Accounting Basics

(Quick Test #1)

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Note: Some of the following test questions may not have been covered in the Explanation or Practice Quiz for this topic. For more insight regarding a specific question, use the search box at the top of each page of our website.

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 a company's equipment is recorded primarily 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
   - Cash basis

12. Under the accounting or bookkeeping system known as double entry, how many general ledger accounts will be involved in each transaction?
   - One
   - Two
   - Two or more

13. Which word indicates the left side of a general ledger account?
   - 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, which account should be debited at the time of the sale?
   - Accounts Receivable
   - Cash
   - Sales

15. When the company receives the money from its customer that was billed in the prior month, which account should be credited?
   - Accounts Receivable
   - Cash
   - Sales

16. When a company records a check for its monthly rent, the account Rent Expense is _________________.
   - 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, the amount is recorded 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. What is the effect on a company's accounting equation when it uses the accrual method and bills a client for the services it had just provided?
   An increase in assets only
   An increase in assets and an increase in stockholders' equity
   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. Which accounts are closed at the end of the accounting year?
   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
Answers

1. balance sheet
2. income statement
3. A moment in time
4. incurred
5. False
6. balance sheet
7. income statement
8. allocate the equipment's cost to expense during the periods in which it is used
9. Land
10. an asset
11. Accrual basis
12. Two or more
13. Debit
14. Accounts Receivable
15. Accounts Receivable
16. debited
17. credited
18. Debit
19. credit
20. decrease
21. not change
22. An increase in assets and an increase in stockholders' equity
23. Right
24. Liability
25. Income statement accounts
26. chart of accounts
27. False
28. Providing $100,000 of services on credit (with the cash to be received later)
29. False
30. stockholders' equity