

**Financial & Managerial Accounting for Undergraduates**  
2nd Edition  
by Wallace, Nelson, Christensen, Hobson, and Matthews

**PRACTICE QUIZ**

**Chapter 2: Processing Accounting Information**

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1. In the accounting cycle, preparing financial statements comes before which of the following steps?
  - a. Analyzing transactions
  - b. Recording transactions
  - c. Preparing an unadjusted trial balance
  - d. Prepare a post-closing trial balance
  
2. The Schultz Corporation purchased equipment costing \$5,000 by taking out a bank loan. What would be the effect on the accounting equation?

<b>Assets</b>	<b>Liabilities</b>	<b>Shareholders' Equity</b>
a. Increase \$5,000	Decrease \$5,000	No Effect
b. Increase \$5,000	Increase \$5,000	No Effect
c. Decrease \$5,000	Decrease \$5,000	No Effect
d. Decrease \$5,000	Increase \$5,000	No Effect
  
3. The Inventory account has a normal balance of \_\_\_\_\_ and is increased via a \_\_\_\_\_.
  - e. Debit; Debit
  - f. Credit; Debit
  - g. Debit; Credit
  - h. Credit; Credit
  
4. A journal entry that contains more than just two accounts is called:
  - a. An adjusting journal entry
  - b. A closing journal entry
  - c. A compound journal entry
  - d. A complex journal entry
  
5. Which of the following statements is *true* regarding the general ledger?
  - a. All transactions are initially recorded in the general ledger.
  - b. The general ledger is produced based on the balances in the balance sheet.
  - c. The general ledger is produced based on the balances in the trial balance.
  - d. The general ledger is a collection of all of the accounts in the accounting system.

6. On December 1, the owners of Smith & Sons invested \$10,000 cash in the business in exchange for shares of common stock. What is the correct journal entry?

<b>Account Name</b>	<b>Debit</b>	<b>Credit</b>
a. Common stock	10,000	
Cash		10,000
b. Cash	10,000	
Due to owners		10,000
c. Cash	10,000	
Common stock		10,000
d. Due to owners	10,000	
Cash		10,000

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

- a. Ordered equipment that will be paid for upon delivery in two months
- b. Purchased \$1,000 of supplies on account
- c. Paid \$5,000 cash on an outstanding account payable
- d. Borrowed \$10,000 cash from the bank

8. Smith & Sons borrowed \$1,000 from Bank of America. This journal entry would involve a credit entry to which of the following accounts:

- a. Cash
- b. Accounts receivable
- c. Notes payable
- d. Current liabilities

9. Smith & Sons purchased supplies on account. This transaction will affect:

- a. Only the balance sheet
- b. Only the income statement
- c. Both the balance sheet and the income statement
- d. Only the statement of stockholders' equity

## SOLUTIONS

### Chapter 2: Processing Accounting Information

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1. d
2. b
3. a
4. c
5. d
6. c
7. a
8. c
9. a