

Accounting midterm

[Business](#), [Accounting](#)



The monetary unit assumption states that transactions that can be measured in terms of money should be recorded in the accounting records. 5. The drawings account is a subdivision of the owner's capital account and appears as an expense on the income statement. 6. Revenues are a subdivision of owner's capital. 7. The trial balance has no limitations or weaknesses. 8. In an automated system, the entering of data and transferring of information is 9. Adjusting entries are often made because some business events are not recorded as they occur. 10.

Adjusting entries are recorded in the general journal but are not posted to the accounts in the general ledger. 11. Adjusting entries are not necessary if the trial balance debit and credit columns balances are equal. 12. An adjusting entry always involves two balance sheet accounts. 13. The accounting cycle begins at the start of a new accounting period. 14. A worksheet is a mandatory form that must be prepared along with an income statement and balance sheet. 15. Both correcting entries and adjusting entries always affect at least one balance sheet account and one income statement account.

Multiple Choice: Select the most correct answer. (15 marks) 1. As a result of corporate reporting scandals, proposals to improve business practices have come from all of the following except a. Regulators. B. The investment community. C. The Canada Revenue Agency. D. The accounting profession. 2. Ethics are the standards of conduct by which one's actions are judged as b. Honest or dishonest. . Fair or unfair. D. All of these. 3. All of the following are steps used to analyze ethical dilemmas except a. Using the organization's code of ethics to identify ethical situations. . Using personal

ethics to identify ethical situations. C. Identifying potential stakeholders. D. Discussing the ethical dilemma with co-workers. 4. Generally accepted accounting principles are a. Income tax regulations. B. Standards that indicate how to report economic events. C. Theories that are based on physical laws of the universe. D. Principles that have been proven correct by academic researchers. 5. The investment of cash by the owners of business requires a debit to and a credit to a. Owner's capital; cash b. Drawings; owner's capital c. Cash; drawings d. Cash; owner's capital 6. The withdrawal of cash for personal use by the owners of business requires a debit to the drawings account and a credit to a. Debit; debit b. Debit; credit c. Credit; credit d. Credit; debit to the cash account. 7. An accountant has debited an asset account for \$1,000 and credited a liability account for \$500. What can be done to complete the recording of the transaction? a. Nothing further must be done. B. Debit an owner's equity account for \$500. C. Debit another asset account for \$500. D. Credit a different asset account for \$500. 8.

Purchase equipment with a note payable. Pay utilities with cash. . Owner withdraws money from the business for personal use. Example: (a) and (d) are a match because both of them include one increase in assets and one decrease in assets, so there is no effect on the accounting equation.

Question 1: Solution (b) and (o) are a match because both of them include one increase to equity and one decrease to equity. (c) and (h) are a match because one decreases liabilities and the other increases liabilities. (e) and (f) are a match because one decreases liabilities and the other increases liabilities. (g) and (l) are a match because one increases assets, and the other decreases assets, showing that utilities were paid in cash with

customer cash payments for services rendered. Question 2: 12 marks Hone's Bike Repairs opened for business on March 1, 2008. The following transactions occurred in March. March 1 Jack Hon.. Invested \$5, 000 cash in the business and contributed equipment March 5 Completed services for customers who paid cash \$400. March 6 Paid \$660 for a one-year insurance policy. The policy takes effect April 1 and will expire March 31, 2009. March 8 Completed services for a major customer and invoiced the customer \$1 , OHO.

March 1 5 Paid for printing advertising brochures \$125. The brochures were distributed the same day. March 20 Received a bill from the utilities company for March utilities in the amount of \$70. The amount is due April 4. March 5 Entered into a contract with a new customer who will use Hone's services for repairs on their entire fleet of rental bikes. The customer paid \$800 in advance for repairs to be completed in April. March 31 Jack Hon.. Withdrew \$1, 200 for personal use. March 31 Received \$600 cash from the customer billed on March 8. Instructions: Journalize the above transactions. Explanations are required.

Question 2: Solution *copy answer from paper notes* Question 3: 10 marks Pierson Insurance Agency prepares monthly financial statements. Presented below is an income statement for the month of June that is correct on the basis of information insider. PIERSON INSURANCE AGENCY Income Statement
Month Ended June 30 Revenues Premium commission revenues Expenses
Salary expense \$6, 000 Advertising expense 800 Rent expense 4, 200
Amortization expense \$35, 000 Total expenses Net income 13, 800 \$21, 200

Additional Data: When the income statement was prepared, the company accountant neglected to take into consideration the following information: 1.