Quiz #2, Version Q

1. When closing entries are made:

All temporary accounts are closed but not the permanent accounts.

2. Revenues, expenses, and withdrawals accounts, which are closed at the end of each accounting period are:

Temporary accounts.

3. Assets, liabilities, and equity accounts are not closed these accounts are called:

Permanent accounts.

4. The recurring steps performed each period, starting with analyzing and recording transactions in the journal and continuing through the post-closing trial balance, is referred to as the

Accounting cycle.

5. A classified balance sheet: organizes assets and liabilities into important subgroups

two common subgroups for liabilities on a classified balance sheet are:

Current liabilities and long-term liabilities.

6. The unadjusted trial balance columns of a company’s work sheet show the balance in the office supplies account as $750. The adjustments columns show that $425 of these supplies were used during the period. The amount shown as Office Supplies in the Balance Sheet columns of the work sheet is:

$325 debit

7. A company shows a $600 balance in Prepaid Insurance in the Unadjusted Trial Balance columns of the worksheet. The adjustments columns show expired insurance of $200. This adjusting entry results in:

A $200 decrease in net income

8. Beginning inventory plus net purchases is:

Merchandise available for sale.
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9. The following items appeared on a company’s December 31 work sheet for the current period. Based on the following information, what is the net income for the current period?

<table>
<thead>
<tr>
<th></th>
<th>Unadjusted Trial Balance</th>
<th>Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit</td>
<td>Credit</td>
</tr>
<tr>
<td>Cash</td>
<td>975</td>
<td></td>
</tr>
<tr>
<td>Prepaid Insurance</td>
<td>3,600</td>
<td>150</td>
</tr>
<tr>
<td>Supplies</td>
<td>180</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>10,320</td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>1,140</td>
<td></td>
</tr>
<tr>
<td>Unearned Fees</td>
<td>4,500</td>
<td>375</td>
</tr>
<tr>
<td>Owner, Capital</td>
<td>9,180</td>
<td></td>
</tr>
<tr>
<td>Owner, Withdrawals</td>
<td>1,650</td>
<td></td>
</tr>
<tr>
<td>Fees Earned</td>
<td></td>
<td>5,850</td>
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<tr>
<td>Rent Expense</td>
<td>1,500</td>
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</tr>
<tr>
<td>Salaries Expense</td>
<td>2,100</td>
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</tr>
<tr>
<td>Utilities Expense</td>
<td>315</td>
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<tr>
<td>Insurance Expense</td>
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<td>150</td>
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<td>Supplies Expense</td>
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<tr>
<td>Depreciation Expense - Equipment</td>
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<td>190</td>
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<tr>
<td>Accumulated Depreciation - Equipment</td>
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<td>190</td>
</tr>
<tr>
<td>Salaries Payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>20,670</td>
<td>20,670</td>
</tr>
</tbody>
</table>

Ans: $1,855

10. The special account used only in the closing process to temporarily hold the amounts of revenues and expenses before the net difference is added to (or subtracted from) the owner’s capital account is the

Income Summary account

11. J. Awn, the proprietor of Awn Services, withdrew $8,700 from the business during the current year. The entry to close the withdrawals account at the end of the year is:

Debit J. Awn, Capital $8,700; credit J. Awn, Capital $8,700
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12. The J. Godfrey, Capital account has a credit balance of $17,000 before closing entries are made. If total revenues for the period are $55,200, total expenses are $39,800, and withdrawals are $9,000, what is the ending balance in the J. Godfrey, Capital account after all closing entries are made?

$23,400

13. The Income Summary account is used

To close the revenue and expense accounts.

14. Dina Kader withdrew a total of $35,000 for her business during the current year. The entry needed to close the withdrawals account is:

Debit Dina Kader, Capital and credit Dina Kader, Withdrawals for $35,000.

15. Oops.

16. Merchandisers

Earns net income by buying and selling merchandise.

17. Cost of goods sold:

Is the term used for the cost of buying and preparing merchandise for sale.

18. Merchandise inventory:

Is a current asset.

19. The current period’s ending inventory is:

The next period’s beginning inventory.

20. Oops

21. The credit terms 2/10, n/30 are interpreted as:

2% cash discount if the amount is paid within 10 days, or the balance is due in 30 days.

22. A debit memorandum is:

The document a buyer issues to inform the seller of a debit made to the seller’s account in the buyer’s records.
23. Sales returns:

Refer to merchandise that customers return to the seller after the sale.

24. Sales less sales discounts less sales returns and allowances equals:

Net Sales

25. ABC Corporation’s total quick assets were 5,888,000, its current assets were 11,700,000 and its current liabilities were $8,000,000. Its acid-test ratio equals:

0.74