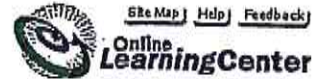




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"old" publisher's website

1. What is a benefit of technology in modern business practice?
  - A) It makes up for a lack of understanding of accounting.
  - B) It increases the time, effort, and cost of recording transactions.
  - C) Although it has not changed the way accountants summarize data, it has changed the way they process and store data.
  - D) All of the above.
  - E) None of the above.
2. Which of the following users of accounting information are internal users?
  - A) Lenders
  - B) Shareholders
  - C) Production Managers
  - D) Governments
  - E) Customers
3. Certified Public Accountants:
  - A) Must meet education and experience requirements and pass an examination.
  - B) Are required to exhibit ethical character.
  - C) Receive a certificate that denotes their professional standing.
  - D) A and C above.
  - E) All of the above.
4. Which of the following is true about ethics in accounting?
  - A) For information to be useful, it must be trusted.
  - B) Ethics are beliefs that distinguish right from wrong.
  - C) Ethics are accepted standards of good and bad behavior.
  - D) Identifying the proper ethical path is sometimes difficult.
  - E) All of the above.
5. Which form of ownership provides all owners with the least amount of risk to their personal assets?
  - A) Sole proprietorship **No**
  - B) Limited partnership
  - C) Limited liability partnership
  - D) Corporation
  - E) None of the above
6. Which the following does not correctly match the accounting principle with its major focus or assumption?
  - A) Going-concern assumption - A business has an indefinite life span.
  - B) Business entity assumption - A business is distinct from its owners.
  - C) Measurement principle - Accounting information is based on actual cost.
  - D) Revenue recognition principle - Revenue is recognized (that is, recorded) when cash is received from customers for goods or services provided.
  - E) Monetary unit assumption - Transactions and events can be expressed in monetary, or money, units.
7. The measurement principle means that accounting information is based on actual cost because cost is considered to be:
  - A) Objective.
  - B) Subjective.
  - C) Biased.
  - D) B and C above.
  - E) All of the above.
8. Which of the following represent creditors' claim on the assets of a company?
  - A) Accounts payable
  - B) Accounts receivable
  - C) Inventory
  - D) Cash
  - E) Prepaid expenses

- A) Accounts Receivables
  - B) Owner's Equity
  - C) Retained Earnings
  - D) Liabilities
  - E) None of the above
- 9 If assets increased by \$5,000 and equity increased by \$1,000 during the accounting period, then how did liabilities change?
- A) Increased by \$6,000
  - B) Increased by \$4,000
  - C) Decreased by \$4,000
  - D) Decreased by \$6,000
  - E) Decreased by \$1,000
- $A = L + E$   
 $5 = \square + 1$
- 10 The owner of a computer services business was able to acquire a new computer, valued at \$5,000, by establishing an account with the computer vendor, Com Pewters Unlimited. There was no down payment. How does this transaction impact the accounting equation?
- A) Increase an asset, increase a liability
  - B) Decrease an asset, decrease a liability
  - C) Increase an asset, increase equity
  - D) Decrease an asset, decrease equity
  - E) Increase one asset and decrease another asset
- 11 Keith Manich deposited \$5,000 in a bank account he established for a pet store that he is going to own and operate as KM's Pets, Incorporated. How does this transaction impact the accounting equation?
- A) Increase an asset and increase a liability
  - B) Decrease an asset and decrease a liability
  - C) Increase an asset and increase equity
  - D) Decrease an asset and decrease equity
  - E) Increase one asset and decrease another asset
- 12 A local fast-food outlet hired a first-year accounting student to work as its cashier (the person who collects cash from customers). The company pays the student after she works for a week. How does this transaction impact the accounting equation?
- A) Increase an asset, increase a liability
  - B) Decrease an asset, decrease a liability
  - C) Increase an asset, increase owner's equity
  - D) Decrease an asset, decrease owner's equity
  - E) Increase one asset and decrease another asset
- 13 Cash dividends are declared and paid to the stockholders of the corporation. How does this transaction impact the accounting equation?
- A) Increase an asset, increase a liability
  - B) Decrease an asset, decrease a liability
  - C) Increase an asset, increase equity
  - D) Decrease an asset, decrease equity
  - E) Increase one asset and decrease another asset
- 14 If the balance of cash is \$210,000, the sales revenue totals \$500,000, and the net income for the period is \$200,000, what is the return on assets (ROA) if the average assets total \$800,000?
- A) 15%
  - B) 20%
  - C) 25%
  - D) 40%
  - E) None of the above
- $ROI = \frac{NI}{Avg\ Assets}$   
 $= \frac{200,000}{800,000} = 25\%$
- 15 Which of the following financial statements does not cover a period of time?
- A) Income Statement
  - B) Balance sheet
  - C) Statement of retained earnings
  - D) Statement of cash flows
  - E) All of the above
- Snapshot



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## Interactive Quiz

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1. What is the proper order that describes the steps in the accounting process?  
 I. Prepare and analyze the trial balance <sup>4</sup>  
 II. Record relevant transactions and events in a journal <sup>2</sup>  
 III. Analyze each transaction and event from source documents <sup>1</sup>  
 IV. Post journal information to ledger accounts <sup>3</sup>  
 Ⓐ) III, IV, I, and II.  
 Ⓑ) I, II, III, and IV.  
 Ⓒ) III, II, IV, and I.  
 Ⓓ) III, II, I, and IV.  
 Ⓔ) II, III, I, and IV.
2. A bill (or invoice) received from a vendor and supplier is an example of which of the following?  
 Ⓐ) Financial statements  
 Ⓑ) Accounts  
 Ⓒ) Source documents  
 Ⓓ) Journal entry  
 Ⓔ) None of the above
3. Which of the following is not a liability account?  
 Ⓐ) Unearned revenue ✓  
 Ⓑ) Accounts receivable <sup>Asset</sup>  
 Ⓒ) Salaries payable ✓  
 Ⓓ) Notes payable ✓  
 Ⓔ) Mortgage payable ✓
4. Which of the following is a formal promise to pay a future amount and is classified depending on when it must be repaid?  
 Ⓐ) Accounts payable  
 Ⓑ) Accounts receivable  
 Ⓒ) Note payable  
 Ⓓ) Prepaid insurance  
 Ⓔ) Both accounts payable and accounts receivable
5. Which of the following type(s) of accounts affect equity?  
 Ⓐ) Common stock ✓  
 Ⓑ) Dividends ✓  
 Ⓒ) Retained earnings ✓  
 Ⓓ) A and B only  
 Ⓔ) A, B, and C
6. Which of the following would be used in the entry to record a transaction in which the customer pays in advance for products or services before they are earned?  
 Ⓐ) Dividends  
 Ⓑ) Prepaid account  
 Ⓒ) Unearned revenue  
 Ⓓ) Accounts payable  
 Ⓔ) None of the above
7. Which of the following is the term used to describe the list of accounts that a company uses which includes an identification number assigned to each account?  
 Ⓐ) A ledger  
 Ⓑ) A chart of accounts  
 Ⓒ) A journal  
 Ⓓ) A trial balance  
 Ⓔ) A source document



8 On March 15, Armstrong Corporation performed consulting services on account for a customer. Armstrong collected \$5,000 on account from that customer on April 22. Which of the following general journal entries would be used to record the transaction that took place on April 22?

- A) Debit assets for \$5,000, credit equity for \$5,000.
- B) Debit cash for \$5,000, credit consulting service revenue for \$5,000.
- C) Debit cash for \$5,000, credit accounts receivable for \$5,000.
- D) Debit accounts receivable for \$5,000, credit consulting service revenue for \$5,000.
- E) Debit accounts receivable for \$5,000, credit cash for \$5,000.

9 Caroline Duffy contributed \$10,000 in cash and equipment worth \$3,000 to open a new business that she has incorporated. Which of the following general journal entries would be used to record this transaction?

- A) Debit assets for \$13,000, credit common stock for \$13,000.
- B) Debit cash for \$10,000, credit common stock for \$10,000.
- C) Debit cash and equipment for \$13,000, credit common stock for \$13,000.
- D) Debit cash for \$10,000, debit equipment for \$3,000, credit common stock for \$13,000.
- E) Debit cash for \$10,000, debit equipment for \$3,000, credit dividends for \$13,000.

10 On January 31, Harrington Corporation, a consulting company, had accounts receivable in the amount of \$10,000. During February, payments from customers on account totaled \$5,000. At the end of February, accounts receivable was \$12,000. What was the amount of consulting services provided to customers on credit during the month of February?

- A) \$2,000
- B) \$3,000
- C) \$7,000
- D) \$27,000
- E) Cannot be determined

Handwritten notes for question 10:  
 on acct            
 BB 10,000            
 7,000      5,000 payments  
 12,000

11 Assets total \$100,000, liabilities total \$10,000, and equity totals \$90,000. What is the debt ratio?

- A) 0.10
- B) 0.20
- C) 0.50
- D) 0.75
- E) 0.90

Handwritten calculation for question 11:  

$$\frac{\text{Total Debt } 10,000}{\text{Total Assets } 100,000} = .10$$

12 The ordering of accounts in a trial balance is:

- A) Alphabetical.
- B) From the highest dollar to the lowest dollar value.
- C) From the lowest dollar to the highest dollar value.
- D) In chart of account order.
- E) Random.

13 Beginning Retained Earnings totaled \$12,000. During the period, stockholders invested \$50,000. The ending Retained Earnings balance was \$32,000. If dividends of \$10,000 were paid during the period, what was the net income (or net loss) of the business?

- A) Net Income, \$20,000
- B) Net loss, \$2,000
- C) Net Income, \$2,000
- D) Net Income, \$30,000
- E) None of the above

Handwritten notes for question 13:  
 RE  
 10,000      12,000  
 32,000  
 $12,000 + x - 10,000 = 32,000$

14 Which of the following accounts would not appear on the income statement?

- A) Professional fees earned
- B) Unearned consulting revenue NO
- C) Dividends NO
- D) Office supplies expense
- E) B and C

15 Which of the following statement is true concerning U.S. GAAP and IFRS balance sheets?

- A) Both U.S. GAAP and IFRS require that current items present first in the balance sheet.
- B) Only U.S. GAAP requires current items present first in the balance sheet.
- C) Only IFRS requires current items present first in the balance sheet.
- D) Only U.S. GAAP requires that current items present separately from noncurrent items in the balance sheet.
- E) All of the above.



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- 1 Which of the following statements are important when choosing the appropriate time period for financial reporting purposes?
  - A) The value of information is often linked to its timeliness.
  - B) Useful information must reach decision makers frequently and promptly.
  - C) Timely information requires that reports be prepared at regular intervals.
  - D) All of the above.
  - E) None of the above.
- 2 Which of the following statements is correct concerning the accrual basis of accounting?
  - A) The accrual basis does not consider the revenue recognition principle. *No*
  - B) The accrual basis must follow the revenue recognition principle but not the expense recognition principle. *No*
  - C) The accrual basis uses the adjusting process to recognize revenues when earned and to match expenses with revenues.
  - D) The accrual basis recognizes revenues when earned and records expenses when cash is paid. *No*
  - E) The accrual basis is the same as the cash basis of accounting. *No*
- 3 Which of the following statements are correct with respect to the cash basis of accounting?
  - A) The cash basis of accounting recognizes revenues when the cash is received. *yes*
  - B) The cash basis of accounting recognizes expenses when the cash is paid. *yes*
  - C) The cash basis of accounting is acceptable for GAAP purposes. *no*
  - D) All of the above.
  - E) None of the above. *A & B are correct*

*BAD question*
- 4 The steps in the accounting cycle includes the following: adjusting the accounts; preparing a post-closing trial balance; preparing an unadjusted trial balance; analyzing the transactions; journalizing; posting; closing temporary accounts; and preparing the financial statements. What is the proper order of the first five steps?
  - A) Analyzing transactions; journalizing; posting; preparing a post-closing trial balance; and adjusting the accounts.
  - B) Analyzing transactions; journalizing; posting; preparing an unadjusted trial balance; and adjusting the accounts.
  - C) Adjusting the accounts; analyzing the transactions; journalizing; posting; and preparing the financial statements.
  - D) Analyzing transactions; journalizing; posting; preparing a post-closing trial balance; and preparing the financial statements.
  - E) None of the above.
- 5 Which of the following accounts represent a current asset on a classified balance sheet?
  - A) Short-term investments
  - B) Merchandise inventory
  - C) Prepaid expenses
  - D) Cash
  - E) All of the above
- 6 Which is true about an adjusting entry?
  - A) Only a permanent account is adjusted.
  - B) Only a temporary account is adjusted.
  - C) Both a permanent account and a temporary account are affected.
  - D) It is required to satisfy the revenue recognition principle only.
  - E) None of the above.
- 7 What is the formula for the profit margin ratio?
  - A) Net income divided by total assets
  - B) Net income divided by net sales
  - C) Net sales divided by net income
  - D) Net income divided by total equity
  - E) Net sales divided by total equity
- 8 Current assets total \$30,000, plant and equipment assets, net, total \$40,000, current liabilities total \$10,000, and long-



term liabilities total \$20,000. What is the current ratio?

$$\frac{30,000}{10,000} = 3 \text{ to } 1$$

- (A) 1.0:1
- (B) 1.5:1
- (C) 2.5:1
- (D) 3.0:1
- (E) None of the above

9 What happens or is accomplished when the adjusting entry for depreciation is recorded?

- (A) The cost of the asset is allocated over its useful life.
- (B) Expenses decrease. *NO*
- (C) The carrying (or book) value of the related asset increases in the balance sheet. *NO*
- (D) All of the above. *NO*
- (E) None of the above.

10 Which if the following is correct regarding the Accumulated Depreciation account?

- (A) It is reported on the income statement. *NO*
- (B) It has a normal debit balance. *NO*
- (C) It is a contra asset account, and has a credit balance. *yes*
- (D) It is a temporary account that must be closed out at year-end. *NO*
- (E) All of the above.

11 On November 1, a magazine publisher receives \$12 million from its customers for annual subscriptions to a monthly magazine. The November issue is immediately sent to those customers to start their subscriptions. Assuming that an adjusting entry was not journalized on November 30, what adjusting entry should be recorded on December 31?

- (A) Debit the Unearned Subscriptions account and credit the Subscription Revenue account for \$2 million.
- (B) Debit the Unearned Subscriptions account and credit the Subscription Revenue account for \$1 million.
- (C) Debit the Prepaid Subscriptions account and credit the Unearned Subscriptions account for \$2 million.
- (D) Debit the Prepaid Subscriptions account and credit the Unearned Subscriptions account for \$1 million.
- (E) None of the above.

*2 Month earned.*

12 The ABC Company's employees earn \$15,000 for each five-day workweek ending every Friday. If the fiscal year ends on a Tuesday, what adjusting entry should be recorded?

- (A) Debit Salary Expense \$15,000 and Credit Salaries Payable \$15,000.
- (B) Debit Salary Expense \$6,000 and Credit Salaries Payable \$6,000.
- (C) Debit Salary Expense \$9,000 and Credit Salaries Payable \$9,000.
- (D) Debit Salaries Payable \$10,000 and Credit Salary Expense \$10,000.
- (E) None of the above.



13 Which of the following is not a temporary account?

- (A) Income Summary *T*
- (B) Rental Revenue *T*
- (C) Common Stock *Eq*
- (D) Dividends *T*
- (E) Depreciation Expense-Office Equipment *T*

$$15,000 \div 5 \text{ days} = 3,000 \text{ per day} \times 2 \text{ (Mon + Tues)}$$

14 After the closing procedure is complete, which of the following proves the equality of debits and credits?

- (A) Income statement
- (B) Account form balance sheet
- (C) Post-closing trial balance
- (D) Work sheet
- (E) All of the above

15 Which of the following statements concerning U.S. GAAP and IFRS is true?

- (A) Cash Basis is not consistent with neither U.S. GAAP nor IFRS.
- (B) IFRS balance sheets normally present noncurrent items first.
- (C) Both U.S. GAAP and IFRS include similar guidance for adjusting accounts.
- (D) All of the above.
- (E) None of the above.