<table>
<thead>
<tr>
<th>Item</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income statement</td>
<td>Reports a business's revenues and expenses for a period of time.</td>
</tr>
<tr>
<td>Balance sheet</td>
<td>Reports a business's assets, liabilities and equity on a specific date.</td>
</tr>
<tr>
<td>Worksheet</td>
<td>A useful tool in working with accounting information.</td>
</tr>
<tr>
<td>Trial balance</td>
<td>A list of accounts and their balances at a point in time.</td>
</tr>
<tr>
<td>Statement of cash flows</td>
<td>Reports the inflows and outflows of cash during a period of time.</td>
</tr>
</tbody>
</table>
Select the statement below that explains how to use the Income Summary account.

- **Your answer is correct!**

The Income Summary account is used during the closing process to facilitate the closing of all permanent accounts.

The Income Summary account is credited during the adjusting process, as it is a contra asset account.

The Income Summary account is debited for the sum of all revenue accounts during the closing process.

The Income Summary account is used during the closing process to facilitate the closing of revenue and expense accounts.
A company had the following selected balances:

<table>
<thead>
<tr>
<th>Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Revenue</td>
<td>$8,000</td>
<td></td>
</tr>
<tr>
<td>Rental Revenue</td>
<td></td>
<td>$2,000</td>
</tr>
<tr>
<td>Wages Expense</td>
<td>$500</td>
<td></td>
</tr>
<tr>
<td>Utilities Expense</td>
<td></td>
<td>$100</td>
</tr>
</tbody>
</table>

The third closing journal entry, after closing revenues and expenses, would include which of the following?

- Debit Income Summary $10,000; and credit Owner's Capital $10,000.
- Debit Income Summary $600; and credit Expenses $600.
- **Debit Income Summary $9,400; and credit Owner's Capital $9,400.**
- Credit Income Summary $9,400; and debit Owner's Capital $9,400.

Your answer is correct!
The correct answer is shown

Closing means to transfer account balances from temporary (asset/liability/permanent/temporary) accounts so that they will start with a zero (contra/larger/zero) balance at the beginning of the next period.

✅ Your answer is correct!
Which of the following accounts would be sorted from the Adjusted Trial Balance of a work sheet to the Balance Sheet & Statement of Owner's Equity columns on a work sheet?

- Your answer is correct!

Land; Unearned rent; Supplies expense
Cash; Wages expense; Land
- Cash; Accounts payable; Owner, Withdrawals
Accounts receivable; Service revenue; Prepaid rent
The Income Summary account can be defined as which of the following? (Check all that apply.)

- An account used during the closing process
- An account that contains a credit for the sum of all revenues
- A permanent account
- An account that contains a credit for the sum of all expenses
- A temporary account
- An account whose balance equals net income or net loss

Your answer is correct!
Describe your understanding of the closing process by identifying the correct steps below. (Check all that apply.)

- Close all revenue accounts.
- Close all expense accounts.
- Close the Withdrawals account.
- Close the Capital account.
- Close the Income Summary account.
- Close all asset accounts.

Your answer is correct!
Which of the following defines long-term liabilities?

Your answer is correct!

Long-term liabilities are obligations due to be paid within one year.

Long-term liabilities are costs incurred within an accounting period that have uncertain benefits.

Long-term liabilities are debts of a business that are not due to be settled within one year.

Long-term liabilities are reported before current liabilities on a classified balance sheet.
The correct answer is shown

Review the following totals from a work sheet. Based on these totals, the company experienced (a) net (income/loss) loss of $2,500.

<table>
<thead>
<tr>
<th>Income Statement</th>
<th>Balance Sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debit</td>
<td>Credit</td>
</tr>
<tr>
<td>$10,000</td>
<td>$7,500</td>
</tr>
</tbody>
</table>

Your answer is correct!
Which of the lists below contains only permanent accounts?

- Supplies; Income Summary; Owner, Capital
- Owner, Capital; Accounts Payable; Accumulated Depreciation
- Depreciation Expense; Income Summary; Service revenue
- Unearned rent; Service revenue; Accumulated Depreciation

Your answer is correct!
A classified balance sheet has several categories for assets and liabilities including: (Check all that apply.)

- Long term investments.
- Current assets.
- Noncurrent equity.
- Plant assets.
- Operating expenses.
- Noncurrent liabilities.
- Tangible current assets.
The correct answer is shown

The journal entry to close all of a company's expense accounts would include a credit (debit/credit) to each of the expense accounts and a corresponding debit (debit/credit) to the Income summary (statement/summary) account.

Your answer is correct!
Which of the following lists contains only temporary accounts?

- Supplies; Wages Expense; Owner, Capital
- Wages Expense; Income Summary; Owner, Withdrawals
- Owner, Capital; Income Summary; Owner, Withdrawals
- Supplies, Land, Unearned Rent

Your answer is correct!
Select the statement(s) below which correctly describe how to use the work sheet in the adjustment process. (Check all that apply.)

- Information from the Adjustments columns are used for the adjusting journal entries.
- Journalizing and posting adjusting entries is required after adjustments are entered in a work sheet.

A work sheet is a journal.

Journalizing and posting adjusting entries are not mandatory when a work sheet is involved.
The correct answer is shown

Complete the following statement.

The purpose of the closing process is to reset temporary (temporary/permanent) account balances to zero and to transfer the changes in all of these accounts to the Owner, capital (Capital/Summary/Withdrawal) account.

✓ Your answer is correct!
Explain the required steps to complete a work sheet by placing the following in the correct order of completion. (Put the first step at the top.)

- Enter unadjusted trial balance.
- Enter adjustments.
- Prepare adjusted trial balance.
- Sort (adjusted) trial balance amounts to financial statements.
- Total financial statement columns.
- Compute net income or net loss and add to the Balance Sheet columns.

Your answer is correct!
Which of the following is correct regarding a work sheet?

- Your answer is correct!

Each set of column totals must balance on the Trial Balance columns, Adjustments columns and the Adjusted Trial Balance columns.

The adjusted trial balance column totals will be off by the net income amount.

Any accounts that don't exist on the trial balance will be omitted from the adjusted trial balance as well.

If a company reports net income, then this amount will be added to the Adjustments column.
Current assets are:

- property, plant and equipment that are tangible and depreciated
- cash and other resources that are expected to be sold, collected or used within one year
- equipment and other assets that have a life greater than one year
- difficult to convert to cash or other monetary assets
The correct answer is shown

The closing process takes place at the end (end/beginning) of an accounting period, after the adjusted (adjusted/unadjusted) trial balance is prepared and after (after/before) the financial statements are prepared.

Your answer is correct!
Which of the statements below is correct regarding the difference between a temporary account and a permanent account?

- Temporary account balances will be carried to the next accounting period.
- A temporary account will not appear on a post-closing trial balance.
- Permanent account balances will be transferred to the Owner, Capital account.
- A permanent account will not appear on a post-closing trial balance.
The following categories are on a classified balance sheet. List them in the order that they would appear.

1. Current assets
2. Long-term investments
3. Plant assets
4. Intangible assets
5. Current liabilities
6. Long-term liabilities

Your answer is correct!
How can you add adjusted accounts to a work sheet when they did not appear on the trial balance?

Your answer is correct!

New accounts are added to the New Accounts columns of a work sheet.

New accounts would be foot-noted at the bottom of the work sheet.

A new line can be added following the Totals line on the trial balance.

New accounts are never added to a work sheet.
Which of the following statements is (are) correct about completing a work sheet? (Check all that apply.)

- Your answer is correct!

The words "net income" or "net loss" should be written on a line in the Income Statement columns of the worksheet.

- Adding net income to the Credit column of the Balance Sheet & Owner's Equity columns implies that it is to be added to Owner, Capital.

- If a net income occurs, it is added to the Debit column of the Income Statement.

- If a loss occurs, it is added to the Debit column of the Balance Sheet.

- If a net income occurs, it is added to the Credit column of the Balance Sheet.
Journalizing and posting adjusting entries from the work sheet is aided by which of the following?

- Keying notations
- Color-coded numbers
- Footing totals

Your answer is correct!
A company had the following selected balances:

<table>
<thead>
<tr>
<th>Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Revenue</td>
<td>$4,000</td>
<td></td>
</tr>
<tr>
<td>Rental Revenue</td>
<td>$2,000</td>
<td></td>
</tr>
<tr>
<td>Wages Expense</td>
<td>$500</td>
<td></td>
</tr>
<tr>
<td>Utilities Expense</td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>Owner's Withdrawals</td>
<td>$80</td>
<td></td>
</tr>
</tbody>
</table>

Demonstrate the last closing journal entry to close the Withdrawals account by selecting the correct answer below.

Your answer is correct!

- Debit Income Summary $80; Credit Owner's Withdrawals $80
- Debit Owner's Capital $80; Credit Owner's Withdrawals $80
- Debit Owner's Withdrawals $80; Credit Owner's Capital $80
- Debit Owner's Withdrawals $80; Credit Income Summary $80
The adjusted (adjusted/unadjusted) trial balance is prepared by combining the adjustments in the Adjustments columns with the balances for each account listed on the unadjusted (adjusted/unadjusted) trial balance.

- Your answer is correct!
Some of the steps in the accounting cycle are listed below. Place them in the correct order of use.

1. Journalize transactions into the journal.
2. Journalize and post the adjusting entries.
3. Prepare the adjusted trial balance.
4. Prepare the financial statements.
5. Journalize and post closing entries.
The steps in the closing process are listed on the right. Match them to the correct order in which they would be performed (on the left).

- Step #1: Identify accounts to be closed.
- Step #2: Journalize and post closing entries.
- Step #3: Prepare a post closing trial balance.

Your answer is correct!
Review the following statements and select which is correct regarding a work sheet and formal financial statements.

- Your answer is correct!
- The Withdrawal's account balance will be used in preparing the statement of owner's equity.
- The totals of the Balance Sheet & Owner's Equity columns will be equal to revenues minus expenses for the period.
- When the Debit column of the Income Statement columns is greater than the Credit column, the company will be reporting a net income.
- The Withdrawal's account balance will be used to prepare the balance sheet.
The correct answer is shown

Current items can be described as those expected to come due within one year (month/year) and are listed in the order of how quickly (quickly/slowly) they could be converted to or paid in cash.

- Your answer is correct!
Which of the statements below is (are) correct regarding the accounting cycle? (Check all that apply.)

- The cycle contains steps for adjusting and closing accounts.
- The accounting cycle refers to steps followed by a company to prepare its financial statements.
- The accounting cycle contains 10 steps.
- The accounting cycle takes place anytime the general ledger accounts need adjusting.
- The accounting cycle is a series of steps repeated each reporting period.

Your answer is correct!

The accounting cycle refers to the steps that occur within a company to approve expenses for payment.
A company had the following selected balances:

<table>
<thead>
<tr>
<th>Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Revenue</td>
<td>$4,000</td>
<td></td>
</tr>
<tr>
<td>Rental Revenue</td>
<td></td>
<td>$2,000</td>
</tr>
<tr>
<td>Wages Expense</td>
<td>$500</td>
<td></td>
</tr>
<tr>
<td>Utilities Expense</td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>Owner, Withdrawals</td>
<td></td>
<td>$80</td>
</tr>
</tbody>
</table>

The first closing journal entry would include which of the following?

- A debit to Income Summary for $6,000.
- A credit to Income Summary for $5,400.
- A debit to Income Summary for $80.
- A credit to Income Summary for $6,000.

Your answer is correct!
Demonstrate your knowledge of preparing a post-closing trial balance by selecting the accounts below that would be included on it. (Check all that apply.)

Your answer is correct!

- Income Summary account
- Temporary accounts
- Liability accounts
- Permanent accounts
- Revenue accounts
- Asset accounts
- Expense accounts
What are the benefits of using a work sheet? (Check all that apply.)

- Links accounts and adjustments to their impact on financial statements
- Reduces the possibility of errors when working with many accounts and adjustments
- A document which can be easily used by external users
- Aids in the preparation of financial statements
- A formal financial statement
Select the statement below that describes a post-closing trial balance.

- Your answer is correct!

It is a listing of all permanent accounts and their balances after closing.
The correct answer is shown

Accounting (with/without) without reversing entries for accrued salaries will require a debit to salaries expense, a debit to a salaries payable and a credit to cash for the first payment of salaries in the next period.

Your answer is correct!
Identify the accounts below that would be classified as a long-term investment. (Check all that apply.)

- Investments in bonds
- Equipment
- Land held for future expansion
- Accounts receivable
- Notes receivable due in 2 years
- Franchise
- Notes receivable due in 3 months
- Cash

Your answer is correct!
Identify which of the accounts below would be classified as a plant asset account. (Check all that apply.)

- Land currently being used
- Building
- Cash
- Equipment
- Patent
- Supplies
- Notes receivable due in two years
- Machinery
Identify the accounts below that would be classified as intangible assets on a classified balance sheet. (Check all that apply.)

- Trademark
- Patent
- Investments (in stocks of other companies)
- Franchise
- Goodwill
- Copyrights
- Land (held for future expansion)
Review the statements below regarding the closing process under U.S. GAAP and IFRS. Which is correct?

- Both U.S. GAAP and IFRS require permanent accounts to be closed.
- Under IFRS, the Income Summary account does not exist.
- Under IFRS, revenue and expense accounts are only closed at the end of the year.
- The closing process is identical under U.S. GAAP and IFRS.

Your answer is correct!
An unclassified balance sheet is one whose items are broadly grouped into assets, liabilities, and equity.

An unclassified balance sheet organizes assets and liabilities into important subgroups.

An unclassified balance sheet is one where assets are separated into operating assets and non-operating assets.

An unclassified balance sheet lists all operating expenses separate from its non-operating expenses.
Using the financial information of ABC Co. below, compute its current ratio for the period.

<table>
<thead>
<tr>
<th>$ in millions</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$520</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>$128</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>$250</td>
</tr>
</tbody>
</table>

Your answer is correct! 1.38

- 4.06
- 2.08
- .246
Choose the formula below that is used to calculate the current ratio of a business.

- Current assets divided by plant assets
- Current liabilities divided by long-term liabilities
- Current assets divided by current liabilities
- Current liabilities divided by current assets

Your answer is correct!
The current ratio is one measure of a company's ability to pay its short-term debts.

The current ratio is useful in aging past due accounts of customers.

A current ratio of less than 1.0 would indicate that a company would have a problem paying off short-term debt.

The current ratio helps a supplier determine whether it wants to extend credit to a customer.

A current ratio of less than 1.0 would indicate that a business's debt can be easily paid off with current assets.

The current ratio can affect interest rates charged by creditors when lending money to a business.
Which of the following statements correctly describes what a work sheet is? (Check all that apply.)

- A work sheet does not substitute for financial statements.
- A worksheet is a tool used by accountants.
- A work sheet is prepared at the beginning of an accounting period.
- A work sheet helps to organize financial data.
- A work sheet is prepared at the end of an accounting period.

Your answer is correct!
Which of the accounts below would appear in the equity section of a classified balance sheet?

Your answer is correct!

- Income Summary
- Owner, Capital
- Service Revenue
Select the statement below that describes how to indicate an account has an *abnormal* balance.

- Use green ink to print the abnormal balance.
- Double underline the abnormal balance.
- **Circle the abnormal balance.**

Your answer is correct!
Using the financial information of ABC Co. below, evaluate the company's current ratio. Select all answers which apply.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$620</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>$430</td>
</tr>
<tr>
<td>Current ratio</td>
<td>1.44</td>
</tr>
<tr>
<td>Industry current ratio</td>
<td>1.28</td>
</tr>
</tbody>
</table>

Your answer is correct!

Since the company's current ratio is greater than 1.0, it indicates future challenges in covering liabilities.

- The company's ability to pay short-term obligations is not in doubt since its current ratio is greater than 1.0
- The company's ratio is above the industry's ratio, so this company is able to cover its debt better than others in this industry.
The entries to close the revenue and expense accounts for Jefferson Company are shown below. The next closing entry in the closing process would include: (Check all that apply.)

<table>
<thead>
<tr>
<th>Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Fees</td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td>Income Summary</td>
<td></td>
<td>20,000</td>
</tr>
<tr>
<td>Rent Expense</td>
<td>22,900</td>
<td></td>
</tr>
</tbody>
</table>

(Close revenue accounts.)

(Close expense accounts.)

Your answer is correct!
- A credit to Income Summary for $2,900.
- Credit to Net Income $20,000.
- Debit to Service Fees for $20,000.
- A debit to Income Summary for $2,900.
- A debit to the Capital account for $2,900.
- Debit to Net Income for $2,900.
- A credit to the Capital account for $2,900.
Identify which of the following steps in the accounting cycle is optional.

- Closing journal entries
- Reversing journal entries
- Adjusting journal entries
- Adjusted trial balance

Your answer is correct!
Review the statements below and select the one which is *correct* regarding the effect that reversing entries have on financial statements.

- Your answer is correct!

Net income will be higher, but total assets will be lower.

- Financial statements are unaffected by the choice to use or not use reversing entries.

Assets and revenues will be lower when reversing entries are used.

Expenses and liabilities will be higher when reversing entries are used.
Review the statements below and select the items that are correct regarding the operating cycle for a business. (Check all that apply.)

- Most operating cycles are greater than one year.
- The operating cycle is the time span from when cash is used to acquire goods and services until cash is received from the sale of goods or services.
- Most companies use a one-month period or operating cycle, in deciding which assets and liabilities are current.
- Most companies use a one-year period or operating cycle, in deciding which assets and liabilities are current.
- The length of a company's operating cycle depends on its activities.
- Most operating cycles are less than one year.

Your answer is correct!
Select the statements below that are correct regarding reporting assets and liabilities under U.S. GAAP vs. IFRS. (Check all that apply.)

- The definition of a liability is similar under U.S. GAAP and IFRS.
- The definition of an asset is similar under both U.S. GAAP and IFRS.
- After acquisition, IFRS defines fair value of an asset as exchange value—either replacement cost or selling price.
- Under IFRS, a liability is only included on the balance sheet in the year the obligation is due to be paid.
- Under both IFRS and U.S. GAAP, an asset will be initially recorded at its historical cost.
- Under both IFRS and U.S. GAAP, there exist two categories of liabilities—current and long-term.
Describe the general ledger after adjusting and closing entries have been posted. (Check all that apply.)

- All asset accounts will show a $0 balance after closing.
- The Owner, Capital account will have a $0 balance after closing.
- All expense accounts will show a $0 balance after closing.
- The Owner, Withdrawal account will have a $0 balance after closing.
- The Income Summary account will show three closing entries.
- The abbreviations "adj." and "clos." have been entered in the explanation columns of the ledger.
Recall the column headings of a work sheet used to prepare financial statements. Which of the following items would be seen on such a worksheet. (Check all that apply.)

- Adjustment columns
- Statement of Cash Flows columns
- Balance Sheet columns
- Adjusted Trial Balance columns
- Income Statement columns
- Unadjusted Trial Balance columns
Select the statements below that describe the purpose of a post-closing trial balance. (Check all that apply.)

- One purpose is to verify that total debits equal total credit for permanent accounts.
- One purpose is to verify that total debits equal total credits for all temporary accounts.
- One purpose is to confirm that if debits equal credits then no errors in journalizing and posting occurred during the period.
- One purpose is to verify that all permanent accounts have zero balances.
- One purpose is to verify that all temporary accounts have zero balances.

Your answer is correct!
When is a reversing entry made?

Your answer is correct!

- It is made immediately after posting adjusting entries and prior to preparing financial statements.
- It is made on the last day of an accounting period before preparing the post-closing trial balance.
- It is made prior to closing temporary accounts.
- It is made on the first day of a new accounting period.
On December 31, AB Consulting recorded two days' wages of $100 in an adjusting entry which included a debit to Wages Expense and a credit to Wages Payable. On January 1, the accountant prepared a reversing entry which included which of the following?

- Debit Wages Expense $100; Credit Wages Payable $100.
- Debit Wages Expense $100; credit Cash $100.
- Debit Wages Payable; credit Wages expense $100.
- Debit Wages Payable $100; credit Cash $100.

Your answer is correct!
A reversing entry can be described as a(n): (Check all that apply.)

- entry whose purpose is to simplify a company's record keeping.
- optional entry.
- entry that is the exact opposite of an accrual adjusting entry.
- entry that reduces expenses reported on the income statement.
- entry that is recorded in response to an adjusting entry made in the previous reporting period.
- required entry done at the end of an accounting period.

Your answer is correct!