

ACCOUNTING



Instructions:

Choose the most appropriate answer for the given question.

To generate a new set of questions, click on 'Print'.

QUESTION-1

If depreciation adjustments are not recorded, assets on the balance sheet would be..... Additionally, expenses would beon the income statement causing net income to be..... If net income is overstated, retained earnings on the balance sheet would also be overstated.

- a) Understated, understated, understated
- b) Understated, overstated, understated
- c) Overstated, overstated, overstated
- d) Overstated, understated, overstated

Answer:::

QUESTION-2

Which of the following statements is incorrect

- a) Using the adjusted trial balance, the balance sheet can be prepared once the statement of changes in equity is complete
- b) Using the adjusted trial balance, the balance sheet is prepared first, followed by the statement of changes in equity
- c) An unadjusted trial balance reports account balances before adjusting entries have been recorded and posted
- d) An adjusted trial balance reports account balances after adjusting entries have been recorded and posted.

Answer:::

QUESTION-3

Abzwater.com received a USD 400 cash payment in advance of services being performed: USD 300 for January and USD 100 for February. The unadjusted trial balance shows USD 400 in the unearned repair revenue account. However, at January 31, USD 300 of the USD 400 unearned amount has been earned. Which of the following statements is correct if the financial statements are prepared on January 31.

- a) USD 300 is debited in unearned repair revenue account
- b) USD 300 is credited in unearned repair revenue account
- c) USD 400 is credited in unearned repair revenue account
- d) USD 100 is debited in unearned repair revenue account

Answer:::

QUESTION-4

Abzwater.com paid prepaid insurance of USD 2,400 for a 12-month insurance policy that went into effect on January 1. The unadjusted trial balance shows USD 2400 in the prepaid insurance account. However, at January 31, one month or USD 200 of the policy has expired (been used up) calculated as $USD\ 2,400 / 12\ months = USD\ 200$. If the financial statements are prepared on January 31, which of the following statements is correct

- a) The USD 2200 transferred out of prepaid insurance is posted as a debit to the Insurance Expense account to show how much insurance has been used during January

b) The USD 2600 transferred out of prepaid insurance is posted as a debit to the Insurance Expense account to show how much insurance has been used during January

c) The USD 200 transferred out of prepaid insurance is posted as a debit to the Insurance Expense account to show how much insurance has been used during January

d) The USD 200 transferred out of prepaid insurance is posted as a debit to the Insurance income account to show how much insurance has been used during January

Answer:::

QUESTION-5

Thefrom the trial balance and the ending balances for share capital and retained earnings on theare used to prepare the balance sheet

a) asset and liability accounts, statement of changes in equity

b) asset and current liability accounts, income statement

c) cash and liability accounts, statement of changes in equity

d) current asset and liability accounts, income statement

Answer:::

QUESTION-6

.....shows the details of how equity changed during the accounting period. The balances for share capital and retained

earnings that appear on the statement of changes in equity are transferred to the equity section of

- a) the balance sheet. income statement
- b) The statement of changes in equity, the balance sheet.
- c) the balance sheet. the statement of changes in equity
- d) income statement, the balance sheet

Answer:::

QUESTION-7

The is an estimate of what the plant and equipment asset will be sold for when it is no longer used by a business.

- a) current asset value
- b) residual value
- c) asset value
- d) future asset value

Answer:::

QUESTION-8

Abzwater.com purchased a USD 20,000 piece of equipment on January 1, 2015 with a USD 2,000 residual value and estimated productive life of 10,000 units. If 1,500 units were produced during 2015, the depreciation expense for the year ended December 31, 2015 would be

- a) USD 2700

- b) USD 1.8
- c) USD 1500
- d) USD 4000

Answer:::

QUESTION-9

.....is a revenue that has been earned but has not been collected or recorded. Similarly,is an expense that has been incurred but has not yet been paid or recorded.

- a) An accrued revenue, an accrued expense
- b) A liable revenue, a liable expense
- c) A revenue, an expense
- d) A third-party revenue, a third-party expense

Answer:::

QUESTION-10

The manufacturer's suggested life of a car is 10 years but the business has a policy of keeping cars for only 2 years. Which of the following statements is correct

- a) The useful life for depreciation purposes would therefore be 12 years and not 10 years
- b) The useful life for depreciation purposes would therefore be 2 years and not 10 years
- c) The useful life for depreciation purposes would therefore be 8

years and not 10 years

d) The useful life for depreciation purposes would therefore be 10 years and not 2 years

Answer:::

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----Answer Sheet----

- 1) Overstated, understated, overstated
- 2) Using the adjusted trial balance, the balance sheet is prepared first, followed by the statement of changes in equity
- 3) USD 300 is debited in unearned repair revenue account
- 4) The USD 200 transferred out of prepaid insurance is posted as a debit to the Insurance Expense account to show how much insurance has been used during January
- 5) asset and liability accounts, statement of changes in equity
- 6) The statement of changes in equity, the balance sheet.
- 7) residual value
- 8) USD 2700
- 9) An accrued revenue, an accrued expense
- 10) The useful life for depreciation purposes would therefore be 2 years and not 10 years