

Test Bank for Financial and Managerial Accounting 2nd Edition by Weygandt Kimmel and Kieso

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Chap 2: The Recording Process

TRUE-FALSE STATEMENTS

1. A new account is opened for each transaction entered into by a business firm.
Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
2. The recording process becomes more efficient and informative if all transactions are recorded in one account.
Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
3. When the volume of transactions is large, recording them in tabular form is more efficient than using journals and ledgers.
Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
4. An account is often referred to as a T-account because of the way it is constructed.
Ans: T LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
5. A debit to an account indicates an increase in that account.
Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
6. If a revenue account is credited, the revenue account is increased.
Ans: T LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
7. The normal balance of all accounts is a debit.
Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
8. Debit and credit can be interpreted to mean increase and decrease, respectively.
Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
9. The double-entry system of accounting refers to the placement of a double line at the end of a column of figures.
Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
10. A credit balance in a liability account indicates that an error in recording has occurred.
Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
11. The dividends account is a subdivision of the retained earnings account and appears as an expense on the income statement.
Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
12. Revenues are a subdivision of retained earnings.
Ans: T LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
13. Under the double-entry system, revenues must always equal expenses.
Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
14. Transactions are entered in the ledger first and then they are analyzed in terms of their effect on the accounts.
Ans: F LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

15. Business documents can provide evidence that a transaction has occurred.
Ans: T LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
16. Each transaction must be analyzed in terms of its effect on the accounts before it can be recorded in a journal.
Ans: T LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
17. Transactions are entered in the ledger accounts and then transferred to journals.
Ans: F LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
18. All business transactions must be entered first in the general ledger.
Ans: F LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
19. A simple journal entry requires only one debit to an account and one credit to an account.
Ans: T LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
20. A compound journal entry requires several debits to one account and several credits to one account.
Ans: F LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
21. Transactions are recorded in alphabetic order in a journal.
Ans: F LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
22. A journal is also known as a book of original entry.
Ans: T LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
23. The complete effect of a transaction on the accounts is disclosed in the journal.
Ans: T LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
24. The account titles used in journalizing transactions need not be identical to the account titles in the ledger.
Ans: F LO3 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
25. The chart of accounts is a special ledger used in accounting systems.
Ans: F LO3 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
26. A general ledger should be arranged in the order in which accounts are presented in the financial statements, beginning with the balance sheet accounts.
Ans: T LO3 BT: C K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
27. The number and types of accounts used by different business enterprises are the same if generally accepted accounting principles are being followed by the enterprises.
Ans: F LO3 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
28. Posting is the process of proving the equality of debits and credits in the trial balance.
Ans: F LO3 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
29. After a transaction has been posted, the reference column in the journal should not be blank.
Ans: T LO3 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting
30. A trial balance does not prove that all transactions have been recorded or that the ledger is correct.
Ans: T LO4 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

31. The double-entry system is a logical method for recording transactions and results in equal debits and credits for each transaction.

Ans: T LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

32. The normal balance of an expense is a credit.

Ans: F LO1 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

33. The journal provides a chronological record of transactions.

Ans: T LO2 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

34. The ledger is merely a bookkeeping device and therefore does not provide much useful data for management.

Ans: F LO3 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

35. The chart of accounts is a listing of the accounts and the account numbers which identify their location in the ledger.

Ans: T LO3 BT: C Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

36. The primary purpose of a trial balance is to prove the mathematical equality of the debits and credits after posting.

Ans: T LO4 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

37. The trial balance will not balance when incorrect account titles are used in journalizing or posting.

Ans: F LO4 BT: K Difficulty: Easy TOT: .5 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Answers to True-False Statements

Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.
1.	F	7.	F	13.	F	19.	T	25.	F	31.	T	37.	F
2.	F	8.	F	14.	F	20.	F	26.	T	32.	F		
3.	F	9.	F	15.	T	21.	F	27.	F	33.	T		
4.	T	10.	F	16.	T	22.	T	28.	F	34.	F		
5.	F	11.	F	17.	F	23.	T	29.	T	35.	T		
6.	T	12.	T	18.	F	24.	F	30.	T	36.	T		

MULTIPLE CHOICE QUESTIONS

38. An account consists of
- one part.
 - two parts.
 - three parts.
 - four parts.

Ans: c LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

39. The left side of an account is
- blank.
 - a description of the account.
 - the debit side.
 - the balance of the account.

Ans: c LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

40. Which one of the following is **not** a part of an account?
- Credit side
 - Trial balance
 - Debit side
 - Title

Ans: b LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

41. An account is a part of the financial information system and is described by all **except** which one of the following?
- An account has a debit and credit side.
 - An account is a source document.
 - An account may be part of a manual or a computerized accounting system.
 - An account has a title.

Ans: b LO1 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

42. The right side of an account
- is the correct side.
 - reflects all transactions for the accounting period.
 - shows all the balances of the accounts in the system.
 - is the credit side.

Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

43. An account consists of
- a title, a debit balance, and a credit balance.
 - a title, a left side, and a debit balance.
 - a title, a debit side, and a credit side.
 - a title, a right side, and a debit balance.

Ans: c LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

44. A T-account is
- a way of depicting the basic form of an account.
 - what the computer uses to organize bytes of information.
 - a special account used instead of a trial balance.
 - used for accounts that have both a debit and credit balance.

Ans: a LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

45. Credits
- decrease both assets and liabilities.
 - decrease assets and increase liabilities.
 - increase both assets and liabilities.
 - increase assets and decrease liabilities.

Ans: b LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

46. A debit to an asset account indicates
- an error.
 - a credit was made to a liability account.
 - a decrease in the asset.
 - an increase in the asset.

Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

47. The normal balance of any account is the
- left side.
 - right side.
 - side which increases that account.
 - side which decreases that account.

Ans: c LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

48. The double-entry system requires that each transaction must be recorded
- in at least two different accounts.
 - in two sets of books.
 - in a journal and in a ledger.
 - first as a revenue and then as an expense.

Ans: a LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

49. A credit is **not** the normal balance for which account listed below?
- Common stock account
 - Revenue account
 - Liability account
 - Dividends account

Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

50. Which one of the following represents the expanded basic accounting equation?
- Assets = Liabilities + Common stock + Retained Earnings + Dividends – Revenues – Expenses.
 - Assets + Dividends + Expenses = Liabilities + Common stock + Retained Earnings + Revenues.
 - Assets – Liabilities – Dividends = Common stock + Retained Earnings + Revenues – Expenses.
 - Assets = Revenues + Expenses – Liabilities.

Ans: b LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

51. Which of the following correctly identifies normal balances of accounts?

- | | |
|----------------------|--------|
| Assets | Debit |
| Liabilities | Credit |
| Stockholders' Equity | Credit |
| Revenues | Debit |
| Expenses | Credit |
- | | |
|----------------------|--------|
| Assets | Debit |
| Liabilities | Credit |
| Stockholders' Equity | Credit |
| Revenues | Credit |
| Expenses | Credit |
- | | |
|----------------------|--------|
| Assets | Credit |
| Liabilities | Debit |
| Stockholders' Equity | Debit |
| Revenues | Credit |
| Expenses | Debit |
- | | |
|----------------------|--------|
| Assets | Debit |
| Liabilities | Credit |
| Stockholders' Equity | Credit |
| Revenues | Credit |
| Expenses | Debit |

Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

52. The best interpretation of the word credit is the

- offset side of an account.
- increase side of an account.
- right side of an account.
- decrease side of an account.

Ans: c LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

53. In recording an accounting transaction in a double-entry system

- the number of debit accounts must equal the number of credit accounts.
- there must always be entries made on both sides of the accounting equation.
- the amount of the debits must equal the amount of the credits.
- there must only be two accounts affected by any transaction.

Ans: c LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

54. A debit is **not** the normal balance for which account listed below?
- a. Dividends
 - b. Cash
 - c. Accounts Receivable
 - d. Service Revenue

Ans: d LO1 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

55. An accountant has debited an asset account for \$1,200 and credited a liability account for \$500. What can be done to complete the recording of the transaction?
- a. Nothing further must be done.
 - b. Debit a Stockholders' equity account for \$700.
 - c. Debit another asset account for \$700.
 - d. Credit a different asset account for \$700.

Ans: d LO1 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

56. An accountant has debited an asset account for \$1,300 and credited a liability account for \$500. Which of the following would be an **incorrect** way to complete the recording of the transaction?
- a. Credit an asset account for \$800.
 - b. Credit another liability account for \$800.
 - c. Credit a Stockholders' account for \$800.
 - d. Debit a Stockholders' account for \$800.

Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

57. Which of the following is **not** true of the terms debit and credit?
- a. They can be abbreviated as Dr. and Cr.
 - b. They can be interpreted to mean increase and decrease.
 - c. They can be used to describe the balance of an account.
 - d. They can be interpreted to mean left and right.

Ans: b LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

58. An account will have a credit balance if the
- a. credits exceed the debits.
 - b. first transaction entered was a credit.
 - c. debits exceed the credits.
 - d. last transaction entered was a credit.

Ans: a LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

59. For the basic accounting equation to stay in balance, each transaction recorded must
- a. affect two or less accounts.
 - b. affect two or more accounts.
 - c. always affect exactly two accounts.
 - d. affect the same number of asset and liability accounts.

Ans: b LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

60. Which of the following statements is true?
- a. Debits increase assets and increase liabilities.
 - b. Credits decrease assets and decrease liabilities.
 - c. Credits decrease assets and increase liabilities.
 - d. Debits decrease liabilities and decrease assets.

Ans: c LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

61. Assets normally show
- a. credit balances.
 - b. debit balances.
 - c. debit and credit balances.
 - d. debit or credit balances.

Ans: b LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

62. An awareness of the normal balances of accounts would help you spot which of the following as an error in recording?
- a. A debit balance in the dividends account
 - b. A credit balance in an expense account
 - c. A credit balance in a liabilities account
 - d. A credit balance in a revenue account

Ans: b LO1 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

63. If a company has overdrawn its bank balance, then
- a. its cash account will show a debit balance.
 - b. its cash account will show a credit balance.
 - c. the cash account debits will exceed the cash account credits.
 - d. it cannot be detected by observing the balance of the cash account.

Ans: b LO1 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

64. Which account below is **not** a subdivision of retained earnings?
- a. Dividends
 - b. Revenues
 - c. Expenses
 - d. Common stock

Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

65. When a company distributes dividends
- a. it doesn't have to be cash, it could be another asset.
 - b. the dividends account will be increased with a credit.
 - c. the retained earnings account will be directly increased with a debit.
 - d. the dividends account will be decreased with a debit.

Ans: a LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

66. The Dividends account
- appears on the income statement along with the expenses of the business.
 - must show transactions every accounting period.
 - is increased with debits and decreased with credits.
 - is not a proper subdivision of retained earnings.

Ans: c LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

67. Which of the following statements is **incorrect**?
- Expenses increase stockholders' equity.
 - Expenses have normal debit balances.
 - Expenses decrease stockholders' equity.
 - Expenses are a negative factor in the computation of net income.

Ans: a LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

68. A credit to a liability account
- indicates an increase in the amount owed to creditors.
 - indicates a decrease in the amount owed to creditors.
 - is an error.
 - must be accompanied by a debit to an asset account.

Ans: a LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

69. In the first month of operations, the total of the debit entries to the cash account amounted to \$1,200 and the total of the credit entries to the cash account amounted to \$800. The cash account has a(n)
- \$800 credit balance.
 - \$1,200 debit balance.
 - \$400 debit balance.
 - \$400 credit balance.

Ans: c LO2 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

70. TransAm Mail Service purchased equipment for \$2,500. TransAm paid \$400 in cash and signed a note for the balance. TransAm debited the Equipment account, credited Cash and
- nothing further must be done.
 - debited the retained earnings account for \$2,100.
 - credited another asset account for \$400.
 - credited a liability account for \$2,100.

Ans: d LO2 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

71. Radio Moscow Industries purchased supplies for \$1,000. They paid \$400 in cash and agreed to pay the balance in 30 days. The journal entry to record this transaction would include a debit to an asset account for \$1,000, a credit to a liability account for \$600. Which of the following would be the correct way to complete the recording of the transaction?
- Credit an asset account for \$400.
 - Credit another liability account for \$400.
 - Credit the retained earnings account for \$400.
 - Debit the retained earnings account for \$400.

Ans: a LO2 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

72. On January 14, Edamame Industries purchased supplies of \$700 on account. The entry to record the purchase will include
- a debit to Supplies and a credit to Accounts Payable.
 - a debit to Supplies Expense and a credit to Accounts Receivable.
 - a debit to Supplies and a credit to Cash.
 - a debit to Accounts Receivable and a credit to Supplies.

Ans: a LO2 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

73. On June 1, 2015, Portugal Inc. reported a cash balance of \$12,000. During June, Portugal made deposits of \$5,000 and made disbursements totalling \$14,000. What is the cash balance at the end of June?
- \$3,000 debit balance
 - \$17,000 debit balance
 - \$3,000 credit balance
 - \$2,000 credit balance

Ans: a LO1 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

74. At January 1, 2015, Alligator Industries reported retained earnings of \$150,000. During 2015, Alligator had a net loss of \$30,000 and paid dividends of \$15,000. At December 31, 2015, the amount of retained earnings is
- \$105,000.
 - \$120,000.
 - \$135,000.
 - \$165,000.

Ans: a LO1 BT: AP Difficulty: Easy TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

75. Mt. Zion Inc. pays its employees twice a month, on the 7th and the 21st. On June 21, Mt. Zion Inc. paid employee salaries of \$5,000. This transaction would
- increase stockholders' equity by \$5,000.
 - decrease the balance in Salaries and Wages Expense by \$5,000.
 - decrease net income for the month by \$5,000.
 - be recorded by a \$5,000 debit to Salaries and Wages Payable and a \$4,000 credit to Salaries and Wages Expense.

Ans: c LO1 BT: AN Difficulty: Medium TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

76. In the first month of operations for Gallowsbird Industries, the total of the debit entries to the cash account amounted to \$36,000 (\$16,000 investment by stockholders and revenues of \$20,000). The total of the credit entries to the cash account amounted to \$22,000 (purchase of equipment \$8,000 and payment of expenses \$14,000). At the end of the month, the cash account has a(n)
- \$6,000 credit balance.
 - \$6,000 debit balance.
 - \$14,000 debit balance.
 - \$14,000 credit balance.

Ans: c LO1 BT: AP Difficulty: Easy TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

77 Chik Chik Company showed the following balances at the end of its first year:

Cash	\$ 6,000
Prepaid insurance	9,400
Accounts receivable	7,000
Accounts payable	5,600
Notes payable	8,400
Common stock	2,800
Dividends	1,400
Revenues	44,000
Expenses	35,000

What did Chik Chik Company show as total credits on its trial balance?

- a. \$51,400
- b. \$60,800
- c. \$62,200
- d. \$70,200

Ans: b LO4 BT: AP Difficulty: Medium TOT: 2 min. AACSB: RT AICPA BB: CT AICPA PC: PS

78. Electrelane Company showed the following balances at the end of its first year:

Cash	\$ 4,000
Prepaid insurance	7,000
Accounts receivable	5,000
Accounts payable	4,000
Notes payable	6,000
Common stock	2,000
Dividends	1,000
Revenues	32,000
Expenses	25,000

What did Electrelane Company show as total credits on its trial balance?

- a. \$9,000
- b. \$44,000
- c. \$45,000
- d. \$49,000

Ans: b LO4 BT: AP Difficulty: Medium TOT: 2 min. AACSB: RT AICPA BB: CT AICPA PC: PS

79. During February 2015 its first month of operations, the stockholders of Ariel Pink Enterprises invested cash of \$50,000. Ariel had cash revenues of \$10,000 and paid expenses of \$14,000. Assuming no other transactions impacted the cash account, what is the balance in Cash at February 28?

- a. \$4,000 credit
- b. \$4,000 debit
- c. \$46,000 debit
- d. \$54,000 debit

Ans: c LO1 BT: AP Difficulty: Easy TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

80. At January 31, 2015, the balance in Aislars Inc.'s supplies account was \$750. During February, Aislars purchased supplies of \$900 and used supplies of \$1,125. At the end of February, the balance in the supplies account should be
- \$525 debit.
 - \$975 debit.
 - \$525 credit.
 - \$775 debit.

Ans: a LO1 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

81. At December 1, 2015, Cursive Company's accounts receivable balance was \$1,800. During December, Cursive had revenues on account of \$7,200 and collected accounts receivable of \$6,000. At December 31, 2015, the accounts receivable balance is
- \$600 debit.
 - \$3,000 debit.
 - \$600 credit.
 - \$3,000 credit.

Ans: b LO1 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

82. At October 1, 2015, Padilla Industries had an accounts payable balance of \$40,000. During the month, the company made purchases on account of \$33,000 and made payments on account of \$48,000. At October 31, 2015, the accounts payable balance is
- \$25,000.
 - \$41,000.
 - \$55,000.
 - \$121,000.

Ans: a LO1 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

83. During 2015, its first year of operations, Neko's Bakery had revenues of \$60,000 and expenses of \$35,000. The business paid dividends of \$20,000. What is the amount of stockholders' equity at December 31, 2015?
- \$0
 - \$5,000 credit
 - \$25,000 credit
 - \$20,000 debit

Ans: b LO1 BT: C Difficulty: Medium TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

84. On July 7, 2015, Hidden Camera Enterprises performed cash services of \$1,700. The entry to record this transaction would include
- a debit to Service Revenue of \$1,700.
 - a credit to Accounts Receivable of \$1,700.
 - a debit to Cash of \$1,700.
 - a credit to Accounts Payable of \$1,700.

Ans: c LO2 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

85. At September 1, 2015, Promise Ring Co. reported stockholders' equity of \$156,000. During the month, Promise Ring generated revenues of \$38,000, incurred expenses of \$21,000, purchased equipment for \$5,000 and paid dividends of \$2,000. What is the amount of stockholders' equity at September 30, 2015?
- \$166,000
 - \$171,000
 - \$173,000
 - \$176,000

Ans: b LO1 BT: AP Difficulty: Medium TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

86. The final step in the recording process is to
- analyze each transaction.
 - enter the transaction in a journal.
 - prepare a trial balance.
 - transfer journal information to ledger accounts.

Ans: d LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

87. The usual sequence of steps in the transaction recording process is:
- journal → analyze → ledger.
 - analyze → journal → ledger.
 - journal → ledger → analyze.
 - ledger → journal → analyze.

Ans: b LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

88. In recording business transactions, evidence that an accounting transaction has taken place is obtained from
- business documents.
 - the Internal Revenue Service.
 - the public relations department.
 - the SEC.

Ans: a LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

89. After a business transaction has been analyzed and entered in the book of original entry, the next step in the recording process is to transfer the information to
- the company's bank.
 - stockholders' equity.
 - ledger accounts.
 - financial statements.

Ans: c LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

90. The first step in the recording process is to
- prepare financial statements.
 - analyze each transaction for its effect on the accounts.
 - post to a journal.
 - prepare a trial balance.

Ans: b LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

91. Evidence that would **not** help with determining the effects of a transaction on the accounts would be a(n)
- cash register sales tape.
 - bill.
 - advertising brochure.
 - check.

Ans: c LO2 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

92. After transaction information has been recorded in the journal, it is transferred to the
- trial balance.
 - income statement.
 - book of original entry.
 - ledger.

Ans: d LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

93. The usual sequence of steps in the recording process is to analyze each transaction, enter the transaction in the
- journal, and transfer the information to the ledger accounts.
 - ledger, and transfer the information to the journal.
 - book of accounts, and transfer the information to the journal.
 - book of original entry, and transfer the information to the journal.

Ans: a LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

94. The final step in the recording process is to transfer the journal information to the
- trial balance.
 - financial statements.
 - ledger.
 - file cabinets.

Ans: c LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

95. The recording process occurs
- once a year.
 - once a month.
 - repeatedly during the accounting period.
 - infrequently in a manual accounting system.

Ans: c LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

96. A compound journal entry involves
- two accounts.
 - three accounts.
 - three or more accounts.
 - four or more accounts.

Ans: c LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

97. A journal provides
- the balances for each account.
 - information about a transaction in several different places.
 - a list of all accounts used in the business.
 - a chronological record of transactions.

Ans: d LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

98. When three or more accounts are required in one journal entry, the entry is referred to as a
- compound entry.
 - triple entry.
 - multiple entry.
 - simple entry.

Ans: a LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

99. When two accounts are required in one journal entry, the entry is referred to as a
- balanced entry.
 - simple entry.
 - posting.
 - nominal entry.

Ans: b LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

100. Another name for journal is
- listing.
 - book of original entry.
 - book of accounts.
 - book of source documents.

Ans: b LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

101. The standard format of a journal would **not** include
- a reference column.
 - an account title column.
 - a T-account.
 - a date column.

Ans: c LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

102. Transactions in a journal are recorded in
- account number order.
 - dollar amount order.
 - alphabetical order.
 - chronological order.

Ans: d LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

103. A journal is **not** useful for
- disclosing in one place the complete effect of a transaction.
 - preparing financial statements.
 - providing a record of transactions.
 - locating and preventing errors.

Ans: b LO2 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

104. A complete journal entry does **not** show
- the date of the transaction.
 - the new balance in the accounts affected by the transaction.
 - a brief explanation of the transaction.
 - the accounts and amounts to be debited and credited.

Ans: b LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

105. The name given to entering transaction data in the journal is
- chronicling.
 - listing.
 - posting.
 - journalizing.

Ans: d LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

106. The standard form of a journal entry has the
- debit account entered first and indented.
 - credit account entered first and indented.
 - debit account entered first at the extreme left margin.
 - credit account entered first at the extreme left margin.

Ans: c LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

107. When journalizing, the reference column is
- left blank.
 - used to reference the source document.
 - used to reference the journal page.
 - used to reference the financial statements.

Ans: a LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

108. On June 1, 2015 Ted Leo buys a copier machine for his business and finances this purchase with cash and a note. When journalizing this transaction, he will
- use two journal entries.
 - make a compound entry.
 - make a simple entry.
 - list the credit entries first, which is proper form for this type of transaction.

Ans: b LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

109. Which of the following journal entries is recorded correctly and in the standard format?
- a. Salaries and Wages Expense500
 Cash 1,500
 Advertising Expense 1,000
- b. Salaries and Wages Expense 500
 Advertising Expense 1,000
 Cash 1,500
- c. Cash 1,500
 Salaries and Wages Expense 500
 Advertising Expense 1,000
- d. Salaries and Wages Expense 500
 Advertising Expense 1,000
 Cash 1,500

Ans: d LO2 BT: AN Difficulty: Easy TOT: 1 min. AACSB: Analysis AICPA BB: CT AICPA PC: PS

110. The ledger should be arranged in
- alphabetical order.
 - chronological order.
 - dollar amount order.
 - financial statement order.

Ans: d LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

111. The entire group of accounts maintained by a company is called the
- chart of accounts.
 - general journal.
 - general ledger.
 - trial balance.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

112. An accounting record of the balances of all assets, liabilities, and stockholders' equity accounts is called a
- compound entry.
 - general journal.
 - general ledger.
 - chart of accounts.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

113. The usual order of accounts in the general ledger is
- assets, liabilities, common stock, retained earnings, dividends, revenues, and expenses.
 - assets, liabilities, dividends, common stock, retained earnings, expenses, and revenues.
 - liabilities, assets, common stock, retained earnings, revenues, expenses, and dividends.
 - common stock, retained earnings, assets, liabilities, dividends, expenses, and revenues.

Ans: a LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

114. Management could determine the amounts due from customers by examining which ledger account?
- Service Revenue
 - Accounts Payable
 - Accounts Receivable
 - Supplies

Ans: c LO3 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

115. The ledger accounts should be arranged in
- chronological order.
 - alphabetical order.
 - financial statement order.
 - order of appearance in the journal.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

116. A three column form of account is so named because it has columns for
- debit, credit, and account name.
 - debit, credit, and reference.
 - debit, credit, and balance.
 - debit, credit, and date.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

117. On August 13, 2015, Swell Maps Enterprises purchased equipment for \$1,300 and supplies of \$200 on account. Which of the following journal entries is recorded correctly and in the standard format?

- | | | |
|-----------------------|-------|-------|
| Equipment..... | 1,300 | |
| Account Payable | | 1,500 |
| Supplies..... | 200 | |
- | | | |
|------------------------|-------|--|
| Equipment..... | 1,300 | |
| Supplies..... | 200 | |
| Accounts Payable | 1,500 | |
- | | | |
|-----------------------|-------|-------|
| Accounts Payable..... | 1,500 | |
| Equipment | | 1,300 |
| Supplies | | 200 |
- | | | |
|-----------------------|-------|-------|
| Equipment..... | 1,300 | |
| Supplies..... | 200 | |
| Accounts Payable..... | | 1,500 |

Ans: d LO3 BT: AP Difficulty: Medium TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

118. Delta72 Company received a cash advance of \$700 from a customer. As a result of this event,
- assets increased by \$700.
 - stockholders' equity increased by \$700.
 - liabilities decreased by \$700.
 - assets and stockholders' equity increased by \$700.

Ans: a LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

119. Camper Van Company purchased equipment for \$2,600 cash. As a result of this event,
- stockholders' equity decreased by \$2,600.
 - total assets increased by \$2,600.
 - total assets remained unchanged.
 - stockholders' equity decreased and total assets increased by \$2,600.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

120. Beethoven Company provided consulting services and billed the client \$3,100. As a result of this event,
- assets remained unchanged.
 - assets increased by \$3,100.
 - stockholders' equity increased by \$3,100.
 - assets and stockholders' equity both increased by \$3,100.

Ans: d LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

121. The first step in posting involves
- entering in the appropriate ledger account the date, journal page, and debit amount shown in the journal.
 - writing in the journal the account number to which the debit amount was posted.
 - writing in the journal the account number to which the credit amount was posted.
 - entering in the appropriate ledger account the date, journal page, and credit amount shown in the journal.

Ans: a LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

122. A chart of accounts usually starts with
- asset accounts.
 - expense accounts.
 - liability accounts.
 - revenue accounts.

Ans: a LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

123. The procedure of transferring journal entries to the ledger accounts is called
- journalizing.
 - analyzing.
 - reporting.
 - posting.

Ans: d LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

124. A number in the reference column in a general journal indicates
- that the entry has been posted to a particular account.
 - the page number of the journal.
 - the dollar amount of the transaction.
 - the date of the transaction.

Ans: a LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

125. A chart of accounts for a business firm
- is a graph.
 - indicates the amount of profit or loss for the period.
 - lists the accounts and account numbers that identify their location in the ledger.
 - shows the balance of each account in the general ledger.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

126. Posting
- should be performed in account number order.
 - accumulates the effects of journalized transactions in the individual accounts.
 - involves transferring all debits and credits on a journal page to the trial balance.
 - is accomplished by examining ledger accounts and seeing which ones need updating.

Ans: b LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

127. After journal entries are posted, the reference column
- of the general journal will be blank.
 - of the general ledger will show journal page numbers.
 - of the general journal will show "Dr" or "Cr".
 - of the general ledger will show account numbers.

Ans: b LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

128. The explanation column of the general ledger
- is completed without exception.
 - is nonexistent.
 - is used infrequently.
 - shows account titles.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

129. A numbering system for a chart of accounts
- is prescribed by GAAP.
 - is uniform for all businesses.
 - usually starts with income statement accounts.
 - usually starts with balance sheet accounts.

Ans: d LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

130. The steps in preparing a trial balance include all of the following **except**
- listing the account titles and their balances.
 - totaling the debit and credit columns.
 - proving the equality of the two columns.
 - transferring journal amounts to ledger accounts.

Ans: d LO4 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

131. A trial balance may balance even when each of the following occurs **except** when
- a transaction is not journalized.
 - a journal entry is posted twice.
 - incorrect accounts are used in journalizing.
 - a transposition error is made.

Ans: d LO4 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

132. A list of accounts and their balances at a given time is called a(n)
- journal.
 - posting.
 - trial balance.
 - income statement.

Ans: c LO4 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

133. If the sum of the debit column equals the sum of the credit column in a trial balance, it indicates
- no errors have been made.
 - no errors can be discovered.
 - that all accounts reflect correct balances.
 - the mathematical equality of the accounting equation.

Ans: d LO4 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

134. A trial balance is a listing of
- transactions in a journal.
 - the chart of accounts.
 - general ledger accounts and balances.
 - the totals from the journal pages.

Ans: c LO4 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

135. Customarily, a trial balance is prepared
- at the end of each day.
 - after each journal entry is posted.
 - at the end of an accounting period.
 - only at the inception of the business.

Ans: c LO4 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

136. A trial balance would only help in detecting which one of the following errors?
- A transaction that is not journalized
 - A journal entry that is posted twice
 - Offsetting errors are made in recording the transaction
 - A transposition error when transferring the debit side of journal entry to the ledger

Ans: d LO4 BT: C Difficulty: Medium TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

137. An account is an individual accounting record of increases and decreases in specific
- liabilities.
 - assets.
 - expenses.
 - assets, liabilities, and stockholders' equity items.

Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

138. A debit is **not** the normal balance for which of the following?
- Asset account
 - Dividends account
 - Expense account
 - Common stock account

Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

139. Which of the following rules is **incorrect**?
- Credits decrease the dividends account.
 - Debits increase the common stock account.
 - Credits increase revenue accounts.
 - Debits decrease liability accounts.

Ans: b LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

140. Which of the following statements is **false**?
- Revenues increase stockholders' equity.
 - Revenues have normal credit balances.
 - Revenues are a positive factor in the computation of net income.
 - Revenues are increased by debits.

Ans: d LO1 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

141. Which of the following is the correct sequence of steps in the recording process?
- Posting, journalizing, analyzing
 - Journalizing, analyzing, posting
 - Analyzing, posting, journalizing
 - Analyzing, journalizing, posting

Ans: d LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

142. Which of the following is **false** about a journal?
- It discloses in one place the complete effects of a transaction.
 - It provides a chronological record of transactions.
 - It helps to prevent or locate errors because debit and credit amounts for each entry can be readily compared.
 - It keeps in one place all the information about changes in specific account balances.

Ans: d LO2 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

143. Deerhoof Company purchases equipment for \$2,700 and supplies for \$400 from Milkman Co. for \$3,100 cash. The entry for this transaction will include a
- debit to Equipment \$2,700 and a debit to Supplies Expense \$400 for Milkman.
 - credit to Cash for Milkman.
 - credit to Accounts Payable for Deerhoof.
 - debit to Equipment \$2,700 and a debit to Supplies \$400 for Deerhoof.

Ans: d LO2 BT: AP Difficulty: Medium TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

144. Devendra Company pays cash dividends of \$600. The entry for this transaction will include a debit of \$600 to
- Dividends
 - Retained Earnings.
 - Owner's Salaries Expense.
 - Salaries and Wages Expense.

Ans: a LO2 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

145. On October 3, Karl Schickele, a carpenter, received a cash payment for services previously billed to a client. Karl paid his telephone bill, and he also bought equipment on credit. For the three transactions, at least one of the entries will include a
- credit to Retained Earnings.
 - credit to Notes Payable.
 - debit to Accounts Receivable.
 - credit to Accounts Payable.

Ans: d LO2 BT: AN Difficulty: Medium TOT: 2 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

146. Posting of journal entries should be done in
- account number order.
 - alphabetical order.
 - chronological order.
 - dollar amount order.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

147. The chart of accounts is a
- list of accounts and their balances at a given time.
 - device used to prove the mathematical accuracy of the ledger.
 - listing of the accounts and the account numbers which identify their location in the ledger.
 - required step in the recording process.

Ans: c LO3 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

148. Which of the following is **incorrect** regarding a trial balance?
- It proves that the debits equal the credits after posting.
 - It proves that the company has recorded all transactions.
 - A trial balance uncovers errors in journalizing and posting.
 - A trial balance is useful in the preparation of financial statements.

Ans: b LO4 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

149. A trial balance will **not** balance if
- a journal entry is posted twice.
 - a wrong amount is used in journalizing.
 - incorrect account titles are used in journalizing.
 - a journal entry is only partially posted.

Ans: d LO4 BT: C Difficulty: Medium TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

150. Which of the following are the same under both GAAP and IFRS?
- The account.
 - Debit and credit rules.
 - Steps in the recording process.
 - All of these answers are correct.

IFRS. Ans: d LO5 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

151. Which of the following are the same under both GAAP and IFRS?
- The journal.
 - The ledger.
 - The chart of accounts.
 - All of these answers are correct.

IFRS. Ans: d LO5 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

152. Which of the following is true?
- Transaction analysis is completely different under IFRS and GAAP.
 - Most transactions are recorded differently under IFRS and GAAP.
 - Transaction analysis is the same under IFRS and GAAP, but some transactions are recorded differently.
 - All transactions are recorded the same under IFRS and GAAP.

IFRS. Ans: c LO5 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

153. European companies rely
- less on historical cost and more on fair values than U.S. companies.
 - less on fair values and more on historical cost than U.S. companies.
 - completely on fair values for financial reporting.
 - completely on historical cost for financial reporting.

IFRS. Ans: a LO5 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

154. The double–entry accounting system is the basis of accounting systems
- worldwide.
 - worldwide, except for the U.S.
 - in the U.S. only
 - neither internationally nor in the U.S.

IFRS. Ans: a LO5 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

155. Under IFRS, the trial balance
- follows the same format as under GAAP.
 - shows credits on the left and debits on the right.
 - includes less accounts than under GAAP.
 - includes more accounts than under GAAP.

IFRS. Ans: a LO5 BT: K Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

Answers to Multiple Choice Questions

Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.
38.	c	55.	d	73.	a	91.	c	109.	d	127.	b	145.	d
39.	c	56.	d	74.	a	92.	d	110.	d	128.	c	146.	c
40.	b	57.	b	75.	c	93.	a	111.	c	129.	d	147.	c
41.	b	58.	a	76.	c	94.	c	112.	c	130.	d	148.	b
42.	d	59.	b	77.	b	95.	c	113.	a	131.	d	149.	d
43.	c	60.	c	78.	b	96.	c	114.	c	132.	c	150.	d
44.	a	61.	b	79.	c	97.	d	115.	c	133.	d	151.	d
45.	b	62.	b	80.	a	98.	a	116.	c	134.	c	152.	c
46.	d	63.	b	81.	b	99.	b	117.	d	135.	c	153.	a
47.	c	64.	d	82.	a	100.	b	118.	a	136.	d	154.	a
48.	a	65.	a	83.	b	101.	c	119.	c	137.	d	155.	a
49.	d	66.	c	84.	c	102.	d	120.	d	138.	d		
50.	b	67.	a	85.	b	103.	b	121.	a	139.	b		
51.	d	68.	a	86.	d	104.	b	122.	a	140.	d		
52.	c	69.	c	87.	b	105.	d	123.	d	141.	d		
53.	c	70.	d	88.	a	106.	c	124.	a	142.	d		
		71.	a	89.	c	107.	a	125.	c	143.	d		
54.	d	72.	a	90.	b	108.	b	126.	b	144.	a		

