

CHSS BAF3M
Unit 1 Test Review
Mr. Alexander

Please circle the best answer:

1. Which of these items is **not** a main activity of accounting?
 - a) Gathering financial information.
 - b) Preparing records.
 - c) Summarizing financial information.
 - d) Reporting financial information.
 - e) Providing bank loans to financial institutions.

2. Accounting managers are able to answer:
 - a) Is the business earning enough profit?
 - b) How much does our company owe another company?
 - c) Do any of our goods need to be restocked?
 - d) a & b
 - e) All of the above.

3. Investors can use accountants to help them determine whether to purchase shares in a business:
 - a) True
 - b) False

4. Studying accounting can help you understand your personal finances as well:
 - a) True
 - b) False

5. Non-profit organizations need accountants:
 - a) True
 - b) False

6. A Merchandising business:
 - a) Sells services to customers.
 - b) Buys raw materials and converts them into consumer goods.
 - c) Buy pre-made products and resells them at a higher price.
 - d) Does not have a primary goal of making a profit.

7. A Service business:
 - a) Sells services to customers.
 - b) Buys raw materials and converts them into consumer goods.
 - c) Buy pre-made products and resells them at a higher price.
 - d) Does not have a primary goal of making a profit.

8. A Manufacturing business:
 - a) Sells services to customers.
 - b) Buys raw materials and converts them into consumer goods.
 - c) Buy pre-made products and resells them at a higher price.
 - d) Does not have a primary goal of making a profit.

9. A Non-Profit (or Not for Profit) organization:
 - a) Sells services to customers.
 - b) Buys raw materials and converts them into consumer goods.
 - c) Buy pre-made products and resells them at a higher price.
 - d) Does not have a primary goal of making a profit.

10. Types of business ownership that exist in Canada are:

- a) Partnerships
- b) Corporations
- c) Sole Proprietorships
- d) All of the above

11. Freddy's French Fries might be an example of a:

- a) Sole Proprietorship
- b) Partnership
- c) Corporation
- d) None of the above

12. Freddy, Fanny, Falstaff, and Frankenstein might be an example of a:

- a) Sole Proprietorship
- b) Partnership
- c) Corporation
- d) None of the above

13. Freddy's Fine Food, Inc. might be an example of a:

- a) Sole Proprietorship
- b) Partnership
- c) Corporation
- d) None of the above

14. The accounts Truck, Bank, and Accounts Receivable are examples of:

- a) Assets
- b) Liabilities
- c) Equity
- d) None of the above

15. Bank Loan, Accounts Payable, Mortgage Payable are examples of:

- a) Liabilities
- b) Equity
- c) Assets
- d) a and b

16. A collection of T-accounts, for a business, is known as a:

- a) Cracker
- b) Log
- c) Ledger
- d) Journal

17. In what order do accounts receivable & accounts payable go in?

- A) Highest to lowest price
- B) Lowest to highest price
- C) Alphabetically
- D) None of the above

18. What 3 elements are placed at the top of a balance sheet?

- A) Date, Assets, Liabilities
- B) Assets, Liabilities, Capital
- C) Owner's Name, Balance Sheet, Date
- D) Capital, Date, Liabilities

19. How many accounts does a transaction affect?

- A) at least 2
- B) at least 3
- C) at least 6
- D) at least 1

20. What happens when an asset account is Debited? It..
- A) Increases
 - B) Decreases
 - C) Stays the same
 - D) None of the above
21. When creating a trial balance, we are?
- A) 'Filling it out'
 - B) 'Taking it Off'
 - C) 'Managing it'
 - D) 'Designing it'
22. What does GAAP stand for:
- A) Generally Accurate Accounting Principle
 - B) Generally Accepted Accounting Principles
 - C) Good Accepted Accounting Principles
 - D) None Of the Above
23. What type of heading do we use on a balance sheet:
- A) no heading
 - B) 2 point heading
 - C) 3 column heading
 - D) All of the Above
 - E) None Of the Above
24. Debit indicates which side of a T account?
- A) right
 - B) center
 - C) left
 - D) bottom
25. The Point of a Balance Sheet is...
- A) To display a snap shot view of the owners Assets, Liabilities and Equity at that given moment in time.
 - B) To display the amount of money earned after a given amount of time.
 - C) To display any changes in a business' financial position.
 - D) All of the above.
26. A financial event that causes a change in financial position is a...
- A) Liability
 - B) Bill
 - C) Transaction
 - D) All of the above
27. Which side are DR and CR associated with?
- A) DR-left and CR left
 - B) DR left and CR right
 - C) DR right and CR right
 - D) DR right and CR left
28. The purpose of a Trial Balance is to...
- A) View our work in another way
 - B) Re-work our T Accounts
 - C) To check our accuracy of the ledger
 - D) None of the above

29. Which one of the following is NOT a professional accounting designation in Ontario?

- a) CMA - Certified Management Accountant
- b) CA – Chartered Accountant
- c) CPA – Certified Public Accountant
- d) CGA – Certified General Accountant

30. Consider the following transaction: Supplies are purchased, for \$300 cash. This will result in:

- a) A debit to the supplies account and a credit to the cash account.
- b) A credit to the supplies account and a debit to the cash account.
- c) A debit to the supplies account and a credit to the equity account.
- d) A debit to the cash account and a credit to the equity account.

31. Complete the following chart using either DR or CR.

	Assets	Liabilities	Equity
Increase	[]	[]	[]
Decrease	[]	[]	[]

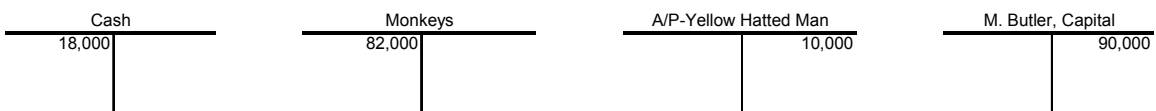
32. Indicate how The Monkey Butler ledger would be set up, given the following balance sheet.

The Monkey Butler Balance Sheet 2012-10-04			
<u>ASSETS</u> Bank 3,290 A/R 210 Total Assets <u>3,500</u>	<u>LIABILITIES</u> Bank Loan 2,100 <u>OWNER'S EQUITY</u> M. Butler, Capital 1,400 Total Liabilities & Equity <u>3,500</u>		



For each of the following transactions, show how the ledger is affected. (2 to 3 marks each)

33. Received \$12,000 for services performed.



34. Paid \$5,000, a partial payment of our accounts payable, to the man with the yellow hat.

Cash	Monkeys	A/P-Yellow Hatted Man	M. Butler, Capital
18,000	82,000	10,000	90,000

35. Purchased another monkey for \$8000 cash.

Cash	Monkeys	A/P-Yellow Hatted Man	M. Butler, Capital
18,000	82,000	10,000	90,000

36. Purchased another monkey from the man with the yellow hat. We paid \$1000 in cash, and put \$7,000 on account.

Cash	Monkeys	A/P-Yellow Hatted Man	M. Butler, Capital
18,000	82,000	10,000	90,000

37. One of the new monkeys ran away.

Cash	Monkeys	A/P-Yellow Hatted Man	M. Butler, Capital
18,000	82,000	10,000	90,000

38. Sold a monkey, that was worth \$10,000 for \$7,500 cash.

Cash	Monkeys	A/P-Yellow Hatted Man	M. Butler, Capital
18,000	82,000	10,000	90,000

39. Performed \$14,000 worth of services. We were paid \$12,000 in Monkeys and the rest in cash.

Cash	Monkeys	A/P-Yellow Hatted Man	M. Butler, Capital
18,000	82,000	10,000	90,000

Given the following balance sheet, list the five mistakes.

<p><u>ASSETS</u></p> <p>A/R 210</p> <p>Bank 3,290</p> <p>Total Assets <u><u>3,500</u></u></p>	<p><u>LIABILITIES</u></p> <p>Bank Loan 2,100</p> <p>M. Butler, Capital <u>1,400</u></p> <p>Total Liabilities & Equity <u><u>3,000</u></u></p>
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- 40.
- 41.
- 42.
- 43.
- 44.

45. What is the Fundamental Accounting Equation?

_____ - _____ = _____

46. A Trial Balance has three columns. They are:

- A) Assets, Liabilities, Equity
- B) Debit, Credit, Total
- C) Accounts, Debits, Credits
- D) None of the above

47. According to GAAP:

- a) Items on the balance sheet must be listed at the best conservative estimate.
- b) A business must be doing well.
- c) Assets belonging to the owner and the business must be listed on the left hand side of the balance sheet.
- d) None of the above.

48. If someone were to buy a new Cadillac for 100,000 dollars, but they write it on their balance sheet for 200,00 dollars, what GAAP principle are they not obeying by?

- a) The Business Entity Concept
- b) The Continuing Concern Concept
- c) The Principle of Conservatism
- d) The Principle of Matching

49. Keeping your personal finances separate from your business' finances is an example of:

- a) The Business Entity Concept
- b) The Continuing Concern Concept
- c) The Principle of Conservatism
- d) The Principle of Matching

50. Disclosing the knowledge that a business intends to cease operations is an example of:

- a) The Business Entity Concept
- b) The Continuing Concern Concept
- c) The Principle of Conservatism
- d) The Objectivity Principle

51. Having source documents as proof for any transaction is an example of:

- a) The Business Entity Concept
- b) The Continuing Concern Concept
- c) The Principle of Conservatism
- d) The Objectivity Principle

52. When do your debits have to equal your credits?

- a) When you take off a trial balance.
- b) Whenever you post a transaction.
- c) When your cash account decreases while another asset account increases by equal amounts.
- d) All of the above.

53. Which is NOT true?

- 1) We use double entry accounting all around the world
- 2) A Transaction only has to affect at least one account to be considered a legitimate transaction
- 3) All Business transactions will remain separate from Personal Transactions
- 4) Chinese letter writing is known as Calligraphy

54. What Is the Formula used to calculate Owner's equity on a balance sheet

- a) $\text{Assets} + \text{Liabilities} = \text{Equity}$
- b) $\text{Cash} - \text{Liabilities} = \text{Capital}$
- c) The Fundamental Accounting Equation
- d) $Y = Mx + b$

55. When a transaction occurs, source documents must be kept for:

- a) Minimum 6 Years
- b) Maximum 3 Years
- c) Minimum 7 Years
- d) Ever

56. Source documents might include:

- a) Cheques
 - b) Invoices
 - c) Receipts
 - d) All of the above
- Debit & Credit

57. If a Truck is purchased for \$4500, But only \$3000 cash is paid, which accounts are they?

- a) Cash - Credit, Truck - Debit, Accounts Payable - Credit
- b) Cash - Credit, Truck - Debit, Accounts Payable - Debit
- c) Cash - Debit, Truck - Credit, Accounts Receivable – Credit
- d) Capital-Debit, Accounts Payable-Credit

58. A Trial Balance is taken off:

- 1) Before the T accounts are completed
- 2) After Transactions have been posted in the T accounts
- 3) From the Balance Sheet
- 4) At the beginning of the accounting cycle

59. You take a look at a friend's balance sheet for their business. They have \$1000 cash and \$9000 in Accounts Receivable. (Some of these accounts have been outstanding for more than a year.) They tell you their business is worth \$10,000 and you can buy it from them for that much.

You tell them that:

- a) According to their balance sheet, their business IS worth \$10,000.
- b) You are somewhat hesitant to buy the business for that much because not all of the accounts receivable might be collectible.
- c) You'll have to think about it, and you would like to hear more about their sales for each year.
- d) All of the above.

60. You make a sale, and it increases the net worth of your company. This is because:

- a) You credit the equity account.
- b) Your business is now worth more.
- c) You have more cash.
- d) a and b
- e) a, b, and c