

Total current assets should always equal total current liabilities.	A. True	<b>B. False</b>		
1) The matching concept states expenses should be offset against revenue to determine net income.	<b>A. True</b>	B. False		
2) The balance sheet shows the financial position of a business over a period of time.	A. True	<b>B. False</b>		
3) Analysis paper on which the financial condition of a business is conveniently summarized is a trial balance.	A. True	<b>B. False</b>		
4) Journal entries made to bring general ledger accounts up to date are adjusting entries.	<b>A. True</b>	B. False		
5) The complete series of activities involved in double-entry accounting during a fiscal period is the accounting cycle.	<b>A. True</b>	B. False		
6) If the debit part of a journal entry is not posted but the credit side is, assets will be understated.	A. True	<b>B. False</b>		
7) A change in the balance of a customer's account also changes the balance of the controlling account, Accounts Receivable.	<b>A. True</b>	B. False		
8) Each amount in the General Debit column of the combination journal is posted separately to an account in the general ledger.	<b>A. True</b>	B. False		
9) If an adjusting entry is not recorded for supplies used during the accounting period, net income for the current period will be overstated.	<b>A. True</b>	B. False		
10) If the totals on the trial balance of the work sheet do not balance and the difference between the debits and credits is \$9,000, it is possible that a slide error has been made.	<b>A. True</b>	B. False		
11) If the totals on the trial balance of the work sheet do not balance and the difference between the debits and credits is \$1,000, it is possible that a transposition error has been made.	A. True	<b>B. False</b>		
12) If an adjustment is not recorded for unearned revenue that has been earned by year-end, net income for the current period will be overstated.	A. True	<b>B. False</b>		
13) The Purchases account does not provide a continuous record of the cost of the goods on hand.	<b>A. True</b>	B. False		

14) When prices are falling, LIFO generally results in a higher cost of goods sold and therefore helps reduce the tax liability.	A. True	<b>B. False</b>		
15) Overstating ending inventory in the current period will understate the following year's net income.	<b>A. True</b>	B. False		
16) The endorsement on the check represents a promise to pay.	<b>A. True</b>	B. False		
17) The matching concept requires that the income statement for a time period be matched with the balance sheet of the same time period.	A. True	<b>B. False</b>		
18) A deficit is reported in the stockholders' equity section of the balance sheet.	<b>A. True</b>	B. False		
19) The best definition of assets is	A. the collection of resources owned by a company and the claims to these resources.	B. the debits of a company.	<b>C. economic resources owned by a company that are expected to benefit future business periods.</b>	D. economic resources contributed to the business by the owner.
20) An example of a business document that indicates a transaction has occurred is	A. a journal.	B. a ledger.	<b>C. a memo.</b>	D. a balance sheet.
21) In accounting, a prepaid expense	<b>A)is an asset account amount.</b>	B) means the same thing as the term expense.	C) is a liability account amount.	D) is all of the above.
22) The business entity concept means that	A) a business exists.	<b>B)the business' and owner's personal records should not be mixed.</b>	C) a business is successful.	D) None of the above
23) Expecting a business to remain in operation indefinitely is a referral to the accounting concept _____.	A) business entity	<b>B) going concern</b>	C)objective evidence	D)consistent reporting
24) The procedure for transferring information from a journal to a ledger is known as _____.	A) Footing	B) journalizing	<b>C) posting</b>	D) cross referencing
25) The person or business to whom the signer of a promissory note promises a future payment is called the _____.	A) Maker	B) principal party	<b>C) payee</b>	D) drawer

26) Which of the following statements is true?	A) Depreciation is a valuation process of placing market values on assets.	B) Depreciation means that a business sets aside cash to replace assets as they become unfunctional.	C) Accumulated depreciation represents cash that can be used to replace assets.	<b>D) Accumulated depreciation represents a portion of a plant asset's cost that has been recorded as an expense.</b>
27) The expected cash value of a plant asset at the end of its useful life is called all the following except _____.	A) salvage value	B) residual value	<b>C) current book value</b>	D) scrap value
28) Depreciable cost is defined as _____.	A) cost minus accumulated depreciation	B) book value	C) residual value	<b>D) cost minus scrap value</b>
29) The total of a one-column purchases journal is posted to the account(s)	Purchases.	B) Purchases and Sales	C) Sales	<b>D) Purchases and Accounts Payable.</b>

Postings in the general ledger for Ben's Appliance Repair Service for the accounting period are presented below in T accounts before closing entries were posted.

Ben, Capital		Ben, Withdrawals
1/1    3,000 3/28   4,000	2/1    100 5/1    100 8/1    100	
Income Summary		
12/31   2,000 12/31     600	12/31   2,600	

30) If the credit amount of an entry to record the payment of advertising fees was not posted,	A) expenses would be understated.	B) expenses would be overstated.	C) capital would be understated.	<b>D) assets would be overstated.</b>
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Use the information in the following T-accounts and subsidiary ledger to answer questions #32-39. Information is given for the general ledger account, Accounts Payable and for the vendor accounts in the Accounts Payable subsidiary ledger.

Accounts Payable	
Jan 99	1/1/99 6,000
	1/31/99 4,300

Accounts Payable Subsidiary Ledger:

Hill Supply	Purchases	Payments	Balance
	1/1/99		\$2,500
	Jan 99 \$2,700	?	1,600

College Supply	Purchases	Payments	Balance
	1/1/99		?
	Jan 99 1,200	\$3,000	?

University Supply	Purchases	Payments	Balance
	1/1/99		\$1,700
	Jan 99 4,300	?	?

31) The January payments made to University Supply were _____.	A) \$3,000	<b>B) \$3,300</b>	C) \$2,700	D) \$4,300
32) The total debits to the general ledger controlling account for January were _____.	A) \$4,300	B) \$8,200	<b>C) \$9,900</b>	D) \$6,000
33) The total paid to Hill Supply for January was _____.	A) \$2,500	B) \$2,700	C) \$1,600	<b>D) \$3,600</b>
34) The balance of Accounts Payable that appeared on the January 1, 1999, Balance Sheet was _____.	<b>A) \$6,000</b>	B) \$8,200	C) \$9,900	D) \$4,300
35) The total amount of purchase charges included on the Income Statement for the month of January was _____.	A) \$6,000	<b>B) \$8,200</b>	C) \$4,300	D) \$9,900

36) If Accounts Receivable has debits of \$26,000, credits of \$28,000, and an ending balance of \$24,000, which of the following was its beginning balance?	A) \$2,000	B) \$24,000	<b>C) \$26,000</b>	D) \$50,000
37) The ending balance in capital appears on the	A) balance sheet only.	B) income statement.	C) statement of changes in owner's equity.	<b>D) balance sheet and the statement of changes in owner's equity.</b>
38) If total assets decreased by \$15,000 during an accounting period, and liabilities increased by \$10,000 during the same period, the amount and direction (increase or decrease) of the period's change in total capital is _____.	A) \$15,000 increase	B) \$15,000 decrease	C) \$5,000 increase	<b>D) \$25,000 decrease</b>
39) When a balance sheet lists assets on the left and equities on the right, the balance sheet is prepared in _____ form.	<b>A) account</b>	B) report	C) income statement	D) trial balance

The balance sheet for Feist Company appears below. Use it to answer questions 41 - 43. Consider each question independently.

FEIST COMPANY  
BALANCE SHEET  
DECEMBER 31, 1999

<u>Assets</u>		<u>Liabilities</u>	
Cash	\$5,000	Accounts Payable	\$7,000
Accounts Receivable	1,500		
Equipment	6,000	<u>Owner's Equity</u>	
Land	12,000	John Feist, Capital	?
Building	?	Total Liabilities and	
Total Assets	? <u>          </u> <u>          </u>	Owner's Equity	? <u>          </u>

40) If the balance in the John Feist, Capital, account were \$20,000, what would be the amount of the Building account?	A) \$17,500	B) \$10,500	C) \$7,500	<b>D) \$2,500</b>
41) If the balance sheet showed an amount in the Building account of \$20,000 and if the equipment were sold for \$6,000, what would be the balance of John Feist's Capital account?	A) \$35,000	<b>B) \$37,500</b>	C) \$44,500	D) \$38,500

42) If the balance sheet showed an amount in the Building account of \$15,000, and if \$4,000 of Accounts Payable were paid from the cash balance, what would be the total liabilities and owner's equity?	A) \$25,500	B) \$42,500	C) \$28,500	<b>D) \$35,500</b>
Use the following data to answer 44 & 45. For the two UNRELATED situations below, compute the unknown amounts indicated by the letters (a) and (b).				
	<u>Situation (1)</u>	<u>Situation (2)</u>		
Beginning:				
Assets	\$15,000	\$19,000		
Liabilities	5,000	6,400		
Ending:				
Assets	\$20,500	\$28,000		
Liabilities	4,500	(b)		
During the Year:				
Capital contributed	1,000	2,000		
Revenue	(a)	18,000		
Capital withdrawn	1,500	1,200		
Expenses	4,000	9,500		
43) The correct amount for letter (a) is _____.	A) \$8,500	B) \$12,500	<b>C) \$10,500</b>	D) \$15,500
44) The correct amount for letter (b) is _____.	A) \$21,900	<b>B) \$6,100</b>	C) \$1,600	D) \$22,900
45) John Caviness, a CPA, owns his own business. His company records show an account, Accounting Fees Earned, with a balance of \$65,000. This account should be extended as a	<b>A) credit to the Income Statement columns of the work sheet.</b>	B) debit to the Income Statement columns of the work sheet.	C) credit to the Balance Sheet columns of the work sheet.	D) debit to the Balance Sheet columns of the work sheet.
46) The accountant for American Packing Company is completing the work sheet for 2000. The subtotals of the Income Statement columns show debits of \$240,000 and credits of \$220,000. This information indicates that	<b>A) the company incurred a net loss of \$20,000.</b>	B) he company earned a net income of \$20,000.	C) an error has been made since the columns do not balance.	D) a net income cannot be calculated from the information available.

47) In a worksheet, which of the following errors will not cause the debit and credit columns of the trial balance to be unequal?	A) A debit entry was made in an account as a credit.	B) An account balance in the ledger was computed incorrectly.	C) A debit account balance was carried to the credit column of the trial balance.	<b>D) A debit entry was recorded in the wrong account.</b>
48) On January 9, 1998, Hereford Corporation acquired equipment for \$100,000. The estimated life of the equipment is 4 years, and estimated salvage value is \$10,000. If Hereford Corporation uses the straight-line method of depreciation, what will be the debit to depreciation expense for the year ended December 31, 1999?	A) \$25,000	<b>B) \$22,500</b>	C) \$28,000	D) \$25,200
49) Based on the data in question 48, what is the balance in accumulated depreciation on December 31, 1999, if Hereford Corporation uses the double-declining-balance method of depreciation?	A) \$67,500	B) \$50,000	<b>C) \$75,000</b>	D) \$25,000
50) The form that accompanies the payment of taxes to the federal government is a _____.	A) Form W-2	<b>B) Form 8109</b>	C) Form 940	D) Form 941
51) The form that contains information necessary to determine the employee's net earnings is a _____.	A) Form W-2	B) Form W-3	<b>C) Form W-4</b>	D) FICA Tax
52) The form that summarizes the information reported on each employee's report of income and taxes is a/an _____.	<b>A) Form W-2</b>	B) Form W-3	C) Form W-4	D) Unemployment Tax
53) The form used by the employer to report his/her annual unemployment tax is a _____.	A) Form W-2	B) Form W-3	C) Form 941	<b>D) Form 940</b>
54) The purchase of a delivery van for cash would _____.	A) increase total assets	B) decrease capital	<b>C) not affect the total of debits or credits on the trial balance</b>	D) increase the total debits on the trial balance
55) Performing carpet cleaning services on account would increase _____.	<b>A) net income and capital</b>	B) assets and liabilities	C) revenue and decrease capital	D) assets and decrease capital
56) The collection of cash from a charge customer would _____.	A) increase net income and capital	B) increase assets and decrease liabilities	<b>C) have no effect on net income or capital</b>	D) increase assets and increase net income
57) The adjusting entry for the depreciation of a plant asset such as equipment involves a credit to _____.	A) equipment expense	B) accumulated equipment	C) depreciation expense	<b>D) accumulated depreciation</b>
58) The entry to journalize the replenishment of petty cash includes a _____.	A) debit to petty cash	<b>B) credit to cash</b>	C) debit to cash	D) credit to petty cash

59) Under the direct write-off method of accounting for bad debts, the entry to record the estimated bad debts includes a	A) debit to uncollectible-account expense.	B) credit to allowance for uncollectible accounts.	C) debit to allowance for uncollectible accounts.	<b>D) does not require a journal entry.</b>
60) Under the allowance method, the entry to record the estimated bad debts expense	A) has no effect on net income.	B) increases net income.	C) has no effect on total assets.	<b>D) reduces total assets.</b>
61) Cameron Corporation ages accounts receivable to estimate uncollectibles. The aging schedule estimates \$2,340 of uncollectible accounts. Prior to adjustment, allowance for uncollectible accounts has a debit balance of \$300. The expense reported on the income statement for uncollectibles will be	<b>A) \$2,640</b>	B) \$2,040	C) \$2,340	D) \$300
62) Vasquez Construction uses the percentage of sales method to estimate uncollectibles. Net credit sales for the current year amount to \$500,000 and management estimates 2% will be uncollectible. Allowance for doubtful accounts prior to adjustment has a debit balance of \$890. The amount of expense reported on the income statement will be	<b>A) \$10,000</b>	B) \$10,890	C) \$9,110	D) \$890
63) Williams Company accepted a nine-month, \$5,000 6% note, from Pace Corporation on September 1, 1999. The amount of interest to be accrued on December 31, 1999 is	<b>A) \$100</b>	B) \$225	C) \$300	D) \$75
64) Current assets should be listed on the balance sheet of a company in order of the	A) size of the assets	B) age of the assets	<b>C) liquidity of the assets</b>	D) alphabetic order of the assets
65) On a balance sheet, a delivery truck is classified as a	A) current asset	B) part of owner's equity	C) part of creditor's equity	<b>D) plant and equipment asset</b>
Indicate whether the following accounts will be decreased with debits or credits. <b>Use A for debit; B for credit.</b>				
66) Service Revenue	<b>A) Debit</b>	B) Credit		
67) Advertising Expense	A) Debit	<b>B) Credit</b>		
68) Sam Jones, Capital	<b>A) Debit</b>	B) Credit		
69) Building	A) Debit	<b>B) Credit</b>		
70) Building, Accumulated Depreciation	<b>A) Debit</b>	B) Credit		
71) The computation of the Cost of Goods Sold on the Income Statement may be summarized as	A) net sales revenue minus operating expenses.	B) ending inventory plus net cost of purchases minus beginning inventory.	C) beginning inventory plus net cost of purchases.	<b>D) beginning inventory plus net cost of purchases minus ending inventory.</b>

72) A net income will result if gross profit exceeds	A) cost of goods sold.	<b>B) operating expenses.</b>	C) purchases.	D) cost of goods sold plus operating expenses.
73) An income statement reports the	<b>A) financial progress of a business for a fiscal period.</b>	B) financial condition of a business on a specific date.	C) total capital of a business.	D) revenue minus expenses minus withdrawals.
74) Which of the following is required for computing cost of goods sold but not required for computing cost of goods available for sale?	A) Purchases	B) Freight in	C) Beginning merchandise inventory	<b>D) Ending merchandise inventory</b>
75) Use the information in the following table to determine how much taxable income would change if LIFO is used rather than FIFO.  Beginning inventory      1,300 units @ \$15 Purchases                      2,300 units @ \$20 Units sold                      1,500	<b>A) Decrease \$6,500</b>	B) Increase \$8,000	C) Increase \$6,500	D) Decrease \$8,000
76) If ending inventory for the current period is overstated by \$5,000,	A) ending inventory of the next period will be understated by \$5,000.	B) beginning inventory of the next period will be understated by \$5,000.	<b>C) net income for the next period will be understated by \$5,000.</b>	D) net income for the next period will be overstated by \$5,000.
77) The one item that does not cause a difference between the check stub cash balance and the bank statement balance is _____.	<b>A) canceled checks</b>	B) service charges	C) outstanding deposits	D) outstanding checks
78) In reconciling a bank statement, an NSF check is _____.	A) added to the bank balance	B) deducted from the bank balance	C) added to the book balance	<b>D) deducted from the book balance</b>
79) When reconciling the bank statement, an NSF check for \$480 is included. The entry to record this reconciling item would include a _____.	<b>A) credit to cash for \$480</b>	B) debit to cash for \$480	C) credit to accounts receivable for \$480	D) debit to accounts payable for \$480