

Study Guide 7

Name	Perfect Score	Your Score
Identifying Accounting Terms	7 Pts	
Analyzing Accounting Practices Related to a Work Sheet	17 Pts	
Analyzing the Preparation of a Trial Balance on a Work Sheet	16 Pts	
Analyzing Adjustments and Extending Account Balances on a Work Sheet	16 Pts	
Total	56 Pts	

Part One—Identifying Accounting Terms

Directions: Select the one term in Column I that best fits each definition in Column II. Print the letter identifying your choice in the Answers column.

Column I	Column II	Answers
A. adjustments	1. The length of time for which a business summarizes and reports financial information. (p. 150)	1. _____
B. fiscal period	2. A columnar accounting form used to summarize the general ledger information needed to prepare financial statements. (p. 150)	2. _____
C. income statement	3. A proof of the equality of debits and credits in a general ledger. (p. 151)	3. _____
D. net income	4. Changes recorded on a work sheet to update general ledger accounts at the end of a fiscal period. (p. 154)	4. _____
E. net loss	5. A financial statement showing the revenue and expenses for a fiscal period. (p. 160)	5. _____
F. trial balance	6. The difference between total revenue and total expenses when total revenue is greater. (p. 161)	6. _____
G. work sheet	7. The difference between total revenue and total expenses when total expenses is greater. (p. 162)	7. _____

Part Two—Analyzing Accounting Practices Related to a Work Sheet

Directions: Place a T for True or an F for False in the Answers column to show whether each of the following statements is true or false.

- | | Answ |
|--|----------|
| 1. The accounting concept Consistent Reporting is being applied when a word processing service business reports revenue per page one year and revenue per hour the next year. (p. 148) | 1. ____ |
| 2. An accounting period is also known as a fiscal period. (p. 150) | 2. ____ |
| 3. Journals, ledgers, and work sheets are considered permanent records. (p. 150) | 3. ____ |
| 4. All general ledger account titles are listed on a trial balance in the same order as listed on the chart of accounts. (p. 151) | 4. ____ |
| 5. The four questions asked when analyzing an adjustment are: Why? Where? When? and How? (p. 155) | 5. ____ |
| 6. The two accounts affected by the adjustment for supplies are Supplies and Supplies Expense. (p. 155) | 6. ____ |
| 7. The two accounts affected by the adjustment for insurance are Prepaid Insurance Expense and Insurance. (p. 156) | 7. ____ |
| 8. Totaling and ruling the Adjustments columns of a work sheet is necessary to prove the equality of debits and credits. (p. 157) | 8. ____ |
| 9. Two financial statements are prepared from the information on the work sheet. (p. 159) | 9. ____ |
| 10. Net income on a work sheet is calculated by subtracting the Income Statement Credit column total from the Income Statement Debit column total. (p. 161) | 10. ____ |
| 11. If errors are found on a work sheet, they must be erased and corrected before any further work is completed. (p. 164) | 11. ____ |
| 12. When two column totals are not in balance on the work sheet, the difference between the two totals is calculated and checked. (p. 164) | 12. ____ |
| 13. If the difference between the totals of Debit and Credit columns on a work sheet can be evenly divided by 9, then the error is most likely in addition. (p. 164) | 13. ____ |
| 14. If there are errors in the work sheet's Trial Balance columns, it might be because not all general ledger account balances were copied in the Trial Balance column correctly. (p. 165) | 14. ____ |
| 15. Errors in general ledger accounts should never be erased. (p. 166) | 15. ____ |
| 16. Most errors occur in doing arithmetic. (p. 166) | 16. ____ |
| 17. Using a calculator will help prevent errors in accounting records, but not all errors are due to incorrect calculations. (p. 167) | 17. ____ |

Part Four—Analyzing Adjustments and Extending Account Balances on a Work Sheet

Directions: For each account listed below, determine in which work sheet column(s) an amount typically will be written. Place a check mark in the proper Answers column to show your answer.

	Adjustments		Income Statement		Balance Sheet	
	Debit (pp. 155-156)	Credit	Debit (p. 160)	Credit	Debit (p. 159)	Credit
1. Cash	_____	_____	_____	_____	_____	_____
2. Petty Cash	_____	_____	_____	_____	_____	_____
3. Accounts Receivable—Lawrence Roofing	_____	_____	_____	_____	_____	_____
4. Supplies	_____	_____	_____	_____	_____	_____
5. Prepaid Insurance	_____	_____	_____	_____	_____	_____
6. Accounts Payable—Simpson's Supplies	_____	_____	_____	_____	_____	_____
7. Sophia Cruse, Capital	_____	_____	_____	_____	_____	_____
8. Sophia Cruse, Drawing	_____	_____	_____	_____	_____	_____
9. Income Summary	_____	_____	_____	_____	_____	_____
10. Sales	_____	_____	_____	_____	_____	_____
11. Advertising Expense	_____	_____	_____	_____	_____	_____
12. Insurance Expense	_____	_____	_____	_____	_____	_____
13. Miscellaneous Expense	_____	_____	_____	_____	_____	_____
14. Rent Expense	_____	_____	_____	_____	_____	_____
15. Supplies Expense	_____	_____	_____	_____	_____	_____
16. Utilities Expense	_____	_____	_____	_____	_____	_____

Name _____

Part Three—Analyzing the Preparation of a Trial Balance on a Work Sheet

Directions: For each account title listed below, decide whether the account balance is recorded in the Trial Balance Debit or Trial Balance Credit column. Place a check mark in the proper Answers column identifying your choice.
(p. 151)

	<i>Trial Balance</i>	
	<i>Debit</i>	<i>Credit</i>
1. Cash	_____	_____
2. Petty Cash	_____	_____
3. Accounts Receivable—Lawrence Roofing	_____	_____
4. Supplies	_____	_____
5. Prepaid Insurance	_____	_____
6. Accounts Payable—Simpson's Supplies	_____	_____
7. Sophia Cruse, Capital	_____	_____
8. Sophia Cruse, Drawing	_____	_____
9. Income Summary	_____	_____
10. Sales	_____	_____
11. Advertising Expense	_____	_____
12. Insurance Expense	_____	_____
13. Miscellaneous Expense	_____	_____
14. Rent Expense	_____	_____
15. Supplies Expense	_____	_____
16. Utilities Expense	_____	_____