

1. When a business uses a petty cash fund, the fund is debited each time it is replenished.	A. True	B. False		
2. Most employers will allow employees to use the petty cash fund to cash personal checks.	A. True	B. False		
3. A business's fiscal period may be the same as the calendar period.	A. True	B. False		
4. A debit to an account is always an increase.	A. True	B. False		
5. The basic accounting equation is $A = L - OE$.	A. True	B. False		
6. Beginning in the year 2000, businesses will no longer need to implement the double-entry accounting system.	A. True	B. False		
7. A business transaction is an economic event as it impacts on the business's assets, liabilities, or owner's equity.	A. True	B. False		
8. A business will usually use what is called the T-Account when it has several accounts/business transactions to analyze.	A. True	B. False		
9. When a business buys equipment, the bookkeeper credits the asset account.	A. True	B. False		
10. To determine the maturity of a Note Receivable, the bookkeeper needs to know only the note's term.	A. True	B. False		
11. To determine the interest on a promissory note, the bookkeeper will need to know principal, interest rate, and term.	A. True	B. False		
12. When a business encounters a net loss for the fiscal year, the balance sheet section of the worksheet would show the amount as a debit.	A. True	B. False		
13. A payee is the person or business to whom a check is payable.	A. True	B. False		
14. The bookkeeper will close an expense account by crediting it for the amount of its debit balance.	A. True	B. False		
15. Today the Federal Tax Reform Law only requires persons who are over two years old to have a social security number.	A. True	B. False		
16. A bonus, rather than a commission, is an amount paid to an employee as a percentage of sales.	A. True	B. False		
17. An employee who has US Savings Bonds deducted from his/her earnings would cause the accounting clerk to complete the transaction in the Journal as a payroll tax expense.	A. True	B. False		
18. Book value equals the cost of an asset plus accumulated depreciation.	A. True	B. False		
19. Depreciation is allocating the cost of a plant asset over the asset's useful life.	A. True	B. False		

20. Book value is an amount set by the UCC for each type of business.	A. True	B. False		
21. A journal entry will usually correct an error discovered before the posting is done.	A. True	B. False		
22. When the bookkeeper debits the Withdrawals Account, this will result in a decrease to the account.	A. True	B. False		
23. Straight-line depreciation is allocating the cost of a plant asset equally over its useful life.	A. True	B. False		
24. A cash dividend of \$8 per share to be paid to shareholders will cause a debit to Dividends Payable and credit to Cash.	A. True	B. False		
25. Assume that Owner A invests \$25,000 in computer equipment to the business. The account to be credited will be Computer Equipment.	A. True	B. False		
26. The basic accounting equation may be expressed as	A. A=E	B. A=OE- L	C. Assets = Liabilities + Owner's Equity	D. Assets + Liabilities = Owner's Equity
27. Recording account information in chronological order is called	A. posting.	B. journalizing.	C. analyzing.	D. processing.
28. The year and month are written in a General Journal	A. on each journal page.	B. for each entry on each journal page.	C. only at the top of page one of the journal page.	D. at the bottom of each journal page.
29. To determine an account balance, the bookkeeper will	A. total the credit and debit sides in the account.	B. determine the difference between the total debits and total credits in the account.	C. post the total debits and credits from the account to the general ledger.	D. complete the workshop to see if there is a profit or loss.
30. A financial record- keeping system in which each transaction affects at least two accounts is called	A. full disclosure accounting.	B. income accounting in which the sum of the debit account balances equals the sum of the credit account balances.	C. managerial accounting.	D. double-entry accounting
31. Of the following transactions, which one will result in the trial balance being out of balance?	A. \$500 salary payment posted as a \$500 debit to Cash and a \$500 credit to Salaries Expense	B. \$200 check from a customer in payment of his/her account posted as \$200 debit to Cash and a \$200 credit to Accounts Receivable	C. \$75 cash from a customer in payment of his/her account posted as a \$75 debit to Cash and a \$57 credit to Cash	D. \$50 cash purchase of office supplies posted as a \$50 debit to Office Equipment and a \$50 credit to Cash
32. At the close of the fiscal year in June, Bernard's Novelty had a cash balance of \$8,000. What was the cash balance on June 1 if Bernard' cash receipts for June were \$15,526 and his disbursements were \$12,200?	A. \$3,326	B. \$7,526	C. \$4,200	D. \$4,674
33. Assume that Bernard's Novelty is a partnership. Which transaction would occur if Partner A withdraws cash for personal use to purchase an automobile?	A. Debit Salary Expense and Credit Cash	B. Debit Cash and credit Partner A, Withdrawal	C. Debit Partner A, Withdrawal and credit Cash	D. Debit Capital and credit Cash

34. The purpose of the Income Statement is to report	A. all assets, liabilities, and owner's equity at a specified time.	B. all the accounts used in journalizing a business's transactions.	C. balances in the capital accounts in order to determine the net income or loss.	D. the net income or loss for a fiscal period.
35. To determine net income, the bookkeeper will	A. Subtract total expenses from total income.	B. Subtract total liabilities from total assets.	C. Subtract total expenses from total assets.	D. Add total income to the total expenses.
36. The balance sheet shows how a business is doing	A. for a period of 12 months.	B. on a specific date during the year.	C. regarding its profit or loss.	D. All of the above
37. If a partner invests a non-cash asset in the partnership, the amount to be debited and credited would be	A. the asset's cost.	B. the asset's book value.	C. the asset's current market value.	D. an amount determined by the investing partner.
38. If bank card fees are automatically deducted from a business's checking account, how will the bookkeeper journalize the fee?	A. Capital account is increased by the amount of the fee.	B. Cash account is increased by the amount of the fee.	C. Bank Card Fees Expense is increased by the amount of the fee and Cash is decreased.	D. Cash account is increased by the amount of the fee and Bank Card Fees Expense is decreased.
39. Debts that are not required to be paid within the next accounting period are called	A. wages	B. liabilities	C. taxes	D. long term liabilities
40. To write off a customer as a bad debt using the direct-write method, the bookkeeper will	A. debit Bad Debts Expense and credit Accounts Receivable/Customer in the General Journal	B. post to the Bad Debts Expense and Accounts Receivable accounts	C. post to the customer's account showing it to be uncollectible	D. do all of the above.
41. Adjusting entries are journal entries to update the ledger. Therefore, to adjust an account for depreciation expense, the bookkeeper will	A. debit the account and credit the related expense account.	B. debit the Depreciation Account and credit the Accumulated Depreciation Account.	C. debit the Accumulated Depreciation Account and credit the Depreciation Expense Account.	D. debit the Depreciation Account and credit the Owner's Equity Account.
42. In which section of the Worksheet would the adjustment in Question 41 be entered?	A. Trial Balance	B. Adjustments	C. Adjusted Trial Balance	D. All three sections
43. Julie earns \$ 18.50 per hour. She is paid overtime (time and one-half) for hours worked on Sunday. The first Sunday in June she worked 6 hours, giving her 46 hours for the week. What were her gross wages if total taxes withheld equaled 18?	A. \$851.00	B. \$1069.67	C. \$743.33	D. \$906.50
44. Which tax is paid by both employer and employee on the employee's gross wages?	A. Federal income tax	B. FICA tax	C. State income tax	D. State unemployment tax
45. The total social security tax rate deducted on each employee's gross earnings for 1999 until the maximum taxable amount for the year is reached is	A. 6.2 percent.	B. 7.65 percent.	C. 1.45 percent.	D. None of the above
46. Which of the following accounts needs no closing entries?	A. Capital	B. Supplies Expense	C. Fees Owed	D. All of the above
47. When a customer is given a price reduction on an item (for example, a damaged item), the bookkeeper will use which one of the following accounts?	A. Purchase Allowance	B. Purchase Discount	C. Sales Discount	D. Sales Allowance

48. To decrease the Sales Returns and Allowances Account, the bookkeeper will	A. credit the account.	B. debit the account.	C. both debit and credit the account.	D. use the Purchase Returns and Allowances Account.
49. Ending inventory is merchandise a business has on hand at the	A. beginning of the fiscal period.	B. end of a fiscal period.	C. during the fiscal period.	D. mid point of the fiscal period.
Below are ten steps of the accounting cycle. In what order will the bookkeeper complete the first five steps?				
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. The first 5 steps are:	A. 5,8,7,3,2	B. 4, 5, 6, 9, 1	C. 5,9,8,4,1	D. 5,9,8,1,4
51. A business had gross sales of \$4,500, and sales discounts of \$250 at the end of May. Net sales at the end of May were \$4,100 as there was a sales return and allowance on May 15. How did the bookkeeper record the return and for what amount?	A. Debit Sales Discounts for \$250, credit Accounts Receivable/customer	B. Credit Sales Returns and Allowances for \$150, debit Accounts Receivable/customer	C. Debit Sales Returns and Allowances for \$150, credit Accounts Receivable/customer	D. Debit Sales Discounts for \$ 150, credit Accounts Receivable/customer
52. The difference between net sales and the cost of merchandise sold is called the	A. gross profit.	B. gross profit on sales.	C. net income on sales.	D. difference between gross income and operating expense.
53. A measure of the relationship between short-term assets (e.g., cash/receivables) and current liabilities is defined as	A. current ratio.	B. ratio of stockholders' equity.	C. quick ratio.	D. both b and c.
54. _____ stock is the type of stock issued by a corporation when only one class of stock is issued.	A. Preferred	B. Common	C. Capital	D. Dividend
55. The words "Pay To The Order Of and a new owner's signature on the back of a check is called a	A. blank endorsement.	B. restrictive endorsement.	C. special endorsement.	D. signature.
56. Retained Earnings are earnings of a _____ and will be shown on the	A. sole proprietorship, balance sheet	B. partnership, income statement	C. corporation, balance sheet	D. corporation, income statement
57. In Accounting, when _____ are matched against _____ for the same period, this is referred to as the "matching principle."	A. purchases, sales	B. assets, liabilities	C. wages, taxes	D. expenses, revenues
58. The Balance Sheet will show	A. asset accounts only on a specific date.	B. final balances of all accounts on a specific date.	C. preliminary balances of all the asset and liability accounts on a specific date.	D. final balances in all asset, liability, and owner's equity accounts.

59. A business bought a delivery truck for \$23,500 on July 1, 1999. The truck has a disposal value (trade-in) of \$4,500. If the useful life of the truck is five years, what is the depreciation to be reported for 1999 using the straight-line method?	A. \$4,700	B. \$3,800	C. \$1,900	D. \$2,350
60. A store purchased an insurance policy for \$ 1,800 on September 1. Its fiscal period ended December 31. What is the amount of the adjustment and what accounts are debited and credited on December 31 ?	A. \$ 1,800; insurance expense and prepaid insurance	B. \$600; insurance expense and prepaid insurance	C. \$ 1,200; insurance expense and prepaid insurance	D. \$600; prepaid insurance and insurance expense
61. The same store received its bank statement as of December 31. The store's checkbook balance on that date was \$1,500. The bank statement balance was \$2,095. There is one outstanding check for \$595. What should the bookkeeper do?	A. Call the bank and tell them that there is an error on the statement	B. Reconcile the bank statement to the checkbook by deducting the outstanding check from the bank balance	C. Prepare a deposit slip for \$595 to balance the checkbook	D. Reconcile the checkbook to the bank balance by adding the outstanding check to the checkbook balance
62. If you endorse a check "For Deposit Only," the bank will	A. let anyone who has the check cash it.	B. have the depositor write "Pay To The Order Of."	C. let only the person who signed the check cash it.	D. not cash it because it must be deposited.
FOR QUESTIONS 63 THROUGH 67, SELECT ON OF THE FOLLOWING DESCRIPTIONS FOR EACH ITEM				
A. Account has a normal debit balance in the Trial Balance and the balance is extended to the Income Statement				
B. Account has a normal credit balance in the Trial Balance and the balance is extended to the Income Statement				
C. Account has a normal debit balance in the Trial Balance and the balance is extended to the Balance Sheet				
D. Account has a normal credit balance in the Trial Balance and the Balance is extended to the Balance Sheet				
63. Cash held in the bank	A. Account has a normal debit balance in the Trial Balance and the balance is extended to the Income Statement	B. Account has a normal credit balance in the Trial Balance and the balance is extended to the Income Statement	C. Account has a normal debit balance in the Trial Balance and the balance is extended to the Balance Sheet	D. Account has a normal credit balance in the Trial Balance and the Balance is extended to the Balance Sheet
64. Company Automobile	A. Account has a normal debit balance in the Trial Balance and the balance is extended to the Income Statement	B. Account has a normal credit balance in the Trial Balance and the balance is extended to the Income Statement	C. Account has a normal debit balance in the Trial Balance and the balance is extended to the Balance Sheet	D. Account has a normal credit balance in the Trial Balance and the Balance is extended to the Balance Sheet
65. Herbert Jones, Capital	A. Account has a normal debit balance in the Trial Balance and the balance is extended to the Income Statement	B. Account has a normal credit balance in the Trial Balance and the balance is extended to the Income Statement	C. Account has a normal debit balance in the Trial Balance and the balance is extended to the Balance Sheet	D. Account has a normal credit balance in the Trial Balance and the Balance is extended to the Balance Sheet
66. Rent Expense	A. Account has a normal debit balance in the Trial Balance and the balance is extended to the Income Statement	B. Account has a normal credit balance in the Trial Balance and the balance is extended to the Income Statement	C. Account has a normal debit balance in the Trial Balance and the balance is extended to the Balance Sheet	D. Account has a normal credit balance in the Trial Balance and the Balance is extended to the Balance Sheet

67. Fees	A. Account has a normal debit balance in the Trial Balance and the balance is extended to the Income Statement	B. Account has a normal credit balance in the Trial Balance and the balance is extended to the Income Statement	C. Account has a normal debit balance in the Trial Balance and the balance is extended to the Balance Sheet	D. Account has a normal credit balance in the Trial Balance and the Balance is extended to the Balance Sheet
68. If the "Payroll Account" has a balance because an employee's payroll check has not cleared, the amount of check will appear on the	A. balance sheet as a current asset.	B. balance sheet as a current liability.	C. income statement as an expense.	D. will not appear on any of the above.
69. The amount of interest on a 60-day, \$6,000 interest-bearing note at 7.75 is	A. \$76.44	B. \$12.74	C. \$127.40	D. \$465.00
70. A contra account is an account whose balance is a(n) to another account such as	A. increase, cash	B. decrease, accounts payable	C. increase, sales discounts	D. decrease, sales discounts
71. To calculate the "cost of merchandise" sold, the bookkeeper will	A. add ending inventory to the beginning inventory and deduct gross purchases.	B. add only purchases to beginning inventory and deduct ending inventory.	C. determine transportation costs, purchase discounts, and purchase returns and allowances; add the net amount to beginning inventory; deduct the ending inventory from the total.	D. complete the steps in item C, but consider only the amount of Transportation In plus purchases to determine the net amount.
72. In a corporation, the capital stock account is to the corporation what the _____ account is to a sole proprietorship.	A. partners' equity	B. owner's equity	C. stockholder's equity	D. retained earnings
73. To close the Income Summary account of a corporation with a net loss, the balance is closed into the	A. Retained Earnings account with a debit.	B. Retained Earnings account with a credit.	C. account which caused the net loss with a debit.	D. None of the above
74. Amounts for Purchase Discounts and Purchase Returns and Allowances will	A. increase the cost of merchandise available for sale.	B. decrease the cost of merchandise available for sale.	C. neither increase nor decrease the cost of merchandise to sell to customers.	D. be added to the transportation costs to first determine the cost of goods delivered.
75. You are given the following information: cost of merchandise sold, \$404,000; operating expenses, \$785,122; and net sales, \$557,225. What is the company's gross profit on sales?	A. \$381,122	B. \$227,897	C. \$267,135	D. \$153,225
76. Calculate the total expenses during 1998 given the following information: Capital, 1/1/98 \$40,000 Income, 1998 \$50,000 Expenses, 1998 ? Withdrawals, 1998 \$20,000 Capital, 12/31/98 \$60,000	A. \$30,000	B. \$10,000	C. \$70,000	D. \$40,000
FOR QUESTIONS 77-80, INDICATE IF THE STATEMENT IS AN ADVANTAGE OR DISADVANTAGE TO A BUSINESS CONSIDERING FORMING A CORPORATION. USE "A" IF THE STATEMENT IS AN ADVANTAGE; USE "B" IF THE STATEMENT IS A DISADVANTAGE.				
77. Limited liability of the owners	A. Advantage	B. Disadvantage		

78. Disclosure to the public	A. Advantage	B. Disadvantage		
79. State and Federal Regulation	A. Advantage	B. Disadvantage		
80. Stock sales between stockholders	A. Advantage	B. Disadvantage		