

1. A general bookkeeper is a person employed by a small business to keep the accounting records.	<b>A. True</b>	B. False		
2. Capital is defined as an operating expense of a business.	A. True	<b>B. False</b>		
3. Fiscal period refers to a period of time for reporting accounting information.	<b>A. True</b>	B. False		
4. A debit to an account is always a decrease.	A. True	<b>B. False</b>		
5. The basic accounting equation is $A+L=OE$ .	A. True	<b>B. False</b>		
6. In a double-entry accounting system, two accounts are utilized for each business transaction.	<b>A. True</b>	B. False		
7. Equity in a business is equal to one-half of the business' assets.	A. True	<b>B. False</b>		
8. In a T account, the right side is the credit side.	<b>A. True</b>	B. False		
9. When a business buys supplies, the bookkeeper credits the supplies account.	A. True	<b>B. False</b>		
10. Accounts Receivable would normally have a credit balance.	A. True	<b>B. False</b>		
11. A business liability transaction will increase the credit side of the account.	<b>A. True</b>	B. False		
12. When a business owner withdraws cash for the business, the bookkeeper would debit the account.	A. True	<b>B. False</b>		
13. Expenses for a business are excluded from computing the total cost of doing business.	A. True	<b>B. False</b>		
14. The bookkeeper utilizes a journal to detail transactions of a business;	<b>A. True</b>	B. False		
15. In many accounting systems, the general ledger is no longer utilized.	A. True	<b>B. False</b>		
16. The transfer of net income or net loss to the capital account is accomplished through closing entries.	<b>A. True</b>	B. False		
17. An accounting clerk is usually one who is employed in an advanced position.	A. True	<b>B. False</b>		
18. Book value equals the cost of an asset less accumulated depreciation.	<b>A. True</b>	B. False		
19. One of the special journals used by a bookkeeper is a cash payments journal.	<b>A. True</b>	B. False		
20. A balance sheet is a report of income and expenses.	A. True	<b>B. False</b>		
21. To become a certified public accountant, the accountant must pass an examination on accounting theory, accounting practices, auditory, and business law.	<b>A. True</b>	B. False		
22. - A receivable is classified as an expense and has a normal debit balance.	A. True	<b>B. False</b>		
23. All businesses and government agencies are subject to a sales tax.	A. True	<b>B. False</b>		

24. Check stubs and the bank statement for a business serve as source documents for entries made in the cash payments journal.	<b>A. True</b>	B. False		
25. A file that contains a folder for each day of the month is called an invoice file.	A. True	<b>B. False</b>		
26. The basic accounting equation may be expressed as	A. A=E	B. A=L-OE	C. a and b	<b>D. Assets = Liabilities + Owner's Equity</b>
27. A form for recording accounting information in chronological order is called a:	<b>A. Journal</b>	B. Ledger	C. General Ledger	D. All of the above
28. In a journal, the year and month are written:	<b>A. Once on each journal page</b>	B. Once for each entry on the page	C. At the top of the page	D. At the bottom of the page
29. An account balance is the:	A. Total of the credit side of the account	B. Total of the debit side of the account	<b>C. Difference between the total debits and total credits recorded in the account</b>	D. Posting of debits and credits to the account
30. Double-entry accounting is:	A. An accounting system in which each transaction affects and is recorded in two or more accounts with unequal debits and equal credits	B. An accounting system in which the sum of the debit account balances never equal the sum of the credit account balances	<b>C. An accounting system in which each transaction affects and is recorded in two or more accounts with total debits equal to total credits</b>	D. An accounting system in which errors never occur
31. Of the following errors, which one by itself will cause the trial balance to be out of balance?	A. A \$200 salary payment posted as a \$200 debit to Cash and a \$200 credit to Salaries Expense	<b>B. A \$100 receipt from a customer in payment of his/her account posted as a \$100 debit to Cash and a \$10 credit to Accounts Receivable</b>	C. A \$75 receipt from a customer in payment of his/her account posted as a \$75 debit to Cash and a \$75 credit to Cash	D. A \$50 cash purchase of office supplies posted as a \$50 debit to Office Equipment and a \$50 credit to Cash
32. During the month of January, ABC Company had cash receipts of \$6,000 and cash disbursements of \$8,000 (The cash balance on 1/31 was \$4,300). What was the cash balance on January 1?	A. \$5,800	B. \$2,800	<b>C. \$6,300</b>	D. \$7,300
33. When the owner of Jones Hardware proprietorship uses cash of the business to purchase a family automobile, the business should record this use of cash with an entry to:	A. Salary Expense and Cash	B. Cash and credit to Jones, Withdrawal	C. Capital and credit Cash	<b>D. None of the above</b>
34. Net income or net loss is reported:	A. On the balance sheet	<b>B. On the income statement</b>	C. In the general ledger	D. Both the balance sheet and the income statement
35. To determine net income, the bookkeeper will:	A. Add total expenses to total revenue	B. Subtract total liabilities from total assets	C. Subtract total expenses from total assets	<b>D. Subtract total expenses from total revenue</b>
36. The financial position of a business reflected on a balance sheet shows how a business is doing:	A. Over a specific period of time	B. For 12 months	<b>C. On a specific date</b>	D. All of the above

37. If $\text{Assets} = \text{Liabilities} + \text{Capital}$ , then the:	<b>A. Balance sheet is assumed to be in balance</b>	B. Balance sheet is assumed to be out of balance	C. Income statement is in balance	D. A and C
38. A net loss indicates that the:	A. Capital account is increased by the amount of the net loss	B. Cash account is increased by the amount of the net loss	<b>C. Capital account is decreased by the amount of the net loss</b>	D. Cash account is decreased by the amount of the net loss
39. Which of the following would be classified as a long-term liability?	A. Wages	B. A bond payable	C. Taxes payable	<b>D. Note payable due in 15 months</b>
40. A business transaction that involves a purchase on account is considered to be a(n):	A. Cash transaction	<b>B. Credit transaction</b>	C. Investment by the owner	D. Expense transaction
41. To adjust the postage account	A. Debit Postage; credit Postage Expense	<b>B. Debit Postage Expense; credit Postage</b>	C. Debit Postage; debit Postage Expense	D. Debit Postage; credit Postage Expense
42. Julie earns \$8.50 per hour. She is paid overtime for hours worked over 40. One week, she worked 42.5 hours. Her gross earnings for this week are:	A. \$375.00	B. \$357.00	<b>C. \$371.88</b>	D. \$372.00
43. Which tax is paid by both the employer and the employee on the employee's gross wages?	A. Federal income tax	<b>B. FICA taxes and Medicare taxes</b>	C. State income tax	D. State unemployment tax
44. The amount of PICA tax to deduct for each employee is:	A. Based on a tax base and tax rate set by each state's legislature	B. Based on a tax base and tax rate set by each state's Governor	C. Based on the unemployment rate for the nation for the past year	<b>D. None of the above</b>
45. The account Employees Income Tax Payable-Federal is debited when the:	<b>A. Payroll is issued</b>	B. Tax payment is made to the federal government	C. Bank statement is received showing that employee checks have been received	D. B and C
46. One of the following accounts needs no closing entries:	<b>A. Capital</b>	B. Supplies Expense	C. Fees Owed	D. None of the above
47. A price reduction given to a customer would affect which account?	A. Capital	B. Purchase Allowance	<b>C. Sales Allowance</b>	D. Purchase Return
48. To decrease the Purchase Returns and Allowances account, the bookkeeper will:	A. Credit the account	B. Use the Sales Returns and Allowances account	<b>C. Debit the account</b>	D. None of the above
49. Beginning Inventory is:	<b>A. Merchandise a business has on hand at the beginning of the fiscal period</b>	B. Merchandise a business has on hand at the end of a fiscal period	C. Merchandise a business sells during the fiscal period	D. Merchandise a business purchases during the fiscal period

50. Below are ten steps of the accounting cycle. Rearrange these activities in the order in which the first five steps would be completed by a business in its accounting period.				
1. Post each journal entry to the general ledger and to the subsidiary ledgers				
2. Journalize and post the adjusting entries				
3. Complete a work sheet				
4. Prepare a trial balance				
5. Collect and verify data from business transactions				
6. Prepare the financial statements: income statement, statement of retained earnings, and balance sheet				
7. Prepare a post-closing trial balance				
8. Journalize the debit and credit parts of each transaction				
9. Analyze business transactions				
10. Journalize and post closing entries				
50. What are the first five steps?	A. 5, 8, 7, 3, 2	B. 4, 5, 6, 9, 1	<b>C. 5,9,8,1,4</b>	D. 9, 4, 8, 2, 1
51. If gross sales are \$4500, sales discounts are \$250, and sales returns and allowances total \$150, the net sales are:	A. \$4250	<b>B. \$4100</b>	C. \$4600	D. None of the above
52. Gross profit on sales is equal to the:	<b>A. Difference between net sales and the cost of merchandise sold</b>	B. Difference between operating expenses and the cost of merchandise sold	C. Difference between gross income and net sales	D. Difference between gross income and operating expense
53. A ratio that shows how a business has used its investments is called:	A. Ratio analysis	<b>B. Return on stockholders' equity</b>	C. Working capital	D. Current ratio
54. If a business issues only one type of stock, that stock is called:	A. Preferred stock	<b>B. Common stock</b>	C. Capital stock	D. Stock split
55. An endorsement on the back of a check consisting of the words "Pay To The Order Of and a new owner's signature is called a:	A. Blank endorsement	<b>B. Special endorsement</b>	C. Restrictive endorsement	D. Signature
56. When posting from the journal to the ledger, the bookkeeper for ABC Company failed to post a \$50 debit to the Supplies Account. The effect will be that	A. The Supplies Account balance will be overstated	B. The trial balance will not balance	C. The error will overstate the debits listed in the journal	<b>D. The total debits in the trial balance will be larger than the total credits</b>
57. A worksheet is prepared at the end of each fiscal period. Which of the following is correct?	A. The worksheet is prepared in pen	B. Account titles are listed in alphabetical order	C. All accounts are listed including and account with a zero balance	<b>D. B and C</b>
58. Asset accounts from the worksheet are extended to the:	A. Income statement	<b>B. Balance sheet</b>	C. Trial balance	D. Statement of Owner's Equity
59. Accounts from the Trial Balance are extended to the:	A. Income statement	B. Balance sheet	C. Trial balance	<b>D. A and B</b>
60. The "matching principle" in accounting is when:	A. Assets are matched against liabilities for the same period	B. Income is matched against sales for the same period	<b>C. Expenses are matched against revenues for the same period</b>	D. None of the above
61. A signature or stamp on the back of a check transferring ownership is a(n):	A. Signature card	<b>B. Endorsement</b>	C. Deposit slip	D. B and C
62. An endorsement on the back with the words "for deposit only," means the check may be cashed by:	A. Anyone who has the check	B. The person whose name follows "Pay To The Order Of	C. Only the person who signed the check	<b>D. No one - it must be deposited</b>

63. An employee's net pay is:	A. The amount of an employee pays in income taxes	<b>B. The amount an employee is paid, determined by subtracting from gross pay all deductions</b>	C. The amount an employee earns before any deduction for taxes or other items	D. None of the above
64. If the "Payroll Account" has a \$400 balance because an employee's payroll check has not cleared, the \$400 will appear on the:	A. Balance sheet as a current asset	B. Balance sheet as a current liability	C. Income statement as an expense	<b>D. None of the above</b>
65. The amount of interest on a 90-day, \$7,500 interest-bearing note at 8.5 is:	A. \$637.50	<b>B. \$157.19</b>	C. \$1746.58	D. \$ 174.66
66. An example of a contra account is:	A. Cash	B. Accounts Payable	<b>C. Sales Discounts</b>	D. Sales
67. When a business keeps irregular merchandise by paying less than the original purchase price, it is known as a:	A. Purchase Return	B. Sales Return	<b>C. Purchase Allowance</b>	D. Debit Memorandum
68. An expense of "cost of merchandise" is:	A. Utilities Expense	B. Capital Stock	C. Prepaid Insurance	<b>D. Transportation In</b>
69. To adjust the Prepaid Insurance account, at the end of the month, the bookkeeper will:	A. Debit the Prepaid Insurance account by the amount the prepaid insurance has decreased, and credit the Insurance Expense account	<b>B. Credit the Prepaid Insurance account by the amount the prepaid insurance has decreased, and debit the Insurance Expense account</b>	C. Credit both the Prepaid Insurance account and the Insurance Expense account	D. Do nothing
70. In a corporation, the Capital Stock account is to the corporation what the ___ account is to a sole proprietorship:	<b>A. Owner's Equity</b>	B. Retained Earnings	C. Stockholder's Equity	D. Operating Expense
71. Income earned by a corporation but not distributed to the stockholders is called:	A. Stockholders' Investment	B. Gross Profit on Sales	<b>C. Retained Earnings</b>	D. Net Sale
72. An adjusting entry affects:	A. Only the permanent account	B. Only the temporary account	<b>C. Both the temporary account and the permanent account</b>	D. All accounts are permanent, so none of the above
73. Purchase Discounts and Purchase Returns and allowances will:	<b>A. Decrease the cost of merchandise bought to sell to customers</b>	B. Increase the cost of merchandise bought to sell to customers	C. Neither increase nor decrease the cost of merchandise to sell to customers	D. Increase and decrease the cost of merchandise to sell to customers
74. In accounting, the debit and credit columns of the Trial Balance:	<b>A. Have to be equal</b>	B. Do not have to equal	C. Depends on the situation	D. Will never equal
75. If the cost of merchandise sold for Enterprise, Inc. is \$204,000, operating expenses are \$701,122, and net sales are \$375,257; then the gross profit on sales is:	A. \$96,878	B. \$311,122	C. \$267,135	<b>D. \$171,257</b>