Accounting Basics

(Practice Quiz)

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1. Which financial statement reports the revenues and expenses for a period of time such as a year or a month?
   Balance sheet       Income statement       Statement of cash flows

2. Which financial statement reports the assets, liabilities, and stockholders’ (owner’s) equity at a specific date?
   Balance sheet       Income statement       Statement of cash flows

3. Under the accrual basis of accounting, revenues are reported in the accounting period when which of the following occurs?
   Cash is received       Services or goods have been delivered

4. Under the accrual basis of accounting, expenses are reported in the accounting period when which of the following occurs?
   Cash is paid       An expense matches the revenues or is used up

5. Revenues minus expenses equals _________________.

6. Resources owned by a company (such as cash, accounts receivable, vehicles) are reported on the balance sheet and are referred to as _________________.

7. Assets are usually reported on the balance sheet at which amount?
   Cost       Current market value       Expected selling price

8. Obligations (amounts owed) are reported on the balance sheet and are referred to as _________________.

9. Liabilities often have the word _________________ in their account title.
10. Unearned Revenues is what type of account?
   Asset       Liability       Stockholders’ (owner’s) equity

11. Accounting entries involve a minimum of how many accounts?
    One       Two       Three

12. The listing of all of the accounts available for use in a company’s accounting system is known as the _________________.

13. Assets minus liabilities equals _________________.

14. Which term is associated with “left” or “left side”?
    Debit       Credit

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16. When cash is received, the account Cash will be _____________.
    debited       credited

17. When a company pays a bill, the account Cash will be _____________.
    debited       credited

18. What will usually cause an asset account to increase?
    Debit       Credit

19. What will usually cause the liability account Accounts Payable to increase?
    Debit       Credit

20. Entries to expenses such as Rent Expense are usually _____________.
    debits       credits

21. Entries to revenues accounts such as Service Revenues are usually _____________.
    debits       credits
Answers

1. Income statement
2. Balance sheet
3. Services or goods have been delivered
4. An expense matches the revenues or is used up
5. net income
6. assets
7. Cost
   This is true because of the cost principle.
8. liabilities
9. payable
10. Liability
    The company that is to perform the service or is to deliver the product has received the cash in advance and therefore has an obligation (liability) to deliver the service or the product.
11. Two
    Because of the double-entry system, every transaction will affect at least two accounts.
12. chart of accounts
13. stockholders’ equity or owner’s equity (net assets if a nonprofit)
14. Debit
15. Credit
16. debited
17. credited
18. Debit
Answers

19. Credit
20. debits
21. credits