



**Question One: Choose the Correct Answer:**

- 1- — revenue is a liability until goods/services are sold/delivered.  
a-Earned b-Unearned
- 2- Management can determine the amounts due from customers by examining:  
a- Service Revenue. b- Accounts Payable. c- Accounts Receivable.
- 3- A Company provided consulting services and billed the client \$2,500. As a result of this, assets remained unchanged. a-True b-False
- 4- Income is measured on the basis of:  
a- Matching Principle b-Consistency c- Full disclosure
- 5- The accounting cycle does not include recording transactions a-True b-False
- 6- Which of the following(s) causes owner's equity to decrease?  
a-Net income b- revenues c- net loss
- 7- Payment of monthly salaries results in: a-Increasing assets and liabilities.  
b- Increasing liabilities and decreasing equity c-Decreasing assets and equity
- 8- Which financial statement is prepared as of a specific date?  
a- The balance sheet b-The income statement c-The statement of cash flows
- 9- When making a journal entry, there can only be one debit and one credit.  
a-True b-False
- 10- The ledger is a chronological, day-by-day, record of business transactions.  
a-True b-False
- 11- Consistency refers to the relationship between revenues and expenses.  
a-True b- False
- 12- Increases in liability accounts are recorded as: a-debits. b-credits
- 13- A company purchased \$2000 of equipment on credit. The account to be credited is: a-Equipment. b-Cash c-Accounts Payable. d-Notes Receivable
- 14- A company's written promissory note to pay a future amount is a(n):  
a-Unearned revenue. b-Prepaid expense. c-debit account. d-Note payable.

- 15- A credit is used to record a *decrease* in which of the following accounts?  
a-Accounts Payable b-Service Revenue c-Accounts Receivable
- 16- Identify the account that impacts the equity of a business:  
a-Utilities Expense b-Accounts Payable c-Accounts Receivable d-Cash
- 17- A company acquires \$3,000 of supplies by paying \$1,000 cash and \$2,000 on credit. The journal entry to record this transaction includes:  
a- debit to Cash \$1,000. b-credit to Cash \$1,000. c-debit to Accounts Payable \$2,000.
- 18- A transaction that decreases a liability and increases an asset must also affect one or more other accounts. a-True b-False
- 19- Posting is the transfer of journal entry information to the ledger. a-True b-False
- 20- A company reports the details behind financial statements that would impact users' decisions in the notes to the financial statements according to:  
a-Expense Recognition. b-Going Concern. c-Time Period d-Full Disclosure.
- 21- Accounting information is based on actual cost as it is objective according to: a-Going Concern. b-Time Period c-Full Disclosure. d-Cost Principle.
- 22- Outflows of cash and other assets to shareholders that reduce equity:  
a-Expenses. b-Losses. c -Dividends. D- All answers are correct.
- 23- It is a collection of all accounts and their balances for an accounting system.  
a- A Chart of Accounts. b-The Journal. c-The Ledger. d-Double Entry
- 24- Revenues and expenses are reported on the Income Statement. a- True b-False
- 25- A company had \$304,000 of accounts payable on September 30 and \$265,000 on October 31. If total purchases on credit during October were \$562,000, How much cash did the company pay on accounts payable during October?  
a-\$601,000 b-\$1,131,000 c-\$866,000 d-Different Answer

**Question Two:** Show the effect of the following transactions on the accounting equation (for a boat tour company).

- May 1 The company provided services and received \$3,000 cash.  
May 2 The company paid \$3,000 cash for office equipment.  
May 3 The company bought supplies costing \$2,500 on credit.

With My Best Wishes Prof. Dalia Adel