

Test Bank for College Accounting A Career Approach 13th Scott

Chapter 2

1. The plus side of a T account represents the:
 - a. normal balance of that account.
 - b. double balance of that account.
 - c. trial balance of that account.
 - d. footings balance of that account.
 - e. standard balance of that account.

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-1 - LO: 2-1
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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KEYWORDS: Bloom's: Remembering
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2. When a T account has several items on both sides, the balance of the account is written
 - a. on the side with the greatest number of items.
 - b. on the side with the least number of items.
 - c. on the side with the larger total.
 - d. on the side with the smaller total.
 - e. in none of these locations.

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-1 - LO: 2-1
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
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3. Which of the following accounts decrease when they are debited?
- a. Assets and Drawing
 - b. Drawing and Capital
 - c. Expenses and Assets
 - d. Capital and Liabilities
 - e. Liabilities and Expenses

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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4. A debit may result in
- a. an increase in an expense account.
 - b. an increase in an asset account.
 - c. a decrease in a liability account.
 - d. a decrease in a revenue account.
 - e. all of these.

ANSWER: e
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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KEYWORDS: Bloom's: Understanding
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5. A credit may result in
- a. an increase in a liability account.
 - b. an increase in a revenue account.
 - c. a decrease in an asset account.
 - d. an increase in the Capital account.
 - e. all of these.

ANSWER: e
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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KEYWORDS: Bloom's: Understanding
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6. A credit may result in
- a. an increase in an asset account.
 - b. a decrease in the Capital account.
 - c. an increase in a liability account.
 - d. a decrease in a liability account.
 - e. none of these.

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
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7. Which of the following classifications of accounts has/have a normal credit balance?

- a. Drawing
- b. Revenues
- c. Liabilities
- d. Revenues and liabilities
- e. All of these

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-1 - LO: 2-1
CACC.NSMB.13.2-3 - LO: 2-3

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

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KEYWORDS: Bloom's: Understanding

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8. Which of the following describes the classification and normal balance of H. Gale, Capital?

- a. Asset, debit
- b. Revenue, credit
- c. Owner's equity, debit
- d. Expense, debit
- e. None of these

ANSWER: e

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-1 - LO: 2-1
CACC.NSMB.13.2-3 - LO: 2-3

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

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9. Which of the following describes the classification and normal balance of the Income from Services account?
- a. Capital, debit
 - b. Revenue, credit
 - c. Asset, credit
 - d. Asset, debit
 - e. Expense, debit

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-1 - LO: 2-1
CACC.NSMB.13.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
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10. An example of an asset account is:
- a. Wages Payable.
 - b. Purchases.
 - c. Accounts Receivable.
 - d. Sales.
 - e. Rental Income.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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11. The second step in the analytical phase of accounting is
- to determine whether there is an increase or a decrease in the accounts.
 - to determine which accounts are involved.
 - to formulate the entry as a debit to one account and as a credit to another account.
 - to identify the classification of the accounts involved.
 - none of these.

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
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12. If a \$47 cash purchase of supplies is recorded as a \$57 debit to Supplies Expense and a \$57 credit to Cash, the result will be that
- the trial balance will be out of balance.
 - the Supplies Expense account will be understated.
 - the Cash account will be overstated.
 - Supplies Expense will be overstated and Supplies will be understated.
 - none of these will be true.

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - AACSB: Analytic
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13. A purchase of supplies on account should be recorded as
- a debit to Supplies and a credit to Cash.
 - a debit to Accounts Payable and a credit to Supplies.
 - a debit to Supplies and a credit to Accounts Payable.
 - a debit to Supplies Expense and a credit to Accounts Receivable.
 - none of these.

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
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14. A business buys office equipment for cash. What effect will this transaction have on the accounts?
- Debit an asset account and credit an expense account
 - Debit an asset account and credit an asset account
 - Debit an expense account and credit an asset account
 - Debit a liability account and credit an asset account
 - None of these

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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15. The receipt of cash on account from a customer should be recorded as
- a debit to Cash and a credit to Accounts Payable.
 - a debit to Cash and a credit to Income from Services.
 - a debit to Cash and a credit to Accounts Receivable.
 - a debit to Cash and a credit to the Capital account.
 - none of these.

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - AACSB: Analytic
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16. The asset that a business enterprise creates when it maintains accounts for its charge customers is
- Accounts Payable.
 - Drawing.
 - Accounts Receivable.
 - Capital.
 - none of these.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
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17. Which of the following entries records the withdrawal of cash for personal use by D. Bill, the owner of a business?
- a. Debit Cash and credit D. Bill, Drawing
 - b. Debit Cash and credit Salary Expense
 - c. Debit Salary Expense and credit Cash
 - d. Debit D. Bill, Drawing and credit Cash
 - e. None of these

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - AACSB: Analytic
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18. A list of account balances in two columns—one labelled "Debit" and one labelled "Credit" is the:
- a. trial balance.
 - b. ledger balance.
 - c. balance sheet.
 - d. journal balance.
 - e. owner's equity statement.

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Reporting
KEYWORDS: Bloom's: Remembering
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Chapter 2

19. To locate an error in a trial balance,
- re-add.
 - look for the correct location of normal balances.
 - verify figures transferred from the account to the trial balance.
 - check footings and balances of the accounts.
 - do all of these.

ANSWER: e
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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20. The trial balance will *not* expose which of the following problems?
- Recording half an entry
 - Leaving out an entire entry
 - Recording both halves of an entry on the same side
 - Recording half an entry and leaving out an entire entry
 - Recording half an entry and recording both halves of an entry on the same side

ANSWER: b
POINTS: 1
DIFFICULTY: Challenging
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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Chapter 2

21. The Accounts Receivable T account shows the following debit and credit amounts:

\$300, debit
\$1,000, debit
\$500, credit
\$120, credit

What is the balance of the account?

- a. \$1,200, debit
- b. \$500, credit
- c. \$680, debit
- d. \$900, credit
- e. \$2,000, debit

ANSWER:

c

RATIONALE:

Total debit = \$300 + \$1,000 = \$1,300

Total credit = \$500 + \$120 = \$620

Balance of Accounts Receivable = Total debit – Total credit
= \$1,300 – \$620 = \$680, debit

POINTS:

1

DIFFICULTY:

Moderate

QUESTION TYPE:

Multiple Choice

HAS VARIABLES:

False

LEARNING OBJECTIVES: CACC.NSMB.13.2-1 - LO: 2-1

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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KEYWORDS:

Bloom's: Applying

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Chapter 2

22. The Accounts Payable T account shows the following

\$1,200, debit
\$3,500, debit
\$8,240, credit
\$100, credit

What is the balance of the account?

- a. \$8,340, credit
- b. \$8,340, debit
- c. \$4,700, debit
- d. \$3,640, debit
- e. \$3,640, credit

ANSWER: e

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-1 - LO: 2-1

NATIONAL STANDARDS: United States - AACSB: Analytic

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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KEYWORDS: Bloom's: Applying

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Chapter 2

23. The _____ are the totals of each side of a T account that is normally recorded in small, pencil-written figures.
- a. balances
 - b. footings
 - c. figures
 - d. estimates

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-1 - LO: 2-1
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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24. In a T account form, the left side is the increase side for:
- a. liabilities.
 - b. capital.
 - c. assets.
 - d. revenue.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Reporting
KEYWORDS: Bloom's: Remembering
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Chapter 2

25. Which of the following is not true concerning T accounts?

- a. The right side of a revenue account is an increase.
- b. The left side of an expense account is an increase.
- c. The left side of an asset account is an increase.
- d. The left side of a liability account is an increase.

ANSWER: d

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-2 - LO: 2-2

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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KEYWORDS: Bloom's: Understanding

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26. Which of the following is correct?

- a. Debit is the normal balance of the accounts payable account.
- b. Credit is the normal balance of the accounts receivable account.
- c. Debit is the normal balance of the Income from Services account.
- d. Debit is the normal balance of the Drawing account.

ANSWER: d

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-1 - LO: 2-1
CACC.NSMB.13.2-2 - LO: 2-2

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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KEYWORDS: Bloom's: Understanding

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27. Which of the following is true?

- a. An asset account would be decreased with a debit.
- b. A liability account would be increased with a debit.
- c. A revenue account would be increased with a credit.
- d. An expense account would be increased with a credit.

ANSWER: c

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-3 - LO: 2-3

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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KEYWORDS: Bloom's: Understanding

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28. Which of the following is not true?

- a. The capital account would be increased with a debit.
- b. The drawing account would be increased with a debit.
- c. An asset account would be decreased with a credit.
- d. A liability account would be increased with a credit.

ANSWER: a

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-3 - LO: 2-3

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

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29. The last step in analyzing a business transaction is
- decide which accounts are involved.
 - check to see if the equation is in balance.
 - write the transaction as a debit and credit.
 - classify the accounts involved.

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
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30. Ready Company received a bill for advertising. The accountant would record a
- credit to cash.
 - credit to accounts receivable.
 - credit to accounts payable.
 - credit to advertising expense.

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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31. Which of the following is correct, assuming the following transaction:

R. Dirk invested \$20,000 cash in the business.

- a. Cash is debited.
- b. Cash is credited.
- c. R. Dirk, Capital is debited.
- d. Income from Services is credited.

ANSWER: a

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4

NATIONAL STANDARDS: United States - AACSB: Analytic

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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KEYWORDS: Bloom's: Applying

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32. Which of the following is correct, assuming the following transaction:

Kennedy Company received and paid the rent for the month.

- a. Rent Expense is debited.
- b. Cash is debited.
- c. Rent Expense is credited.
- d. Accounts Payable is debited.

ANSWER: a

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4

NATIONAL STANDARDS: United States - AACSB: Analytic

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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KEYWORDS: Bloom's: Applying

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Chapter 2

33. Which of the following is correct, assuming the following transaction:

Nixon Company sold services on account.

- a. Cash is credited.
- b. Accounts Receivable is credited.
- c. Income from Services is credited.
- d. Cash is debited.

ANSWER: c

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4

NATIONAL STANDARDS: United States - AACSB: Analytic

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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KEYWORDS: Bloom's: Applying

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34. Jackson Company received cash on account from customers, \$2,300. The accountant would record a

- a. debit to income from services, \$2,300.
- b. credit to income from services, \$2,300.
- c. debit to accounts receivable, \$2,300.
- d. credit to accounts receivable, \$2,300.
- e. credit to cash, \$2,300.

ANSWER: d

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4

NATIONAL STANDARDS: United States - AACSB: Analytic

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Applying

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Chapter 2

35. A _____ is a transaction that requires more than one debit or more than one credit to be recorded.
- a. complex entry
 - b. double entry
 - c. deluxe entry
 - d. compound entry

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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36. Income from Services would be shown on the _____.
- a. debit side of the trial balance
 - b. credit side of the trial balance
 - c. not on the trial balance
 - d. on both the debit and credit side of the trial balance

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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Chapter 2

37. Utilities Expense would be shown on the _____.
- a. debit side of the trial balance
 - b. credit side of the trial balance
 - c. not on the trial balance
 - d. debit and credit side of the trial balance

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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38. Accounts Receivable would be shown on the _____.
- a. debit side of the trial balance
 - b. credit side of the trial balance
 - c. not on the trial balance
 - d. debit and credit side of the trial balance

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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KEYWORDS: Bloom's: Understanding
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Chapter 2

39. Accounts Payable would be shown on the _____.
- a. debit side of the trial balance
 - b. credit side of the trial balance
 - c. not on the trial balance
 - d. debit and credit side of the trial balance

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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KEYWORDS: Bloom's: Understanding
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40. The heading of all financial statements include
- a. name of the company.
 - b. title of the financial statement.
 - c. period of time covered by the financial statement.
 - d. all of the answers listed.

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Financial Statements
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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Chapter 2

41. Which of the following statements shows the difference in total revenue and total expenses and reports the performance of a business?
- a. A balance sheet
 - b. An income statement
 - c. A statement of owner's equity
 - d. A funds flow statement

ANSWER: b

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - AACSB: Analytic

STATE STANDARDS: United States - AK - ACBSP: Financial Statements
United States - AK - AICPA-FN: Reporting

KEYWORDS: Bloom's: Remembering

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42. Net income results when:
- a. total revenue is less than total expenses over the period.
 - b. total revenue exceeds total expenses over the period.
 - c. total revenue is less than total liabilities over the period.
 - d. total revenue exceeds total liabilities over the period.

ANSWER: b

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - AACSB: Analytic

STATE STANDARDS: United States - AK - ACBSP: Financial Statements
United States - AK - AICPA-FN: Reporting

KEYWORDS: Bloom's: Understanding

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Chapter 2

43. The time period on the _____ represents only one date.
- a. income statement
 - b. statement of owner's equity
 - c. balance sheet
 - d. none of the answers listed

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Financial Statements
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Understanding

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Chapter 2

44. Davis Company has the following accounts and balances at the end of the year:

Cash, \$1,200
Accounts Receivable, \$280
Office Equipment, \$3,000
Accounts Payable, \$1,400
Income from Services, \$3,500
Rent Expense, \$670
Salaries Expense, \$1,000

R. Davis, Capital at the beginning of the year was \$2,050. Rob Davis also withdrew \$800 from the company during the year. What is net income for the year?

- a. \$1,830
- b. \$3,500
- c. \$1,030
- d. \$5,080

ANSWER: a

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - AACSB: Analytic

STATE STANDARDS: United States - AK - ACBSP: Financial Statements
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Applying

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Chapter 2

45. Davis Company has the following accounts and balances at the end of the year:

Cash, \$1,200
Accounts Receivable, \$280
Office Equipment, \$3,000
Accounts Payable, \$1,400
Income from Services, \$3,500
Rent Expense, \$670
Salaries Expense, \$1,000

R. Davis, Capital at the beginning of the year was \$2,050. Rob Davis also withdrew \$800 from the company during the year. What is R. Davis, Capital, at the end of the year?

- a. \$1,830
- b. \$3,080
- c. \$5,550
- d. \$3,880

ANSWER: b

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - AACSB: Analytic

STATE STANDARDS: United States - AK - ACBSP: Financial Statements
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Applying

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Chapter 2

46. Davis Company has the following accounts and balances at the end of the year:

Cash, \$1,200
Accounts Receivable, \$280
Office Equipment, \$3,000
Accounts Payable, \$1,400
Income from Services, \$3,500
Rent Expense, \$670
Salaries Expense, \$1,000

R. Davis, Capital at the beginning of the year was \$2,050. Rob Davis also withdrew \$800 from the company during the year. What is the amount of total assets reported on the balance sheet?

- a. \$1,480
- b. \$9,800
- c. \$3,080
- d. \$4,480

ANSWER: d

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - AACSB: Analytic

STATE STANDARDS: United States - AK - ACBSP: Financial Statements
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Applying

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Chapter 2

47. The _____ shows how and why the owner's equity account has changed over a stated period of time.
- a. balance sheet
 - b. income statement
 - c. statement of owner's equity
 - d. statement of change

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Financial Statements
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Understanding

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48. The _____ shows the financial position of a company.
- a. income statement
 - b. balance sheet
 - c. statement of owner's equity
 - d. none of the answers listed

ANSWER: b

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Financial Statements
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KEYWORDS: Bloom's: Remembering

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Chapter 2

49. The _____ of the balance sheet requires that the assets are placed at the top and liabilities and owner's equity are placed below.
- financial position
 - report form
 - horizontal form
 - vertical form

ANSWER: b

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Financial Statements
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KEYWORDS: Bloom's: Understanding

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50. Which of the following is correct concerning the time period reported on financial statements?
- The balance sheet is reported as of a period of time.
 - The income statement is reported as of a specific date.
 - The statement of owner's equity is reported as of a specific date.
 - The income statement is reported as of a period of time.

ANSWER: d

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Financial Statements
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Understanding

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Chapter 2

51. Accounts Payable is reported on which financial statement?

- a. balance sheet
- b. income statement
- c. statement of owner's equity
- d. none of the answers listed

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Financial Statements
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Remembering

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52. Income from Services is reported on which financial statement?

- a. income statement
- b. statement of owner's equity
- c. balance sheet
- d. none of the answers listed

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Financial Statements
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Remembering

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Chapter 2

53. Rent Expense is reported on which financial statement?

- a. income statement
- b. balance sheet
- c. statement of owner's equity
- d. none of the answers listed

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Financial Statements
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Remembering

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54. Owner withdrawals are reported on which financial statement?

- a. statement of owner's equity
- b. balance sheet
- c. income statement
- d. none of the answers listed

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Financial Statements
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KEYWORDS: Bloom's: Remembering

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Chapter 2

55. The order the financial statements are prepared is as follows:
- a. statement of owner's equity, income statement, balance sheet
 - b. income statement, balance sheet, statement of owner's equity
 - c. income statement, statement of owner's equity, balance sheet
 - d. balance sheet, income statement, statement of owner's equity

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Financial Statements
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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56. The _____ of a company is the resources owned by the organization at a point in time, offset by the claims against those resources and owner's equity.
- a. net income
 - b. financial statement
 - c. net loss
 - d. financial position

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Financial Statements
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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Chapter 2

57. Which of the following refers to interchanging, or switching around, digits during the recording of a number?
- a. A compound error
 - b. A matching error
 - c. A transposition
 - d. A slide

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-7 - LO: 2-7
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Reporting
KEYWORDS: Bloom's: Remembering
DATE CREATED: 7/23/2013 2:37 PM
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58. An error caused by recording \$25,000 as \$2,500 is a(n):
- a. switching error.
 - b. embezzlement.
 - c. slide.
 - d. transposition.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-7 - LO: 2-7
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Reporting
KEYWORDS: Bloom's: Applying
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Chapter 2

59. Errors can occur for which of the following reason(s)?

- a. Arithmetic
- b. Recording only half an entry
- c. Recording two debits and no credits
- d. Recording incorrect amounts
- e. All of the answers listed

ANSWER: e

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-7 - LO: 2-7

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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KEYWORDS: Bloom's: Understanding

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60. The accountant recorded income from services as \$4,500 when it should have been recorded as \$4,050. This is an example of a _____.

- a. matching error
- b. footing
- c. slide
- d. transposition

ANSWER: d

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-7 - LO: 2-7

NATIONAL STANDARDS: United States - AACSB: Analytic

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Applying

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Chapter 2

61. A credit always means an entry on the right side of an account.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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62. An increase in an expense is recorded as a debit.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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Chapter 2

63. An account balance is the difference between total debits and total credits in an account.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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64. An entry to Accounts Payable will be on the left side of the account if there is a decrease and on the right side of the account if there is an increase.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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Chapter 2

65. A credit signifies increases in liabilities, capital, and revenue, and decreases in assets, drawing, and expenses.
- a. True
 - b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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66. Revenue has the effect of decreasing owner's equity.
- a. True
 - b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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Chapter 2

67. The left side is always the debit side.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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68. Accounts Receivable is an asset account whose normal balance is a credit.

- a. True
- b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-1 - LO: 2-1
CACC.NSMB.13.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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Chapter 2

69. In any transaction, the total dollar amount of debits must equal the total dollar amount of credits.
- a. True
 - b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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70. If equipment costing \$930 is bought by paying \$300 as a down payment and the remaining \$630 in 30 days, owner's equity is increased by \$930.
- a. True
 - b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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DATE MODIFIED: 7/23/2013 2:37 PM

Chapter 2

71. A transaction with more than one debit and/or more than one credit is called a compound entry.
- a. True
 - b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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72. Withdrawals of assets from a business by the owners are considered to be expenses.
- a. True
 - b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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Chapter 2

73. If equipment is bought by paying \$200 as a down payment and the remaining \$400 in 30 days, total liabilities are increased by \$200.
- a. True
 - b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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74. A verification of the equality of debits and credits in the ledger at the end of a fiscal period is called a *balance sheet*.
- a. True
 - b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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Chapter 2

75. A trial balance checks the equality of debits and credits.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
DATE CREATED: 7/23/2013 2:37 PM
DATE MODIFIED: 7/23/2013 2:37 PM

76. The connecting link between the statement of owner's equity and the balance sheet is the owner's withdrawals.

- a. True
- b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Financial Statements
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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Chapter 2

77. Recording \$520 as \$5.20 is an example of a slide.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-7 - LO: 2-7
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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78. Recording \$41.25 as \$412.50 is an example of a transposition.

- a. True
- b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-7 - LO: 2-7
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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Chapter 2

Classification

79. Indicate whether each of the following changes in accounts would be a debit (D) or credit (C) entry.

- ☐ To decrease Cash
- ☐ To increase Owner, Capital
- ☐ To decrease Accounts Payable
- ☐ To increase Salaries Expense
- ☐ To decrease Equipment
- ☐ To increase Revenue
- ☐ To decrease Accounts Receivable
- ☐ To increase Owner, Drawing
- ☐ To increase Prepaid Insurance
- ☐ To increase Accounts Payable

ANSWER:

- ☐ C To decrease Cash
- ☐ C To increase Owner, Capital
- ☐ D To decrease Accounts Payable
- ☐ D To increase Salaries Expense
- ☐ C To decrease Equipment
- ☐ C To increase Revenue
- ☐ C To decrease Accounts Receivable
- ☐ D To increase Owner, Drawing
- ☐ D To increase Prepaid Insurance
- ☐ C To increase Accounts Payable

POINTS:

1

DIFFICULTY:

Moderate

QUESTION TYPE:

Subjective Short Answer

HAS VARIABLES:

False

PREFACE NAME:

Classification

LEARNING OBJECTIVES: CACC.NSMB.13.2-3 - LO: 2-3

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions

United States - AK - AICPA-FN: Measurement

KEYWORDS:

Bloom's: Understanding

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7/23/2013 2:37 PM

Chapter 2

80. Classify each of the following items as to whether they would appear on a balance sheet (BS), income statement (IS), or neither (N).

_____ Accounts Payable
_____ Accounts Receivable
_____ Advertising Expense
_____ Cash
_____ Equipment
_____ Income from Tours
_____ Increase in Capital
_____ Investment during month
_____ J. Collins, Capital
_____ J. Collins, Drawing
_____ Prepaid Insurance
_____ Wages Expense

ANSWER:

BS Accounts Payable
BS Accounts Receivable
IS Advertising Expense
BS Cash
BS Equipment
IS Income from Tours
N Increase in Capital
N Investment during month
BS J. Collins, Capital
N J. Collins, Drawing
BS Prepaid Insurance
IS Wages Expense

POINTS:

1

DIFFICULTY:

Challenging

QUESTION TYPE:

Subjective Short Answer

HAS VARIABLES:

False

PREFACE NAME:

Classification

LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Financial Statements

United States - AK - AICPA-FN: Measurement

KEYWORDS:

Bloom's: Understanding

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7/23/2013 2:37 PM

Chapter 2

81. What is meant when we say that revenue and expenses fall under the umbrella of owner's equity? Why does revenue have the same placement of plus and minus signs as the Capital account, and why do expenses have the opposite placement of plus and minus signs as does the Capital account?

ANSWER: Revenue is said to fall under the umbrella of owner's equity because revenue represents amounts earned by the business. Earnings serve to increase the owner's investment. Consequently, the placement of the plus and minus signs for revenue should be the same as that for Capital. Expenses are said to fall under the umbrella of owner's equity because expenses represent the costs of earning the revenue or doing business. Consequently, expenses are deductions from revenue and, as such, the placement of the plus and minus signs is the opposite of that for revenue, which also makes them the opposite of Capital.

POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Subjective Short Answer
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - AACSB: Communication
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
DATE CREATED: 7/23/2013 2:37 PM
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82. Explain how the Drawing account differs from an expense account.

ANSWER: The Drawing account is the opposite of an investment by the owner and records personal use of owner. An expense is a cost related to the earning of revenue or the cost of doing business. In both cases, there is usually a decrease to Cash.

POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Subjective Short Answer
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - AACSB: Communication
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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Chapter 2

83. List in order of preparation and explain the purpose of the three main financial statements, including what is on each statement.

ANSWER: Income Statement—Shows total revenue minus total expense, which yields the net income or net loss.
Statement of Owner's Equity—Show how and why the owner's equity, or Capital, account has changed over the stated period of time. Includes net income or loss, investments, and withdrawals.
Balance Sheet—Shows financial position including assets, liabilities, and owner's equity as of one particular date.

POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Subjective Short Answer
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-6 - LO: 2-6
NATIONAL STANDARDS: United States - AACSB: Communication
STATE STANDARDS: United States - AK - ACBSP: Financial Statements
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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84. Explain the trial balance, including when and why it is prepared.

ANSWER: The trial balance is a listing of all account balances proving that debits equal credits. It is prepared prior to preparing financial statements.

POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Subjective Short Answer
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - AACSB: Communication
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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Chapter 2

85. List the main categories of accounts (as provided in a typical chart of accounts) and provide their specific normal balance.

ANSWER: Assets (DR), Liabilities (CR), Equity—Capital (CR), Equity—Drawing (DR), Revenue (CR), and Expenses (DR).

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Subjective Short Answer

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-3 - LO: 2-3

NATIONAL STANDARDS: United States - AACSB: Communication

STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Understanding

DATE CREATED: 7/23/2013 2:37 PM

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86. Judy Kliskey owns the firm called Mother Nature's. She had the following transactions:

- Kliskey deposited \$15,000 in the bank in the name of the business.
- Paid rent for the month, \$820.
- Purchased office furniture on account from Osborn Office Supply, \$2,640.
- Kliskey invested her personal computer and printer having a fair market value of \$5,250.
- Bought office supplies on account from DeClerk Stationery, \$1,620, and paid \$480 as a down payment.
- Received \$3,240 for services.
- Received and paid telephone bill, \$180.
- Paid Osborn Office Supply \$1,450 to apply on account.
- Billed clients for services, \$2,210.
- Kliskey withdrew \$1,540 for personal use.
- Received \$1,420 from clients billed previously.

The transactions were recorded in T accounts as shown below.

Cash		Accounts Payable		Rent Expense	
(a) 15,000	(b) 820	(c) 2,640	(e) 480	(b) 820	
(k) 1,420	(e) 1,140		(h) 1,450		
	(g) 180				
	(h) 1,450				
	(j) 1,540				

Accounts Receivable		J. Kliskey, Capital		Telephone Expense	
(f) 3,240		(j) 1,540	(a) 15,000	(g) 180	
(i) 2,210			(d) 5,250		

Chapter 2

Supplies	J. Kliskey, Drawing	Office Equipment
(e) 1,620		(d) 5,250

Income from Services	Office Furniture
(i) 2,210 (f) 1,420	(c) 2,640

Instructions:

Find seven errors made in recording the transactions, and state the account and amount that should have been debited and the account and amount that should have been credited.

ANSWER:

- (1) Transaction c should have debited Office Furniture \$2,640 and credited Accounts Payable \$2,640.
- (2) Transaction e should have debited Supplies \$1,620, credited Cash \$480, and credited Accounts Payable \$1,140.
- (3) Transaction f should have debited Cash \$3,240 and credited Income from Services \$3,240.
- (4) Transaction h should have debited Accounts Payable \$1,450 and credited Cash \$1,450.
- (5) Transaction i should have debited Accounts Receivable \$2,210 and credited Professional Fees \$2,210.
- (6) Transaction j should have debited J. Kliskey, Drawing \$1,540 and credited Cash \$1,540.
- (7) Transaction k should have debited Cash \$1,420 and credited Accounts Receivable \$1,420.

POINTS:

1

DIFFICULTY:

Challenging

QUESTION TYPE:

Subjective Short Answer

HAS VARIABLES:

False

LEARNING OBJECTIVES:

CACC.NSMB.13.2-4 - LO: 2-4

NATIONAL STANDARDS:

United States - AACSB: Analytic

STATE STANDARDS:

United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement

KEYWORDS:

Bloom's: Applying

DATE CREATED:

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DATE MODIFIED:

4/1/2014 8:50 AM

87. The accounts and their balances for Zeal Delivery Service as of December 31 of this year are presented below.

Chapter 2

Accounts Receivable	\$ 7,000
Accounts Payable	60,000
Advertising Expense	1,500
B. Mark, Capital	65,000
B. Mark, Drawing	13,000
Cash	65,000
Equipment	50,000
Income from Delivery Services	30,000
Insurance Expense	2,000
Rent Expense	8,000
Supplies	1,000
Utilities Expense	1,500
Wages Expense	6,000

Instructions:

1. Prepare an income statement for the year ended December 31.
2. Prepare a statement of owner's equity for the year ended December 31.
3. Prepare a balance sheet as of December 31.

Zeal Delivery Service
Income Statement
For Year Ended December 31, 20—

ANSWER:

Revenue:		
Income from Delivery Services		\$30,000
Expenses:		
Rent Expense	\$8,000	
Wages Expense	6,000	
Advertising Expense	1,500	
Utilities Expense	1,500	
Insurance Expense	<u>2,000</u>	
Total Expenses		<u>19,000</u>
Net Income		<u><u>\$11,000</u></u>

Zeal Delivery Service
Statement of Owner's Equity
For Year Ended December 31, 20—

B. Mark, Capital, January 1		\$65,000
Net Income for the Year	\$11,000	
Less Withdrawals for the Year	<u>13,000</u>	
Decrease in Capital		<u>(2,000)</u>
B. Mark, Capital, December 31		<u><u>\$63,000</u></u>

Zeal Delivery Service
Balance Sheet
December 31, 20—

Assets	
Cash	\$65,000

Chapter 2

Accounts Receivable	7,000	
Supplies	1,000	
Equipment	<u>50,000</u>	
Total Assets		<u><u>\$1,23,000</u></u>
Liabilities		
Accounts Payable		\$60,000
Owner's Equity		
B. Mark, Capital		<u>63,000</u>
Total Liabilities and Owner's Equity		<u><u>\$1,23,000</u></u>

POINTS:	1
DIFFICULTY:	Challenging
QUESTION TYPE:	Subjective Short Answer
HAS VARIABLES:	False
LEARNING OBJECTIVES:	CACC.NSMB.13.2-6 - LO: 2-6
NATIONAL STANDARDS:	United States - AACSB: Reflective Thinking
STATE STANDARDS:	United States - AK - ACBSP: Financial Statements United States - AK - AICPA-FN: Reporting
KEYWORDS:	Bloom's: Applying
DATE CREATED:	7/23/2013 2:37 PM
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88. During the first month of operation, Sasha's Massage experienced the following transactions

- a.) Owner deposited \$20,000 in a bank account in the name of the business.
- b.) Bought equipment on account \$1,250.
- c.) Paid cash for desk, \$525, Ck. No. 100.
- d.) Received and paid bill for advertising, \$740, Ck. No.101
- e.) Bought supplies on account, \$300 Ck. No. 102.
- f.) Sold professional services on account, \$300.
- g.) Received and paid the telephone and internet bill, \$125, Ck. No. 103.
- h.) Paid \$500 on account for purchased equipment, Ck. No. 104.
- i.) Sold professional services for cash. \$250.
- j.) Tasha withdrew cash for personal use, \$600, Ck. No. 105.
- k.) Paid wages to employee, \$425, Ck. No. 106.
- l.) Tasha invested personal massage chair with a fair market value of \$910 in the business
- m.) Sold professional services for cash. \$150.
- n.) Sold professional services on account, \$225.
- o.) Received cash on account from customer, \$300.

Cash	Accounts Payable	Massage Fees

Chapter 2

Accounts Receivable	Sasha Towers, Capital	Advertising Expense
Supplies Expense	Sasha Towers, Drawing	Utilities Expense
Equipment	Wages Expense	

Instructions:

- Record transactions in appropriate t-accounts and label with provided letter.
- Foot and balance accounts.
- Prepare trial balance dated December 31, 20—.

ANSWER:

Cash		Accounts Payable		Massage Fees	
a.) 20,000	c.) 525	h.) 500	b.) 1,250	f.) 300	
i.) 250	d.) 740		e.) 300	i.) 250	
m.) 150	g.) 125		Bal. <u>1,050</u>	m.) 150	
o.) 300	h.) 500			n.) 225	
	j.) 600			Bal. <u>925</u>	
	k.) 425				
Bal. <u>17,785</u>					

Chapter 2

Accounts Receivable		Sasha Towers, Capital		Advertising Expense	
f.)	300	o.)	300	a.)	20,000
n.)	225			l.)	910
Bal.	<u>225</u>			Bal.	<u>740</u>
				Bal.	<u>20,910</u>

Supplies		Sasha Towers, Drawing		Utilities Expense	
e.)	300	j.)	600	g.)	125
Bal.	<u>300</u>	Bal.	<u>600</u>	Bal.	<u>125</u>

Equipment		Wages Expense	
b.)	1,250	k.)	425
c.)	525	Bal.	<u>425</u>
l.)	910		
Bal.	<u>2,685</u>		

Sasha's Massage Trial Balance December 31, 20—

Cash	17,785	
Accounts Receivable	225	
Supplies	300	
Equipment	2,685	
Accounts Payable		1,050
Sasha Tower, Capital		20,910
Sasha Tower, Drawing	600	
Massage Fees		925
Advertising Expense	740	
Utilities Expense	125	
Wages Expense	<u>425</u>	
Totals	<u>22,885</u>	<u>22,885</u>

POINTS: 1
 DIFFICULTY: Challenging
 QUESTION TYPE: Subjective Short Answer
 HAS VARIABLES: False
 LEARNING OBJECTIVES: CACC.NSMB.13.2-4 - LO: 2-4
 CACC.NSMB.13.2-5 - LO: 2-5
 NATIONAL STANDARDS: United States - AACSB: Analytic

Chapter 2

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Applying

DATE CREATED: 7/23/2013 2:37 PM

DATE MODIFIED: 4/1/2014 9:24 AM

Match the terms below with the correct definitions.

- a. Trial balance
- b. Normal balance
- c. Trial balance error
- d. Transposition
- e. Credit
- f. Trial balance account order
- g. Footing
- h. Debit
- i. Compound entry

DIFFICULTY: Easy

QUESTION TYPE: Matching

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.2-1 - LO: 2-1
CACC.NSMB.13.2-3 - LO: 2-3
CACC.NSMB.13.2-4 - LO: 2-4
CACC.NSMB.13.2-5 - LO: 2-5
CACC.NSMB.13.2-7 - LO: 2-7

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Remembering

DATE CREATED: 7/23/2013 2:37 PM

DATE MODIFIED: 7/23/2013 2:37 PM

89. Plus side of any T account

ANSWER: b

POINTS: 1

90. Totaling each side of a T account

ANSWER: g

POINTS: 1

91. Listing of the ending balances of all ledger accounts that proves the equality of total debits and credits

ANSWER: a

POINTS: 1

Chapter 2

92. A recording error involving the switching around of the digits of a number

ANSWER: d

POINTS: 1

93. The left side of a T account

ANSWER: h

POINTS: 1

94. Inequality of the total debits and credits in the trial balance

ANSWER: c

POINTS: 1

95. A, L, OE, R, E

ANSWER: f

POINTS: 1

96. The right-hand side of a T account

ANSWER: e

POINTS: 1

97. Transaction that has two or more debits and/or credits

ANSWER: i

POINTS: 1

Appendix B

1. In the allowance method of accounting for bad debts expense, Bad Debts Expense account is debited, and Accounts Receivable is credited when an uncollectible account is written off.
- True
 - False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.APP-B1 - LO: APP-B1
NATIONAL STANDARDS: United States - BUSPROG Analytic
STATE STANDARDS: United States - AK - ACBSP-APC-12 - Receivables Reporting
United States - AK - AICPA FN-Measurement
KEYWORDS: Bloom's: Remembering
DATE CREATED: 12/22/2016 4:27 AM
DATE MODIFIED: 1/12/2017 6:03 AM

2. The allowance method of accounting for bad debts expense is consistent with the accrual basis of accounting as it matches revenues of one year with expenses of the same year.
- True
 - False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.APP-B2 - LO: APP-B2
NATIONAL STANDARDS: United States - BUSPROG Analytic
STATE STANDARDS: United States - AK - ACBSP-APC-12 - Receivables Reporting
United States - AK - AICPA FN-Measurement
KEYWORDS: Bloom's: Understanding
DATE CREATED: 12/21/2016 11:53 PM
DATE MODIFIED: 1/12/2017 6:12 AM

Appendix B

3. Allowance for Doubtful Accounts is used under the direct write-off method of accounting for bad debts expense.
- a. True
 - b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.APP-B3 - LO: APP-B3
NATIONAL STANDARDS: United States - BUSPROG Analytic
STATE STANDARDS: United States - AK - ACBSP-APC-12 - Receivables Reporting
United States - AK - AICPA FN-Measurement
KEYWORDS: Bloom's: Remembering
DATE CREATED: 12/22/2016 6:50 AM
DATE MODIFIED: 12/28/2016 12:55 AM

4. The direct write-off method of accounting for bad debts expense is not allowed under GAAP (generally accepted accounting principles).
- a. True
 - b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.APP-B3 - LO: APP-B3
NATIONAL STANDARDS: United States - BUSPROG Analytic
STATE STANDARDS: United States - AK - ACBSP-APC-12 - Receivables Reporting
United States - AK - AICPA FN-Measurement
KEYWORDS: Bloom's: Remembering
DATE CREATED: 12/22/2016 7:15 AM
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Appendix B

5. Which of the following accounting equations is used to compute assets?

- a. $\text{Assets} = \text{Liabilities} - \text{Capital} + \text{Drawing} - \text{Revenue} + \text{Expenses}$
- b. $\text{Assets} = \text{Liabilities} + \text{Capital} - \text{Drawing} - \text{Revenue} + \text{Expenses}$
- c. $\text{Assets} = \text{Liabilities} + \text{Capital} - \text{Drawing} + \text{Revenue} - \text{Expenses}$
- d. $\text{Assets} = \text{Liabilities} - \text{Capital} + \text{Drawing} + \text{Revenue} - \text{Expenses}$

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.APP-B1 - LO: APP-B1

NATIONAL STANDARDS: United States - BUSPROG Analytic

STATE STANDARDS: United States - AK - ACBSP-APC-12 - Receivables Reporting
United States - AK - AICPA FN-Measurement

KEYWORDS: Bloom's: Remembering

DATE CREATED: 12/22/2016 7:18 AM

DATE MODIFIED: 1/4/2017 8:00 AM

6. Which of the following is true of the treatment of bad debts expense in the allowance method of accounting for bad debts?

- a. Bad debts expense is provided in advance by estimating the expenses.
- b. Bad debts expense is credited in the adjusting entry to create provision for bad debts.
- c. Bad debts expense is recorded as the difference between the estimated and actual uncollectible accounts.
- d. Bad debts expense is treated as a deduction from Accounts Receivable.

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.APP-B1 - LO: APP-B1

NATIONAL STANDARDS: United States - BUSPROG Analytic

STATE STANDARDS: United States - AK - ACBSP-APC-12 - Receivables Reporting
United States - AK - AICPA FN-Measurement

KEYWORDS: Bloom's: Understanding

DATE CREATED: 12/21/2016 11:22 PM

DATE MODIFIED: 1/12/2017 9:01 AM

Appendix B

7. Which of the following results from recording bad debts expense under the allowance method?
- a. A decrease in Bad Debts Expense
 - b. An increase in Allowance for Doubtful Accounts
 - c. An increase in Revenue
 - d. A decrease in Uncollectible Accounts

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.APP-B1 - LO: APP-B1
NATIONAL STANDARDS: United States - BUSPROG Analytic
STATE STANDARDS: United States - AK - ACBSP-APC-12 - Receivables Reporting
United States - AK - AICPA FN-Measurement
KEYWORDS: Bloom's: Understanding
DATE CREATED: 12/22/2016 7:34 AM
DATE MODIFIED: 1/12/2017 6:30 AM

8. Upstart Enterprise's total revenue for last year is \$300,000, and it estimates 2% of revenue as bad debts. Which of the following journal entries records the bad debts expense under the allowance method?
- a. Debit Allowance for Doubtful Accounts by \$6,000, and credit Bad Debts Expense by \$6,000.
 - b. Debit Accounts Receivable by \$6,000, and credit Bad Debts Expense by \$6,000.
 - c. Debit Bad Debts Expense by \$6,000, and credit Accounts Receivable by \$6,000.
 - d. Debit Bad Debts Expense by \$6,000, and credit Allowance for Doubtful Accounts by \$6,000.

ANSWER: d
RATIONALE: Bad debts expense is 2% of \$300,000 i.e., \$6,000. Upstart Enterprise will debit Bad Debts Expense by \$6,000, and credit Allowance for Doubtful Accounts by \$6,000.
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.APP-B1 - LO: APP-B1
NATIONAL STANDARDS: United States - BUSPROG Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP-APC-12 - Receivables Reporting
United States - AK - AICPA FN-Measurement
KEYWORDS: Bloom's: Applying
DATE CREATED: 12/22/2016 4:37 AM
DATE MODIFIED: 1/4/2017 8:10 AM

Appendix B

9. Markley Company's total sales on account for the year amounted to \$360,000 including cash sales of \$60,000. The company estimates that 2% of its total credit sales will be uncollectible. If Markley uses the allowance method of accounting for bad debts expense, the bad debts provided for is equal to:
- \$6,000.
 - \$7,200.
 - \$1,200.
 - \$1,800.

ANSWER: a
RATIONALE: Total credit sales = \$360,000 – \$60,000 = \$300,000
Bad debts expense = 2% × \$300,000 = \$6,000
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.APP-B1 - LO: APP-B1
NATIONAL STANDARDS: United States - BUSPROG Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP-APC-12 - Receivables Reporting
United States - AK - AICPA FN-Measurement
KEYWORDS: Bloom's: Applying
DATE CREATED: 12/23/2016 4:33 AM
DATE MODIFIED: 1/4/2017 8:15 AM

10. Which of the following is a similarity between the allowance method and the direct write-off method of accounting for bad debts?
- Both the methods require an estimate of bad debt expense.
 - Both the methods provide for writing or charging off of uncollectible customers' accounts.
 - Both the methods are consistent with the accrual basis of accounting.
 - Both the methods are allowed under GAAP (generally accepted accounting principles).

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.APP-B1 - LO: APP-B1
CACC.NSMB.13.APP-B3 - LO: APP-B3
NATIONAL STANDARDS: United States - BUSPROG Analytic
STATE STANDARDS: United States - AK - ACBSP-APC-12 - Receivables Reporting
United States - AK - AICPA FN-Measurement
KEYWORDS: Bloom's: Understanding
DATE CREATED: 12/22/2016 6:55 AM
DATE MODIFIED: 1/12/2017 9:06 AM

Appendix B

11. EasyLearn Inc., a book publishing company, uses the allowance method of accounting for bad debts expense. During the year, an amount of \$2,000 was determined to be uncollectible from a customer; the credit balance in the Allowance for Doubtful Accounts is \$3,000. Which of the following journal entries records the write off of the uncollectible customer account?
- a. Debit Bad Debts Expense by \$2,000, and credit Accounts Receivable by \$2,000.
 - b. Debit Bad Debts Expense by \$2,000, and credit Allowance for Doubtful Accounts by \$2,000.
 - c. Debit Allowance for Doubtful Accounts by \$2,000, and credit Accounts Receivable by \$2,000.
 - d. Debit Accounts Receivable by \$2,000, and credit Allowance for Doubtful Accounts by \$2,000.

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.APP-B2 - LO: APP-B2
NATIONAL STANDARDS: United States - BUSPROG Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP-APC-12 - Receivables Reporting
United States - AK - AICPA FN-Measurement
KEYWORDS: Bloom's: Applying
DATE CREATED: 12/22/2016 5:12 AM
DATE MODIFIED: 1/12/2017 7:07 AM

12. Glowra Company uses the allowance method of accounting for debt debts expense. At the beginning of the current year, the Allowance for Doubtful Accounts had a credit balance of \$5,000 and the Accounts Receivable had a debit balance of \$20,000. In the current year, an amount of \$200 is determined to be uncollectible, and is recorded in the books correctly. Which of the following statements is true of the accounting treatment of the bad debts expense?
- a. The balances of Accounts Receivable and Allowance for Doubtful Accounts increase by \$200.
 - b. Adjusting entries for accounting the bad debts expense are made directly into the Bad Debts Expense account.
 - c. The balances of Accounts Receivable and Allowance for Doubtful Accounts decrease by \$200.
 - d. No adjusting entries are made, and the bad debts expense is charged directly to the net profit account.

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.APP-B2 - LO: APP-B2
NATIONAL STANDARDS: United States - BUSPROG Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP-APC-12 - Receivables Reporting
United States - AK - AICPA FN-Measurement
KEYWORDS: Bloom's: Applying
DATE CREATED: 12/23/2016 5:39 AM
DATE MODIFIED: 1/12/2017 8:35 AM

Appendix B

13. Which of the following is true about a credit balance in Allowance for Doubtful Accounts at the end of a year?
- a. More accounts receivable were actually written off as uncollectible during the year than estimated previously.
 - b. Bad debts expense in the period was overstated and net income was understated.
 - c. Bad debts expense in the period was understated and net income was overstated.
 - d. Accounts receivable estimated as uncollectible is equal to the bad debts expense written off during the year.

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.APP-B2 - LO: APP-B2
NATIONAL STANDARDS: United States - BUSPROG Analytic
STATE STANDARDS: United States - AK - ACBSP-APC-12 - Receivables Reporting
United States - AK - AICPA FN-Measurement
KEYWORDS: Bloom's: Applying
DATE CREATED: 12/23/2016 4:56 AM
DATE MODIFIED: 1/5/2017 12:37 AM

14. Which of the following is a disadvantage of the direct write-off method of accounting for bad debts expense?
- a. The direct write-off method requires complex computation for the estimation of bad debts expense.
 - b. The direct write-off method requires extra adjusting entries to write off bad debts.
 - c. The direct write-off method is not consistent with the accrual basis of accounting.
 - d. The direct write-off method requires additional journal entries to be passed through Allowance for Doubtful Accounts.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.APP-B3 - LO: APP-B3
NATIONAL STANDARDS: United States - BUSPROG Analytic
STATE STANDARDS: United States - AK - ACBSP-APC-12 - Receivables Reporting
United States - AK - AICPA FN-Measurement
KEYWORDS: Bloom's: Understanding
DATE CREATED: 12/22/2016 12:04 AM
DATE MODIFIED: 1/12/2017 9:11 AM

Appendix B

15. Kiara Inc. follows the direct write-off method of accounting for bad debts expense. The total revenue for the year is \$600,000, but the company could collect only \$580,000; the rest were uncollectible. What is the journal entry to record the accounting treatment of the bad debt expense by Kiara Inc.?

ANSWER: Bad debts expense = Total revenue – Total collections
= \$600,000 – \$580,000 = \$20,000
Kiara Inc. records the bad debt expense with the following journal entry:
Debit Bad Debts Expense by \$20,000, and credit Accounts Receivable by \$20,000.

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Subjective Short Answer

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.APP-B3 - LO: APP-B3

NATIONAL STANDARDS: United States - BUSPROG Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP-APC-12 - Receivables Reporting
United States - AK - AICPA FN-Measurement

KEYWORDS: Bloom's: Applying

DATE CREATED: 1/12/2017 8:28 PM

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