1. In the first month of operations for Gallowsbird Industries, the total of the debit entries to the cash account amounted to $9,000 ($4,000 investment by the owner and revenues of $5,000). The total of the credit entries to the cash account amounted to $5,500 (purchase of equipment $2,000 and payment of expenses $3,500). At the end of the month, the cash account has a(n)
   a. $1,500 credit balance.
   b. $1,500 debit balance.
   c. $3,500 debit balance.
   d. $3,500 credit balance.

SO2 BT: C Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

2. Chik Chik Company showed the following balances at the end of its first year:

| | |
|---|---|
| Cash | $ 3,000 |
| Prepaid insurance | 4,700 |
| Accounts receivable | 3,500 |
| Accounts payable | 2,800 |
| Notes payable | 4,200 |
| Owner's Capital | 1,400 |
| Owner's Drawings | 700 |
| Revenues | 22,000 |
| Expenses | 17,500 |

What did Chik Chik Company show as total credits on its trial balance?
   a. $25,700
   b. $30,400
   c. $31,100
   d. $35,100

SO2 BT: AP Difficulty: Medium TOT: 1.5 min. AACSB: RT AICPA BB: CT AICPA PC: PS

3. Electrelane Company showed the following balances at the end of its first year:

| | |
|---|---|
| Cash | $ 2,000 |
| Prepaid insurance | 3,500 |
| Accounts receivable | 2,500 |
| Accounts payable | 2,000 |
| Notes payable | 3,000 |
| Owner's Capital | 1,000 |
| Owner's Drawings | 500 |
| Revenues | 16,000 |
| Expenses | 12,500 |

What did Electrelene Company show as total credits on its trial balance?
   a. $4,500
   b. $22,000
   c. $22,500
   d. $24,500

SO2 BT: AP Difficulty: Medium TOT: 1.5 min. AACSB: RT AICPA BB: CT AICPA PC: PS

4. During February 2012, its first month of operations, the owner of Ariel Pink Enterp invested cash of $25,000. Ariel had cash revenues of $5,000 and paid expense $7,000. Assuming no other transactions impacted the cash account, what is the bal in Cash at February 28?
a. $2,000 credit
b. $2,000 debit
c. $23,000 debit
d. $27,000 debit

SO2 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

5. At January 31, 2012, the balance in Aislers Inc.'s supplies account was $250. Du February, Aislers purchased supplies of $300 and used supplies of $375. At the en February, the balance in the supplies account should be
a. $175 debit.
b. $325 debit.
c. $175 credit.
d. $325 debit.

SO3 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

6. At December 1, 2012, Cursive Company's accounts receivable balance was $1,2 During December, Cursive had credit revenues of $4,800 and collected accou receivable of $4,000. At December 31, 2012, the accounts receivable balance is
a. $400 debit.
b. $2,000 debit.
c. $400 credit.
d. $2,000 credit.

SO3 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

7. At October 1, 2012, Padilla Industries had an accounts payable balance of $30,0 During the month, the company made purchases on account of $25,000 and ma payments on account of $36,000. At October 31, 2012, the accounts payable balance is
a. $19,000.
b. $21,000.
c. $41,000.
d. $91,000.

SO3 BT: AP Difficulty: Easy TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

8. During 2012, its first year of operations, Neko's Bakery had revenues of $60,000 a expenses of $33,000. The business had owner drawings of $20,000. What is the amou of owner's equity at December 31, 2012?
a. $0
b. $7,000 credit
c. $27,000 credit
d. $18,000 debit

SO3 BT: C Difficulty: Medium TOT: 1 min. AACSB: RT AICPA BB: CT AICPA FN: Reporting

9. Lake of Fire Company purchased supplies costing $7,000 and debited Supplies for the full amount. At the end of the accounting period, a physical count of supplies revealed $2,400 still on hand. The appropriate adjusting journal entry to be made at the end of the period would be
   a. Debit Supplies Expense, $2,400; Credit Supplies, $2,400.
   b. Debit Supplies, $4,600; Credit Supplies Expense, $4,600.
   c. Debit Supplies Expense, $4,600; Credit Supplies, $4,600.
   d. Debit Supplies, $2,400; Credit Supplies Expense, $2,400.

SO 4, BT: AP, Difficulty: Medium, TOT: 4 min., AACSB: Analytic, AICPA BB: None, AICPA FN: Measuring, AICPA PC: Problem solving

10. If an adjustment is needed for unearned revenues, the
   a. liability and related revenue are overstated before adjustment.
   b. liability and related revenue are understated before adjustment.
   c. liability is overstated and the related revenue is understated before adjustment.
   d. liability is understated and the related revenue is overstated before adjustment.

SO 5, BT: AP, Difficulty: Easy, TOT: 2 min., AACSB: Analytic, AICPA BB: None, AICPA FN: Reporting, AICPA PC: Problem solving

11. The balance in the office supplies account on June 1 was $5,200, supplies purchased during June were $2,500, and the supplies on hand at June 30 were $3,000. The amount to be used for the appropriate adjusting entry is
   a. $2,500.
   b. $4,700.
   c. $5,500.
   d. $10,700.

SO 5, BT: AP, Difficulty: Medium, TOT: 2 min., AACSB: Analytic, AICPA BB: None, AICPA FN: Reporting, AICPA PC: Problem solving

12. Depreciation expense for a period is computed by taking the
   a. original cost of an asset – accumulated depreciation.
   b. depreciable cost of the asset ÷ depreciation rate.
   c. cost of the asset ÷ useful life.
   d. market value of the asset ÷ useful life.

SO 5, BT: AP, Difficulty: Medium, TOT: 2 min., AACSB: Analytic, AICPA BB: None, AICPA FN: Measuring, AICPA PC: Problem solving

13. Accumulated Depreciation is
   a. an expense account.
   b. an owner's equity account.
   c. a liability account.
   d. a contra asset account.

SO 5, BT: AP, Difficulty: Easy, TOT: 2 min., AACSB: Analytic, AICPA BB: None, AICPA FN: Reporting, AICPA PC: Communication

14. Meat Puppets Company purchased a computer for $4,800 on December 1. It is estimated that annual depreciation on the computer will be $1,200. If financial statements are to be prepared on December 31, the company should make the following adjusting entry:
   a. Debit Depreciation Expense, $1,200; Credit Accumulated Depreciation, $1,200.
   b. Debit Depreciation Expense, $100; Credit Accumulated Depreciation, $100.
   c. Debit Depreciation Expense, $3,600; Credit Accumulated Depreciation, $3,600.
   d. Debit Office Equipment, $4,800; Credit Accumulated Depreciation, $4,800.

SO 5, BT: AP, Difficulty: Hard, TOT: 4 min., AACSB: Analytic, AICPA BB: None, AICPA FN: Measuring, AICPA PC: Problem solving

15. REM Real Estate received a check for $24,000 on July 1 which represents a 6 r advance payment of rent on a building it rents to a client. Unearned Rent was credit the full $24,000. Financial statements will be prepared on July 31. REM Real E should make the following adjusting entry on July 31:
a. Debit Unearned Rent, $4,000; Credit Rental Revenue, $4,000.
b. Debit Rental Revenue, $4,000; Credit Unearned Rent, $4,000.
c. Debit Unearned Rent, $24,000; Credit Rental Revenue, $24,000.
d. Debit Cash, $24,000; Credit Rental Revenue, $24,000.

SO 5, BT: AP, Difficulty: Medium, TOT: 4 min., AACSB: Analytic, AICPA BB: None, AICPA FN: Measuring, AICPA PC: Problem solving

16. As prepaid expenses expire with the passage of time, the correct adjusting entry will b
a. debit to an asset account and a credit to an expense account.
b. debit to an expense account and a credit to an asset account.
c. debit to an asset account and a credit to an asset account.
d. debit to an expense account and a credit to an expense account.

SO 5, BT: AP, Difficulty: Medium, TOT: 2 min., AACSB: Analytic, AICPA BB: None, AICPA FN: Measuring, AICPA PC: Problem solving

17. A company usually determines the amount of supplies used during a period by
a. adding the supplies on hand to the balance of the Supplies account.
b. summing the amount of supplies purchased during the period.
c. taking the difference between the supplies purchased and the supplies paid for du the period.
d. taking the difference between the balance of the Supplies account and the cos supplies on hand.

SO 5, BT: AP, Difficulty: Medium, TOT: 2 min., AACSB: Analytic, AICPA BB: None, AICPA FN: Measuring, AICPA PC: Problem solving

18. If a company fails to make an adjusting entry to record supplies expense, then
a. owner's equity will be understated.
b. expense will be understated.
c. assets will be understated.
d. net income will be understated.

SO 5, BT: AP, Difficulty: Medium, TOT: 2 min., AACSB: Analytic, AICPA BB: None, AICPA FN: Measuring, AICPA PC: Problem solving

19. What is the proper adjusting entry at June 30, the end of the fiscal year, based o prepaid insurance account balance before adjustment, $15,500, and unexpired amou per analysis of policies of $6,000?
a. Debit Insurance Expense, $6,000; Credit Prepaid Insurance, $6,000.
b. Debit Insurance Expense, $15,500; Credit Prepaid Insurance, $15,500.
c. Debit Prepaid Insurance, $9,500; Credit Insurance Expense, $9,500.
d. Debit Insurance Expense, $9,500; Credit Prepaid Insurance, $9,500.

SO 5, BT: AP, Difficulty: Medium, TOT: 2 min., AACSB: Analytic, AICPA BB: None, AICPA FN: Reporting, AICPA PC: Problem solving

20. At December 31, 2012, before any year-end adjustments, Murmur Company's Insurar Expense account had a balance of $1,450 and its Prepaid Insurance account hac balance of $3,800. It was determined that $2,800 of the Prepaid Insurance had expir The adjusted balance for Insurance Expense for the year would be
a. $1,450.
b. $2,450.
c. $2,800.
d. $4,250.

SO 5, BT: AP, Difficulty: Hard, TOT: 4 min., AACSB: Analytic, AICPA BB: None, AICPA FN: Measuring, AICPA PC: Problem solving

21. Black Keys Company began the year with owner's equity of $185,000. During the year, the company recorded revenues of $250,000, expenses of $190,000, and had owner drawings of $20,000. What was Black Keys' owner's equity at the end of the year?
a. $185,000.
b. $225,000.
c. $245,000.
d. $265,000.

Ar SO8 BT: AP Difficulty: Medium TOT: 1.5 min. AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Reporting

22. Sufjan Stevens Ito began the Sufjan Company by investing $25,000 of cash in the business. The company recorded revenues of $185,000, expenses of $140,000, and had owner drawings of $10,000. What was Sufjan's net income for the year?
a. $35,000.
b. $45,000.
c. $55,000.
d. $60,000.

SO8 BT: AP Difficulty: Easy TOT: 1.0 min. AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Reporting

23 Centro-matic Company began the year with owner's equity of $15,000. During the year, Centro-matic received additional owner investments of $21,000, recorded expenses of $60,000, and had owner drawings of $4,000. If Centro-matic's ending owner's equity was $56,000, what was the company's revenue for the year?
a. $80,000.
b. $84,000.
c. $101,000.
d. $105,000.

SO8 BT: AP Difficulty: Medium TOT: 2.0 min. AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Reporting

24. Barsuk Company began the year with owner's equity of $217,000. During the year, Barsuk received additional owner investments of $294,000, recorded expenses of $840,000, and had owner drawings of $56,000. If Barsuk's ending owner's equity was $581,000, what was the company's revenue for the year?
a. $910,000.
b. $966,000.
c. $1,204,000.
d. $1,260,000.

SO8 BT: AP Difficulty: Medium TOT: 2.0 min. AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Reporting

Use the following information for questions 138–139.

Fat Possum's Service Shop started the year with total assets of $110,000 and total liabilities of $80,000. During the year, the business recorded $210,000 in revenues, $140,000 in expenses, and owner drawings of $20,000.

25. Owner's equity at the end of the year was
a. $30,000.
b. $80,000.
c. $100,000.
d. $120,000.

SO8 BT: AP Difficulty: Medium TOT: 1.5 min. AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Reporting

26. The net income reported by Fat Possum's Service Shop for the year was
a. $50,000.
b. $70,000.
c. $80,000.
d. $90,000.

SO8 BT: AP Difficulty: Easy TOT: 1.0 min. AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Reporting

27. Misra Company compiled the following financial information as of December 31, 2011:

| | |
|---|---|
| Revenues | $170,000 |
| Owner's Capital (1/1/11) | 70,000 |
| Equipment | 40,000 |
| Expenses | 125,000 |
| Cash | 45,000 |
| Owner's Drawings | 10,000 |
| Supplies | 5,000 |
| Accounts payable | 20,000 |
| Accounts receivable | 35,000 |

Misra's assets on December 31, 2011 are
a. $90,000.
b. $125,000.
c. $180,000.
d $245,000.

SO8 BT: AP Difficulty: Medium TOT: 1.5 min. AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Reporting

28. Misra Company compiled the following financial information as of December 31, 2011:

| | |
|---|---|
| Revenues | $170,000 |
| Owner's Capital (1/1/11) | 70,000 |
| Equipment | 40,000 |
| Expenses | 125,000 |
| Cash | 45,000 |
| Owner's Drawings | 10,000 |
| Supplies | 5,000 |
| Accounts payable | 20,000 |
| Accounts receivable | 35,000 |

Misra's owner's equity on December 31, 2011 is
a. $45,000.
b. $70,000.
c. $105,000.
d. $125,000.

SO8 BT: AP Difficulty: Medium TOT: 1.5 min. AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Reporting

29. Teamboo Company's owner's equity at the beginning of August 2011 was $300,000. During the month, the company earned net income of $70,000 and owner's drawings were $30,000. At the end of August 2011, what is the balance in owner's equity?
a. $270,000
b. $300,000
c. $330,000
d. $340,000

SO8 BT: AP Difficulty: Easy TOT: 1.0 min. AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Reporting

30. On January 1, 2011, Cat Power Company reported owner's equity of $470,000. During the year, the owner withdrew cash of $20,000. At December 31, 2011, the balance in owner's equity was $550,000. What amount of net income or net loss would the company report for 2011?
a. Net loss of $20,000
b. Net income of $60,000
c. Net income of $80,000
d. Net income of $100,000

SO8 BT: AP Difficulty: Medium TOT: 1.5 min. AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Reporting

31. Stahl Consulting started the year with total assets of $20,000 and total liabilities of $5,000. During the year, the business recorded $16,000 in catering revenues and $10,000 in expenses. Stahl made an additional investment of $3,000 and withdrew cash of $5,000 during the year. The owner's equity at the end of the year was
a. $11,000.
b. $18,000.
c. $19,000.
d. $21,000.

SO8 BT: AP Difficulty: Medium TOT: 1.5 min. AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Reporting

32. Stahl Consulting started the year with total assets of $20,000 and total liabilities of $5,000. During the year, the business recorded $16,000 in catering revenues and $10,000 in expenses. Stahl made an additional investment of $3,000 and withdrew cash of $5,000 during the year. The net income reported by Stahl Consulting for the year was:
a. $1,000.
b. $4,000.
c. $6,000.
d. $9,000.

SO8 BT: AP Difficulty: Easy TOT: 1.0 min. AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Reporting

33. Stahl Consulting started the year with total assets of $20,000 and total liabilities of $5,000. During the year, the business recorded $16,000 in catering revenues and $10,000 in expenses. Stahl made an additional investment of $3,000 and withdrew cash of $5,000 during the year. Owner's equity changed by what amount from the beginning of the year to the end of the year?
a. $1,000.
b. $3,000.
c. $4,000.
d. $15,000.

SO8 BT: AP Difficulty: Medium TOT: 1.5 min. AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Reporting

34. During the year 2011, Dilego Company earned revenues of $45,000, had expenses of $28,000, purchased assets with a cost of $5,000 and had owner drawings of $3,000. Net income for the year is
a. $9,000.
b. $12,000.
c. $14,000.
d. $17,000.

SO8 BT: AN Difficulty: Easy TOT: 1.0 min. AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Reporting