

# Accounting Basics

(Quick Test #1)



Harold Averkamp  
CPA, MBA

Accounting  
Coach<sup>®</sup>

Our materials are copyright © AccountingCoach, LLC and are for personal use by the original purchaser only. We do not allow our materials to be reproduced or distributed elsewhere.

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