

Name: _____

Baseline Assessment

Date: _____

College Accounting

Directions: Read each question below and select the **best** answer.

1. Which accounting cycle step below comes **after** the others listed?
 1. Entries are recorded in the journal.
 2. Source documents are analyzed.
 3. A trial balance is prepared.
 4. Adjusting entries are recorded and posted.

2. In preparing closing entries, which of the following columns of the worksheet are the **most** helpful?
 1. Income Statement columns.
 2. Adjusted Trial Balance columns.
 3. Adjustments columns.
 4. Balance Sheet columns.

3. The chart of accounts is a table of contents for a:
 1. journal.
 2. ledger.
 3. trial balance.
 4. financial statements.

4. In a ledger, **debit** entries cause:
 1. Increases in owner's equity, decreases in liabilities, and increases in assets.
 2. Decreases in liabilities, increases in assets, and decreases in owner's equity.
 3. Decreases in assets, decreases in liabilities, and increases in owner's equity.
 4. Decreases in assets, increases in liabilities, and increases in owner's equity.

5. Before any month-end adjustments were made, the net income of XYZ Company was \$95,000. However, the following adjustments were necessary: office supplies used, \$2,400, services performed for clients but not yet recorded or collected, \$4,900; interest accrued on note payable to bank, \$600. After recording these adjustments, XYZ's net income would be:
 1. \$91,900.
 2. \$93,100.
 3. \$96,900.
 4. \$98,100.

6. The term "posting" means:
 1. Entering information into a computerized database.
 2. Transferring ledger amounts to the trial balance.
 3. Proving the equality of debits and credits in the ledger.
 4. Transferring debit and credit amounts from the journal.

7. A balance sheet is designed to show:
 1. How much a business is worth.
 2. The profitability of the business during the current year.
 3. The assets, liabilities, and owner's equity in the business at a particular date.
 4. The cost of replacing the assets and of paying off the liabilities at a particular date.

8. At the end of the current year, the owner's equity in ABC Corporation is \$264,000. During the year, the assets of the business had increased by \$110,000 and the liabilities had increased by \$88,000. Owner's equity at the beginning of the year must have been:
1. \$242,000.
 2. \$286,000.
 3. \$462,000.
 4. \$66,000.
9. All the information about one particular business transaction can most easily be found by looking in the:
1. ledger.
 2. journal.
 3. trial balance.
 4. financial statements.
10. On February 1, Bowling Company paid a \$1,400 bill for utilities received in January. In addition to this bill, the company paid \$7,500 during February for expenses incurred in that month. On March 2, Bowling Company paid a \$5,500 payroll to employees for work done in February. Based on these facts, total expenses for the month of February were:
1. \$7,500.
 2. \$8,900.
 3. \$13,000.
 4. \$14,400.
11. The carrying value (net book value) of a depreciable asset equals:
1. The estimated cost to replace the asset.
 2. The original cost minus accumulated depreciation.
 3. The estimated amount for which the asset could be sold.
 4. The original cost minus depreciation expense for the current period.
12. When a net loss has occurred,
1. all expense accounts are closed with debits.
 2. The Income Summary account is closed with a credit.
 3. the Income Summary account is closed with a debit.
 4. all revenue accounts are closed with credits.
13. The general-purpose financial statements prepared annually by a business would not include the:
1. Income tax return.
 2. Balance Sheet.
 3. Statement of Cash Flow.
 4. Income Statement.
14. The Income Summary account is credited in the entry that closes:
1. expense accounts.
 2. the owner's Withdrawal account.
 3. Net income.
 4. revenue accounts.
15. Delightful Destinations accepts advance reservations for travel plans, with a 25% cash deposit due ten days after the reservation is made. The realization principle indicates that the revenue from these customers should be recognized in the period that the:
1. Reservation is made.
 2. 25% deposit is received.
 3. Travel takes place.
 4. 75% balance is collected.

16. Which of the following errors can be found by preparing a trial balance?
1. The collection of an account receivable for \$963 was recorded by a \$693 debit to Cash and a \$693 credit to Accounts Receivable.
 2. The collection of an account receivable was recorded by a debit to the Land account rather than to the Cash account.
 3. The collection of a \$500 account receivable was not recorded at all.
 4. The collection of a \$540 account receivable was recorded by a \$540 debit to Cash and a \$540 debit to Accounts Receivable.
17. Preparing closing entries accomplishes two basic purposes:
1. To record the depreciation expense for the period and to enable the company to prepare a trial balance.
 2. To determine that the ledger is in balance and to reduce the balances of the revenue, expense, and withdrawal accounts to zero.
 3. To update the balance of the owner's capital account and to return the balances of the revenue, expense, and withdrawal accounts to zero.
 4. To update the balances of the Cash and owner's capital accounts.
18. Parker's Prepaid Insurance account shows an ending balance of \$2,300. During the period, insurance in the amount of \$1,200 expired. The adjusting entry would include a debit to:
1. Prepaid Insurance for \$1,200.
 2. Insurance Expense for \$1,200.
 3. Prepaid Insurance for \$1,100.
 4. Insurance Expense for \$1,100.
19. Which of the following represents revenue for the month of February?
1. Performed legal services for a client on February 1st. Client was billed but payment has not yet been received as of the end of February.
 2. Collected cash of \$1,400 on February 5th for services performed in January.
 3. On February 10th, the owner invested an additional \$10,000 cash in the business.
 4. Borrowed \$5,000 from National Bank on February 21st.
20. Which of the following accounts have normal credit balances?
1. Accounts Receivable and Sales.
 2. Service Revenue and M. Mouse, Capital.
 3. Salaries Expense and Accounts Payable.
 4. M. Mouse, Withdrawals, and Cash.
21. Acme Advertising made several purchases of office supplies totaling \$3,310 during its first year of operations and recorded all purchases by debiting the asset account Office Supplies. At December 31, the amount of unused supplies on hand was determined by count to amount to \$1,460. The proper adjusting entry would be:
1. Debit Office Supplies Expense \$1,460 and credit Office Supplies \$1,460.
 2. Debit Office Supplies \$1,850 and credit Office Supplies Expense \$1,850.
 3. Debit Office Supplies \$1,460 and credit Office Supplies Expense \$1,460.
 4. Debit Office Supplies Expense \$1,850 and credit Office Supplies \$1,850.

22. Homey Heirlooms purchased display shelves on February 1st for \$3,000. If this asset has an estimated useful life of five years, what is the net book value of the display shelves on March 31st?

1. \$3,000.
2. \$2,950.
3. \$2,900.
4. \$2,850.

23. Adjusting entries are needed whenever:

1. Goods or services are purchased on credit.
2. Revenue is not received in cash.
3. Original transactions are recorded improperly.
4. Transactions affect revenues or expenses of more than one accounting period.

24. The term “depreciation,” as used in accounting, refers to:

1. The amount of cash that is needed to replace an asset when it wears out.
2. The physical deterioration of an asset.
3. The decrease in the book value of an asset over time.
4. The change in the asset’s market value over time.

25. Creative Gardens completes a transaction which results in a credit to an asset account. Applying the rules of debit and credit, which of the following related effects may also occur?

1. An equal increase in an asset account.
2. An equal increase in owner’s equity.
3. An equal increase in a liability account.
4. None of the above.

26. After all the account balances have been extended to the Balance Sheet columns of the worksheet, the totals of the debit and credit columns are \$30,750 and \$21,750, respectively. What is the amount of net income or net loss for the period?

1. \$9,000 net income.
2. \$9,000 net loss.
3. \$30,750 net loss.
4. \$21,750 net income.

27. Decreases in owner’s equity are caused by:

1. Purchases of assets and payment of liabilities.
2. Purchases of assets and incurrence of liabilities.
3. Payment of liabilities and unprofitable operations.
4. Distribution of assets to the owner and unprofitable operations.

28. Cute Collectibles prepares monthly financial statements. Which of the following violates the matching principle?

1. The cost of advertising done in the month is expensed in the month, even though not paid.
2. Depreciation expense is recognized on a building purchased two years ago.
3. The premium on a six-month insurance policy is charged to expense entirely in the current month.
4. Expenses for the period exceed revenue.

29. Which of the following account balances would normally be found on the credit side of the adjusted trial balance?
1. Prepaid Insurance.
 2. Depreciation Expense: Equipment.
 3. C. Kent, Withdrawals.
 4. Accumulated Depreciation: Equipment.
30. Prepaid rent is a(n):
1. expense.
 2. asset.
 3. liability.
 4. contra-asset.
31. To determine the amount of uncollectible accounts expense when using the balance sheet method,
1. Add the balance of the Allowance for Uncollectible Accounts and the total estimated uncollectible amount.
 2. Multiply the net sales by the estimated percentage of uncollectible net sales.
 3. Subtract the balance of the Allowance for Uncollectible Accounts from the total estimated uncollectible amount as determined by the aging of receivables.
 4. Add the balance of the Allowance for Uncollectible Accounts and the total aging of receivables.
32. The closing entries made by Franklin Square Theater involve posting a debit to which of the following accounts?
1. Ticket Revenues.
 2. Unearned Ticket Revenues.
 3. S. Squarepants, Withdrawals.
 4. Depreciation Expense.
33. If a partnership contract does not state how profits and losses are to be divided among partners, it is assumed that:
1. Profits and losses are divided according to each partner's capital account.
 2. Profits and losses are divided equally among partners.
 3. Profits and losses are divided according to each partner's initial investment.
 4. Profits and losses are divided according to each partner's total investment.
34. Royal Real Estate Company pays its employees every Friday. January 31 falls on a Tuesday. The adjusting entry required at the end of January is to:
1. accrue an expense and a liability.
 2. accrue a revenue and a receivable.
 3. recognize a previously deferred expense as an expense in the current period.
 4. recognize a previously deferred revenue as a revenue in the current period.
35. Barbara and Phil are partners in a law firm. Net income for the period is \$125,000. Barbara's beginning Capital balance was \$150,000 and Phil's was \$175,000. Their partnership agreement states that each partner will earn a 10% interest allowance, and any remainder is split 50-50. What is Barbara's share of the net income?
1. \$68,750
 2. \$63,750
 3. \$62,500
 4. \$61,250

36. Unearned Legal Fees is a(n):
1. expense.
 2. asset.
 3. liability.
 4. revenue.
37. The key point of double-entry accounting is that every transaction:
1. is recorded by equal dollar amounts of debit and credit entries.
 2. is recorded in both the journal and the ledger.
 3. affects both sides of the balance sheet.
 4. is both recorded and posted.
38. Which of the following accounts would probably be contained in an adjusted trial balance but **not** in a trial balance?
1. Unearned Revenue.
 2. Cash.
 3. Wages Expense.
 4. Depreciation Expense.
39. Before month-end adjustments are made, the January 31 trial balance for Muscle Movers contains revenue of \$27,900 and expenses of \$17,340. Adjustments are necessary for the following items: (a) Portion of prepaid rent applicable to January, \$2,700; (b) Depreciation for January, \$1,440; (c) Portion of fees collected in advance that were earned in January, \$3,300; (d) Fees earned in January, not yet billed to customers, \$1,950. Net income in Muscle Movers' January income statement is:
1. \$17,070.
 2. \$11,670.
 3. \$10,560.
 4. \$9,450.
40. Which of the following is **not** classified as a short-term liquid asset?
1. Inventory.
 2. Notes Receivable.
 3. Short-term investments.
 4. Accounts receivable.
41. Inventory turnover equals cost of goods sold divided by:
1. number of days in a year.
 2. cost of goods available for sale.
 3. Number of months in a year.
 4. Average inventory
42. The Allowance for Doubtful (Uncollectible) Accounts represents:
1. cash set aside for bad debts.
 2. the amount of a receivable written off.
 3. the difference between sales and accounts receivable.
 4. the difference between A/R and the net realizable value of A/R.
43. The account Allowance for Uncollectible Accounts is classified as a(n):
1. expense.
 2. contra account to Accounts Receivable.
 3. liability.
 4. contra account to Uncollectible Accounts Expense.
44. Which of the following is **not** considered an operating expense?
1. Commissions.
 2. Freight Out.
 3. Cost of Goods Sold.
 4. Advertising expenses.

45. Under the perpetual inventory system, in addition to making the entry to record a sale, a company would:
1. debit COGS and credit Inventory.
 2. debit Inventory and credit COGS.
 3. debit COGS and credit Purchases.
 4. make no additional entry until the end of the period.
46. If the amount of uncollectible accounts expense is overstated at year-end,
1. net income will be overstated.
 2. total liabilities and owner's equity will be overstated.
 3. the Allowance for Uncollectible Accounts will be understated.
 4. net Accounts Receivable will be understated.
47. The petty cash fund should be replenished by a debit to:
1. the accounts for which petty cash payments were made and a credit to Cash in Bank.
 2. Cash in Bank and a credit to the accounts for which petty cash payments were made.
 3. Petty Cash and a credit to the accounts for which petty cash payments were made.
 4. the accounts for which petty cash payments were made and a credit to Petty Cash.
48. The entry to increase the value of marketable securities at period-end to mark-to-market will include a:
1. debit to a Realized Gain/Loss account.
 2. credit to a Realized Gain/Loss account.
 3. debit to an Unrealized Gain/Loss account.
 4. credit to an Unrealized Gain/Loss account.
49. Which of the following inventory pricing methods would be the preferred method during a period of rising costs for a company that wishes to minimize their income tax expense?
1. FIFO.
 2. LIFO.
 3. Average-cost.
 4. Specific identification.
50. The matching principle:
1. requires that all bad debt losses be recorded when an individual customer defaults.
 2. requires the recording of an estimated amount for bad debts during each period when there are credit sales.
 3. is violated when the allowance method is employed.
 4. results in the recording of a known amount for bad-debt losses.

College Accounting Baseline Assessment Answer Key:

- | | |
|-------|-------|
| 1. 4 | 26. 1 |
| 2. 1 | 27. 4 |
| 3. 2 | 28. 3 |
| 4. 2 | 29. 4 |
| 5. 3 | 30. 2 |
| 6. 4 | 31. 3 |
| 7. 3 | 32. 1 |
| 8. 1 | 33. 2 |
| 9. 2 | 34. 1 |
| 10. 3 | 35. 4 |
| 11. 2 | 36. 3 |
| 12. 2 | 37. 1 |
| 13. 1 | 38. 4 |
| 14. 4 | 39. 2 |
| 15. 3 | 40. 1 |
| 16. 4 | 41. 4 |
| 17. 3 | 42. 4 |
| 18. 2 | 43. 2 |
| 19. 1 | 44. 3 |
| 20. 2 | 45. 1 |
| 21. 4 | 46. 4 |
| 22. 3 | 47. 1 |
| 23. 4 | 48. 4 |
| 24. 3 | 49. 2 |
| 25. 1 | 50. 2 |