Name
Accounting Basics

1. The financial statement that reports the amount of a company's assets is the
   Balance sheet

   income statement

   statement of cash flows

2. The financial statement that reports the company's revenues and expenses is the

   balance sheet

   Income statement

   statement of cash flows

3. The heading of the balance sheet will indicate which of the following?

   A period of time

   a moment in time

4. Under the accrual method of accounting, the interest expense that is reported on the income statement is the amount of interest that was

   incurred

   paid

5. A company's superior management team and the company's logo will be reported as assets on its balance sheet.

   True

   False

6. The financial statement that reports information in a format that is similar to the accounting equation is the

   balance sheet

   income statement

   statement of cash flows

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7. The financial statement that reports the amount of depreciation expense applicable to the current accounting period is the

balance sheet

income statement

8. Depreciation of the equipment used in a business is recorded in order to

report the equipment's current market value on the balance sheet

allocate the equipment's cost to expense during the periods in which it is used

9. Which of the following assets will not be depreciated?

buildings

equipment

land

vehicles

10. The amount of prepaid insurance that has not expired as of the end of an accounting period should be reported as

an asset

an expense

a liability

11. Under which method of accounting are revenues reported on the income statement in the period in which they are *earned*?

accrual basis or method

cash basis or method

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12. Under the accounting or bookkeeping system known as double entry, the number of general ledger accounts that will be involved in each transaction is

one

two

two or more

13. The word which indicates the left side of a general ledger account is

debit

credit

14. A sale is made with credit terms that allow the customer to pay in 30 days. Under the accrual method of accounting the account to be *debited* at the time of the sale is

Accounts Receivable

Cash

Sales

15. When the company receives the money from its customer that was billed in the prior month, the company should *credit*

Accounts Receivable

Cash

Sales

16. The account Rent Expense is almost always

debited

credited

17. When a company writes a check to pay its rent, the account Cash will be

debited

credited

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18. The account Prepaid Insurance is expected to have this type of balance.

debit

credit

19. When a company receives goods or services on credit, it will record the amount owed in Accounts Payable as a

debit

credit

20. Expenses will cause a company's total amount of owner's equity or stockholders' equity to

increase

decrease

21. At the time that a company buys an asset for cash, the total amount of its owner's equity or stockholders' equity will

increase

decrease

not change

22. When a company uses the accrual method and bills a client for the services it had just provided, the effect on its basic accounting equation will be

an increase in Assets only

an increase in Assets and an increase in Stockholders' Equity an

increase is Stockholders' Equity and a decrease in Liabilities

23. The account Wages Payable will be included in which side of the accounting equation?

left

right

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24. The account Unearned Revenues is which type of account?

asset

liability

Stockholders' equity

expense

25. The accounts that are closed at the end of the accounting year are the

balance sheet accounts

income statement accounts

neither

26. The listing which includes the titles of the general ledger accounts available for recording transactions, but excludes the account balances, is the

chart of accounts

trial balance

27. In accounting, the word *expenses* has the same meaning as the word *payments*.

True

False

28. Under the accrual method of accounting, which of the following are revenues?

Receiving $100,000 cash from issuing common

stock Receiving $100,000 cash from a bank loan

Providing $100,000 of services on credit (with the cash to be received later)

29. The amount reported as stockholders' equity should be adjusted at the end of the year so that it is equal to the corporation's market value.

True

False

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30. Common stock and retained earnings are part of a corporation's

income statement

liabilities

stockholders' equity

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