

Financial Services Juniors
Accounting Unit I Test
Take Home: Due Monday, March 1

Name: _____

____ / 300

Part 1: 75
Part 2: 225

PART 1

Multiple Choice (3 points each)

Use a pencil



1. The accounting equation is
 - A. Assets = Liabilities - Owner's Equity
 - B. Assets + Liabilities = Owner's Equity
 - C. Assets = Owner's Equity - Liabilities
 - D. Assets = Liabilities + Owner's Equity

2. The account used to summarize the owner's equity in a business is called
 - A. cash
 - B. drawing
 - C. investment
 - D. capital

3. Account balances increase on the
 - A. right side of an account
 - B. left side of an account
 - C. normal side of an account
 - D. none of the above

4. A business paid cash for rent, \$700.00; to owner for personal use, \$200.00; and for equipment repair, \$50.00. Expenses from the operation of the business decreased owner's equity by
 - A. \$250.00
 - B. \$750.00
 - C. \$950.00
 - D. none of the choices are correct

5. When the owner withdraws cash for personal use,
 - A. liabilities increase and assets decrease
 - B. assets decrease and owner's equity increases
 - C. assets decrease and owner's equity decreases
 - D. liabilities decrease and assets decrease

6. When services are sold on account for \$500.00
 - A. Fees Earned is decreased with a debit and an accounts receivable account is increased with a credit.
 - B. Fees Earned is increased with a debit and Cash is increased with a credit.
 - C. Fees Earned is increased with a credit and an accounts receivable account is increased with a debit.
 - D. Fees Earned is increased with a credit and Cash is increased with a debit.

7. Accounts Payable is
 - A. an asset account
 - B. an owner's equity account
 - C. a liability account
 - D. a cost account

8. If cash is paid for advertising expense,
 - A. two assets are changed.
 - B. an asset and a liability are changed.
 - C. an asset and owner's equity are changed.
 - D. two liabilities are changed.

Financial Services Juniors
Accounting Unit I Test
Take Home: Due Monday, March 1

9. A business owned by one person is a:
 - A. proprietorship
 - B. partnership
 - C. corporation
 - D. owner's equity

10. The right side of a T account is the
 - A. debit side
 - B. credit side
 - C. normal balance side
 - D. equity side

11. If an amount is recorded on the side of a T account opposite the normal balance side,
 - A. the account balance is increased.
 - B. the account balance is decreased.
 - C. the account is unaffected.
 - D. the account balance is correct.

12. When the owner invests cash in a business, the owner's capital account is
 - A. increased by a debit.
 - B. increased by a credit.
 - C. decreased by a debit.
 - D. decreased by a credit.

13. Increases in a revenue account are shown on a T account's
 - A. debit side.
 - B. credit side.
 - C. left side.
 - D. none of these.

14. When \$1,500 cash is received on account,
 - A. sales is increased with a credit and cash is increased with a credit.
 - B. accounts receivable is increased with a debit and cash is increased with a credit.
 - C. accounts receivable is decreased with a credit and cash is increased with a debit.
 - D. accounts receivable is decreased with a debit and cash is increased with a debit.

15. The normal balance of any expense account is the
 - A. debit side.
 - B. credit side.
 - C. right side.
 - D. none of these.

16. When a business pays for insurance, prepaid insurance is
 - A. increased by a debit.
 - B. increased by a credit.
 - C. decreased by a debit.
 - D. decreased by a credit.

17. When a business receives revenue, fees earned is
 - A. increased by a debit.
 - B. increased by a credit.
 - C. decreased by a debit.
 - D. decreased by a credit.

Financial Services Juniors
Accounting Unit I Test
Take Home: Due Monday, March 1

18. On a journal page, the month is written
- A. for each entry.
 - B. on the first line of each column.
 - C. only for the first entry.
 - D. none of these
19. The entry to record receipt of cash from the owner as an investment is
- A. debit capital, credit cash.
 - B. debit cash, credit capital.
 - C. debit cash, credit accounts payable.
 - D. debit capital, credit accounts payable.
20. If an error is recorded in a journal entry
- A. cancel the error by drawing a neat line through the error.
 - B. correct the entry by writing the correct item above the canceled error.
 - C. do not erase the incorrect item.
 - D. all of these are correct.
21. A journal entry includes
- A. the debit part of a transaction recorded under one date and credit part recorded under a later date.
 - B. the debit and credit parts of a transaction recorded in one place.
 - C. more debits than credits.
 - D. no amounts.
22. A withdraw is a(n)
- A. expense.
 - B. revenue.
 - C. liability.
 - D. reduction in owner's equity.
23. Payments for advertising, equipment repairs, utilities, and rent are
- A. expenses.
 - B. liabilities.
 - C. revenues.
 - D. assets.
24. Assets are
- A. anything of value you own.
 - B. money you owe to someone else.
 - C. money taken out by the owner.
 - D. cost of doing business.
25. The decrease in the value of an asset because of age, wear, or use is called
- A. Fluctuation
 - B. Depreciation
 - C. Contribution
 - D. Variation
-

Financial Services Juniors
Accounting Unit I Test
Take Home: Due Monday, March 1

PART 2

Problem: Journal, Ledger, Trial Balance, Financial Statements (225 points)

Overview: Trevor just started a new pet rental business called Furrent. He asked you to help him out with the accounting for his business during the first month of operation.

Instructions:

1. Journalize the business transactions.
2. Post the journal entries to the ledger.
3. Prepare a trial balance.
4. Complete financial statements.

Chart of Accounts: These are the account names and numbers that you should use.

Account Name	Account Number
Cash	11
Accounts Receivable	12
Supplies	13
Equipment	14
Accounts Payable	21
Trevor, Capital	31
Trevor, Drawing	32
Fees Earned	41
Supplies Expense	51
Utilities Expense	52

Business Transactions: The business transactions in the month of February 2019 for Furrent can be found below. You will use these transactions to complete the journal on the next page.

- Feb
- 1 Trevor invested \$6,000 cash in his business, Furrent. R1.
 - 2 Purchased equipment (cages, leashes, etc.) for cash, \$2,400. C1.
 - 4 Purchased supplies (pet food, cleaning supplies, etc.) on account, \$1,200. M1.
 - 7 Paid utilities for the month, \$500. C2.
 - 15 Earned a total of \$12,000 in cash from customers for pet rentals. T1.
 - 19 Paid off the full amount owed on account for the supplies purchased earlier in the month. C3.
 - 25 Earned total of \$7,000 in fees from customers for pet rentals, on account. S1.
 - 26 Completed inventory and found that \$600 of supplies had been used during the month. M2.
 - 27 Received \$4,000 cash from customers paying on their accounts. R2.
 - 29 Trevor withdrew \$500 at the end of the month for personal use. C4.

Financial Services Juniors
Accounting Unit I Test
Take Home: Due Monday, March 1

TREVOR, DRAWING						Account No. 32								
Date	Item	Post. Ref.	Debit			Credit			Balance					
									Debit			Credit		

FEES EARNED						Account No. 41								
Date	Item	Post. Ref.	Debit			Credit			Balance					
									Debit			Credit		

SUPPLIES EXPENSE						Account No. 51								
Date	Item	Post. Ref.	Debit			Credit			Balance					
									Debit			Credit		

UTILITIES EXPENSE						Account No. 52								
Date	Item	Post. Ref.	Debit			Credit			Balance					
									Debit			Credit		

Trial Balance
 For the month ended February 28, 2021

Account Name	Debit	Credit
TOTAL		

