

## Double Entry System

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For each question there are four suggested answer – A, B, C and D. To answer the questions circle the best letter in front of the correct answer.

1. The formula to find Assets is:
  - A. Liabilities – Capital
  - B. Credit + Debit
  - C. Liability + Capital
  - D. Profit – Expenses
  
2. Debtors are:
  - A. persons who owe the business money.
  - B. a person to whom money is owed for goods.
  - C. The person who owns the actual good and services.
  - D. The persons who invest monies into the bank.
  
3. Which of the following is not found on the debit side of the accounting equation?
  - A. Stock
  - B. Creditors
  - C. Building
  - D. Cash at hand
  
4. Which of the following is a liability?
  - A. Buildings
  - B. Debtors
  - C. Creditors
  - D. Equipment
  
5. What would happen to the basic accounting equation if a cheque payment was made to George Russell a Creditor.
  - A. Assets will decrease; Liabilities will decrease
  - B. Assets will decrease; Liabilities will increase
  - C. Assets will increase; Liabilities will decrease
  - D. Assets will Increase; Liabilities will increase
  
6. Which is not an example of revenue?
  - A. Rent received
  - B. Insurance Paid
  - C. Cheque from sale of assets
  - D. Income from commission

7. It is said that an account receives values on the "credit side". What does the term "credit" means?

- A. Out going
- B. Left
- C. Incoming
- D. Right

8. Which of the following best describes returns inwards?

- A. It causes sales to increase
- B. It causes purchase to increases.
- C. It represents the goods returned to the firm
- D. It represents the goods returned to the supplier by the firm.

9. Which of the following best describes the rule of Double Entry?

- A. For every debit there is a corresponding credit.
- B. Every event happens once.
- C. Every transaction will have an increase on both sides
- D. For every entry assets must increase.

10. What is the meaning of revenue?

- A. The sale of goods
- B. The payment of goods and services
- C. The generating of profits and income for the firm.
- D. The buying and selling of goods.

11. \$200 cash rent was received from a tenant, L. McIntosh. What entry should be made to record this transaction?

- A. Debit cash, credit rent received.
- B. Debit M. Rolle, credit rent received
- C. Debit rent received, credit cash.
- D. Debit rent received, credit M. Rolle

12. Which is the difference between returns inwards and returns outwards?

- A. Returns inwards receives value on the debit side and returns outwards receives on the credit side.
- B. Returns inwards is an expense and returns outwards is an asset.
- C. Returns outwards is a liability and returns inwards is an expense.
- D. Returns outwards receives value on the debit side and returns inwards receives value on the credit side.