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## Accounting Principles I

1. Which financial statement is used to determine cash generated from operations?
  - A. Income statement
  - B. Statement of operations
  - C. Statement of cash flows
  - D. Retained earnings statement
2. In terms of sequence, in what order must the four basic financial statements be prepared?
  - A. Balance sheet, income statement, statement of cash flows, and capital statement
  - B. Income statement, capital statement, statement of cash flows, and balance sheet
  - C. Balance sheet, capital statement, statement of cash flows, and income statement
  - D. Income statement, capital statement, balance sheet, and statement of cash flows
3. In classifying transactions, which of the following is true in regard to assets?
  - A. Normal balances and increases are debits
  - B. Normal balances and decreases are credits
  - C. Normal balances can either be debits or credits for assets
  - D. Normal balances are debits and increases can be debits or credits
4. An increase in an expense account must be
  - A. debited
  - B. credited
  - C. either debited or credited, depending on the circumstances
  - D. capitalized
5. ABC Corporation issues 100 shares of \$1 par common stock at \$5 per share, which of the following is the correct journal entry?  

Cash	\$500		
Paid-in Capital, Excess of Par		\$400	
Common Stock		\$100	
6. In the first month of operations, the total of the debit entries to the cash account amounted to \$1,400 and the total of the credit entries to the cash account amounted to \$600. The cash account has a
  - A. \$600 credit balance
  - B. \$1,400 debit balance
  - C. \$800 debit balance
  - D. \$800 credit balance
7. Which ledger contains control accounts?
  - A. Accounts receivable subsidiary ledger
  - B. General ledger
  - C. Accounts payable subsidiary ledger
  - D. General revenue and expense ledger
8. Smith is a customer of ABC Corporation. Smith typically purchases merchandise from ABC on account. Which ledger would ABC use to keep track of the details of Smith's account?
  - A. Accounts receivable subsidiary ledger
  - B. Accounts receivable control ledger
  - C. General ledger
  - D. Accounts payable subsidiary ledger
9. Under the cash basis of accounting
  - A. revenue is recognized when services are performed
  - B. expenses are matched with the revenue that is produced
  - C. cash must be received before revenue is recognized
  - D. a promise to pay is sufficient to recognize revenue
10. Under the accrual basis of accounting

- A. cash must be received before revenue is recognized
- B. net income is calculated by matching cash outflows against cash inflows
- C. events that change a company's financial statements are recognized in the period they occur rather than in the period in which the cash is paid or received
- D. the ledger accounts must be adjusted to reflect a cash basis of accounting before financial statements are prepared under generally accepted accounting principles

11. The Vintage Laundry Company purchased \$6,500 worth of laundry supplies on June 2 and recorded the purchase as an asset. On June 30, an inventory of the laundry supplies indicated only \$2,000 on hand. The adjusting entry that should be made by the company on June 30 is
- A. debit Laundry Expense, \$2,000; credit Laundry Expense \$2,000
  - B. debit Laundry Expense, \$4,500; credit Laundry Supplies Expense, \$4,500
  - C. debit Laundry Supplies, \$2,000; credit Laundry Supplies Expense, \$2,000
  - D. debit Laundry Supplies Expense, \$4,500; credit Laundry Supplies, \$4,500

12. Greese Company purchased office supplies costing \$4,000 and debited Office Supplies for the full amount. At the end of the accounting period, a physical count of office supplies revealed \$1,100 still on hand. The appropriate adjusting journal entry to be made at the end of the period would be
- A. debit Office Supplies Expense, \$1,100; credit Office Supplies, \$1,100
  - B. debit Office Supplies, \$2,900; credit Office Supplies Expense, \$2,900
  - C. debit Office Supplies Expense, \$2,900; credit Office Supplies, \$2,900
  - D. debit Office Supplies, \$1,100; credit Office Supplies Expense, \$1,100

13. An adjusted trial balance
- A. is prepared after the financial statements are completed
  - B. proves the equality of the total debit balances and total credit balances of ledger accounts after all adjustments have been made
  - C. is a required financial statement under generally accepted accounting principles
  - D. cannot be used to prepare financial statements

14. Given the following adjusted trial balance:

	Debit	Credit
Cash	\$781	
Accounts receivable	1,049	
Inventory	1,562	
Prepaid rent	43	
Property, plant & equipment	150	
Accumulated depreciation		26
Accounts payable		41
Unearned revenue		61
Common stock		103
Retained earnings		3,305
Service revenue		134
Interest revenue		28
Salary expense	80	
Travel expense	33	
Total	\$3,698	\$3,698

Net income for the year is

- A. \$248
- B. \$135
- C. \$162
- D. \$49

15. Given the following adjusted trial balance, what will be the totals for the debit and credit columns of the post-closing trial balance?

	Debit	Credit
Cash	\$1,562	
Accounts receivable	2,098	
Inventory	3,124	

Prepaid rent	86	
Property, plant, & equipment	300	
Accumulated depreciation		\$52
Accounts payable		82
Unearned revenue		172
Common stock		206
Retained earnings		6,610
Service revenue		218
Interest revenue		56
Salary expense	160	
Travel expense	66	
Totals	\$7,396	\$7,396

- A. \$7,396
- B. \$7,118
- C. \$7,334
- D. \$7,170

16. 3.2.1 Given the following adjusted trial balance:

Given the following adjusted trial balance:

	Debit	Credit
Cash	\$781	
Accounts receivable	1,049	
Inventory	1,562	
Prepaid rent	43	
Property, plant & equipment	150	
Accumulated depreciation		26
Accounts payable		41
Unearned revenue		61
Common stock		103
Retained earnings		3,305
Service revenue		134
Interest revenue		28
Salary expense	80	
Travel expense	33	
Total	\$3,698	\$3,698

After closing entries have been posted, the balance in retained earnings will be

- A. \$3,256
- B. \$3,170
- C. \$3,440
- D. \$3,354

17. Net income is recorded on the work sheet under the

- A. debit column of the adjusted trial balance and the credit column of retained earnings
- B. debit column of the income statement and the credit column of the balance sheet
- C. credit column of the adjusted trial balance and the debit column of retained earnings
- D. credit column of the income statement and the debit column of the balance sheet

18. At the beginning of the year, Uptown Athletic had an inventory of \$400,000. During the year, the company purchased goods costing \$1,500,000. If Uptown Athletic reported ending inventory of \$600,000 and sales of \$2,000,000, their cost of goods sold and gross profit rate would be

- A. \$900,000 and 65%
- B. \$1,300,000 and 35%
- C. \$900,000 and 35%
- D. \$1,300,000 and 65%

19. During the year, Sarah's Pet Shop's merchandise inventory decreased by \$30,000. If the