

**Accounting, Vol. 1, Cdn. 10e (Hornngren)**  
**Chapter 2 Recording Business Transactions**

Objective 2-1

1) The basic summary device of accounting is the account.

Answer: TRUE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

2) Notes receivable is a liability account.

Answer: FALSE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

3) A chart of accounts is a list of all of a company's accounts with their account numbers.

Answer: TRUE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

4) A chart of accounts is organized in order of the accounting equation, with assets first, followed by liabilities and owner's equity.

Answer: TRUE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

5) The ledger is the first book of entry for a business transaction.

Answer: FALSE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

6) An account receivable for the selling company is an account payable for the purchasing company.

Answer: TRUE

Diff: 2 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

7) The basic summary device of accounting is the:

A) ledger.

B) account.

C) debit.

D) credit.

Answer: B

Diff: 1 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

8) Accounts are grouped in a book called the:

A) trial balance.

B) chart of accounts.

C) journal.

D) ledger.

Answer: D

Diff: 1 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

9) All of the following are assets *except*:

A) cash.

B) accounts receivable.

C) land.

D) accounts payable.

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

10) An organization's list of all its accounts and the related account numbers is called a:

- A) balance sheet.
- B) chart of accounts.
- C) ledger.
- D) trial balance.

Answer: B

Diff: 1 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

11) A chart of accounts is:

- A) a source document.
- B) another name for a trial balance.
- C) a list of all of the accounts of an organization and their related account numbers.
- D) prepared as the last step in analyzing transactions.

Answer: C

Diff: 1 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

12) Which of the following is a revenue account?

- A) accounts receivable
- B) accumulated amortization
- C) unearned revenue
- D) sales

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

13) Which of the following most completely describes businesses that use a chart of accounts?

- A) service but not merchandising or manufacturing businesses
- B) merchandising but not service or manufacturing businesses
- C) manufacturing but not service or merchandising businesses
- D) Service, merchandising, and manufacturing businesses all use a chart of accounts.

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

14) The year end balance in the capital account is determined by:

A) the change in cash from the beginning to the end of the year.

B) the beginning capital balance, investments, net income or loss, and withdrawals.

C) only investments and withdrawals.

D) the change in total assets from the beginning to the end of the year.

Answer: B

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Procedural

Cognitive Taxon.: Understand

*For the items listed below, indicate whether the item is an asset, liability, owner's equity, revenue, expense or withdrawal item.*

- A) Revenue
- B) Owner's Equity
- C) Liability
- D) Asset
- E) Withdrawal
- F) Expense

15) Accounts receivable

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

16) Service revenue

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

17) Salary expense

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

18) Accounts payable

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

19) Office supplies

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

20) Cash

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

21) Note payable

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

22) Tim Brown, Capital

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

23) Building

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

24) Tim Brown, withdrawals

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

25) Land

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

26) Truck

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

27) Rent expense

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

28) Furniture

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

29) Equipment

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

30) Supplies expense

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

Answers: 15) D 16) A 17) F 18) C 19) D 20) D 21) C 22) B 23) D 24) E 25) D 26) D 27) F 28) D 29) D 30) F

## Objective 2-2

1) A transaction always involves exactly two accounts.

Answer: FALSE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

2) The right-hand side of an account is called the increase side.

Answer: FALSE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

3) Assets, revenues, and withdrawals are all increased by debits.

Answer: FALSE

Diff: 2 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

4) Total debits must always equal total credits.

Answer: TRUE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

5) The right side of the account is the correct side.

Answer: FALSE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

6) The normal balance of account Accounts Payable is a debit.

Answer: FALSE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

7) The purchase of equipment by issuing a note payable would involve a debit to note payable.

Answer: FALSE

Diff: 2 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

8) The purchase of a building with a down payment of cash and the signing of a note payable for the remainder would include a debit to building and a credit to note payable and to cash.

Answer: TRUE

Diff: 2 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

9) The normal balance of a revenue account is a credit.

Answer: TRUE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember



10) Double-entry accounting means entering business transactions twice to avoid possible errors.

Answer: FALSE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

11) Credit is a term representing:

A) the right side of an account.

B) an increase.

C) a decrease.

D) the left side of an account.

Answer: A

Diff: 1 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

12) Which of the following groups of accounts have normal debit balances?

A) assets, revenues, and owner withdrawals

B) assets, expenses, and owner withdrawals

C) assets, liabilities, and capital

D) assets, revenues, and expenses

Answer: B

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

13) The normal balance of an expense is a \_\_\_\_\_ while the normal balance of an asset is a \_\_\_\_\_.

A) debit; credit

B) debit; debit

C) credit; credit

D) credit; debit

Answer: B

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

14) The normal balance of a liability is a \_\_\_\_\_ while the normal balance of revenue is a \_\_\_\_\_.

- A) credit; debit
- B) debit; debit
- C) debit; credit
- D) credit; credit

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

15) Incurring an expense in the current accounting period, which is paid in the current accounting period, will require:

- A) a debit to an expense and a credit to a liability.
- B) a debit to a liability and a credit to an expense.
- C) a debit to an expense and a credit to cash.
- D) a debit to an expense and a credit to capital.

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

16) Incurring an expense in the current accounting period, which will be paid in the following accounting period, will require:

- A) a debit to an expense and a credit to a liability.
- B) a debit to a liability and a credit to an expense.
- C) a debit to an expense and a credit to cash.
- D) a debit to an expense and a credit to capital.

Answer: A

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

17) The withdrawal of cash by the owner for personal use would include a:

- A) debit to the owner's capital account.
- B) credit to the owner's withdrawals account.
- C) credit to the owner's capital account.
- D) debit to the owner's withdrawals account.

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

18) An owner investment of cash into the business would include a:

- A) debit to capital.
- B) credit to withdrawals.
- C) debit to withdrawals.
- D) credit to capital.

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

19) Purchasing a truck by signing a note payable would include a:

- A) credit to truck.
- B) debit to note payable.
- C) credit to note payable.
- D) debit to truck expense.

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

20) Performing a service on account would include a:

- A) debit to accounts payable.
- B) credit to accounts payable.
- C) credit to the cash.
- D) credit to service revenue.

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

21) The normal balance of cash is a \_\_\_\_\_ because it is a(n) \_\_\_\_\_ account.

- A) debit; expense
- B) credit; asset
- C) debit; asset
- D) credit; revenue

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

22) The normal balance of notes payable is a \_\_\_\_\_ because it is a(n) \_\_\_\_\_ account.

- A) debit; expense
- B) credit; revenue
- C) debit; asset
- D) credit; liability

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

23) The normal balance of wages payable is a \_\_\_\_\_ because it is a(n) \_\_\_\_\_ account.

- A) credit; liability
- B) credit; revenue
- C) credit; owner's equity
- D) credit; asset

Answer: A

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

24) The normal balance of land is a \_\_\_\_\_ because it is a(n) \_\_\_\_\_ account.

- A) debit; expense
- B) credit; asset
- C) debit; asset
- D) credit; revenue

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

25) The purchase of equipment for cash would:

- A) increase total assets.
- B) increase total assets and decrease liabilities.
- C) decrease both liabilities and owner's equity.
- D) have no effect on total assets.

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

26) An owner investment of a building, valued at \$200,000, along with a \$55,000 outstanding mortgage, into an entity would:

- A) increase owner's equity \$145,000.
- B) increase total assets \$55,000.
- C) decrease liabilities \$145,000.
- D) increase owner's equity \$200,000.

Answer: A

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

27) Performing services on account would:

- A) increase net income, decrease total assets, and decrease owner's equity.
- B) increase net income, increase owner's equity, and increase total assets.
- C) increase total assets and liabilities.
- D) decrease total assets, increase net income, and increase owner's equity.

Answer: B

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

28) The payment of the owner's personal expenses from the business's chequebook should be recorded with a debit to:

- A) withdrawals.
- B) accounts payable.
- C) cash.
- D) capital.

Answer: A

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

29) The account debited when supplies are purchased on account is:

- A) accounts payable.
- B) cash.
- C) capital.
- D) supplies.

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

30) The account credited when cash is received from a customer on account is:

- A) cash.
- B) accounts payable.
- C) accounts receivable.
- D) service revenue.

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

31) The owner withdrawing cash for personal use would:

- A) have no effect on assets.
- B) decrease owner's equity.
- C) decrease net income.
- D) increase assets.

Answer: B

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

32) An advertising bill received in the current period that will be paid the following period would:

- A) decrease liabilities.
- B) have no effect on liabilities.
- C) increase net income.
- D) decrease owner's equity.

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

33) The account debited when payment is made for equipment purchased previously on account is:

- A) accounts payable.
- B) cash.
- C) accounts receivable.
- D) equipment.

Answer: A

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

34) The purchase of a building by signing a note payable would:

- A) increase owner's equity.
- B) decrease total liabilities.
- C) have no effect on owner's equity.
- D) decrease total assets.

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

35) The purchase of a building by signing a note payable would:

- A) increase owner's equity.
- B) increase total liabilities.
- C) decrease owner's equity.
- D) decrease total assets.

Answer: B

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

36) The investment of cash into the business by the owner would:

- A) increase net income.
- B) decrease owner's equity.
- C) have no effect on liabilities.
- D) decrease assets.

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

37) The payment of an amount owed to a supplier would:

- A) have no effect on total assets or liabilities.
- B) increase owner's equity and liabilities.
- C) decrease net income and increase assets.
- D) decrease assets and liabilities.

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

38) The payment of salaries to employees for wages of the current period would:

- A) increase owner's equity and decrease liabilities.
- B) increase net income and decrease assets.
- C) decrease assets and owner's equity.
- D) increase assets and decrease owner's equity.

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

39) Performing a service for cash would:

- A) affect the accounting equation the same as if the service was performed on account.
- B) increase assets more than if the service had been performed on account.
- C) increase net income less than if the service had been performed on account.
- D) decrease expenses more than if the service had been performed on account.

Answer: A

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

40) Performing a service on account would:

- A) affect the accounting equation the same as if the service was performed for cash.
- B) increase assets more than if the service had been performed for cash.
- C) increase net income less than if the service had been performed for cash.
- D) decrease expenses more than if the service had been performed for cash.

Answer: A

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

41) Performing a service and immediately collecting the cash would:

- A) increase net income less than if the service had been performed on account.
- B) increase assets more than if the service had been performed on account.
- C) increase owner's equity less than if the service had been performed on account.
- D) have no effect on liabilities.

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand



42) The journal entry to record the payment of a telephone bill immediately upon receipt of the bill would:

- A) have no effect on owner's equity.
- B) decrease liabilities.
- C) decrease owner's equity.
- D) increase owner's equity.

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

43) Making a payment on account of a liability would:

- A) decrease assets and increase liabilities.
- B) increase liabilities and decrease owner's equity.
- C) decrease assets and decrease liabilities.
- D) decrease assets and increase net income.

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

44) Receiving a payment from a customer on account would:

- A) increase both assets and owner's equity.
- B) increase net income and decrease liabilities.
- C) have no effect on total assets or owner's equity.
- D) decrease liabilities and increase owner's equity.

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

45) An owner investment of equipment into the business would:

- A) increase net income.
- B) have no effect on total assets.
- C) have no effect on owner's equity.
- D) have no effect on liabilities.

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

- 46) An owner withdrawal of \$20,000 cash would:
- A) decrease owner's equity and increase assets by \$20,000.
  - B) increase owner's equity and decrease liabilities by \$20,000.
  - C) increase liabilities and assets by \$20,000.
  - D) decrease assets and owner's equity by \$20,000.

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

- 47) In the double-entry accounting system, each transaction:

- A) involves exactly two accounts.
- B) involves at least two accounts.
- C) involves an asset account and a liability account.
- D) involves a liability account and an equity account.

Answer: B

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

- 48) Owner equity accounts include:

- A) assets, liabilities and capital.
- B) assets, revenues and expenses.
- C) only the capital and withdrawal accounts.
- D) the revenue, expense, capital and withdrawal accounts.

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

- 49) Which of the following is correct?

- A) liabilities = assets - owner's equity
- B) owner's equity = assets + liabilities
- C) assets = liabilities - owner's equity
- D) assets = owner's equity - liabilities

Answer: A

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

50) State whether the account should be debited or credited and the normal balance of the account for the items listed below:

<b>Account</b>	<b>Recorded as a debit or credit</b>	<b>Normal balance of the account</b>
a) Increase in Accounts payable		
b) Increase in Salary expense		
c) Increase in Withdrawals		
d) Decrease in Capital		
e) Decrease in Supplies		
f) Increase in Accounts receivable		
g) Decrease in Note payable		
h) Decrease in Note receivable		
i) Increase in Utilities expense		
j) Decrease in Land		

Answer:

<b>Account</b>	<b>Recorded as a debit or credit</b>	<b>Normal balance of the account</b>
a) Increase in Accounts payable	Credit	Credit
b) Increase in Salary expense	Debit	Debit
c) Increase in Withdrawals	Debit	Debit
d) Decrease in Capital	Debit	Credit
e) Decrease in Supplies	Credit	Debit
f) Increase in Accounts receivable	Debit	Debit
g) Decrease in Note payable	Debit	Credit
h) Decrease in Note receivable	Credit	Debit
i) Increase in Utilities expense	Debit	Debit
j) Decrease in Land	Credit	Debit

Diff: 2 Type: SA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

51) State whether the account should be debited or credited and the normal balance of the account for the items listed below:

<b>Account</b>	<b>Recorded as a debit or credit</b>	<b>Normal balance of the account</b>
a) Decrease in Accounts payable		
b) Decrease in Salary expense		
c) Increase in Withdrawals		
d) Increase in Capital		
e) Increase in Supplies		
f) Decrease in Accounts receivable		
g) Increase in Note payable		
h) Increase in Note receivable		
i) Decrease in Rent expense		
j) Increase in Land		

Answer:

<b>Account</b>	<b>Recorded as a debit or credit</b>	<b>Normal balance of the account</b>
a) Decrease in Accounts payable	Debit	Credit
b) Decrease in Salary expense	Credit	Debit
c) Increase in Withdrawals	Debit	Debit
d) Increase in Capital	Credit	Credit
e) Increase in Supplies	Debit	Debit
f) Decrease in Accounts receivable	Credit	Debit
g) Increase in Note payable	Credit	Credit
h) Increase in Note receivable	Debit	Debit
i) Decrease in Rent expense	Credit	Debit
j) Increase in Land	Debit	Debit

Diff: 2 Type: SA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

52) Explain the rules for debits and credits. Use the accounting equation as a basis for your explanation and indicate the specific rules for debits and credits as they apply to the various accounts. Your answer should include the rules for all types of accounts affecting owner's equity.

Answer:

<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Owner's Equity</u>
Dr   Cr		Dr   Cr		Dr   Cr
+ -		- +		- +

Capital

Dr | Cr  
- +

Revenues

Dr | Cr  
- +

Expenses

Dr | Cr  
+ -

Withdrawals

Dr | Cr  
+ -

Debits are on the left-hand side and credits are on the right-hand side. Depending upon which side of the equation you are on, debits will either increase or decrease an accounting equation item. Owner's equity has four specific accounts that have an effect on the owner's investment in the firm. Revenues and capital (investments by the owner) increase with credits while expenses and withdrawals increase with debits.

Diff: 2 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

53) Describe owner's equity in relation to the assets of the business.

Answer: Owner's equity represents a residual interest in the assets of the business available to the owners after the liabilities have been paid.

The accounting equation can be presented showing owner's equity as being the net assets:

Owner's equity = Assets - Liabilities

Diff: 2 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

## Objective 2-3

1) The purchase of office equipment for cash would increase assets and decrease liabilities.

Answer: FALSE

Diff: 2 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

2) A payment to a creditor would increase assets and decrease liabilities.

Answer: FALSE

Diff: 2 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

3) A journal is a chronological record of transactions.

Answer: TRUE

Diff: 2 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Evaluate

4) The first step in the journalizing process is to identify the transaction and its data.

Answer: TRUE

Diff: 2 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

5) A journal is like a diary; it shows a chronological listing of a business's activities.

Answer: TRUE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

6) Recording the transaction in the journal is the first step in the journalizing process.

Answer: FALSE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

7) Journalizing is the process of copying information from the ledger to the journal.

Answer: FALSE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

8) A journal produces a balance in each account.

Answer: FALSE

Diff: 2 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

9) If the debit part of a journal entry is not posted but the credit part is, assets will always be overstated.

Answer: FALSE

Diff: 3 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

10) When posting transactions, debits must always equal credits.

Answer: TRUE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

11) Transactions are first recorded in a(n):

A) trial balance.

B) journal.

C) account.

D) ledger.

Answer: B

Diff: 1 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

12) A chronological record of an entity's transactions is called a(n):

- A) journal.
- B) ledger.
- C) trial balance.
- D) account.

Answer: A

Diff: 1 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

13) The last step in the journalizing process is to:

- A) enter the transaction to the journal.
- B) post the transaction to the ledger.
- C) determine the accounts involved in the transaction.
- D) identify the transaction and its data.

Answer: A

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

14) All of the following are included in the journal entry for a transaction *except*:

- A) the name of the person making the entry.
- B) the titles of the accounts to be debited and credited.
- C) the date of the transaction.
- D) the dollar amounts of the debit and credit.

Answer: A

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

15) A business purchases equipment for cash of \$100,000. This transaction will cause:

- A) cash to be credited for \$100,000.
- B) equipment to be credited for \$100,000.
- C) capital to be credited for \$100,000.
- D) capital to be debited for \$100,000.

Answer: A

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand



16) A business acquires equipment costing \$10,000 by making a \$2,000 down payment and issuing a note for the balance. This transaction will cause:

- A) equipment to be debited for \$10,000.
- B) notes payable to be debited for \$8,000.
- C) cash to be credited for \$8,000.
- D) equipment to be credited for \$8,000.

Answer: A

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

17) A payment of \$400 to a creditor, on account, will cause:

- A) cash to be debited for \$400.
- B) accounts receivable to be credited for \$400.
- C) accounts payable to be debited for \$400.
- D) accounts payable to be credited for \$400.

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

18) Providing services for \$2,000 where cash is immediately received will cause:

- A) service revenue to be debited for \$2,000.
- B) service revenue to be credited for \$2,000.
- C) cash to be credited for \$2,000.
- D) accounts receivable to be credited for \$2,000.

Answer: B

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

19) An owner investment of land valued at \$20,000 and a building valued at \$55,000 into the business would include a:

- A) debit to the land and building account for \$75,000.
- B) debit to the land account for \$75,000.
- C) debit to the capital account for \$75,000.
- D) debit to the building account for \$55,000.

Answer: D

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

20) An owner investment of land valued at \$20,000 and a building valued at \$55,000 into the business would include a:

- A) debit to the land account for \$55,000 and building account for \$20,000.
- B) debit to the land account for \$75,000.
- C) debit to the land account for \$20,000 and building account for \$55,000.
- D) debit to the building account for \$75,000.

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

21) Purchasing supplies on account would include a:

- A) debit to supplies and a credit to note payable.
- B) debit to supplies and a credit to cash.
- C) debit to supplies and a debit to accounts payable.
- D) debit to supplies and a credit to accounts payable.

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

22) Purchasing supplies and office equipment for cash would include a:

- A) debit to supplies; credit to office equipment and cash.
- B) debit to supplies and office equipment; credit to cash.
- C) debit to office equipment; credit to supplies and cash.
- D) debit to cash; credit to office equipment and supplies.

Answer: B

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

23) Which of the following records the payment of the current month's rent bill for a business?

- A) debit to cash and a credit to rent expense
- B) debit to rent expense and a credit to cash
- C) debit to rent expense and a credit to accounts payable
- D) debit to accounts payable and a credit to cash

Answer: B

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

24) Receiving cash on account of \$1,200 from a customer would include a:

- A) debit to accounts receivable and a credit to service revenue for \$1,200.
- B) debit to cash and a credit to accounts receivable for \$800.
- C) debit to accounts payable and a credit to cash for \$1,200.
- D) debit to cash and a credit to accounts receivable for \$1,200.

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

25) Making a \$350 payment on an account with a current balance of \$800 would include a:

- A) debit to accounts receivable and a credit to cash for \$350.
- B) debit to accounts payable and a credit to cash for \$450.
- C) debit to accounts payable and a credit to cash for \$350.
- D) debit to accounts receivable and a credit to capital for \$350.

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

26) Receiving a \$350 payment on an account with a current balance of \$800 would include a:

- A) debit to cash and a credit to accounts payable for \$350.
- B) debit to cash and a credit to accounts receivable for \$350.
- C) credit to cash and a credit to accounts receivable for \$350.
- D) debit to accounts receivable and a credit to cash for \$350.

Answer: B

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

27) Which of the following entries records the billing of service revenue performed on account for \$5,400?

- A) debit to service revenue and a credit to accounts receivable for \$5,400
- B) debit to accounts payable and a credit to service revenue for \$5,400
- C) debit to accounts receivable and a credit to the owner's capital for \$5,400
- D) debit to accounts receivable and a credit to service revenue for \$5,400

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

28) Which of the following entries records the billing of service revenue performed for cash for \$5,400?

- A) debit to service revenue and a credit to cash for \$5,400
- B) debit to accounts payable and a credit to cash for \$5,400
- C) debit to cash and a credit to the owner's capital for \$5,400
- D) debit to cash and a credit to service revenue for \$5,400

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

29) Performing a service for \$500 cash and \$700 on account would include a:

- A) debit to cash for \$1,200.
- B) debit to service revenue for \$1,200.
- C) credit to service revenue for \$500.
- D) debit to accounts receivable for \$700.

Answer: D

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

30) Performing a service for \$500 cash and \$700 on account would include a:

- A) debit to cash for \$700.
- B) debit to service revenue for \$700.
- C) credit to service revenue for \$1,200.
- D) credit to accounts receivable for \$700.

Answer: C

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

31) A \$500 rent bill received for the current period that will be paid in the following period would include a:

- A) debit to accounts payable for \$500.
- B) credit to rent expense for \$500.
- C) debit to rent expense for \$500.
- D) credit to cash for \$500.

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

32) The entry to record the purchase of supplies for \$200 cash would be:

A)

Supplies	200	
Accounts Payable		200

B)

Cash	200	
Supplies		200

C)

Cash	200	
Supplies Expense		200

D)

Supplies	200	
Cash		200

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

33) The entry to record an owner investment of \$400 cash into the business would be:

A)

Withdrawals	400	
Capital		400

B)

Cash	400	
Accounts Receivable		400

C)

Cash	400	
Capital		400

D)

Capital	400	
Cash		400

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

34) The entry to record the return of \$300 of supplies purchased on account would be:

A)

Cash	300	
Supplies		300

B)

Supplies	300	
Accounts Payable		300

C)

Accounts Payable	300	
Supplies		300

D)

Accounts Payable	300	
Capital		300

Answer: C

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

35) The entry to record the receipt of \$650 on account for services previously rendered and billed would be:

A)

Accounts Receivable	650	
Service Revenue		650

B)

Service Revenue	650	
Accounts Receivable		650

C)

Cash	650	
Accounts Receivable		650

D)

Cash	650	
Accounts Payable		650

Answer: C

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

36) Which of the following journal entries most accurately records an owner investing building and land into a business valued at \$250,000 and \$400,000 respectively?

A)

Building and land	650,000	
Capital		650,000

B)

Building and land	650,000	
Cash		650,000

C)

Building	250,000	
Land	400,000	
Cash		650,000

D)

Building	250,000	
Land	400,000	
Capital		650,000

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand



37) The proper journal entry to record a proprietor taking \$500 cash from the business for personal use is:

A)

Cash	500	
Withdrawals		500

B)

Withdrawals	500	
Cash		500

C)

Salary expense	500	
Cash		500

D)

Loans payable	500	
Cash		500

Answer: B

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

38) A business making a monthly mortgage payment that included \$1,200 principal and \$300 interest should be recorded as:

A)

Mortgage payable	1,200	
Interest payable	300	
Cash		1,500

B)

Mortgage payable	1,500	
Cash		1,500

C)

Cash	1,500	
Mortgage payable		1,500

D)

Mortgage payable	1,200	
Interest expense	300	
Cash		1,500

Answer: D

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

39) A customer with an overdue account of \$450 pays \$150 and provides a promissory note for the balance. Which of the following is the most appropriate journal entry to record this transaction?

A)

Cash	150	
Bad debts expense	300	
Accounts receivable		450

B)

Cash	150	
Notes receivable	300	
Accounts receivable		450

C)

Accounts receivable	450	
Cash		450

D)

Cash	150	
Accounts receivable		150

Answer: B

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

40) Which of the following journal entries correctly records paying for a \$900 one year insurance policy in advance?

A)

Insurance expense	900	
Prepaid insurance		900

B)

Prepaid insurance	900	
Insurance payable		900

C)

Insurance expense	900	
Cash		900

D)

Prepaid insurance	900	
Cash		900

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

41) Sam Snead, the owner of Snead's Fine Golf Wear, used \$1,800 of his personal funds to go on vacation. Which of the following is the most appropriate treatment regarding this transaction?

A)

Withdrawals	1,800	
Cash		1,800

B)

Travel expense	1,800	
Cash		1,800

C) record a memorandum in the general journal

D) do not record the transaction in the general journal

Answer: D

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

42) Which of the following journal entries would be recorded if a business makes a cash payment to a supplier of \$600 "on account" (the business had purchased supplies on account in the previous month)?

A)

Cash	600	
Accounts payable		600

B)

Accounts payable	600	
Cash		600

C)

Cash	600	
Supplies		600

D)

Accounts payable	600	
Supplies		600

Answer: B

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

*Match the source documents to the correct definitions. The documents may be used more than once or not at all.*

- A) sales invoice
- B) purchase order
- C) cash receipt
- D) deposit slip
- E) bank cheque
- F) bank reconciliation
- G) packing slip

43) a company places an order with a vendor to purchase inventory

Diff: 2 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

44) an order of materials is received from a vendor via a delivery truck

Diff: 2 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

45) the company accountant deposits the cash and cheques received at the bank

Diff: 2 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

46) paid a vendor on account

Diff: 2 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

47) sold merchandise to a customer on account

Diff: 2 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

48) paid employee for one week's wages

Diff: 2 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

49) customer pays the company immediately for services performed

Diff: 2 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

Answers: 43) B 44) G 45) D 46) E 47) A 48) E 49) C

50) State the account to be debited and the account to be credited for the following transactions. Choose from the following list of accounts: cash, accounts receivable, supplies, equipment, land, accounts payable, note payable, capital, withdrawals, service revenue, utilities expense, and salary expense.

- a) Purchased equipment for cash.
- b) Performed services for cash.
- c) Owner invests cash into the business.
- d) Purchased supplies for cash.
- e) Purchased equipment by issuing a note payable.
- f) Purchased supplies on account.
- g) Performed services on account.
- h) Received cash on account.
- i) Paid a creditor on account.
- j) Paid salary of employees for the current period.
- k) Owner invested land in the business

	<b>Debit</b>	<b>Credit</b>
a)	_____	_____
b)	_____	_____
c)	_____	_____
d)	_____	_____
e)	_____	_____
f)	_____	_____
g)	_____	_____
h)	_____	_____
i)	_____	_____
j)	_____	_____
k)	_____	_____

Answer:

	<b>Debit</b>	<b>Credit</b>
a)	Equipment	Cash
b)	Cash	Service revenue
c)	Cash	Capital
d)	Supplies	Cash
e)	Equipment	Note payable
f)	Supplies	Accounts payable
g)	Accounts receivable	Service revenue
h)	Cash	Accounts receivable
i)	Accounts payable	Cash
j)	Salary expense	Cash
k)	Land	Capital

Diff: 2 Type: SA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand



51) The steps in the accounting cycle (excluding the preparation of the worksheet) are listed below in random order. List the steps in the proper sequence, inserting the number 1 to 11.

- a) Prepare a post-closing trial balance \_\_\_\_\_
- b) Prepare an adjusted trial balance \_\_\_\_\_
- c) Analyse transactions as they occur \_\_\_\_\_
- d) Prepare an unadjusted trial balance \_\_\_\_\_
- e) Compute the adjusted balance in each of  
the ledger accounts \_\_\_\_\_
- f) Post the journal entries to the ledger accounts \_\_\_\_\_
- g) Journalize adjusting journal entries \_\_\_\_\_
- h) Journalize and post-closing entries \_\_\_\_\_
- i) Prepare financial statements \_\_\_\_\_
- j) Compute the unadjusted balance in each of  
the ledger accounts \_\_\_\_\_
- k) Journalize the transactions \_\_\_\_\_

Answer:

- a) 11
- b) 8
- c) 1
- d) 5
- e) 7
- f) 3
- g) 6
- h) 10
- i) 9
- j) 4
- k) 2

Diff: 3 Type: SA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

- 52) Prepare journal entries in good form for the following transactions.
- a) Francine Forestell opened a consulting firm by investing \$20,700 cash and office furniture valued at \$8,300.
  - b) Paid monthly rent of \$1,000
  - c) Purchased office supplies for cash, \$700.
  - d) Paid \$1,200 employee salary.
  - e) Billed a client \$4,000 for services rendered.
  - f) Owner, Francine Forestell withdrew \$1,500 for personal living expenses.
- Answer:

**General Journal**

Date	Accounts	Debit	Credit
a)	Office Furniture	8,300	
	Cash	20,700	
	Francine Forestell, Capital		29,000
b)	Rent Expense	1,000	
	Cash		1,000
c)	Office Supplies	700	
	Cash		700
d)	Wages Expense	1,200	
	Cash		1,200
e)	Accounts Receivable	4,000	
	Service Revenue		4,000
f)	Francine Forestell, Withdrawals	1,500	
	Cash		1,500

Diff: 2 Type: ES  
 CPA Competency: 1.2.2 Evaluates treatment for routine transactions  
 Objective: 2-3 Analyze and record transactions in the journal  
 Knowledge Taxon.: Factual  
 Cognitive Taxon.: Understand

53) Prepare journal entries in good form for the following transactions.

- a) Owner, Mira Addington invested equipment valued at \$4,500 and cash of \$7,000 into the business.
- b) Purchased office supplies for cash, \$550.
- c) Paid \$700 for current month's rent of office space.
- d) Billed a client \$2,000 for services rendered.
- e) Owner, Mira Addington withdrew \$1,600 for personal living expenses.

Answer:

**General Journal**

Date	Accounts	Debit	Credit
a)	Equipment	4,500	
	Cash	7,000	
	Mira Addington, Capital		11,500
b)	Office Supplies	550	
	Cash		550
c)	Rent Expense	700	
	Cash		700
d)	Accounts Receivable	2,000	
	Service Revenue		2,000
e)	Mira Addington, Withdrawals	1,600	
	Cash		1,600

Diff: 2 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

54) Given the journal entries below, write an explanation of the event that created the transaction.

**General Journal**

Date	Accounts	Debit	Credit
a)	Cash	25,500	
	Mira Addington, Capital		25,500
b)	Office Equipment	2,000	
	Cash		1,000
	Note payable		1,000
c)	Supplies	2,400	
	Cash		2,400
d)	Accounts Receivable	4,500	
	Cash	1,500	
	Service Revenue		6,000
e)	Note Payable	2,500	
	Cash		2,500

Answer:

- a) Owner, Mira Addington invested \$25,500 cash into the business.
- b) Purchased office equipment costing \$2,000 by making a down payment of \$1,000 and issuing a note payable for \$1,000.
- c) Purchased supplies for \$2,400 cash.
- d) Recorded service revenue of \$6,000, receiving \$1,500 cash and \$4,500 on account.
- e) Made a \$2,500 payment on a note payable.

Diff: 2 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

55) Prepare journal entries in good form for the following transactions:

- a) Owner, Janet Simpson, invested equipment valued at \$5,800 and cash of \$5,000 into the business.
- b) Purchased office supplies for cash, \$250.
- c) Paid \$800 for current month's rent of office space.
- d) Billed a client \$2,000 for services rendered.
- e) Owner, Janet Simpson, withdrew \$1,000 for personal living expenses.

Answer:

**General Journal**

Date	Accounts	Debit	Credit
a)	Equipment	5,800	
	Cash	5,000	
	Janet Simpson, Capital		10,800
	Owner invested cash and equipment in the business.		
b)	Office Supplies	250	
	Cash		250
	Purchased office supplies for cash.		
c)	Rent Expense	800	
	Cash		800
	Paid one month's rent for office space.		
d)	Accounts Receivable	2,000	
	Service Revenue		2,000
	Performed services on account.		
e)	Janet Simpson, Withdrawals	1,000	
	Cash		1,000
	Owner withdrew cash for personal use.		

Diff: 2 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

**Objective 2-4**

1) The copying of amounts from the journal to the appropriate ledger accounts is referred to as:

- A) verifying.
- B) journalizing.
- C) posting.
- D) balancing.

Answer: C

Diff: 1 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

2) A \$75 payment for rent expense was posted as a debit to salary expense and a credit to cash. This error will cause:

- A) the trial balance to be in balance.
- B) the sum of the credits to exceed the sum of the debits by \$75.
- C) the sum of the debits to exceed the sum of the credits by \$75.
- D) the sum of the debits to exceed the sum of the credits by \$150.

Answer: A

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Analyze

3) A \$200 payment on a notes payable posted as a debit to notes payable and a debit to cash. This error will cause:

- A) the trial balance to be in balance.
- B) the sum of the credits to exceed the sum of the debits by \$400.
- C) the sum of the debits to exceed the sum of the credits by \$400.
- D) the sum of the debits to exceed the sum of the credits by \$200.

Answer: C

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Analyze

4) A \$50 collection on account was posted as a debit to cash and a debit to accounts receivable. This error will cause:

- A) the trial balance to be in balance.
- B) the sum of the credits to exceed the sum of the debits by \$100.
- C) the sum of the debits to exceed the sum of the credits by \$50.
- D) the sum of the debits to exceed the sum of the credits by \$100.

Answer: D

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Analyze

5) A \$100 collection on account was posted as a debit to cash and a credit to accounts payable. This error will cause:

- A) the trial balance to be in balance.
- B) the sum of the credits to exceed the sum of the debits by \$100.
- C) the sum of the debits to exceed the sum of the credits by \$100.
- D) accounts receivable account to be too low by \$100.

Answer: A

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Analyze

6) A \$250 payment on account was recorded as a debit to accounts receivable and a credit to accounts payable. This error will cause:

- A) accounts receivable to be overstated.
- B) accounts payable to be understated.
- C) cash to be understated.
- D) owner's equity to be overstated.

Answer: A

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Analyze

7) A \$300 receipt of cash on account was recorded as a \$500 debit to cash and a \$500 credit to accounts receivable. This error will cause:

- A) cash to be overstated \$200.
- B) cash to be understated \$500.
- C) cash to be understated by \$800.
- D) accounts receivable to be overstated \$500.

Answer: A

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Analyze

8) Recording service revenue on account as a cash transaction will cause:

- A) accounts receivable to be overstated.
- B) owner's equity to be understated.
- C) cash to be overstated.
- D) service revenue to be understated.

Answer: C

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Analyze

9) Recording salaries paid to employees as a debit to accounts receivable and a credit to cash will cause:

- A) accounts receivable to be understated.
- B) total credits on the trial balance to be understated.
- C) salary expense to be understated.
- D) total debits on the trial balance to be overstated.

Answer: C

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Analyze

10) If the credit amount of an entry to record the purchase of supplies on account was not posted:

- A) liabilities would be unaffected.
- B) assets would be understated.
- C) owner's equity would be understated.
- D) liabilities would be understated.

Answer: D

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Analyze

11) If the credit amount of an entry to record the payment of salaries was not posted:

- A) assets would be overstated.
- B) assets would be unaffected.
- C) liabilities would be understated.
- D) assets would be understated.

Answer: A

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Analyze

12) Posting involves:

- A) transferring information from the general journal to the general ledger.
- B) using information from the general ledger to prepare the trial balance.
- C) using information from the general ledger to prepare the financial statements.
- D) transferring information from the general ledger to the general journal.

Answer: A

Diff: 1 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

13) The posting reference column in the general journal is used to:

- A) indicate if the account is an asset, a liability, or an owner equity.
- B) provide space for the bookkeeper to initial the transaction.
- C) record the page number of the general journal.
- D) record the account number of the general ledger account.

Answer: D

Diff: 1 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand



14) A business has the following transactions: The business is started by receiving \$20,000 from the owner. The business purchases \$500 of supplies on account. The business purchases \$2,000 of furniture on account. The business renders services to various clients totaling \$9,000 on account. The business pays out \$2,000 for Salary expense and \$3,000 for Rent expense. The business pays \$500 to a supplier for the supplies purchased earlier. The business collects \$1,500 from one of its clients for services rendered earlier in the month. At the end of the month, all journal entries are posted to the ledger. The Cash account will appear as follows:

A)

Cash	
20,000	
	2,000
	3,000
	500
1,500	
16,000	

B)

Cash	
20,000	
	2,000
	3,000
15,000	

C)

Cash	
	20,000
2,000	
3,000	
500	
	1,500
	16,000

D)

Cash	
20,000	
2,000	
3,000	
500	
	1,500
24,000	

Answer: A

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Apply

15) Following is a list of errors made during the posting process. Indicate the exact dollar impact each error would have on (1) total assets, (2) total liabilities, and (3) owner's equity.

- a) A \$600 debit to the accounts payable account was posted as a \$400 debit.
- b) A \$700 credit to cash was never posted.
- c) A \$2,000 debit to the withdrawals account was posted as a \$2,200 debit.
- d) A \$1,700 credit to the revenue account was debited to the revenue account.
- e) A \$4,000 debit to the land account was debited to an expense account instead.

Error	Assets	Liabilities	Owner's Equity
a)			
b)			
c)			
d)			
e)			

Answer:

Error	Assets	Liabilities	Owner's Equity
a)	No effect	Over \$200	No effect
b)	Over \$700	No effect	No effect
c)	No effect	No effect	Under \$200
d)	No effect	No effect	Under \$3,400
e)	Under \$4,000	No effect	Under \$4,000

Diff: 3 Type: SA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Analyze

16) Following is a list of errors made during the posting process. Indicate the exact dollar impact each error would have on (1) total assets, (2) total liabilities, and (3) owner's equity.

- a) A \$100 debit to the accounts payable account was posted as a \$400 debit.
- b) A \$500 debit to withdrawals was never posted.
- c) A \$2,000 debit to the land account was posted as a \$2,200 debit.
- d) A \$1,700 credit to the revenue account was credited to an expense account.
- e) A \$4,000 debit to an expense account was debited to land account instead.

<b>Error</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Owner's Equity</b>
a)			
b)			
c)			
d)			
e)			

Answer:

<b>Error</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Owner's Equity</b>
a)	No effect	Under \$300	No effect
b)	No effect	No effect	Over \$500
c)	Over \$200	No effect	No effect
d)	No effect	No effect	No effect
e)	Over \$4,000	No effect	Over \$4,000

Diff: 3 Type: SA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Analyze

17) Following is a list of errors made during the posting process. Indicate the exact dollar impact each error would have on (1) total revenue, (2) total expenses, and (3) net income.

- a) A \$600 debit to salary expense was posted as a \$600 credit to salary expense.
- b) A \$700 credit to service revenue was never posted.
- c) A \$2,000 debit to the withdrawals account was posted as a \$2,000 debit to utilities expense.
- d) A \$1,500 credit to the revenue account was debited to the revenue account.
- e) A \$30,000 debit to the land account was debited to an expense account instead.

Error	Revenue	Expenses	Net Income
a)			
b)			
c)			
d)			
e)			

Answer:

Error	Revenue	Expenses	Net Income
a)	No effect	Under \$1,200	Over \$1,200
b)	Under \$700	No effect	Under \$700
c)	No effect	Over \$2,000	Under \$2,000
d)	Under \$3,000	No effect	Under \$3,000
e)	No effect	Over \$30,00	Under \$30,000

Diff: 3 Type: SA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Analyze

18) Following is a list of errors made during the posting process. Indicate the exact dollar impact each error would have on (1) total revenue, (2) total expenses, and (3) net income.

- a) A \$100 debit to rent expense was posted as a \$300 debit to rent expense.
- b) A \$700 credit to service revenue was credited at \$70 instead
- c) A \$2,000 debit to the withdrawals account was posted as a \$2,000 debit to revenue.
- d) A \$1,500 debit to the salary expense account was debited to rent expense account.
- e) A \$3,000 debit to the equipment account was debited to an expense account instead.

Error	Revenue	Expenses	Net Income
a)			
b)			
c)			
d)			
e)			

Answer:

Error	Revenue	Expenses	Net Income
a)	No effect	Over \$200	Under \$200
b)	Under \$630	No effect	Under \$630
c)	Under \$2,000	No effect	Under \$2,000
d)	No effect	No effect	No effect
e)	No effect	Over \$3,00	Under \$3,000

Diff: 3 Type: SA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Analyze

19) Describe the posting process and how it relates to the accounting process. Give an example in your discussion.

Answer: The posting process involves transferring the amounts recorded for each transaction in the journal to the individual accounts in the ledger. The posting process updates the accounts for the business events that have taken place. For example, assume the following transaction was recorded in the journal:

Supplies	200	
Cash		200

The posting process would involve entering a \$200 debit into the supplies account and a \$200 credit into the cash account. This would increase the supplies account and decrease the cash account by \$200.

Diff: 2 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Factual

Cognitive Taxon.: Understand

## Objective 2-5

1) A trial balance proves the equality of the debits and credits at the end of the accounting period.

Answer: TRUE

Diff: 1 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

2) A trial balance is a list of income statement accounts and their balances.

Answer: FALSE

Diff: 2 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

3) Using a computerized accounting system eliminates the need to prepare a trial balance.

Answer: FALSE

Diff: 2 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

4) It is not possible for a posting error to have occurred when the debits equal the credits on the trial balance.

Answer: FALSE

Diff: 2 Type: TF

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

5) A trial balance contains:

A) a list of all accounts without account balances.

B) only balance sheet accounts with account balances.

C) all accounts contained in the general ledger with account balances.

D) only income statement accounts with account balances.

Answer: C

Diff: 1 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

6) A trial balance is:

- A) a list of all accounts with their balances.
- B) the first step in the accounting cycle.
- C) another name for the chart of accounts.
- D) another name for the balance sheet.

Answer: A

Diff: 1 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

7) Which of the following statements is *false*?

- A) A trial balance proves no errors were made during the accounting process.
- B) A trial balance is a list of all accounts in the ledger with their balances.
- C) A trial balance provides a check on the equality of debits and credits.
- D) A trial balance may be taken at any time the postings are up to date.

Answer: A

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

8) A trial balance has all of the following *except*:

- A) a heading.
- B) totals for both debits and credits.
- C) balances for each account contained in the ledger.
- D) subtotals for revenues and expenses.

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

9) Which of the following statements is true?

- A) A trial balance is in the same format as balance sheet.
- B) A trial balance presents data in debit and credit format, but a balance sheet does not.
- C) A trial balance shows total amounts for assets, liabilities, and equity.
- D) A trial balance is created after the balance sheet is prepared.

Answer: B

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

10) A trial balance lists accounts in which order?

- A) assets, liabilities, revenues, expenses, capital
- B) assets, expenses, liabilities, revenues, capital
- C) assets, revenues, liabilities, expenses, capital
- D) assets, liabilities, capital, revenues, expenses

Answer: D

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

11) When is the trial balance usually prepared?

- A) after each entry is journalized
- B) before financial statements are prepared
- C) after financial statements are published
- D) at the beginning of an accounting period

Answer: B

Diff: 2 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

12) The following are the ending month's balances for Toys Galore.

Accounts payable	\$6,790
Revenue	8,680
Cash	4,500
Expenses	1,050
Furniture	8,370
Accounts receivable	7,710
Capital	930
Notes payable	5,230

What is the total amount of credits for the trial balance?

- A) \$21,630
- B) \$16,400
- C) \$20,580
- D) \$30,310

Answer: A

Explanation: A) Calculations:  $\$6,790 + \$8,680 + \$930 + \$5,230 = \$21,630$

Diff: 3 Type: MC

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand



*Match the following.*

- A) debit
- B) journal
- C) posting
- D) journalizing
- E) credit
- F) normal balance
- G) trial balance
- H) account
- I) chart of accounts
- J) ledger

13) The basic summary device of accounting

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

14) The book of accounts

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

15) The chronological record of an entity's transactions

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

16) A list of all an entity's accounts and their account numbers

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-1 Define and use key accounting terms

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

17) The left-hand side of an account

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

18) The right-hand side of an account

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

19) The side of the account where increases are recorded

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-2 Apply the rules of debit and credit

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

20) The process of entering transactions into the journal

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

21) Transferring the amount from the journal to the ledger

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

22) A list of all the ledger accounts with their balances

Diff: 1 Type: MA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

Answers: 13) H 14) J 15) B 16) I 17) A 18) E 19) F 20) D 21) C 22) G

23) State whether the following errors would cause the trial balance to be out of balance by placing a check mark in the appropriate column.

	<b>In Balance</b>	<b>Out of Balance</b>
a) Services rendered for \$200 cash were recorded twice in the journal and posted twice to the ledger.	_____	_____
b) Services rendered on account for \$300 were recorded as services rendered for cash of \$300.	_____	_____
c) A cash purchase of supplies for \$400 was recorded as a debit to supplies and a credit to accounts receivable for \$400.	_____	_____
d) A cash purchase of supplies for \$300 was posted as a debit to supplies for \$300 and a debit to cash for \$300.	_____	_____
e) A payment of \$200 on account was recorded as a debit to cash and a credit to accounts payable.	_____	_____
f) A \$200 payment to employees for salaries was posted as a debit to utilities expense and a credit to cash.	_____	_____
g) A \$600 cash withdrawal by the owner was recorded as a debit to capital and a credit to cash.	_____	_____

Answer:

	<b>In Balance</b>	<b>Out of Balance</b>
a) X		
b) X		
c) X		
d) X		X
e) X		
f) X		
g) X		

Diff: 3 Type: SA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Analyze

24) The steps in the accounting cycle (excluding the preparation of the worksheet) are listed below in random order. List the steps in the proper sequence, inserting the number 1 to 11.

- a) Prepare a post-closing trial balance \_\_\_\_\_
- b) Prepare an adjusted trial balance \_\_\_\_\_
- c) Analyse transactions as they occur \_\_\_\_\_
- d) Prepare an unadjusted trial balance \_\_\_\_\_
- e) Compute the adjusted balance in each of the ledger accounts \_\_\_\_\_
- f) Post the journal entries to the ledger accounts \_\_\_\_\_
- g) Journalize adjusting journal entries \_\_\_\_\_
- h) Journalize and post-closing entries \_\_\_\_\_
- i) Prepare financial statements \_\_\_\_\_
- j) Compute the unadjusted balance in each of the ledger accounts \_\_\_\_\_
- k) Journalize the transactions \_\_\_\_\_

Answer:

- a) 11
- b) 8
- c) 1
- d) 5
- e) 7
- f) 3
- g) 6
- h) 10
- i) 9
- j) 4
- k) 2

Diff: 3 Type: SA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Factual

Cognitive Taxon.: Remember

25) Given a random list of accounts with their normal balances, prepare a trial balance for Sanders Mobile as of December 31, 2013. List the accounts in the appropriate order.

Capital	\$75,200
Building	55,000
Accounts receivable	19,500
Note payable	63,000
Service revenue	68,000
Supplies	2,500
Advertising expense	12,800
Land	48,000
Equipment	9,800
Salary expense	47,000
Accounts payable	34,000
Withdrawals	15,500
Utilities expense	19,800
Cash	? ? ?

Answer:

Sanders Mobile  
Trial Balance  
December 31, 2013

	<b>Debit</b>	<b>Credit</b>
Cash	\$10,300	
Accounts receivable	19,500	
Supplies	2,500	
Land	48,000	
Building	55,000	
Equipment	9,800	
Accounts payable		\$34,000
Note payable		63,000
Capital		75,200
Withdrawals	15,500	
Service revenue		68,000
Advertising expense	12,800	
Salary expense	47,000	
Utilities expense	<u>19,800</u>	
Total	<u>\$240,200</u>	<u>\$240,200</u>

Diff: 2 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Apply

26) A new employee with little accounting knowledge prepared the following trial balance. Prepare a corrected trial balance as of December 31, 2014, based on the incorrect trial balance and the additional data.

Dillon's Publishing Service  
Trial Balance  
December 31, 2014

	<b>Debit</b>	<b>Credit</b>
Cash	\$35,000	
Accounts receivable	11,500	
Office supplies	1,500	
Prepaid insurance	800	
Office equipment	14,000	
Accounts payable		\$18,000
Note payable		9,250
Martin Dillon, Capital		34,000
Martin Dillon, Withdrawals	2,800	
Service revenue	71,300	
Salary expense		9,200
Rent expense		7,500
Advertising expense	<u>3,500</u>	
Total	<u>\$140,400</u>	<u>\$77,950</u>

Additional data:

- All accounts have a normal balance.
- Service revenue has a transposition error.
- Note payable is understated by \$7,250.

Answer:

Dillon's Publishing Service  
Trial Balance  
December 31, 2014

	<b>Debit</b>	<b>Credit</b>
Cash	\$35,000	
Accounts receivable	11,500	
Office supplies	1,500	
Prepaid insurance	800	
Office equipment	14,000	
Accounts payable		\$18,000
Note payable		16,500
Martin Dillon, Capital		34,000
Martin Dillon, Withdrawals	2,800	
Service revenue		17,300
Salary expense	9,200	
Rent expense	7,500	
Advertising expense	<u>3,500</u>	
Total	<u>\$85,800</u>	<u>\$85,800</u>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Analyze

**Table 2-1**

The following is a list of the accounts and their balances appearing in the ledger of Henry Garage Repairs as of December 31, 2014, the company's year end. The accounts are in alphabetical order and have normal balances.

Accounts payable	\$450
Accounts receivable	1,250
Cash	400
Equipment	12,600
Gasoline expense	600
Ian Henry, Capital	6,600
Ian Henry, Withdrawals	500
Notes payable	11,000
Rent expense	1,200
Repairs expense	650
Salary expense	700
Salary payable	100
Service revenue	8,250
Supplies	200
Supplies expense	300
Truck	8,000

27) Refer to Table 2-1. Prepare a trial balance for Henry Garage Repairs at December 31, 2014.

Answer:

Henry Garage Repairs  
Trial Balance  
December 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash	\$400	
Accounts receivable	1,250	
Supplies	200	
Equipment	12,600	
Truck	8,000	
Accounts payable		450
Notes payable		\$11,000
Salary payable		100
Ian Henry, Capital		6,600
Ian Henry, Withdrawals	500	
Service revenue		8,250
Gasoline expense	600	
Rent expense	1,200	
Repairs expense	650	
Salary expense	700	
Supplies expense	<u>300</u>	
	<u>\$26,400</u>	<u>\$26,400</u>



Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Procedural

Cognitive Taxon.: Apply

**Table 2-2**

The following is a list of the accounts and their balances appearing in the ledger of Martin Mann Garage as of December 31, 2014, the company's year end. The accounts are in alphabetical order and have normal balances.

Accounts payable	1,350
Accounts receivable	3,750
Cash	1,200
Equipment	37,800
Gasoline expense	1,800
Martin Mann, Capital	19,800
Martin Mann, Withdrawals	1,500
Notes payable	33,000
Rent expense	3,600
Repairs expense	1,950
Salary expense	2,100
Salary payable	300
Service revenue	24,750
Supplies	600
Supplies expense	900
Truck	24,000

28) Refer to Table 2-2. Prepare a trial balance for Martin Mann Garage at December 31, 2014  
Answer:

Martin Mann Garage  
Trial Balance  
December 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash	\$1,200	
Accounts receivable	3,750	
Supplies	600	
Equipment	37,800	
Truck	24,000	
Accounts payable		\$1,350
Notes payable		33,000
Salary payable		300
Martin Mann, Capital		19,800
Martin Mann, Withdrawals	1,500	
Service revenue		24,750
Gasoline expense	1,800	
Rent expense	3,600	
Repairs expense	1,950	
Salary expense	2,100	
Supplies expense	900	
	<u>\$79,200</u>	<u>\$79,200</u>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Apply



Answer:

<b>Account Title</b>	<b>Debit</b>	<b>Credit</b>
Cash	84,800	
Accounts receivable	4,100	
Supplies	2,900	
Equipment	1,800	
Building	17,000	
Land	67,000	
Accounts payable		22,000
Note payable		58,000
Capital		45,000
Withdrawals	1,800	
Service revenue		62,000
Advertising expense	1,600	
Salary expense	1,800	
Utilities expense	4,200	
	<u>\$187,000</u>	<u>\$187,000</u>

Diff: 2 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Apply



Answer:

Account Title	Debit	Credit
Cash	\$5,000	
Accounts receivable	1,200	
Supplies	200	
Land	20,000	
Accounts payable		\$1,300
Capital		1,000
Service revenue		35,500
Rent expense	4,500	
Salary expense	6,000	
Utility expense	900	
Total	\$37,800	\$37,800

Diff: 2 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Apply

31) Based on the following transactions that occurred during 2014, prepare a trial balance dated December 31, 2014, for Wellman Water Services

- Randy Wellman invested \$13,000 cash in the business.
- Purchased \$500 of supplies on account.
- Bought equipment on account, \$5,000.
- Performed \$6,000 of services on account.
- Performed \$3,000 of services for cash.
- Paid \$3,000 on equipment purchased in transaction c.
- Paid salaries to employees for the current period, \$2,500.

Answer: Wellman Water Services

Trial Balance

December 31, 2014

	Debit	Credit
Cash	\$10,500	
Accounts receivable	6,000	
Supplies	500	
Equipment	5,000	
Accounts payable		\$2,500
Randy Wellman, Capital		13,000
Service revenue		9,000
Salary expense	<u>2,500</u>	
Total	<u>\$24,500</u>	<u>\$24,500</u>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Apply

32) Journalize the following transactions for Redmond Storage and prepare a trial balance dated June 30, 2014.

- a) Owner, Roger Redmond invested \$10,000 cash into the business.
- b) Rented an office and paid one month's rent, \$1,100.
- c) Purchased \$450 of supplies on account.
- d) Performed a service on account, \$1,550.
- e) Paid \$2,500 cash for office furniture.
- f) Owner, Roger Redmond withdrew \$1,700 cash for personal use.
- g) Collected \$1,200 on account.

Answer:

**Journal**

<b>Date</b>	<b>Description</b>	<b>Debit</b>	<b>Credit</b>
a)	Cash	10,000	
	Roger Redmond, Capital		10,000
	Owner investment of cash in business.		
b)	Rent Expense	1,100	
	Cash		1,100
	Paid cash for one month's rent.		
c)	Supplies	450	
	Accounts Payable		450
	Purchased supplies on account.		
d)	Accounts Receivable	1,550	
	Service Revenue		1,550
	Performed a service on account.		
e)	Office Furniture	2,500	
	Cash		2,500
	Paid cash for office furniture.		
f)	Roger Redmond, Withdrawals	1,700	
	Cash		1,700
	Owner withdrew cash for personal use.		
g)	Cash	1,200	
	Accounts Receivable		1,200
	Collect cash on account.		



Redmond Storage  
Trial Balance  
June 30, 2014

	<b>Debit</b>	<b>Credit</b>
Cash	\$5,900	
Accounts receivable	350	
Supplies	450	
Office furniture	2,500	
Accounts payable		\$450
Roger Redmond, Capital		10,000
Roger Redmond, Withdrawals	1,700	
Service revenue		1,550
Rent expense	<u>1,100</u>	<u>          </u>
<b>Total</b>	<b><u>\$12,000</u></b>	<b><u>\$12,000</u></b>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Apply

33) Journalize the following transactions for Stanley's Repair Shop and prepare a trial balance dated May 31, 2014.

- a) Owner, Stanley Knowles invested \$5,000 cash into the business.
- b) Rented a garage and paid one month's rent, \$1,400.
- c) Purchased \$50 of supplies for cash.
- d) Performed repair services on account, \$1,590.
- e) Paid \$1,500 cash for equipment.
- f) Owner, Stanley Knowles withdrew \$700 cash for personal use.

Answer:

**Journal**

Date	Description	Debit	Credit
a)	Cash	5,000	
	Stanley Knowles, Capital		5,000
	Owner invested cash in business.		
b)	Rent Expense	1,400	
	Cash		1,400
	Paid cash for one month's rent for garage.		
c)	Supplies	50	
	Cash		50
	Purchased supplies for cash.		
d)	Accounts Receivable	1,590	
	Service Revenue		1,590
	Performed repair services on account.		
e)	Equipment	1,500	
	Cash		1,500
	Purchased equipment for cash.		
f)	Stanley Knowles, Withdrawals	700	
	Cash		700
	Owner withdrew cash for personal use.		

Stanley's Repair Shop  
Trial Balance  
May 31, 2014

	Debit	Credit
Cash	\$1,350	
Accounts receivable	1,590	
Supplies	50	
Equipment	1,500	
Stanley Knowles, Capital		5,000
Stanley Knowles, Withdrawals	700	
Service revenue		1,590
Rent expense	<u>1,400</u>	
Total	<u>\$6,590</u>	<u>\$6,590</u>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Apply

34) Given the following transactions for The Warren Candle Company, prepare a trial balance as of August 31, 2013.

- a) Owner, Wendy Warren invested \$16,000 cash and equipment with a value of \$7,500 into the business.
- b) Purchased supplies on account, \$350.
- c) Rented office space paying one month's rent, \$950.
- d) Performed a service on account, \$1,500.
- e) Purchased a truck by paying \$2,000 down and signing a note for the balance of \$19,900.
- f) Performed a service and immediately collected \$900 cash.
- g) Owner, Wendy Warren withdrew \$900 for personal use.

Answer:

The Warren Candle Company  
Trial Balance  
August 31, 2013

	<b>Debit</b>	<b>Credit</b>
Cash	\$13,050	
Accounts receivable	1,500	
Supplies	350	
Equipment	7,500	
Truck	21,900	
Accounts payable		\$350
Note payable		19,900
Wendy Warren, Capital		23,500
Wendy Warren, Withdrawals	900	
Service revenue		2,400
Rent expense	<u>950</u>	
<b>Total</b>	<b><u>\$46,150</u></b>	<b><u>\$46,150</u></b>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Apply

35) Prepare a trial balance, in good form, based on the following transactions.

- a. Edward Wilson invested \$8,000 cash in his new landscaping business.
- b. The business paid the first month's rent with \$300 cash.
- c. The business purchased equipment by paying \$2,000 cash and executing a note payable for \$3,000.
- d. The business purchased supplies for \$200 cash.
- e. The business billed clients for a total of \$1,000 for design services rendered.
- f. The business received \$750 cash from clients for services rendered above.
- g. The owner took a withdrawal of \$2,000.

Account Title	Debit	Credit

Answer:

Account Title	Debit	Credit
Cash	\$4,250	
Accounts receivable	250	
Supplies	200	
Equipment	5,000	
Note payable		\$3,000
Capital		8,000
Withdrawals	2,000	
Service revenue		1,000
Rent expense	300	
Total	\$12,000	\$12,000

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Apply

36) Journalize the following transactions for Benjies's Repair Shop and prepare a trial balance dated June 30, 2014.

- a) Owner, Benjie Brown invested \$6,000 cash into the business.
- b) Rented a garage and paid one month's rent, \$1,200.
- c) Purchased \$80 of supplies for cash.
- d) Performed repair services on account, \$1,700.
- e) Paid \$1,100 cash for equipment.
- f) Owner, Benjie Brown withdrew \$500 cash for personal use.

Answer:

**Journal**

<b>Date</b>	<b>Description</b>	<b>Debit</b>	<b>Credit</b>
a)	Cash	6,000	
	Benjie Brown, Capital		6,000
	Owner invest cash in the business.		
b)	Rent Expense	1,200	
	Cash		1,200
	Paid one month's rent for the garage.		
c)	Supplies	80	
	Cash		80
	Purchased supplies for cash.		
d)	Accounts Receivable	1,700	
	Service Revenue		1,700
	Performed repair services on account.		
e)	Equipment	1,100	
	Cash		1,100
	Purchased equipment for cash.		
f)	Benjie Brown, Withdrawals	500	
	Cash		500
	Owner withdrew cash for personal use.		

Benjie's Repair Shop  
Trial Balance  
June 30, 2014

	<b>Debit</b>	<b>Credit</b>
Cash	\$3,120	
Accounts receivable	1,700	
Supplies	80	
Equipment	1,100	
Benjie Brown, Capital		6,000
Benjie Brown, Withdrawals	500	
Service revenue		1,700
Rent expense	<u>1,200</u>	
<b>Total</b>	<u><b>\$7,700</b></u>	<u><b>\$7,700</b></u>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Apply

37) Prepare a balance sheet dated December 31, 2013, for Canfield Enterprises based on the following transactions completed during 2013.

- a) Marilyn Canfield invested \$16,000 cash and equipment valued at \$6,000 into the business.
- b) Purchased \$500 of supplies on account.
- c) Purchased \$2,000 of equipment for cash.
- d) Purchased a building by issuing a \$10,000 note.

Answer:

Canfield Enterprises  
Balance Sheet  
December 31, 2013

<b>Assets</b>		<b>Liabilities</b>	
Cash	\$14,000	Accounts payable	\$ 500
Supplies	500	Note payable	<u>10,000</u>
Equipment	8,000	Total liabilities	10,500
Building	<u>10,000</u>		
		<b>Owner's equity</b>	
		Marilyn Canfield, Capital	<u>22,000</u>
		Total liabilities and	
<b>Total assets</b>	<u><b>\$32,500</b></u>	<b>owners' equity</b>	<u><b>\$32,500</b></u>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

38) Given the following transactions in the month of July for Kootenay Outdoor Adventures, prepare journal entries; and, a trial balance and balance sheet as of July 31, 2013.

- a) Owner, Bill Thompson invested \$35,000 cash and equipment with a value of \$67,500 into the business.
- b) Purchased supplies on account, \$250.
- c) Rented office space paying one month's rent, \$950.
- d) Performed guide service on account, \$4,500.
- e) Purchased a truck by paying \$4,000 cash and signing a promissory note for the balance of \$29,800.
- f) Performed guiding service and immediately collected \$2,900 cash.
- g) Owner, Bill Thompson withdrew \$900 for personal use.

Answer:

Cash	35,000	
Equipment	67,500	
Thompson, capital		102,500

Owner invested cash and equipment in the business.

Supplies	250	
Accounts payable		250

Purchased supplies on account.

Rent expense	950	
Cash		950

Paid cash for one month's rent.

Accounts receivable	4,500	
Service revenue		4,500

Performed service on account.

Truck	33,800	
Cash		4,000
Notes payable		29,800

Purchased a truck with cash and a promissory note.

Cash	2,900	
Service revenue		2,900

Performed service for cash.

Withdrawals	900	
Cash		900

Owner withdrew cash for personal use.

Kootenay Outdoor Adventures  
 Trial Balance  
 July 31, 2013

	<b>Debit</b>	<b>Credit</b>
Cash	\$32,050	
Accounts receivable	4,500	
Supplies	250	
Equipment	67,500	
Truck	33,800	
Accounts payable		\$250
Note payable		29,800
Bill Thompson, Capital		102,500
Bill Thompson, Withdrawals	900	
Service revenue		7,400
Rent expense	<u>950</u>	
Total	<u>\$139,950</u>	<u>\$139,950</u>

Kootenay Outdoor Adventures  
 Balance Sheet  
 July 31, 2013

<b>Assets:</b>		<b>Liabilities and Owner's Equity:</b>	
Cash	\$32,050	Accounts payable	\$250
Accounts receivable	4,500	Notes payable	<u>29,800</u>
Supplies	250	Total liabilities	\$30,050
Equipment	67,500		
Truck	<u>33,800</u>	Bill Thompson, capital	<u>108,050</u>
	<u>\$138,100</u>		<u>\$138,100</u>

Diff: 3 Type: ES  
 CPA Competency: 1.2.2 Evaluates treatment for routine transactions  
 Objective: 2-5 Prepare and use a trial balance  
 Knowledge Taxon.: Conceptual  
 Cognitive Taxon.: Apply



39) Given the following transactions in the month of July for Kootenay Outdoor Adventures, prepare journal entries; and, a trial balance and balance sheet as of July 31, 2013.

- a) Owner, Bill Thompson invested \$35,000 cash and equipment with a value of \$67,500 into the business.
- b) Purchased supplies on account, \$250.
- c) Rented office space paying one month's rent, \$950.
- d) Performed guide service on account, \$4,500.
- e) Purchased a truck by paying \$4,000 cash and signing a promissory note for the balance of \$29,800.
- f) Performed guiding service and immediately collected \$2,900 cash.
- g) Owner, Bill Thompson withdrew \$900 for personal use.

Answer:

Cash	35,000	
Equipment	67,500	
Thompson, capital		102,500

Owner invested cash and equipment in the business.

Supplies	250	
Accounts payable		250

Purchased supplies on account.

Rent expense	950	
Cash		950

Paid cash for one month's rent.

Accounts receivable	4,500	
Service revenue		4,500

Performed service on account.

Truck	33,800	
Cash		4,000
Notes payable		29,800

Purchased a truck with cash and a promissory note.

Cash	2,900	
Service revenue		2,900

Performed service for cash.

Withdrawals	900	
Cash		900

Owner withdrew cash for personal use.

Kootenay Outdoor Adventures  
 Trial Balance  
 July 31, 2013

	<b>Debit</b>	<b>Credit</b>
Cash	\$32,050	
Accounts receivable	4,500	
Supplies	250	
Equipment	67,500	
Truck	33,800	
Accounts payable		\$250
Note payable		29,800
Bill Thompson, Capital		102,500
Bill Thompson, Withdrawals	900	
Service revenue		7,400
Rent expense	<u>950</u>	
Total	<u>\$139,950</u>	<u>\$139,950</u>

Kootenay Outdoor Adventures  
 Balance Sheet  
 July 31, 2013

**Assets:**

Cash	\$32,050
Accounts receivable	4,500
Supplies	250
Equipment	67,500
Truck	<u>33,800</u>
	<u>\$138,100</u>

**Liabilities and Owner's Equity:**

Accounts payable	\$250
Notes payable	<u>29,800</u>
Total liabilities	\$30,050
Bill Thompson, capital	<u>108,050</u>
	<u>\$138,100</u>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Apply

40) Based on the following transactions that occurred during 2014, prepare a trial balance dated December 31, 2014, for Wellman Water Services

- a) Randy Wellman invested \$13,000 cash in the business.
- b) Purchased \$500 of supplies on account.
- c) Bought equipment on account, \$5,000.
- d) Performed \$6,000 of services on account.
- e) Performed \$3,000 of services for cash.
- f) Paid \$3,000 on equipment purchased in transaction c.
- g) Paid salaries to employees for the current period, \$2,500.

Answer:

Wellman Water Services  
Trial Balance  
December 31, 2014

	<b>Debit</b>	<b>Credit</b>
Cash	\$10,500	
Accounts receivable	6,000	
Supplies	500	
Equipment	5,000	
Accounts payable		\$ 2,500
Randy Wellman, Capital		13,000
Service revenue		9,000
Salary expense	<u>2,500</u>	
<b>Total</b>	<u><b>\$24,500</b></u>	<u><b>\$24,500</b></u>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Procedural

Cognitive Taxon.: Apply

41) Journalize the following transactions for Redmond Storage and prepare a trial balance dated June 30, 2014.

- a) Owner, Roger Redmond invested \$10,000 cash into the business.
- b) Rented an office and paid one month's rent, \$1,100.
- c) Purchased \$450 of supplies on account.
- d) Performed a service on account, \$1,550.
- e) Paid \$2,500 cash for office furniture.
- f) Owner, Roger Redmond withdrew \$1,700 cash for personal use.
- g) Collected \$1,200 on account.

Answer:

**Journal**

<b>Date</b>	<b>Description</b>	<b>Debit</b>	<b>Credit</b>
a)	Cash	10,000	
	Roger Redmond, Capital		10,000
	Owner investment of cash in business.		
b)	Rent Expense	1,100	
	Cash		1,100
	Paid cash for one month's rent.		
c)	Supplies	450	
	Accounts Payable		450
	Purchased supplies on account.		
d)	Accounts Receivable	1,550	
	Service Revenue		1,550
	Performed a service on account.		
e)	Office Furniture	2,500	
	Cash		2,500
	Paid cash for office furniture.		
f)	Roger Redmond, Withdrawals	1,700	
	Cash		1,700
	Owner withdrew cash for personal use.		
g)	Cash	1,200	
	Accounts Receivable		1,200
	Collect cash on account.		

Redmond Storage  
Trial Balance  
June 30, 2014

	<b>Debit</b>	<b>Credit</b>
Cash	\$5,900	
Accounts receivable	350	
Supplies	450	
Office furniture	2,500	
Accounts payable		\$450
Roger Redmond, Capital		10,000
Roger Redmond, Withdrawals	1,700	
Service revenue		1,550
Rent expense	<u>1,100</u>	<u>          </u>
Total	<u>\$12,000</u>	<u>\$12,000</u>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Procedural

Cognitive Taxon.: Apply

42) Journalize the following transactions for Stanley's Repair Shop and prepare a trial balance dated May 31, 2014.

- a) Owner, Stanley Knowles invested \$5,000 cash into the business.
- b) Rented a garage and paid one month's rent, \$1,400.
- c) Purchased \$50 of supplies for cash.
- d) Performed repair services on account, \$1,590.
- e) Paid \$1,500 cash for equipment.
- f) Owner, Stanley Knowles withdrew \$700 cash for personal use.

Answer:

**Journal**

Date	Description	Debit	Credit
a)	Cash	5,000	
	Stanley Knowles, Capital		5,000
	Owner invested cash in business.		
b)	Rent Expense	1,400	
	Cash		1,400
	Paid cash for one month's rent for garage.		
c)	Supplies	50	
	Cash		50
	Purchased supplies for cash.		
d)	Accounts Receivable	1,590	
	Service Revenue		1,590
	Performed repair services on account.		
e)	Equipment	1,500	
	Cash		1,500
	Purchased equipment for cash.		
f)	Stanley Knowles, Withdrawals	700	
	Cash		700
	Owner withdrew cash for personal use.		

Stanley's Repair Shop  
 Trial Balance  
 May 31, 2014

	<b>Debit</b>	<b>Credit</b>
Cash	\$1,350	
Accounts receivable	1,590	
Supplies	50	
Equipment	1,500	
Stanley Knowles, Capital		5,000
Stanley Knowles, Withdrawals	700	
Service revenue		1,590
Rent expense	<u>1,400</u>	
Total	<u>\$6,590</u>	<u>\$6,590</u>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Procedural

Cognitive Taxon.: Apply

43) Given the following transactions for The Warren Candle Company, prepare a trial balance as of August 31, 2013.

- a) Owner, Wendy Warren invested \$16,000 cash and equipment with a value of \$7,500 into the business.
- b) Purchased supplies on account, \$350.
- c) Rented office space paying one month's rent, \$950.
- d) Performed a service on account, \$1,500.
- e) Purchased a truck by paying \$2,000 down and signing a note for the balance of \$19,900.
- f) Performed a service and immediately collected \$900 cash.
- g) Owner, Wendy Warren withdrew \$900 for personal use.

Answer:

The Warren Candle Company  
Trial Balance  
August 31, 2013

	<b>Debit</b>	<b>Credit</b>
Cash	\$13,050	
Accounts receivable	1,500	
Supplies	350	
Equipment	7,500	
Truck	21,900	
Accounts payable		\$350
Note payable		19,900
Wendy Warren, Capital		23,500
Wendy Warren, Withdrawals	900	
Service revenue		2,400
Rent expense	<u>950</u>	
<b>Total</b>	<b><u>\$46,150</u></b>	<b><u>\$46,150</u></b>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Procedural

Cognitive Taxon.: Apply



44) Prepare a trial balance, in good form, based on the following transactions.

- a. Edward Wilson invested \$8,000 cash in his new landscaping business.
- b. The business paid the first month's rent with \$300 cash.
- c. The business purchased equipment by paying \$2,000 cash and executing a note payable for \$3,000.
- d. The business purchased supplies for \$200 cash.
- e. The business billed clients for a total of \$1,000 for design services rendered.
- f. The business received \$750 cash from clients for services rendered above.
- g. The owner took a withdrawal of \$2,000.

Account Title	Debit	Credit

Answer:

Account Title	Debit	Credit
Cash	\$4,250	
Accounts receivable	250	
Supplies	200	
Equipment	5,000	
Note payable		\$3,000
Capital		8,000
Withdrawals	2,000	
Service revenue		1,000
Rent expense	300	
Total	\$12,000	\$12,000

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Procedural

Cognitive Taxon.: Apply

**Table 2-1**

The following is a list of the accounts and their balances appearing in the ledger of Henry Garage Repairs as of December 31, 2014, the company's year end. The accounts are in alphabetical order and have normal balances.

Accounts payable	\$450
Accounts receivable	1,250
Cash	400
Equipment	12,600
Gasoline expense	600
Ian Henry, Capital	6,600
Ian Henry, Withdrawals	500
Notes payable	11,000
Rent expense	1,200
Repairs expense	650
Salary expense	700
Salary payable	100
Service revenue	8,250
Supplies	200
Supplies expense	300
Truck	8,000

45) Refer to Table 2-1. Prepare a Statement of Owner's Equity for Henry Garage Repairs for the year ended December 31, 2014. Assume the capital amount did not change since January 1, 2014.

Answer:

Henry Garage Repairs  
Statement of Owner's Equity  
For the Year Ended December 31, 2014

Ian Henry, Capital January 1, 2014	\$6,600
Add: Net income for the year	<u>4,800</u>
	11,400
Less: Withdrawal by owner	<u>500</u>
Ian Henry, Capital December 31, 2014	<u>\$10,900</u>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Procedural

Cognitive Taxon.: Apply

46) Refer to Table 2-1. Prepare an Income statement for Henry Garage Repairs for the year ended December 31, 2014.

Answer:

Henry Garage Repairs  
Income Statement  
For the Year Ended December 31, 2014

Service revenue		\$8,250
Gasoline expense	\$600	
Rent expense	1,200	
Repairs expense	650	
Salary expense	700	
Supplies expense	<u>300</u>	
Total expenses		<u>3,450</u>
Net income		<u>\$4,800</u>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Procedural

Cognitive Taxon.: Apply

**Table 2-2**

The following is a list of the accounts and their balances appearing in the ledger of Martin Mann Garage as of December 31, 2014, the company's year end. The accounts are in alphabetical order and have normal balances.

Accounts payable	1,350
Accounts receivable	3,750
Cash	1,200
Equipment	37,800
Gasoline expense	1,800
Martin Mann, Capital	19,800
Martin Mann, Withdrawals	1,500
Notes payable	33,000
Rent expense	3,600
Repairs expense	1,950
Salary expense	2,100
Salary payable	300
Service revenue	24,750
Supplies	600
Supplies expense	900
Truck	24,000

47) Refer to Table 2-2. Prepare an Income statement for Martin Mann Garage for the year ended December 31, 2014.

Answer:

Martin Mann Garage  
Income Statement  
For the Year Ended December 31, 2014

Service revenue		\$24,750
Gasoline expense	\$1,800	
Rent expense	3,600	
Repairs expense	1,950	
Salary expense	2,100	
Supplies expense	<u>900</u>	
Total expenses		<u>10,350</u>
Net income		<u>\$14,400</u>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Procedural

Cognitive Taxon.: Apply

48) Refer to Table 2-2. Prepare a Statement of Owner's Equity for Martin Mann Garage for the year ended December 31, 2014. Assume the capital amount did not change since January 1, 2014.

Answer:

Martin Mann Garage  
Statement of Owner's Equity  
for the year ended December 31, 2014

Martin Mann, Capital January 1, 2014	\$19,800
Add: Net income for the year	<u>14,400</u>
	34,200
Less: Withdrawal by owner	<u>1,500</u>
Martin Mann, Capital December 31, 2014	<u>\$32,700</u>

Diff: 3 Type: SA

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Procedural

Cognitive Taxon.: Apply

49) Prepare a balance sheet dated December 31, 2013, for Canfield Enterprises based on the following transactions completed during 2013.

a) Marilyn Canfield invested \$16,000 cash and equipment valued at \$6,000 into the business.

b) Purchased \$500 of supplies on account.

c) Purchased \$2,000 of equipment for cash.

d) Purchased a building by issuing a \$10,000 note.

Answer:

Canfield Enterprises  
Balance Sheet  
December 31, 2013

<b>Assets</b>		<b>Liabilities</b>	
Cash	\$14,000	Accounts payable	\$500
Supplies	500	Note payable	<u>10,000</u>
Equipment	8,000	Total liabilities	10,500
Building	<u>10,000</u>		
		<b>Owner's equity</b>	
		Marilyn Canfield, Capital	<u>22,000</u>
		Total liabilities and	
Total assets	<u>\$32,500</u>	owners' equity	<u>\$32,500</u>

Diff: 3 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-5 Prepare and use a trial balance

Knowledge Taxon.: Procedural

Cognitive Taxon.: Apply

50) Given the following transactions in the month of July for Kootenay Outdoor Adventures, prepare journal entries; and, a trial balance and balance sheet as of July 31, 2013.

- a) Owner, Bill Thompson invested \$35,000 cash and equipment with a value of \$67,500 into the business.
- b) Purchased supplies on account, \$250.
- c) Rented office space paying one month's rent, \$950.
- d) Performed guide service on account, \$4,500.
- e) Purchased a truck by paying \$4,000 cash and signing a promissory note for the balance of \$29,800.
- f) Performed guiding service and immediately collected \$2,900 cash.
- g) Owner, Bill Thompson withdrew \$900 for personal use.

Answer:

Cash	35,000	
Equipment	67,500	
Thompson, capital		102,500

Owner invested cash and equipment in the business.

Supplies	250	
Accounts payable		250

Purchased supplies on account.

Rent expense	950	
Cash		950

Paid cash for one month's rent.

Accounts receivable	4,500	
Service revenue		4,500

Performed service on account.

Truck	33,800	
Cash		4,000
Notes payable		29,800

Purchased a truck with cash and a promissory note.

Cash	2,900	
Service revenue		2,900

Performed service for cash.

Withdrawals	900	
Cash		900

Owner withdrew cash for personal use.

Kootenay Outdoor Adventures  
 Trial Balance  
 July 31, 2013

	<b>Debit</b>	<b>Credit</b>
Cash	\$32,050	
Accounts receivable	4,500	
Supplies	250	
Equipment	67,500	
Truck	33,800	
Accounts payable		\$250
Note payable		29,800
Bill Thompson, Capital		102,500
Bill Thompson, Withdrawals	900	
Service revenue		7,400
Rent expense	<u>950</u>	
Total	<u>\$139,950</u>	<u>\$139,950</u>

Kootenay Outdoor Adventures  
 Balance Sheet  
 July 31, 2013

Assets:		Liabilities and Owner's Equity:	
Cash	\$32,050	Accounts payable	\$250
Accounts receivable	4,500	Notes payable	<u>29,800</u>
Supplies	250	Total liabilities	\$30,050
Equipment	67,500		
Truck	<u>33,800</u>	Bill Thompson, capital	<u>108,050</u>
	<u>\$138,100</u>		<u>\$138,100</u>

Diff: 3 Type: ES  
 CPA Competency: 1.2.2 Evaluates treatment for routine transactions  
 Objective: 2-5 Prepare and use a trial balance  
 Knowledge Taxon.: Procedural  
 Cognitive Taxon.: Apply

51) Janet Smythe started her personal coaching business, Smythe Personal Coaching, on November 1, 2014. Janet records purchasing supplies as assets and cash received from clients on deposit as unearned revenue. The following transactions occurred during the first month of operations:

- Nov. 1 Janet Smythe invested \$25,000 personal cash in the business by depositing that amount in the bank account titled Smythe Personal Coaching. The business gave capital to Smythe.
- Nov. 1 Paid the November rent on the office space, \$1,500.
- Nov. 3 Purchased a computer and printer for use in the business; she used her personal credit card in the amount of \$1,800. The computer has an expected life of three years with no salvage value.
- Nov. 5 Purchased office supplies in the amount of \$75 on an account she set up with the store, Ace Office Depot.
- Nov. 10 Received \$500 from her first client, Robert Jones, as payment in advance for coaching fees. (Record this amount in the account Unearned Coaching Revenue.)
- Nov. 17 Travelled to Montreal to attend a personal coaches conference. The conference lasted one week and costs were: travel \$1,500; conference registration fee, \$750. Used cash from the business to pay for the expenses.
- Nov. 25 Paid Ace Office Depot the amount owing from November 5.
- Nov. 30 Counted the office supplies and estimated that there was \$25 of supplies remaining. Robert Jones had received \$100 of coaching during the month.

**Required:**

Prepare journal entries for the above transactions and the appropriate corresponding adjusting journal entries necessary to prepare financial statements for the month of November.

Date	Accounts	Debit	Credit



Answer:

**Journal**

<b>Date</b> 2014	<b>Accounts</b>	<b>Debit</b>	<b>Credit</b>
Nov. 1	Cash	25,000	
	Janet Smythe, Capital		25,000
	Owner investment to begin business.		
1	Rent Expense (or Prepaid Rent)	1,500	
	Cash		1,500
	Paid rent for the month of November.		
3	Computer	1,800	
	Janet Smythe, Capital		1,800
	Owner contributed computer to the business.		
5	Office Supplies	75	
	Accounts Payable		75
	Purchased office supplies on account.		
10	Cash	500	
	Unearned Coaching Revenue		500
	Received payment in advance for coaching.		
17	Travel Expenses	1,500	
	Conference Expenses	750	
	Cash		2,250
	To pay for conference and travel expenses.		
25	Accounts Payable	75	
	Cash		75
	Paid for office supplies purchased on November 5.		
30	Office Supplies Expense	50	
	Office Supplies		50
	To record supplies used during November.		
30	Unearned Coaching Revenue	100	
	Coaching Revenue		100
	To record coaching revenue earned during November.		
30	Amortization Expense, Computer	50	
	Accum. Amortization, Computer		50
	To record amortization for the month of November, calculated as $(1,800/36 \text{ months}) \times 1 \text{ month} = \$50$ .		



Answer:

Date		Account Titles and Explanations	PR	Debit	Credit
Feb	1	Cash	100	20,000	
		Office Furniture	140	5,000	
		Building	160	90,000	
		Kate Dodson, Capital	300		115,000
	3	Accounts receivable	120	1,000	
		Counselling fees earned	400		1,000
	6	Office supplies	130	400	
		Accounts payable	200		400
	7	Cash	100	2,200	
		Counselling fees earned	400		2,200
	10	No transaction			
	15	Salary expense	520	950	
		Cash	100		950
	16	Telephone expense	540	100	
		Accounts payable	200		100
	21	Cash	100	800	
		Accounts receivable	120		800
	22	Accounts payable	200	300	
		Cash	100		300
	28	Salary expense	520	950	
		Cash	100		950
	28	Utility expense	550	380	
		Cash	100		380

Diff: 2 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

53) Post the journal entries to T-accounts and calculate the balance of each account.

Cash 100	A/R 120	Office Supplies 130	Office Furniture 140
Building 160	A/P 200	K.Dodson, Capital 300	Fees earned 400
Salary exp. 520	Telephone exp. 540	Utility exp. 550	

Answer:

Cash 100	A/R 120	Office Supplies 130	Office Furniture 140
Building 160	A/P 200	K.Dodson, Capital 300	Fees earned 400
Salary exp. 520	Telephone exp. 540	Utility exp. 550	

  

Cash 100	A/R 120	Office Supplies 130	Office Furniture 140
20,000   950	1,000   800	400	5,000
2,200   300			
800   950			
380			
20,420	200	400	5,000
Building 160	A/P 200	K.Dodson, Capital 300	Fees earned 400
90,000	300   400	115,000	1,000
	100		2,200
90,000	200	115,000	3,200
Salary exp. 520	Telephone exp. 540	Utility exp. 550	
950	100	380	
950			
1,900	100	380	

Diff: 2 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-4 Post from the journal to the ledger

Knowledge Taxon.: Procedural





Answer:

Page 2					
Date		Account Titles and Explanations	PR	Debit	Credit
Oct.	1	Cash		40,000	
		Truck		26,000	
		Jack Thompson, Capital			66,000
	5	Computer		1,200	
		Cash			1,200
	6	Prepaid rent		1800	
		Cash			1800
	10	Cash		700	
		Delivery fees earned			700
	12	Packing Supplies		2,300	
		Accounts payable			2,300
	13	Accounts receivable		1,200	
		Delivery fees earned			1,200
	18	Jack Thompson, Withdraw		500	
		Cash			500
	23	Accounts payable		700	
		Cash			700
	27	Utility expense		300	
		Cash			300
	28	Salary expense		1,500	
		Cash			1,500
	31	Cash		900	
		Accounts receivable			900

Diff: 2 Type: ES

CPA Competency: 1.2.2 Evaluates treatment for routine transactions

Objective: 2-3 Analyze and record transactions in the journal

Knowledge Taxon.: Conceptual

Cognitive Taxon.: Understand

56) Post each journal entry to the t-accounts and calculate the balance of each account.

Cash 100	A/R 120	Packing Supplies 130	Prepaid Rent 140
Truck 160	Computer 170	A/P 200	J.Thompson, Capital 300
J,Thompson, Withd. 340	Del. Fees earned 400	Salary exp. 540	Utility exp. 550

Answer:

Cash 100	A/R 120	Packing Supplies 130	Prepaid Rent 140
40,000   1,200	1,200   900	2,300	1,800
700   1,800			
900   500			
			700
			300
			1,500
35,600	300	2,300	1,800
Truck 160	Computer 170	A/P 200	J.Thompson, Capital 300
26,000	1,200	700   2,300	66,000
26,000	1,200		66,000
J,Thompson, Withd. 340	Del. Fees earned 400	Salary exp. 540	Utility exp. 550
500		1,500	300
	700		
	1,200		
500	1,900	1,500	300



