

Revenue, Expenses, and Trial Balance

EXAMINATION NUMBER:

98610200

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Questions 1–20: Select the one best answer to each question.

We based questions 1–8 on the following material and on the information you prepared for the Platt Hardware Store from the examination in *Assets, Liabilities, and Owner's Equity*.

Analyze the following transactions. Determine the accounts, classifications, and changes involved in the transaction, as shown in the following example.

Paid \$20.00 in cash for office cleaning.

	Account	Classification	Increase	Decrease
Debit	<u>Off. Clean.</u>	<u>Expense</u>	<u>✓</u>	<u> </u>
Credit	<u>Cash</u>	<u>Asset</u>	<u> </u>	<u>✓</u>

- (A) 5/8—Paid telephone bill of \$154.32 with cash (check 106).

	Account	Classification	Increase	Decrease
Debit	_____	_____	_____	_____
Credit	_____	_____	_____	_____

- (B) 5/9—Paid \$15.00 in cash for office cleaning (check 107).

	Account	Classification	Increase	Decrease
Debit	_____	_____	_____	_____
Credit	_____	_____	_____	_____

- (C) 5/10—Received cash for weekly Fees Earned of \$1,532.94 (tape 1).

	Account	Classification	Increase	Decrease
Debit	_____	_____	_____	_____
Credit	_____	_____	_____	_____

- (D) 5/11—Made \$500.00 payment to Bellhaven Bank, (check 108).

	Account	Classification	Increase	Decrease
Debit	_____	_____	_____	_____
Credit	_____	_____	_____	_____

- (E) 5/14—Paid cash of \$1,000.00 for rent for month of May (check 109).

	Account	Classification	Increase	Decrease
Debit	_____	_____	_____	_____
Credit	_____	_____	_____	_____

- (F) 5/15—Received cash of \$1,385.03 for weekly Fees Earned (tape 2).

	Account	Classification	Increase	Decrease
Debit	_____	_____	_____	_____
Credit	_____	_____	_____	_____

- (G) 5/16—Paid \$15.93 in cash for auto repairs (check 110).

	Account	Classification	Increase	Decrease
Debit	_____	_____	_____	_____
Credit	_____	_____	_____	_____

- (H) 5/17—Paid \$430.00 cash to owner for personal use (check 111).

	Account	Classification	Increase	Decrease
Debit	_____	_____	_____	_____
Credit	_____	_____	_____	_____

- (I) 5/18—Paid cash of \$100.00 for cleaning the office (check 112).

	Account	Classification	Increase	Decrease
Debit	_____	_____	_____	_____
Credit	_____	_____	_____	_____

- (J) 5/23—Paid \$253.00 cash to the *Daily News* newspaper for advertising (check 113).

	Account	Classification	Increase	Decrease
Debit	_____	_____	_____	_____
Credit	_____	_____	_____	_____

- In transaction (A) on 5/8, the Cash account is an
 - asset account, which increases.
 - expense account, which decreases.
 - expense account, which increases.
 - asset account, which decreases.
- In transaction (C) on 5/10, the Fees Earned account is a(n)
 - expense account, which increases.
 - revenue account, which increases.
 - revenue account, which decreases.
 - asset account, which decreases.
- The A/P—Bellhaven Bank account and the Cash account in transaction (D) on 5/11
 - both increase.
 - decrease and increase respectively.
 - increase and decrease respectively.
 - both decrease.
- In transaction (E) on 5/14, the account that will increase is the
 - Cash account, which is an asset account.
 - Rent Expense account, which is an expense account.
 - Rent Expense account, which is an asset account.
 - Cash account, which is an expense account.
- The two accounts that change because of transaction (G) on 5/16 are
 - Auto Expense and Cash.
 - Equipment and Cash.
 - Auto Expense and Auto Repair.
 - Equipment and Owner's Equity.

6. In transaction (H) on 5/17, the account that increases is the
- A. Cash account. C. Payroll Expense account.
B. P. Woodsley, Drawing account. D. Employee Asset account.
7. You would classify the account debited in transaction (J) on 5/23, as a(n)
- A. asset account. C. revenue account.
B. liability account. D. expense account.
8. The Advertising Expense account and the Cash account in transaction (J) on 5/23
- A. both increase.
B. both decrease.
C. increase and decrease respectively.
D. decrease and increase respectively.

We based questions 9–15 on the following information.

Journalize the transactions listed on pages 24 and 25 using the journal on page 27 and assign the proper account numbers to the new accounts.

In answering questions 9–15, use only transactions (A)–(J). Don't use the example given before (A) on page 23.

Open new ledger sheets for the new accounts on pages 28–33, and post the journal entries to the general ledger. Balance and foot the ledger accounts. The balances in these ledger accounts were brought forward from the exam in *Assets, Liabilities, and Owner's Equity*.

PLATT HARDWARE STORE CHART OF ACCOUNTS		
Division 1	Asset Accounts	11–19
Division 2	Liabilities	21–29
Division 3	Owner's Equity Accounts	31–39
Division 4	Revenue Accounts	41–49
Division 5	Expense Accounts	51–59
<div> <div> (1) ASSETS 11 Cash 12 Prepaid Insurance 13 Equipment—Store 14 Equipment—Office 15 Supplies </div> <div> (4) REVENUE 41 </div> <div> (2) LIABILITIES 21 A/P—Bellhaven Bank 22 A/P—Taylor Investments 23 A/P— J. C. Holling's, Inc. 24 A/P— Craft Bank </div> <div> (5) EXPENSES 51 52 53 54 55 </div> <div> (3) OWNER'S EQUITY 31 P. Woodsley, Capital 32 </div> </div>		

Journal													PAGE
	DATE		Account Title	Doc. No.	P. R.	DEBIT				CREDIT			
1													1
2													2
3													3
4													4
5													5
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34													34
35													35

ACCOUNT Cash										ACCOUNT NO. 11									
DATE 20—		ITEM	P.R.	DEBIT						DATE		ITEM	P.R.	CREDIT					
May	5	Balance	J1	3	0	1	3	90											

ACCOUNT Prepaid Insurance										ACCOUNT NO. 12									
DATE 20—		ITEM	P.R.	DEBIT						DATE		ITEM	P.R.	CREDIT					
May	5	Balance	J1	5	0	0	00												

ACCOUNT Equipment—Store										ACCOUNT NO. 13									
DATE 20—		ITEM	P.R.	DEBIT						DATE		ITEM	P.R.	CREDIT					
May	5	Balance	J1	8	0	0	0	00											

ACCOUNT Equipment—Office										ACCOUNT NO. 14									
DATE 20—		ITEM	P.R.	DEBIT						DATE		ITEM	P.R.	CREDIT					
May	5	Balance	J1		5	0	9	0	00										

ACCOUNT Supplies										ACCOUNT NO. 15									
DATE 20—		ITEM	P.R.	DEBIT						DATE		ITEM	P.R.	CREDIT					
May	5	Balance	J1			5	4	2	92										

ACCOUNT A/P—Bellhaven Bank										ACCOUNT NO. 21									
DATE		ITEM	P.R.	DEBIT						DATE 20—		ITEM	P.R.	CREDIT					
										May	5	Balance	J1		4	0	0	0	00

ACCOUNT A/P—Taylor Investments												ACCOUNT NO. 22								
DATE		ITEM		P.R.	DEBIT					DATE 20—		ITEM		P.R.	CREDIT					
										May	5	Balance	J1		3	7	0	0	00	

ACCOUNT A/P—J. C. Holling's Inc.											ACCOUNT NO. 23											
DATE		ITEM		P.R.		DEBIT				DATE 20—		ITEM		P.R.		CREDIT						
											May 5		Balance		J1				6	9	0	00

ACCOUNT A/P—Craft Bank										ACCOUNT NO. 24									
DATE		ITEM		P.R.	DEBIT				DATE 20—		ITEM		P.R.	CREDIT					
									May	5	Balance	J1		3	5	0	0	00	

ACCOUNT P. Woodsley, Capital										ACCOUNT NO. 31									
DATE		ITEM	P.R.	DEBIT					DATE		ITEM	P.R.	CREDIT						
									20—										
									May	5	Balance				5	2	5	6	82

ACCOUNT										ACCOUNT NO.									
DATE		ITEM	P.R.	DEBIT						DATE		ITEM	P.R.	CREDIT					

ACCOUNT										ACCOUNT NO.									
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DATE	ITEM	P.R.	DEBIT	DATE	ITEM	P.R.	CREDIT

ACCOUNT				ACCOUNT NO.			
DATE	ITEM	P.R.	DEBIT	DATE	ITEM	P.R.	CREDIT

Now answer questions 9–15.

9. What is the balance in the Cash account after you made all the entries?

A. \$3,309.30	C. \$3,463.62
B. \$3,363.62	D. \$3,643.62
10. What is the balance in the Rent Expense account?

A. \$100.00	C. \$1,000.00
B. \$253.00	D. \$1,500.00
11. The A/P—Bellhaven Bank account has a debit entry for \$500.00. What is the account balance?

A. \$3,500.00 debit	C. \$4,500.00 credit
B. \$3,500.00 credit	D. \$5,500.00 debit
12. Which of the following statements is true about the Advertising Expense account?

A. It has a single \$253.00 credit entry.	C. It has a \$253.00 debit balance.
B. It has a \$253.00 credit balance.	D. Its account balance is zero.

We based questions 16–20 on the trial balance, which you’ll prepare using the form on the previous page. First, prepare a trial balance as of May 31, 20—. Then answer questions 16–20.

16. Which of the following is the correct heading for the trial balance?
- A.** Platt Hardware Store
May 31, 20—
Trial Balance
 - B.** Trial Balance
May 31, 20—
Platt Hardware Store
 - C.** Platt Hardware Store
Trial Balance
For the period ending May 31, 20—
 - D.** Platt Hardware Store
Trial Balance
As of May 31, 20—
17. Which of the following best describes the trial balance?
- A.** It’s a list of all the debit balances and credit balances in the ledger.
 - B.** It has the same information in it as the balance sheet.
 - C.** It’s prepared after the balance sheet.
 - D.** It’s the final statement prepared before closing the books.
18. What is the balance of both the debit and the credit columns in the trial balance?
- A.** \$19,564.79
 - B.** \$19,554.79
 - C.** \$18,357.82
 - D.** \$18,552.82
19. The accounts listed on the trial balance with a credit balance include
- A.** liability, owner’s capital, and revenue accounts.
 - B.** asset, liability, and owner’s capital accounts.
 - C.** owner’s capital, revenue, and expense accounts.
 - D.** liability, owner’s capital, and expense accounts.
20. Revenue and expense accounts are considered temporary accounts because they
- A.** are used only once in a while.
 - B.** are closed out periodically.
 - C.** represent the asset and liability accounts.
 - D.** are used when preparing the balance sheet.

