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

1) The owner withdraws cash from the business. How does this withdrawal affect the accounting equation?
   A) No effect on the assets, liabilities, or owner’s equity
   B) Assets decrease; owner’s equity decreases
   C) Assets increase; liabilities decrease
   D) Assets decrease; owner’s equity increases

2) Beginning Owner’s equity is $20,000. Cash withdrawals by the owner were $7,000. Ending owner’s equity is $37,000. What was net income?
   A) $24,000
   B) $10,000
   C) $27,000
   D) $13,000

3) A proprietorship possesses which of the following characteristics?
   A) A proprietorship joins two or more individuals as co-owners.
   B) If a proprietorship cannot pay its debts, lenders cannot take the owners’ personal assets to satisfy the obligations.
   C) A proprietorship has a single owner.
   D) None of the above is a characteristic of a partnership.

4) There are relatively few types of revenue. Which of the following is NOT a type of revenue?
   A) owner withdrawals
   B) service
   C) sales
   D) interest

5) Wayne Tate purchased a building for his grocery store for $30,000 in 1970. Based on inflation estimates, he has adjusted the amount of this asset in his accounting records. The building is now reported at $75,000. Which of the following concepts or principles of accounting is being violated?
   A) stable monetary unit concept
   B) going-concern concept
   C) entity concept
   D) reliability concept

6) Land is purchased with a $20,000 down payment and the execution of an $80,000 promissory note. How does this purchase affect the accounting equation?
   A) assets increase $80,000; liabilities decrease $20,000
   B) assets increase $80,000; owner’s equity increases $80,000
   C) assets increase $20,000; liabilities decrease $80,000
   D) assets increase $80,000; liabilities increase $80,000
7) Accounting information may be generated for a variety of purposes. The key product(s) of accounting is (are) which of the following documents?

A) Financial statements  B) Spreadsheets
C) Workpapers  D) Remittance advices

Case 1.3
The following is a list of account balances (all except owner's equity) of Wilson Mowing Company as of December 31 of the first year of operation:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
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</tr>
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<td>$200</td>
</tr>
</tbody>
</table>

The owner, J.D. Wilson, invested $3,000 at the beginning of the year and withdrew $12,000 during the year for his personal use.

8) Refer to Case 1.3. At the end of the year, what is the amount of total assets?

A) $11,900  B) $12,200  C) $24,100  D) $21,200

Case 1.1
Scott Camera Shop started the year with total assets $80,000 and total liabilities of $40,000. During the year, the business earned revenues of $120,000 and incurred expenses of $70,000. Scott withdrew $60,000.

9) Refer to Case 1.1. What is the amount of the net change in Scott's capital balance for the year?

A) $10,000 decrease  B) $50,000 increase
C) $40,000 increase  D) $30,000 decrease

10) Many organizations have contributed to the process of creating and/or using generally accepted accounting principles. Which of the following organizations has the primary responsibility for formulating accounting standards?

A) CMA  B) AICPA  C) FASB  D) SEC
11) A partnership possesses which of the following characteristics?

   A) A partnership joins two or more individuals as co-owners.
   B) A partnership is owned by shareholders or stockholders.
   C) If a partnership cannot pay its debts, lenders cannot take the owners' personal assets to satisfy the obligations.
   D) None of the above is a characteristic of a partnership

12) Which of the following financial statements lists the entity's assets, liabilities, and owner's equity as of a specific date?

   A) statement of owner's equity  B) income statement
   C) statement of cash flows  D) balance sheet

13) Which of the following types of decision makers use accounting information to make business decisions?

   A) creditors  B) business owners
   C) investors  D) all of the above

14) A $5,000 account receivable is collected. How is the accounting equation affected?

   A) assets increase $5,000; liabilities decrease $5,000
   B) assets increase $5,000; assets decrease $5,000
   C) assets increase $5,000; liabilities increase $5,000
   D) assets increase $5,000; owner's equity increases $5,000

15) Assets are $150,000 and total liabilities are $90,000. What would total owner's equity be?

   A) $300,000  B) $60,000  C) $180,000  D) $240,000

16) Accounting is the information system that provides information to various users. What process(es) does this include?

   A) processing the data into reports
   B) communicating the results to decisions makers
   C) measuring business activity
   D) all of the above

17) Which of the following statements best describes managerial accounting?

   A) Managerial accounting provides information for people outside the company.
   B) Managerial accounting focuses on outside investors and lenders that are not part of day-to-day management.
   C) Managerial accounting focuses on information for internal decision making.
   D) None of these statements is true of managerial accounting.
18) Which of the following is a correct accounting equation?
   A) Assets + Revenue = Owner's equity
   B) Assets = Liabilities + Owner's equity
   C) Assets + Revenue = Liabilities + Expenses
   D) Assets + Liabilities = Owner's equity

Case 1.2
Sharon Samson starts a plumbing service, Reliable Waterworks. Selected transactions are described as follows:

a. Sharon deposits $7,000 into a new checking account for the company.
b. Sharon pays $4,000 cash for equipment to be used for plumbing repairs.
c. Sharon borrows $15,000 from a local bank and deposits the money in the checking account.
d. Sharon pays $600 rent for the first month.
e. Sharon pays $400 cash for plumbing supplies to be used on various jobs in the future.
f. Sharon completes a plumbing repair project for a local lawyer and receives $1,300 cash.
g. Sharon withdraws $2,500 for personal use.

19) Refer to Case 1.2. After all of the transactions, what is the amount of total liabilities?
   A) $4,000  B) $4,400  C) $19,000  D) $15,000

20) Which of the following financial statements reports an increase or decrease in net cash during the time period covered?
   A) statement of owner's equity  B) statement of cash flows
   C) income statement  D) balance sheet

21) Land was originally purchased for $20,000. It is sold for $65,000 in cash. How does the sale affect the accounting equation?
   A) assets increase $45,000; owner's equity increases $45,000
   B) assets increase $65,000; owner's equity increases $65,000
   C) assets increase $65,000; liabilities decrease $20,000; owner's equity increases $45,000
   D) assets increase $20,000; no change for liabilities; owner's equity increases $55,000

22) Which of the following financial statements reports cash receipts and cash payments during a period of time?
   A) balance sheet  B) statement of owner's equity
   C) income statement  D) statement of cash flows
23) Phillip and Reed have developed a new technology for home computer systems. However, they need to raise a large amount of capital to build the production and support facilities to market their product successfully. Which of the following business types would be the most likely to attract enough investors to provide the company with the necessary capital to begin production?

A) Partnership
B) Limited liability partnership
C) Corporation
D) Proprietorship

24) Each financial statement has a heading giving three pieces of data. Which of the following items is NOT included in these headings?

A) name of the financial statement
B) date or time period covered
C) name of the preparer of the statement
D) name of the business

25) Accountants often refer to GAAP. What do the letters GAAP stand for when discussing accounting?

A) Global accommodation accounting principles.
B) Generally accepted accounting principles.
C) Generate accurate accounting policies.
D) Grandma's awesome apple pie.

26) A limited liability company possesses which of the following characteristics?

A) A limited liability company is an "artificial person" in the eyes of the law.
B) A limited liability company joins one or more individuals as co-owners.
C) If a limited liability company cannot pay its debts, lenders cannot take the owners' personal assets to satisfy the obligations.
D) All of the above are characteristics of a limited liability company.

27) Total liabilities increase by $7,000. How is the accounting equation affected?

A) Assets must have increased by $7000 or owner's equity must have decreased by $7000.
B) Owner's equity must have increased by $7,000.
C) Assets and owner's equity must have each decreased by $3,500.
D) Assets must have decreased by $7,000.

28) Net income is $34,000. Beginning owner's equity is $29,000. Ending owner's equity is $55,000. What were owners' cash withdrawals?

A) $8,000
B) $18,000
C) $5,000
D) $60,000
29) A corporation possesses all but one of the following characteristics. Which of the following is NOT a characteristic of a corporation?

A) If a corporation cannot pay its debts, lenders can take the owners' personal assets to satisfy the obligations.
B) A corporation is owned by shareholders or stockholders.
C) A corporation is an "artificial person" in the eyes of the law.
D) Ownership is divided into individual shares.

Case 1.2
Sharon Samson starts a plumbing service, Reliable Waterworks. Selected transactions are described as follows:

a. Sharon deposits $7,000 into a new checking account for the company.
b. Sharon pays $4,000 cash for equipment to be used for plumbing repairs.
c. Sharon borrows $15,000 from a local bank and deposits the money in the checking account.
d. Sharon pays $600 rent for the first month.
e. Sharon pays $400 cash for plumbing supplies to be used on various jobs in the future.
f. Sharon completes a plumbing repair project for a local lawyer and receives $1,300 cash.
g. Sharon withdraws $2,500 for personal use.

30) Refer to Case 1.2. After all of the transactions, what is the amount of total assets?  
A) $20,200  B) $25,700  C) $24,200  D) $5,200

31) The primary objective of financial reporting is to provide information useful for making investment and lending decisions. To be useful, information must possess certain characteristics. Which of the following is NOT one of the basic characteristics that accounting information must possess to be useful.

A) reliability  B) comparability  C) relevance  D) an owner's equity section

32) The financial statements should be prepared in which of the following orders?

A) income statement, statement of owner's equity, balance sheet  
B) balance sheet, income statement, statement of owner's equity  
C) balance sheet, statement of owner's equity, income statement  
D) statement of owner's equity, balance sheet, income statement
The following is a list of account balances (all except owner’s equity) of Wilson Mowing Company as of December 31 of the first year of operation:

 Accounts receivable $  2, 500
 Accounts payable 3, 500
 Salary expense 4, 500
 Repairs expense 800
 Truck 8, 500
 Equipment 6, 300
 Notes payable 8, 200
 Cash 6, 800
 Supplies expense 1, 600
 Service revenue 31, 900
 Gasoline expense 3, 800
 Salary payable 200

The owner, J.D. Wilson, invested $3,000 at the beginning of the year and withdrew $12,000 during the year for his personal use.

33) Refer to Case 1.3. At the end of the year, what is the amount of total owner’s equity? 33) ____
   A) $21,200    B) $24,100    C) $12,200    D) $11,900

34) The owner withdraws cash for personal use. Which of the following would be true? 34) ____
   A) Total assets would increase.    B) Owner’s equity would decrease.
   C) Net income would decrease.    D) There would be no effect on total assets.

35) A $250 payment on account was posted as a debit to Accounts Receivable and a credit to Accounts Payable. Which of the following conditions will exist? 35) ____
   A) Owner’s equity will be overstated.    B) Accounts Payable will be understated.
   C) Accounts Receivable will be overstated.    D) Cash will be overstated.

36) Which of the following is the book (or printout) holding all the accounts? 36) ____
   A) Trial balance    B) Ledger    C) Account    D) Journal

37) Which of the following statements about expenses is correct? 37) ____
   A) Expenses increase owner’s equity, so an expense account’s normal balance is a debit balance.
   B) Expenses decrease owner’s equity, so an expense account’s normal balance is a credit balance.
   C) Expenses decrease owner’s equity, so an expense account’s normal balance is a debit balance.
   D) Expenses increase owner’s equity, so an expense account’s normal balance is a credit balance.
38) Which of the following statements about revenue is correct?

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

39) A business makes a principal payment of cash on a note payable. The note payable was originally issued for the purchase of equipment. Which of the following occurs?

A) An asset is debited and a liability is credited.
B) An asset is debited and an asset is credited.
C) A liability is debited and a liability is credited.
D) An asset is credited and a liability is debited.

40) Which of the following accounts decrease due to a debit?

A) Interest Payable
B) Prepaid Insurance
C) Cash
D) Both A and B decrease when debited.

41) Accountants record transactions first in which of the following?

A) Journal
B) Trial balance
C) Ledger
D) Chart of accounts

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

A) Cash
B) Building
C) Accounts Receivable
D) Notes Payable

43) A business receives cash in payment of accounts receivable. Which of the following occurs?

A) An asset is credited and a liability is debited.
B) An asset is debited and a liability is credited.
C) A liability is debited and a liability is credited.
D) An asset is debited and an asset is credited.
44) Which of the following journal entries would be recorded if a business performed services for $400 cash and $1,000 on account?

A) Service Revenue 1,000
   Cash 400
   Accounts Receivable 1,400

B) Cash 400
   Accounts Receivable 1,000
   Service Revenue 1,400

C) Service revenue 1,400
   Cash 1,000
   Accounts Payable 400

D) Cash 1,400
   Accounts Receivable 1,000
   Service Revenue 400

45) Which of the following is the last step of journalizing an entry?

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

46) The following entries were made by the accountant of Patel Pastries during its first month of operations.

   a. James Patel, the owner, deposited $3,000 in the company’s new checking account.
   b. Mr. Patel paid the first month’s rent of $400.
   c. Mr. Patel purchased equipment by signing a note payable of $11,000.
   d. Cash sales for the month were $4,500.
   e. Mr. Patel purchased cooking supplies for $1,400.

After the accountant posts these entries to the general ledger, what is the balance in the James Patel, Capital account?

A) $5,700
B) $7,100
C) $3,000
D) $14,000

47) Which of the following accounts increase due to a credit?

A) Cash
B) Owner’s Capital
C) Accounts Receivable
D) Both A and B increase when credited.

48) Which of the following accounts is a liability?

A) Accounts Payable
B) Prepaid Expenses
C) Salary Expense
D) Service Revenue
49) A business receives a cash payment for services rendered. Which of the following occurs?  

A) An asset is debited and a liability is credited.  
B) An asset is debited and a revenue account is credited.  
C) An asset is credited and a liability is debited.  
D) An asset is debited and a revenue account is debited.

Case 2.1  
The following transactions have been journalized and posted to the proper accounts.

1. Mark Call invested $7,000 cash in his new design services business.  
2. Mark paid the first month's rent with $700.  
3. Mark purchased equipment by paying $2,000 down and executing a note payable for $4,500.  
4. Mark purchased supplies for $850 cash.  
5. Mark billed a client for $4,000 of design services completed  
6. Mark received $3,000 of the account for the completed services.

50) Refer to Case 2.1. What is the balance in Accounts Receivable?  

A) $1,000  
B) $8,500  
C) $4,000  
D) $7,000

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

A) Service revenue  
B) Building  
C) Accounts receivable  
D) Notes payable

Case 2.1  
The following transactions have been journalized and posted to the proper accounts.

1. Mark Call invested $7,000 cash in his new design services business.  
2. Mark paid the first month's rent with $700.  
3. Mark purchased equipment by paying $2,000 down and executing a note payable for $4,500.  
4. Mark purchased supplies for $850 cash.  
5. Mark billed a client for $4,000 of design services completed  
6. Mark received $3,000 of the account for the completed services.

52) Refer to Case 2.1. What is the balance in Notes Payable?  

A) $4,500  
B) $1,000  
C) $4,000  
D) $7,000
53) Which of the following journal entries would be recorded if a business purchased equipment for $3,000 cash?

A) Equipment 3,000
   Accounts Payable 3,000

B) Equipment 3,000
   Cash 3,000

C) Cash 3,000
   Equipment 3,000

D) Cash 3,000
   Accounts Payable 3,000

54) Which of the following journal entries would be recorded if a business paid cash of $600 on account? Supplies had been purchased on account last month.

A) Accounts Payable 600
   Cash 600

B) Cash 600
   Supplies 600

C) Accounts Payable 600
   Supplies 600

D) Cash 600
   Accounts Payable 600

55) A utility bill is received. It will be paid in the following accounting period. Which of the following would be true as a result of the receipt of the utility bill?

A) Net income will increase.
B) Owner’s equity will decrease.
C) Total liabilities will decrease.
D) There will be no effect on total liabilities.

56) Which of the following are differences in the accrual method and cash-basis method of accounting?

A) Accrual accounting is required by generally accepted accounting principles because it provides more information than cash-basis accounting.

B) Accrual accounting records revenue when services are rendered. Cash-basis accounting records revenue when cash is received.

C) Accrual accounting records expenses when incurred. Cash-basis accounting records expenses when cash is paid.

D) All of the above are true.

57) The adjusting process has two purposes. Which of the following represents these two purposes?

A) 1) Measure net income or loss and 2) Update the balance sheet
B) 1) Compute ending capital and 2) Journalize the period’s activity
C) Both A and B are correct
D) None of the above
58) Under the cash-basis method of accounting, service revenue is recorded at which of the following times?

A) When the services are completed  
B) When payment for the services is received  
C) At the end of the accounting period  
D) Both A and B

59) Employees of Robert Rogers, CPA, worked during the last two weeks of December. They received their paychecks on January 2. The matching principle would require that which of the following accounts appear on the income statement for the year ended December 31?

A) Salary Expense  
B) Accounts Receivable  
C) Salaries Payable  
D) Accounting Expense

60) Which of the following is the time-period concept?

A) The concept that determines when to record revenue.  
B) The concept that determines when to record expenses.  
C) The concept that ensures that information is reported at regular intervals.  
D) None of the above.

61) Unearned revenue is which of the following?

A) Revenue that the business has collected but not yet earned  
B) Revenue that will be collected and earned in the future  
C) Revenue that the business has earned but not collected  
D) Revenue that has been collected and earned

62) Which of the following entries would be made as the result of the matching principle?

A) Salary Expense 1,000  
   Accounts Payable 1,000  
B) Accounts Receivable 1,000  
   Service Revenue 1,000  
C) Cash 1,000  
   Service Revenue 1,000  
D) Both A and B

63) Salaries payable is an example of which of the following?

A) Accrued revenue  
B) Unearned revenue  
C) An accrued expense  
D) A prepaid expense
64) What debit is required as part of an adjusting entry when unearned income is initially recorded as revenue?
   A) A debit to an asset account
   B) A debit to an unearned expense account
   C) A debit to a contra account
   D) A debit to a deferred revenue account

65) The accountant for Noble Jewelry Repair Company failed to make an adjusting entry for depreciation expense for the current year. What is the effect of this error on total liabilities?
   A) Total liabilities are overstated.
   B) Total liabilities are not affected.
   C) Total liabilities are understated.
   D) There is not enough information presented to determine the effect on total liabilities.

66) Which of the following entries would be recorded if a company is using the cash-basis method of accounting?
   A) Cash 1,000
          Service Revenue 1,000
   B) Cash 1,000
          Accounts Receivable 1,000
   C) Salary Expense 1,000
          Cash 1,000
   D) Both A and C

67) Accrued revenue is which of the following?
   A) Revenue that the business has collected but not yet earned
   B) Revenue that will be collected and earned in the future
   C) Revenue that the business has earned but not collected
   D) Revenue that has been collected and earned

68) How do the adjusting entries differ from other journal entries?
   A) Adjusting entries debit or credit at least one income statement account and at least one balance sheet account.
   B) Adjusting entries never affect cash.
   C) Adjusting entries are made only at the end of the period.
   D) All of the above.

69) Which of the following computes ending capital?
   A) Statement of owner's equity
   B) Balance sheet
   C) Adjusted trial balance
   D) Income statement
The income statement should list expenses in what order?

A) Alphabetical order
B) Order of importance to the company’s primary mission
C) Ascending order by amount
D) Descending order by amount

Caleb Brown has owned and operated a bicycle sales and repair shop for many years. Which of the following business types would provide the owner’s personal assets with protection from product liability exposure?

A) Limited liability company
B) Limited liability partnership
C) Proprietorship
D) Partnership

Which of the following financial statements reports that total assets equal total liabilities plus total owner’s equity?

A) statement of cash flows.
B) balance sheet.
C) statement of owner’s equity
D) income statement.

Which of the following amounts appears on both the statement of owner’s equity and the balance sheet?

A) total revenues
B) ending owner’s equity
C) net income
D) total assets

The assets and liabilities of Matt Wesley, Contractor, are as follows: Cash, $10,000; Accounts Receivable, $8,200; Supplies, $1,050; Land, $25,000; Accounts Payable, $6,530. What is the amount of owner’s equity?

A) $50,780
B) $21,500
C) $37,720
D) $44,430

Assets are $270,000 and owner’s equity is $90,000. What would liabilities be?

A) $270,000
B) $60,000
C) $360,000
D) $180,000

Case 1.2
Sharon Samson starts a plumbing service, Reliable Waterworks. Selected transactions are described as follows:

a. Sharon deposits $7,000 into a new checking account for the company.
b. Sharon pays $4,000 cash for equipment to be used for plumbing repairs.
c. Sharon borrows $15,000 from a local bank and deposits the money in the checking account.
d. Sharon pays $600 rent for the first month.
e. Sharon pays $400 cash for plumbing supplies to be used on various jobs in the future.
f. Sharon completes a plumbing repair project for a local lawyer and receives $1,300 cash.
g. Sharon withdraws $2,500 for personal use.

Refer to Case 1.2. After all of the transactions, what is the amount of total owner’s equity?

A) $5,200
B) $7,700
C) $3,900
D) $20,200
77) Which of the following concepts (or principles) would be most likely to require that a person with three different businesses keep three different checking accounts?
   A) entity concept        B) going-concern concept
   C) cost principle        D) reliability concept

78) Dylan Chase is a CPA and is one of the tax partners in a CPA practice. One of Dylan’s partners sometimes takes very aggressive positions when auditing their clients. Which of the following business types would provide Dylan’s personal assets with protection from malpractice liability for his partners’ aggressive auditing tactics?
   A) Limited liability company        B) Proprietorship
   C) Partnership                       D) Limited liability partnership

79) Which of the following statements best defines accounting financial statements?
   A) Financial statements process information into reports.
   B) Financial statements are the verbal statements made to business news organizations by chief financial officers.
   C) Financial statements are the information system that measures business activities.
   D) Financial statements are documents that report on a business in monetary terms, providing information to help people make informed business decisions.

Case 1.3
The following is a list of account balances (all except owner’s equity) of Wilson Mowing Company as of December 31 of the first year of operation:

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The owner, J.D. Wilson, invested $3,000 at the beginning of the year and withdrew $12,000 during the year for his personal use.

80) Refer to Case 1.3. At the end of the year, what is net income?
   A) $21,200        B) $12,200        C) $24,100        D) $11,900
A trial balance is prepared and the sum of the debits equals the sum of the credits. Which of the following conclusions is correct?

A) The accounting equation is mathematically correct.
B) All of the transactions have been correctly posted.
C) All errors have been found and corrected.
D) All of the account balances are correct.

A bill is sent to a client for services rendered. It will be paid in the following accounting period. Which of the following would be true as a result of mailing the bill to the client?

A) There will be no effect on total assets.
B) Net income will increase.
C) Total liabilities will decrease.
D) Owner's equity will decrease.

A business makes a cash payment of $12,000 to a creditor. Which of the following occurs?

A) Cash is credited for $12,000.
B) Cash is debited for $12,000.
C) Accounts payable is credited for $12,000.
D) Both A and C.

A business completes services for $16,000 on account. Which of the following occurs?

A) Cash is debited for $16,000.
B) Accounts receivable is debited for $16,000.
C) Service revenue is credited for $16,000.
D) Both B and C.

Case 2.1
The following transactions have been journalized and posted to the proper accounts.

1. Mark Call invested $7,000 cash in his new design services business.
2. Mark paid the first month's rent with $700.
3. Mark purchased equipment by paying $2,000 down and executing a note payable for $4,500.
4. Mark purchased supplies for $850 cash.
5. Mark billed a client for $4,000 of design services completed
6. Mark received $3,000 of the account for the completed services.

Refer to Case 2.1. What is the balance in Cash?

A) $7,850
B) $6,450
C) $8,450
D) $8,150
A chart of accounts is which of the following?

A) A list of all the accounts with their balances.
B) A chronological record of transactions.
C) A list of all the accounts with their account numbers.
D) A book (or printout) holding all the accounts.

Under which of the following methods of accounting is an expense recorded ONLY when cash is paid?

A) Receivable
B) Deferral
C) Cash
D) Accrual

Robert Rogers, CPA, owns a computer used in his business. The matching principle would require that which of the following accounts appear on the income statement for the year ended December 31?

A) Accounts Receivable
B) Service Revenue
C) Depreciation Expense
D) Accumulated Depreciation

Robert Rogers, CPA, completed accounting services in December. A bill was mailed on December 30. A check arrived in the mail and was deposited on January 5. The revenue principle would require that which of the following accounts appear on the income statement for the year ended December 31?

A) Accounts Payable
B) Accounting Expense
C) Service Revenue
D) Accounts Receivable

The adjusting entry to record supplies expense accomplishes which of the following?

A) Decreases an asset and increases an expense
B) Decreases a liability and increases a revenue
C) Increases an asset and increases an expense
D) Decreases a liability and increases an expense

Which of the following amounts appears on both the income statement and the balance sheet?

A) net income
B) total assets
C) ending owner's equity
D) none of these amounts appear on both the income statement and the balance sheet.

Beginning owner's equity was $25,000. Ending owner's equity is $37,000. The owner's withdrawals were $23,000. What was net income or loss for the year:

A) Net income of $35,000
B) Net income of $16,000
C) Net loss of $35,000
D) Net loss of $14,000
93) Corporate ownership is a very popular type of ownership in the United States. Which of the following is a major reason that corporate ownership is popular?
   A) Corporate shareholders have limited liability for the debts of the corporation.
   B) The life of a corporation is limited by the death of an owner.
   C) Most corporations are small or medium-sized.
   D) A corporation is usually managed by the owners.

94) Which of the following accounts is an owner's equity account?
   A) Accounts Payable
   B) Capital
   C) Accrued Liability
   D) Prepaid Expense

95) Which of the following arithmetic formulas is the expanded accounting equation?
   A) Assets = Liabilities + Owner, capital - Owner, withdrawals + Revenues - Expenses
   B) Assets + Revenues - Expenses = Liabilities + Owner, capital - Owner, withdrawals
   C) Assets + Liabilities + Owner, capital = Owner, withdrawals + Revenues - Expenses
   D) Assets + Liabilities = Owner, capital - Owner, withdrawals + Revenues - Expenses

96) Under the accrual method of accounting, an expense is recorded at which of the following times?
   A) When payment for the expense is made
   B) When the expense is incurred
   C) At the end of the accounting period
   D) Both A and C

97) Businesses can be organized in a variety of forms. The types of business forms found in the U.S. include all of the following except one. Which one is NOT included?
   A) Proprietorship
   B) Partnership
   C) Tax shelter
   D) Corporation

98) Which of the following is a method used to detect errors when the two columns of the trial balance are NOT equal?
   A) Compute the difference in the columns and search the trial balance for the missing amount.
   B) Compute the difference in the columns and search the trial balance for a transposition if the difference is evenly divisible by 9.
   C) Compute the difference in the columns, divide the difference between total debits and total credits by 2 and search for the amount in the trial balance.
   D) All of the above are suggested methods for detecting errors.

99) What debit is required as part of the entry that will eventually require an adjusting entry to depreciation expense?
   A) A debit to an asset account
   B) A debit to a deferred revenue account
   C) A debit to a contra account
   D) A debit to an unearned expense account
100) A liability is paid with cash. How does paying this liability affect the accounting equation?

A) Liabilities decrease; owner’s equity increases  
B) Assets decrease; liabilities decrease  
C) Assets increase; liabilities decrease  
D) Assets increase; liabilities increase