

## Chapter 5 Test - Accounting

### True/False

Indicate whether the statement is true or false.

- \_\_\_\_\_ 1. Liability, expense, and capital accounts all have normal credit balances.
- \_\_\_\_\_ 2. Expenses decrease owner's equity and are recorded as debits.
- \_\_\_\_\_ 3. The rules of debit and credit for expense accounts are the same as the rules for asset accounts.
- \_\_\_\_\_ 4. A business should have separate accounts for recording revenue and expenses.
- \_\_\_\_\_ 5. Liability, revenue, and withdrawal accounts all have normal credit balances.
- \_\_\_\_\_ 6. The withdrawal of cash by the owner of a business decreases owner's equity.
- \_\_\_\_\_ 7. Expenses have the opposite effect from revenue on the capital account.
- \_\_\_\_\_ 8. Temporary capital accounts are extensions of the owner's capital account.
- \_\_\_\_\_ 9. Permanent accounts start each accounting period with a zero balance.
- \_\_\_\_\_ 10. Revenues increase owner's equity, and increases in revenues are recorded as debits.
- \_\_\_\_\_ 11. The total of all accounts with normal debit balances should equal the total of all accounts with normal credit balances if the rules of debit and credit were followed correctly.
- \_\_\_\_\_ 12. Income from Fees is a permanent account.

### Completion

Complete each statement.

Indicate whether each of the following statements should be completed with the word *debit* or *credit*.

- 13. The normal balance for expense accounts is a \_\_\_\_\_.
- 14. The normal balance for the owner's withdrawals account is a \_\_\_\_\_.
- 15. An increase to a revenue account is a \_\_\_\_\_.
- 16. An increase to the withdrawals account is a \_\_\_\_\_.
- 17. A decrease to an expense account is a \_\_\_\_\_.

Name: \_\_\_\_\_

ID: A

18. The left side of a T account is a \_\_\_\_\_.
19. The normal balance for Consulting Fees is a \_\_\_\_\_.
20. An increase to Utilities Expense is recorded as a \_\_\_\_\_.
21. An increase to Mark Cookson, Withdrawals is recorded as a \_\_\_\_\_.
22. A decrease to Collection Fees is recorded as a \_\_\_\_\_.

### Matching

*Match each item with the correct statement below.*

- |              |                        |
|--------------|------------------------|
| a. expenses  | e. revenue recognition |
| b. fees      | f. temporary capital   |
| c. permanent | g. withdrawal          |
| d. revenue   |                        |

- \_\_\_\_ 23. The costs of doing business are known as \_\_\_\_.
- \_\_\_\_ 24. The balance of a(n) \_\_\_\_ account does not carry forward to the next accounting period.
- \_\_\_\_ 25. Money a business earns from the sale of goods or services is the \_\_\_\_.
- \_\_\_\_ 26. The dollar balance of a(n) \_\_\_\_ account is carried forward from one period to the next.
- \_\_\_\_ 27. A(n) \_\_\_\_ occurs when the owner takes assets out of the business for personal use.
- \_\_\_\_ 28. When a business follows the GAAP of \_\_\_\_, revenue is recorded on the date it is earned.

### Short Answer

Terry West, the owner of West Carpet Cleaning Services, was examining the accounting records and discovered the following errors.

- A. A \$95 payment on account to a creditor was recorded as a debit to Advertising Expense for \$95 and a credit to Cash in Bank for \$95.
  - B. The purchase of a new filing cabinet for \$125 cash was recorded as a debit of \$125 to Equipment and a credit of \$152 to Cash in Bank.
29. In A, were the correct accounts debited and credited? If not, which account should be debited and which account should be credited?
  30. In A, were the debit and credit amounts recorded correctly? If not, what are the correct amounts?
  31. Would the error in A have caused the accounting equation to be out of balance?
  32. In B, were the correct accounts debited and credited? If not, which account should be debited and which account should be credited?

33. In B, were the debit and credit amounts recorded correctly? If not, what are the correct amounts?
34. Would the error in B have caused the accounting equation to be out of balance?

Listed below are several account titles, each identified by a letter. Following the list of accounts is a series of business transactions. For each transaction, indicate the account to be debited and the account to be credited.

- |                        |                           |                      |
|------------------------|---------------------------|----------------------|
| A. Cash in Bank        | E. Accounts Payable       | H. Fees              |
| B. Accounts Receivable | F. D. Orondo, Capital     | I. Rent Expense      |
| C. Office Supplies     | G. D. Orondo, Withdrawals | J. Utilities Expense |
| D. Office Equipment    |                           |                      |

35. Billed A & S Equipment, a customer, \$875 for services provided.
36. Received \$925 for services provided to Abruzzi Construction.
37. Bought \$175 of office supplies on credit from North Supply, Inc.
38. Issued a check for \$300 to buy office equipment.
39. Paid by check the \$125 monthly heating bill.
40. Received \$550 in cash for services billed earlier to A & S Equipment.
41. Dale Orondo wrote a check for \$200 for personal use.
42. Issued a check to pay the \$800 rent for the month.

## Chapter 5 Test - Accounting Answer Section

### TRUE/FALSE

- |            |        |                |
|------------|--------|----------------|
| 1. ANS: F  | PTS: 1 | NAT: NBEA I.A. |
| 2. ANS: T  | PTS: 1 | NAT: NBEA I.A. |
| 3. ANS: T  | PTS: 1 | NAT: NBEA I.A. |
| 4. ANS: T  | PTS: 1 | NAT: NBEA I.A. |
| 5. ANS: F  | PTS: 1 | NAT: NBEA I.A. |
| 6. ANS: T  | PTS: 1 | NAT: NBEA I.A. |
| 7. ANS: T  | PTS: 1 | NAT: NBEA I.A. |
| 8. ANS: T  | PTS: 1 | NAT: NBEA I.A. |
| 9. ANS: F  | PTS: 1 | NAT: NBEA I.A. |
| 10. ANS: F | PTS: 1 | NAT: NBEA I.A. |
| 11. ANS: T | PTS: 1 | NAT: NBEA I.A. |
| 12. ANS: F | PTS: 1 | NAT: NBEA I.A. |

### COMPLETION

- |                 |                |
|-----------------|----------------|
| 13. ANS: debit  |                |
| PTS: 1          | NAT: NBEA I.A. |
| 14. ANS: debit  |                |
| PTS: 1          | NAT: NBEA I.A. |
| 15. ANS: credit |                |
| PTS: 1          | NAT: NBEA I.A. |
| 16. ANS: debit  |                |
| PTS: 1          | NAT: NBEA I.A. |
| 17. ANS: credit |                |
| PTS: 1          | NAT: NBEA I.A. |
| 18. ANS: debit  |                |
| PTS: 1          | NAT: NBEA I.A. |
| 19. ANS: credit |                |
| PTS: 1          | NAT: NBEA I.A. |
| 20. ANS: debit  |                |
| PTS: 1          | NAT: NBEA I.A. |

21. ANS: debit

PTS: 1 NAT: NBEA I.A.

22. ANS: debit

PTS: 1 NAT: NBEA I.A.

## MATCHING

23. ANS: A PTS: 1 NAT: NBEA I.A.

24. ANS: F PTS: 1 NAT: NBEA I.A.

25. ANS: D PTS: 1 NAT: NBEA I.A.

26. ANS: C PTS: 1 NAT: NBEA I.A.

27. ANS: G PTS: 1 NAT: NBEA I.A.

28. ANS: E PTS: 1 NAT: NBEA I.A.

## SHORT ANSWER

29. ANS:  
No; debit Accounts Payable, credit Cash in Bank

PTS: 1 NAT: NBEA I.A.

30. ANS:  
Yes

PTS: 1 NAT: NBEA I.A.

31. ANS:  
No

PTS: 1 NAT: NBEA I.A.

32. ANS:  
Yes

PTS: 1 NAT: NBEA I.A.

33. ANS:  
No; debit Equipment for \$125, credit Cash in Bank for \$125

PTS: 1 NAT: NBEA I.A.

34. ANS:  
Yes

PTS: 1 NAT: NBEA I.A.

35. ANS:  
Debit Credit  
B H

PTS: 1 NAT: NBEA I.A.

36. ANS:  
Debit      Credit  
A          H
- PTS: 1      NAT: NBEA I.A.
37. ANS:  
Debit      Credit  
C          E
- PTS: 1      NAT: NBEA I.A.
38. ANS:  
Debit      Credit  
D          A
- PTS: 1      NAT: NBEA I.A.
39. ANS:  
Debit      Credit  
J          A
- PTS: 1      NAT: NBEA I.A.
40. ANS:  
Debit      Credit  
A          B
- PTS: 1      NAT: NBEA I.A.
41. ANS:  
Debit      Credit  
G          A
- PTS: 1      NAT: NBEA I.A.
42. ANS:  
Debit      Credit  
I          A
- PTS: 1      NAT: NBEA I.A.

F   1.

  T   2.

  T   3.

  T   4.

  F   5.

  T   6.

  T   7.

  T   8.

  F   9.

  F   10.

  T   11.

  F   12.

  A   23.

  F   24.

  D   25.

  C   26.

  G   27.

  E   28.