

Exam  
Name \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

1) Which of the following accounts is NOT an example of an asset?

- A) Building
- B) Cash
- C) Bills payable
- D) Accounts receivable

Answer: C

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

2) Which of the following accounts is NOT an example of a liability?

- A) Accounts receivable
- B) Bills payable
- C) Accounts payable
- D) Wages payable

Answer: A

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

3) Which of the following accounts is an example of an owners' equity account?

- A) Cash
- B) Equipment
- C) Drawings
- D) Accounts payable

Answer: C

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

4) Accountants first record transactions in the:

- A) trial balance.
- B) journal.
- C) ledger.
- D) chart of accounts.

Answer: B

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

5) Which of the following accounts is a liability?

- A) Accounts payable
- B) Prepaid expenses
- C) Service revenue
- D) Salary expense

Answer: A

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

6) Which of the following accounts is an owners' equity account?

- A) Accrued liability

- B) Prepaid expense
- C) Accounts payable
- D) Capital

Answer: D

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

7) In a typical chart of accounts, what information is provided along with the account name?

- A) Dates of transactions
- B) Account number
- C) Account balance
- D) Transaction amounts

Answer: B

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

8) Which of the following accounts is an example of a liability?

- A) Bills payable
- B) Service revenue
- C) Accounts receivable
- D) Building

Answer: A

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

9) A listing of all account titles in numerical order is a(n):

- A) ledger.
- B) journal.
- C) chart of accounts.
- D) income statement.

Answer: C

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

10) Which of the following accounts is an asset?

- A) Expenses
- B) Drawings
- C) Bills payable
- D) Cash

Answer: D

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

11) Which of the following is NOT part of owners' equity?

- A) Bills payable
- B) Capital
- C) Accounts receivable
- D) Both A and C

Answer: D

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

12) A book holding all of the accounts is called the:

- A) balance sheet.
- B) ledger.
- C) journal.
- D) income statement.

Answer: B

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

13) Which of the following is the detailed record of the changes in a particular asset, liability or owners' equity?

- A) Ledger
- B) Journal
- C) Trial balance
- D) Account

Answer: D

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

14) An account is the detailed record of the changes in a particular asset, liability or owners' equity.

Answer:  True  False

Diff: 1 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

15) A trial balance is the list of all of a company's accounts along with their account numbers.

Answer:  True  False

Diff: 1 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

16) In a typical chart of accounts, liabilities appear before assets.

Answer:  True  False

Diff: 1 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

17) A trial balance is a list of all of the accounts with their balances.

Answer:  True  False

Diff: 1 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

18) Which of the following accounts increases with a credit?

- A) Accounts receivable
- B) Cash
- C) Capital
- D) Prepaid expenses

Answer: C

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

19) Which of the following accounts decreases with a credit?

- A) Cash
- B) Bills payable
- C) Accounts payable
- D) Capital

Answer: A

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

20) Which of the following accounts decreases with a debit?

- A) Prepaid insurance
- B) Bills payable
- C) Land
- D) Cash

Answer: B

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

21) Which of the following accounts increases with a debit?

- A) Cash
- B) Accounts payable
- C) Interest payable
- D) Capital

Answer: A

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

22) The Accounts receivable account of Nuptials Ltd is shown below.

**Accounts receivable**

20,000

3000

--

5000


Calculate the ending balance of the account.

- A) \$18,000, debit
- B) \$5000, credit
- C) \$28,000, debit
- D) \$23,000, debit

Answer: A

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

23) Debit refers to the right side of the T-account and credit refers to the left side.

Answer: True  False

Diff: 1 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

24) An asset account is increased by a debit.

Answer:  True  False

Diff: 1 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

25) The drawings account is increased by a debit.

Answer:  True  False

Diff: 1 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

26) A liability account is increased by a debit.

Answer:  True  False

Diff: 1 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

27) When a business collects cash, the Cash account is debited.

Answer:  True  False

Diff: 2 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

28) Journalising a transaction means:

- A) recording the transaction, including a brief explanation.
- B) calculating the balance in an account.
- C) copying the information from the journal to the ledger.
- D) finding the account number in the chart of accounts.

Answer: A

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

29) For Accounts payable, the category of account and its normal balance are:

- A) Assets and a credit balance.
- B) Liabilities and a credit balance.
- C) Owners' equity and a credit balance.
- D) Assets and a debit balance.

Answer: B

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

30) For Supplies, the category of account and its normal balance are:

- A) Owners' equity and a credit balance.
- B) Assets and a credit balance.
- C) Liabilities and a credit balance.
- D) Assets and a debit balance.

Answer: D

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

31) For Salary payable, the category of account and its normal balance are:

- A) Owners' equity and a credit balance.
- B) Liabilities and a credit balance.
- C) Assets and a credit balance.
- D) Assets and a debit balance.

Answer: B

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

32) For Expenses, the category of account and its normal balance are:

- A) Assets and a debit balance.
- B) Owners' equity and a credit balance.
- C) Liabilities and a credit balance.
- D) Owners' equity and a debit balance.

Answer: D

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

33) For Revenues, the category of account and its normal balance are:

- A) Assets and a debit balance.
- B) Liabilities and a credit balance.
- C) Owners' equity and a debit balance.
- D) Owners' equity and a credit balance.

Answer: D

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

34) For Capital, the category of account and its normal balance are:

- A) Assets and a debit balance.
- B) Assets and a credit balance.
- C) Liabilities and a credit balance.
- D) Owners' equity and a credit balance.

Answer: D

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

35) For Drawings, the category of account and its normal balance are:

- A) Owners' equity and a credit balance.
- B) Liabilities and a credit balance.
- C) Assets and a credit balance.
- D) Owners' equity and a debit balance.

Answer: D

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

36) After initially recording a transaction, the data is then copied or posted to the:

- A) journal.
- B) chart of accounts.
- C) trial balance.
- D) ledger.

Answer: D

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

37) The accounting process of copying a transaction from the journal to the ledger is called:

- A) proofing.
- B) footing.
- C) posting.
- D) journalising.

Answer: C

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

38) The first step of journalising an entry is to:

- A) identify the transaction from source documents.
- B) post the accounts to the ledger.
- C) determine whether each account is increased or decreased.
- D) record the transaction in the journal, including a brief explanation.

Answer: A

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

39) Which of the following is the order of steps to journalise an entry?

- A) Identify each account affected, record the transaction, determine increase or decrease in each account.
- B) Record the transaction, identify each account affected, determine increase or decrease in each account.
- C) Determine increase or decrease in each account, identify each account affected, record the transaction.
- D) Identify each account affected, determine increase or decrease in each account, record the transaction.

Answer: D

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

40) Which of the following is the last step of journalising an entry?

- A) Determine whether each account has increased or decreased.
- B) Identify each account affected and its type.
- C) Record the transaction in the journal, including a brief explanation.
- D) Post the accounts to the ledger.

Answer: C

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

41) The normal sequence of information flow in an accounting system is:

- A) source document, ledger, journal.
- B) journal, source document, ledger.
- C) source document, journal, ledger.
- D) ledger, journal, source document.

Answer: C

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

42) Which of the following is NOT an example of a source document?

- A) Bank deposit slip
- B) Purchase invoice
- C) Journal
- D) Sales invoice

Answer: C

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

43) Which of the following statements about revenue is CORRECT?

- A) Revenues increase owners' equity, so a revenue account's normal balance is a credit balance.
- B) Revenues decrease owners' equity, so a revenue account's normal balance is a debit balance.
- C) Revenues increase owners' equity, so a revenue account's normal balance is a debit balance.
- D) Revenues decrease owners' equity, so a revenue account's normal balance is a credit balance.

Answer: A

Diff: 2 Type: MC

AACSB: Analytical Thinking

44) A business purchased \$200 of supplies on credit and recorded the following journal entry:

Supplies	200	
Accounts payable		200

Which of the following sets of ledger accounts reflects the posting of this transaction?

- A)
- |          |                  |
|----------|------------------|
| Supplies | Accounts payable |
| 200      | 200              |
- B)
- |          |                  |
|----------|------------------|
| Supplies | Accounts payable |
| 200      | 200              |
- C)
- |          |                  |
|----------|------------------|
| Supplies | Accounts payable |
| 200      | 200              |
- D)
- |          |                  |
|----------|------------------|
| Supplies | Accounts payable |
| 200      | 200              |

Answer: B

Diff: 1 Type: MC

AACSB: Analytical Thinking

45) Beetles Ltd recorded the following journal entry on 2 March 2016:

Cash	6000	
Unearned revenue		6000

From the journal entry above, identify the transaction on 2 March 2016.

- A) Beetles sold goods for \$6000 cash.
- B) Beetles received \$6000 for services to be performed in a later period.
- C) Beetles purchased goods worth \$6000 and signed a one-year bill for the same.



D) Beetles paid \$6000 for services to be received at a later date.

Answer: B

Diff: 2 Type: MC

AACSB: Analytical Thinking

46) A business purchases equipment by paying \$9023 in cash and issuing a loan payable of \$16,446. Which of the following occurs?

A) Cash is debited for \$9023, equipment is credited for \$16,446 and loan payable is debited for \$7423.

B) Cash is debited for \$9023, equipment is debited for \$16,446 and loan payable is credited for \$25,469.

C) Cash is credited for \$9023, equipment is debited for \$25,469 and loan payable is credited for \$16,446.

D) Cash is credited for \$9023, equipment is credited for \$25,469 and loan payable is debited for \$16,446.

Answer: C

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

47) A business makes a payment of \$1440 on a loan payable, consisting of a \$110 interest payment and a \$1330 principal payment. Which of the following journal entries would be recorded?

A) Loan payable is credited for \$1330, Cash is credited for \$110 and Interest expense is debited for \$1440.

B) Cash is credited for \$1440, Loan payable is debited for \$1330 and Interest expense is debited for \$110.

C) Loan payable is credited for \$1440, Cash is debited for \$1330 and Interest expense is debited for \$110.

D) Cash is credited for \$1330, Interest expense is credited for \$110 and Loan payable is debited for \$1440.

Answer: B

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

48) An account that normally has a debit balance may occasionally have a credit balance.

Answer:  True  False

Diff: 1 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

49) Assets, Drawings and Expenses have a normal balance on the debit side.

Answer:  True  False

Diff: 1 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

50) For liabilities and revenues, a debit increases the account.

Answer:  True  False

Diff: 1 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

51) When recording a transaction in a journal, the credit side is entered first, followed by the debit side.

Answer:  True  False

Diff: 1 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

52) A journal entry includes BOTH debit and credit amounts.

Answer:  True  False

Diff: 1 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

53) An owner invests \$20 000 in her new business by depositing the cash in the business bank account. Which account is debited?

- A) Accounts payable
- B) Cash
- C) Accounts receivable
- D) Capital

Answer: B

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

54) An owner invests \$20 000 in her new business by depositing the cash in the business bank account. Which account is credited?

- A) Accounts receivable
- B) Accounts payable
- C) Cash
- D) Capital

Answer: D

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

55) A business purchases equipment for cash in the amount of \$8 000. Which account is debited?

- A) Cash
- B) Accounts payable
- C) Equipment
- D) Supplies expense

Answer: C

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

56) A business makes a cash payment of \$12 000 to an account payable. Which account is debited?

- A) Accounts payable
- B) Cash
- C) Service revenue
- D) Accounts receivable

Answer: A

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

57) A business makes a cash payment of \$12 000 to an account payable. Which account is credited?

- A) Service revenue
- B) Accounts receivable
- C) Accounts payable
- D) Cash

Answer: D

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

58) A business renders services to a customer for \$16 000 on credit. Which account is credited?

- A) Accounts receivable

- B) Cash
- C) Service revenue
- D) Accounts payable

Answer: C

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

59) A business renders services for \$16 000 and collects cash from the customer. Which account is debited?

- A) Service revenue
- B) Cash
- C) Accounts payable
- D) Accounts receivable

Answer: B

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

60) A business pays \$500 cash for supplies. Which account is debited?

- A) Service revenue
- B) Cash
- C) Accounts payable
- D) Supplies

Answer: D

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

61) A business pays \$500 cash for supplies. Which account is credited?

- A) Service revenue
- B) Accounts payable
- C) Cash
- D) Supplies

Answer: C

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

62) A business buys \$500 in supplies on credit. Which account is credited?

- A) Service revenue
- B) Cash
- C) Supplies
- D) Accounts payable

Answer: D

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

63) A business makes a cash payment to a supplier 'on credit' (for supplies that were purchased earlier). Which account is debited?

- A) Service revenue
- B) Accounts payable
- C) Cash
- D) Supplies

Answer: B

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

64) A business collects cash from a customer in payment of accounts receivable. Which account is debited?

- A) Cash
- B) Service revenue
- C) Accounts receivable
- D) Supplies

Answer: A

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

65) A business collects cash from a customer in payment of accounts receivable. Which account is credited?

- A) Supplies
- B) Cash
- C) Accounts receivable
- D) Service revenue

Answer: C

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

66) A business makes a cash payment for advertising expense. Which account is debited?

- A) Accounts receivable
- B) Cash
- C) Advertising expense
- D) Service revenue

Answer: C

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

67) A business pays cash back to the owner. Which account is debited?

- A) Service revenue
- B) Cash
- C) Drawings
- D) Accounts payable

Answer: C

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

68) A business pays cash back to the owner. Which account is credited?

- A) Service revenue
- B) Drawings
- C) Accounts payable
- D) Cash

Answer: D

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

69) Which of the following journal entries would be recorded if a business purchased \$200 in supplies on credit?

- A)

Cash	200	
Supplies		200

B)

Supplies	200	
Cash		200

C)

Accounts payable	200	
Supplies		200

D)

Supplies	200	
Accounts payable		200

Answer: D

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

70) Which of the following journal entries would be recorded if a business renders services and receives cash of \$400 from the customer?

A)

Service revenue	400	
Accounts payable		400

B)

Service revenue	400	
Accounts receivable		400

C)

Service revenue	400	
Cash		400

D)

Cash	400	
Service revenue		400

Answer: D

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

71) Which of the following journal entries would be recorded if Jane Brown started a business and then deposited cash of \$6 000 into the business bank account?

A)

Jane Brown, capital	6 000	
Cash		6 000

B)

Jane Brown, capital	6 000	
Accounts payable		6 000

C)

Accounts payable	6 000	
Cash		6 000

D)

Cash	6 000	
Jane Brown, capital		6 000

Answer: D

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

72) Which of the following journal entries would be recorded if a business purchased equipment for \$3 000 cash?

A)

Cash	3 000	
Accounts payable		3 000

B)

Cash	3 000	
Equipment		3 000

C)

Equipment	3 000	
Accounts payable		3 000

D)

Equipment	3 000	
Cash		3 000

Answer: D

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

73) A company received \$75 000 from a customer 'on account'. The journal entry would be to:

A) debit Accounts receivable and credit Sales revenue.

B) debit Sales revenue and credit Accounts receivable.

C) debit Cash and credit Accounts receivable.

D) debit Accounts receivable and credit Cash.

Answer: C

Diff: 2 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

74) The following transactions have been journalised and posted to the proper accounts.

1. Mark Call invested \$7 000 cash in his new design services business.

2. The business paid the first month's rent with \$700 cash.

3. The business purchased equipment by paying a \$2 000 deposit and borrowing \$4 500.
4. The business purchased supplies for \$850 cash.
5. The business billed its clients a total of \$4 000 for design services rendered.
6. The business collected \$3 000 on credit from one of its clients.

What is the balance in Service revenue?

- A) \$3 000
- B) \$3 150
- C) \$1 000
- D) \$4 000

Answer: D

Diff: 3 Type: MC

AACSB: Analytical Thinking

75) A business has the following transactions: The business is started by receiving \$20 000 from the owner. The business purchases \$500 in supplies on credit. The business purchases \$2 000 in furniture on credit. The business renders services to various clients totalling \$9 000 on credit. The business pays out \$2 000 for Salary expense and \$3 000 for Rent expense. The business pays \$500 to a supplier for the supplies purchased earlier. The business collects \$1 500 from one of its clients for services rendered earlier in the month. At the end of the month, all journal entries are posted to the ledger. The Cash account will appear as follows:

A)

Cash	
	500
	2 000
500	
	Bal 2 000

B)

Cash	
20 000	
2 000	
3 000	
500	
Bal 24 000	1 500

C)

Cash	
	20 000
2 000	
3 000	
500	
	1 500
Bal	16 000

D)

Cash	
20 000	
	2 000
	3 000
	500
1 500	
Bal 16 000	

Answer: D

Diff: 2 Type: MC

AACSB: Analytical Thinking

76) The following transactions for the month of March have been journalised and posted to the proper accounts.

- Mar 1 Martinez invested \$9000 cash in his new design services business.
- Mar 2 Paid the first month's rent of \$900.
- Mar 3 Purchased equipment by paying \$4000 cash and executing a loan payable for \$9000.
- Mar 4 Purchased office supplies for \$750 cash.
- Mar 5 Billed a client for \$8000 of design services completed.
- Mar 6 Received \$7900 on account for the services previously recorded.

What is the balance in Cash?

- A) \$12,900
- B) \$11,250
- C) \$12,150
- D) \$15,250

Answer: B

Diff: 3 Type: MC

AACSB: Analytical Thinking

77) Sharon Company reported the following transactions for September 2016.

- A) Sharon started the business with a capital contribution of \$21,000 cash. It was credited to Sharon, Capital.
- B) The business purchased office equipment for \$9000 for which \$1500 cash was paid and the balance was put on a loan payable.
- C) Paid insurance expense of \$1600 cash.
- D) Paid an electricity and gas bill for \$900 cash.
- E) Paid \$1600 cash for September rent.



- F) The business had sales of \$10,000 in September. Of these sales, 60% were cash sales and the balance was credit sales.
- G) The business paid \$9000 cash for office furniture.

What are the total liabilities at the end of September 2016?

- A) \$7500  
B) \$9000  
C) \$1600  
D) \$10,000

Answer: A

Diff: 2 Type: MC

AACSB: Analytical Thinking

78) The following transactions for the month of March have been journalised and posted to the proper accounts.

- Mar 1 Martinez invested \$7000 cash in his new design services business.  
Mar 2 Paid the first month's rent of \$600.  
Mar 3 Purchased equipment by paying \$3000 cash and executing a loan payable for \$3000.  
Mar 4 Purchased office supplies for \$550 cash.  
Mar 5 Billed a client for \$10,000 of design services completed.  
Mar 6 Received \$8000 on account for the services previously recorded.

What is the balance in Accounts receivable?

- A) \$2000  
B) \$10,000  
C) \$3000  
D) \$8000

Answer: A

Diff: 3 Type: MC

AACSB: Analytical Thinking

79) The following transactions for the month of March have been journalised and posted to the proper accounts.

- Mar 1 Martinez invested \$10,000 cash in his new design services business.  
Mar 2 Paid the first month's rent of \$500.  
Mar 3 Purchased equipment by paying \$1000 cash and executing a loan payable for \$5000.  
Mar 4 Purchased office supplies for \$750 cash.  
Mar 5 Billed a client for \$11,000 of design services completed.  
Mar 6 Received \$7000 on account for the services previously recorded.

What is the ending balance in the Service revenue account?

- A) \$17,000  
B) \$10,000  
C) \$7000  
D) \$11,000

Answer: D

Diff: 3 Type: MC

AACSB: Analytical Thinking

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

80) When a business makes a cash payment, the Cash account is always debited.

Answer: True  False

Diff: 2 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

81) When a business records an expense incurred, the expense account is always credited.

Answer: True  False

Diff: 2 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

82) When a business records revenue earned, the revenue account is always credited.

Answer:  True False

Diff: 2 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

83) Which of the following statements is TRUE?

- A) A trial balance presents data in debit and credit format, but a balance sheet does not.
- B) A trial balance is in the same format as a balance sheet.
- C) A trial balance is created after the balance sheet is prepared.
- D) A trial balance shows total amounts for assets, liabilities and equity.

Answer: A

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

84) Which of the following statements is FALSE?

- A) A trial balance shows total debits and total credits.
- B) A trial balance is created before the balance sheet is prepared.
- C) A trial balance presents data in debit and credit format, but a balance sheet does not.
- D) A trial balance shows total amounts for assets, liabilities and equity.

Answer: D

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

85) When is a trial balance usually prepared?

- A) After financial statements are published
- B) After balancing the ledger accounts
- C) After each entry is journalised
- D) At the beginning of an accounting period

Answer: B

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

86) Which of the following statements CORRECTLY describes a trial balance?

- A) A trial balance is the first step in the accounting cycle.
- B) A trial balance is a list of all accounts with their balances.
- C) A trial balance is also known as a balance sheet.
- D) A trial balance is also known as the chart of accounts.

Answer: B

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

87) The following are the ending month's balances for Toys Galore.

Accounts payable	\$6 790
Revenue	8 680
Cash	4 500
Expenses	1 050
Furniture	8 370
Accounts receivable	7 710
Capital	930
Loan payable	5 230

What would be the last account listed on the trial balance for Toys Galore?

- A) Accounts payable
- B) Revenue
- C) Expenses
- D) Cash

Answer: C

Diff: 1 Type: MC

AACSB: Analytical Thinking, Reflective Thinking

88) A journal entry for a \$70 payment for rent expense was posted as a debit to Salaries expense and a credit to Cash. This error will cause which of the following conditions on the trial balance?

- A) The sum of the credits will equal the sum of the debits.
- B) The sum of the debits will exceed the sum of the credits by \$140.
- C) The sum of the credits will exceed the sum of the debits by \$140.
- D) The sum of the debits will exceed the sum of the credits by \$70.

Answer: A

Diff: 2 Type: MC

AACSB: Analytical Thinking

89) A journal entry for a \$240 payment to purchase office supplies was erroneously recorded as a debit to Office supplies for \$600 and a credit to Cash for \$240. Which of the following statements correctly states the effect of the error on the trial balance?

- A) The sum of the debits will exceed the sum of the credits by \$240.
- B) The sum of the debits will exceed the sum of the credits by \$360.
- C) The sum of the credits will exceed the sum of the debits by \$360.
- D) The sum of the debits will exceed the sum of the credits by \$600.

Answer: B

Diff: 2 Type: MC

AACSB: Analytical Thinking

90) The following are the current month's balances for Toys Galore, before preparing the trial balance.

Accounts payable	\$8000
Revenue	5000
Cash	6000
Expenses	17,500
Furniture	10,000

Accounts receivable	14,000
Jones, capital	?
Loan payable	6500

What amount should be shown for Jones, capital on the trial balance?

- A) \$30,000
- B) \$52,000
- C) \$28,000
- D) \$14,500

Answer: C

Diff: 2 Type: MC

AACSB: Analytical Thinking

91) The following are the current month's balances for Toys Galore:

Accounts payable	\$9000
Revenue	12,000
Cash	3000
Expenses	1400
Furniture	14,000
Accounts receivable	13,000
Jones, capital	7250
Loan payable	4500

What is the profit for Toys Galore for the current month?

- A) \$13,400
- B) \$10,600
- C) \$15,000
- D) \$12,000

Answer: B

Diff: 1 Type: MC

AACSB: Analytical Thinking

92) The following are the current month's balances for Toys Galore:

Accounts payable	\$8000
Revenue	9000
Cash	7000
Expenses	1500
Furniture	11,000
Accounts receivable	13,000
Jones, capital	8250
Loan payable	4000

What is the total amount of debits for the trial balance?

- A) \$32,500
- B) \$24,000
- C) \$25,500

D) \$31,000

Answer: A

Diff: 2 Type: MC

AACSB: Analytical Thinking

93) The following are the current month's balances for Toys Galore:

Accounts payable	\$10,000
Revenue	8000
Cash	3000
Expenses	1200
Furniture	11,000
Accounts receivable	15,000
Jones, capital	7250
Loan payable	6500

Calculate the total amount of credits for the trial balance.

A) \$31,750

B) \$23,750

C) \$24,500

D) \$21,750

Answer: A

Diff: 2 Type: MC

AACSB: Analytical Thinking

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

94) In a trial balance, total debits are always equal to total credits.

Answer:  True  False

Diff: 1 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

95) A trial balance summarises a ledger by listing all the accounts with their ending balances.

Answer:  True  False

Diff: 1 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

96) The trial balance is one of the three basic financial statements.

Answer:  True  False

Diff: 1 Type: TF

AACSB: Analytical Thinking, Reflective Thinking

- 1) C
- 2) A
- 3) C
- 4) B
- 5) A
- 6) D
- 7) B
- 8) A
- 9) C
- 10) D
- 11) D
- 12) B
- 13) D
- 14) TRUE
- 15) FALSE
- 16) FALSE
- 17) TRUE
- 18) C
- 19) A
- 20) B
- 21) A
- 22) A
- 23) FALSE
- 24) TRUE
- 25) TRUE
- 26) FALSE
- 27) TRUE
- 28) A
- 29) B
- 30) D
- 31) B
- 32) D
- 33) D
- 34) D
- 35) D
- 36) D
- 37) C
- 38) A
- 39) D
- 40) C
- 41) C
- 42) C
- 43) A
- 44) B
- 45) B
- 46) C
- 47) B
- 48) TRUE
- 49) TRUE

- 50) FALSE
- 51) FALSE
- 52) TRUE
- 53) B
- 54) D
- 55) C
- 56) A
- 57) D
- 58) C
- 59) B
- 60) D
- 61) C
- 62) D
- 63) B
- 64) A
- 65) C
- 66) C
- 67) C
- 68) D
- 69) D
- 70) D
- 71) D
- 72) D
- 73) C
- 74) D
- 75) D
- 76) B
- 77) A
- 78) A
- 79) D
- 80) FALSE
- 81) FALSE
- 82) TRUE
- 83) A
- 84) D
- 85) B
- 86) B
- 87) C
- 88) A
- 89) B
- 90) C
- 91) B
- 92) A
- 93) A
- 94) TRUE
- 95) TRUE
- 96) FALSE