

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.