

BAF3M - TEST 2 Review

Name:

*Using the textbook, the internet, or the class notes, **explain** the following accounting terms:*

Auditing

Corporation

Merchandising Business

Accounts Payable

Business Entity Concept

Asset

Creditor

Debtor

Capital

GAAP

Fundamental Accounting Equation

Going Concern Concept

Liquidity

Principle of Conservatism

Business Transaction

Objectivity Principle

Source Document

Ledger

Double Entry accounting

Taking Off a Trial Balance

'On Account'

Fiscal Period

Income Statement

Revenue Recognition Principle

Time Period Concept

Net Loss

Briefly answer the following questions:

1. Identify two groups that would benefit from proper accounting practices.
2. Identify the three kinds of businesses besides the service business.
3. List three types of business ownership.
4. Name the three professional accounting designations.
5. The computer is merely a tool of accountants. Comment on this statement.
6. If the total assets increase by 10,000 and total liabilities decrease by 10,000, this capital will:
7. If liabilities increase by 15,000 and the equity decreases by 5,000, what change has occurred in the assets?
8. The balance sheet is thought of as a 'snap shot' of the business. Explain this statement.
9. In three words, state what information is contained in the heading of the balance sheet.
10. How does this differ on an income statement?

11. Give an example of a transaction that would cause the owner's equity to decrease.

12. Examine the given source document and answer the following questions.

What kind of source document is this?

What GAAP does a source document abide by?

Who issued this document?

Who received this document?

If you were accounting for the issue of this document, what would the DR and CR entries be?

DR -

CR -

SMOKEY VALLEY SKI CLUB
R.R. #1, Horseshoe Valley, Ont. L3V 3B0

176
Nov. 12 20—

PAY TO THE ORDER OF Mid-West Ski Lifts and Equipment \$ 10 000.00

Ten Thousand ----- **XX DOLLARS**

THE COMMERCIAL BANK Smokey Valley Ski Club

per A. Hart
R. Schwartz

⑈015⑈ ⑆11962⑈509⑆ 7427⑈0⑈

13. Explain how the following errors might cause a trial balance to be out of balance.

i) The entry to record the purchase of delivery equipment was omitted from the Delivery Equipment account.

ii) Cash of \$100 was received from a client for services performed. Bank was debited for \$100 and Capital was credited for \$10.

iii) Cash of \$500 was borrowed from the bank. Bank was credited for \$500 and Bank Loan was debited for \$500.

14. Create a December 31st (2012) balance sheet, for Big Company, on the next page, using the following numbers from the trial balance. Make sure to include a heading and use the 'expanded equity' section on your statement. (Refer to the on-line notes or page 138 of the textbook if you are unsure how to do this.)

Bank \$48,000
Bank Loan \$30,000
J. Big, Capital \$10,000
J. Big, Drawings \$2,000
Fees Earned \$38,000
Travel Expense \$13,000
Miscellaneous Expense \$15,000