

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**

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**

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**

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 and an increase in Liabilities**
  - an increase in Assets and a decrease in Liabilities**
  - an increase in Stockholders' Equity and a decrease in Liabilities**
23. The account Wages Payable will be included in which side of the accounting equation?
- left**
  - right**

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**

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

**income statement**

**liabilities**

**stockholders' equity**

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