

**Test Bank for Financial Accounting 6th Edition by Kimmel Weygandt Kieso
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Chapter 2 A Further Look at Financial Statements

TRUE-FALSE STATEMENTS

1. A new account is opened for each transaction entered into by a business firm.
2. The recording process becomes more efficient and informative if all transactions are recorded in one account.
3. When the volume of transactions is large, recording them in tabular form is more efficient than using journals and ledgers.
4. An account is often referred to as a T-account because of the way it is constructed.
5. A debit to an account indicates an increase in that account.
6. If a revenue account is credited, the revenue account is increased.
7. The normal balance of all accounts is a debit.
8. Debit and credit can be interpreted to mean increase and decrease, respectively.
9. The double-entry system of accounting refers to the placement of a double line at the end of a column of figures.
10. A credit balance in a liability account indicates that an error in recording has occurred.
11. The dividends account is a subdivision of the returned earnings account and appears as an expense on the income statement.
12. Revenues are a subdivision of stockholders' equity.
13. Under the double-entry system, revenues must always equal expenses.

14. Transactions are entered in the ledger first and then they are analyzed in terms of their effect on the accounts.
15. Business documents can provide evidence that a transaction has occurred.
16. Each transaction must be analyzed in terms of its effect on the accounts before it can be recorded in a journal.
17. Transactions are entered in the ledger accounts and then transferred to journals.
18. All business transactions must be entered first in the general ledger.
19. A simple journal entry requires only one debit to an account and one credit to an account.
20. A compound journal entry requires several debits to one account and several credits to one account.
21. Transactions are recorded in alphabetic order in a journal.

22. A journal is also known as a book of original entry.
23. The complete effect of a transaction on the accounts is disclosed in the journal.
24. The account titles used in journalizing transactions need **not** be identical to the account titles in the ledger.
25. The chart of accounts is a special ledger used in accounting systems.
26. A general ledger should be arranged in the order in which accounts are presented in the financial statements, beginning with the balance sheet accounts.
27. The number and types of accounts used by different business enterprises are the same if generally accepted accounting principles are being followed by the enterprises.
28. Posting is the process of proving the equality of debits and credits in the trial balance.
29. After a transaction has been posted, the reference column in the journal should **not** be blank.
30. A trial balance does **not** prove that all transactions have been recorded or that the ledger is correct.

Additional True-False Questions

31. The double-entry system is a logical method for recording transactions and results in equal debits and credits for each transaction.
32. The normal balance of an expense is a credit.
33. The journal provides a chronological record of transactions.
34. The ledger is merely a bookkeeping device and therefore does **not** provide much useful data for management.
35. The chart of accounts is a listing of the accounts and the account numbers which identify their location in the ledger.
36. The primary purpose of a trial balance is to prove the mathematical equality of the debits and credits after posting.
37. The trial balance will **not** balance when incorrect account titles are used in journalizing or posting.

Answers to True-False Statements

Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.
1.	F	7.	F	13.	F	19.	T	25.	F	31.	T	37.	F
2.	F	8.	F	14.	F	20.	F	26.	T	32.	F		
3.	F	9.	F	15.	T	21.	F	27.	F	33.	T		
4.	T	10.	F	16.	T	22.	T	28.	F	34.	F		
5.	F	11.	F	17.	F	23.	T	29.	T	35.	T		
6.	T	12.	T	18.	F	24.	F	30.	T	36.	T		

MULTIPLE CHOICE QUESTIONS

38. An account consists of
- one part.
 - two parts.
 - three parts.
 - four parts.
39. The left side of an account is
- blank.
 - a description of the account.
 - the debit side.
 - the balance of the account.
40. Which one of the following is *not* a part of an account?
- Credit side
 - Trial balance
 - Debit side
 - Title
41. An account is a part of the financial information system and is described by all **except** which one of the following?
- An account has a debit and credit side.
 - An account is a source document.
 - An account may be part of a manual or a computerized accounting system.
 - An account has a title.
42. The right side of an account
- is the correct side.
 - reflects all transactions for the accounting period.
 - shows all the balances of the accounts in the system.
 - is the credit side.
43. An account consists of
- a title, a debit balance, and a credit balance.
 - a title, a left side, and a debit balance.
 - a title, a debit side, and a credit side.
 - a title, a right side, and a debit balance.
44. A T-account is
- a way of depicting the basic form of an account.
 - what the computer uses to organize bytes of information.
 - a special account used instead of a trial balance.
 - used for accounts that have both a debit and credit balance.
45. Credits
- decrease both assets and liabilities.
 - decrease assets and increase liabilities.
 - increase both assets and liabilities.
 - increase assets and decrease liabilities.

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46. A debit to an asset account indicates
- an error.
 - a credit was made to a liability account.
 - a decrease in the asset.
 - an increase in the asset.
47. The normal balance of any account is the
- left side.
 - right side.
 - side which increases that account.
 - side which decreases that account.
48. The double-entry system requires that each transaction must be recorded
- in at least two different accounts.
 - in two sets of books.
 - in a journal and in a ledger.
 - first as a revenue and then as an expense.
49. A credit is *not* the normal balance for which account listed below?
- Common stock account
 - Revenue account
 - Liability account
 - Dividend account
50. Which one of the following represents the expanded basic accounting equation?
- $\text{Assets} = \text{Liabilities} + \text{Common Stock} + \text{Retained Earnings} + \text{Dividends} - \text{Revenue} - \text{Expenses}.$
 - $\text{Assets} + \text{Dividends} + \text{Expenses} = \text{Liabilities} + \text{Common Stock} + \text{Retained Earnings} + \text{Revenues}.$
 - $\text{Assets} - \text{Liabilities} - \text{Dividends} = \text{Common Stock} + \text{Retained Earnings} + \text{Revenues} - \text{Expenses}.$
 - $\text{Assets} = \text{Revenues} + \text{Expenses} - \text{Liabilities}.$
51. Which of the following correctly identifies normal balances of accounts?
- | | | |
|----------------------|--------|--------|
| Assets | Debit | |
| Liabilities | Credit | |
| Stockholders' Equity | | Credit |
| Revenues | Debit | |
| Expenses | Credit | |
 - | | | |
|----------------------|--------|--------|
| Assets | Debit | |
| Liabilities | Credit | |
| Stockholders' Equity | | Credit |
| Revenues | Credit | |
| Expenses | Credit | |
 - | | | |
|----------------------|--------|-------|
| Assets | Credit | |
| Liabilities | Debit | |
| Stockholders' Equity | | Debit |
| Revenues | Credit | |
| Expenses | Debit | |
 - | | | |
|----------------------|--------|--------|
| Assets | Debit | |
| Liabilities | Credit | |
| Stockholders' Equity | | Credit |
| Revenues | Credit | |
| Expenses | Debit | |

-
52. The best interpretation of the word credit is the
- offset side of an account.
 - increase side of an account.
 - right side of an account.
 - decrease side of an account.
53. In recording an accounting transaction in a double-entry system
- the number of debit accounts must equal the number of credit accounts.
 - there must always be entries made on both sides of the accounting equation.
 - the amount of the debits must equal the amount of the credits.
 - there must only be two accounts affected by any transaction.
54. An accounting convention is best described as
- an absolute truth.
 - an accounting custom.
 - an optional rule.
 - something that cannot be changed.
55. A debit is *not* the normal balance for which account listed below?
- Dividends
 - Cash
 - Accounts Receivable
 - Service Revenue
56. An accountant has debited an asset account for \$1,000 and credited a liability account for \$500. What can be done to complete the recording of the transaction?
- Nothing further must be done.
 - Debit an stockholders' equity account for \$500.
 - Debit another asset account for \$500.
 - Credit a different asset account for \$500.
57. An accountant has debited an asset account for \$1,000 and credited a liability account for \$500. Which of the following would be an *incorrect* way to complete the recording of the transaction?
- Credit an asset account for \$500.
 - Credit another liability account for \$500.
 - Credit an stockholders' equity account for \$500.
 - Debit an stockholders' equity account for \$500.
58. Which of the following is *not* true of the terms debit and credit?
- They can be abbreviated as Dr. and Cr.
 - They can be interpreted to mean increase and decrease.
 - They can be used to describe the balance of an account.
 - They can be interpreted to mean left and right.
59. An account will have a credit balance if the
- credits exceed the debits.
 - first transaction entered was a credit.
 - debits exceed the credits.
 - last transaction entered was a credit.

60. For the basic accounting equation to stay in balance, each transaction recorded must
- affect two or less accounts.
 - affect two or more accounts.
 - always affect exactly two accounts.
 - affect the same number of asset and liability accounts.
61. Which of the following statements is true?
- Debits increase assets and increase liabilities.
 - Credits decrease assets and decrease liabilities.
 - Credits decrease assets and increase liabilities.
 - Debits decrease liabilities and decrease assets.
62. Assets normally show
- credit balances.
 - debit balances.
 - debit and credit balances.
 - debit or credit balances.
63. An awareness of the normal balances of accounts would help you spot which of the following as an error in recording?
- A debit balance in the dividends account
 - A credit balance in an expense account
 - A credit balance in a liabilities account
 - A credit balance in a revenue account
64. If a company has overdrawn its bank balance, then
- its cash account will show a debit balance.
 - its cash account will show a credit balance.
 - the cash account debits will exceed the cash account credits.
 - it cannot be detected by observing the balance of the cash account.
65. Which account below is *not* a subdivision of Stockholders' equity?
- Dividends
 - Revenues
 - Expenses
 - Liabilities
66. When a company pays dividends
- it doesn't have to be cash, it could be another asset.
 - the dividends account will be increased with a credit.
 - the retained earnings account will be directly increased with a debit.
 - the dividends account will be decreased with a debit.
67. The dividends account
- appears on the income statement along with the expenses of the business.
 - must show transactions every accounting period.
 - is increased with debits and decreased with credits.
 - is not a proper subdivision of stockholders' equity.

68. Which of the following statements is *not* true?
- Expenses increase stockholders' equity.
 - Expenses have normal debit balances.
 - Expenses decrease stockholders' equity.
 - Expenses are a negative factor in the computation of net income.
69. A credit to a liability account
- indicates an increase in the amount owed to creditors.
 - indicates a decrease in the amount owed to creditors.
 - is an error.
 - must be accompanied by a debit to an asset account.
70. In the first month of operations, the total of the debit entries to the cash account amounted to \$900 and the total of the credit entries to the cash account amounted to \$500. The cash account has a(n)
- \$500 credit balance.
 - \$800 debit balance.
 - \$400 debit balance.
 - \$400 credit balance.
71. Dawson's Delivery Service purchased equipment for \$2,500. The Company paid \$500 in cash and signed a note for the balance. Dawson debited the Equipment account, credited Cash and
- nothing further must be done.
 - debited the Dawson, Common stock account for \$2,000.
 - credited another asset account for \$500.
 - credited a liability account for \$2,000.
72. Grayton Industries purchased supplies for \$1,000. The Company paid \$500 in cash and agreed to pay the balance in 30 days. The journal entry to record this transaction would include a debit to an asset account for \$1,000, a credit to a liability account for \$500. Which of the following would be the correct way to complete the recording of the transaction?
- Credit an asset account for \$500.
 - Credit another liability account for \$500.
 - Credit the Retained Earnings account for \$500.
 - Debit the Retained Earnings account for \$500.
73. On January 14, Franco Industries purchased supplies of \$500 on account. The entry to record the purchase will include
- a debit to Supplies and a credit to Accounts Payable.
 - a debit to Supplies Expense and a credit to Accounts Receivable.
 - a debit to Supplies and a credit to Cash.
 - a debit to Accounts Receivable and a credit to Supplies.
74. On June 1, 2008, Delbert Inc. reported a cash balance of \$12,000. During June, Delbert made deposits of \$3,000 and made disbursements totalling \$16,000. What is the cash balance at the end of June?
- \$1,000 debit balance
 - \$15,000 debit balance
 - \$1,000 credit balance
 - \$4,000 credit balance

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75. At January 1, 2008, Burton Industries reported stockholders' equity of \$130,000. During 2008, The Company had a net loss of \$30,000 and paid dividends of \$20,000. At December 31, 2008, the amount of stockholders' equity is
- \$130,000.
 - \$140,000.
 - \$100,000.
 - \$80,000.
76. Able Company pays its employees twice a month, on the 7th and the 21st. On June 21, Able Company paid employee salaries of \$4,000. This transaction would
- increase Stockholders' equity by \$4,000.
 - decrease the balance in Salaries Expense by \$4,000.
 - decrease net income for the month by \$4,000.
 - be recorded by a \$4,000 debit to Salaries Payable and a \$4,000 credit to Salaries Expense.
77. In the first month of operations for Pocket Industries, the total of the debit entries to the cash account amounted to \$8,000 (\$4,000 investment by the owner and revenues of \$4,000). The total of the credit entries to the cash account amounted to \$5,000 (purchase of equipment \$2,000 and payment of expenses \$3,000). At the end of the month, the cash account has a(n)
- \$2,000 credit balance.
 - \$2,000 debit balance.
 - \$3,000 debit balance.
 - \$3,000 credit balance.
78. Denton Company showed the following balances at the end of its first year:
- | | |
|---------------------|----------|
| Cash | \$ 7,000 |
| Prepaid insurance | 700 |
| Accounts receivable | 3,500 |
| Accounts payable | 2,800 |
| Notes payable | 4,200 |
| Retained Earnings | 1,000 |
| Dividends | 700 |
| Common Stock | 400 |
| Revenues | 21,000 |
| Expenses | 17,500 |
- What did Denton Company show as total credits on its trial balance?
- \$30,100
 - \$29,400
 - \$28,700
 - \$30,800

79. Cerner Company showed the following balances at the end of its first year:

Cash	\$ 5,000
Prepaid insurance	500
Accounts receivable	2,500
Accounts payable	2,000
Notes payable	3,000
Retained Earnings	600
Dividends	500
Common Stock	400
Revenues	15,000
Expenses	12,500

What did Cerner Company show as total credits on its trial balance?

- a. \$21,500
b. \$21,000
c. \$20,500
d. \$22,000
80. During February 2008, its first month of operations, the Rutwing Enterprises issued stock in exchange for cash of \$25,000. Rutwing had cash revenues of \$4,000 and paid expenses of \$7,000. Assuming no other transactions impacted the cash account, what is the balance in Cash at February 28?
- a. \$3,000 credit
b. \$22,000 debit
c. \$29,000 debit
d. \$18,000 credit
81. At January 31, 2008, the balance in Prieto Inc.'s supplies account was \$250. During February, Prieto purchased supplies of \$300 and used supplies of \$400. At the end of February, the balance in the supplies account should be
- a. \$250 debit.
b. \$350 credit.
c. \$950 debit.
d. \$150 debit.
82. At December 1, 2008, Marco Company's accounts receivable balance was \$1,200. During December, Marco had credit revenues of \$5,000 and collected accounts receivable of \$4,000. At December 31, 2008, the accounts receivable balance is
- a. \$1,200 debit.
b. \$2,200 debit.
c. \$6,200 debit.
d. \$2,200 credit.
83. At October 1, 2008, Deet Industries had an accounts payable balance of \$30,000. During the month, the company made purchases on account of \$25,000 and made payments on account of \$40,000. At October 31, 2008, the accounts payable balance is
- a. \$30,000.
b. \$10,000.
c. \$15,000.
d. \$40,000.

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84. During 2008, its first year of operations, Jane's Bakery had revenues of \$60,000 and expenses of \$33,000. The business paid dividends of \$18,000. What is the total of retained earnings at December 31, 2008?
- \$0
 - \$18,000 debit
 - \$9,000 credit
 - \$27,000 credit
85. On July 7, 2008, Reethink Enterprises performed cash services of \$1,400. The entry to record this transaction would include
- a debit to Service Revenue of \$1,400.
 - a credit to Accounts Receivable of \$1,400.
 - a debit to Cash of \$1,400.
 - a credit to Accounts Payable of \$1,400.
86. At September 1, 2008, Foli Co. reported retained earnings of \$136,000. During the month, Foli generated revenues of \$20,000, incurred expenses of \$12,000, purchased equipment for \$5,000 and paid dividends of \$2,000. What is the amount of retained earnings at September 30, 2008?
- \$136,000
 - \$8,000
 - \$137,000
 - \$142,000
87. The final step in the recording process is to
- analyze each transaction.
 - enter the transaction in a journal.
 - prepare a trial balance.
 - transfer journal information to ledger accounts.
88. The usual sequence of steps in the transaction recording process is:
- journal → analyze → ledger.
 - analyze → journal → ledger.
 - journal → ledger → analyze.
 - ledger → journal → analyze.
89. In recording business transactions, evidence that an accounting transaction has taken place is obtained from
- business documents.
 - the Internal Revenue Service.
 - the public relations department.
 - the SEC.
90. After a business transaction has been analyzed and entered in the book of original entry, the next step in the recording process is to transfer the information to
- the company's bank.
 - stockholders' equity.
 - ledger accounts.
 - financial statements.

91. The first step in the recording process is to
- prepare financial statements.
 - analyze each transaction for its effect on the accounts.
 - post to a journal.
 - prepare a trial balance.
92. Evidence that would **not** help with determining the effects of a transaction on the accounts would be a(n)
- cash register sales tape.
 - bill.
 - advertising brochure.
 - check.
93. After transaction information has been recorded in the journal, it is transferred to the
- trial balance.
 - income statement.
 - book of original entry.
 - ledger.
94. The usual sequence of steps in the recording process is to analyze each transaction, enter the transaction in the
- journal, and transfer the information to the ledger accounts.
 - ledger, and transfer the information to the journal.
 - book of accounts, and transfer the information to the journal.
 - book of original entry, and transfer the information to the journal.
95. The final step in the recording process is to transfer the journal information to the
- trial balance.
 - financial statements.
 - ledger.
 - file cabinets.
96. The recording process occurs
- once a year.
 - once a month.
 - repeatedly during the accounting period.
 - infrequently in a manual accounting system.
97. A compound journal entry involves
- two accounts.
 - three accounts.
 - three or more accounts.
 - four or more accounts.
98. A journal provides
- the balances for each account.
 - information about a transaction in several different places.
 - a list of all accounts used in the business.
 - a chronological record of transactions.

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99. When three or more accounts are required in one journal entry, the entry is referred to as a
- compound entry.
 - triple entry.
 - multiple entry.
 - simple entry.
100. When two accounts are required in one journal entry, the entry is referred to as a
- balanced entry.
 - simple entry.
 - posting.
 - nominal entry.
101. Another name for journal is
- listing.
 - book of original entry.
 - book of accounts.
 - book of source documents.
102. The standard format of a journal would **not** include
- a reference column.
 - an account title column.
 - a T-account.
 - a date column.
103. Transactions in a journal are initially recorded in
- account number order.
 - dollar amount order.
 - alphabetical order.
 - chronological order.
104. A journal is **not** useful for
- disclosing in one place the complete effect of a transaction.
 - preparing financial statements.
 - providing a record of transactions.
 - locating and preventing errors.
105. A complete journal entry does *not* show
- the date of the transaction.
 - the new balance in the accounts affected by the transaction.
 - a brief explanation of the transaction.
 - the accounts and amounts to be debited and credited.
106. The name given to entering transaction data in the journal is
- chronicling.
 - listing.
 - posting.
 - journalizing.

107. The standard form of a journal entry has the
- debit account entered first and indented.
 - credit account entered first and indented.
 - debit account entered first at the extreme left margin.
 - credit account entered first at the extreme left margin.
108. When journalizing, the reference column is
- left blank.
 - used to reference the source document.
 - used to reference the journal page.
 - used to reference the financial statements.
109. On June 1, 2008 Leno Inc. buys a copier machine for her business and finances this purchase with cash and a note. When journalizing this transaction, the company's accountant will
- use two journal entries.
 - make a compound entry.
 - make a simple entry.
 - list the credit entries first, which is proper form for this type of transaction.
110. Which of the following journal entries is recorded correctly and in the standard format?
- | | | |
|---------------------------|-----|-------|
| Wages Expense | 600 | |
| Cash | | 1,500 |
| Advertising Expense | 900 | |
 - | | | |
|---------------------------|-------|--|
| Wages Expense | 600 | |
| Advertising Expense | 900 | |
| Cash | 1,500 | |
 - | | | |
|---------------------------|-------|--|
| Cash | 1,500 | |
| Wages Expense | 600 | |
| Advertising Expense | 900 | |
 - | | | |
|---------------------------|-------|--|
| Wages Expense | 600 | |
| Advertising Expense | 900 | |
| Cash | 1,500 | |
111. The ledger should be arranged in
- alphabetical order.
 - chronological order.
 - dollar amount order.
 - financial statement order.
112. The entire group of accounts maintained by a company is called the
- balance sheet.
 - general journal.
 - general ledger.
 - trial balance.

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113. An accounting record of the balances of all assets, liabilities, and stockholders' equity accounts is called a
- a. compound entry.
 - b. general journal.
 - c. general ledger.
 - d. chart of accounts.
114. The usual ordering of accounts in the general ledger is
- a. assets, liabilities, common stock, retained earnings, dividends, revenues, and expenses.
 - b. assets, liabilities, dividendss, common stock, retained earnings, expenses, and revenues.
 - c. liabilities, assets, common stock, retained earnings, revenues, expenses, and dividendss.
 - d. common stock, retained earnings assets, liabilities, dividends, expenses, and revenues.
115. Management could determine the amounts due from customers by examining which ledger account?
- a. Service Revenue
 - b. Accounts Payable
 - c. Accounts Receivable
 - d. Supplies
116. The ledger accounts should be arranged in
- a. chronological order.
 - b. alphabetical order.
 - c. financial statement order.
 - d. order of appearance in the journal.
117. A three column form of account is so named because it has columns for
- a. debit, credit, and account name.
 - b. debit, credit, and reference.
 - c. debit, credit, and balance.
 - d. debit, credit, and date.
118. On August 13, 2008, Dudbury Enterprises purchased office equipment for \$1,000 and office supplies of \$200 on account. Which of the following journal entries is recorded correctly and in the standard format?
- a. Office Equipment 1,000
 Account Payable..... 1,200
 Office Supplies200
 - b. Office Equipment 1,000
 Office Supplies 200
 Accounts Payable 1,200
 - c. Accounts Payable 1,200
 Office Equipment 1,000
 Office Supplies..... 200
 - d. Office Equipment 1,000
 Office Supplies200
 Accounts Payable 1,200

-
119. Tritan Company received a cash advance of \$500 from a customer. As a result of this event,
- assets increased by \$500.
 - stockholders' equity increased by \$500.
 - liabilities decreased by \$500.
 - both a and b.
120. Anderson Company purchased equipment for \$1,800 cash. As a result of this event,
- stockholders' equity decreased by \$1,800.
 - total assets increased by \$1,800.
 - total assets remained unchanged.
 - Both a and b.
121. Franklin Company provided consulting services and billed the client \$2,500. As a result of this event,
- assets remained unchanged.
 - assets increased by \$2,500.
 - stockholders' equity increased by \$2,500.
 - Both b and c.
122. The first step in posting involves
- entering in the appropriate ledger account the date, journal page, and debit amount shown in the journal.
 - writing in the journal the account number to which the debit amount was posted.
 - writing in the journal the account number to which the credit amount was posted.
 - entering in the appropriate ledger account the date, journal page, and credit amount shown in the journal.
123. A chart of accounts usually starts with
- asset accounts.
 - expense accounts.
 - liability accounts.
 - revenue accounts.
124. The procedure of transferring journal entries to the ledger accounts is called
- journalizing.
 - analyzing.
 - reporting.
 - posting.
125. A number in the reference column in a general journal indicates
- that the entry has been posted to a particular account.
 - the page number of the journal.
 - the dollar amount of the transaction.
 - the date of the transaction.
126. A chart of accounts for a business firm
- is a graph.
 - indicates the amount of profit or loss for the period.
 - lists the accounts and account numbers that identify their location in the ledger.
 - shows the balance of each account in the general ledger.

127. Posting
- should be performed in account number order.
 - accumulates the effects of journalized transactions in the individual accounts.
 - involves transferring all debits and credits on a journal page to the trial balance.
 - is accomplished by examining ledger accounts and seeing which ones need updating.
128. After journal entries are posted, the reference column
- of the general journal will be blank.
 - of the general ledger will show journal page numbers.
 - of the general journal will show "Dr" or "Cr".
 - of the general ledger will show account numbers.
129. The explanation column of the general ledger
- is completed without exception.
 - is nonexistent.
 - is used infrequently.
 - shows account titles.
130. A numbering system for a chart of accounts
- is prescribed by GAAP.
 - is uniform for all businesses.
 - usually starts with income statement accounts.
 - usually starts with balance sheet accounts.
131. The first step in designing a computerized accounting system is the creation of the
- general ledger.
 - general journal.
 - trial balance.
 - chart of accounts.
132. The steps in preparing a trial balance include all of the following *except*
- listing the account titles and their balances.
 - totaling the debit and credit columns.
 - proving the equality of the two columns.
 - transferring journal amounts to ledger accounts.
133. A trial balance may balance even when each of the following occurs *except* when
- a transaction is not journalized.
 - a journal entry is posted twice.
 - incorrect accounts are used in journalizing.
 - a transposition error is made.
134. A list of accounts and their balances at a given time is called a(n)
- journal.
 - posting.
 - trial balance.
 - income statement.

135. If the sum of the debit column equals the sum of the credit column in a trial balance, it indicates
- no errors have been made.
 - no errors can be discovered.
 - that all accounts reflect correct balances.
 - the mathematical equality of the accounting equation.
136. A trial balance is a listing of
- transactions in a journal.
 - the chart of accounts.
 - general ledger accounts and balances.
 - the totals from the journal pages.
137. Customarily, a trial balance is prepared
- at the end of each day.
 - after each journal entry is posted.
 - at the end of an accounting period.
 - only at the inception of the business.
138. A trial balance would only help in detecting which one of the following errors?
- A transaction that is not journalized
 - A journal entry that is posted twice
 - Offsetting errors are made in recording the transaction
 - A transposition error when transferring the debit side of journal entry to the ledger

Additional Multiple Choice Questions

139. An account is an individual accounting record of increases and decreases in specific
- liabilities.
 - assets.
 - expenses.
 - assets, liabilities, and stockholders' equity items.
140. A debit is *not* the normal balance for which of the following?
- Asset account
 - Dividends account
 - Expense account
 - Common stock account
141. Which of the following rules is *incorrect*?
- Credits decrease the dividends account.
 - Debits increase the common stock account.
 - Credits increase revenue accounts.
 - Debits decrease liability accounts.
142. Which of the following statements is **false**?
- Revenues increase stockholders' equity.
 - Revenues have normal credit balances.
 - Revenues are a positive factor in the computation of net income.
 - Revenues are increased by debits.

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143. Which of the following is the correct sequence of steps in the recording process?
- Posting, journalizing, analyzing
 - Journalizing, analyzing, posting
 - Analyzing, posting, journalizing
 - Analyzing, journalizing, posting
144. Which of the following is **false** about a journal?
- It discloses in one place the complete effects of a transaction.
 - It provides a chronological record of transactions.
 - It helps to prevent or locate errors because debit and credit amounts for each entry can be readily compared.
 - It keeps in one place all the information about changes in specific account balances.
145. Meenen Company purchases equipment for \$1,200 and supplies for \$400 from Sanders Co. for \$1,600 cash. The entry for this transaction will include a
- debit to Equipment \$1,200 and a debit to Supplies Expense \$400 for Sanders.
 - credit to Cash for Sanders.
 - credit to Accounts Payable for Meenen.
 - debit to Equipment \$1,200 and a debit to Supplies \$400 for Meenen.
146. Wiser Inc. paid dividends of \$300 cash . The entry for this transaction will include a debit of \$300 to
- Dividends.
 - Retained Earnings.
 - Sales Salary Expense.
 - Salaries Expense.
147. On October 3, Carter Company, received a cash payment for services previously billed to a client. The Company paid his telephone bill, and bought equipment on credit. For the three transactions, at least one of the entries will include a
- credit to Retained Earnings.
 - credit to Notes Payable.
 - debit to Accounts Receivable.
 - credit to Accounts Payable.
148. Posting of journal entries should be done in
- account number order.
 - alphabetical order.
 - chronological order.
 - dollar amount order.
149. The chart of accounts is a
- list of accounts and their balances at a given time.
 - device used to prove the mathematical accuracy of the ledger.
 - listing of the accounts and the account numbers which identify their location in the ledger.
 - required step in the recording process.

150. Which of the following is **incorrect** regarding a trial balance?
- It proves that the debits equal the credits after posting.
 - It proves that the company has recorded all transactions.
 - A trial balance uncovers errors in journalizing and posting.
 - A trial balance is useful in the preparation of financial statements.
151. A trial balance will **not** balance if
- a journal entry is posted twice.
 - a wrong amount is used in journalizing.
 - incorrect account titles are used in journalizing.
 - a journal entry is only partially posted.

Answers to Multiple Choice Questions

Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.
38.	c	55.	d	72.	a	89.	a	106.	d	123.	a	140.	d
39.	c	56.	d	73.	a	90.	c	107.	c	124.	d	141.	b
40.	b	57.	d	74.	c	91.	b	108.	a	125.	a	142.	d
41.	b	58.	b	75.	d	92.	c	109.	b	126.	c	143.	d
42.	d	59.	a	76.	c	93.	d	110.	d	127.	b	144.	d
43.	c	60.	b	77.	c	94.	a	111.	d	128.	b	145.	d
44.	a	61.	c	78.	b	95.	c	112.	c	129.	c	146.	a
45.	b	62.	b	79.	b	96.	c	113.	c	130.	d	147.	d
46.	d	63.	b	80.	b	97.	c	114.	a	131.	d	148.	c
47.	c	64.	b	81.	d	98.	d	115.	c	132.	d	149.	c
48.	a	65.	d	82.	b	99.	a	116.	c	133.	d	150.	b
49.	d	66.	a	83.	c	100.	b	117.	c	134.	c	151.	d
50.	b	67.	c	84.	c	101.	b	118.	d	135.	d		
51.	d	68.	a	85.	c	102.	c	119.	a	136.	c		
52.	c	69.	a	86.	d	103.	d	120.	c	137.	c		
53.	c	70.	c	87.	d	104.	b	121.	d	138.	d		
54.	b	71.	d	88.	b	105.	b	122.	a	139.	d		