

Financial Accounting

(Exam)



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Recording Transactions

Fill-in the Blanks

1. Recording each transaction with a minimum of one debit and one credit is known as _____-entry bookkeeping.
2. An entry on the left side of a T-account is a _____.
3. The journal entry to record depreciation is recorded in the _____ journal.
4. The entries recorded in the general journal are also posted to accounts in the _____.
5. A listing of the names and numbers of the accounts that are available for recording transactions is the _____ of accounts.
6. A listing of all of the account balances in order to prove that the total of the debit balances is equal to the total of the credit balances is a _____.
7. Entries to bring the accounts up to the accrual basis of accounting prior to issuing the financial statements are known as _____ entries.
8. Entries made at the end of the accounting year to the income statement accounts after the financial statements have been prepared are _____ entries.
9. The accounting equation for a corporation is assets = liabilities + stockholders' _____.
10. Purchasing supplies on credit will be recorded with a credit to the account _____.
11. Sales of merchandise and fees earned from providing services are examples of the income statement element _____.
12. A company providing services on credit will debit the account _____.

13. The financial statement that has the form of the accounting equation is the _____
_____.
14. The word for a cost that has expired or has been matched with revenues is _____.

Multiple Choice

15. The income statement accounts are referred to as
permanent real temporary
16. The sole proprietor's drawing account is closed to the
income summary account owner's capital account
17. Revenues have the effect of causing owner's or stockholders' equity to
decrease increase remain the same
18. When a company pays a bill by writing a check, the account Cash is
credited debited
19. The account that is debited when a sole proprietor withdraws some of the business's cash for personal use is
Cash Owner's Drawing Salary Expense
20. "Book of original entry" describes
a journal the general ledger a subsidiary ledger
21. Accumulated Depreciation will be listed on which financial statement?
balance sheet income statement
22. Under the accrual basis of accounting, a payment in late 2015 for the 2016 insurance expense will decrease the asset Cash and will
increase another asset reduce owner's equity in 2015
23. Recording revenues when they are earned rather than when the money is received is part of which basis or method of accounting?
accrual cash
24. Generally, which accounts are closed at the end of the accounting year?
balance sheet accounts income statement accounts

25. Under the accrual basis of accounting, which of the following will not cause a change in owner's equity?
purchase of land
advertising a product
performing services on credit
26. At the end of the accounting year Depreciation Expense is closed to
Accumulated Depreciation **Income Summary**
27. Which is not an expense on the income statement of a sole proprietorship?
advertising **depreciation** **owner's draw**
28. Under the accrual basis of accounting, owner's equity is increased by
a bank loan **collecting a receivable** **providing a service**

Matching

For each of the accounts in items 29 - 39, indicate which type of balance you would expect to find in the account.

debit
credit

29. _____ Revenue accounts
30. _____ Expense accounts
31. _____ Inventory
32. _____ Accounts Payable
33. _____ R. Smith, Drawing
34. _____ Accumulated Depreciation
35. _____ Sales Returns and Allowances
36. _____ Purchases (of merchandise for resale)
37. _____ Purchase Discounts
38. _____ Allowance for Doubtful Accounts
39. _____ Contra-liability accounts

Calculations

40. A sole proprietor's owner's equity balance was \$10,000 at the beginning of the year and was \$22,000 at the end of the year. During the year the owner invested \$5,000 in the business and had withdrawn \$24,000 for personal use. The sole proprietorship's net income for the year was \$_____.

Answers (1 - 40)

- | | |
|-----------------------------|-------------------------------|
| 1. double | 21. balance sheet |
| 2. debit | 22. increase another asset |
| 3. general | 23. accrual |
| 4. general ledger | 24. income statement accounts |
| 5. chart | 25. purchase of land |
| 6. trial balance | 26. Income Summary |
| 7. adjusting | 27. owner's draw |
| 8. closing | 28. providing a service |
| 9. equity | 29. credit |
| 10. Accounts Payable | 30. debit |
| 11. revenues | 31. debit |
| 12. Accounts Receivable | 32. credit |
| 13. balance sheet | 33. debit |
| 14. expense | 34. credit |
| 15. temporary | 35. debit |
| 16. owner's capital account | 36. debit |
| 17. increase | 37. credit |
| 18. credited | 38. credit |
| 19. Owner's Drawing | 39. debit |
| 20. a journal | 40. \$31,000 |

Beginning credit balance	10,000
Add: Owner investment	5,000
Less: Owner draws	<u>(24,000)</u>
Subtotal () = debit balance	(9,000)
NET INCOME	<u>31,000</u>
Ending credit balance	<u>22,000</u>

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