

Nipissing University

Accounting Self Assessment Quiz

The objective of this test is to ensure that you register for the appropriate introductory accounting course. The objective is not to have a ‘perfect score’, but rather to self assess your accounting skills. The School of Business and Economics (SBE) has found that enrolling in ADMN 1107 – Introductory Financial Accounting II without the proper foundation in accounting, often causes students to struggle in the course. The SBE encourages you to take the time to go through this self assessment.

This assessment covers some of the following areas: financial information, debits, credits, accounting equation, inventory and property, plant and equipment. Should you find this test to be overly challenging, it is recommended that you enroll in ADMN 1106 – Introductory Financial Accounting I. Should this material be familiar to you and you feel that you are understanding the accounting terms, then it is recommended that you enroll in ADMN 1107 – Introductory Financial Accounting II.

Solutions to the self assessment quiz can be downloaded separately. Please note that you are not required to submit your score. This is for your assessment only.

1. You should request the following financial information before you invest in a company:
 - A) statement of earnings, statement of retained earnings, cash flow statement, balance sheet, and the accompanying notes.
 - B) statement of earnings, statement of retained earnings, cash flow statement, and the balance sheet.
 - C) statement of earnings, balance sheet, and the accompanying notes.
 - D) cash flow statement.

2. Dalton Corporation purchases a new delivery truck for \$20,000. The logo of the company is painted on the side of the truck for \$600. The truck licence is \$60. The truck undergoes safety testing for \$110. What does Dalton record as the cost of the new truck?
 - A) \$20,000.
 - B) \$20,600.
 - C) \$20,710.
 - D) \$20,770.

3. The name given to entering transaction data in the journal is
 - A) chronicling.
 - B) listing.
 - C) posting.
 - D) journalizing.

4. Company A sells \$500 of merchandise on account to Company B with credit terms of 2/10, n/30. If Company B remits a cheque, taking advantage of the discount offered, what is the amount of Company B's cheque?
- A) \$410.
 - B) \$490.
 - C) \$470.
 - D) \$500.
5. Under the accrual basis of accounting
- A) cash must be received before revenue is recognized.
 - B) net earnings are calculated by matching cash outflows against cash inflows.
 - C) events that change a company's financial statements are recognized in the period they occur rather than in the period in which cash is paid or received.
 - D) the ledger accounts must be adjusted to reflect a cash basis of accounting before financial statements are prepared under generally accepted accounting principles.
6. XYZ Inc. is a wholesaler of electronics. It purchased 1,000 units of Product X for \$500 during 2005. The selling price during the year was \$750 per unit. At year end it had 100 units on hand. Shortly after year end, it reduced the selling price by 40% to sell off the stock. The cost of product X in the year-end inventory should be
- A) \$600.
 - B) \$500.
 - C) \$400.
 - D) \$450.
7. Which of the following should *not* be classified as property, plant and equipment?
- A) Building used as a factory
 - B) Land used in ordinary business operations
 - C) A truck held for resale by an automobile dealership
 - D) Land improvement, such as parking lots and fences
8. In a manufacturing company, inventory that is ready for sale is called
- A) raw materials.
 - B) work in process.
 - C) finished goods.
 - D) store supplies.

9. An awareness of the normal balances of accounts would help you spot which of the following as an error in recording?
- A) A debit balance in the dividends account
 - B) A credit balance in an expense account
 - C) A credit balance in a liabilities account
 - D) A credit balance in a revenue account
10. The cost of an amortizable long-lived asset is expensed
- A) when it is paid for.
 - B) as the asset benefits the company.
 - C) in the period in which it is acquired.
 - D) in the period in which it is disposed of.
11. Sales revenue less cost of goods sold is called
- A) gross profit.
 - B) cost of sales.
 - C) net earnings.
 - D) earnings before income taxes.
12. Amortization is the process of
- A) valuing an asset at its fair market value.
 - B) increasing the value of an asset over its useful life in a rational and systematic manner.
 - C) allocating the cost of an asset to expense over its useful life in a rational and systematic manner.
 - D) writing down an asset to its fair market value each accounting period.
13. In the first month of operations, the total of the debit entries to the cash account amounted to \$1,900 and the total of the credit entries to the cash account amounted to \$1,500. The cash account has a
- A) \$500 credit balance.
 - B) \$900 debit balance.
 - C) \$400 debit balance.
 - D) \$400 credit balance.
14. The cost of goods available for sale is allocated between
- A) beginning inventory and ending inventory.
 - B) beginning inventory and cost of goods on hand.
 - C) ending inventory and cost of goods sold.
 - D) beginning inventory and cost of goods purchased.

15. The normal balance of any account is the
- A) left side.
 - B) right side.
 - C) side which increases that account.
 - D) side which decreases that account.
16. A debit is *not* the normal balance for which account listed below?
- A) Dividends
 - B) Cash
 - C) Accounts receivable
 - D) Service revenue
17. A characteristic of property, plant, and equipment is that it is
- A) intangible.
 - B) used in the operations of a business.
 - C) held for sale in the ordinary course of the business.
 - D) not currently used in the business but held for future use.
18. Which one of the following represents the expanded basic accounting equation?
- A) $\text{Assets} = \text{Liabilities} + \text{Common Shares} + \text{Dividends} - \text{Revenue} - \text{Expenses}$
 - B) $\text{Assets} + \text{Dividends} + \text{Expenses} = \text{Liabilities} + \text{Common Shares} + \text{Revenues}$
 - C) $\text{Assets} - \text{Liabilities} - \text{Dividends} = \text{Common Shares} + \text{Revenues} - \text{Expenses}$
 - D) $\text{Assets} = \text{Revenues} + \text{Expenses} - \text{Liabilities}$
19. On a classified balance sheet, current assets are customarily listed
- A) in alphabetical order.
 - B) with the largest dollar amounts first.
 - C) in the order in which they are expected to be converted into cash.
 - D) in the order of acquisition.
20. After transaction information has been recorded in the journal, it is transferred to the
- A) trial balance.
 - B) statement of earnings.
 - C) general journal.
 - D) ledger.

21. A debit to an asset account indicates a(n)
- A) error.
 - B) credit was made to a liability account.
 - C) decrease in the asset.
 - D) increase in the asset.
22. A journal is *not* useful for
- A) closing in one place the complete effect of a transaction.
 - B) preparing financial statements.
 - C) providing a record of transactions.
 - D) locating and preventing errors.
23. Which of the following statements is *not* true?
- A) Expenses increase shareholders' equity.
 - B) Expenses have normal debit balances.
 - C) Expenses decrease shareholders' equity.
 - D) Expenses are a negative factor in the calculation of net earnings.
24. Cost of goods available for sale consists of the
- A) cost of beginning inventory and the cost of ending inventory.
 - B) cost of ending inventory and the cost of goods purchased during the year.
 - C) cost of beginning inventory and the cost of goods purchased during the year.
 - D) difference between the cost of goods purchased and the cost of goods sold during the year.
25. The Town Laundry purchased \$6,500 worth of laundry supplies on June 2 and recorded the purchase as an asset. On June 30, an inventory of the laundry supplies indicated only \$3,000 on hand. The adjusting entry that should be made by the company on June 30 is
- A) debit Laundry Supplies Expense, \$3,000; credit Laundry Supplies, \$3,000.
 - B) debit Laundry Supplies Expense, \$3,500; credit Laundry Supplies, \$3,000.
 - C) debit Laundry Supplies, \$3,500; credit Laundry Supplies Expense, \$3,500.
 - D) debit Laundry Supplies Expense, \$3,500; credit Laundry Supplies, \$3,500.
26. A credit is *not* the normal balance for which account listed below?
- A) Common shares account
 - B) Revenue account
 - C) Liability account
 - D) Dividend account

27. Adjusting entries are required
- A) because some costs expire with the passage of time and have not yet been journalized.
 - B) when the company's profits are below the budget.
 - C) when expenses are recorded in the period in which they are earned.
 - D) when revenues are recorded in the period in which they are earned.
28. Which account below is *not* a subdivision of shareholders' equity?
- A) Dividends
 - B) Revenues
 - C) Expenses
 - D) Liabilities
29. Detailed records of goods held for resale are *not* maintained under a
- A) perpetual inventory system.
 - B) periodic inventory system.
 - C) double entry accounting system.
 - D) single entry accounting system.
30. A perpetual inventory system would most likely be used by a(n)
- A) automobile dealership.
 - B) hardware store.
 - C) drugstore.
 - D) convenience store.
31. The specific identification method of costing inventories is used when the
- A) physical flow of units cannot be determined.
 - B) company sells large quantities of relatively low cost homogeneous items.
 - C) company sells large quantities of relatively low cost heterogeneous items.
 - D) company sells a limited quantity of high-unit cost items.
32. On July 1, Winter Shoe Store paid \$12,000 to Sineberg Realty for 6 months' rent beginning July 1. Prepaid Rent was debited for the full amount. If financial statements are prepared on July 31, the adjusting entry to be made by Winter Shoe Store is
- A) debit Rent Expense, \$12,000; credit Prepaid Rent, \$2,000.
 - B) debit Prepaid Rent, \$2,000; credit Rent Expense, \$2,000.
 - C) debit Rent Expense, \$2,000; credit Prepaid Rent, \$2,000.
 - D) debit Rent Expense, \$12,000; credit Prepaid Rent, \$12,000.

33. The operating expenses section of a statement of earnings for a merchandising company would *not* include
- A) freight out.
 - B) utilities expense.
 - C) cost of goods sold.
 - D) insurance expense.
34. An account consists of
- A) a title, a debit balance, and a credit balance.
 - B) a title, a left side, and a debit balance.
 - C) a title, a debit side, and a credit side.
 - D) a title, a right side, and a debit balance.
35. The classification and normal balance of the dividend account is
- A) revenue with a credit balance.
 - B) an expense with a debit balance.
 - C) a liability with a credit balance.
 - D) shareholders' equity with a debit balance.
36. The best interpretation of the word credit is the
- A) offset side of an account.
 - B) increase side of an account.
 - C) right side of an account.
 - D) decrease side of an account.
37. At December 31, 2006, before any year-end adjustments, Dolegowski Corporation's Insurance Expense account had a balance of \$725 and its Prepaid Insurance account had a balance of \$2,900. It was determined that \$1,500 of the Prepaid Insurance had expired. The adjusted balance for Insurance Expense for the year would be
- A) \$1,500.
 - B) \$725.
 - C) \$2,225.
 - D) \$1,125.

38. An accountant has debited an asset account for \$1,000 and credited an expense account for \$500. Which of the following would be an *incorrect* way to complete the recording of the transaction?
- Credit an asset account for \$500.
 - Credit another liability account for \$500.
 - Credit a shareholders' equity account for \$500.
 - Debit a shareholders' equity account for \$500.
39. Which of the following describes the classification and normal balance of the retained earnings account?
- Asset, debit
 - Shareholders' equity, credit
 - Revenues, credit
 - Expense, debit
40. A T account is
- a way of depicting the basic form of an account.
 - a special account used instead of a journal.
 - a special account used instead of a trial balance.
 - used for accounts that have both a debit and credit balance.
41. The collection of a \$1,000 account beyond the 2 percent discount period will result in a
- debit to Cash for \$980.
 - credit to Accounts Receivable for \$1,000.
 - credit to Cash for \$1,000.
 - debit to Sales Discounts for \$20.
42. A company uses the periodic inventory method and the beginning inventory is overstated by \$4,000 because the ending inventory in the previous period was overstated by \$4,000. The amounts reflected in the end of the current period balance sheet are

<u>Assets</u>	<u>Shareholders' Equity</u>
a. Overstated	Overstated
b. Correct	Correct
c. Understated	Understated
d. Overstated	Correct

- a
- b
- c
- d

43. Amortization is the process of allocating the cost of a building over its useful life in a(n)
- A) equal and equitable manner.
 - B) accelerated and accurate manner.
 - C) rational and systematic manner.
 - D) conservative market-based manner.

44. Which of the following correctly identifies normal balances of accounts?

A)	Assets	Debit
	Liabilities	Credit
	Common Shares	Credit
	Revenues	Debit
	Expenses	Credit
B)	Assets	Debit
	Liabilities	Credit
	Common Shares	Credit
	Revenues	Credit
	Expenses	Credit
C)	Assets	Credit
	Liabilities	Debit
	Common Shares	Debit
	Revenues	Credit
	Expenses	Debit
D)	Assets	Debit
	Liabilities	Credit
	Common Shares	Credit
	Revenues	Credit
	Expenses	Debit

45. If beginning inventory is understated by \$10,000, the effect of this error in the current period is

	<u>Cost of Goods Sold</u>	<u>Net Earnings</u>
a.	Understated	Understated
b.	Overstated	Overstated
c.	Understated	Overstated
c.	Overstated	Understated

- A) a
- B) b
- C) c
- D) d