

Accounting I

1. The excess of issue price over par of common stock is termed a(n)
 - A. premium.
 - B. deficit.
 - C. discount.
 - D. income.
2. When goods are sold for cash, the journal entry is
 - A. debit Cash, credit Sales.
 - B. debit Merchandise Inventory, credit Accounts Receivable.
 - C. debit Sales, credit Cash.
 - D. debit Merchandise Inventory, credit Accounts Payable.
3. What is the third step in the closing process?
 - A. Close credit balances in revenue accounts to income summary
 - B. Close withdrawals to the owner's capital account
 - C. Close income summary to the owner's capital account
 - D. Close debit balances in expense accounts to income summary
4. Which one of the following accounts would require a closing entry at the end of the fiscal period?
 - A. Equipment
 - B. Accounts Receivable
 - C. Capital
 - D. Income Summary
5. To prove a journal:
 - A. draw a double line below the amount columns
 - B. the total of all the debit columns should equal the total of all the credit columns
 - C. All answers are correct.
 - D. draw a single line just below the last transaction and enter the column totals
6. The two types of journal entries needed to change general ledger account balances at the end of the fiscal period are:
 - A. closing and correcting entries
 - B. adjusting and closing entries
 - C. closing and revenue entries
 - D. adjusting and correcting entries
7. The entry to record receipt of cash from the owner as an investment is:
 - A. debit Capital, credit Cash
 - B. debit Cash, credit Accounts Payable
 - C. debit Drawing, credit Cash
 - D. debit Cash, credit Capital
8. Assume that sales for the month were \$5,000 and that total expenses were \$3,000. Net income is \$2,000. Using these figures, what is the closing entry to close out the expenses located in the general ledger?
 - A. debit Capital \$3,000; credit the various expenses \$3,000

- B. debit Income Summary \$3,000; credit the various expenses \$3,000
 - C. debit the various expenses \$3,000; credit Income Summary \$3,000
 - D. debit Capital \$3,000; credit Income Summary \$3,000
9. To record the sale of merchandise on account, including sales tax,
- A. debit Accounts Receivable, credit Sales and Sales Tax Payable.
 - B. debit Sales and Sales Tax Payable, credit Accounts Receivable.
 - C. debit Accounts Receivable, credit Merchandise Inventory and Sales Tax Payable.
 - D. debit Sales, credit Accounts Receivable and Sales Tax Payable.
10. Assume the ZZ Corporation paid cash at maturity on a \$5,000, 6-month note at 6% interest. What is the journal entry that was recorded when the loan was obtained?
- A. debit Notes Payable, \$5,000; credit Cash, \$5,000
 - B. debit Notes Payable, \$5,150; credit Cash, \$5,150
 - C. debit Cash, \$5,000; credit Notes Payable, \$5,000
 - D. debit Notes Payable, \$5,000 and Interest Expense, \$150; credit Cash, \$5,150
11. Which one of the following could not be considered income?
- A. interest paid on a loan
 - B. interest received from a savings account
 - C. winnings from the lottery
 - D. a paycheck
12. Closing entries result in the transfer of net income or net loss into the:
- A. income summary account
 - B. paid in capital
 - C. owner's capital account
 - D. cash account
13. When merchandise is sold on account and sales tax is also collected what happens?
- A. the sales tax is not reported
 - B. the accounts receivable account balance is increased
 - C. Sales is debited for the price of the goods
 - D. Accounts Receivable is credited for the total sale and sales tax
14. DC Enterprises returned \$567 worth of merchandise purchased one week before and received credit on their account. In which journal is the transaction recorded?
- A. Cash Receipts Journal
 - B. General Journal
 - C. Purchases Journal
 - D. Cash Payments Journal
15. Supplies purchased on account were incorrectly recorded as Office Equipment. The correcting entry would be
- A. Accounts Receivable, debit; Supplies, credit
 - B. Supplies, debit; Accounts Payable, credit
 - C. Supplies, debit; Office Equipment, credit

D. Office Equipment, debit; Supplies Expense, credit

16. A retailer purchases merchandise with a catalog list price of \$10,000. The retailer receives a 25 percent trade discount and credit terms of 2/10, n/30. What amount should the retailer debit to the Merchandise Inventory account?

- A. \$10,000
- B. \$9,800
- C. \$7,350
- D. \$7,500

17. What is the first step in the closing process?

- A. close credit balances in revenue accounts to income summary
- B. close income summary to the owner's capital account
- C. close withdrawals to the owner's capital account
- D. close debit balances in expense accounts to income summary

18. The journal entry to close Income Summary when there is a net loss is:

- A. debit owner's capital account; credit Sales
- B. debit Sales; credit Income Summary
- C. debit owner's capital; credit Income Summary
- D. debit Income Summary; credit owner's capital

19. The difference between the budgeted amount and the actual amount that you spend is

- A. the amount you save.
- B. gross pay.
- C. net pay.
- D. budget variance.

20. What is the term for proving the equality (debits = credits) of the totals of columns in a journal?

- A. double checking
- B. auditing
- C. footing
- D. cross-footing

21. Which one of the following is not an asset account?

- A. Sales
- B. Cash
- C. Office Equipment
- D. Supplies

22. Which of the following describes the classification and normal balance of J. Schuyler, Drawing?

- A. Liability, credit
- B. Asset, debit
- C. Expense, debit
- D. Owner's equity, debit

23. The type of account and normal balance of Accumulated Depreciation is

- A. asset, debit.
 - B. contra asset, debit.
 - C. contra asset, credit.
 - D. asset, credit.
24. Sales Tax Payable is classified as a(n)
- A. liability account.
 - B. revenue account.
 - C. owner's equity account.
 - D. asset account.
25. Cash investments made by the owner to the business are reported on the statement of cash flows in the
- A. supplemental statement
 - B. investing activities section
 - C. operating activities section
 - D. financing activities section
26. The business entity concept means that
- A. an entity is organized according to the rules set by the FASB.
 - B. the owner is part of the business entity.
 - C. the entity is an individual economic unit for which data are recorded, analyzed, and reported.
 - D. an entity is organized according to state or federal statutes.
27. The balance side of an owner's capital account is:
- A. the left side
 - B. the debit side
 - C. the credit side
 - D. none of the answers are correct
28. The first digit in the account number 120 means that the account is in the
- A. Liability division of the general ledger.
 - B. Revenue division of the general ledger.
 - C. Asset division of the general ledger.
 - D. Expense division of the general ledger.
29. A new account to be added between accounts 530 and 540 will be assigned the number:
- A. 535
 - B. 539
 - C. 531
 - D. 537
30. A business has the following expense accounts: 510, Advertising Expense; 520, Miscellaneous Expense; 530, Repair Expense. A new account titled Utilities Expense is added. The account number for this new account is:
- A. 515
 - B. 550
 - C. 525

D. 540

31. Which one of the following represents costs that will expire over time or through use of assets?
- A. Supplies
 - B. Rent Revenue
 - C. Income Taxes Payable
 - D. Unearned Revenue
32. Which one of the following best describes Accounts Receivable?
- A. amounts to be collected that will provide economic benefit in the future
 - B. an asset
 - C. amounts owed by customers for services rendered or merchandise sold
 - D. cash to be collected in the future
33. Which category of accounts is listed second in the General Ledger?
- A. Liabilities
 - B. Expenses
 - C. Assets
 - D. Revenue
34. Notes receivable are classified as:
- A. other expense
 - B. other revenue
 - C. current liabilities
 - D. current assets
35. What are the main differences between long-term and short-term financial goals?
- A. short-term goals take one year or less to achieve; long-term goals take more than five years to achieve
 - B. short-term goals must be accomplished with one work day; long-term goals take more than one work day but less than the average work week
 - C. short-term goals take less than \$10,000 to achieve; long-term goals take more than \$10,000 to achieve
 - D. short-term goals take less than a month to achieve; long-term goals take more than a month but less than one year to achieve
36. Which government agency has the authority to set acceptable accounting methods in the United States?
- A. EEOC
 - B. FTC
 - C. Federal Reserve
 - D. SEC
37. Companies listed on the stock exchanges must file financial statements with the:
- A. American Institute of Certified Public Accountants (AICPA)
 - B. Financial Accounting Standards Board (FASB)
 - C. Securities and Exchange Commission (SEC)
 - D. Internal Revenue Service (IRS)

38. All of the following items would appear on the balance sheet except:
- A. the owner's capital account
 - B. accounts receivable
 - C. patents
 - D. withdrawals
39. The correct order of the three stages of accounting is:
- A. Communication, processing, and measurement
 - B. Measurement, communication, and processing
 - C. Measurement, processing, and communications
 - D. Processing, measurement, and communication
40. Those who lend money or deliver goods and service before being paid are called:
- A. creditors
 - B. underwriters
 - C. debtors
 - D. investors
41. In the accounting cycle, the last step is
- A. journalizing and posting the adjusting entries.
 - B. preparing a post-closing trial balance.
 - C. preparing the financial statements.
 - D. journalizing and posting the closing entries.
42. Recording revenue and the expenses associated with earning that revenue in the same accounting period is referred to as
- A. matching management.
 - B. the allowance method.
 - C. the matching principle.
 - D. the adjustment concept.
43. The beginning of the year balances for Shaw Industries were: Assets \$122,000, Liabilities \$69,000, and Equity \$53,000. If the company purchased equipment costing \$56,000 with \$6,000 cash and incurred a note payable for the balance, by what amount did the equity section of the Balance Sheet change as a result of this purchase?
- A. \$56,000
 - B. \$50,000
 - C. \$ -0-
 - D. \$6,000
44. The beginning of the year balances for Shaw Industries were: Assets \$122,000, Liabilities \$69,000, and Equity \$53,000. If the company purchased equipment costing \$56,000 with \$6,000 cash and incurred a note payable for the balance, what is the balance in the assets section of the Balance Sheet directly after the purchase?
- A. \$172,000
 - B. \$178,000
 - C. \$116,000
 - D. \$ 66,000

45. Amounts owed by a business are referred to as

- A. capital.
- B. liabilities.
- C. equities.
- D. assets.

46. Under the perpetual inventory system, all purchases of merchandise are debited to the account entitled

- A. Purchases.
- B. Merchandise Inventory.
- C. Cost of Merchandise Sold.
- D. Cost of Merchandise Available for Sale.

47. The accounts receivable turnover ratio is how often accounts receivable is collected. Which one of the following is correct?:

- A. weekly
- B. monthly
- C. annually
- D. quarterly

48. An example of a permanent account is

- A. accounts payable.
- B. rent expense.
- C. fees revenue.
- D. withdrawals.

49. A drawing account has a normal:

- A. credit balance and is increased by a credit
- B. credit balance and is decreased by a credit
- C. debit balance and is increased by a credit
- D. debit balance and is increased by a debit

50. Inflation is

- A. an increase in new products and services.
- B. a general rise in the price level.
- C. a decrease in new products and services.
- D. a general decline in the price level.

51. The financial statement that reports whether the business earned a profit and also lists the types and amounts of the revenues and expenses is called

- A. a statement of cash flows.
- B. an income statement.
- C. a statement of owner's equity.
- D. a balance sheet.

52. The financial statement that details the revenues and expenses and the profit or loss for a business is called a(n)

- A. statement of owner's equity.
 - B. income statement.
 - C. balance sheet.
 - D. statement of cash flows.
53. Information to prepare the revenue section of the Income Statement is obtained from the
- A. Income Statement Debit column on the work sheet
 - B. Trial Balance Debit column on the work sheet
 - C. Income Statement Credit column on the work sheet
 - D. Trial Balance Credit column on the work sheet
54. When an amount on an income statement is written in parentheses, the amount is a(n)
- A. negative amount
 - B. possible error
 - C. estimate
 - D. None of the answers is correct.
55. The financial statement that reports revenues and expenses for a specific period of time is the:
- A. balance sheets
 - B. income statement
 - C. adjusted trial balance
 - D. statement of cash flows
56. What is the proper adjusting entry at June 30, the end of the fiscal year, based on a prepaid insurance account balance before adjustment, \$15,500, and unexpired amounts per analysis of policies, \$4,500?
- A. Debit Insurance Expense, \$4,500; credit Prepaid Insurance, \$4,500
 - B. Debit Insurance Expense, \$11,000; credit Prepaid Insurance, \$11,000
 - C. Debit Insurance Expense, \$15,500; credit Prepaid Insurance, \$15,500
 - D. Debit Prepaid Insurance, \$11,500; credit Insurance Expense, \$11,500
57. The journal entry a company records for the issuance of bonds when the contract rate is less than the market rate would be
- A. debit Cash, credit Bonds Payable.
 - B. debit Cash and Discount on Bonds Payable, credit Bonds Payable.
 - C. debit Bonds Payable, credit Cash.
 - D. debit Cash, credit Premium on Bonds Payable and Bonds Payable.
58. When a journal entry is posted to the general ledger, the date recorded in the general ledger account is
- A. the date of the transaction.
 - B. the current date.
 - C. the date on which the posting is completed.
 - D. the date of the journal entry.
59. Assume the following for XYZ Delivery Service: Net Income for the fiscal period, \$10,000; Beginning Owner's Equity, \$35,000; Owner Withdrawals for the fiscal period, \$5,000. What is the return on owner's equity for the fiscal period?
- A. 50%

- B. 16.67%
- C. 20%
- D. 33.3%

60. When the owner withdraws cash, the owner's drawing account is:

- A. decreased by a debit
- B. decreased by a credit
- C. increased by a debit
- D. increased by a credit

61. When comparing a retail business to a service business, the financial statement that changes the most is the

- A. Income Statement.
- B. Balance Sheet.
- C. Statement of Owner's Equity.
- D. Statement of Cash Flow.

62. What Balance Sheet category does the following belong to?

Petty Cash = \$800.00

- A. Equity
- B. Assets
- C. Liabilities

63. A balance sheet

- A. itemizes the revenue and expenses for a specified period of time
- B. itemizes the assets and liabilities of a business
- C. reports the changes in owner's equity for the fiscal period
- D. provides the source of information for preparing the income statement

64. The information used to prepare the balance sheet can be obtained from the

- A. Trial Balance columns on the work sheet
- B. journal
- C. general ledger
- D. Balance Sheet columns on the work sheet

65. Owner's equity is:

- A. not listed on the balance sheet
- B. listed on both sides of the balance sheet
- C. listed on the right side of the balance sheet
- D. listed on the left side of the balance sheet

66. A working paper used to summarize the general ledger information needed to prepare financial statements is called

a

- A. source document.
- B. ledger account form.
- C. worksheet.
- D. journal.

67. Which one of the following accounts is not extended into the Balance Sheet section on the work sheet?

- A. Capital
- B. Cash in Bank
- C. Rent Expense
- D. Office Equipment

68. On a worksheet, the balance of cash is extended to the:

- A. Income Statement Credit column
- B. Balance Sheet Credit column
- C. Income Statement Debit column
- D. Balance Sheet Debit column

69. The following information is available for the Deeds Travel Agency:

Total revenues \$125,000

Total expenses. 60,000

J. T. Deeds, Capital 80,000

J. T. Deeds, Withdrawals 15,000

After these closing entries are completed, what will be the balance in the J. T. Deeds, Capital account?

- A. \$ 65,000
- B. \$130,000
- C. \$145,000
- D. \$ 80,000

70. The worksheet at the end of September has \$4,000 in the Balance Sheet credit column for Accumulated Depreciation. The worksheet at the end of October has \$4,750 in the Balance Sheet credit column for Accumulated Depreciation. What was the amount of the depreciation expense adjustment for the month of October?

- A. \$750
- B. \$4,000
- C. \$4,750
- D. The amount cannot be determined.

71. If the bank statement balance and the checkbook balance are different, it is because of

- A. outstanding checks.
- B. outstanding deposits.
- C. bank service charges.
- D. All the answers are correct.

72. Checks that have been written but not yet presented to the bank for payment are called:

- A. outstanding checks
- B. NSF checks
- C. ETF (electronic transfer funds)
- D. bounced checks

73. A bank service charge would be journalized as:

- A. Cash Credit and Sales Debit
- B. Cash Credit and Miscellaneous Expense Debit
- C. Cash Debit and Charge Expense Credit
- D. Cash Credit and Charge Expense Credit

74. An endorsement on the back of a check consisting only of a signature is a

- A. special endorsement.
- B. blank endorsement.
- C. signature endorsement.
- D. restrictive endorsement.

75. When performing a bank reconciliation, which would not require a journal entry or adjusting entry:

- A. outstanding checks
- B. fee for NSF check
- C. check printing charges
- D. bank error

76. Which of the following is not an analysis used in assessing solvency?

- A. Inventory analysis
- B. Number of times interest charges are earned
- C. Ratio of net sales to assets
- D. Current position analysis

77. Sara earns \$10 per hour. One week, she worked 42 hours. Her gross earnings for this pay week are

- A. \$460.
- B. \$430.
- C. \$420.
- D. \$450.

78. Until the amounts withheld from employee salaries are paid by the employer, they are recorded as

- A. assets.
- B. salary expense.
- C. revenue.
- D. liabilities.

79. The amount charged to the Salaries Expense account is equal to the total

- A. deductions in the payroll register
- B. net pay
- C. gross earnings
- D. amount of withholding taxes

80. The amount of money withheld for federal and state taxes from an employee's paycheck is recorded as:

- A. liabilities for the employer
- B. liabilities for the employee
- C. expenses for the employee
- D. expenses for the employer

81. A business owned by two or more persons is a

- A. sole proprietorship.
- B. corporation.
- C. partnership.
- D. charter corporation.

82. A business owned by one person is known as a

- A. drawing account.
- B. sole proprietorship.
- C. partnership.
- D. revenue account.

83. Assume that Tim's Store sold merchandise on account to Teen Town Tots. The sales invoice indicates a sale of \$1,800 with a sales tax rate of 6.5% that must be collected. What is the appropriate journal entry for this transaction?

- A. debit Accounts Receivable and Teen Town Tots for \$1,800 and debit Sales Tax Payable for \$117; credit Sales for \$1,917
- B. debit Accounts Receivable and Teen Town Tots for \$1,800; credit Sales for \$1,800
- C. debit Accounts Receivable and Teen Town Tots for \$1,917; credit Sales for \$1,800 and credit Sales Tax Payable for \$117
- D. debit Accounts Receivable and Teen Town Tots for \$1,800; credit Sales for \$1,800 and credit Sales Tax Payable for \$117

84. Which one of the following types of business ownerships is characterized by the positive aspects of being able to make all business decisions without consulting others, being able to set your own working hours, and being your own boss?

- A. corporation
- B. proprietorship
- C. franchise
- D. partnership

85. Which one of the following is a potential disadvantage for being classified as a corporation:

- A. ease of raising additional capital
- B. limited liability for the owners
- C. ease in transferring ownership
- D. double taxation

86. Onxy Manufacturing Inc. purchases a new machine for \$80,000 that will be depreciated using the units of production method. As bookkeeper you find that the useful life of this machine is 720,000 units and the salvage value is \$8,000. The first year 105,000 units are completed on this machine. What is the depreciation value for year one?

- A. \$105
- B. \$1,050
- C. \$105,000
- D. \$10,500

87. When you calculate depreciation on an asset used in your business, the cost of the asset means the total cost, including shipping and installation if the asset is equipment. Find the depreciable value of an oven in your father's bakery which costs \$28,000 but still has \$1,000 value at the end of its life, if it has a useful life in the bakery of 5 years.
- A. \$5,400 depreciable value
 - B. \$28,000 depreciable value
 - C. \$27,300 depreciable value
 - D. \$27,000 depreciable value
88. The adjusting entry for depreciation is
- A. debit Depreciation Expense and credit Accumulated Depreciation.
 - B. debit Cash and credit Depreciation Expense.
 - C. debit Accumulated Depreciation and credit Depreciation Expense.
 - D. debit Depreciation Expense and credit Cash.
89. The original cost of a plant asset minus accumulated depreciation is called the
- A. depreciable value of a plant asset.
 - B. book value of a plant asset.
 - C. useful life of a plant asset.
 - D. salvage value of a plant asset.
90. The following depreciation calculation is not an accelerated method:
- A. declining balance
 - B. units of activity
 - C. units of production
 - D. straight-line
91. Which of the following statements is false concerning an automated accounting system?
- A. There is very little need to learn how to process transactions manually before learning how to enter the information into an automated accounting system.
 - B. Once accounting principles have been learned by entering transactions on paper, students are better able to understand the functions of an automated system.
 - C. There are many different kinds of automated systems available for use in the business world and a business owner should choose the one that best suits the needs of his/her business.
 - D. Automated accounting aids in following the trails of information needed to analyze and correct errors.
92. An example of automated accounting output is
- A. file maintenance.
 - B. financial reports.
 - C. automatic posting.
 - D. special journal entries.
93. The primary advantage(s) of a computerized accounting system is:
- A. electronically handling payroll for employees
 - B. efficiency and speed
 - C. the tax deduction available for the first year of conversion
 - D. the 100 percent accuracy of the accounting records

94. What would not be an advantage for using a computerized accounting system:
- A. customized reporting capabilities
 - B. automatic ledger entries
 - C. accounts always in balance
 - D. training costs for employees to use the system
95. The first stage of a computerized accounting system is:
- A. Transaction Processing System (TPS)
 - B. Reversal and Journalizing Entries (RJE)
 - C. Trial Balance Worksheet (TBW)
 - D. General Ledger Transactions (GLT)
96. Ethical behavior requires
- A. that auditors' pay not depend on the figures in the client's report.
 - B. managers to use accounting information to benefit themselves.
 - C. analysts to report information favorable to their companies.
 - D. auditors to invest in businesses they audit.
97. Which one of the following questions is not a part of the checklist that can be used as a guide when making ethical business decisions?
- A. Does the action I am about to take violate company or professional standards?
 - B. Does the action I am about to take make a profit for my business?
 - C. Does the action I am about to take violate any laws?
 - D. Who is affected, and how, by the action I am about to take?
98. Which best describes responsibility?
- A. acknowledging and appreciating your work
 - B. the ability to overcome fear
 - C. caring deeply about people
 - D. being dependable and taking positive actions
99. The principle that requires an accountant to protect information learned in the course of work is called
- A. integrity.
 - B. competence.
 - C. objectivity.
 - D. confidentiality.
100. Which is not one of the principles underlying the accountant's code of professional ethics?
- A. independence
 - B. objectivity
 - C. integrity
 - D. loyalty

Answers

- | | | |
|-------|-------|--------|
| 1. A | 45. B | 89. B |
| 2. A | 46. B | 90. D |
| 3. C | 47. C | 91. A |
| 4. D | 48. A | 92. B |
| 5. C | 49. D | 93. B |
| 6. B | 50. B | 94. D |
| 7. D | 51. B | 95. A |
| 8. B | 52. B | 96. A |
| 9. A | 53. C | 97. B |
| 10. C | 54. A | 98. D |
| 11. A | 55. B | 99. D |
| 12. C | 56. B | 100. D |
| 13. B | 57. B | |
| 14. B | 58. D | |
| 15. C | 59. D | |
| 16. D | 60. C | |
| 17. A | 61. A | |
| 18. C | 62. B | |
| 19. D | 63. B | |
| 20. D | 64. D | |
| 21. A | 65. C | |
| 22. D | 66. C | |
| 23. C | 67. C | |
| 24. A | 68. D | |
| 25. D | 69. B | |
| 26. C | 70. A | |
| 27. C | 71. D | |
| 28. C | 72. A | |
| 29. A | 73. B | |
| 30. D | 74. B | |
| 31. A | 75. A | |
| 32. C | 76. C | |
| 33. A | 77. B | |
| 34. D | 78. D | |
| 35. A | 79. B | |
| 36. D | 80. A | |
| 37. C | 81. C | |
| 38. D | 82. B | |
| 39. C | 83. C | |
| 40. A | 84. B | |
| 41. B | 85. D | |
| 42. C | 86. D | |
| 43. C | 87. D | |
| 44. A | 88. A | |