

# Accounting Basics

(Practice Quiz)



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1. Which financial statement reports the revenues and expenses for a period of time such as a year or a month?  
**Balance sheet    Income statement    Statement of cash flows**
2. Which financial statement reports the assets, liabilities, and stockholders' (owner's) equity at a specific date?  
**Balance sheet    Income statement    Statement of cash flows**
3. Under the accrual basis of accounting, revenues are reported in the accounting period when which of the following occurs?  
**Cash is received    Services or goods have been delivered**
4. Under the accrual basis of accounting, expenses are reported in the accounting period when which of the following occurs?  
**Cash is paid    An expense matches the revenues or is used up**
5. Revenues minus expenses equals \_\_\_\_\_.
6. Resources owned by a company (such as cash, accounts receivable, vehicles) are reported on the balance sheet and are referred to as \_\_\_\_\_.
7. Assets are usually reported on the balance sheet at which amount?  
**Cost    Current market value    Expected selling price**
8. Obligations (amounts owed) are reported on the balance sheet and are referred to as \_\_\_\_\_.
9. Liabilities often have the word \_\_\_\_\_ in their account title.

10. Unearned Revenues is what type of account?  
**Asset   Liability   Stockholders' (owner's) equity**
11. Accounting entries involve a minimum of how many accounts?  
**One   Two   Three**
12. The listing of all of the accounts available for use in a company's accounting system is known as the \_\_\_\_\_.
13. Assets minus liabilities equals \_\_\_\_\_.
14. Which term is associated with "left" or "left side"?  
**Debit   Credit**
15. Which term is associated with "right" or "right side"?  
**Debit   Credit**
16. When cash is received, the account Cash will be \_\_\_\_\_.  
**debited   credited**
17. When a company pays a bill, the account Cash will be \_\_\_\_\_.  
**debited   credited**
18. What will usually cause an asset account to increase?  
**Debit   Credit**
19. What will usually cause the liability account Accounts Payable to increase?  
**Debit   Credit**
20. Entries to expenses such as Rent Expense are usually \_\_\_\_\_.  
**debits   credits**
21. Entries to revenues accounts such as Service Revenues are usually \_\_\_\_\_.  
**debits   credits**

# Answers

1. **Income statement**
2. **Balance sheet**
3. **Services or goods have been delivered**
4. **An expense matches the revenues or is used up**
5. **net income**
6. **assets**
7. **Cost**  
This is true because of the cost principle.
8. **liabilities**
9. **payable**
10. **Liability**  
The company that is to perform the service or is to deliver the product has received the cash in advance and therefore has an obligation (liability) to deliver the service or the product.
11. **Two**  
Because of the double-entry system, every transaction will affect at least two accounts.
12. **chart of accounts**
13. **stockholders' equity or owner's equity (net assets if a nonprofit)**
14. **Debit**
15. **Credit**
16. **debited**
17. **credited**
18. **Debit**

# Answers

- 19. **Credit**
- 20. **debits**
- 21. **credits**