1. **Answer: D** – Accounts that cause claims to increase are increased with credits. This would include liabilities, common stock, retained earnings, and revenue.

2. **Answer: D** – The entry to recognize insurance expense for the last four months of 2015 ($1,800 x 4/12) is a debit to insurance expense and a credit to prepaid insurance for $600.

3. Answer: A – The entry to record services earned on account includes a debit (increase) to accounts receivable and a credit (increase) to service revenue.

4. Answer: B – The general journal is a chronological log of a company’s transactions.

5. Answer: D – An account’s normal balance is the side where increases are recorded. Assets and expenses normally have debit balances. Liabilities, revenues, and equity accounts normally have credit balances.

6. Answer: C – Eureka’s adjusted trial balance will show debit balances of $14,000 in cash, $12,000 in advertising expense, $20,000 in accounts receivable, $15,000 in land, $28,000 in salaries expense, and $4,000 in dividends. The total in debits, then, would be $93,000.

7. Answer: A – Assets normally have debit balances, therefore, accounts receivable is the correct answer. Liabilities and revenue have normal credit balances.

8. Answer: B – Transactions are first recorded in the general journal using source documents, then posted to the general ledger. Financial statements are prepared before temporary accounts are closed.

9. Answer: B – The general journal would be the place to look to find out what happened on a particular date because it is where one can see entire transactions recorded chronologically.

10. Answer: D – In the adjusted trial balance, the balance in the retained earnings account is still unadjusted because temporary accounts have not yet been closed. On the balance sheet, retained earnings is the post-closing balance.

11. Answer: B – With a beginning debit balance of $15,000 and an ending debit balance of $25,000, total debits (increases) to accounts receivable must have exceeded total credits (decreases) to the account by $10,000. Sales on account of $200,000 are recorded as debits to accounts receivable, so the credits (collections on accounts receivable) must have been $190,000.

12. Answer: A – The journal entry to record the purchase will be a debit (increase) to land, a credit (decrease) to cash and a credit (increase) to the liability notes payable.

13. Answer: C – Assets are decreased with credits. Accounts receivable is an asset.

14. Answer: B – The entry to record accrued salaries expense will be a debit (increase) to salaries expense and a credit (increase) to the liability salaries payable.

15. Answer: C – A debit to accounts payable and a credit to cash decreases both accounts, so assets and liabilities decrease. This entry would be made to record payment of an account payable.

16. Answer: A – The debit (increase) to cash and credit (increase) to notes payable would be made to record issuing a note, or borrowing cash.

17. Answer: C – The debit (increase) to accounts payable and credit (increase) to service revenue would be made to record providing services on account.

18. Answer: D – When the dividends account is closed to retained earnings, both dividends and retained earnings decrease. It is recorded as a debit to retained earnings and a credit to dividends.

19. Answer: B – The adjusting entry to recognize revenue earned on a prepaid contract is recorded as a debit (decrease) to the liability account unearned revenue and a credit (increase) to service revenue.

20. Answer: C – In a double-entry accounting system, the accounting equation (assets = liabilities + equity) remains in balance after each transaction. It does not mean that an entry can only involve one debited account and one credited account. Three or more accounts can be involved in a single entry as long as the total dollars debited equals the total dollars credited.