FINANCIAL ACCOUNTING AND REPORTING

CHAPTER I:

Accounting And Its Environment

(TEXTBOOK)

FILL IN THE BLANKS (1-51)

1. Accounting is a process of recording, **classifying**, analyzing, **summarizing**, and reporting of financial information to the stakeholders of the businesses.

2. An activity carried out by a business to provide goods and services in exchange for money is known as **business transaction**.

3. Only business activities that can be measured in dollars and cents are recorded. This is in accordance with the **monetary unit** concept.

4. Personal financial activities of the owner of a business are not recorded in the books of the business. This complies with the **entity** concept.

5. Transactions are recorded based on reliable and verifiable information. This is an accordance with the **objectivity** concept.

6. Transactions should be recorded in the accounts at their original cost shown in the source documents. This is a practice complies with the **historical cost** concept.

TRUE OR FALSE (1-52)

TRUE 1. Accounting is often characterized as the "language of business".

TRUE 2. A partnership is a business owned and operated by two or more persons who bind themselves to contribute money property or industry to a common fund, with the intention of dividing the profits among themselves

TRUE 3. The Philippine accountant considers peso as the common unit of measure for all business transactions.

FALSE 4. For accounting purposes, a business and its owner are considered the same.

FALSE 5. Summarization reduces the effects of numerous transactions into useful groups or categories.

TRUE 6. The liability of corporate stockholders is limited to the amount of their investment.

FALSE 7. The terms bookkeeping and accounting are synonymous.

FALSE 8. Most members of the accountancy profession are Certified Public Accountant.

TRUE 9. A corporation is an economic unit that is legally separate from its owners.

FALSE 10. A personal liability of a partner is limited to the amount of his investment.

TRUE 11. Manufacturing companies buy raw materials, convert them into products and then sell the products to other companies or to final consumers.

TRUE 12. The entity concept states that the transaction of different entities should not be accounted for together.

FALSE 13. A partnership is always owned by two individuals.

FALSE 14. For reporting purposes, the assets and debts of a business owner should be combined with the assets and debts of the business.

FALSE 15. Government accounting deals solely with the identification of the sources of resources consistent with laws.

TRUE 16. All members of the accountancy profession are Certified Public Accountant.

TRUE 17. Accounting is a service activity whose function is to provide quantitative information, about economic entities that is intended to be useful in making economic decisions.

TRUE 18. A corporation is a business owned by its stockholders.

TRUE 19. A separate legal entity organized in accordance with code and laws and in which ownership is divided into shares of stock is referred to as corporation.

FALSE 20. An audit is the independent examination that ensures the fairness and reliability of the reports that management submits to users outside the business entity.

TRUE 21. A business transaction is the occurrence of an event or of a condition that must be recorded.

FALSE 22. One characteristic of a corporation is that its owners are personally liable for any losses incurred by the business.

FALSE 23. The set of guidelines and procedures that constitute acceptable accounting practice at a given time is GAAP, which stands for generally accepted accounting process.

TRUE 24. Classification reduces the effects of numerous transactions into useful groups or categories.

MULTIPLE CHOICE (1-53 to 1-54)

C 1. The _____ concept assumes that the business has an indefinite economic life.

a. Accounting entity b. Accounting period c. Going concern d. Objectivity

C 2. Which form of business organization is characterized by limited liability?

a. Sole Proprietorship b. Partnership c. Corporation d. Both sole proprietorship and partnership

D 3. Which of the following processes best define accounting?

a. Measuring economic activities b. Communicating results to interested parties

c. Preventing fraud d. Both a and b

B 4. To which area of accounting are generally accepted accounting principles primarily relevant?

a. Managerial Accounting b. Financial Accounting

c. Tax Accounting c. Financial Reporting To all Regulatory Agencies

C 5. Which of the following is not one of the three types of business activities?

a. Investing b. Financing c. Marketing d. Operating

C 6. Which if the following processes is considered bookkeeping?

a. Analyzing b. Reporting c. Recording d. Summarizing

D 7. Krishna started a speech therapy center. He also sells professional books on speech development. What is the nature of his business? Support your answer with a reason.

a. Manufacturing b. Service c. Trading d. Service and trading

C 8. Which of the following is a trading business?

a. A clinic b. A law firm c. A pharmacy d. A telecommunications company

A 9. Which of the following statement is false?

a. A sole proprietor has limited risk with respect to the amount of resources he invests in his business.

b. A sole proprietorship has only one owner.

c. A sole proprietorship is easy to set up.

d. A sole proprietorship may not be able to obtain loans easily.

B 10. A business which prepares financial statements every year is following the _____ concept.

a. Accounting entity b. Periodicity c. Going concern d. Objectivity

MULTIPLE CHOICE (1-55 to 1-56)

B 1. Assets are usually valued under which basis?

a. Replacement Cost b. Historical Cost c. Net realizable value

A 2. Which of the following best explain the feature of consistency of presentation?

a. When preparing the accounts of a firm, one should normally account for similar items in the same way from one accounting period to the next.

b. Firms in the same industry must account for similar items in the same way.

c. Firms must comply with accounting standards and regulations.

d. None of the above

A 3. Which of the following statements about accounting concepts and the characteristics of financial reporting information is not correct?

I. Entities may exclude information that is relevant in financial statements because it is too difficult for the users to understand.

II. The historical cost concept means that only items capable of being measured in monetary terms can be recognized in the financial statements.

III. Consistency is the use of the same accounting policies for the same or similar items from one period to the next is essential to enhance comparability among the entities.

a. I and II b. I and III c. II and III d. All of the above

A 4. Which type of business organization is owned by its stockholders?

a. Corporation b. Partnership

c. Proprietorship d. All of the above are owned by stockholders

B 5. Which of the following are type of partnership?

1. The partners' individual exposure to debt is limited.

2. Financial statements for the partnership by law must be produced and made public.

3. A partnership is not a separate legal entity from the partners themselves.

a. 1 and 2 only b. 2 only c. 3 only d. 1 and 3 only

D 6. Which accounting concept should be considered of the owner of a business takes goods from inventory for his personal use?

a. The substance over concept b. The accrual concept

c. The going concern concept d. The business entity concept

C 7. Which accounting concepts states that omitting or misstating this information could influence users of the financial statements?

a. The consistency concept b. The accrual concept

c. The materiality concept d. The going concern concept

D 8. Which of the following accounting concepts means that similar items should receive a similar accounting treatment?

a. Going concern b. Accrual c. Substance over form d. Consistency

MULTIPLE CHOICE (1-57 to 1-62)

A 1. Stating assets and liabilities and changes in them in terms of a common financial denominator is a prerequisite in measuring financial position and periodic net income.

a. Unit of measure b. Measurement of economic resources and obligations

c. Exchange of price d. Accrual

A 2. Carrying out professional responsibilities diligently and in accordance with applicable technical and professional standards is descriptive of the principle of

a. Professional competence and due care b. Objectivity c. Independence d. Integrity

A 3. A professional accountant should be straightforward and honest in all professional business relationships. This is an consonance with the fundamental principle of

a. Integrity b. Objectivity c. Confidentiality d. Professional competence and due care

A 4. Which if the following is an appropriate definition of accounting?

a. The measurement, processing, and communication of financial information about an identifiable economic entity

b. A means of recording transactions and keeping records

c. The interconnected network of subsystems necessary to operate a business

d. Electronic collection, organization, and communication of vast amounts of information

D 5. Accounting changes are often made and the monetary impact is reflected in the financial statements of an entity even though, in theory, this may be a violation of the accounting concept of

a. Materiality b. Objectivity c. Conservatism d. Consistency

D 6. The periodicity concept

a. Requires that all companies prepare monthly, quarterly and annual financial statements.

b. Results from the Bureau of Internal Revenue requirement that taxable income be reported on an annual basis.

c. Requires all companies to use a fiscal year ending December 31.

d. Involves dividing the life of a business entity into accounting periods of equal length thus enabling the financial users to periodically evaluate the results of business operations.

D 7. They encompass the conventions, rules, and procedures necessary to define what is accepted accounting practice.

a. Accounting assumptions b. Accounting concepts

c. Conceptual frameworks d. Generally accepted accounting principles

E 8. The Filipino accountants should possess knowledge to enable them to compete internationally, they are:

a. General knowledge b. Organizational and Business Knowledge

c. Information and Technology Knowledge d. Accounting Knowledge e. All of the above

D 9. Which area of public accounting means the examination of financial statements by a CPA for the purpose of expressing an opinion as to the fairness of the statements?

a. Management advisory services b. Taxation c. Internal auditing d. External auditing

A 10. Accountants do not recognize that the value of peso changes over time. This concept is called the

a. Stable monetary unit concept b. Going concern concept c. Cost principle d. Entity concept

D 11. The following documents shall be submitted in support of the requirements in the previous question except the

a. Certification of Live Birth National Statistics Office (NSO) security paper

b. Marriage contract in NSO security paper for female if married

c. College diploma with date of graduation and Special Order Number

d. School Identification Card

e. Baccalaureate transcript of Records with date of graduation and Special Order Number

D 12. Proponents of historical cost maintain that in comparison with all other valuation alternatives for general purpose financial reporting, statements prepared using historical costs are more

a. Objective. b. Relevant. c. Indicative of entity's purchasing power d. Conservative

B 13. The records of properties acquired and services availed if by a business are maintained in accordance with the

a. Business entity concept. b. Cost principle. c. Proprietorship principle. d. Matching principle.

C 14. This principle requires relevant information to form part of financial statements for decision-making purposes.

a. Objectivity b. Materiality c. Adequate disclosure d. Accounting entity

B 15. This principle of objectivity includes the concept of

a. Summarization. b. Verifiability. c. Classification. d. Conservatism.

C 16. The concept of matching is vest demonstrated by

a. Not recognizing any expense unless some revenue is realized.

b. Recognizing prepaid rent received as revenue.

c. Associating effort with accomplishment.

d. Establishing an allowance for possible market decline in inventory account.

D 17. The basic purpose of accounting is

a. To provide the information that the managers of an economic entity need to control its operations.

b. To provide information that the creditors of an economic entity can use in deciding whether to make additional loans to the entity

c. To measure the periodic income of the economic entity.

d. To provide quantitative financial information about a business enterprise that is useful in making rational economic decisions.

B 18. During the lifetime of an entity, accountants produce financial statements at arbitrary points in time in accordance with which basic accounting concept?

a. Objectivity b. Periodicity c. Conservatism d. Matching

E 19. The skills needed to be developed by Filipino accountants include the following

a. Intellectual skills b. Interpersonal skills c. Communication skills

d. "a" and "c" only e. "a", "b", and "c"

A 20. Which of the following accounting concepts states that an accounting transaction should be supported by sufficient evidence to allow two or more qualified individuals to arrive at essentially similar conclusion?

a. Matching b. Objectivity c. Periodicity d. Stable monetary unit

D 21. The financial statements should be stated in terms if a common financial denominator.

a. Accrual b. Going concern c. Time period d. Stable monetary unit

C 22. Accountants employed by a particular business firm or not- for-profit organization, perhaps as chief accountant, controller, or financial vice president , are said to be engaged in

a. General accounting b. Public accounting

c. Practice in commerce and industry d. Independent accounting

C 23. The entity concept means that

a. Because a firm is separate and distinct from its owners, those owners cannot have access to its assets unless the firm ceases to trade.

b. Accounts must be prepared for every firm.

c. The financial affairs of a firm and its owner are always kept separate for the purpose of preparing accounts.

d. None of the above.

A 24. The financial accounting process provides information about economic activities of an enterprise for a specified accounting period that is shorter than the life of the enterprise.

a. Time period b. Going concern

c. Measurement of economic resources and obligations d. Measurement in terms of money

A 25. The consistency concept means that

a. When preparing the accounts of a firm, one should normally account for similar items in the same way from one accounting period to the next.

b. Firms in the same industry must account for similar items in the same way.

c. Firms may never change the way in which they prepare theur accounts.

d. None of the above.

D 26. The consistency standard of reporting requires that

a. Expenses should be recorded as charges against the period in which they are incurred.

b. The effect of changes in accounting upon income be properly disclosed.

c. Extraordinary gains and losses should not appear on the income statement.

d. Accounting procedures be adopted which give a consistent rate of return.

A 27. Which accounting process is the recognition or non recognition of business activities as accountable events?

a. Identifying b. Communicating c. Recording d. Measuring

C 28. Which of the following describes the attributes of a partnership?

a. Limited ability to raise capital; unlimited personal liability of owners.

b. Limited ability to raise capital; limited personal liability of owners.

c. Ability to raise large capital; unlimited personal liability of owners.

d. Ability to raise large capital; limited personal liability of owners.

D 29. The concept of accounting entity is applicable

a. Only to the legal aspects of business organizations. b. Only to the economic aspects of business organizations.

c. Only to business organizations. d. Whenever accounting is involved.

C 30. The measurement phase of accounting is accomplished by

a. Storing data. b. Reporting to decision makers.

c. Recording data. d. Processing data.

G 31. A person applying for examination shall establish the following requisites to the satisfaction of the Board that he:

a. Is a Filipino citizen

b. Is a good of moral character

c. Is a holder of the degree of Bachelor of Science in Accountancy conferred by a school, college, academy at institute duly recognized and/or accredited by the Commission on Higher Education (CHED) or other authorized government offices; and

d. Has not been convicted of any criminal offense involving moral turpitude.

e. "a" and "c" only. f. "a", " b", and "c". g. All of the above.

A 32. The main function is to establish and improve accounting standards that will be generally accepted in the Philippines.

a. Financial Reporting Standards Council b. Professional Regulation Commission

c. Philippine Institute of CPAs d. Board of Accountancy

FINANCIAL ACCOUNTING AND REPORTING

CLEO AMOR V. DELA CRUZ BSA 1-B

CHAPTER II

The Accounting Equation and the Double Entry System

(Textbook)

FILL IN THE BLANKS (2-29)

1. Cash, Accounts Receivable and Equipment are examples of **assets.**

2. Increasing expenses ultimately cause owner's equity to **decrease.**

3. An increase in rent expense is a **debit** by the rules of debit and credit.

4. A debit to one asset and a credit to another asset for the same transaction reflect an **exchange** of assets.

5. The effect of each transaction is recorded in either the **left(debit)**or **right(credit)** column of each ledger account.

6. The double-entry recording rule states that for every transaction, total debits must **always equal** total credits. In addition, every transaction affects at least **two** ledger accounts.

7. Chubby Cat Food Supplies delivered cat food to Jolly Pet Shop but did not receive payment Jolly Pet Shop till the following month. This is known as a **Source of assets** transaction.

8. Enchanted Paws Pet Shop paid Chubby Cat Food Supplies immediately for the cat food purchased. This is known as a **Use of Assets** transaction.

9. The basic unit to record all business transactions is called **account**.

10.**Expenses** create an outward or potential outward flow of assets.

11. Revenue earned on account creates an asset entitled **Accounts Receivable.**

12. **Withdrawals** record personal expenses that are not related to the business. They are a subdivision of owner's equity.

13. The left side of any T account is called the **debit.**

14. Assets are increased by **debit**.

15. Withdrawals are increased by **debit**.

16. **Journalizing** is the recording function of the accounting process.

17. Assets = **Liabilities** + Owner's equity

18. The owner's current investment or equity in the assets of a business is called **capital.**

19. A list of assets, liabilities, and owner's equity as of a particular date is reported on **a balance sheet/ statement of financial position.**

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FILL IN THE BLANKS (2-30)

RULES OF DEBIT AND CREDIT

1. Asset accounts normally have **debit** balances. An increase in asset is recorded as a **debit** while decrease in asset is recorded as a **credit**.

2. Liability accounts normally have **credit** balances. An increase in liability is recorded by a **credit** and a decrease is entered as a **debit**.

3. The owner's capital account normally have a **credit** balance. This account increases on **credit** side and decreases on the **debit** side.

4. Income accounts normally have **credit** balances. These accounts increase on the **credit** side and decrease on the **debit** side.

5. Expenses accounts normally have **debit** balances. These accounts increase on the **debit** side and decrease on the **credit** side.

FILL IN THE BLANKS (2-31)

a. The four phases of accounting are **recording, classifying summarizing and interpreting or analyzing.**

b. Increases in the capital account are **credit.**

c. Increases in income accounts are **credit**.

d. Increases in expense accounts are **debit.**

e. The difference between assets and liabilities is **owner's equity.**

f. Financial events that occur in a business are termed **business transaction.**

g. Investment by the owner in the business increases **cash (assets)** and **capital (owner's Equity)**.

h. To acquire something on account is to create an **accounts payable (liability).**

I. The transaction description paid on account means a reduction of the asset **cash** and the reduction of the liability **accounts payable.**

j. Income increases net assets and also **owner's equity**.

k. A withdrawal of cash for owner's personal use reduces cash and **increases drawing**.

l. The left side of the account is known as the **debit account** whereas the right side is the **credit account.**

m. Increases in asset accounts are **debit**.

n. Increases in liability accounts are **credit**.

TRUE OR FALSE (2-32)

TRUE 1. The liability created when supplies are bought on account is called an account payable.

TRUE 2. Equipment is listed as an asset because it is used up in a relatively long period of time.

FALSE 3. The owner's withdrawals account is listed with the other expenses of a business

FALSE 4. A withdrawal by the owner is recorded as a deduction from assets and an increase in expenses.

TRUE 5. Assets are things of value owned by a business entity.

TRUE 6. Every transaction is recorded in terms of increases and or decreases in two or more accounts.

TRUE 7. Liabilities represent amounts to creditors.

FALSE 8. In the fundamental accounting equation assets are added to liabilities.

TRUE 9. Business transactions are expressed in terms of money.

TRUE 10. The first step in analyzing a transaction is to what accounts are involved.

TRUE 11. Capital represents the owner's investment or equity in a business.

FALSE 12. When to business receives cash it is always recorded as an increased the cash and a decrease to an expense.

TRUE 13. Accounts receivable is considered an asset.

TRUE 14. An owner can invest cash or other assets of value in the business.

TRUE 15. Both sides of the fundamental accounting equation must be equal.

MULTIPLE CHOICE (2-33 TO 2-35)

C 1. Which of the following accounting equations are correct?

1. Non- current assets + current assets = non-current liabilities - current liabilities + capital

2. Assets- liabilities =capital price revenue - expenses

3. Capital + non-current liabilities = non-current assets + working capital

a. 1 and 2 only b. 1 and 3 only c. 2 and 3 only d. 1, 2 and 3

D 2. Which of the following is not an example of additional capital?

a. A sole proprietor purchases a car through the bank account of the company.

B. A sole proprietor brings a second hand computer from his home to the office

c. A sole proprietor transfers 1,000 from is bone bank account to the entity's account

d. A sole proprietor uses his own building as an office without receiving any rent.

C 3. Which of the following is not an example of non -current assets?

a. A second hand computer used in the office.

b. A van that is purchased through installments the total amount of which is not fully settled

c. P 40,000 cash

d. A building bought by the entity

A 4. Which of the following statements are correct?

1. The total amount of liabilities can be greater than the total amount of capital

2. Assets = capital + liabilities

3. The total amount of assets can be greater than the sum of liabilities and capital.

a. 1 and 2 only b. 1 and 3 only c. 2 and 3 only d. 1, 2, and 3

A 5. The entity purchases P 10,000 fixtures for entity use on credit. Which of the following will be affected?

1. Assets 2. Liabilities 3. Capital

a. 1 and 2 only b. 1 and 3 only c. 2 and 3 only d. 1, 2 and 3

B 6. Suppose a debtor repays his debt of P 50,000 by transferring the money into the bank account of the business. The effect of the transaction on the accounting equation would be:

a. Both assets and liabilities increase by P 50,000.

b. Both assets and liabilities decrease by P 50,000.

c. Only assets decrease P 50,000. d. Assets and liabilities remain unchanged.

D 7. Under the double-entry system, what is the value of X if assets, current liabilities, non-current liabilities and capital are X, P 40,000, P 60,000 and P 350,000 respectively?

a. P250,000 b. P350,000 c. P370,000 d.P450,000

C 8. Which of the following is correct under the double entry system?

a. Asset amount must be equal to liability amount

b. The change in asset must be compensated by a change in liability

c. The change in a debit side entry must be compensated with change in credit side entry.

d. An increase in asset must be compensated by a decrease in asset.

A 9. Which of the following statement regarding the double entry system is incorrect?

a. an increase in asset means a credit entry in assets account.

b. a decrease in liability means a debit entry in liabilities account.

c. an increase in drawings means a debit entry in capital account

d. A decrease in non-current assets means a credit entry in assets account.

C 10. Which of the following transactions affect the total value of liabilities of a firm?

a. goods purchased from suppliers by cash b. interest received from bank

c. office equipment bought on credit d. goods sold to customers on credit.

D 11. On April 1, 2022 Efren Barillo sets up a firm and brings in office equipment of P50,000 and inventory of P30,000 to the business. Efren Barillo puts P80,000 into the firm's cash box and P100,000 into the firm's bank account. Meanwhile the firm lends P50,000 cash to SJ and associates and borrows P200,000 from the bank to acquire a piece of premises. What is the amount of the firm's capital on April 1, 2022?

a. P510,000 b. P210,000 c. P260,000 d. 460,000

A 12. Which of the following is correct if the sole proprietor of an entity borrows P30,000 in a name of the business and deposits it into the entity's bank account?

a. the assets of the entity increased by P30,000 b. the liabilities of the entity decreased by P30,000

c. the capital of the entity increases by P30,000 d. the drawings of the entity increased by P30,000

Problem #1 Accounting Events (2-36)

Ray Ocampo owns a comic shop called RRO Manga Cards and works in the shop for each of the following , explain whether it is a transaction to be recorded in the accounting books of the business:

Not to be recorded a. Ocampo took P5000 from his personal bank account and lent it to his friend, Fatima.

To be recorded b. Ocampo deposited P35,000 from his personal bank account into the business bank account.

To be recorded c. Ocampo sold comic books with P2,500 from the shop to Alend. The money was deposited into the business bank account .

To be recorded d. Ocampo paid P95,000 from the business bank account for his holiday to europe that

To be recorded e. Ocampo took home P1,000 worth of comic books from the shop.

Problem #2A (2-37)

INCOME AND EXPENSES

	INCOME	**EXPENSES**	**PROFIT (LOSS)**	
A	840,000	**480,000** ?	360,000	
B	2,400,000	**1,860,000** ?	540,000	
C	1,300,000	860,000	**440,000** ?	
D	**2,720,000** ?	2,000,000	720,000	
E	**1,400,000** ?	1,800,000	(400,000)	

SOLUTIONS:

A. Expense= Income-Profit
= 840,000-360,000
Expense= 480,000

B. Expense= Income-Profit
=2,400,000-540,000
Expense= 1,860,000

C.Profit=Income-Expense
=1,300,000-860,000
Profit= 440,000

D. Income= Expenses+Profit
=200,000,000+720,000
Income= 2,720,000

E. (Loss)= Expenses-Income
=1,800,000-1,400,000
LOSS= 400,000

Problem #2B (2-37)

a. A small accounting firm has income of P325,000 and expenses of P237,000.

b. An advertising agency has expenses of P163,000 and profit of P42,000.

c. A computer training outfit has expenses of P153,000 and loss of P27,500.

d. A medical practitioner has income of P737,000 and profit of P168,000.

e. An environment consultant has income of P362,000 and loss of P20,000.

Required: In each of the preceding five situations, determine the amount of the missing element of performance.

SOLUTIONS

PROBLEM #2B (The amount in with a darker shade and an underline is the amount of the missing element)(2-37)

.	INCOME	EXPENSES	PROFIT(LOSS)	SOLUTION:
A	325,000	237,000	**88,000**	A. Profit= Income-Expenses =325,000-237,000 **=88,000**
B	**205,000**	163,000	42,000	B. Income= Expenses+Profit = 163,000+42,000 **Income= 205,000**
C	**180,500**	153,000	27,500	C. Income=Expenses+Profit =153,000+27,500 **Income= 180,500**
D	737,000	**569,000**	168,00	D.Expenses=Income-Profit =737,000-168,00 **Expenses= 569,000**
E	362,000	**382,000**	(20,000)	E. Expenses= Income+Loss =362,000+20,000 **Expenses=382,000**

Problem 3A (2-38)

ELEMENTS OF FINANCIAL STATEMENTS

	ASSETS	LIABILITIES	OWNER'S EQUITY
A	**760,000**	**360,000**	**? 400,000**
B	**860,000**	**268,000**	**592,000**
C	**868,000**	**108,000**	**760,000**

D.	**626,600**	**376,240**	**250,360**
E	**700,000**	**800,000**	**(100,000)**

SOLUTIONS: A, Owner's Equity= Assets-Liabilities =760,000-360,000 **Owner's Equity= 400,00** B. Liabilities= Assets-Owner's Equity =860,000-592,000 **Liabilities= 268,000**	C. Assets= Liabilities + Owner's Equity =108,000+760,000 **Assets= 868,000** D.Owner's Equity=Assets-Liabilities =626,000-376,240 Owner's Equity= 250,360	E. Assets=Liabilities -Owner's Equity(Loss) =800,000-(100,000) **Assets= 700,00**

Problem #3B (2-38)

a. Jimmy Delgado Pest Control has assets of P600,000 and owner's equity of P450,000.

b. Margie Clavano Realtors has liabilities of P530,000 and owner's equity of P410,000.

c. Marko Fuentes plumbing contractor has assets of P473,000 liabilities of P153,500.

d. Ryan Morales Acting Studio has liabilities of P147,000 and owner's equity of P236,500.

e. Fely Monarca Dance has assets P624,000 and liabilities of P237,000.

Required: Compute the amount of the missing element of financial position.

SOLUTIONS
A. Asets= 600,000 Owner's Equity= 450,000 Liabilities=?
Liabilities= Assets-Owner's Equity
= 600,000-450,000
Liabilities=150,000

B. Liabilities= 530,000 Owner's Equity= 410,000 Assets=?
Assets= Liabilities + Owner's Equity
= 530,000 + 410,000
Assets=940,000

C. Assets=473,000 Liabilities=153,700 Owner's Equity=?
Owner's Equity= Assets-Liabilities
=473,000-153,700
Owner's Equity=319,300

D. Liabilities= 147,000 Owner's Equity= 153,700 Assets=?
Assets= Liabilities=Owner's Equity
=147,000+236,500
Assets= 383,500

E. Assets= 624,000 Liabilities= 237,000 Owner's Equity=?
Owner's Equity= Assets-Liabilities
=624,000-237,000
Owner's Equity= 387,000

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Problem #3C (2-38)

a. At the beginning of the year, the assets of Cleofe Arib Services were P360,000 and its owner's equity was P200,000. During the year, assets increased by P120,000 and liabilities increased by P20,000. What was the owner's at the end of the year?

b. At the beginning of the year, Cora Gabayan Calling Station had liabilities of P100,000and owner's equity of P96,000. If assets increased by P40,000 and liabilities decreased by P30,000, what was the owner's equity at the end of the month?

c. The liabilities of Leonore Loqueloque Stylist equal to one-third of the total assets, and owner's equity is P240,000. What is the amount of the liabilities?

Solutions

A. Assets (Beginning Balance) = 360,000
Owner's Equity (Beginning Balance)= 200,000
Assets (Current Balance) = 120,000
Liabilities (Current Balance)= 20,000
Misssing Element = Owner's Equity (Ending Balance) =?

Liabilities (Beginning Balance) =?
*Liabilities (Beginning Balance) = Assets (Increased By)-Owner's Equity
=360,000-200,000

Total Liabilities=?
*Liabilities= Liabilities (Beginning Balance) + Liabilities (Increased By)
=160,000+20,000
Total Liabilities= 180,000

Total Assets=?
*Assets= Assets (Beginning Balance) + Assets (Increased By)
=360,000 + 120,000
Total Assets= 480,000

Owner's Equity (Ending Balance)
Owner's Equity= Assets-Liabilities
=480,000-180,000
Owner's Equity (Ending Balance) = 300,000

B. Liabilities (Beginning Balance) = 100,000
Owner's Equity (Beginning Balance) = 96,000
Assets (Increased By) = 40,000
Liabilities (Decreaseby) 30,000
Missing Element = Owner's Equity (Ending Balance) =?

*Asset (Beginning Balance) = Liabilities (Beginning Balance) + Owner's Equity (Beginning Balance)
=100,000 + 96,000
Asset (Beginning Balance) = 196,000

*Asset (Ending Balance) = Assets (Beginning Balance) + Asset(Additional Amount)
= 196,000 + 40,000
Asset (Ending Balance) = 236,000

*Liabilities (Ending Balance) = Liabilities (Beginning Balance) – Liabilities
=100,000- 40,000
Liabilities (Ending Balance) = 60,000

*Owner's Equity (Ending Balance) = Asset (Ending Balance) – Liabilities (Ending Balance)
=236,000- 60,000
0wner's Equity Ending Balance) = 166,000

C. Liabilities= Asset – Owner's Equity
Liabilities= 1/3 Of Assets Or 1/3 A
Liabilities= 1/3 Assets= Assets= 3liabilities
Liabilities= 3l + 240,000(Oe)
= 2l= 240,000
2
Liabilities= 120,000

Recheck:
A= 240,000 + 120,000
=360,000
Liabilities= 360,000 ÷3

Liabilities= 120,000

Problem #4 (2-39)

Transaction Effects on the Basic Accounting Model

	ASSET	LIABILITIES	OWNER'S EQUITY
a. Received cash as additional investment.	+	O	+
b. Purchased supplies on account.	+	+	O
c. Charged customers for services made on account.	+	O	+
d. Rendered services to cash customers.	+	O	+
e. Paid cash for rent on building.	–	O	–
f. Collected on account receivable in full.	O	O	O
g. Paid cash for supplies	If supplies is an expense account: – If supplies is an asset account:	O	–

	O	O	O
h. Returned supplies purchased on account.	_	_	O
i. Paid cash to settle accounts.	_	_	O
j. Paid cash to owner for personal use.	_	O	_

Required for each transaction indicate whether assets (A), liabilities (L) or owners equity (OE) increased (+), decreased (-) or did not change(0) by placing the appropriate sign in the appropriate column.

Problem#5 (2-39)

Transactions that affect the elements of financial statements

a. decrease an asset and decrease owner's equity (use of assets event).

Withdraw money for personal use, P11,000.

b. increase a liability and decrease owner's equity (exchange of claims event).

Received electric bill, P5,000.

c. increase an asset and increase owner's equity (source of assets event).

Invested cash to the business, P200,000.

d. decrease a liability and increase owner's equity (exchange a claims event).

Paid notes payable.

e. increase an asset and decrease another asset (exchange of assets event).

Purchased supplies for cash P5,500.

f. increase an asset and increase a liability (source of assets event).

Bought office equipment on account amounting to P10,800.

g. decrease an asset and decrease a liability (use of assets event).

Made partial payment on equipment purchased on account, P3,800.

Required: Be able to give an example of a transaction for each of the above.

Problem #6 (2-40)

Classification of events as to source used or exchange of assets

Selected transactions

a. Set up a salon business with cash investments from owner.

b. Hard an experienced salon manager or manager and 5 all around salon staff.

c. Pay the rent deposit and advance rent on the lapu-lapu city salon space.

d. Received cash proceeds of clean loan from the bank of the Philippine islands.

e. Finalized plans with the architect for the salon physical setup and renovations.

f. Paid for 50% of the renovation cost.

g. Bought salon equipment with cash.

h. Renovations completed. Balance payable within 30 days from actual completion.

I. Purchase salon supplies with cash.

j. Provided services for cash.

k. Owner withdraw cash for personal use.

l. Paid for operating expenses.

m. Bought a commercial condominium near Paseo de Mandaue for future expansion; 30% cash down, balance on bank loan.

n. Received cash for services that have been performed.

o. Paid part of the clean loan.

Required: Identify each of the above unrelated events as a source, use or exchange of asset transaction. Some events may not be recordable under current accounting practice. In this case classify the events as not applicable (n/a). Also for each event indicated whether total assets will increase, decrease or remain unchanged.

	TYPE OF EVENT	EFFECT ON TOTAL ASSETS
a.	Source of Assets	Increase
b.	N/A	N/A
c.	Use of Assets	Decrease
d.	Source of Assets	Increase
e.	N/A	N/A
f.	Use of Assets	Decrease
g.	Exchange of Assets	Unchanged
h.	N/A	N/A
i.	Exchange of Assets	Unchanged
j.	Source of Assets	Increase
k.	Use of Assets	Decrease
l.	Use of Assets	Decrease
m.	Source of Assets	Increase
n.	Source of Assets	Increase
o.	Use of Assets	Decrease

Problem#7 (2-41)

Effects of Transaction

The following selected transactions were completed by Roberto Orcajada Delivery Service during July 2021;

C 1. Cash received from delivery services P92,700.

D 2. Paid creditors on account P20,000.

C 3. Received cash from owner as additional investment, P600,000.

E 4. Paid advertising expense P5,000.

C 5. Billed customers for delivery services on account P55,200.

A 6. Purchased supplies for cash P6,000.

E 7. Paid rent for July, P20,000.

A 8. Received cash from customers on account P25, 440.

A9. Determined that the cost of supplies on hand was P1,440 so P4,560 supplies were used during the month.

E 10. Owner withdraw cash for personal use P20,000.

Indicate the effects of each transaction on the space provided:

a. Increase an asset, decrease another asset.

b. Increase an asset, increase a liability.

c. Increase an asset, increase owner's equity.

d. Decrease in asset, decrease a liability.

e. Decrease in asset, decrease owner's equity.

PROBLEM #12 (2-46)

Stephanie Calamba is the owner of the Calamba Repairs Specialist. On Jan. 1, 2022, the assets, liabilities and proprietors capital of the business were: Cash,P 25, 000; Accounts Receivable, P4,000; Supplies, P5,000; Equipment, P 60,000; Accounts Payable, P 9,000; Calamba, Capital, P85,000. The transactions for the month of January were as follows:

Jan. 1	Cash +	Accounts + Receivable	Supplies +	Equipment =	Accounts + Payable	Calamba, Capital
Balance	**P 25,000 +**	**P 4,000 +**	**P 5,000 +**	**P 60,000 =**	**P 9,000 +**	**P 85,000**
a.	**(3,000)**				**(3,000)**	
b.	**1,000**	**(1,000)**				
c.			**2,500**		**2,500**	
d.	**12,000**			**(12,000)**		

e.	**10,000**				**10,000**	
f.	**(2,000)**				**(2,000)**	
g.	**(2,000)**			**10,000**	**8,000**	
h.	**(1,650)**		**1,650**			
i.	**2,500**	**(2,500)**				
	P 41,850	**P 500**	**P 9,150**	**P 58,000**	**P 24,500**	**P 85,000**
				P 109,000	= **P 109,000**	

a. Paid P3,000 of the outstanding accounts payable.

b. Received P1,000 on account (part payment) from customers.

c. Purchased P2,500 worth of supplies on account (on credit).

d. Returned.a defective piece of equipment that was purchased last month and received cash refund of P12,000.

e. Borrowed P10,000 from a supplier, to repay the loan in 30 days.

f. Paid creditor P2,000 on account (part payment).

g. Purchased equipment for P10,000, giving P2,000 cash and promising to pay the balance in 60 days.

h. Bought supplies, paying P1,650 cash.

i. Received a P2,500 check from customer on account.

Problem #15 (2-49)

Transaction Analysis

Transactions:

a. Received P260,000 cash from clients for services rendered.

b. Paid P480,000 of salaries to employees.

c. Collected P120,000 from clients on account.

d. The owner Virginia Ruben withdraw P80,000 cash for personal use.

e. Purchased P140,000 of supplies on account.

f. Billed clients P180,000 for services rendered.

g. Paid P100,000 to suppliers on account.

For each of the transactions of Virginia Ruben Antique Restorer, a sole proprietorship, fill in the spaces to answer the following questions:

1. What are the two account affected by the transaction?

2. What type of account is affected- asset, liability, owner's capital, owners withdrawal, income or expense account?

3. Should the account be increased or decreased?

4. Should the account be debited or credited?

	Accounts Affected	**Type of Account**	**Increase or Decrease**	**Debit or Credit**
a	Cash	Asset	Increase	Debit
	Service Revenues	Income	Increase	Credit
b	Salaries Expense	Expense	Increase	Debit
	Cash	Asset	Decrease	Credit
c	Cash	Asset	Increase	Debit
	Accounts Receivable	Asset	Decrease	Credit
d	Ruben, Withdrawals	Owner's, Withdrawal	Increase	Debit
	Cash	Asset	Decrease	Credit
e	Supplies	Asset	Increase	Debit
	Accounts Payable	Liability	Increase	Credit
f	Accounts Receivable	Asset	Increase	Debit
	Service Revenue	Income	Increase	Credit
g	Accounts Payable	Liability	Decrease	Debit
	Cash	Asset	Decrease	Credit

PROBLEM #20 (2-54)

IDENTIFICATION OF ERRORS

a. Christopher Abilende invested P240,000 in the business (increase cash; increase Abilende capital)

b. Bought two used delivery vans from the Van lot for P200,000 and paid P50,000 as a down payment (increase delivery equipment, P200,000; decrease cash, P50,000; increase accounts payable, P150,000)

c. Received P25,000 cash for delivery services (increase Cash; increase Delivery Revenues)

d. Received bill from Bicol News for advertising P2,500 (increased Advertising Expense; ***decrease Cash***)

Answer: Increase Advertising Expense; increase accounts payable

e. Billed Naga Surgical Supply for delivery services provided P6,200 (increase Accounts Receivable; increase Delivery Revenues)

f. Received and paid telephone bill P1,000 (decrease Cash; ***decrease Telephone Expense***)

Answer: Increase Telephone Expense; Decrease Cash

g. Abilende invested in his business office equipment having a fair market value of P9,600 (increase Office Equipment; ***decrease Cash***)

Answer: Increase Office equipment; Increase Capital

h. Received and paid bill for gas and oil P1,500 (decrease Cash; increase Maintenance Expense)

I. Paid P3,500bicol news to pay account in full (increase Advertising Expense; ***increase Cash***)

Answer: Increase Advertising Expense; Decrease Cash

j. Received P29,000 cash for delivery services performed (increase Cash; increase Delivery Revenues)

k. Abilende withdraw P11,000 for personal use (decrease Cash; ***increase Salaries Expense***)

Answer: Increase Abilende, Withdrawals; Decrease Cash

l. Received P4,000 from Naga Surgical Supply to apply on account (increase Cash; ***increase Delivery Revenues***)

Answer: Increase Cash, Decrease Accounts Receivable

m. Paid salaries to part time employee P8,000 (increase Salaries Expense; decrease Cash)

Required: Find six errors that were made in recording the transactions and state how they should have been recorded.

CHAPTER III

RECORDING BUSINESS TRANSACTIONS

FILL IN THE BLANKS (3-21)

1. Trial balance accumulate information in a book called the **accounts**.

2. The process of determining the balance of an account starts with **ledger**.

3. The **chart of accounts** indicates the names and numbering system of accounts.

4. One supplies are used up or consumed they become an **expense**.

5. The book of original entry usually refers to a **journal**.

6. The process of transferring information from a journal to a ledger is called **posting**.

7. A **ledger** is a group of accounts.

8. **Trial balance** is an informal a report that lists accounts and their balances.

9. A **fiscal year** is an accounting period that runs for any 12 consecutive months.

10. **Posting** deals with the process of updating the pr of eternal from the account number of the letter to indicate to which account in the ledger information has been posted.

11. Recording P885.000 as P85.50 is an example of a **transposition**.

12. The process of recording transactions in a journal is called **journalizing**.

13. Entries are journalized in a **journal**.

14. A ledger is often called the **book of final entry**.

15. **Financial Statements/ reports** are prepared for parts of a fiscal year (monthly, quarterly).

16. The positive balance of each account is referred to as its **normal balance**.

17. The **credit** portion of a journal entry is indented and placed below the **debit** portion.

18. A journal entry requiring three or more accounts is called a **compound entry.**

19. Prepaid rent is an **asset** on the balance sheet.

TRUE OR FALSE (3-22)

FALSE 1. A trial balance with equal debit and credit totals proves that all transactions have been correctly journalize and posted to the proper ledger accounts.

FALSE 2. Double posting of a transaction causes the debits and credits not to balance.

FALSE 3. The sequence of the account titles in a trial balance depends upon the size of the account balances.

TRUE 4. An expense may be recognized and recorded although no cash outlay has been made.

TRUE 5. A journal entry may include them it's too more than one account and credits to more than one account but the total of the debits must always equal the total of the credits.

FALSE 6. The double-entry system means that the transactions are recorded both in the journal and in the ledger.

FALSE 7. The accounting cycle begins with the recording of the transactions and ends with the preparation of financial statements.

FALSE 8. Debit means decrease and credit means increase.

FALSE 9. The t-account is sometimes called the book of original entry.

FALSE 10. In some transactions, the accounting equation may not be maintained.

TRUE 11. Income statement accounts are also known as temporary accounts.

FALSE 12. Amount centered on the left side of an account, regardless of the account title, are called credits are charges to the account.

TRUE 13. The chart of accounts is a system of organizing and numbering the accounts in the general ledger.

TRUE 14. Notes receivable are claims against the debtors evidenced by a written promise to pay a certain sum of money at a definite time to the order of a specified person or to bearer.

TRUE 15. A trial balance may balance but may not be correct.

FALSE 16. A transposition error means a posting of a journal entry that the wrong ledger account.

FALSE 17. The normal balance of any account refers to the side of the account debit or credit or decreases are recorded.

TRUE 18. A recording error caused by the erroneous rearrangement of digits, such as writing P627 as P672 is called a transposition.

TRUE 19. The process of recording a transaction in a journal is called journalizing.

FALSE 20. The journal is used to classify and summarize transactions and to prepare data for basic financial statements.

TRUE 21. Transactions are analyzed on the basis of source documents.

TRUE 22. Every business transaction affects a minimum of two accounts.

FALSE 23. A credit entry to an expense account will increase it.

FALSE 24. Normally, income accounts have debit balances.

TRUE 25. An account title unearned revenue is a liability account.

TRUE 26. A group of accounts in a ledger is called a chart of accounts.

FALSE 27. A listing of the accounts in a ledger is called a chart of accounts.

MULTIPLE CHOICE (3-24)

C 1. Which of the following steps in the accounting cycle are listed in a logical order?

a. Post the closing entries, take a post-closing trial balance, and to analyze the closing entries.

b. Post the journal entries to the general ledger accounts, prepare a worksheet, and then take a trial balance.

c. Take a trial balance, prepare a worksheet then, prepare financial statements

d. Prepare the income statement, prepare the balance sheet and then prepare a trial balance.

A 2. The debit and credit analysis of a transaction normally takes place

a. before an entry is recorded in a journal b. when the entry is posted to the ledger .

c. when the trial balance is prepared . d. at some other point in the accounting cycle .

D 3. A sale account would be recorded by

a. Debiting revenue. b. Crediting assets. c. Crediting liabilities. d. Debiting assets.

C 4. Incurring an expense for advertising on account would be recorded by

a. Debiting liabilities. b. Crediting assets. c. Debiting an expense. d. Debiting assets.

A 5. A trial balance

a. Prove that debits and credits are equal in the ledger.

b. Supplies a listing of open accounts and their balances that are used in preparing financial statements.

c. Is normally prepared three times in the accounting cycle.

d. All of these.

C 6. First statement: A ledger is where the entity initially record transactions and selected other events.

Second statement: Nominal (temporary accounts) are income and expense accounts and are periodically closed.

a. True, True b. True, False c. False, True d. False, False

C 7. First statement: The withdrawal account is considered a real account.

Second statement: The "book of original entry" is also known as the journal.

a. True, True b. True, False c. False, True d. False, False

D 8. First statement: The first step in the accounting cycle is the journalizing of transactions and selected other events.

Second statement: Basic steps in the recording process include transferring the journal information to the appropriate account in the statement of financial position.

a. True, True b. True, False c. False, True d. False, False

D 9. First statement: The trial balance and covers any others in journalizing and posting prior to the preparation of the statement of financial position.

Second statement: The trial balance is a listing of all the accounts and their balances in the order the accounts appear on the statement of financial position.

a. True, True b. True, False c. False, True d. False, False

A 10. First statement: One purpose of a trial balance is to prove that debits and credits of an equal amount are in the ledger.

Second statement: A general journal chronologically least transactions and other events, expressed in terms of debits and credits to accounts.

a. True, True b. True, False c. False, True d. False, False

MULTIPLE CHOICE (3-26)

A 1. Which of the following does not directly or indirectly affect the owner's capital account.

a. Paying an accounts payable b. Withdrawals by the owner

c. Earning of revenues d. Incurring of expenses

B 2. Which of the following transactions correctly maintains the equality in the accounting equation?

a. To record collections on account, cash and accounts receivable are increased by P160,000.

b. To record the purchase of computer equipment, computer equipment is increased and cash is decreased by P 46,000.

c. To record payment of notes, notes payable is decreased and cash is increased by P 70,000.

d. To record payment of rent, rent expense and cash are increased by P 8,000.

A 3. Which of the following combinations of trial balance totals suggest the presence of either a transposition error or a number slide?

a. P 65, 470 debit and P 68,170 credit b. P 33,220 debit and P 35,420 credit

c. P 25,670 debit and P 26,670 credit d. P 14,517 debit and P 15,477 credit

C 4. The first financial statement that is prepared from trial balance is the

a. Statement of cash flows. b. Statement of Changes in Equity.

c. Income Statement. d. Balance Sheet.

B 5. The amount of cash received or paid during a period is not adequate measure of the economic consequences of an organization's activities because

a. Many activities may not involve the use of cash.

b. Cash inflows me represent the result of activities completed in a previous period.

c. Cash outflows may precede or follow the activities with which they are associated.

d. All of the above reasons are correct.

C 6. Which of the following is a business event that is not considered a recordable transaction?

a. An entity receives a product previously ordered. b. An entity pays an employee for work performed.

c. A customer inquiring about the availability of a service. d. A customer purchases a service.

B 7. Which of the following is a business event that is also considered a recordable transaction ?

a. An entity has a new employee b. A customer purchases merchandise

c. An entity orders a product from a supplier d. An employee sends a requisition to the purchasing

A 8. Balance sheet accounts are

a. permanent accounts . b. Temporary accounts.

c. Accounts with debit balances only .d. Adjusting accounts.

A 9. A journal entry that contains more than two accounts is called

a. A posted journal entry. b. A compound journal entry.

c. An adjusting journal entry. d. An erroneous journal entry

C 10. When accounting information is accumulated in individual accounts a chart of accounts is

a. Limited to those accounts that will appear in the balance sheet.

b. changed each year by an entity depending on the results of operations.

c. A listing of account that will be used to accumulate information.

d. Used to determine whether a debit or credit balance will appear in each of the accounts at the end of the accounting period.

D 11. Which of the following events would not be considered an accounting transaction?

a. Payment of fees to a tax consultant. b. Purchase of print advertising space for a new service.

c. Sales of a new product during the first month of operations.

d. Tabulation of the results of a customer satisfaction survey.

B 12. The term footing refers to the

a. Process of obtaining the top number in an account. b. Process of obtaining the bottom number in an account.

c. Process of posting d. Addition of a column of figures.

C 13. What function do general ledgers serve in the accounting process?

a. Summarizing b. Recording c. Classifying d. Reporting

C 14. A chart of accounts is a (an)

a. Journal. b. Flowchart of all transactions

c. List of names of all account titles. d. Accounting procedure manual.

C 15. The purpose of the ledger is to

a. Record chronologically today's transactions.

b. Keep a record of documentation to support each transaction.

c. Maintain a separate account for each balance sheet and income statement accounts.

d. Make sure that all balance sheet and income statement accounts have normal balances at all times.

B 16. The first step in recording a transaction in a journal is to

a. Record the debit. b. Record the date. c. Record the credit. d. Write an explanation.

D 17. Which of the following accounts is classified differently from the others listed?

a. Notes Payable b. Unearned Revenues c. Mortgage Payable d. Art Revenues

B 18. Which of the following accounting steps is accomplished after the others listed?

a. Post the entry. b. Prepare the trial balance. c. Apply the rules of double entry. d. Record the entry.

C 19. At the end of an accounting period, the equation Assets = Liabilities+ Owners Equity does not necessarily balance which of the following actions balances the equation?

a. Subtract revenues and add expenses to owner's equity.

b. Subtract revenues from owner's equity and add expenses to assets.

c. The difference between revenues and expenses to owner's equity.

d. Add revenues and subtract expenses from assets.

B 20. Which of the following steps in the accounting cycle are listed in logical order?

a. Prepare the income statement, prepare the statement of financial position and then prepare a worksheet.

b. Post the journal entries to the ledger accounts, prepare a worksheet, and then take a trial balance.

c. Journalize the closing entries, post the closing entries, and then take a post-closing trial balance.

d. Post the closing entries, take a post-closing trial balance, than to analyze the closing entries.

Jennifer Perez Ads
Trial Balance
Jan. 31, 2021

Cash	P30,000	
Accounts Receivable	20,000	
Art Supplies	30,000	
Office Supplies	50,000	
Prepaid Rent	70,000	
Prepaid Insurance	50,000	
Art Equipment	50,000	
Office Equipment	30,000	
Accounts Payable		P50,000
Perez, Capital		150,000
Perez, Withdrawals	?	
Advertising Revenues		?
Salaries Expense	?	
Utilities Expense	50,000	
Telephone Expense	30,000	
	P A	P B

B 21. If the balance of the Perez, Withdrawals account were P120,000 and the balance of the Salaries Expense were P50,000, what would be the amount of B?

a. P180,000 b. P580,000 c. P370,000 d. P380,000

A 22. If the trial balance show the balance of 70,000 in the Perez withdrawals account and the balance of 50,000 in the salaries expense account what would be the amount of advertising revenues for the period?

a. P330,000 b. P480,000 c. P180,000 d. P430000

A 23. In the trial balance , total assets equal?

a. P330,000 b. P230,000 c. P430,000. d. P410,000

B 24. If the trial balance show the balance of P80,000 in the salaries expense account and a balance of P350,000 in advertising revenues account , what would be the amount of A?

a. P 500,000 b. P 550,000 c. P 450,000 d. P 600,000

D 25. If the trial balance showed a balance of 40,000 in the salaries expense account and a balance of 300,000 in advertising revenues account, what would be the amount of the Perez , withdrawals account ?

a .P 250,000 b .P 190,000 c. P 140,000 d .P 50,000

MULTIPLE CHOICE (3-31)

D 1. The primary function of an account in the accounting system is to

a. Store accounting transactions until there are classified. b. identify the type of organization .

c. Accumulate accounting information. d. Determine at what point a transaction should be recorded.

A 2. When a customer buy services on credit, the contract is regarded as complete when

a. The services are rendered. b. The bill is presented.

c. The cash payment is received. d. The date specified in the contract is at hand.

D 3. Most companies use a chart of accounts prepared by the

a. Accounting Standards Council. b. Securities and Exchange Commission.

c. Bureau of internal revenue. d. Entity's accounting department.

D 4. Which of the following accounts is classified differently from the others listed?

a. Prepaid rent b. Cash c. Accounts receivable d. Owner's capital

D 5. When owner's equity decreases, one of the following must occur:

a. Withdrawals decreases b. An asset increases c. An income increases d. A liability increases

D 6. What function do accounting journals serve in the accounting process?

a. Classifying b. Summarizing c. Reporting d. Recording

C 7. The normal balance of an account is on the

a. Side represented by decrease in the account balance. b. Debit side of the account.

c. Side represented by increase in the account balance. d. Credit side of the account.

B 8. When cash is debited, a typical credit is to

a. Withdrawals. b. Accounts payable. c. Accounts receivable. d. Expenses.

A 9. Payment of insurance premiums in advance gives rise to

a. Prepaid expense b. Unearned income c. Accrued income d. Accrued expense

D 10. The manner in which the accounting records are organized and employed within a business is referred to as

a. Business document b. Voucher system c. Special journal d. Accounting information system

D 11. The accounting cycle is

a. The length of time it takes to complete a set of financial statement after books are closed

b. A process that begins with adjusting entries and ends with the preparation of the financial statements.

c. Applicable only to manual systems , not the computerized systems

d. The sequence of procedures used by a business to process economic information and to produce financial statements.

D 12. A ledger is defined as a collection of

a. All statement of financial position accounts b. All income statement accounts

c. Account titles asset, liability, equity, income and expense accounts d. Transactions

A 13. The equality of debits and credits in the ledger should be very tired at the end of each accounting period by preparing

a. An accounting statement b. An account verification report c. A trial balance d. A balance report

D 14. Of the following errors , the one that will cause an inequality in the trial balance totals is

a. Failure to record a transaction b. Recording the same transaction more than once

c. Posting a transaction to the rock account d. Incorrectly computing an account balance

D 15. Office supplies are expensed

a. At no time, since they are assets. b. When they are paid for.

c. When they are purchased. d. When they are consumed (used up).

D 16. Which of the following statements is false about a proper journal entry?

a. It may have more than one debit or credit entry. b. A space should be skipped between journal entries.

c. Credits are always indented. d. Accounts that are increased are always listed first.

D 17. Transactions are recorded chronologically in the

a. Ledger. b. T account. c. Daybook. d. Journal.

B 18. When an entity paid for goods or services before actual receipt , the payment should be recorded as a decrease in cash and an increase in

a. An asset. b. An expense. c an owner's equity account . d. A liability.

C 19. Entries recorded on the right side of any account are called

a. Debits. b. Increases. c. Credits. d. Decreases.

B 20. Which of the following accounts probably would be listed after the others in a chart of accounts?

a. Unearned art fees b. Prepaid rent c. Owner's capital d. Art revenues

C 21. Unearned revenues are recorded by companies that

a. Pay money in advance of the performance of a service.

b. Pay money at the time the performance of a service is complete.

c. Receive money in advance of the performance of a service.

d. Receive money at the time the performance of a service is complete.

D 22. Which of the following statements regarding the trial balance is incorrect?

a. A trial balance helps to localize errors within an identifiable time period.

b. A trial balance is a test of the equality of the debit and credit balances in the ledger.

c. A trial balance is a list of all the open accounts in the ledger with their balances as of a given date.

d. A trial balance proves that no errors of any kind have been made in the accounts during the accounting period

D 23. A simple journal entry

a. Consist of two debits and one credit. b. Consists of one debit and credit.

c. Is a memorandum entry. d. Consists of one debit and one credit.

B 24. The posting reference column in the journal shows that an item has been posted when which of the following is placed in it?

a. An "X" b. The account number c. The journal page number d. A checkmark

D 25. Which of the following transactions does not affect the balance sheet totals ?

a. Purchasing 50,000 supplies on account b. Collecting 40,000 from customers on account

c paying a 300,000 notes payable d. Withdrawal of 80,000 by the firm's owner

D 26. The accrual basis of accounting recognizes

a. Revenues when cash is received

b. Expenses when cash is paid

c. Revenues when products are produced as part of operating activities

d expenses when a sources are consumed as part of operating activities

C 27. An error of original entry occurs when

a. Either the debit entry or the credit entry for a particular transaction is recorded in the wrong class of account.

b. A correct figure is entered in a double entry accounting records, once in the correct ledger account and once in the wrong person's account.

c an incorrect figure is entered on the correct sides of the correct ledger accounts .

d. None of the above.

D 28. Which of the following statements is true about the proper journal entry?

a. An explanation must follow each debit and each credit.

b. The name of the month should be repeated for each entry.

c. The posting reference column is filled prior to posting period.

d. All debits are listed before any credits.

Problem #17 (2-51)

Recording Transactions in T-accounts

Remedios Palaganas is an experienced event planner. The transactions and account for the business are as follows:

a. Invested 100,000 in such to start her own business

b. Paid 5,000 for one month rent

c. Bought office furniture for 15,000 in fresh

d. Receive delivery of laptop computer 54,000 fade 50% down balance due in 30 days

e. Performed services for 12,000 in cash

f. Performed services for 10800 on credit

g. Acquired a fax machine for 7500 paid 3,000 in cash and balance due in 10 days

h. Received 5400 from clients on account

i. Paid 10,000 for salaries

j. Settled in full the 4500 balance for the fax machine

k. Received 7,000 in cash for services performed

l. Performed services for 12,000 on credit

m. Paid 1350 the monthly telephone bill

n. Paid 2400 the electric and water bills

o. Collected 2000 clients on account

p. Palaganas withdraw 7,000 in cash for personal expenses.

Required

1. With the aid of T-account record the transactions listed above use the following accounts: Cash; Accounts Receivable; Office Furniture; Office Equipment; Accounts Payable; Palaganas Capital; Palaganas, Withdrawals; Consulting Revenues; Salaries Expense; Rent Expense; Utilities Expense and Miscellaneous Expense.

2. Determine the balances of the T-accounts.