Test Bank for Accounting Essentials Custom Title for CSI 1st Weinstein

Name ______________________________
Class ______________________________
Date ______________________________

Chapter 02 Test

1. A check written to a supplier is an example of a source document.

    a. True
    b. False

2. What CANNOT be a source document for a business?

    a. A check from a customer
    b. An invoice sent to a customer
    c. A balance sheet
    d. A bank statement

3. Which statement regarding a sales order is inaccurate?

    a. It's an internal document that's never provided to the purchasing company.
    b. It's prepared by the seller.
    c. It's used by the billing department.
    d. It's used to complete shipment of the goods sold

4. How is a recurring entry recorded?

    a. Multiple times, in a different manner each time
    b. Only once
    c. Multiple times in the same manner
    d. None of these options

5. What is the first step in the accounting cycle?

    a. Post journal entries.
    b. Prepare financial statements.
    c. Analyze business transactions.
    d. Prepare the unadjusted trial balance.

6. Match each term to its best description.

a. Check	_____	A bill for goods or services

b. Source document	______	Any document with information on one or more transactions
c. Invoice	______	Report outlining business activities for a given month
d. Bank statement	______	Document with information on a payment received or made

7. The cost principle states that a business may record the current market price if it's greater than the amount listed on an invoic

   a. True
   b. False

8. The matching principle states that expenses must be matched with their appropriate source document.

   a. True
   b. False

9. Identify the item that is NOT a generally accepted accounting principle?

   a. Revenue principle
   b. Expense spending principle
   c. Matching principle
   d. Time-period principle

10. Match each GAAP principle to its best description.

a. Cost principle	______	Express amounts in a consistent currency (U.S. dollars).
b. Matching principle	______	Expenses must be recorded in the same time period as the revenue they generate.
c. Time-period principle	______	The amount recorded in the

		financial records reflects the cost paid.
d. Revenue principle	______	Revenue is recorded when earned, regardless of when cash exchanges hands.
e. Monetary unit principle	______	A public company must report all pertinent information about company activities.
f. Full disclosure principle	______	Accounting activity must be reported over specific periods.

11. After all postings are completed and prior to the recording of adjusting entries, an unadjusted trial balance is prepared.

    a. True
    b. False

12. When is revenue recognized under the accrual basis of accounting?

    a. When cash is received
    b. When services are rendered
    c. When a contract is signed
    d. None of these options

13. Match each term to its explanation.

a. Unadjusted trial balance	______	Summarizes account balances in one location
b. Accrual basis of accounting	______	Expenses are recorded when incurred
c. Cash basis of accounting	______	Revenue is recorded when cash is received

14. Net income is reported on both the income statement and statement of owner's equity.

a. True
b. False

15. The statement of owner's equity displays all assets, liabilities, and owner's equity.

a. True
b. False

16. Which of these IS NOT a financial statement?

a. Bank statement
b. Income statement
c. Balance sheet
d. Statement of cash flows

17. Match each financial statement to its best description.

a. Income statement	______	Summarizes activities leading to a company's ending cash balance
b. Statement of owner's equity	______	Illustrates that assets = liabilities + owner's equity
c. Balance sheet	______	Reports net income and owner drawing
d. Statement of cash flows	______	Reports revenue, expenses, and net income

18. Classify each item as a source document, a rule dictated within GAAP, or a financial statement.

A. Bank statement

a. Source document
b. GAAP rule
c. Financial statement

B. Statement of owner's equity

a. Source document
b. GAAP rule

c. Financial statement

C. Time-period principle

a. Source document
b. GAAP rule
c. Financial statement

D. Matching principle

a. Source document
b. GAAP rule
c. Financial statement

E. Invoice

a. Source document
b. GAAP rule
c. Financial statement

F. Balance sheet

a. Source document
b. GAAP rule
c. Financial statement

19. Permanent accounts are closed and transferred to the owner's capital account.

a. True
b. False

20. Rent Expense and Owner's Drawing are examples of temporary accounts.

a. True
b. False

21. Which of these is a permanent account?

a. Rent Expense
b. Owner's Drawing
c. Unearned Revenue
d. Rent Revenue

22. Match each item related to closing a company's books to its best description.

a. Temporary accounts	_____	Accounts that remain after the closing process ends
b. Permanent accounts	_____	Revenue, expenses, and drawing
c. Post-closing trial balance	_____	Report created in the last step in the accounting cycle
d. Closing process	_____	The act of resetting certain accounts to zero

23. Indicate during which step of the accounting cycle each item would appear. (Step 1: Analyze Business Transactions. Step 5: Adjusting Entries and Adjusted Trial Balanc Step 7: Closing Entries and Post-Closing Trial Balance)

A. Determine, prior to period end, accounts impacted by a transaction

a. Step 1
b. Step 5
c. Step 7

B. Record transactions for activities not yet in the books

a. Step 1
b. Step 5
c. Step 7

C. At period-end, conform to the accrual basis of accounting

a. Step 1
b. Step 5
c. Step 7

D. Run a trial balance with only account balances used in the balance sheet

a. Step 1
b. Step 5
c. Step 7

E. Examine a purchase order

a. Step 1
b. Step 5
c. Step 7

F. Ensure temporary accounts have zero balances

a. Step 1
b. Step 5
c. Step 7

24. Place the accounting cycle steps in the correct order.
_________ Analyze Business Transactions
_________ Record Journal Entries
_________ Post Journal Entries
_________ Unadjusted Trial Balance
_________ Adjusting Entries and Adjusted Trial Balance
_________ Financial Statements
_________ Closing Entries and Post-Closing Trial Balance

25. Place the trial balances in the order they are completed within the accounting cycle.
_________ Unadjusted Trial Balance
_________ Adjusted Trial Balance
_________ Post-Closing Trial Balance

Answer Key:

1. a
2. c
3. a
4. c
5. c
6.

a. Check	c A bill for goods or services
b. Source document	b Any document with information on one or more transactions
c. Invoice	d Report outlining business activities for a given month
d. Bank statement	a Document with information on a payment received or made

7. b

8. b

9. b

10.

a. Cost principle	e	Express amounts in a consistent currency (U.S. dollars).
b. Matching principle	b	Expenses must be recorded in the same time period as the revenue they generate.
c. Time-period principle	a	The amount recorded in the financial records reflects the cost paid.
d. Revenue principle		Revenue is recorded when earned, regardless of when cash exchanges hands.
e. Monetary unit principle	f	A public company must report all pertinent information about company activities.
f. Full disclosure principle	c	Accounting activity must be reported over specific periods.

11. a

12. b

13.

a. Unadjusted trial balance	a	Summarizes account balances in one location
b. Accrual basis of accounting	b	Expenses are recorded when incurred
c. Cash basis of accounting	c	Revenue is recorded when cash is received

14. a

15. b

16. a

17.

a. Income statement	d	Summarizes activities leading to a company's ending cash balance
b. Statement of owner's equity	c	Illustrates that assets = liabilities + owner's equity
c. Balance sheet	b	Reports net income and owner drawing

	d. Statement of cash flows	Reports revenue, expenses, and net income

18-1. a

18-2. c

18-3. b

18-4. b

18-5. a

18-6. c

19. b

20. a

21. c

22.

a. Temporary accounts	b	Accounts that remain after the closing process ends
b. Permanent accounts		Revenue, expenses, and drawing
c. Post-closing trial balance	c	Report created in the last step in the accounting cycle
d. Closing process	d	The act of resetting certain accounts to zero

23-1. a

23-2. b

23-3. b

23-4. c

23-5. a

23-6. c

24. 1 Analyze Business Transactions
2 Record Journal Entries
3 Post Journal Entries
4 Unadjusted Trial Balance
5 Adjusting Entries and Adjusted Trial Balance
6 Financial Statements
7 Closing Entries and Post-Closing Trial Balance

25. 1 Unadjusted Trial Balance
2 Adjusted Trial Balance
3 Post-Closing Trial Balance

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Chapter 2 Quiz

1. Bank statements are typically provided to bank account holders monthly.

   a. True
   b. False

2. The first stage of the accounting cycle is to analyze business transactions.

   a. True
   b. False

3. Complying with GAAP is optional when recording journal entries.

   a. True
   b. False

4. The revenue principle dictates that revenue must be recorded in the same period the cash payment is received.

   a. True
   b. False

5. As part of the accounting cycle, three trial balances are completed.

   a. True
   b. False

6. You prepare the unadjusted trial balance before posting journal entries.

   a. True
   b. False

7. A benefit of the unadjusted trial balance is that it identifies all errors made during the period.

   a. True

b. False

8. Adjusting entries are associated with the accrual basis of accounting.

   a. True
   b. False

9. The final figure on the income statement is net income (or net loss).

   a. True
   b. False

10. The balance sheet is a reconciliation that displays all activity related to owner's equity.

    a. True
    b. False

11. What is NOT considered a source document?

    a. A transaction
    b. A check
    c. A bank statement
    d. A deposit slip

12. What's the first step of the accounting cycle?

    a. Record the journal entries
    b. Prepare the unadjusted trial balance
    c. Analyze the transactions
    d. Create the financial statements

13. Which principle requires expenses are recorded in the same period the revenue is generated?

    a. Time-period principle
    b. Cost principle
    c. Matching principle
    d. Full-disclosure principle

14. Which of these is NOT a financial statement?

    a. A balance sheet

b. A statement of owner's equity
c. A statement of cash flows
d. A post-closing trial balance

15. Which statement describes a sales order?

    a. It's sent by the bank to the company and outlines all activity during the month.
    b. It provides information regarding a payment received from a customer or made to a supplier.
    c. Prepared by the purchasing company, it indicates a desire to purchase items from a seller.
    d. Prepared by a seller upon receipt of a purchase order, it verifies the seller's intent to accept the terms of the purchase order.

16. What is a recurring entry?

    a. An infrequent entry
    b. A type of entry that's recorded differently every accounting period
    c. One that is recorded in the same manner every accounting period
    d. An entry that requires a new source document each time it's recorded

17. Which principle dictates that accounting activity may be expressed over a specific period?

    a. Cost principle
    b. Time-period principle
    c. Full disclosure principle
    d. Matching principle

18. What's something the unadjusted trial balance CANNOT do?

    a. Help confirm account balances are correctly calculated
    b. Summarize account balances in one location
    c. Identify all potential errors
    d. Locate transposition errors (such as $123 instead of $132)

19. Under the accrual basis of accounting, ___________ is recorded when earned and expenses are recorded when ___________.

20. Which account would appear on a balance sheet?

    a. Sales Revenue
    b. Equipment

c. Utilities Expense
d. Service Revenue

Answer Key:

1. a
2. a
3. b
4. b
5. a
6. b
7. b
8. a
9. a
10. b
11. a
12. c
13. c
14. d
15. d
16. c
17. b
18. c
19. revenue,incurred
20. b