

Test Bank for Financial Accounting First Canadian Edition Canadian 1st Edition by Waybright ISBN 0132889714 9780132889711

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Chapter 2 Analyzing and Recording Business Transactions

Define accounts and understand how they are used in accounting

1) A listing of all accounts in numerical order is called a chart of accounts.

Answer: TRUE

Diff: 1 Type: TF

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-2 Describe the components of and prepare the four basic financial statements

2) Account titles such as marketing expense and depreciation expense would be numbered starting with a 3.

Answer: FALSE

Diff: 1 Type: TF

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-2 Describe the components of and prepare the four basic financial statements

3) An account numbered 321 would be considered a shareholders' equity account as it begins with a 3.

Answer: TRUE

Diff: 1 Type: TF

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-2 Describe the components of and prepare the four basic financial statements

4) Items of value that a company owns are called shareholders' equity.

Answer: FALSE

Diff: 1 Type: TF

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

5) The shareholders' equity section would include the accounts such as retained earnings and revenues.

Answer: TRUE

Diff: 1 Type: TF

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-2 Describe the components of and prepare the four basic financial statements

6) Which is part of shareholders' equity?

- A) Cash
- B) Notes Payable
- C) Dividends
- D) Assets
- E) Liabilities

Answer: C

Diff: 1 Type: MC

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

7) Dividends are paid with cash to shareholders. Dividends are in what category of the chart of accounts?

- A) Revenue
- B) Assets
- C) Shareholders' Equity
- D) Liabilities
- E) Revenue

Answer: C

Diff: 2 Type: MC

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

8) Dividends, revenues, and expenses all:

- A) start with the same chart of accounts number.
- B) start with different chart of accounts numbers.
- C) appear in the chart of accounts under assets.
- D) appear in the chart of accounts under liabilities.
- E) do not appear in the chart of accounts.

Answer: B

Diff: 1 Type: MC

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

9) Which of the following would start with a 1 in the chart of accounts?

- A) Land and buildings
- B) Depreciation expense and marketing expense
- C) Merchandise sales and rent revenue
- D) Common shares and cash
- E) Accounts Payable and Notes Payable

Answer: A

Diff: 1 Type: MC

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

10) Which of the following would start with a 2 in the chart of accounts?

- A) Income taxes to be paid and wages to be paid
- B) Common shares and preferred shares
- C) Cash and accounts receivable
- D) Sales and fees revenue
- E) Marketing expense and rent expense

Answer: A

Diff: 1 Type: MC

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

11) A chart of accounts includes:

- A) balances of accounts.
- B) names of customers
- C) assets and liabilities.
- D) accounts with unusual balances.
- E) account activity.
- F) vendor account balances.

Answer: C

Diff: 1 Type: MC

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-2 Describe the components of and prepare the four basic financial statements

12) Which of the following is an expense account?

- A) Prepaid insurance
- B) Advertising
- C) Accounts payable
- D) Cash
- E) Notes payable

Answer: B

Diff: 1 Type: MC

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

13) Which of the following is a revenue account?

- A) Professional fees
- B) Accounts Payable
- C) Accounts Receivable
- D) Wages
- E) Cash

Answer: A

Diff: 1 Type: MC

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

14) Marketing expenditures account 511 would belong to what category of accounts?

Answer: Expenses

Diff: 1 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

15) Monies owed to a company on a written promise to pay a fixed amount of money by a certain date would be called a_____.

Answer: note payable

Diff: 2 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

16) Accounts starting with the number 4 would typically represent_____.

Answer: revenues

Diff: 1 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

17) An account starting with a number 1 would indicate_____.

Answer: an asset

Diff: 1 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

18) Accounts that start with the numbers 6-9 would probably be_____.

Answer: other revenues and expenses

Diff: 1 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

19) The order in which accounts appear in the chart of accounts is:_____.

Answer: assets, liabilities, shareholders' equity, revenues, expenses

Diff: 1 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

20) Items such as wages and interest that have been incurred, but not yet paid, are called_____.

Answer: accrued liabilities

Diff: 1 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

21) Obligations that are owed to others due to past transactions are categorized as_____.

Answer: liabilities

Diff: 1 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

22) All payables are listed as_____.

Answer: liabilities

Diff: 1 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

23) A type of company asset in which a customer owes the company money would be a _____.

Answer: receivable

Diff: 1 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

24) Land, cash, office equipment, and accounts receivable belong to what category of accounts?

Answer: Assets

Diff: 1 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

25) A promissory note owed to another company would most likely appear in which categories?

Answer: Notes payable

Diff: 1 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

26) List the order in which each of the following accounts would appear in a chart of accounts.

Utilities expenses, Tax return revenue, Accounts receivable, Income taxes payable

Answer: Accounts receivable, Income tax payable, Tax return revenue, Utilities expenses

Diff: 2 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Application

Blooms: Application

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

27) Expenses paid in advance such as rent and insurance are classified as prepaid expenses. Into what category are they placed?

Answer: Assets

Diff: 2 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Application

Blooms: Application

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

28) Payment of a telephone bill represents a(n)_____.

Answer: expense

Diff: 2 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Application

Blooms: Application

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

29) Obligations owed by a company to banks, for instance, are called_____.

Answer: notes payable

Diff: 2 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Application

Blooms: Application

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

30) Net income and dividends are part of_____.

Answer: shareholders' equity

Diff: 1 Type: SA

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

31) Review the transactions below and determine whether you would use a debit or a credit to record the following changes. Indicate your decision by entering "Debit" or "Credit" in the right-hand column.

1. An increase in Wage Expense.	
2. A decrease in Notes Payable.	
3. An increase in Prepaid Insurance.	
4. An increase in Common Shares.	
5. A decrease in Office Supplies.	
6. An increase in Dividends.	
7. An increase in Revenue.	
8. A decrease in Notes Receivable.	
9. An increase in Advertising Expense.	
10. A decrease in Cash.	

Answer:

1. An increase in Wage Expense.	Debit
2. A decrease in Notes Payable.	Debit
3. An increase in Prepaid Insurance.	Debit
4. An increase in Common Shares.	Credit
5. A decrease in Office Supplies.	Credit
6. An increase in Dividends.	Debit
7. An increase in Revenue.	Credit
8. A decrease in Notes Receivable.	Credit
9. An increase in Advertising Expense.	Debit
10. A decrease in Cash.	Credit

Diff: 3 Type: ES

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Critical Thinking

Blooms: Analysis

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

32) For the following general ledger accounts, identify the normal balance of the account.

Example: Accounts Payable Credit

Accounts Receivable

Building

Cash

Common Shares

Dividends

Equipment

Inventory

Land

Notes Payable

Office Equipment

Office Supplies

Rental Expense

Service Revenue

Travel Expense

Utilities Expense

Wages Expense

Answer:

Accounts Payable	Credit
Accounts Receivable	Debit
Building	Debit
Cash	Debit
Common Shares	Credit
Dividends	Debit
Equipment	Debit
Inventory	Debit
Land	Debit
Notes Payable	Credit
Office Equipment	Debit
Office Supplies	Debit
Rental Expense	Debit
Service Revenue	Credit
Travel Expense	Debit
Utilities Expense	Debit
Wages Expense	Debit

Diff: 2 Type: ES

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Concept

Blooms: Comprehension

CFALO: A-2 Describe the components of and prepare the four basic financial statements

33) For the accounts listed below, identify the type of account. Is it an (A) Asset, (L) Liability, (S) Shareholders equity, (R) Revenue, or (E) Expense.

Accounts Payable

Accounts Receivable

Building

Cash

Common Shares

Dividends

Equipment

Inventory

Land

Notes Payable

Office Equipment

Office Supplies

Rental Expense

Service Revenue

Travel Expense

Utilities Expense

Wages Expense

Answer:

Accounts Payable	L
Accounts Receivable	A
Building	A
Cash	A
Common Shares	S
Dividends	S
Equipment	A
Inventory	A
Land	A
Notes Payable	L
Office Equipment	A
Office Supplies	A
Rental Expense	E
Service Revenue	R
Travel Expense	E
Utilities Expense	E
Wages Expense	E

Diff: 2 Type: ES

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Concept

Blooms: Comprehension

CFALO: A-2 Describe the components of and prepare the four basic financial statements

34) For the accounts listed below, determine the normal balance of the account is it a debit or credit.

	Normal Balance
<u>Accounts</u>	Debit or Credit
1. Revenue	
2. Cash	
3. Accounts Receivable	
4. Accounts Payable	
5. Retained Earnings	
6. Prepaid Insurance	
7. Insurance Expense	
8. Wages Expense	
9. Office Building	
10. Notes Receivable	
11. Sales	
12. Common Shares	

Answer:

	Normal Balance
<u>Accounts</u>	Debit or Credit
1. Revenue	Credit
2. Cash	Debit
3. Accounts Receivable	Debit
4. Accounts Payable	Credit
5. Retained Earnings	Credit
6. Prepaid Insurance	Debit
7. Insurance Expense	Debit
8. Wages Expense	Debit
9. Office Building	Debit
10. Notes Receivable	Debit
11. Sales	Credit
12. Common Shares	Credit

Diff: 3 Type: ES

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Critical Thinking

Blooms: Analysis

CFALO: A-2 Describe the components of and prepare the four basic financial statements

Explain debits, credits, and the double entry system of accounting

1) Double-entry accounting requires that every business transaction impacts at least two different accounts.

Answer: TRUE

Diff: 1 Type: TF

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

2) The debit (left) side of an account always indicates an increase in the value of the account.

Answer: FALSE

Diff: 1 Type: TF

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

3) A T-account is a way to visualize the increases and decreases to the value of an account.

Answer: TRUE

Diff: 1 Type: TF

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

4) Accounts that decrease on the credit side are liabilities, common shares, revenues, and retained earnings.

Answer: FALSE

Diff: 1 Type: TF

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

5) The credit (right) side of an account shows an increase or decrease depending upon the type of account.

Answer: TRUE

Diff: 1 Type: TF

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

6) Accounts that increase on the credit side are assets, dividends, and expenses.

Answer: FALSE

Diff: 1 Type: TF

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

7) Normal balance refers to the positive increase of an account and identifies the side of the account (Debit or Credit) to which this positive balance is recorded.

Answer: TRUE

Diff: 1 Type: TF

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

8) Which of the following is an unofficial tool of accounting?

A) Account

B) T-account

C) Debit

D) Credit

E) Accountant

Answer: B

Diff: 1 Type: MC

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

9) Accounts payable, taxes payable, and notes payable increase on the debit side and decrease on the credit side.

Answer: FALSE

Diff: 2 Type: TF

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

10) The T-account aids in separating:

A) increases and decreases in an account.

B) the equality of the credits.

C) the equality of debits and credits in the accounting equation.

D) the balances of all of the accounts.

E) errors and omissions.

Answer: A

Diff: 1 Type: MC

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

11) Credit means:

- A) decrease.
- B) increase.
- C) the right side of an account.
- D) the left side of an account.
- E) the total of the T-account.

Answer: C

Diff: 1 Type: MC

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

12) An example of accounts with normal debit balances would be:

- A) liabilities.
- B) expenses.
- C) revenues.
- D) shareholders' equity.
- E) retained earnings

Answer: B

Diff: 1 Type: MC

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

13) An example of accounts with normal credit balances would be:

- A) revenues.
- B) assets.
- C) expenses.
- D) dividends.
- E) accounts receivable.

Answer: A

Diff: 1 Type: MC

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

14) The difference between the total debits and total credits of an account is called a:

- A) trial balance.
- B) sub-total.
- C) ruling.
- D) balance.
- E) normal balance.

Answer: D

Diff: 1 Type: MC

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

15) The fact that each transaction has a dual effect on the accounting equation provides the basis for what is called:

- A) single-entry accounting.
- B) double-entry accounting.
- C) compound-entry accounting.
- D) multiple-entry accounting.
- E) re-allocation of accounting.

Answer: B

Diff: 1 Type: MC

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

16) Debit means:

- A) decrease.
- B) increase.
- C) the right side of an account.
- D) the left side of an account.
- E) the total of the T-account.

Answer: D

Diff: 1 Type: MC

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

17) A T-account has a \$759 debit balance. This account is most likely:

- A) accounts payable.
- B) sales revenue.
- C) accounts receivable.
- D) common share.
- E) notes payable.

Answer: C

Diff: 2 Type: MC

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Application

Blooms: Application

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

18) A T-account has a \$509 credit balance. This account is most likely:

- A) common shares.
- B) land.
- C) advertising expense.
- D) dividends.
- E) cash.

Answer: A

Diff: 2 Type: MC

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Application

Blooms: Application

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

19) A T-account has a \$382 debit balance. This account is most likely:

- A) income taxes payable.
- B) common shares.
- C) cash.
- D) magazine sales.
- E) sales revenue.

Answer: C

Diff: 2 Type: MC

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Application

Blooms: Application

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

20) A T-account has a \$299 debit balance. This account is most likely:

- A) accounts receivable.
- B) bicycle repairs revenue.
- C) wages payable.
- D) common shares.
- E) service fees.

Answer: A

Diff: 2 Type: MC

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Application

Blooms: Application

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

21) A T-account has a \$922 credit balance. This account is most likely:

- A) office equipment.
- B) rent expense.
- C) dividends.
- D) sales revenue.
- E) cash.

Answer: D

Diff: 2 Type: MC

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Application

Blooms: Application

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

22) An investment of cash in a business increases which account?

Answer: Increases cash

Diff: 2 Type: ES

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Application

Blooms: Application

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

23) Name the three major parts of a T-account.

Answer:

1. A title
2. A debit side
3. A credit side

Account Title (Name)	
Debit	Credit

Diff: 2 Type: ES

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Concept

Blooms: Comprehension

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

24) What is the normal account balance for revenue, accounts receivable, and common shares?

Answer: credit, debit, and credit, respectively.

Diff: 1 Type: ES

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

25) Office furniture, wages payable, and dividends have normal balances of _____, _____, and _____, respectively.

Answer: debit, credit, and debit

Diff: 1 Type: SA

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

26) The retained earnings accounts of dividends, revenues, and expenses have normal balances of _____, _____, and _____, respectively.

Answer: debit, credit, and debit

Diff: 1 Type: SA

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

27) The total amount of debits must equal the total amount of credits. This is a rule of _____.

Answer: double-entry accounting.

Diff: 1 Type: SA

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

28) Cash, common shares, and advertising expense have normal balances of _____, _____, and _____, respectively.

Answer: debit, credit, and debit

Diff: 2 Type: SA

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Concept

Blooms: Comprehension

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

29) Dividends, accounts receivable, and buildings have normal balances of _____, _____, and _____, respectively.

Answer: debit, debit, and debit

Diff: 2 Type: SA

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Concept

Blooms: Comprehension

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

30) The sunglasses Hut pays wages in the amount of \$13,579. Provide the transaction details.

Answer: Debits Wages Expense 13,579

Credit Cash \$13,579

Diff: 2 Type: SA

LO: 2-2 Explain debits, credits and the double entry system of accounting

Skills: Concept

Blooms: Comprehension

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

31) Freddy's Fir Tree Company is a new business. The following accounts are required in the general ledger.

Accounts Payable	Accounts Receivable
Cash	Prepaid Rent
Equipment	Rent Expense
Sales /Revenue	Salary Expense
Insurance Expense	Salaries Payable
Retained Earnings	Supplies
Prepaid Insurance	Supplies Expense

Organize the accounts into the order in which they should appear in the general ledger of Freddy's Fir Tree Company and assign account numbers.

Use the following system to assign account numbers.

1000–1999 Assets

2000–2999 Liabilities

3000–3999 Shareholder's equity account

4000–4999 Revenues

5000–5999 Expenses

Answer: There are several possible correct account numbers. The first digit needs to align with the assigned account numbers. The order of the accounts is important.

1001- Cash

1012- Accounts Receivable

1013- Supplies

1014- Prepaid Insurance

1015- Prepaid Rent

1060- Equipment

2010- Accounts Payable

2020- Salaries Payable

3010- Retained Earnings

4010- Sales Revenue

5010- Salary Expense

5020- Supplies Expense

5030- Rent Expense

5040- Insurance Expense

Diff: 3 Type: ES

LO: 2-1 Define accounts and understand how they are used in accounting

Skills: Application

Blooms: Application

CFALO: A-2 Describe the components of and prepare the four basic financial statements

Demonstrate the use of the general journal and the general ledger to record business transactions

1) The general journal was developed to organize transactions by account.

Answer: FALSE

Diff: 1 Type: TF

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

2) The posting reference column of the general ledger shows the sources of the transferred information.

Answer: TRUE

Diff: 1 Type: TF

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

3) The general journal is used to record only the revenue transactions of a business.

Answer: FALSE

Diff: 1 Type: TF

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

4) The act of recording a transaction is called "journalizing".

Answer: TRUE

Diff: 1 Type: TF

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

5) Journalizing is the transfer of information from the general journal to the general ledger.

Answer: FALSE

Diff: 1 Type: TF

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

6) The posting reference column of the general journal will include the number of the account to which the information is being posted.

Answer: TRUE

Diff: 1 Type: TF

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

7) Transactions are recorded in order of the dollar amount of the transaction.

Answer: FALSE

Diff: 1 Type: TF

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

8) Chronological order dictates the order in which transactions are journalized.

Answer: TRUE

Diff: 1 Type: TF

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

9) Once you post the transaction to the general ledger, you must go back to the general journal and fill in:

A) the date.

B) the amount debited or credited.

C) the posting reference column with the account number of the posting.

D) the account name that was involved in the transaction.

E) the dollar value.

Answer: C

Diff: 1 Type: MC

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Concept

Blooms: Comprehension

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

10) Instead of T-accounts, businesses more than likely use a:

- A) chart of accounts.
- B) balance sheet.
- C) general ledger.
- D) general journal.
- E) income statement.

Answer: C

Diff: 1 Type: MC

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Concept

Blooms: Comprehension

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

11) The posting reference column of the general journal provides a cross-reference between the:

- A) ledger and accounts.
- B) journal and ledger.
- C) ledger and financial statements.
- D) journal and financial statements.
- E) ledger and customers.

Answer: B

Diff: 2 Type: MC

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Concept

Blooms: Comprehension

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

12) Every entry in the general journal should include all of the following EXCEPT:

- A) the title of each account affected.
- B) the amounts of debits and credits.
- C) a brief description of the transaction.
- D) the balance of the accounts affected.
- E) debits and credits.

Answer: D

Diff: 2 Type: MC

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Concept

Blooms: Comprehension

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

13) The general ledger is arranged in the _____ order of the chart of accounts.

Answer: numerical

Diff: 1 Type: SA

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Recall

Blooms: Knowledge

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

- 14) The _____ indicates where the information originated and to where the information was transferred.
Answer: posting reference
Diff: 1 Type: SA
LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions
Skills: Recall
Blooms: Knowledge
CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework
- 15) The _____ keeps a running balance of an individual account.
Answer: general ledger
Diff: 1 Type: SA
LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions
Skills: Recall
Blooms: Knowledge
CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework
- 16) Jill invested \$25,000 in her business, Fashion, Unlimited. The journal entry would include a _____.
Answer: debit to cash for \$25,000 and a credit to common shares for \$25,000
Diff: 2 Type: ES
LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions
Skills: Application
Blooms: Application
CFALO: A-3 Analyze and record transactions and their effects on the financial statements
- 17) Office equipment was purchased for \$2,400 on account to Business Furniture Company. The journal entry would include a _____.
Answer: debit to office equipment \$2,400 and a credit to accounts payable \$2,400
Diff: 2 Type: ES
LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions
Skills: Application
Blooms: Application
CFALO: A-3 Analyze and record transactions and their effects on the financial statements
- 18) Salary expenses of \$675 were paid in cash. The journal entry would include a _____.
Answer: debit to salary expense \$675 and a credit to cash \$675
Diff: 2 Type: ES
LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions
Skills: Application
Blooms: Application
CFALO: A-3 Analyze and record transactions and their effects on the financial statements
- 19) ABC Corporation collected \$600 from one of its customers for payment on their account. The journal entry would include a _____.
Answer: debit to cash \$600 and a credit to accounts receivable \$600
Diff: 2 Type: ES
LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions
Skills: Application
Blooms: Application
CFALO: A-3 Analyze and record transactions and their effects on the financial statements

20) ABC Corporation purchases a building for \$35,000 cash. The journal entry would include a _____.
Answer: debit to building \$35,000 and a credit to cash \$35,000

Diff: 2 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Application

Blooms: Application

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

21) Toys, Inc. paid one of its creditors \$678 on their balance due. The journal entry would require a _____.

Answer: debit to accounts payable \$678 and credit to cash \$678

Diff: 2 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Application

Blooms: Application

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

22) Tonga Corporation purchased \$350 of office supplies on account and treated the supplies as a prepaid expense. The journal entry would require a _____.

Answer: debit to office supplies \$350 and a credit to accounts payable \$350

Diff: 2 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Application

Blooms: Application

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

23) Casey Corporation purchased a \$600 two-year insurance policy for cash. The journal entry would require a _____.

Answer: debit to prepaid insurance \$600 and a credit to cash \$600

Diff: 2 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Application

Blooms: Application

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

24) Brandon Company sold season tickets for \$700 on account. The journal entry would be to _____.

Answer: debit accounts receivable \$700 and credit season ticket sales revenue \$700

Diff: 2 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Application

Blooms: Application

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

25) One of the customers of Amanda Company paid \$223 on her bill. The journal entry that Amanda Company would record is _____.

Answer: debit cash \$223 and credit accounts receivable \$223

Diff: 2 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Application

Blooms: Application

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

26) The account "Cash" had the following changes: increase of \$250, decrease of \$75, increase of \$113, and a decrease of \$35. The final balance is a _____.

Answer: debit balance of \$253.

Calculation:

$$+\$250 - \$75 + \$113 - \$35 = \$253$$

Diff: 2 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Application

Blooms: Application

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

27) Given the following general ledger template, identify the parts of the ledger.

Account Cash		Account Number 111				
A	B	C	D	E	F	G

Answer: A-date; B- item; C-posting reference; D-debit amount of transaction; E-credit amount of transaction; F-debit balance of the account; G-credit balance of the account

Diff: 2 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Application

Blooms: Application

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

28) The account "Notes Payable" had the following changes: increase of \$500, increase of \$200, decrease of \$550, and an increase of \$250. The final balance is a _____.

Answer: credit balance of \$400.

Calculation:

$$\text{Credit } \$500 + \text{Credit } \$200 - \text{Debit } \$550 + \text{Credit } \$250 = \text{Credit } \$400$$

Diff: 3 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Critical Thinking

Blooms: Analysis

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

29) Journalize the following transactions. You may leave out the explanations and disregard the posting reference.

- A. Paul invested \$33,000 into his company, Paul's Sports, on January 9.
- B. The company purchased \$6,300 of furniture on account on February 14.
- C. The company paid three month's rent of \$4,500 and recorded it as a prepaid expense on February 22.
- D. The company bought \$5,300 of office desks and \$9,000 of computer equipment for \$14,300 cash on March 9.
- E. The company incurred \$1400 of wages to be paid next week. This entry is to be dated March 19.

Answer:

DATE	ACCOUNT/DESCRIPTION	PR	DEBIT	CREDIT
1/9	Cash		33,000	
	Common Shares			33,000
2/14	Furniture		6,300	
	Accounts Payable			6,300
2/22	Prepaid Rent		4,500	
	Cash			4,500
3/9	Office Desks		5,300	
	Computer Equipment		9,000	
	Cash			14,300
3/19	Wages Expense		1,400	
	Wages Payable			1,400

Diff: 3 Type: ES

LO: 1-4, 2-3

Skills: Critical Thinking

Blooms: Analysis

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

30) Using the accounts below, determine the accounts to be debited and credited for each of the transactions below.

Accounts

Cash
Dividends
Supplies
Revenue
Machinery
Salaries Payable
Accounts Payable
Salaries Expense
Retained Earnings
Accounts Receivable
Wages Expense

Transactions

1. Paid wages for cash.
2. Purchased equipment for cash.
3. Earned revenue on account.
4. Purchased supplies on account.
5. Paid for supplies purchased in 4.
6. Received payment from customer in 3.
7. Paid employee salaries.
8. Purchased machinery on credit.
9. Paid dividends to shareholders.

Answer:

<u>Debit</u>	<u>Credit</u>
1. Wages Expense	Cash
2. Equipment	Cash
3. Accounts Receivable	Revenue
4. Supplies	Accounts Payable
5. Accounts Payable	Cash
6. Cash	Accounts Receivable
7. Salaries Expense	Cash
8. Machinery	Accounts Payable
9. Dividends	Cash

Diff: 3 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Concept

Blooms: Comprehension

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

31) Prepare general journal entries for the following business transactions

Identify each transaction by date. Explanations and posting reference are not required.

- Dec
1. Received \$35,000 cash for issuing common shares.
 2. Purchased machinery for \$50,000, paying \$15,000 in cash and giving a note payable for the remainder.
 10. Paid \$3,000 for a one-year insurance policy.
 11. Billed customers for \$21,500 of services provided on account.
 15. Paid monthly rent of \$2,500.
 16. Performed \$17,000 of services and immediately received \$7,000 cash.
 22. Hired an administrative assistant. Weekly wages are \$750 per week.
 25. Collected \$8,000 from customers on account.
 31. Paid the administrative assistant the first week's salary.

Answer:

Dec. 1	Cash		35,000	
		Common Shares		35,000
	2	Machinery	50,000	
		Cash		15,000
		Note Payable		35,000
	10	Prepaid Insurance	3,000	
		Cash		3,000
	11	Accounts Receivable	21,500	
		Service Revenue		21,500
	15	Rent Expense	2,500	
		Cash		2,500
	16	Cash	7,000	
		Accounts Receivable	10,000	
		Service Revenue		17,000
	22	No entry required for administrative assistant hire		
	25	Cash	8,000	
		Accounts Receivable		8,000
	30	Wage Expense	750	
		Cash		750

Diff: 3 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Application

Blooms: Analysis

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

32) Given the following accounts, identify which account(s), by letter, would be debited or credited for the following transactions.

- A. Cash
- B. Accounts Receivable
- C. Supplies
- D. Computer Equipment
- E. Accounts Payable
- F. Fees Revenue
- G. Marketing Expense
- H. Salaries Expense
- I. Internet Expense
- J. Office Equipment
- K. Common Shares
- L. Rent Expense

1. Purchased supplies on account.
2. Purchased computer equipment for cash.
3. Earned revenue from doing tax returns on account.
4. Paid this month's rent.
5. Paid a bill due on account.
6. Collected payment from a customer.
7. Invested additional cash into the business.
8. Paid the marketing bill.
9. Earned revenue from doing tax returns for cash.
10. Paid salaries in cash.
11. Purchased office equipment on account.

Answer:

1. Debit C; Credit E
2. Debit D; Credit A
3. Debit B; Credit F
4. Debit L; Credit A
5. Debit E; Credit A
6. Debit A; Credit B
7. Debit A; Credit K
8. Debit G; Credit A
9. Debit A; Credit F
10. Debit H; Credit A
11. Debit J; Credit E

Diff: 3 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Critical Thinking

Blooms: Analysis

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

33) Journalize the following transactions. You may omit the explanations and disregard the posting reference.

- A. Rick invested \$21,500 into his company, Rick's Fishing, on January 11.
- B. The company purchased \$2,900 of furniture for cash on February 3.
- C. The company paid three month's rent of \$2250 and recorded it as a prepaid expense on February 9.
- D. The company bought \$2,300 of office fixtures and \$6,200 of stock bins for \$7,000 cash and the balance on account dated March 9.
- E. The company receives payment of \$575 of from a customer on her bill. This transaction was on March 12.

Answer:

DATE	ACCOUNT/DESCRIPTION	PR	DEBIT	CREDIT
1/11	Cash		21,500	
	Common Shares			21,500
2/3	Furniture		2,900	
	Cash			2,900
2/9	Prepaid Rent		2,250	
	Cash			2,250
3/9	Office Fixtures		2,300	
	Stock Bins		6,200	
	Cash			7,000
	Accounts Payable			1,500
3/12	Cash		575	
	Accounts Receivable			575

Diff: 3 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Critical Thinking

Blooms: Analysis

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

34) Journalize the following business transactions in general journal form. Identify each transaction by date. Explanations are not required.

- Dec 2. Purchased \$400 of photography supplies on credit.
 3. Purchased photography equipment for \$6,000, paying \$2,500 in cash and signing a 30-day, \$3,500 note payable.
 4. Sales billed to clients amounted to \$4,000.
 5. Paid \$700 in cash for the current months rent.
 6. Paid \$200 cash on account for supplies purchased on December 2.
 7. Received a bill for \$500 for advertising for the current month.
 8. Paid \$2,200 cash for photographer's assistant salary.
 9. Received a cheque for \$3,000 from a client in payment on account for December 4th billing.

Answer:

DATE	ACCOUNT/DESCRIPTION	PR	DEBIT	CREDIT
Dec. 2	Photography Supplies		400	
	Accounts Payable			400
Dec. 3	Photography Equipment		6,000	
	Cash			2,500
	Notes Payable			3,500
Dec. 4	Accounts Receivable		4,000	
	Sales/ Revenue			4,000
Dec. 5	Rent Expense		700	
	Cash			700
Dec. 6	Accounts Payable		200	
	Cash			200
Dec. 7	Advertising Expense		500	
	Accounts Payable			500
Dec. 8	Salaries Expense		2,200	
	Cash			2,200
Dec. 9	Cash		3,000	
	Accounts Receivable			3,000

Diff: 3 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Critical Thinking

Blooms: Analysis

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

35) Post the general journal below to the appropriate T-accounts. You need not fill in the PR column below.

DATE	ACCOUNT/DESCRIPTION	PR	DEBIT	CREDIT
1/11	Cash		21,500	
	Common shares			21,500
2/3	Furniture		2,900	
	Cash			2,900
2/9	Prepaid Rent		2,250	
	Cash			2,250
3/9	Office Fixtures		2,300	
	Stock Bins		6,200	
	Cash			7,000
	Accounts Payable			1,500
3/12	Cash		575	
	Accounts Receivable			575

Cash 101		Accounts Receivable 104		Prepaid Rent 107		Computers 109	

Stock Bins 110		Carpeting 114		Office Desks 119		Furniture 123	

Office Fixtures 144		Accounts Payable 204		Wages Payable 222		Common Shares 301	

Wages Expense 511		Rent Expense 512		Wages Exp. 511			

Answer:

Cash 101		Accounts Receivable 104		Prepaid Rent 107		Computers 109	
21,500	2,900						
575	2,250						
	7,000		575	2,250			

Stock Bins 110		Carpeting 114		Office Desks 119		Furniture 123	
6,200						2,900	

Office Fixtures 144		Accounts Payable 204		Wages Payable 222		Common Shares 301	
2,300			1,500				21,500

Wages Expense 511		Rent Expense 512		Wages Exp. 511			

Diff: 3 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Critical Thinking

Blooms: Analysis

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

36) Post the following general journal to the T-accounts provided below.

DATE	ACCOUNT/DESCRIPTION	PR	DEBIT	CREDIT
1/23	Cash		25,000	
	Common shares			25,000
2/7	Computers		7,500	
	Account payable			7,500
2/19	Rent expense		900	
	Cash			900
3/9	Furniture		2,550	
	Carpeting		1,000	
	Cash			3,550
3/12	Wages expense		1,200	
	Wages payable			1,200

Cash 101	Accounts Receivable 104	Prepaid Rent 107	Computers 109

Stock Bins 110	Carpeting 114	Office Desks 119	Furniture 123

Office Fixtures 144	Accounts Payable 204	Wages Payable 222	Common Shares 301

Wages Expense 511	Rent Expense 512		

Answer:

Cash 101		Accounts Receivable 104		Prepaid Rent 107		Computers 109	
25,000	900 3,550					7,500	

Stock Bins 110		Carpeting 114		Office Desks 119		Furniture 123	
		1,000				2,550	

Office Fixtures 144		Accounts Payable 204		Wages Payable 222		Common Shares 301	
			7,500		1,200		25,000

Rent Expense 512		Wages Expense 511					
900		1200					

Diff: 3 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Critical Thinking

Blooms: Analysis

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

37) Post the following transactions to T-accounts.

DATE	ACCOUNT/DESCRIPTION	PR	DEBIT	CREDIT
1/9	Cash		33,000	
	Common Shares			33,000
2/14	Furniture		6,300	
	Accounts Payable			6,300
2/22	Prepaid Rent		4,500	
	Cash			4,500
3/9	Office Desks		5,300	
	Computers		9,000	
	Cash			14,300
3/19	Wages Expense		1,400	
	Wages Payable			1,400

Cash 101	Accounts Receivable 104	Prepaid Rent 107	Computers 109

Inventory 110	Carpeting 114	Office Desks 119	Furniture 123

Office Fixtures 144	Accounts Payable 204	Wages Payable 222	Common Shares 301

Wages Expense 511	Rent Expense 512		

Answer:

Cash 101		Accounts Receivable 104		Prepaid Rent 107		Computers 109	
33,000	4,500 14,300			4,500		9,000	

Inventory 110		Carpeting 114		Office Desks 119		Furniture 123	
				5,300		6,300	

Office Fixtures 144		Accounts Payable 204		Wages Payable 222		Common Shares 301	
			6,300		1,400		33,000

Wages Expense 511		Rent Expense 512					
1,400							

Diff: 3 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Critical Thinking

Blooms: Analysis

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

38) Fire Alarm Services completed the following transactions in the month of March.

- Mar. 1. Purchased fire monitoring equipment for \$18,000 for cash.
 2. Purchased response vehicle costing \$25,000 for \$4,500 cash and the remainder on account.
 3. Purchased supplies on account for \$800.
 14. Paid \$3,000 for a one-year insurance policy.
 15. Received \$2,000 cash for services performed.
 16. Received \$4,000 for services previously performed on account.
 20. Paid wages to employees for \$2,500.
 28. Paid \$500 in dividends to shareholders.

Requirements

Journalize each transaction and identify each transaction by date. Explanations not required.

Answer:

Mar. 1	Equipment		18,000	
		Cash		18,000
2	Equipment		25,000	
		Cash		4,500
		Accounts Payable		20,500
3	Supplies		800	
		Accounts Payable		800
14	Prepaid Insurance		3,000	
		Cash		3,000
15	Cash		2,000	
		Service Revenue		2,000
16	Cash		4,000	
		Accounts Receivable		4,000
20	Wages Expense		2,500	
		Cash		2,500
28	Dividends		500	
		Cash		500

Diff: 2 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Application

Blooms: Application

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

Use a trial balance to prepare financial statements

1) A trial balance is a list of the accounts and their balances taken from the general journal.

Answer: FALSE

Diff: 1 Type: TF

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Recall

Blooms: Knowledge

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

2) A trial balance contains the name of the company, the words "trial balance," and the date of the statement.

Answer: TRUE

Diff: 1 Type: TF

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Recall

Blooms: Knowledge

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

3) The required accounting period for a trial balance is one year.

Answer: FALSE

Diff: 1 Type: TF

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Recall

Blooms: Knowledge

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

4) Once the trial balance is correct, the next step is to prepare the financial statements, beginning with the income statement.

Answer: TRUE

Diff: 1 Type: TF

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Recall

Blooms: Knowledge

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

5) If debits equal credits on the trial balance, it means that the trial balance is correct.

Answer: FALSE

Diff: 1 Type: TF

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Recall

Blooms: Knowledge

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

6) An entry could have been posted twice and the trial balance might still balance.

Answer: TRUE

Diff: 1 Type: TF

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Recall

Blooms: Knowledge

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

7) A trial balance will determine if:

- A) an entry was recorded twice.
- B) an entry was posted twice.
- C) debits equal credits.
- D) the right accounts were debited or credited.
- E) all entries are correct.

Answer: C

Diff: 1 Type: MC

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Concept

Blooms: Comprehension

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

8) The trial balance:

- A) lists only the accounts which are used to prepare the balance sheet.
- B) shows only credit balances.
- C) shows only debit balances.
- D) shows the current date.
- E) lists only the accounts which are used to prepare the income statement.

Answer: D

Diff: 2 Type: MC

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Concept

Blooms: Comprehension

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

9) The columns on a trial balance represent_____.

Answer: debits and credits.

Diff: 1 Type: ES

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Recall

Blooms: Knowledge

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

10) A cash payment was made to pay for delivery expenses, but was mistakenly charged to advertising expenses. What effect will this have on the balance of the trial balance?

Answer: The trial balance will still balance. The account balances will be incorrect.

Diff: 2 Type: ES

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Application

Blooms: Application

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

11) On the trial balance, which should have their balances listed in the debit column?

Answer: Assets, dividends, and expenses.

Diff: 2 Type: ES

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Concept

Blooms: Comprehension

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

12) On the trial balance, which should have their balances listed in the credit column?

Answer: Liabilities, retained earnings, and revenues.

Diff: 2 Type: ES

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Concept

Blooms: Comprehension

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

13) Only the _____ and _____ accounts from the trial balance will be used to prepare the income statement.

Answer: revenue; expense

Diff: 2 Type: SA

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Concept

Blooms: Comprehension

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

14) Which would be best at proving the accounts balance?

Answer: Trial balance

Diff: 2 Type: SA

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Concept

Blooms: Comprehension

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

15) Emily Ma started an Energy Saving Service in June 2013. The account balances on June 30, 2013 are provided below. All accounts have normal balances. One hundred (100) common shares were issued in June 2013.

Office Supplies	300
Utilities Expense	1,000
Equipment Rental Expense	1,500
Office Equipment	2,000
Automobile Expense	4,000
Travel Expense	4,000
Accounts Receivable	4,500
Wages Expense	5,000
Accounts Payable	6,100
Common Shares	10,000
Cash	12,000
Notes Payable	24,000
Building	25,000
Energy Assessment Equipment	25,000
Dividends	30,000
Service Revenue	74,200

Requirements

Prepare a trial balance using the correct financial presentation.

Answer: Emily's Energy Saving Service
 Trial Balance
 June 30, 2013

	Debit	Credit
Cash	\$12,000	
Accounts Receivable	4,500	
Office Supplies	300	
Office Equipment	2,000	
Energy Assessment Equipment	25,000	
Building	25,000	
Accounts Payable		\$6,100
Notes Payable		24,000
Common Shares		10,000
Dividends	30,000	
Service Revenue		74,200
Equipment Rental Expense	1,500	
Travel Expense	4,000	
Utilities Expense	1,000	
Wages Expense	5,000	
Automobile Expense	4,000	
Totals	<u>\$114,300</u>	<u>\$114,300</u>

Diff: 3 Type: ES

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Application

Blooms: Application

CFALO: A-2 Describe the components of and prepare the four basic financial statements

16) Prepare a trial balance from the following information for Learn a New Language, Inc. for December 31, 2013.

Accounts Payable	\$5,012
Common Shares	\$9,692
Cash	\$3,928
Notes Payable	\$1,439
Wages Expense	\$777
Marketing Expense	\$493
Equipment	\$8,345
Accounts Receivable	\$1,142
Inventory	\$8,074
Sales	\$6,616

Answer: Learn a New Language Inc.
 Trial Balance
 December 31, 2013

Cash	\$3,928	
Accounts Receivable	1,142	
Inventory	8,074	
Equipment	8,345	
Accounts Payable		\$5,012
Notes Payable		1,439
Common Shares		9,692
Sales		6,616
Marketing Expense	493	
Wages Expense	<u>777</u>	
TOTALS	<u>\$22,759</u>	<u>\$22,759</u>

Diff: 3 Type: ES

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Application

Blooms: Application

CFALO: A-2 Describe the components of and prepare the four basic financial statements

17) Prepare a trial balance from the following information for Computer Systems, Inc. for December 31, 2012.

Accounts Payable	\$4,298
Common Shares	\$4,073
Sales	\$8,302
Cash	\$1,902
Notes Payable	\$888
Wages Expense	\$777
Supplies Expense	\$1,028
Equipment	\$5,183
Accounts Receivable	\$1,733
Inventory	\$6,938

Answer: Computer Systems, Inc.
 Trial Balance
 December 31, 2012

Cash	\$1,902	
Accounts Receivable	1,733	
Inventory	6,938	
Equipment	5,183	
Accounts Payable		\$4,298
Notes Payable		888
Common Shares		4,073
Sales		8,302
Supplies Expense	1,028	
Wages Expense	777	
TOTALS	<u>\$17,561</u>	<u>\$17,561</u>

Diff: 3 Type: ES

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Application

Blooms: Application

CFALO: A-2 Describe the components of and prepare the four basic financial statements

18) Prepare a trial balance from the following information for Alpha Systems, Inc. for December 31, 2012.

Accounts Payable	\$3,245
Common Shares	\$5,521
Sales	\$8,348
Cash	\$2,602
Notes Payable	\$1,465
Travel Expense	\$2,006
Rent Expense	\$1,305
Computers	\$4,064
Accounts Receivable	\$1,284
Inventory	\$7,318

Answer: Alpha Systems, Inc.
 Trial Balance
 December 31, 2012

Cash	\$2,602	
Accounts Receivable	1,284	
Computers	4,064	
Inventory	7,318	
Accounts Payable		\$3,245
Notes Payable		1,465
Common Shares		5,521
Sales		8,348
Rent Expense	1,305	
Travel Expense	2,006	
TOTALS	\$18,579	\$18,579

Diff: 3 Type: ES

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Application

Blooms: Application

CFALO: A-2 Describe the components of and prepare the four basic financial statements

19) Emily Ma started an Energy Saving Service in June 2013. The account balances on June 30, 2013 are provided below. All accounts have normal balances. One hundred (100) common shares were issued in June 2013.

Office Supplies	300
Utilities Expense	1,000
Equipment Rental Expense	1,500
Office Equipment	2,000
Automobile Expense	4,000
Travel Expense	4,000
Accounts Receivable	4,500
Wages Expense	5,000
Accounts Payable	6,100
Common Shares	10,000
Cash	12,000
Notes Payable	24,000
Building	25,000
Energy Assessment Equipment	25,000
Dividends	30,000
Service Revenue	74,200

Requirements

Prepare Emily's statement of financial position for June 30, 2013.

Answer: Emily's Energy Saving Service
Statement of Financial Position
As of June 30, 2013

<u>ASSETS</u>	
Cash	\$12,000
Accounts Receivable	4,500
Office Supplies	300
Office Equipment	2,000
Energy Assessment Equipment	25,000
Building	<u>25,000</u>
Total Assets	<u>\$68,800</u>
<u>LIABILITIES</u>	
Accounts Payable	\$6,100
Notes Payable	<u>24,000</u>
Total Liabilities	<u>30,100</u>
<u>SHAREHOLDERS' EQUITY</u>	
Common Shares	10,000
Retained Earnings	<u>28,700</u>
Total Shareholders' Equity	<u>38,700</u>
Total Liabilities and Shareholders' Equity	<u>\$68,800</u>

Diff: 3 Type: ES

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Application

Blooms: Application

CFALO: A-2 Describe the components of and prepare the four basic financial statements

20) Emily Ma started Energy Saving Service in June 2013. The account balances on June 30, 2013 are provided below. All accounts have normal balances. One hundred (100) common shares were issued in June 2013.

Office Supplies	300
Utilities Expense	1,000
Equipment Rental Expense	1,500
Office Equipment	2,000
Automobile Expense	4,000
Travel Expense	4,000
Accounts Receivable	4,500
Wages Expense	5,000
Accounts Payable	6,100
Common Shares	10,000
Cash	12,000
Notes Payable	24,000
Building	25,000
Energy Assessment Equipment	25,000
Dividends	30,000
Service Revenue	74,200

Requirements

Prepare Emily's statement of changes in equity for June 30, 2013.

Answer:

Emily's Energy Saving Service
Statement of Changes in Equity
Month Ended June 30, 2013

	Number of Common Shares	\$Common Shares	Retained Earnings	Total
Balance June 1, 2013		\$0	\$0	\$0
Issued Common Shares	100	10,000	--	10,000
Net Income			58,700	58,700
Dividends			(30,000)	(30,000)
Balance June 30, 2013	<u>100</u>	<u>\$10,000</u>	<u>\$28,700</u>	<u>\$38,700</u>

Diff: 3 Type: ES

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Application

Blooms: Application

CFALO: A-2 Describe the components of and prepare the four basic financial statements

21) Phillip started his physiotherapy business in March 2013. Phillip's physiotherapy clinic for March 31, 2013 is provided below. All accounts have normal balances. Phillip issued sixty-three (63) common shares in March.

Accounts Payable	\$6,100
Accounts Receivable	1,100
Building	51,000
Cash	2,400
Common Shares	63,000
Dividends	10,500
Exercise Equipment	18,900
Notes Payable	24,100
Office Equipment	2,000
Office Supplies	300
Rent Expense	1,500
Physiotherapy Revenue	32,500
Utilities Expense	1,000
Wages Expense	5,000
Weight Equipment	22,000

Requirements

Part A Prepare a trial balance using the correct financial presentation. Remember to include the correct headings.

Part B Prepare an income statement for March 2013.

Part C Prepare a statement of changes in equity for March 2013.

Part D Prepare a statement of financial position for March 2013.

Answer:

Part A

Phillip's Physiotherapy Clinic's
Trial Balance
March 31, 2013

	Debit	Credit
Cash	\$12,400	
Accounts Receivable	1,100	
Office Supplies	300	
Office Equipment	2,000	
Exercise Equipment	18,900	
Weight Equipment	22,000	
Building	51,000	
Accounts Payable		\$6,100
Notes Payable		24,100
Common Shares		63,000
Dividends	10,500	
Physiotherapy Revenue		32,500
Rent Expense	1,500	
Utilities Expense	1,000	
Wages Expense	5,000	
Totals	<u>\$125,700</u>	<u>\$125,700</u>

Part B

Phillip's Physiotherapy Clinic's
Income Statement
Month Ended March 31, 2013

Revenue			
	Physiotherapy Revenue		\$32,500
Expenses			
	Rent Expense	\$1,500	
	Utilities Expense	1,000	
	Wages Expense	5,000	
Total Expenses			<u>7,500</u>
Net Income			<u>\$25,000</u>

Part C

Phillip's Physiotherapy Clinic's
Statement of Changes in Equity
Month Ended March 31, 2013

	Number of Common Shares	\$Common Shares	Retained Earnings	Total
Balance March 1 st , 2013		\$0	\$0	\$0
Issued Common Shares	63	\$63,000	--	63,000
Net Income			\$25,000	25,000
Dividends			(10,500)	(10,500)
Balance March 31 st , 201	<u>63</u>	<u>\$63,000</u>	<u>\$14,500</u>	<u>\$77,500</u>

Part D

Phillip's Physiotherapy Clinic's
Statement of Financial Position
As of March 31, 2013

<u>ASSETS</u>	
Cash	\$12,400
Accounts Receivable	1,100
Office Supplies	300
Office Equipment	2,000
Exercise Equipment	18,900
Weight Equipment	22,000
Building	<u>51,000</u>
Total Assets	<u>\$107,700</u>
<u>LIABILITIES</u>	
Accounts Payable	\$6,100
Notes Payable	<u>24,100</u>
Total Liabilities	<u>30,200</u>
<u>SHAREHOLDERS' EQUITY</u>	
Common Shares	63,000
Retained Earnings	<u>14,500</u>
Total Shareholders' Equity	<u>77,500</u>
Total Liabilities and Shareholders' Equity	<u>\$107,700</u>

Diff: 3 Type: ES

LO: 2-3 & 2-4

Skills: Application

Blooms: Application

CFALO: A-2 Describe the components of and prepare the four basic financial statements

22) Emily Ma started an Energy Saving Service in June 2013. The account balances on June 30, 2013 are provided below. All accounts have normal balances. One hundred (100) common shares were issued in June 2013.

Office Supplies	300
Utilities Expense	1,000
Equipment Rental Expense	1,500
Office Equipment	2,000
Automobile Expense	4,000
Travel Expense	4,000
Accounts Receivable	4,500
Wages Expense	5,000
Accounts Payable	6,100
Common Shares	10,000
Cash	12,000
Notes Payable	24,000
Building	25,000
Energy Assessment Equipment	25,000
Dividends	30,000
Service Revenue	74,200

Requirements

Prepare Emily's income statement.

Answer: Emily's Energy Saving Service
 Income Statement
 Month Ended June 30, 2013

Revenue			
	Service Revenue		\$74,200
Expenses			
	Equipment Rental Expense	\$1,500	
	Travel Expense	4,000	
	Utilities Expense	1,000	
	Wages Expense	5,000	
	Automobile Expense	4,000	
Total Expenses			<u>15,500</u>
Net Income			<u>\$58,700</u>

Diff: 3 Type: ES

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Application

Blooms: Application

CFALO: A-2 Describe the components of and prepare the four basic financial statements

23) Magic Music DJ Service is a DJ Service in Ottawa providing music for weddings and private parties. The account balances at December 31, 2013 are below.

Accounts Payable	\$18,800
Accounts Receivable	26,000
Automobiles	28,500
Cash	18,500
Computer Hardware	29,000
Common Shares	64,700
Dividends	40,000
DJ Equipment	35,400
Fees Earned	105,000
Music Supplies	800
Music Library	4,200
Notes Payable	50,000
Notes Receivable	19,100
Rent Expense	11,000
Salaries Expense	26,000

Requirements

Prepare a trial balance in proper accounting format.

Answer: MAGIC MOMENTS D.J. SERVICES

Trial Balance
December 31, 2013

	<u>Debit</u>	<u>Credit</u>
Cash	\$18,500	
Accounts Receivable	26,000	
Notes Receivable	19,100	
Music Supplies	800	
Computer Hardware	29,000	
Office Furniture	35,400	
Music Library	4,200	
Automobiles	28,500	
Accounts Payable		\$18,800
Notes Payable		50,000
Common Shares		64,700
Dividends	40,000	
Fees Earned		105,000
Rent Expense	11,000	
Salaries Expense	26,000	
Totals	<u>\$238,500</u>	<u>\$238,500</u>

Diff: 2 Type: ES

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Application

Blooms: Application

CFALO: A-2 Describe the components of and prepare the four basic financial statements

24) The general ledger accounts for Corey's Candle Company for the month of January 2013 are shown below. All accounts have normal balances.

Accounts Payable	\$6,100
Accounts Receivable	1,050
Building	51,400
Retained Earnings	63,100
Cash	22,500
Wax Melting Equipment	18,900
Candle Moulding Equipment	23,000
Notes Payable	49,000
Office Supplies	350
Office Equipment	1,000

Requirements

Prepare a trial balance with the general ledger accounts in the proper financial statement order.

Answer: Corey's Candle Company
Trial Balance
January 31, 2013

	<u>Debit</u>	<u>Credit</u>
Cash	\$22,500	
Accounts Receivable	1,050	
Office Supplies	350	
Office Equipment	1,000	
Wax Melting Equipment	18,900	
Candle Moulding Equipment	23,000	
Building	51,400	
Accounts Payable		\$6,100
Notes Payable		49,000
Retained Earnings		3,100
Totals	<u>\$118,200</u>	<u>\$118,200</u>

Diff: 3 Type: ES

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Application

Blooms: Application

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

25) There are eight steps in the accounting cycle. List and describe the eight steps.

Answer:

1. Analyze and journalize transaction.
2. Post transaction to the general ledger.
3. Prepare an unadjusted trial balance.
4. Journalize and post the adjusting entries.
5. Prepare an adjusted trial balance.
6. Prepare the financial statements.
7. Journalize and post the closing entries.
8. Prepare a post-closing trial balance.

Diff: 2 Type: ES

LO: 2-3 Demonstrate the use of the general journal and the general ledger to record business transactions

Skills: Concept

Blooms: Comprehension

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

26) Taylor's trial balance contains the following balances:

Cash	\$367	Accounts payable	\$267	Revenue	\$632
Accounts receivable	\$429	Expenses	\$103		

What is the total for the trial balance?

Answer: \$899

	Debit	Credit
Cash	\$367	
Accounts Receivable	429	
Accounts Payable		\$267
Revenue		632
Expenses	103	
	<u>\$899</u>	<u>\$899</u>

Diff: 3 Type: ES

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Concept

Blooms: Comprehension

CFALO: A-1 Identify and apply accounting concepts and principles found in the Conceptual Framework

27) The Fireworks Company has the following T-accounts their transactions for July 2013 are included below.

Cash	Accounts Receivable
<div style="text-align: right; margin-bottom: 5px;">4,000</div> <div style="display: flex; justify-content: space-between;"> (1) 1,000 (2) 3,500 </div> <div style="display: flex; justify-content: space-between;"> (7) 22,500 (3) 1,950 </div> <div style="display: flex; justify-content: space-between;"> (4) 2,225 </div> <div style="display: flex; justify-content: space-between;"> (6) 8,000 </div>	<div style="text-align: right; margin-bottom: 5px;">500</div> <div style="display: flex; justify-content: space-between;"> (5) 27,500 (7) 22,500 </div>
Supplies	Equipment
<div style="display: flex; justify-content: space-between;"> (3) 1,950 </div>	<div style="display: flex; justify-content: space-between;"> (2) 13,500 </div>
Retained Earnings	Revenue
<div style="text-align: right; margin-top: 5px;">4,000</div>	<div style="display: flex; justify-content: space-between;"> (1) 1,000 </div> <div style="display: flex; justify-content: space-between;"> (5) 27,500 </div>
Accounts Payable	Salaries Expense
<div style="text-align: right; margin-bottom: 5px;">500</div> <div style="display: flex; justify-content: space-between;"> (6) 8,000 (2) 10,000 </div>	<div style="display: flex; justify-content: space-between;"> (4) 2,225 </div>

Requirements

- (a) For each transaction, journalize the transaction, including an explanation for the entry.
- (b) Determine the ending account balance for each account.
- (c) Prepare a trial balance as at July 2013.

Answer:

Part a

1. Cash 1,000
 Revenue 1,000
 Cash Sales for Fireworks sold during July 2013

2. Equipment 13,500
 Cash 3,500
 Accounts Payable 10,000
 Purchased firework equipment for cash and accounts payable.

3. Supplies 1,950
 Cash 1,950
 Purchased supplies for cash

4. Salaries Expense 2,225
 Cash 2,225
 Paid salaries to employees.

5. Accounts Receivable 27,500
 Revenue 27,500
 Issued invoices for firework displays conducted in July.

6. Accounts Payable 8,000
 Cash 8,000
 Made partial payment on accounts payable.

7. Cash 22,500
 Accounts Receivable 22,500
 Collections from customers.

Part b

Cash		Accounts Receivable	
Opening bal.	4,000	Opening bal.	500
(1)	1,000	(5)	27,500
(7)	22,500	(7)	22,500
(2)	3,500		
(3)	1,950		
(4)	2,225		
(6)	8,000		
			5,500
	11,825		

Supplies		Equipment	
(3)	1,950	(2)	13,500

Retained Earnings		Revenue	
Opening bal.	4,000	(1)	1,000
		(5)	27,500
			28,500

Accounts Payable		Salaries Expense	
Opening bal.	500	(4)	2,225
(6)	8,000		
(2)	10,000		
	2,500		

Part c

The Fireworks Company
 Trial Balance
 July 31, 2013

	Debit	Credit
Cash	\$11,825	
Accounts Receivable	5,500	
Supplies	1,950	
Equipment	13,500	
Accounts Payable		\$2,500
Retained Earnings		4,000
Revenue		28,500
Salaries Expenses	2,225	
Total	<u>\$35,000</u>	<u>\$35,000</u>

Diff: 3 Type: ES

LO: 2-4 Use a trial balance to prepare financial statements

Skills: Application

Blooms: Application

CFALO: A-3 Analyze and record transactions and their effects on the financial statements

Cumulative Questions

1) Complete the chart below.

For each of the general ledger accounts, identify:

- the type of account (Asset, Liability, Shareholders Equity, Revenue, or Expense)
- the effect of an increase (debit or credit)
- the normal account balance

Account	(a) Type of Account	(b) Debit or Credit	(c) Normal Balance
Cash			
Accounts Receivable			
Accounts Payable			
Notes Payable			
Notes Receivable			
Common Shares			
Sales			
Travel Expense			
Supplies			

Answer:

Account	Type of Account	Debit or Credit	Normal Balance
Cash	Asset	Debit	Debit
Accounts Receivable	Asset	Debit	Debit
Accounts Payable	Liability	Credit	Credit
Notes Payable	Liability	Credit	Credit
Notes Receivable	Asset	Debit	Debit
Common Shares	Shareholders' Equity	Credit	Credit
Sales	Revenue	Credit	Credit
Travel Expense	Expense	Debit	Debit
Supplies	Asset	Debit	Debit

Diff: 3 Type: ES

LO: 1-4, 2-1

Skills: Application

Blooms: Application

CFALO: A-2 Describe the components of and prepare the four basic financial statements

2) For each of the following general ledger accounts identify:

- (a) the type of account (Asset, Liability, Shareholders Equity, Revenue, Expense),
- (b) the debit and credit effects, and
- (c) the normal account balance.

Accounts

1. Notes Payable
2. Accounts Receivable
3. Common Shares
4. Dividends
5. Service Revenue
6. Advertising Expense
7. Mortgage Payable
8. Equipment
9. Accounts Payable
10. Supplies

Answer:

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> 1. a. Liability account. b. Debit decreases, credit increases. c. Normal balance - credit. | <ol style="list-style-type: none"> 6. a. Revenue account. b. Debit decreases, credit increases. c. Normal balance - credit. |
| <ol style="list-style-type: none"> 2. a. Asset account. b. Debit increases, credit decreases. c. Normal balance - debit. | <ol style="list-style-type: none"> 7. a. Expense account. b. Debit increases, credit decreases. c. Normal balance — debit. |
| <ol style="list-style-type: none"> 3. a. Shareholders' Equity b. Debit decreases, credit increases. c. Normal balance - credit. | <ol style="list-style-type: none"> 8. a. Liability account. b. Debit decreases, credit increases. c. Normal balance - credit. |
| <ol style="list-style-type: none"> 4. a. Shareholders' Equity b. Debit increases, credit decreases. c. Normal balance - debit. | <ol style="list-style-type: none"> 9. a. Asset account. b. Debit increases, credit decreases. c. Normal balance - debit. |
| <ol style="list-style-type: none"> 5. a. Liability account b. Debit decreases, credit increases. c. Normal balance - credit | <ol style="list-style-type: none"> 10. a. Asset account b. Debit increases, credit decrease c. Normal balance - debt |

Diff: 3 Type: ES

LO: 1-4, 2-1

Skills: Application

Blooms: Analysis

CFALO: A-2 Describe the components of and prepare the four basic financial statements

3) The June 2013 general journal for Have A Nap Hotel Company is provided below.

General Journal

Date	Account Titles and Explanation		Debit	Credit
June 1	Cash		25,000	
		Shares		25,000
	Issue Shares for Have A Nap Hotel's.			
4	Furniture and Fixtures			
		Cash		10,000
		Notes Payable		30,000
	Purchased furniture & fixtures paid cash and issued 2-year, 6% note payable			
8	Rent Expense		1,000	
		Cash		1,000
	Paid June rent.			
15	Prepaid Insurance		1,400	
		Cash		1,400
	Paid one-year liability insurance.			
18	Cash		2,500	
		Revenue		2,500
	Received cash for room rentals.			
20	Wages Expense		450	
		Cash		450
	Paid salaries for June.			
25	Utility Expense		150	
		Accounts Payable		150
	Received a bill for June utilities.			
30	Dividends		750	
		Cash		750
	Paid dividends to shareholders			

30	Accounts Receivable		1,000	
		Revenue		1,000
	Billed customer for party room rental.			

Requirements:

- a. Identify the accounting equation for each transaction in the chart provided below.

	Assets	Liabilities	Shareholders' Equity
<i>Example:</i> June 1	25,000		25,000
June 4			
June 8			
June 15			
June 18			
June 20			
June 25			
June 30			
June 30			

- b. Use T-accounts to post the journal entries to the accounts in the general ledger.
c. Prepare a trial balance for June 2013.

Answer:

Part a.

	Assets	Liabilities	Shareholders' Equity
<i>Example:</i> June 1	+25,000		+25,000
June 4	+40,000-10,000	+30,000	
June 8	-1,000		-1,000
June 15	+1,400-1,400		
June 18	+2,500		+2,500
June 20	-450		-450
June 25		+150	-150
June 30	-750		-750
June 30	+1,000		+1,000

Part b. T-accounts

Cash		Accounts Receivable	
6/1	25,000	6/4	10,000
6/18	2,500	6/8	1,000
		6/15	1,400
		6/20	450
		6/30	750
6/30 Bal.	13,900	6/30 Bal.	1,000

Prepaid Insurance		Furniture and Fixtures	
6/15	1,400	6/4	40,000
6/30 Bal.	1,400	6/30 Bal.	40,000

Accounts Payable		Notes Payable		
	6/25	150	6/4	30,000
	6/30 Bal.	150	6/30 Bal.	30,000

Common Shares		Dividends		
	6/1	25,000	6/30	750
	6/30 Bal.	25,000	6/30 Bal.	750

Room Revenue		Rent Expense		
	6/18	2,500	6/8	1,000
	6/30	1,000	6/30 Bal.	1,000
	6/30 Bal.	3,500		

Wages Expense		Utility Expense	
6/20	450	6/25	150
6/30 Bal.	450	6/30 Bal.	150

Part c Trial Balance

Have A Nap Hotel Service
Trial Balance
June 30, 2013

Accounts	Debit	Credit
Cash	\$13,900	
Accounts receivable	1,000	
Prepaid insurance	1,400	
Furniture and Fixtures	40,000	
Accounts payable		\$150
Notes payable		30,000
Common Shares		25,000
Dividends	750	
Room Revenue		3,500
Rent expense	1,000	
Wages expense	450	
Utility expense	150	
Total	<u>\$58,650</u>	<u>\$58,650</u>

Diff: 3 Type: ES

LO: 1-4, 2-3, 2-4

Skills: Application

Blooms: Analysis

CFALO: A-3 Analyze and record transactions and their effects on the financial statements