner’s Equity		
Building	\$43,700		Wages payable	\$1,500	
Equipment	29,250		Brock Morton, capital	88,645	
Total property, plant, and equipment		72,950	Total owner’s equity		90,145
Total assets		\$131,510	Total liabilities and owner’s equity		\$131,510

Prepare a corrected balance sheet.

Mark Brock Services Co. Balance Sheet		
	December 31	
	For the Month Ended December 31	
	For the Year Ended December 31	
Assets		
Current assets:		
Total current assets		\$
Property, plant, and equipment:		
		\$

\$

Total property, plant, and equipment

Total assets

\$

Liabilities

Current liabilities:

\$

Total liabilities

\$

Owner's Equity

Total liabilities and owner's equity

\$