

Lesson 7

■ Achievement Exam

This Achievement Exam covers Lessons 6 and 7.

Select the single best answer for each question or statement, then go online to <https://students.ashworthcollege.edu> and enter your answers.

1. Which of the following would cause a contra-asset to be credited and an expense debited?
 - _____ a. Recording an accrued expense
 - _____ b. Recording the consumption of supplies
 - _____ c. Recording the building depreciation
 - _____ d. All of the above would have that effect.

2. Which of the following would cause total assets to decrease and total expense to increase?
 - _____ a. Recording the depreciation of equipment
 - _____ b. Recording the consumption of supplies
 - _____ c. Recording the expiration of prepaid rent
 - _____ d. All of the above would have that effect.

3. It is the year end, but not the pay period end. How will this affect the balance sheet?
- ☐ a. Assets will be increased.
 - ☐ b. Liabilities will be increased.
 - ☐ c. Owner's equity will be increased.
 - ☐ d. This has no effect on the period end balance sheet.
4. At the start of this year 18 months' rent was paid. At the year's end, how will this affect the balance sheet?
- ☐ a. Assets will be decreased.
 - ☐ b. Liabilities will be increased.
 - ☐ c. Owner's equity will be increased.
 - ☐ d. This has no effect on the period end balance sheet.
5. Bringing account balances up to date before preparing financial reports is called:
- ☐ a. posting.
 - ☐ b. adjusting.
 - ☐ c. journalizing.
 - ☐ d. analyzing.

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6. An adjustment for Prepaid Rent would indicate:
- ☐ a. the amount originally paid.
 - ☐ b. the amount expired.
 - ☐ c. the amount on hand.
 - ☐ d. the amount of the trial balance.
7. If the balance of supplies at the start of the month was \$900 and at the end of the month you had \$450 on hand, the adjustment for Supplies would be:
- ☐ a. \$450.
 - ☐ b. \$550.
 - ☐ c. \$350.
 - ☐ d. \$900.
8. The adjustment to record supplies used during the period would be:
- ☐ a. debit Supplies; credit Supplies Expense.
 - ☐ b. debit Supplies Expense; credit Cash.
 - ☐ c. debit Supplies Expense; credit Supplies.
 - ☐ d. debit Supplies; credit Cash.

9. If the adjustment for Supplies used during the period was not made:
- ☐ a. expenses would be too low.
 - ☐ b. assets would be too low.
 - ☐ c. expenses would be too high.
 - ☐ d. revenue would be too high.
10. Not recording the Prepaid Rent used causes:
- ☐ a. assets to be too high.
 - ☐ b. assets to be too low.
 - ☐ c. expenses to be too high.
 - ☐ d. revenue to be too high.
11. As Prepaid Rent is used, the asset becomes a(n):
- ☐ a. liability.
 - ☐ b. expense.
 - ☐ c. contra-asset.
 - ☐ d. revenue.

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12. If Prepaid Rent for the period is not adjusted:
- ☐ a. assets will be overstated and expenses will be overstated.
 - ☐ b. assets will be overstated and expenses will be understated.
 - ☐ c. assets will be understated and expenses will be overstated.
 - ☐ d. assets will be understated and expenses will be understated.
13. If the Supplies account is not adjusted:
- ☐ a. assets will be overstated and expenses will be understated.
 - ☐ b. assets will be overstated and expenses will be overstated.
 - ☐ c. assets will be understated and expenses will be overstated.
 - ☐ d. assets will be understated and expenses will be understated.
14. When historical cost is used to record equipment, it would appear as the:
- ☐ a. original cost on the balance sheet.
 - ☐ b. residual value on the income statement.
 - ☐ c. residual value on the balance sheet.
 - ☐ d. original cost on the income statement.

15. When historical cost is used in the accounting records, the book value of the asset is:

- _____ a. the original cost.
- _____ b. the market value.
- _____ c. original cost less accumulated depreciation.
- _____ d. closed out.

16. The cost of an asset less accumulated depreciation equals:

- _____ a. residual value.
- _____ b. book value.
- _____ c. depreciation expense.
- _____ d. None of the above answers are correct.

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17. The order of the steps to prepare the worksheet are:
- _____ a. prepare the trial balance, complete adjustments, prepare the adjusted trial balance, extend the respective totals to the Income Statement and Balance Sheet columns.
 - _____ b. complete the adjustments, prepare the adjusted trial balance, prepare the trial balance, extend the respective totals to the Income Statement and Balance Sheet columns.
 - _____ c. extend the totals to the Income Statement and Balance Sheet columns, prepare the trial balance, complete the adjustments, prepare the adjusted trial balance.
 - _____ d. prepare the adjusted trial balance, complete the adjustments, prepare the trial balance, extend the respective totals to the Income Statement and Balance Sheet columns.
18. The adjusted trial balance columns:
- _____ a. help to ensure the ledger is still in balance.
 - _____ b. help to identify any errors that may have been made during adjustment.
 - _____ c. show updated account balances to aid in preparation of the financial statements.
 - _____ d. All of the above answers are correct.

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19. The capital balance amount shown in the balance sheet column of the worksheet represents:
- ☐ a. the beginning capital plus net income.
 - ☐ b. the beginning capital plus net income less withdrawal.
 - ☐ c. the beginning capital less withdrawals.
 - ☐ d. the beginning capital plus any investments to capital that occurred during the period.
20. On a worksheet, the income statement debit column totals \$10,200 and the credit column totals \$10,000. Which of the following statements is correct?
- ☐ a. The company had a net loss of \$200.
 - ☐ b. The company had a net income of \$200.
 - ☐ c. The company's revenues were greater than expenses.
 - ☐ d. None of the above answers are correct.
21. Which of the following assets would NOT be classified as property, plant, and equipment?
- ☐ a. Delivery truck
 - ☐ b. Copyright
 - ☐ c. Land
 - ☐ d. Furniture

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22. Which of the following is a non-depreciable asset?
- ☐ a. Desk chairs
 - ☐ b. Land
 - ☐ c. Computer
 - ☐ d. Building
23. Assets that are not expected to provide benefits for a number of accounting periods are called:
- ☐ a. current assets.
 - ☐ b. fixed assets.
 - ☐ c. long-term assets.
 - ☐ d. property, plant, and equipment.
24. Comparative reports in which each item is expressed as a percentage of a base amount without dollar amounts are called:
- ☐ a. comparative financial statements.
 - ☐ b. common-size statements.
 - ☐ c. cash flow analysis.
 - ☐ d. horizontal analysis.

25. For vertical analysis purposes, a base item on a balance sheet is:
- ☐ a. total assets.
 - ☐ b. total equity.
 - ☐ c. total liabilities.
 - ☐ d. net equity.
26. A common-size comparative statement shows:
- ☐ a. percentages.
 - ☐ b. dollar increases/decreases.
 - ☐ c. whole dollar amounts.
 - ☐ d. None of the above answers are correct.
27. Which analysis deals with the percentage of changes in certain items over several years?
- ☐ a. Vertical analysis
 - ☐ b. Ratio analysis
 - ☐ c. Trend analysis
 - ☐ d. Common-size statement

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28. Liquidity ratios measure:
- _____ a. how effectively a company is using its equity.
 - _____ b. how effectively a company is using its liabilities.
 - _____ c. a company's ability to pay shareholders.
 - _____ d. a company's ability to pay off short-term debts.
29. Debt management ratios measure:
- _____ a. how effectively a company is using its cash.
 - _____ b. how well a company is using debt versus equity position.
 - _____ c. a company's ability to earn profit.
 - _____ d. a company's ability to meet payable obligations.
30. Profitability ratios measure:
- _____ a. a company's ability to earn profits.
 - _____ b. a company's ability to meet short-term obligations.
 - _____ c. how well a company is using debt versus equity.
 - _____ d. how effectively a company is using its assets.

31. The income statement debit column of the worksheet showed the following expenses:

Supplies Expense	\$600
Depreciation Expense	400
Salaries Expense	300

The journal entry to close the expense accounts is:

- _____ a. Income Summary 1,300
 Supplies Expense 600
 Depreciation Expense 400
 Salaries Expense 300
- _____ b. Income Summary 1,200
 Capital 1,200
- _____ c. Supplies Expense 500
 Depreciation Expense 400
 Salaries Expense 300
 Income Summary 1,200
- _____ d. Capital 1,200
 Income Summary 1,200

32. Closing entries are prepared:

- _____ a. to clear all temporary accounts to zero.
- _____ b. to update the Capital balance.
- _____ c. at the end of the accounting period.
- _____ d. All of the above answers are correct.

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33. Income Summary:
- ☐ a. is a temporary account.
 - ☐ b. is a permanent account.
 - ☐ c. summarizes revenue and expenses and transfers the balance to Capital.
 - ☐ d. Both A and C are correct.
34. An account in which the balance is not carried over from one accounting period to the next is called a:
- ☐ a. permanent account.
 - ☐ b. real account.
 - ☐ c. temporary account.
 - ☐ d. zero account.
35. Closing entries:
- ☐ a. need not be journalized since they appear on the worksheet.
 - ☐ b. need not be posted if the financial statements are prepared from the worksheet.
 - ☐ c. are not needed if adjusting entries are prepared.
 - ☐ d. must be journalized and posted.

36. To close the Withdrawals account:

- _____ a. debit Withdrawals; credit Capital.
- _____ b. debit Capital; credit Withdrawals.
- _____ c. debit Withdrawals; credit Income Summary.
- _____ d. debit Income Summary; credit Withdrawals.

37. The correct order for closing accounts is:

- _____ a. revenue, expenses, income summary, withdrawals.
- _____ b. revenue, income summary, expenses, withdrawals.
- _____ c. revenue, expenses, capital, withdrawals.
- _____ d. revenue, capital, expenses, withdrawals.

38. How do you close the expense accounts?

- _____ a. Debit Capital; credit the expense accounts
- _____ b. Credit Capital; debit the expense accounts
- _____ c. Credit Income Summary; debit the expense accounts
- _____ d. Debit Income Summary; credit the expense accounts

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39. The balance in the Rent Expense account on the worksheet was \$120. The journal entry to close the Rent Expense account is:

- | | | | |
|----------|----------------|-----|-----|
| _____ a. | Rent Expense | 120 | |
| | Prepaid Rent | | 120 |
| _____ b. | Rent Expense | 120 | |
| | Income Summary | | 120 |
| _____ c. | Rent Expense | 120 | |
| | Capital | | 120 |
| _____ d. | Income Summary | 120 | |
| | Rent Expense | | 120 |

40. The final step in the accounting cycle is:

- _____ a. preparing the post-closing trial balance.
- _____ b. preparing the financial statements.
- _____ c. journalizing the closing entries.
- _____ d. journalizing the adjusting entries.

Lesson 8

■ Achievement Exam

Select the single best answer for each question or statement, then go online to <https://students.ashworthcollege.edu> and enter your answers.

1. Endorsing a check:
 - ☐ a. guarantees payment.
 - ☐ b. transfers the right to deposit or transfer cash.
 - ☐ c. cancels the transaction.
 - ☐ d. All of these answers are correct.

2. A blank endorsement on a check:
 - ☐ a. can be further endorsed by someone else.
 - ☐ b. cannot be further endorsed by someone else.
 - ☐ c. is the safest type of endorsement.
 - ☐ d. permits only the original endorser to get the money.

3. A restrictive endorsement on a check:
 - ☐ a. can be further endorsed by someone else.
 - ☐ b. is the safest endorsement for businesses.
 - ☐ c. permits the bank to use its best judgment.
 - ☐ d. None of these answers are correct.

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4. A full endorsement on a check:

- ☐ a. is the same as a blank endorsement.
- ☐ b. can be endorsed only by the person or company named in the original endorsement.
- ☐ c. is the safest endorsement for businesses.
- ☐ d. does none of the above.

5. The check is written and signed by the:

- ☐ a. drawer.
- ☐ b. drawee.
- ☐ c. payee.
- ☐ d. payer.

6. The drawee is the:

- ☐ a. person who writes the check.
- ☐ b. bank that drawer has an account with.
- ☐ c. the person to whom the check is payable.
- ☐ d. the person who reconciles the account.

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7. Advantages of on-line banking include:
- ☐ a. convenience.
 - ☐ b. transaction speed.
 - ☐ c. effectiveness.
 - ☐ d. All of the above answers are correct.
8. If the written amount on the check does not match the amount expressed in figures, the bank may:
- ☐ a. pay the amount written in words.
 - ☐ b. return the check unpaid.
 - ☐ c. contact the drawer to see what was meant.
 - ☐ d. All of these answers are correct.
9. The first two numbers of the ABA code listed on the check represent:
- ☐ a. the Federal Reserve District.
 - ☐ b. the check number.
 - ☐ c. the routing number.
 - ☐ d. the account number.

10. The bank statement included bank charges. On the bank reconciliation, the item is:
- _____ a. an addition to the balance per company books.
 - _____ b. an addition to the balance per bank statement.
 - _____ c. a deduction from the balance per bank statement.
 - _____ d. a deduction from the balance per company books.
11. How would outstanding checks be handled when reconciling the ending cash balance per the bank statement to the correct adjusted cash balance?
- _____ a. They would be added to the balance of the bank statement.
 - _____ b. They would be subtracted from the balance of the bank statement.
 - _____ c. They would be added to the balance per books.
 - _____ d. They would be ignored.

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12. Calculate, from the following information the adjusted cash balance at the end of April.

Bank statement ending cash balance	\$2,000
General ledger cash balance ending	3,250
Bank monthly service charge	45
Deposits in transit	2,500
Outstanding checks	1,500
NSF check returned with bank statement	205

- ____ a. \$3,000
- ____ b. \$4,250
- ____ c. \$4,000
- ____ d. \$5,500

13. Determine the adjusted cash balance per bank for Santa's Packaging on November 30, from the following information.

Cash balance on the bank statement	\$2,350
Customer's check returned' NSF	500
Customer's note collected by the bank	600
Deposits in transit, November 30	1,400
Outstanding checks, November 30	2,650

- ____ a. \$1,250
- ____ b. \$1,100
- ____ c. \$1,550
- ____ d. \$1,350

14. The May bank statement for Accounting Services shows a balance of \$6,300, but the balance per books shows a cash balance of \$7,980. Other information includes:
1. A check for \$200 to pay the electric bill was recorded on the books as \$20.
 2. Included on the bank statement was a note collected by the bank for \$400 plus interest of \$30.
 3. Checks outstanding totaled \$260.
 4. Bank service charges were \$50.
 5. Deposits in transit were \$2,140.

The adjusted cash balance at the end of August should be:

- _____ a. \$9,810.
- _____ b. \$7,620.
- _____ c. \$7,980.
- _____ d. \$8,180.
15. Which item should be added to the company's book balance during the bank reconciliation?
- _____ a. Deposit in transit
- _____ b. Check outstanding
- _____ c. Bank service charge
- _____ d. Note collected by the bank

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16. Which item(s) will require a journal entry to update the balance in the Cash account?
- ☐ a. checks outstanding and deposits in transit.
 - ☐ b. bank service charges, note collected by the bank, and deposits in transit.
 - ☐ c. bank service charges, note collected by the bank, and error made by Accounting Services.
 - ☐ d. None of these answers are correct.
17. Which of the following bank reconciliation items would be reflected in a journal entry?
- ☐ a. Error made by the bank
 - ☐ b. Outstanding checks
 - ☐ c. Bank service charges
 - ☐ d. Deposit in transit
18. The journal entry to reverse the entry of a customer's nonsufficient funds check would include a:
- ☐ a. debit to Cash.
 - ☐ b. credit to Cash.
 - ☐ c. debit to Accounts Payable.
 - ☐ d. credit to Accounts Receivable.

19. From the bank reconciliation no entry was recorded for deposits in transit. This would cause:

- ☐ a. assets to be overstated.
- ☐ b. assets to be understated.
- ☐ c. no impact since deposits in transit are already included in the balance per books.
- ☐ d. no impact since deposits are not recorded on the books.

20. A bank service charge would be included on the bank reconciliation as a(n):

- ☐ a. addition to the balance per books.
- ☐ b. subtraction from the balance per books.
- ☐ c. addition to the balance per bank.
- ☐ d. subtraction from the balance per bank.