

CHAPTER 10 Concept Assessment

Completing the Accounting Cycle for a Sole Proprietorship

Total Points	33
Student's Score	_____

PART A Accounting Vocabulary (6 points)

Directions: Using terms from the following list, complete the sentences below. Write the letter of the term you have chosen in the space provided.

A. closing entries	D. Income Summary account	G. temporary accounts
B. "Closing Entries"	E. permanent accounts	
C. compound entry	F. post-closing trial balance	

B 0. _____ is written in the Description column of the general journal to explain the entries that close out the balances in the temporary capital accounts.

1. A(n) _____ has two or more debits or credits in the general journal.

2. The only accounts and balances listed on the post-closing trial balance are the _____ of the business.

3. The _____ are used to record transactions involving revenue, expenses, and withdrawals.

4. The general ledger account used to accumulate and summarize the revenue and expenses for the period is _____.

5. The trial balance prepared after the closing entries have been posted is the _____.

6. Journal entries that close out the balances in the temporary accounts and transfer net income or net loss for the period to the capital account are called _____.

PART B Recording Closing Entries (9 points)

Directions: Read each of the following statements to determine whether the statement is true or false.

Answer

T	F	0. The last step in the accounting cycle is to journalize and post closing entries.
T	F	1. Before the closing entries are journalized and posted, there is only one account in the general ledger that shows the revenue and expenses for the fiscal period.
T	F	2. When the revenue account is closed, Income Summary is credited.
T	F	3. To close an expense account, debit it for the amount of its credit balance.
T	F	4. Closing the withdrawals account into the capital account is the last closing entry to be made.
T	F	5. Closing entries are made for all temporary accounts and all permanent accounts.

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T	F	6. To close a revenue account, credit it for the amount of its debit balance.
T	F	7. The Income Summary account can be found on the income statement.
T	F	8. A separate closing entry is needed for each expense account.
T	F	9. The balances of the revenue and expense accounts apply to only one fiscal period.

PART C The Final Steps of the Accounting Cycle (10 points)

Directions: For each of the following statements, select the answer that correctly completes the statement. Write your answer in the space provided.

C

0. Closing entries are used to transfer the net income or net loss for the period to the
(A) revenue account. (C) capital account.
(B) withdrawals account. (D) Cash in Bank account.
1. Of the following accounts, a closing entry would be required for
(A) Accounts Receivable. (C) Cash in Bank.
(B) Rent Expense. (D) Equipment.
2. To close the withdrawals account, the amount of its balance is debited to the
(A) Income Summary account. (C) Cash in Bank account.
(B) withdrawals account. (D) capital account.
3. Which of the following is not a true statement?
(A) The Income Summary account is used only at the end of the fiscal period.
(B) The Income Summary account is located in the owner's equity section of the general ledger.
(C) The Income Summary account does not have a normal balance.
(D) The Income Summary account is a permanent capital account.
4. If a business had a net loss for the period, the journal entry to close out the balance of the Income Summary account into the capital account would be
(A) a debit to Income Summary, a credit to the capital account.
(B) a debit to the capital account, a credit to Income Summary.
(C) a debit to the revenue account, a credit to the capital account.
(D) a debit to the capital account, a credit to Cash in Bank.
5. In the accounting cycle, the closing process represents the
(A) sixth step. (C) eighth step.
(B) seventh step. (D) ninth step.
6. Which account would appear in the post-closing trial balance?
(A) Leah Moore, Capital. (C) Rent Expense.
(B) Professional Fees. (D) Leah Moore, Withdrawals.
7. Temporary accounts start each fiscal period with
(A) credit balances.
(B) debit balances.
(C) zero balances.
(D) debit balances for expenses and credit balances for revenue.

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8. The first step in journalizing closing entries is to transfer the balance of the
(A) expense accounts into Income Summary.
(B) withdrawals account to the capital account.
(C) Income Summary account into the capital account.
(D) revenue account to Income Summary.

9. The source of information for the closing entries is the
(A) work sheet. (C) general ledger.
(B) income statement. (D) balance sheet.

10. In the closing process, the journal entry made to transfer the balance of the Income
Summary account into the capital account is the
(A) first step. (C) third step.
(B) second step. (D) fourth step.

PART D Analyzing Closing Entries (8 points)

Directions: Using the following list of account names, determine the account names to be debited and credited for the closing entries below.

A. Della Lane, Capital
B. Della Lane, Withdrawals

C. Income Summary
D. Membership Fees

E. Rent Expense
F. Utilities Expense

Debit Credit

A B 0. Close out the balance of the withdrawals account.

_____ _____ 1. Close out the amount of a net loss for the period.

_____ _____ 2. Close out the balance of the revenue account.

_____ _____ 3. Close out the balances of the expense accounts.

_____ _____ 4. Close out the amount of a net income for the period.