

Accounting Basics

(Quick Test #1)



Harold Averkamp
CPA, MBA

Accounting
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Note: Some of the following test questions may not have been covered in the Explanation or Practice Quiz for this topic. For more insight regarding a specific question, use the search box at the top of each page of our website.

1. The financial statement that reports the amount of a company's assets is the _____.
balance sheet income statement statement of cash flows
2. The financial statement that reports the company's revenues and expenses is the _____.
balance sheet income statement statement of cash flows
3. The heading of the balance sheet will indicate which of the following?
A period of time A moment in time
4. Under the accrual method of accounting, the interest expense that is reported on the income statement is the amount of interest that was _____.
incurred paid
5. A company's superior management team and the company's logo will be reported as assets on its balance sheet.
True False
6. The financial statement that reports information in a format that is similar to the accounting equation is the _____.
balance sheet income statement statement of cash flows
7. The financial statement that reports the amount of depreciation expense applicable to the current accounting period is the _____.
balance sheet income statement
8. Depreciation of a company's equipment is recorded primarily to _____.
report the equipment's current market value on the balance sheet
allocate the equipment's cost to expense during the periods in which it is used
9. Which of the following assets will not be depreciated?
Buildings Equipment Land Vehicles

10. The amount of prepaid insurance that has not expired as of the end of an accounting period should be reported as _____.
an asset an expense a liability
11. Under which method of accounting are revenues reported on the income statement in the period in which they are *earned*?
Accrual basis Cash basis
12. Under the accounting or bookkeeping system known as double entry, how many general ledger accounts will be involved in each transaction?
One Two Two or more
13. Which word indicates the left side of a general ledger account?
Debit Credit
14. A sale is made with credit terms that allow the customer to pay in 30 days. Under the accrual method of accounting, which account should be *debited* at the time of the sale?
Accounts Receivable Cash Sales
15. When the company receives the money from its customer that was billed in the prior month, which account should be credited?
Accounts Receivable Cash Sales
16. When a company records a check for its monthly rent, the account Rent Expense is _____.
debited credited
17. When a company writes a check to pay its rent, the account Cash will be _____.
debited credited
18. The account Prepaid Insurance is expected to have this type of balance.
Debit Credit
19. When a company receives goods or services on credit, the amount is recorded in Accounts Payable as a _____.
debit credit

20. Expenses will cause a company's total amount of owner's equity or stockholders' equity to _____.
increase decrease
21. At the time that a company buys an asset for cash, the total amount of its owner's equity or stockholders' equity will _____.
increase decrease not change
22. What is the effect on a corporation's accounting equation when it uses the accrual method and bills a client for the services it had just provided?
An increase in assets only
An increase in assets and an increase in stockholders' equity
An increase in stockholders' equity and a decrease in liabilities
23. The account Wages Payable will be included in which side of the accounting equation?
Left Right
24. The account Unearned Revenues is which type of account?
Asset Liability Stockholders' equity Expense
25. The balances in which accounts are closed at the end of the accounting year?
Balance sheet accounts Income statement accounts Neither
26. The listing which includes the titles of the general ledger accounts available for recording transactions, but excludes the account balances, is the _____.
chart of accounts trial balance
27. In accounting, the word *expenses* has the same meaning as the word *payments*.
True False
28. Under the accrual method of accounting, which of the following are revenues?
Receiving \$100,000 cash from issuing common stock
Receiving \$100,000 cash from a bank loan
Providing \$100,000 of services on credit (with the cash to be received later)

29. The amount reported as stockholders' equity should be adjusted at the end of the year so that it is equal to the corporation's market value.

True **False**

30. Common stock and retained earnings are part of a corporation's _____.

income statement **liabilities** **stockholders' equity**

Answers

1. balance sheet
2. income statement
3. A moment in time
4. incurred
5. False
6. balance sheet
7. income statement
8. allocate the equipment's cost to expense during the periods in which it is used
9. Land
10. an asset
11. Accrual basis
12. Two or more
13. Debit
14. Accounts Receivable
15. Accounts Receivable
16. debited
17. credited
18. Debit
19. credit
20. decrease
21. not change
22. An increase in assets and an increase in stockholders' equity
23. Right
24. Liability
25. Income statement accounts
26. chart of accounts
27. False
28. Providing \$100,000 of services on credit (with the cash to be received later)
29. False
30. stockholders' equity