1. Which of the following are increased with credits?

A. Liabilities and expenses

B. Assets and revenues

C. Dividends and expenses

D. Liabilities and common stock

2. Harris Company paid $1,800 cash in advance for a one-year insurance policy starting on September 1, 2015. Which of the following is the correct adjusting journal entry to record the portion of insurance used up through December 31, 2015?

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | Debit | Credit |
| A. | Prepaid Insurance | | 1,800 |  |
|  |  | Insurance Expense |  | 1,800 |
| B. | Insurance Expense | | 1,800 |  |
|  |  | Prepaid Insurance |  | 1,800 |
| C. | Prepaid Insurance | | 600 |  |
|  |  | Insurance Expense |  | 600 |
| D. | Insurance Expense | | 600 |  |
|  |  | Prepaid Insurance |  | 600 |

3. Galaxy Company provided $10,000 of services on account. Which of the following is the correct general journal entry to record this transaction?

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | Debit | Credit |
| A. | Accounts Receivable | | 10,000 |  |
|  |  | Service Revenue |  | 10,000 |
| B. | Service Revenue | | 10,000 |  |
|  |  | Accounts Receivable |  | 10,000 |
| C. | Accounts Receivable | | 10,000 |  |
|  |  | Unearned Service Revenue |  | 10,000 |
| D. | Unearned Service Revenue | | 10,000 |  |
|  |  | Service Revenue |  | 10,000 |

4. Which of the following best describes where you would find a chronological record of business transactions in the accounting records?

A. General ledger

B. General journal

C. Chart of accounts

D. Trial balance

5. Is the normal balance of the following accounts a debit or a credit?

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Cash | Service Revenue | Rent Expense | Unearned Revenue |
| A. | Debit | Debit | Credit | Credit |
| B. | Debit | Credit | Credit | Credit |
| C. | Credit | Debit | Debit | Debit |
| D. | Debit | Credit | Debit | Credit |

6. On December 31, 2015, Eureka Corporation had the following account balances in its general ledger:

|  |  |
| --- | --- |
| Cash | $ 14,000 |
| Service Revenue | 73,000 |
| Advertising Expense | 12,000 |
| Accounts Receivable | 20,000 |
| Salaries Payable | 2,000 |
| Land | 15,000 |
| Retained Earnings, 1/1/2015 | 8,000 |
| Salaries Expense | 28,000 |
| Common Stock | 10,000 |
| Dividends | 4,000 |

Prepare an adjusted trial balance for Eureka Corporation at December 31, 2015, and determine the correct statement.

A. The total debits equal $89,000.

B. The total debits equal $103,000.

C. The total debits equal $93,000.

D. Equal debits and credits in the trial balance ensure that there are no errors in the accounting records.

7. Which of the following accounts normally has a debit balance?

A. Accounts receivable

B. Service revenue

C. Interest payable

D. Both A and B

8. What is the correct order of events?

A. Record transactions in general journal, post transactions to general ledger, close temporary accounts, prepare financial statements

B. Record transactions in general journal, post transactions to general ledger, prepare financial statements, close temporary accounts

C. Post transactions to general ledger, record transactions in general journal, close temporary accounts, prepare financial statements

D. Post transactions to general ledger, record transactions in general journal, prepare financial statements, close temporary accounts

9. Where would be the best place to look if you needed to find out what took place on a particular date?

A. General ledger

B. General journal

C. Trial balance

D. Balance sheet

10. Which of the following is true regarding the adjusted trial balance?

A. If total debits are equal to total credits, no errors were made when recording transactions during the period.

B. All temporary accounts will have zero balances on the adjusted trial balance.

C. Total debits will only equal total credits after adjusting entries are made.

D. The balance in retained earnings on the adjusted trial balance will not be the same as it will be on the balance sheet.

11. Baltimore Company began 2015 with a debit balance of $15,000 in accounts receivable. During the period, the company recorded $200,000 of sales on account, and at the end of the year, accounts receivable showed a debit balance of $25,000. Based on this information, how much did Baltimore Company collect from accounts receivable?

A. $210,000

B. $190,000

C. $215,000

D. $225,000

12. Vargas Company purchased land for $200,000, paying $50,000 in cash and issuing a note for the remainder. The general journal entry to record the transactions would include:

A. A debit to land, a credit to cash, and a credit to notes payable.

B. A debit to land, a debit to notes payable, and a credit to cash.

C. A debit to cash, a debit to notes payable, and a credit to land.

D. A debit to cash, a debit to land, and a credit to notes payable.

13. Which of the following is decreased with a credit?

A. Unearned revenue

B. Accounts payable

C. Accounts receivable

D. Interest revenue

14. Which of the following is the correct adjusting entry to record $8,000 of accrued salaries expense?

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | Debit | Credit |
| A. | Salaries expense | | 8,000 |  |
|  |  | Retained earnings |  | 8,000 |
| B. | Salaries expense | | 8,000 |  |
|  |  | Salaries payable |  | 8,000 |
| C. | Retained earnings | | 8,000 |  |
|  |  | Salaries expense |  | 8,000 |
| D. | Salaries payable | | 8,000 |  |
|  |  | Salaries expense |  | 8,000 |

15. St. Paul Company recorded the following journal entry:

Accounts payable 500

Cash 500

As a result of this, which of the following is true?

A. Assets decrease and liabilities increase

B. Net income decreases

C. Assets and liabilities decrease

D. None of these is true

16. The following was recorded in Blair Company’s general ledger:



Which of the following describes the transaction?

A. Blair Company borrowed $10,000.

B. Blair Company paid off a loan.

C. Blair Company loaned $10,000 to someone.

D. Stockholders invested $10,000 in the company.

17. The following was recorded in George Company’s general ledger:



A. George Company worked off a prepaid contract.

B. George Company credited a customer to whom it had provided services on account.

C. George Company provided services on account.

D. George Company collected $5,000 on accounts receivable.

18. The closing entry to the Dividends account would include:

A. A debit to the Dividends account

B. A credit to Common Stock

C. A credit to cash

D. A debit to Retained Earnings

19. The adjusting entry to recognize revenue earned on a prepaid contract would include:

A. A debit to service revenue

B. A debit to unearned revenue

C. A debit to cash

D. A credit to retained earnings

20. In a double-entry accounting system,

A. every transaction includes only one debit and one credit.

B. both accounts in a transaction increase or both decrease, but one cannot increase and the other decrease.

C. the accounting equation balances after every transaction.

D. Both A and C are correct.