1. Identify the account below that is classified as an asset in a company's chart of accounts:

A) Accounts Receivable

B) Accounts Payable

C) Common Stock

D) Unearned Revenue

E) Service Revenue

Answer: A

2. Identify the account below that is classified as an *asset* account:

A) Unearned Revenue

B) Accounts Payable

C) Supplies

D) Common Stock

E) Service Revenue

Answer: C

3. Identify the account below that is classified as a *liability* account:

A) Cash

B) Accounts Payable

C) Salaries Expense

D) Common Stock

E) Equipment

Answer: B

4. Which of the following is NOT an asset account:

A) Cash

B) Land

C) Services Revenue

D) Buildings

E)  Equipment

Answer: C

5. A simple tool that is widely used in accounting to represent a ledger account and to understand how debits and credits affect an account balance is called a:

A) Dividends account.

B) Common Stock account.

C) Asset account.

D) T-account.

E) Balance column sheet.

Answer: D

6. Select the account below that normally has a credit balance.

A) Cash.

B) Office Equipment.

C) Wages Payable.

D) Dividends.

E) Sales Salaries Expense.

Answer: C

7. The process of transferring general journal entry information to the ledger is called:

A) Double-entry accounting.

B) Posting.

C) Balancing an account.

D) Journalizing.

E) Not required unless debits do not equal credits.

Answer: B

8. A general journal is:

A) A ledger in which amounts are posted from a balance column account.

B) Not required if T-accounts are used.

C) A complete record of all transactions in chronological order from which transaction amounts are posted to the ledger accounts.

D) Not necessary in electronic accounting systems.

E) A book of final entry because financial statements are prepared from it.

Answer: C

9. Smiles Entertainment had the following accounts and balances at December 31:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Account | Debit | |  | Credit | | |
| Cash | $ | 10,000 |  |  |  |  | |
| Accounts Receivable |  | 2,000 |  |  |  |  | |
| Prepaid Insurance |  | 2,400 |  |  |  |  | |
| Supplies |  | 1,000 |  |  |  |  | |
| Accounts Payable |  |  |  | $ | 5,000 |  | |
| Common Stock |  |  |  |  | 4,000 |  | |
| Retained Earnings |  |  |  |  | 900 |  | |
| Service Revenue |  |  |  |  | 7,000 |  | |
| Salaries Expense |  | 500 |  |  |  |  | |
| Utilities Expense |  | 1,000 |  |  |  |  | |
| Totals | $ | 16,900 |  | $ | 16,900 |  | |

Using the information in the table, calculate the company’s reported net income for the period.

A) $1,100.

B) $4,000.

C) $8,500

D) $10,400.

E) $5,500.

Answer: E

Explanation: Net Income = Total Revenues - Total Expenses.

(Service Revenue $7,000 - Salaries Expense $500 - Utilities Expense $1,000 = $5,500)

10. All of the following are asset accounts *except*:

A) Accounts Receivable.

B) Buildings.

C) Supplies expense.

D) Equipment.

E) Prepaid insurance.

Answer: C

11. The record of all accounts and their balances used by a business is called a:

A) Journal.

B) Book of original entry.

C) General Journal.

D) Balance column journal.

E) Ledger (or General Ledger).

12. A debit:

A) Always increases an account.

B) Is the right-hand side of a T-account.

C) Always decreases an account.

D) Is the left-hand side of a T-account.

E) Is not needed to record a transaction.

Answer: D

13. A debit is used to record an increase in all of the following accounts *except*:

A) Supplies

B) Cash

C) Accounts Payable

D) Dividends

E) Prepaid Insurance

Answer: C

14. An account balance is:

A) The total of the credit side of the account.

B) The total of the debit side of the account.

C) The difference between the total debits and total credits for an account including the beginning balance.

D) Assets = liabilities + equity.

E) Always a credit.

Answer: C

15. A debit is used to record which of the following:

A) A decrease in an asset account.

B) A decrease in an expense account.

C) An increase in a revenue account.

D) An increase in the common stock account.

E) An increase in the dividends account.

Answer: E

16. A credit entry:

A) Increases asset and expense accounts, and decreases liability, common stock, and revenue accounts.

B) Is always a decrease in an account.

C) Decreases asset and expense accounts, and increases liability, common stock, and revenue accounts.

D) Is recorded on the left side of a T-account.

E) Is always an increase in an account.

Answer: C

17. Trimble Graphic Design receives $1,500 from a client billed in a previous month for services provided. Which of the following general journal entries will Trimble Graphic Design make to record this transaction?

A)

|  |  |  |
| --- | --- | --- |
| Cash | 1,500 |  |
| Accounts Receivable |  | 1,500 |

B)

|  |  |  |
| --- | --- | --- |
| Cash | 1,500 |  |
| Unearned Design Revenue |  | 1,500 |

C)

|  |  |  |
| --- | --- | --- |
| Accounts Receivable | 1,500 |  |
| Unearned Design Revenue |  | 1,500 |

D)

|  |  |  |
| --- | --- | --- |
| Cash | 1,500 |  |
| Design Revenue |  | 1,500 |

E)

|  |  |  |
| --- | --- | --- |
| Accounts Receivable | 1,500 |  |
| Cash |  | 1,500 |

Answer: A

18. J. Smith, the sole stockholder, received a $100 dividend from Jay’s Limo Services. Which of the following general journal entries will Jay’s Limo Services make to record this transaction?

A)

|  |  |  |
| --- | --- | --- |
| Dividends | 100 |  |
| Cash |  | 100 |

B)

|  |  |  |
| --- | --- | --- |
| Cash | 100 |  |
| Dividends |  | 100 |

C)

|  |  |  |
| --- | --- | --- |
| Common Stock | 100 |  |
| Dividends |  | 100 |

D)

|  |  |  |
| --- | --- | --- |
| Dividends | 100 |  |
| Common Stock |  | 100 |

E)

|  |  |  |
| --- | --- | --- |
| Cash | 100 |  |
| Common Stock |  | 100 |

Answer: A

19. A company provided $12,000 of consulting services, and was immediately paid in cash by the customer. Identify the journal entry below that properly records this transaction.

A)

|  |  |  |
| --- | --- | --- |
| Accounts receivable | 12,000 |  |
| Cash |  | 12,000 |

B)

|  |  |  |
| --- | --- | --- |
| Cash | 12,000 |  |
| Consulting services revenue |  | 12,000 |

C)

|  |  |  |
| --- | --- | --- |
| Consulting services revenue | 12,000 |  |
| Cash |  | 12,000 |

D)

|  |  |  |
| --- | --- | --- |
| Accounts payable | 12,000 |  |
| Consulting services revenue |  | 12,000 |

E)

|  |  |  |
| --- | --- | --- |
| Accounts receivable | 12,000 |  |
| Consulting services revenue |  | 12,000 |

Answer: B

20. On May 31, the Cash account of Bottle's R US had a normal balance of $5,000. During May, the account was debited for a total of $12,200 and credited for a total of $11,500. What was the balance in the Cash account at the beginning of May?

A) A $0 balance.

B) A $4,300 debit balance.

C) A $4,300 credit balance.

D) A $5,700 debit balance.

E) A $5,700 credit balance.

Answer: B

21. Jackson Consulting had the following accounts and balances at December 31:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Account | Debit | |  | Credit | | |
| Cash | $ | 20,000 |  |  |  |  | |
| Accounts Receivable |  | 6,000 |  |  |  |  | |
| Prepaid Insurance |  | 1,500 |  |  |  |  | |
| Supplies |  | 5,000 |  |  |  |  | |
| Accounts Payable |  |  |  | $ | 500 |  | |
| Common Stock |  |  |  |  | 9,000 |  | |
| Retained Earnings |  |  |  |  | 7,200 |  | |
| Dividends |  | 1,000 |  |  |  |  | |
| Service Revenue |  |  |  |  | 20,000 |  | |
| Utilities Expense |  | 2,000 |  |  |  |  | |
| Salaries Expense |  | 1,200 |  |  |  |  | |
| Totals | $ | 36,700 |  | $ | 36,700 |  | |

Using the information in the table, calculate Jackson Consulting's reported net income for the period.

A) $16,800.

B) $15,800.

C) $15,300.

D) $10,300.

E) $23,200.

Answer: A

22. Bologna Lodging had the following accounts and balances as of December 31:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Account | Debit | |  | | Credit | | | |
| Cash | $ | 20,000 | |  | |  |  |  | |
| Accounts Receivable |  | 2,000 | |  | |  |  |  | |
| Salaries Expense |  | 500 | |  | |  |  |  | |
| Accounts Payable |  |  | |  | | $ | 4,000 |  | |
| Lodging Revenue |  |  | |  | |  | 7,000 |  | |
| Utilities Expense |  | 500 | |  | |  |  |  | |
| Prepaid Insurance |  | 1,400 | |  | |  |  |  | |
| Supplies |  | 1,500 | |  | |  |  |  | |
| Common Stock |  |  | |  | |  | 10,000 |  | |
| Retained Earnings |  |  | |  | |  | 4,900 |  | |
| Totals | $ | 25,900 | |  | | $ | 25,900 |  | |

Using the information in the table, calculate the **total assets** reported on Bologna's balance sheet for the period.

A) $ 24,900.

B) $ 25,400.

C) $ 22,500.

D) $ 25,900.

E) $ 23,400.

Answer: A

23. Compare the list of accounts below and choose the list that contains only accounts that would be classified as asset accounts on the Chart of Accounts.

A) Accounts Payable; Cash; Supplies.

B) Unearned Revenue; Accounts Payable; Dividends.

C) Building; Prepaid Insurance; Supplies Expense.

D) Cash; Prepaid Insurance; Equipment.

E) Notes Payable; Cash; Dividends.

Answer: D

24. Which financial statement reports an organization's financial position at a single point in time?

A) Income statement.

B) Balance sheet.

C) Statement of retained earnings.

D) Cash flow statement.

E) Trial balance.

Answer: B

25. Joel Consulting received $3,000 from a customer for services provided. Joel's general journal entry to record this transaction will be:

A) Debit Services Revenue, credit Accounts Receivable.

B) Debit Cash, credit Accounts Payable.

C) Debit Cash, credit Accounts Receivable.

D) Debit Cash, credit Services Revenue.

E) Debit Accounts Payable, credit Services Revenue.

Answer: D

26. Richard Redden, the sole stockholder, contributed $70,000 in cash and land worth $130,000 in exchange for common stock to open a new business, RR Consulting. Which of the following general journal entries will RR Consulting make to record this transaction?

A) Debit Assets $200,000; credit Common Stock, $200,000.

B) Debit Cash and Land, $200,000; credit Common Stock, $200,000.

C) Debit Cash $70,000; debit Land $130,000; credit Common Stock, $200,000.

D) Debit Common Stock, $200,000; credit Cash $70,000, credit Land, $130,000.

E) Debit Common Stock, $200,000; credit Assets, $200,000.

Answer: C

27. A law firm billed a client $1,800 for work performed in the current month. Which of the following general journal entries will the firm make to record this transaction?

A) Debit Accounts Receivable, $1,800; credit Unearned Legal Fees Revenue, $1,800.

B) Debit Cash, $1,800; credit Unearned Legal Fees Revenue, $1,800.

C) Debit Legal Fees Revenue, $1,800; credit Accounts Receivable, $1,800.

D) Debit Accounts Receivable, $1,800; credit Legal Fees Revenue, $1,800.

E) Debit Cash, $1,800; credit Accounts Receivable, $1,800.

Answer: D

28. Larry Bar opened a frame shop and completed these transactions:

1. Larry started the shop by investing $40,000 cash and equipment valued at $18,000 in exchange for common stock.

2. Purchased $70 of office supplies on credit.

3. Paid $1,200 cash for the receptionist's salary.

4. Sold a custom frame service and collected $1,500 cash on the sale.

5. Completed framing services and billed the client $200.

What was the balance of the cash account after these transactions were posted?

A) $300.

B) $41,500.

C) $40,300.

D) $38,500.

E) $38,700.

Answer: C

29. During 2015, its first year of operations, Neko’s Bakery had revenues of $60,000 and expenses of $35,000. The business paid dividends of $20,000. What is the amount of stockholders’ equity at December 31, 2015?

* 1. $0
  2. $5,000 credit
  3. $25,000 credit
  4. $20,000 debit

30. At September 1, 2015, Promise Ring Co. reported stockholders’ equity of $156,000. During the month, Promise Ring generated revenues of $38,000, incurred expenses of $21,000, purchased equipment for $5,000 and paid dividends of $2,000. What is the amount of stockholders’ equity at September 30, 2015?(

* 1. $166,000
  2. $171,000
  3. $173,000
  4. $176,000

Sebastian Belle has performed $2,000 of CPA services for a client but has not billed the client as of the end of the accounting period. What adjusting entry must Sebastian make?

1. Debit Cash and credit Unearned Service Revenue
2. Debit Accounts Receivable and credit Unearned Service Revenue
3. Debit Accounts Receivable and credit Service Revenue
4. Debit Unearned Service Revenue and credit Service Revenue

31. Sebastian Belle, CPA, has billed her clients for services performed. She subsequently receives payments from her clients. What entry will Sebastian make upon receipt of the payments?

1. Debit Unearned Service Revenue and credit Service Revenue
2. Debit Cash and credit Accounts Receivable
3. Debit Accounts Receivable and credit Service Revenue
4. Debit Cash and credit Service Revenue

32. Froggie Company earned revenues of $200,000 in their first year of operations and incurred expenses of $70,000. As a result of these transactions, Froggie’s retained earnings ending balance will be:

a. $130,000

b. $200,000

c. $117,000

d. ($70,000)

33. Froggie Company purchased a buidling for $1,200,000. Froggie did not have the cash to purchase the buidling, but provided the seller with a $1,000,000 cash down payment and agreed to pay the $200,000 balance for the next 2 years. As a result of this transaction:

1. Assets will increase by $1,200,000
2. Liabilities will increase by $1,200,000
3. Assets will increase by $200,000 and liabilties will increase by $200,000

d. Assets will decrease by $1,000,000 and liabilities will increase by $200,000

34. The income statement for the year 2013 of Fugazi Co. contains the following information:

Revenues $70,000

Expenses:

Salaries and Wages Expense $45,000

Rent Expense 12,000

Advertising Expense 8,000

Supplies Expense 6,000

Utilities Expense 2,500

Insurance Expense 2,000

Total expenses 75,500

Net income (loss) $(5,500)

At January 1, 2013, Fugazi reported retained earnings of $50,000. DivIdends for the year totalled $10,000. At December 31, 2013, the company will report retained earning of

a. $15,500.

b. $34,500.

c. $40,000.

d. $45,500.