

المملكة العربية السعودية

وزارة التعليم

MINISTRY OF EDUCATION



لكل المهتمين و المهتمات  
بدروس و مراجع الجامعية

هام

مدونة المناهج السعودية [eduschool40.blog](http://eduschool40.blog)

8. Which one of the following is an optional step in the accounting cycle?

- a. Analyze business transactions
- b. Prepare a worksheet
- c. Prepare a trial balance
- d. Post to the ledger accounts

9. The final step in the accounting cycle is to prepare

- a. closing entries.
- b. financial statements.
- c. a post-closing trial balance.
- d. adjusting entries.

10. All of the following are property, plant, and equipment **except**

- a. supplies.
- b. machinery.
- c. land.
- d. buildings.

11. A current asset is

- a. the last asset purchased by a business.
- b. an asset which is currently being used to produce a product or service.
- c. usually found as a separate classification in the income statement.
- d. an asset that a company expects to convert to cash or use up within one year.

12. Liabilities are generally classified on a balance sheet as

- a. small liabilities and large liabilities.
- b. present liabilities and future liabilities.
- c. tangible liabilities and intangible liabilities.
- d. current liabilities and long-term liabilities.

13. What is the order in which assets are generally listed on a classified balance sheet?

- a. Current and long-term
- b. Current; property, plant, and equipment; long-term investments; intangible assets
- c. Current; property, plant, and equipment; intangible assets; long-term investments
- d. Current; long-term investments; property, plant, and equipment; intangible assets

14. Current liabilities

- a. are obligations that the company is to pay within the current year.

b. are listed in the balance sheet in order of their

IRICK'S COPY SHOP  
Worksheet  
For the Month Ended September 30, 2014

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	3,000									
Supplies	1,100									
Prepaid Insurance	2,200									
Equipment	24,000									
Accum. Depreciation— Equipment		4,500								
Accounts Payable		2,400								
Notes Payable		4,000								
Owner's Capital		15,300								
Owner's Drawings	2,400									
Service Revenue		6,900								
Utilities Expense	<u>400</u>									
Totals	<u>33,100</u>	<u>33,100</u>								
Supplies Expense										
Insurance Expense										
Depreciation Expense										
Rent Expense										
Rent Payable										
Totals										
Net Income										
Totals										

**Solution 19**

IRICK'S COPY SHOP  
Worksheet  
For the Month Ended September 30, 2014

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	3,000				3,000				3,000	
Supplies	1,100		(a) 800		300				300	
Prepaid Insurance	2,200		(b) 200		2,000				2,000	
Equipment	24,000				24,000				24,000	
Accum. Depreciation — Equipment		4,500	(c) 400		4,900					4,900
Accounts Payable		2,400			2,400				2,400	
Notes Payable		4,000			4,000				4,000	
Owner's Capital		15,300			15,300				15,300	
Owner's Drawings	2,400				2,400				2,400	
Service Revenue		6,900			6,900		6,900			
Utilities Expense	<u>400</u>				400		400			
Totals	<u>33,100</u>	<u>33,100</u>								
Supplies Expense			(a) 800		800		800			
Insurance Expense			(b) 200		200		200			
Depreciation Expense			(c) 400		400		400			
Rent Expense			(d) 600		600		600			
Rent Payable			(d) 600		<u>600</u>					<u>600</u>
Totals			<u>2,000</u>	<u>2,000</u>	<u>34,100</u>	<u>34,100</u>	2,400	6,900	31,700	27,200
Net Income							<u>4,500</u>			<u>4,500</u>
Totals							<u>6,900</u>	<u>6,900</u>	<u>31,700</u>	<u>31,700</u>



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b. are listed in the balance sheet in order of their

## CHAPTER 4

### MULTIPLE CHOICE QUESTIONS

1. Preparing a worksheet involves
  - a. two steps.
  - b. three steps.
  - c. four steps.
  - d. five steps.
  
2. If the total debit column exceeds the total credit column of the income statement columns on a worksheet, then the company has
  - a. earned net income for the period.
  - b. an error because debits do not equal credits.
  - c. a net loss for the period.
  - d. to make an adjusting entry.
  
3. A worksheet can be thought of as
  - a. permanent accounting record.
  - b. optional device used by accountants.
  - c. part of the general ledger.
  - d. part of the journal.
  
4. Closing entries are necessary for
  - a. permanent accounts only.
  - b. temporary accounts only.
  - c. both permanent and temporary accounts.
  - d. permanent or real accounts only.
  
5. Each of the following accounts is closed to Income Summary **except**
  - a. Expenses.
  - b. Owner's Drawings.
  - c. Revenues.
  - d. All of these are closed to Income Summary.
  
6. In order to close the owner's drawings account, the
  - a. income summary account should be debited.
  - b. income summary account should be credited.
  - c. owner's capital account should be credited.
  - d. owner's capital account should be debited.
  
7. The closing entry process consists of closing
  - a. all asset and liability accounts.
  - b. out the owner's capital account.
  - c. all permanent accounts.
  - d. all temporary accounts

## BRIEF EXERCISES

### BE 15

Use the following income statement for the year 2014 for Belle Company to prepare entries to close the revenue and expense accounts for the company.

Service revenue	\$85,000
Expenses:	
Salaries and Wages Expense	\$40,000
Rent Expense	12,500
Advertising Expense	<u>8,700</u>
Total expenses	<u>61,200</u>
Net income (loss)	<u>\$23,800</u>

### Solution 15

Service Revenue	85,000
Income Summary	85,000

Income Summary	61,200
Salaries and Wages Expense	40,000
Rent Expense	12,500
Advertising Expense	8,700

### BE 16

Sebastien Company earned net income of \$44,000 during 2014. The company had owner drawings totalling \$20,000 during the period. Prepare the entries to close Income Summary and the Owner's Drawings account.

### Solution 16

Income Summary	44,000
Owner's Capital	44,000

Owner's Capital	20,000
Owner's Drawings	20,000

### BE 17

Prepare the necessary correcting entry for each of the following.

- A payment of \$5,000 for salaries was recorded as a debit to Supplies Expense and a credit to Cash.
- A purchase of supplies on account for \$1,000 was recorded as a debit to Equipment and a credit to Accounts Payable.

### Solution 17

- |                            |       |
|----------------------------|-------|
| Salaries and Wages Expense | 5,000 |
| Supplies Expense           | 5,000 |
- |          |       |
|----------|-------|
| Supplies | 1,000 |
|----------|-------|

(b) RUGEN COMPANY

Balance Sheet  
July 31, 2014

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Assets	
Current assets	
Cash	\$5,200
Accounts receivable	<u>9,780</u>
Total current assets	\$14,980
Property, plant, and equipment	
Equipment	38,000
Less: Accumulated depreciation	<u>6,000</u>
<u>32,000</u>	
Total assets	<u>\$46,980</u>
Liabilities and Owner's Equity	
Current liabilities	
Accounts payable	\$4,100
Salaries and wages payable	<u>2,980</u>
Total current liabilities	\$ 7,080
Long-term liabilities	
Notes payable	<u>3,000</u>
Total liabilities	10,080
Owner's equity	
Owner's capital	<u>36,900</u>
Total liabilities and owner's equity	<u>\$46,980</u>

**Ex. 21**

Prepare the necessary closing entries based on the following selected accounts.

Accumulated Depreciation   \$10,000  
Depreciation Expense   4,000  
Owner's Capital   20,000  
Owner's Drawings   12,000  
Salaries and Wages Expense   18,000  
Service Revenue   31,000

**Solution 21**

Service Revenue           31,000  
    Income Summary           31,000

Income Summary       22,000  
    Depreciation Expense           4,000  
    Salaries and Wages Expense       18,000

Income Summary       9,000  
    Owner's Capital           9,000

Owner's Capital       12,000  
Owner's Drawings       12,000

**Ex. 22**



**Ex. 20**

These financial statement items are for Rugen Company at year-end, July 31, 2014.

Salaries and wages payable	\$ 2,980	Notes payable (long-term)	\$ 3,000
Salaries and wages expense	45,700	Cash	5,200
Utilities expense	21,100	Accounts receivable	9,780
Equipment	38,000	Accumulated depreciation	6,000
Accounts payable	4,100	Owner's Drawings	4,000
Service revenue	57,200	Depreciation expense	4,000
Rent revenue	6,500	Owner's capital (beginning of the year)	48,000

**Instructions**

- (a) Prepare an income statement and an owner's equity statement for the year. The owner did not make any new investments during the year.
- (b) Prepare a classified balance sheet at July 31.

**Solution 20**

(a) RUGEN COMPANY

Income Statement  
For the Year Ended July 31, 2014

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Revenues	
Service revenue	\$57,200
Rent revenue	<u>6,500</u>
Total revenues	\$63,700
Expenses	
Salaries and wages expense	45,700
Utilities expense	21,100
Depreciation expense	<u>4,000</u>
Total expense	<u>70,800</u>
Net loss	<u>\$(7,100)</u>

RUGEN COMPANY

Owner's Equity Statement  
For the Year Ended July 31, 2014

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Owner's Capital, August 1, 2013	\$48,000
Less: Net loss	\$7,100
Drawings	<u>4,000</u>
Owner's Capital, July 31, 2014	<u>\$36,900</u>

14. Current liabilities
- are obligations that the company is to pay within the current year.
  - are listed in the balance sheet in order of their expected maturity.
  - are listed in the balance sheet, starting with accounts payable.
  - should not include long-term debt that is expected to be paid within the next year.

## Answers to Multiple Choice Questions

Item	Ans.	Item	Ans.
1.	d	10.	a
2.	c	11.	d
3.	b	12.	d
4.	b	13.	d
5.	b	14.	a
6.	d		
7.	d		
8.	b		
9.	c		

## BRIEF EXERCISES

### BE 15

Use the following income statement for the year 2014 for Belle Company to prepare entries to close the revenue and expense accounts for the company.

Service revenue	\$85,000
Expenses:	
Salaries and Wages Expense	\$40,000
Rent Expense	12,500
Advertising Expense	<u>8,700</u>
Total expenses	<u>61,200</u>
Net income (loss)	<u>\$23,800</u>

### Solution 15

Service Revenue	85,000
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**Ex. 22**

As Mel Smith was doing his year-end accounting, he noticed that the bookkeeper had made errors in recording several transactions. The erroneous transactions are as follows:

- (a) A check for \$700 was issued for goods previously purchased on account. The bookkeeper debited Accounts Receivable and credited Cash for \$700.
- (b) A check for \$180 was received as payment on account. The bookkeeper debited Accounts Payable for \$810 and credited Accounts Receivable for \$810.
- (c) When making the entry to record the year's depreciation expense, the bookkeeper debited Accumulated Depreciation—Equipment for \$1,000 and credited Cash for \$1,000.
- (d) When accruing interest on a note payable, the bookkeeper debited Interest Receivable for \$200 and credited Interest Payable for \$200.

**Instructions**

Prepare the appropriate correcting entries.

**Solution 22**

- |      |                                        |       |     |
|------|----------------------------------------|-------|-----|
| (a)  | Accounts Payable                       | 700   |     |
|      | Accounts Receivable                    |       | 700 |
| <br> |                                        |       |     |
| (b)  | Cash                                   | 180   |     |
|      | Accounts Receivable                    | 630   |     |
|      | Accounts Payable                       |       | 810 |
| <br> |                                        |       |     |
| (c)  | Cash                                   | 1,000 |     |
|      | Depreciation Expense                   | 1,000 |     |
|      | Accumulated Depreciation—<br>Equipment | 2,000 |     |
| <br> |                                        |       |     |
| (d)  | Interest Expense                       | 200   |     |
|      | Interest Receivable                    |       | 200 |

**Ex. 23**

Wakefield Company discovered the following errors made in January 2014.

1. A payment of salaries expense of \$900 was debited to Equipment and credited to Cash, both for \$900.
2. A collection of \$2,000 from a client on account was debited to Cash \$200 and credited to Service Revenue \$200.
3. The purchase of equipment on account for \$680 was debited to Equipment \$860 and credited to Accounts Payable \$860.

**Instructions**

Correct the errors.

### Solution 17

a.	Salaries and Wages Expense	5,000
	Supplies Expense	5,000
b.	Supplies	1,000
	Equipment	1,000

### BE 18

The following information is available for Elwes Company for the year ended December 31, 2014:

Accounts payable	\$ 3,800	
Accumulated depreciation-equipment		4,000
Owner's capital	9,300	
Intangible assets	2,300	
Notes payable (due in 5 years)		5,000
Accounts receivable	1,500	
Cash	2,800	
Short-term investments	1,000	
Equipment	8,800	
Long-term investments	5,700	

### Instructions

Use the above information to prepare a classified balance sheet for the year ended December 31, 2014.

### Solution 18

ELWES COMPANY  
Balance Sheet  
December 31, 2014

<u>Assets</u>	
Current assets	
Cash	\$2,800
Short-term investments	1,000
Accounts receivable	<u>1,500</u>
Total current assets	\$5,300
Investments	
Long-term investments	5,700
Property, plant, and equipment	
Equipment	8,800
Less: Accumulated depreciation-equipment	4,000
	4,800
Intangible assets	<u>2,300</u>
Total assets	<u>\$18,100</u>

Liabilities and Owner's Equity

Current liabilities	
Accounts payable	\$3,800
Long-term liabilities	
Notes payable	<u>5,000</u>