

Accounting Ch's 1-7 Review 2020

True/False

Indicate whether the statement is true or false.

- ___ 1. Responsibility is one example of a personality trait.
- ___ 2. The more you know about yourself, the easier it will be to make career choices.
- ___ 3. The Internet is a source of educational and career information.
- ___ 4. In the U.S. economy, for-profit businesses are outnumbered by not-for-profit organizations.
- ___ 5. Today, most accounting work is still done with pencil and paper.
- ___ 6. AT&T is an example of a not-for-profit organization.
- ___ 7. All types of businesses sell a product.
- ___ 8. For accounting purposes, a business is an entity separate from its owners.
- ___ 9. A business owner must always get permission to operate from the state government.
- ___ 10. The corporation is the easiest form of business to organize.
- ___ 11. Corporations often start out as sole proprietorships or partnerships.
- ___ 12. A business is earning a profit if the selling price of its product covers the cost of the raw materials needed to make the product.
- ___ 13. The life of a business is divided into specific periods for reporting purposes.
- ___ 14. GAAP is a way to communicate financial information in a form understood by those interested in the operations and financial condition of the business.
- ___ 15. After each transaction, the basic accounting equation should remain in balance.
- ___ 16. "Assets + Liabilities = Owner's Equity" is another way to express the basic accounting equation.
- ___ 17. The increases and decreases caused by business transactions are recorded in specific accounts.
- ___ 18. The free enterprise system is based on the right to own property.
- ___ 19. The owner's claims to the assets of a business are liabilities.
- ___ 20. A creditor has a financial claim to the assets of a business.
- ___ 21. An account is a record of only the increases in the balance of a specific item such as cash or equipment.

- ___ 22. An asset account appears on the right side of the accounting equation and is also increased on the right side of its T account.
- ___ 23. A business groups its accounts in a ledger.
- ___ 24. A business transaction can affect two accounts on the same side of the accounting equation and still leave the equation in balance.
- ___ 25. The difference between the debit and credit amounts in an account is the account balance.
- ___ 26. Expenses decrease owner's equity and are recorded as debits.
- ___ 27. The rules of debit and credit for expense accounts are the same as the rules for asset accounts.
- ___ 28. The withdrawal of cash by the owner of a business decreases owner's equity.
- ___ 29. Expenses have the opposite effect from revenue on the capital account.
- ___ 30. Temporary capital accounts are extensions of the owner's capital account.
- ___ 31. Permanent accounts start each accounting period with a zero balance.
- ___ 32. A fiscal period may be one month, three months, six months, or even one year, but usually it is one year.
- ___ 33. An accounting period that begins on July 1 and ends on June 30 is a calendar-year accounting period.
- ___ 34. For every transaction recorded in the general journal, these items are always written: date, account titles, amounts, and source document or brief explanation.
- ___ 35. If an error is discovered immediately after journalizing, a single ruling should be placed through the incorrect data and the correct information should be written above it.
- ___ 36. To verify a source document means to check the accuracy of the information on it.
- ___ 37. Since the debit and credit amounts in a business transaction are the same, the order in which the account titles are recorded in the general journal does not matter.
- ___ 38. Dollar signs, commas, and decimals are not used when entering amounts in the journal.
- ___ 39. The title of the account to be credited is indented from the left edge of the Description column so it can be easily distinguished from the debit part of the transaction.
- ___ 40. Never erase an error in a journal entry because an erasure looks suspicious.
- ___ 41. The type of source document prepared depends upon the nature of the transaction.
- ___ 42. The ledger account form used by Zip Delivery Service is a three-column account form.

- ____ 43. How often posting occurs depends on the size of the business, the number of transactions, and whether posting is done manually or electronically.
- ____ 44. Every posting requires the year, month, and day to be entered in the Date column of the ledger account for every transaction.
- ____ 45. Every amount posted will either increase or decrease the balance of a ledger account.
- ____ 46. The notation "G3" in the Posting Reference column of a ledger account indicates the data was posted from general journal page 3.
- ____ 47. Every journal entry requires a posting to at least two ledger accounts.
- ____ 48. In the preparation of a trial balance, all accounts are listed in the order in which they appear on the chart of accounts, including those accounts with a zero balance.
- ____ 49. An error discovered before posting is usually corrected with a journal entry.
- ____ 50. A trial balance is prepared after posting is completed.

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- ____ 51. The amount of money earned after the costs of operating a business are paid is ____.
- | | |
|------------|------------|
| a. revenue | c. expense |
| b. profit | d. capital |
- ____ 52. To survive, a business must ____.
- | |
|--|
| a. make a product consumers want and report profits to the IRS |
| b. earn a profit and invest excess profits |
| c. earn a profit and have someone willing to take the risk to run it |
| d. have adequate start-up capital and prepare periodic reports |
- ____ 53. Which of the following would **not** be considered a service business?
- | | |
|-----------------------------|---------------------|
| a. General Motors | c. Delta Air Lines |
| b. North American Van Lines | d. Alamo Rent a Car |
- ____ 54. The most common time period covered by an accounting report is one ____.
- | | |
|------------|----------|
| a. quarter | c. month |
| b. year | d. week |
- ____ 55. The assumption that requires accounting reports to be prepared for a specific period of time is ____.
- | | |
|--------------------|----------------------|
| a. unit of measure | c. business entity |
| b. going concern | d. accounting period |
- ____ 56. The account Accounts Receivable is an example of a(n) ____.
- | | |
|--------------|----------------------|
| a. asset | c. owner's equity |
| b. liability | d. none of the above |
- ____ 57. All of the following account titles are asset titles **except** ____.
- | | |
|---------------------|-----------------|
| a. Office Furniture | c. Cash in Bank |
|---------------------|-----------------|

b. Accounts Payable

d. Equipment

- ____ 58. A business transaction that involves a purchase on account is considered to be a(n) ____.
- | | |
|-----------------------|----------------------------|
| a. cash transaction | c. investment by the owner |
| b. credit transaction | d. expense transaction |
- ____ 59. The purchase of a desk on account will increase Office Furniture and will also increase ____.
- | | |
|---------------------|---------------------------|
| a. Cash in Bank | c. Accounts Receivable |
| b. Accounts Payable | d. Marie Krabish, Capital |
- ____ 60. The word *equities* refers to claims against the assets of a business by ____.
- | | |
|------------------------------|-------------------|
| a. both creditors and owners | c. owners only |
| b. creditors only | d. customers only |

Completion

Complete each statement.

Indicate whether each of the following statements should be completed with the word *debit* or *credit*.

61. The normal balance for asset accounts is a _____.
62. The normal balance for the owner's capital account is a _____.
63. An increase in a liability account is recorded as a _____.
64. A decrease in an asset account is recorded as a _____.
65. A decrease in the owner's capital account is recorded as a _____.
66. The normal balance for Accounts Receivable is a _____.
67. The normal balance for Accounts Payable is a _____.
68. An increase to Office Furniture is a _____.
69. An increase to Gilberto Ferreira, Capital is a _____.
70. A decrease to Accounts Payable is a _____.
71. The normal balance for expense accounts is a _____.
72. The normal balance for the owner's withdrawals account is a _____.
73. An increase to a revenue account is a _____.
74. An increase to the withdrawals account is a _____.
75. A decrease to an expense account is a _____.

76. The left side of a T account is a _____.
77. The normal balance for Consulting Fees is a _____.
78. An increase to Utilities Expense is recorded as a _____.
79. An increase to Mark Cookson, Withdrawals is recorded as a _____.
80. A decrease to Collection Fees is recorded as a _____.

Matching

Match each item with the correct statement below.

- | | |
|---------------------------|---------------------------|
| a. accounting period | k. GAAP |
| b. accounting system | l. going concern |
| c. business entity | m. loss |
| d. capital | n. management accounting |
| e. charter | o. manufacturing business |
| f. corporation | p. merchandising business |
| g. entrepreneur | q. partnership |
| h. free enterprise system | r. profit |
| i. financial accounting | s. service business |
| j. financial reports | t. sole proprietorship |

- ____ 81. A(n) ____ is an individual who transforms ideas for products or services into real-world businesses.
- ____ 82. ____ summarize information about the financial status of a business.
- ____ 83. Following the ____ accounting assumption, the accountant prepares reports as though the business will operate indefinitely.
- ____ 84. The ____ is the period of time covered by an accounting report.
- ____ 85. The ____ is designed to collect, document, and report on the financial transactions affecting the business.
- ____ 86. ____ is money invested in a business by its owner(s) or the money provided by banks or investors.
- ____ 87. ____ is the legal document giving a business the right to operate as a corporation.
- ____ 88. Under the ____ accounting assumption, a business owner must keep the financial records for the business separate from personal records.
- ____ 89. A(n) ____ is a business organization that must get permission from the state to operate.
- ____ 90. A business that produces items to sell to individuals and other businesses is known as a(n) ____.
- ____ 91. If a business spends more money to operate than it earns from the sale of goods or services, it is operating at a(n) ____.
- ____ 92. In a(n) ____, people are free to produce the goods and services they choose.
- ____ 93. A business with a single owner is a(n) ____.
- ____ 94. ____ are the rules accountants follow when recording and reporting accounting information.

- ____ 95. A business is operating at a(n) ____ if it earns more money than it spends.
- ____ 96. ____ is concerned with preparing reports for external users such as investors or creditors.
- ____ 97. A(n) ____ buys finished goods and sells them to individuals or other businesses.
- ____ 98. ____ is concerned with preparing information for internal users.
- ____ 99. A business that two or more people agree to own together is a(n) ____.
- ____ 100. A business that provides a needed service for a fee is called a(n) ____.

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Answer Section

TRUE/FALSE

- | | |
|------------|--------|
| 1. ANS: T | PTS: 1 |
| 2. ANS: T | PTS: 1 |
| 3. ANS: T | PTS: 1 |
| 4. ANS: F | PTS: 1 |
| 5. ANS: F | PTS: 1 |
| 6. ANS: F | PTS: 1 |
| 7. ANS: F | PTS: 1 |
| 8. ANS: T | PTS: 1 |
| 9. ANS: F | PTS: 1 |
| 10. ANS: F | PTS: 1 |
| 11. ANS: T | PTS: 1 |
| 12. ANS: F | PTS: 1 |
| 13. ANS: T | PTS: 1 |
| 14. ANS: T | PTS: 1 |
| 15. ANS: T | PTS: 1 |
| 16. ANS: F | PTS: 1 |
| 17. ANS: T | PTS: 1 |
| 18. ANS: T | PTS: 1 |
| 19. ANS: F | PTS: 1 |
| 20. ANS: T | PTS: 1 |
| 21. ANS: F | PTS: 1 |
| 22. ANS: F | PTS: 1 |
| 23. ANS: T | PTS: 1 |
| 24. ANS: T | PTS: 1 |
| 25. ANS: T | PTS: 1 |
| 26. ANS: T | PTS: 1 |
| 27. ANS: T | PTS: 1 |
| 28. ANS: T | PTS: 1 |
| 29. ANS: T | PTS: 1 |
| 30. ANS: T | PTS: 1 |
| 31. ANS: F | PTS: 1 |
| 32. ANS: T | PTS: 1 |
| 33. ANS: F | PTS: 1 |
| 34. ANS: T | PTS: 1 |
| 35. ANS: T | PTS: 1 |
| 36. ANS: T | PTS: 1 |
| 37. ANS: F | PTS: 1 |
| 38. ANS: T | PTS: 1 |
| 39. ANS: T | PTS: 1 |
| 40. ANS: T | PTS: 1 |

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|------------|--------|
| 41. ANS: T | PTS: 1 |
| 42. ANS: F | PTS: 1 |
| 43. ANS: T | PTS: 1 |
| 44. ANS: F | PTS: 1 |
| 45. ANS: T | PTS: 1 |
| 46. ANS: T | PTS: 1 |
| 47. ANS: T | PTS: 1 |
| 48. ANS: T | PTS: 1 |
| 49. ANS: F | PTS: 1 |
| 50. ANS: T | PTS: 1 |

MULTIPLE CHOICE

- | | |
|------------|--------|
| 51. ANS: B | PTS: 1 |
| 52. ANS: C | PTS: 1 |
| 53. ANS: A | PTS: 1 |
| 54. ANS: B | PTS: 1 |
| 55. ANS: D | PTS: 1 |
| 56. ANS: A | PTS: 1 |
| 57. ANS: B | PTS: 1 |
| 58. ANS: B | PTS: 1 |
| 59. ANS: B | PTS: 1 |
| 60. ANS: A | PTS: 1 |

COMPLETION

- | | |
|-----------------|--------|
| 61. ANS: debit | |
| | PTS: 1 |
| 62. ANS: credit | |
| | PTS: 1 |
| 63. ANS: credit | |
| | PTS: 1 |
| 64. ANS: credit | |
| | PTS: 1 |
| 65. ANS: debit | |
| | PTS: 1 |
| 66. ANS: debit | |
| | PTS: 1 |
| 67. ANS: credit | |
| | PTS: 1 |

68. ANS: debit

PTS: 1

69. ANS: credit

PTS: 1

70. ANS: debit

PTS: 1

71. ANS: debit

PTS: 1

72. ANS: debit

PTS: 1

73. ANS: credit

PTS: 1

74. ANS: debit

PTS: 1

75. ANS: credit

PTS: 1

76. ANS: debit

PTS: 1

77. ANS: credit

PTS: 1

78. ANS: debit

PTS: 1

79. ANS: debit

PTS: 1

80. ANS: debit

PTS: 1

MATCHING

81. ANS: G PTS: 1

82. ANS: J PTS: 1

83. ANS: L PTS: 1

84. ANS: A PTS: 1

85. ANS: B PTS: 1

86. ANS: D PTS: 1

87.	ANS: E	PTS: 1
88.	ANS: C	PTS: 1
89.	ANS: F	PTS: 1
90.	ANS: O	PTS: 1
91.	ANS: M	PTS: 1
92.	ANS: H	PTS: 1
93.	ANS: T	PTS: 1
94.	ANS: K	PTS: 1
95.	ANS: R	PTS: 1
96.	ANS: I	PTS: 1
97.	ANS: P	PTS: 1
98.	ANS: N	PTS: 1
99.	ANS: Q	PTS: 1
100.	ANS: S	PTS: 1