

## Chapter 2—T Accounts, Debits and Credits, Trial Balance, and Financial Statements

### MULTIPLE CHOICE

1. The normal balance of an account is on the
- plus side.
  - left side.
  - debit side.
  - right side.
  - credit side.

ANS: A                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-1              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge

2. When a T account has several items on both sides, the balance of the account is written
- on the side with the greatest number of items.
  - on the side with the least number of items.
  - on the side with the larger total.
  - on the side with the smaller total.
  - in none of these locations.

ANS: C                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-1              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Comprehension

3. A debit may signify a decrease in a(n)
- liability account.
  - asset account.
  - revenue account.
  - liability and a revenue account.
  - asset and a revenue account.

ANS: D                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-3              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Comprehension

4. A debit may result in
- an increase in an expense account.
  - an increase in an asset account.
  - a decrease in a liability account.
  - a decrease in a revenue account.
  - all of these.

ANS: E                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-3              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Comprehension

5. A credit may result in
- an increase in a liability account.

- b. an increase in a revenue account.
- c. a decrease in an asset account.
- d. an increase in the Capital account.
- e. all of these.

ANS: E                      PTS: 1                      DIF: Difficulty: Moderate  
 OBJ: LO: 2-3              NAT: AACSB: Reflective Thinking  
 STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
 KEY: Bloom's: Comprehension

6. A credit may result in
- a. an increase in an asset account.
  - b. a decrease in the Capital account.
  - c. an increase in a liability account.
  - d. a decrease in a liability account.
  - e. none of these.

ANS: C                      PTS: 1                      DIF: Difficulty: Moderate  
 OBJ: LO: 2-3              NAT: AACSB: Reflective Thinking  
 STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
 KEY: Bloom's: Comprehension

7. Which of the following classifications of accounts has/have a normal credit balance?
- a. Drawing
  - b. Revenues
  - c. Liabilities
  - d. Revenues and liabilities
  - e. All of these

ANS: D                      PTS: 1                      DIF: Difficulty: Easy  
 OBJ: LO: 2-1 | LO: 2-3                      NAT: AACSB: Reflective Thinking  
 STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
 KEY: Bloom's: Comprehension

8. Which of the following describes the classification and normal balance of H. Gale, Capital?
- a. Asset, debit
  - b. Revenue, credit
  - c. Owner's equity, debit
  - d. Expense, debit
  - e. None of these

ANS: E                      PTS: 1                      DIF: Difficulty: Easy  
 OBJ: LO: 2-1 | LO: 2-3                      NAT: AACSB: Reflective Thinking  
 STA: AICPA-FN: Measurement|ACBSP: GAAP                      KEY: Bloom's: Knowledge

9. Which of the following describes the classification and normal balance of the Income from Services account?
- a. Capital, debit
  - b. Revenue, credit
  - c. Asset, credit
  - d. Asset, debit
  - e. Expense, debit

ANS: B                      PTS: 1                      DIF: Difficulty: Easy  
 OBJ: LO: 2-1 | LO: 2-3                      NAT: AACSB: Reflective Thinking

10. Which of the following is an asset account?

- a. Insurance Expense
- b. Advertising Expense
- c. Office Equipment
- d. Sales
- e. None of these

ANS: C PTS: 1 DIF: Difficulty: Easy

OBJ: LO: 2-4 NAT: AACSB: Reflective Thinking

STA: AICPA-FN: Measurement|ACBSP: GAAP

KEY: Bloom's: Knowledge

11. The second step in the analytical phase of accounting is

- a. to determine whether there is an increase or a decrease in the accounts.
- b. to determine which accounts are involved.
- c. to formulate the entry as a debit to one account and as a credit to another account.
- d. to identify the classification of the accounts involved.
- e. none of these.

ANS: D PTS: 1 DIF: Difficulty: Moderate

OBJ: LO: 2-4 NAT: AACSB: Reflective Thinking

STA: AICPA-FN: Measurement|ACBSP: Recording Transactions

KEY: Bloom's: Comprehension

12. If a \$47 cash purchase of supplies is recorded as a \$57 debit to Supplies Expense and a \$57 credit to Cash, the result will be that

- a. the trial balance will be out of balance.
- b. the Supplies Expense account will be understated.
- c. the Cash account will be overstated.
- d. Supplies Expense will be overstated and Supplies will be understated.
- e. none of these will be true.

ANS: D PTS: 1 DIF: Difficulty: Moderate

OBJ: LO: 2-4 NAT: AACSB: Analytic

STA: AICPA-FN: Measurement|ACBSP: Recording Transactions

KEY: Bloom's: Application

13. A purchase of supplies on account should be recorded as

- a. a debit to Supplies and a credit to Cash.
- b. a debit to Accounts Payable and a credit to Supplies.
- c. a debit to Supplies and a credit to Accounts Payable.
- d. a debit to Supplies Expense and a credit to Accounts Receivable.
- e. none of these.

ANS: C PTS: 1 DIF: Difficulty: Moderate

OBJ: LO: 2-4 NAT: AACSB: Analytic

STA: AICPA-FN: Measurement|ACBSP: Recording Transactions

KEY: Bloom's: Application

14. A business buys office equipment for cash. What effect will this transaction have on the accounts?

- a. Debit an asset account and credit an expense account
- b. Debit an asset account and credit an asset account
- c. Debit an expense account and credit an asset account
- d. Debit a liability account and credit an asset account

e. None of these

ANS: B                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-4              NAT: AACSB: Analytic  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Application

15. The receipt of cash on account from a customer should be recorded as
- a debit to Cash and a credit to Accounts Payable.
  - a debit to Cash and a credit to Income from Services.
  - a debit to Cash and a credit to Accounts Receivable.
  - a debit to Cash and a credit to the Capital account.
  - none of these.

ANS: C                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-4              NAT: AACSB: Analytic  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Application

16. The asset that a business enterprise creates when it maintains accounts for its charge customers is
- Accounts Payable.
  - Drawing.
  - Accounts Receivable.
  - Capital.
  - none of these.

ANS: C                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-4              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: GAAP                      KEY: Bloom's: Comprehension

17. Which of the following entries records the withdrawal of cash for personal use by D. Bill, the owner of a business?
- Debit Cash and credit D. Bill, Drawing
  - Debit Cash and credit Salary Expense
  - Debit Salary Expense and credit Cash
  - Debit D. Bill, Drawing and credit Cash
  - None of these

ANS: D                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-4              NAT: AACSB: Analytic  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Application

18. A trial balance is
- a listing of all the assets, liabilities, and owner's equity accounts that have balances.
  - a listing of all the accounts that have zero balances.
  - a listing of all the revenue and expense accounts that have balances.
  - all of these.
  - none of these.

ANS: A                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-5              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge

19. To locate an error in a trial balance,
- re-add.
  - look for the correct location of normal balances.
  - verify figures transferred from the account to the trial balance.
  - check footings and balances of the accounts.
  - do all of these.

ANS: E                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-5              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Comprehension

20. The trial balance will *not* expose which of the following problems?
- Recording half an entry
  - Leaving out an entire entry
  - Recording both halves of an entry on the same side
  - Recording half an entry and leaving out an entire entry
  - Recording half an entry and recording both halves of an entry on the same side

ANS: B                      PTS: 1                      DIF: Difficulty: Challenging  
OBJ: LO: 2-5              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Comprehension

21. The Accounts Receivable T account shows the following

\$250, debit  
\$1,250, debit  
\$300, credit  
\$250, credit

What is the balance of the account?

- \$1,500, debit
- \$550, credit
- \$950, debit
- \$950, credit
- \$2,050, debit

ANS: C                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-1              NAT: AACSB: Analytic  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Application

22. The Accounts Payable T account shows the following

\$1,200, debit  
\$3,500, debit  
\$8,240, credit  
\$100, credit

What is the balance of the account?

- \$8,340, credit
- \$8,340, debit
- \$4,700, debit
- \$3,640, debit

e. \$3,640, credit

ANS: E                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-1              NAT: AACSB: Analytic  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Application

23. The \_\_\_\_\_ are the totals of each side of a T account that is normally recorded in small, pencil-written figures.
- balances
  - footings
  - figures
  - estimates

ANS: B                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-1              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge

24. Which of the following is correct concerning a T account?
- The left side is the decrease side for assets.
  - The right side is the decrease side for liabilities.
  - The right side is the increase side for revenue.
  - The left side is the decrease side for expenses.

ANS: C                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-2              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Comprehension

25. Which of the following is not true concerning T accounts?
- The right side of a revenue account is an increase.
  - The left side of an expense account is an increase.
  - The left side of an asset account is an increase.
  - The left side of a liability account is an increase.

ANS: D                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-2              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Comprehension

26. Which of the following is correct?
- Debit is the normal balance of the accounts payable account.
  - Credit is the normal balance of the accounts receivable account.
  - Debit is the normal balance of the Income from Services account.
  - Debit is the normal balance of the Drawing account.

ANS: D                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-1 |LO: 2-2              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Comprehension

27. Which of the following is true?
- An asset account would be decreased with a debit.
  - A liability account would be increased with a debit.

- c. A revenue account would be increased with a credit.
- d. An expense account would be increased with a credit.

ANS: C                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-3              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Comprehension

28. Which of the following is not true?
- a. The capital account would be increased with a debit.
  - b. The drawing account would be increased with a debit.
  - c. An asset account would be decreased with a credit.
  - d. A liability account would be increased with a credit.

ANS: A                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-3              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Comprehension

29. The last step in analyzing a business transaction is
- a. decide which accounts are involved.
  - b. check to see if the equation is in balance.
  - c. write the transaction as a debit and credit.
  - d. classify the accounts involved.

ANS: B                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-4              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Comprehension

30. Ready Company received a bill for advertising. The accountant would record a
- a. credit to cash.
  - b. credit to accounts receivable.
  - c. credit to accounts payable.
  - d. credit to advertising expense.

ANS: C                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-4              NAT: AACSB: Analytic  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Application

31. Which of the following is correct, assuming the following transaction:  
R. Dirk invested \$20,000 cash in the business.
- a. Cash is debited.
  - b. Cash is credited.
  - c. R. Dirk, Capital is debited.
  - d. Income from Services is credited.

ANS: A                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-4              NAT: AACSB: Analytic  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Application

32. Which of the following is correct, assuming the following transaction:  
Kennedy Company received and paid the rent for the month.

- a. Rent Expense is debited.
- b. Cash is debited.
- c. Rent Expense is credited.
- d. Accounts Payable is debited.

ANS: A                      PTS: 1                      DIF: Difficulty: Moderate  
 OBJ: LO: 2-4              NAT: AACSB: Analytic  
 STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
 KEY: Bloom's: Application

33. Which of the following is correct, assuming the following transaction:  
 Nixon Company sold services on account.
- a. Cash is credited.
  - b. Accounts Receivable is credited.
  - c. Income from Services is credited.
  - d. Cash is debited.

ANS: C                      PTS: 1                      DIF: Difficulty: Moderate  
 OBJ: LO: 2-4              NAT: AACSB: Analytic  
 STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
 KEY: Bloom's: Application

34. Jackson Company received cash on account from customers, \$2,300. The accountant would record a
- a. debit to income from services, \$2,300.
  - b. credit to income from services, \$2,300.
  - c. debit to accounts receivable, \$2,300.
  - d. credit to accounts receivable, \$2,300.
  - e. credit to cash, \$2,300.

ANS: D                      PTS: 1                      DIF: Difficulty: Moderate  
 OBJ: LO: 2-4              NAT: AACSB: Analytic  
 STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
 KEY: Bloom's: Application

35. A \_\_\_\_\_ is a transaction that requires more than one debit or more than one credit to be recorded.
- a. complex entry
  - b. double entry
  - c. deluxe entry
  - d. compound entry

ANS: D                      PTS: 1                      DIF: Difficulty: Easy  
 OBJ: LO: 2-4              NAT: AACSB: Reflective Thinking  
 STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
 KEY: Bloom's: Knowledge

36. Income from Services would be shown on the \_\_\_\_\_.
- a. debit side of the trial balance
  - b. credit side of the trial balance
  - c. not on the trial balance
  - d. on both the debit and credit side of the trial balance

ANS: B                      PTS: 1                      DIF: Difficulty: Easy  
 OBJ: LO: 2-5              NAT: AACSB: Reflective Thinking  
 STA: AICPA-FN: Measurement|ACBSP: Recording Transactions



KEY: Bloom's: Comprehension

37. Utilities Expense would be shown on the \_\_\_\_\_.
- a. debit side of the trial balance
  - b. credit side of the trial balance
  - c. not on the trial balance
  - d. debit and credit side of the trial balance

ANS: A                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-5              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Comprehension

38. Accounts Receivable would be shown on the \_\_\_\_\_.
- a. debit side of the trial balance
  - b. credit side of the trial balance
  - c. not on the trial balance
  - d. debit and credit side of the trial balance

ANS: A                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-5              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Comprehension

39. Accounts Payable would be shown on the \_\_\_\_\_.
- a. debit side of the trial balance
  - b. credit side of the trial balance
  - c. not on the trial balance
  - d. debit and credit side of the trial balance

ANS: B                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-5              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Comprehension

40. The heading of all financial statements include
- a. name of the company
  - b. title of the financial statement
  - c. period of time covered by the financial statement
  - d. all of the answers listed

ANS: D                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-6              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Financial Statements    KEY: Bloom's: Knowledge

41. The \_\_\_\_\_ shows total revenue minus total expenses.
- a. balance sheet
  - b. income statement
  - c. statement of owner's equity
  - d. cash flow statement

ANS: B                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-6              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Financial Statements    KEY: Bloom's: Knowledge

42. When total expenses exceeds total revenues, a \_\_\_\_\_ results.
- a. net income
  - b. net loss
  - c. break-even
  - d. profit

ANS: B                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-6              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: GAAP                      KEY: Bloom's: Comprehension

43. The time period on the \_\_\_\_\_ represents only one date.
- a. income statement
  - b. statement of owner's equity
  - c. balance sheet
  - d. none of the answers listed

ANS: C                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-6              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Financial Statements                      KEY: Bloom's: Comprehension

44. Davis Company has the following accounts and balances at the end of the year:

Cash, \$1,200  
Accounts Receivable, \$280  
Office Equipment, \$3,000  
Accounts Payable, \$1,400  
Income from Services, \$3,500  
Rent Expense, \$670  
Salaries Expense, \$1,000

R. Davis, Capital at the beginning of the year was \$2,050. Rob Davis also withdrew \$800 from the company during the year. What is net income for the year?

- a. \$1,830
- b. \$3,500
- c. \$1,030
- d. \$5,080

ANS: A                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-6              NAT: AACSB: Analytic  
STA: AICPA-FN: Measurement|ACBSP: Financial Statements                      KEY: Bloom's: Application

45. Davis Company has the following accounts and balances at the end of the year:

Cash, \$1,200  
Accounts Receivable, \$280  
Office Equipment, \$3,000  
Accounts Payable, \$1,400  
Income from Services, \$3,500  
Rent Expense, \$670  
Salaries Expense, \$1,000

R. Davis, Capital at the beginning of the year was \$2,050. Rob Davis also withdrew \$800 from the company during the year. What is R. Davis, Capital, at the end of the year?

- a. \$1,830
- b. \$3,080

- c. \$5,550
- d. \$3,880

ANS: B                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-6              NAT: AACSB: Analytic  
STA: AICPA-FN: Measurement|ACBSP: Financial Statements    KEY: Bloom's: Application

46. Davis Company has the following accounts and balances at the end of the year:

Cash, \$1,200  
Accounts Receivable, \$280  
Office Equipment, \$3,000  
Accounts Payable, \$1,400  
Income from Services, \$3,500  
Rent Expense, \$670  
Salaries Expense, \$1,000

R. Davis, Capital at the beginning of the year was \$2,050. Rob Davis also withdrew \$800 from the company during the year. What is the amount of total assets reported on the balance sheet?

- a. \$1,480
- b. \$9,800
- c. \$3,080
- d. \$4,480

ANS: D                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-6              NAT: AACSB: Analytic  
STA: AICPA-FN: Measurement|ACBSP: Financial Statements    KEY: Bloom's: Application

47. The \_\_\_\_\_ shows how and why the owner's equity account has changed over a stated period of time.
- a. balance sheet
  - b. income statement
  - c. statement of owner's equity
  - d. statement of change

ANS: C                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-6              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Financial Statements    KEY: Bloom's: Comprehension

48. The \_\_\_\_\_ shows the financial position of a company.
- a. income statement
  - b. balance sheet
  - c. statement of owner's equity
  - d. none of the answers listed

ANS: B                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-6              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Financial Statements    KEY: Bloom's: Knowledge

49. The \_\_\_\_\_ of the balance sheet requires that the assets are placed at the top and liabilities and owner's equity are placed below.
- a. financial position
  - b. report form
  - c. horizontal form
  - d. vertical form

ANS: B                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-6              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Financial Statements    KEY: Bloom's: Comprehension

50. Which of the following is correct concerning the time period reported on financial statements?
- The balance sheet is reported as of a period of time.
  - The income statement is reported as of a specific date.
  - The statement of owner's equity is reported as of a specific date.
  - The income statement is reported as of a period of time.

ANS: D                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-6              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Financial Statements    KEY: Bloom's: Comprehension

51. Accounts Payable is reported on which financial statement?
- balance sheet
  - income statement
  - statement of owner's equity
  - none of the answers listed

ANS: A                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-6              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Financial Statements    KEY: Bloom's: Knowledge

52. Income from Services is reported on which financial statement?
- income statement
  - statement of owner's equity
  - balance sheet
  - none of the answers listed

ANS: A                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-6              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Financial Statements    KEY: Bloom's: Knowledge

53. Rent Expense is reported on which financial statement?
- income statement
  - balance sheet
  - statement of owner's equity
  - none of the answers listed

ANS: A                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-6              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Financial Statements    KEY: Bloom's: Knowledge

54. Owner withdrawals are reported on which financial statement?
- statement of owner's equity
  - balance sheet
  - income statement
  - none of the answers listed

ANS: A                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-6              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Financial Statements    KEY: Bloom's: Knowledge

55. The order the financial statements are prepared is as follows:

- a. statement of owner's equity, income statement, balance sheet
- b. income statement, balance sheet, statement of owner's equity
- c. income statement, statement of owner's equity, balance sheet
- d. balance sheet, income statement, statement of owner's equity

ANS: C                      PTS: 1                      DIF: Difficulty: Moderate  
 OBJ: LO: 2-6              NAT: AACSB: Reflective Thinking  
 STA: AICPA-FN: Measurement|ACBSP: Financial Statements    KEY: Bloom's: Comprehension

56. The \_\_\_\_\_ of a company is the resources owned by the organization at a point in time, offset by the claims against those resources and owner's equity.
- a. net income
  - b. financial statement
  - c. net loss
  - d. financial position

ANS: D                      PTS: 1                      DIF: Difficulty: Moderate  
 OBJ: LO: 2-6              NAT: AACSB: Reflective Thinking  
 STA: AICPA-FN: Measurement|ACBSP: Financial Statements    KEY: Bloom's: Comprehension

57. A \_\_\_\_\_ means that the digits of a number have been switched around.
- a. slide
  - b. matching error
  - c. transposition
  - d. none of the answers listed

ANS: C                      PTS: 1                      DIF: Difficulty: Easy  
 OBJ: LO: 2-7              NAT: AACSB: Reflective Thinking  
 STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
 KEY: Bloom's: Knowledge

58. The accountant recorded accounts payable as \$45,000 when it should have been recorded as \$4,500. This is an example of a \_\_\_\_\_.
- a. matching error
  - b. footing
  - c. slide
  - d. transposition

ANS: C                      PTS: 1                      DIF: Difficulty: Moderate  
 OBJ: LO: 2-7              NAT: AACSB: Analytic  
 STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
 KEY: Bloom's: Application

59. Errors can occur for which of the following reason(s)?
- a. Arithmetic
  - b. Recording only half an entry
  - c. Recording two debits and no credits
  - d. Recording incorrect amounts
  - e. All of the answers listed

ANS: E                      PTS: 1                      DIF: Difficulty: Moderate  
 OBJ: LO: 2-7              NAT: AACSB: Reflective Thinking  
 STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
 KEY: Bloom's: Comprehension

60. The accountant recorded income from services as \$4,500 when it should have been recorded as \$4,050. This is an example of a \_\_\_\_\_.
- a. matching error
  - b. footing
  - c. slide
  - d. transposition

ANS: D                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-7              NAT: AACSB: Analytic  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Application

## TRUE/FALSE

61. A credit always means an entry on the right side of an account.

ANS: T                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-3              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge

62. An increase in an expense is recorded as a debit.

ANS: T                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-3              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge

63. An account balance is the difference between total debits and total credits in an account.

ANS: T                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-3              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge

64. An entry to Accounts Payable will be on the left side of the account if there is a decrease and on the right side of the account if there is an increase.

ANS: T                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-3              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge

65. A credit signifies increases in liabilities, capital, and revenue, and decreases in assets, drawing, and expenses.

ANS: T                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-3              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge

66. Revenue has the effect of decreasing owner's equity.

ANS: F                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-3              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge

67. The left side is always the debit side.

ANS: T                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-3              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge

68. Accounts Receivable is an asset account whose normal balance is a credit.

ANS: F                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-1 | LO: 2-3                      NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge

69. In any transaction, the total dollar amount of debits must equal the total dollar amount of credits.

ANS: T                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-4              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Comprehension

70. If equipment costing \$930 is bought by paying \$300 as a down payment and the remaining \$630 in 30 days, owner's equity is increased by \$930.

ANS: F                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-4              NAT: AACSB: Analytic  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Application

71. A transaction with more than one debit and/or more than one credit is called a compound entry.

ANS: T                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-4              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge

72. Withdrawals of assets from a business by the owners are considered to be expenses.

ANS: F                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-4              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Comprehension

73. If equipment is bought by paying \$200 as a down payment and the remaining \$400 in 30 days, total liabilities are increased by \$200.

ANS: F                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-4              NAT: AACSB: Analytic  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions

KEY: Bloom's: Application

74. A verification of the equality of debits and credits in the ledger at the end of a fiscal period is called a *balance sheet*.

ANS: F                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-5              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge

75. A trial balance checks the equality of debits and credits.

ANS: T                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-5              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge

76. The connecting link between the statement of owner's equity and the balance sheet is the owner's withdrawals.

ANS: F                      PTS: 1                      DIF: Difficulty: Moderate  
OBJ: LO: 2-6              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Financial Statements      KEY: Bloom's: Comprehension

77. Recording \$520 as \$5.20 is an example of a slide.

ANS: T                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-7              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Application

78. Recording \$41.25 as \$412.50 is an example of a transposition.

ANS: F                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-7              NAT: AACSB: Analytic  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Application

## MATCHING

*Match the terms below with the correct definitions.*

- a. Trial balance
  - b. Normal balance
  - c. Trial balance error
  - d. Transposition
  - e. Credit
  - f. Trial balance account order
  - g. Footing
  - h. Debit
  - i. Compound entry
79. Plus side of any T account
80. Totaling each side of a T account



81. Listing of the ending balances of all ledger accounts that proves the equality of total debits and credits
82. A recording error involving the switching around of the digits of a number
83. The left side of a T account
84. Inequality of the total debits and credits in the trial balance
85. A, L, OE, R, E
86. The right-hand side of a T account
87. Transaction that has two or more debits and/or credits

79. ANS: B                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-1              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge
80. ANS: G                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-1              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge
81. ANS: A                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-5              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge
82. ANS: D                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-7              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge
83. ANS: H                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-3              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge
84. ANS: C                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-5              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge
85. ANS: F                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-5              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge
86. ANS: E                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-3              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge
87. ANS: I                      PTS: 1                      DIF: Difficulty: Easy  
OBJ: LO: 2-4              NAT: AACSB: Reflective Thinking  
STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
KEY: Bloom's: Knowledge

## OTHER

### Classification

88. Indicate whether each of the following changes in accounts would be a debit (D) or credit (C) entry.

\_\_\_\_\_ To decrease Cash

_____	To increase Owner, Capital
_____	To decrease Accounts Payable
_____	To increase Salaries Expense
_____	To decrease Equipment
_____	To increase Revenue
_____	To decrease Accounts Receivable
_____	To increase Owner, Drawing
_____	To increase Prepaid Insurance
_____	To increase Accounts Payable

ANS:

<u>  C  </u>	To decrease Cash
<u>  C  </u>	To increase Owner, Capital
<u>  D  </u>	To decrease Accounts Payable
<u>  D  </u>	To increase Salaries Expense
<u>  C  </u>	To decrease Equipment
<u>  C  </u>	To increase Revenue
<u>  C  </u>	To decrease Accounts Receivable
<u>  D  </u>	To increase Owner, Drawing
<u>  D  </u>	To increase Prepaid Insurance
<u>  C  </u>	To increase Accounts Payable

PTS: 1                      DIF: Difficulty: Moderate                      OBJ: LO: 2-3  
 NAT: AACSB: Reflective Thinking  
 STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
 KEY: Bloom's: Comprehension

89. Classify each of the following items as to whether they would appear on a balance sheet (BS), income statement (IS), or neither (N).

_____	Accounts Payable
_____	Accounts Receivable
_____	Advertising Expense
_____	Cash
_____	Equipment
_____	Income from Tours
_____	Increase in Capital
_____	Investment during month
_____	J. Collins, Capital
_____	J. Collins, Drawing
_____	Prepaid Insurance
_____	Wages Expense

ANS:

<u>  BS  </u>	Accounts Payable
<u>  BS  </u>	Accounts Receivable
<u>  IS  </u>	Advertising Expense
<u>  BS  </u>	Cash
<u>  BS  </u>	Equipment

IS	Income from Tours
N	Increase in Capital
N	Investment during month
BS	J. Collins, Capital
N	J. Collins, Drawing
BS	Prepaid Insurance
IS	Wages Expense

PTS: 1                      DIF: Difficulty: Challenging                      OBJ: LO: 2-6  
 NAT: AACSB: Reflective Thinking  
 STA: AICPA-FN: Measurement|ACBSP: Financial Statements    KEY: Bloom's: Comprehension

## SHORT ANSWER

90. What is meant when we say that revenue and expenses fall under the umbrella of owner's equity? Why does revenue have the same placement of plus and minus signs as the Capital account, and why do expenses have the opposite placement of plus and minus signs as does the Capital account?

ANS:

Revenue is said to fall under the umbrella of owner's equity because revenue represents amounts earned by the business. Earnings serve to increase the owner's investment. Consequently, the placement of the plus and minus signs for revenue should be the same as that for Capital. Expenses are said to fall under the umbrella of owner's equity because expenses represent the costs of earning the revenue or doing business. Consequently, expenses are deductions from revenue and, as such, the placement of the plus and minus signs is the opposite of that for revenue, which also makes them the opposite of Capital.

PTS: 1                      DIF: Difficulty: Moderate                      OBJ: LO: 2-2  
 NAT: AACSB: Communication                      STA: AICPA-FN: Measurement|ACBSP: GAAP  
 KEY: Bloom's: Comprehension

91. Explain how the Drawing account differs from an expense account.

ANS:

The Drawing account is the opposite of an investment by the owner and records personal use of owner. An expense is a cost related to the earning of revenue or the cost of doing business. In both cases, there is usually a decrease to Cash.

PTS: 1                      DIF: Difficulty: Moderate                      OBJ: LO: 2-4  
 NAT: AACSB: Communication                      STA: AICPA-FN: Measurement|ACBSP: GAAP  
 KEY: Bloom's: Comprehension

92. List in order of preparation and explain the purpose of the three main financial statements, including what is on each statement.

ANS:

Income Statement – Shows total revenue minus total expense, which yields the net income or net loss.  
 Statement of Owner's Equity – Show how and why the owner's equity, or Capital, account has changed over the stated period of time. Includes net income or loss, investments, and withdrawals.  
 Balance Sheet – Shows financial position including assets, liabilities, and owner's equity as of one particular date.

PTS: 1                      DIF: Difficulty: Moderate                      OBJ: LO: 2-6

NAT: AACSB: Communication

STA: AICPA-FN: Measurement|ACBSP: Financial Statements KEY: Bloom's: Comprehension

93. Explain the trial balance, including when and why it is prepared.

ANS:

The trial balance is a listing of all account balances proving that debits equal credits. It is prepared prior to preparing financial statements.

PTS: 1

DIF: Difficulty: Easy

OBJ: LO: 2-5

NAT: AACSB: Communication

STA: AICPA-FN: Measurement|ACBSP: Recording Transactions

KEY: Bloom's: Comprehension

94. List the main categories of accounts (as provided in a typical chart of accounts) and provide their specific normal balance.

ANS:

Assets (DR), Liabilities (CR), Equity—Capital (CR), Equity—Drawing (DR), Revenue (CR), and Expenses (DR).

PTS: 1

DIF: Difficulty: Moderate

OBJ: LO: 2-3

NAT: AACSB: Communication

STA: AICPA-FN: Measurement|ACBSP: GAAP

KEY: Bloom's: Comprehension

## PROBLEM

95. Judy Kliskey owns the firm called Mother Nature's. She had the following transactions:

- Kliskey deposited \$15,000 in the bank in the name of the business.
- Paid rent for the month, \$820.
- Purchased office furniture on account from Osborn Office Supply, \$2,640.
- Kliskey invested her personal computer and printer having a fair market value of \$5,250.
- Bought office supplies on account from DeClerk Stationery, \$1,620, and paid \$480 as a down payment.
- Received \$3,240 for services.
- Received and paid telephone bill, \$180.
- Paid Osborn Office Supply \$1,450 to apply on account.
- Billed clients for services, \$2,210.
- Kliskey withdrew \$1,540 for personal use.
- Received \$1,420 from clients billed previously.

The transactions were recorded in T accounts as shown below.

Cash		Accounts Payable		Rent Expense	
(a) 15,000	(b) 820	(c) 2,640	(e) 480	(b) 820	
(k) 1,420	(e) 1,140		(h) 1,450		
	(g) 180				
	(h) 1,450				
	(j) 1,540				
Accounts Receivable		J. Kliskey, Capital		Telephone Expense	

(f)	3,240		(j)	1,540	(a)	15,000	(g)	180	
(i)	2,210				(d)	5,250			
<b>Supplies</b>			<b>J. Kliskey, Drawing</b>			<b>Office Equipment</b>			
(e)	1,620					(d)	5,250		
<b>Income from Services</b>			<b>Office Furniture</b>						
(i)	2,210	(f)	1,420	(c)	2,640				

*Instructions:*

Find seven errors made in recording the transactions, and state the account and amount that should have been debited and the account and amount that should have been credited.

ANS:

- (1) Transaction c should have debited Office Furniture \$2,640 and credited Accounts Payable \$2,640.
- (2) Transaction e should have debited Supplies \$1,620, credited Cash \$480, and credited Accounts Payable \$1,140.
- (3) Transaction f should have debited Cash \$3,240 and credited Income from Services \$3,240.
- (4) Transaction h should have debited Accounts Payable \$1,450 and credited Cash \$1,450.
- (5) Transaction i should have debited Accounts Receivable \$2,210 and credited Professional Fees \$2,210.
- (6) Transaction j should have debited J. Kliskey, Drawing \$1,540 and credited Cash \$1,540.
- (7) Transaction k should have debited Cash \$1,420 and credited Accounts Receivable \$1,420.

PTS: 1 DIF: Difficulty: Challenging OBJ: LO: 2-4  
 NAT: AACSB: Analytic  
 STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
 KEY: Bloom's: Application

96. The accounts and their balances as of December 31 of this year for Fast Delivery Service are presented below.

Accounts Receivable	\$ 9,051
Accounts Payable	63,776
Advertising Expense	2,055
B. Dunn, Capital	68,162
B. Dunn, Drawing	10,700
Cash	20,087
Equipment	100,700
Income from Delivery Services	37,394
Insurance Expense	1,967
Rent Expense	10,900
Supplies	1,515
Utilities Expense	2,342
Wages Expense	10,015

*Instructions:*

1. Prepare an income statement for the year ended December 31.

2. Prepare a statement of owner's equity for the year ended December 31.
3. Prepare a balance sheet as of December 31.

ANS:

**Fast Delivery Service**  
**Income Statement**  
**For Year Ended December 31, 20—**

Revenue:		
Income from Delivery Services		\$37,394
Expenses:		
Rent Expense	\$10,900	
Wages Expense	10,015	
Advertising Expense	2,055	
Utilities Expense	2,342	
Insurance Expense	<u>1,967</u>	
Total Expenses		<u>27,279</u>
Net Income		<u>\$ 10,115</u>

**Fast Delivery Service**  
**Statement of Owner's Equity**  
**For Year Ended December 31, 20—**

B. Dunn, Capital, January 1		\$68,162
Net Income for the Year	\$ 10,115	
Less Withdrawals for the Year	<u>10,700</u>	
Decrease in Capital		<u>(585)</u>
B. Dunn, Capital, December 31		<u>\$67,577</u>

**Fast Delivery Service**  
**Balance Sheet**  
**December 31, 20—**

<b>Assets</b>		
Cash	\$ 20,087	
Accounts Receivable	9,051	
Supplies	1,515	
Equipment	<u>100,700</u>	
Total Assets		<u>\$131,353</u>
<b>Liabilities</b>		
Accounts Payable		\$ 63,776
<b>Owner's Equity</b>		
B. Dunn, Capital		<u>67,577</u>
Total Liabilities and Owner's Equity		<u>\$131,353</u>

PTS: 1                      DIF: Difficulty: Moderate                      OBJ: LO: 2-6  
 NAT: AACSB: Analytic  
 STA: AICPA-FN: Measurement|ACBSP: Financial Statements    KEY: Bloom's: Application

97. During the first month of operation, Sasha's Massage experienced the following transactions

- The diagram illustrates the accounting cycle with nine accounts arranged in a 3x3 grid. Each account is represented by a T-account with a horizontal line at the top and a vertical line in the center. The accounts are:

  - Cash** (top-left)
  - Accounts Payable** (top-middle)
  - Massage Fees** (top-right)
  - Accounts Receivable** (middle-left)
  - Sasha Towers, Capital** (middle-middle)
  - Advertising Expense** (middle-right)
  - Supplies Expense** (bottom-left)
  - Sasha Towers, Drawing** (bottom-middle)
  - Utilities Expense** (bottom-right)

Arrows indicate the flow of debits and credits:

  - Cash** has a debit arrow pointing down to **Accounts Payable** and a credit arrow pointing up to **Accounts Receivable**.
  - Accounts Payable** has a debit arrow pointing down to **Supplies Expense** and a credit arrow pointing up to **Advertising Expense**.
  - Massage Fees** has a debit arrow pointing down to **Utilities Expense** and a credit arrow pointing up to **Sasha Towers, Capital**.
  - Accounts Receivable** has a debit arrow pointing down to **Supplies Expense** and a credit arrow pointing up to **Sasha Towers, Capital**.
  - Sasha Towers, Capital** has a debit arrow pointing down to **Sasha Towers, Drawing** and a credit arrow pointing up to **Advertising Expense**.
  - Advertising Expense** has a debit arrow pointing down to **Utilities Expense** and a credit arrow pointing up to **Sasha Towers, Capital**.
  - Supplies Expense** has a debit arrow pointing down to **Equipment** and a credit arrow pointing up to **Sasha Towers, Drawing**.
  - Sasha Towers, Drawing** has a debit arrow pointing down to **Equipment** and a credit arrow pointing up to **Wages Expense**.
  - Utilities Expense** has a debit arrow pointing down to **Equipment** and a credit arrow pointing up to **Wages Expense**.

1. Record transactions in appropriate t-accounts and label with provided letter.
2. Foot and balance accounts.
3. Prepare trial balance dated December 31, 20—.

Cash		Accounts Payable		Massage Fees					
a.)	20,000	c.)	525	h.)	500	b.)	1,250	f.)	300
i.)	250	d.)	740			e.)	300	i.)	250
m.)	150	g.)	125			Bal.	<u>1,050</u>	m.)	150
o.)	300	h.)	500					n.)	225
		j.)	600					Bal.	<u>925</u>
		k.)	425						
Bal.	17,785								

<b>Accounts Receivable</b>		<b>Sasha Towers, Capital</b>		<b>Advertising Expense</b>	
f.) 300	o.) 300		a.) 20,000	d.) 740	
n.) 225			l.) 910	Bal. <u>740</u>	
Bal. <u>225</u>			Bal. <u>20,910</u>		
<b>Supplies</b>		<b>Sasha Towers, Drawing</b>		<b>Utilities Expense</b>	
e.) 300		j.) 600		g.) 125	
Bal. <u>300</u>		Bal. <u>600</u>		Bal. <u>125</u>	
<b>Equipment</b>		<b>Wages Expense</b>			
b.) 1,250		k.) 425			
c.) 525		Bal. <u>425</u>			
l.) 910					
Bal. <u>2,685</u>					

**Sasha's Massage  
Trial Balance  
December 31, 20—**

Cash	17,785	
Accounts Receivable	225	
Supplies	300	
Equipment	2,685	
Accounts Payable		1,050
Sasha Tower, Capital		20,910
Sasha Tower, Drawing	600	
Massage Fees		925
Advertising Expense	740	
Utilities Expense	125	
Wages Expense	<u>425</u>	
Totals	<u>22,885</u>	<u>22,885</u>

PTS: 1                      DIF: Difficulty: Challenging                      OBJ: LO: 2-4 | LO: 2-5  
 NAT: AACSB: Analytic  
 STA: AICPA-FN: Measurement|ACBSP: Recording Transactions  
 KEY: Bloom's: Application