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TEXTBOOK TESTBANKS

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TEST BANK SAMPLE PREVIEW

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CHAPTER 2

THE RECORDING PROCESS

20-MINUTE QUIZ #1

Circle the correct answer.

True/False

1. Assets and liabilities are both decreased by credits.	True	False
2. The Owner's Capital account is increased by credits.	True	False
3. An account will have a credit balance if the total debit amounts exceed the total credit amounts.	True	False
4. The ledger is also known as the book of original entry.	True	False
5. The basic steps in the recording process are (1) analyze each transaction, (2) enter the transaction in a journal, and (3) transfer the journal information to the appropriate ledger accounts.	True	False
6. The posting phase of the recording process makes it possible to accumulate the effects of journalized transactions in individual accounts.	True	False
7. Assets = Liabilities + Owner's Capital – Drawings + Revenues – Expenses is a correct form of the expanded basic accounting equation.	True	False
8. Owner's equity is increased by owner's investments and revenues.	True	False
9. When the columns of the trial balance equal each other, it proves no errors occurred in recording and posting.	True	False
10. Debits should be listed before credits in journal entries.	True	False

Multiple Choice

1. Transactions are initially recorded in the
a) general ledger.
b) general journal.
c) trial balance.
d) balance sheet.

2. The right side of an account is referred to as the
a) negative side.
b) positive side.
c) debit side.
d) credit side.

3. A purchase of office equipment for cash requires a credit to
a) Office Equipment.
b) Cash.
c) Accounts Payable.
d) Owner's Equity.

4. The equality of the accounting equation can be proven by preparing a
a) trial balance.
b) journal.
c) general ledger.
d) T account.

5. Which of the following accounts would be increased with a debit?
a) Rent Payable
b) Owner's Capital
c) Service Revenue
d) Owner's Drawings

ANSWERS TO 20-MINUTE QUIZ #1

True/False

1. False
2. True
3. False
4. False
5. True
6. True
7. True
8. True
9. False
10. True

Multiple Choice

1. b
2. d
3. b
4. a
5. d

20-MINUTE QUIZ #2

1. Identify and describe the first four steps of the accounting process.

2. Fill in the blanks with **debit** or **credit** to complete the following sentences correctly.
a) Assets are increased by a ______.
b) Liabilities are increased by a ______.
c) The normal balance of a revenue account is a ______.
d) A ______ would decrease a liability account.
e) The normal balance of the Drawings account is a ______.
f) A ______ would increase an expense account.

3. Prepare journal entries in good form for each of the following transactions concerning the business J. Morris, Architect.
a) On July 5, Morris prepared a set of plans for a customer and billed the customer $1,500.
b) On July 10, bought $300 of supplies for cash.
c) On July 15, paid $800 in salaries for the assistant.
d) On July 18, collected $900 from the July 5 transaction.
e) On July 20, paid $600 for a one-year insurance policy in advance.
f) On July 22, a cash advance of $800 was received from a client for services to be performed in August.

4. Should the following transactions be recorded and why?
a) The owner of a company purchases a computer for personal use from their own funds.
b) A company provides services to one of its customers on account.
c) A company purchases a machine and pays with cash.
d) A company places an order with one of its suppliers for inventory to be shipped next month.

5. What is the primary purpose of the trial balance?

6. Give examples of errors that would not be detected by the preparation of a trial balance.

ANSWERS TO 20-MINUTE QUIZ #2

1.
Step 1 – Analyze events to determine whether or not the event has an economic impact on the basic accounting equation.

Step 2 – Journalize – if an event affects the accounting equation, it must be journalized using the double-entry accounting process; entries are done in chronological order.

Step 3 – Post – journalized entries are then posted to the general ledger.

Step 4 – Trial balance – a listing is prepared at the end of the period to ensure debits are equal to credits.

2.
a) debit

b) credit

c) credit

d) debit

e) debit

f) debit

3.

a.	July 5	Accounts Receivable	1,500	
		Service Revenue		1,500
		Invoiced customer for architect plans.		
b.	July 10	Supplies	300	
		Cash		300
		Purchased supplies.		
c.	July 15	Salaries Expense	800	
		Cash		800
		Paid the assistant.		
d.	July 18	Cash	900	
		Accounts Receivable		900
		Received cash on account.		
e.	July 20	Prepaid Insurance	600	
		Cash		600
		Paid for insurance in advance.		

f.	July 22	Cash	800	
		Unearned Revenue		800
		Received cash in advance from a client.		

4.
a) This is not a transaction of the company as it is a personal transaction of the owner.

b) This is a business transaction, and it should be recorded since an asset has increased (accounts receivable) and revenue has been earned.

c) This is a business transaction, and it should be recorded since an asset (machine) is purchased in exchange for another asset (cash).

d) This is not an accounting transaction, and it should not be recorded. An order was placed but no purchase has occurred.

5. The primary purpose of the trial balance is to prove that the debits equal the credits after posting.

6. A variety of answers are acceptable here, such as:

A transaction was not journalized.
A correct entry was not posted.
A correct entry was posted twice.
The same incorrect amount was recorded for both the debit and credit.