

Test Bank for Fundamental Financial Accounting
Concepts 8th Edition by Edmonds ISBN 0078025362
9780078025365

Full link download:

Test Bank:

<https://testbankpack.com/p/test-bank-for-fundamental-financial-accounting-concepts-8th-edition-by-edmonds-isbn-0078025362-9780078025365/>

Solution Manual:

<https://testbankpack.com/p/solution-manual-for-fundamental-financial-accounting-concepts-8th-edition-by-edmonds-isbn-0078025362-9780078025365/>

Chapter 02

Accounting for Accruals and Deferrals

Short Answer Questions

Indicate how each event affects the elements of financial statements. Use the following letters to record your answer in the box shown below each element.

You do not need to enter amounts.

Increase = I

Decrease = D

No Effect = N

1. Jenkins Co. performed services for customers on account.

Assets	Liabilities	Equity	Revenues	Expenses	Net Income	Cash

2. George Co. collected \$1,000 cash from accounts receivable.

Assets	Liabilities	Equity	Revenues	Expenses	Net Income	Cash

3. Sparta Co. provided \$1,600 of services for a customer who paid \$1,000 cash immediately and promised to pay an additional \$600 one month later.

Assets	Liabilities	Equity	Revenues	Expenses	Net Income	Cash

4. Aztec Co. signed contracts for \$20,000 of services to be performed in the future.

Assets	Liabilities	Equity	Revenues	Expenses	Net Income	Cash

5. At the end of the accounting period, Stewart Co. recognized accrued salaries.

Assets	Liabilities	Equity	Revenues	Expenses	Net Income	Cash

6. Curtis Company received \$250 from a customer for services to be performed at a future date.

Assets	Liabilities	Equity	Revenues	Expenses	Net Income	Cash

7. When is revenue recognized under accrual accounting?

8. What does the balance in accounts receivable represent?

9. When are expenses recognized under accrual accounting in relation to the payment of cash?

10. What is the effect on the accounting equation of a cash payment to creditors?

11. Why are adjusting entries necessary in an accrual accounting system? What are some common examples?

12. What effect does the recording of revenue normally have on total assets?

13. What effect does providing services on account have on the statement of cash flows? The balance sheet?

14. Describe the purpose of the closing process.

15. Describe the difference between temporary and permanent accounts, and state which ones are closed.

16. Define the accounting cycle and list the stages of the cycle.

17. Explain the meaning of the term, "matching concept."

18. The temporary or nominal accounts are closed prior to the start of the next accounting cycle. In this closing process, the amounts in each of these accounts are transferred to what other account(s)?

19. What is meant by the "fraud triangle"?

20. Discuss the importance of ethics in the accounting profession.

Multiple Choice Questions

21. Bledsoe Company received \$15,000 cash from the issue of stock on January 1, 2013. During 2013 Bledsoe earned \$8,500 of revenue on account. The company collected \$6,000 cash from accounts receivable and paid \$5,400 cash for operating expenses. Based on this information alone, during 2013.

- A. Total assets increased by \$24,100.
- B. Total assets increased by \$600.
- C. Total assets increased by \$18,100.
- D. Total assets did not change.