# Financial Accounting Quiz

Choose one answer per question. Circle A, B, C, or D.

1. Which item is a liability for a repair shop?
   A. An unpaid bill the shop owes its parts supplier
   B. An unpaid invoice a customer owes the shop
   C. A workbench the shop owns
   D. Cash in the shop’s register

2. Which statement shows a business’s revenues and expenses for the three months ending June 30?
   A. Statement of cash flows
   B. Balance sheet
   C. Income statement
   D. Statement of retained earnings

3. A pottery studio has $8,600 in assets and $3,400 in liabilities. What is its total equity?
   A. $3,400
   B. $5,200
   C. $8,600
   D. $12,000

4. A corporation issues new shares to an investor in exchange for $2,500 in cash. Which totals increase as a result of this transaction?
   A. Assets only
   B. Assets and liabilities
   C. Liabilities and equity
   D. Assets and equity

5. A sign shop using accrual accounting completes a design job and sends an invoice the customer will pay next month. Which asset increases when the shop first records the job?
   A. Cash
   B. Accounts Receivable
   C. Prepaid Expenses
   D. Equipment

6. A studio pays $96 in cash for cleaning completed that day. It had made no earlier entry for the cleaning. Which entry records the transaction?

A. Debit Cleaning Expense $96 and credit Cash $96.
B. Debit Cash $96 and credit Cleaning Expense $96.
C. Debit Cleaning Expense $96 and credit Accounts Payable $96.
D. Debit Accounts Payable $96 and credit Cash $96.

7. A business borrows $900 from a bank and receives the loan proceeds in cash. How does it classify the $900 on its statement of cash flows?

A. Financing cash outflow
B. Operating cash inflow
C. Investing cash inflow
D. Financing cash inflow

8. A framing shop using accrual accounting completes two jobs in November for $420 and $185. It has yet to collect on those jobs. It also receives $650 in November for a job it finished and recorded in October. What November revenue comes from these three jobs?

A. $1,070
B. $650
C. $605
D. $1,255

9. A bindery began December with $700 in its Supplies account and recorded $225 more in purchases to that account. A month-end count finds $310 in supplies left. If the rest were used, how much Supplies Expense should it record for December?

A. $615
B. $310
C. $390
D. $925

10. A trial balance has equal debit and credit totals. Assuming exactly one bookkeeping error occurred, which error could still leave those totals equal?

A. Entering a $400 debit as $40 while entering its $400 credit correctly
B. Recording only the debit side of a transaction
C. Recording only the credit side of a transaction
D. Leaving out an entire balanced transaction

11. A workshop receives $1,200 in November for four equally priced classes from December through March. It initially credits Unearned Revenue for the full payment. It teaches only the December class by December 31. What adjustment should it make on that date?

A. Debit Cash $300 and credit Class Revenue $300.
B. Debit Unearned Revenue $1,200 and credit Class Revenue $1,200.
C. Debit Unearned Revenue $300 and credit Class Revenue $300.
D. Debit Class Revenue $300 and credit Unearned Revenue $300.

12. Employees earned $740 in wages in late December that will be paid in January. What happens to the December financial statements if the business leaves out the accrued wages adjustment?

A. Expenses and liabilities are both too high.
B. Expenses and liabilities are both too low.
C. Expenses are too low and liabilities are too high.
D. Expenses are too high and liabilities are too low.

13. A machine enters service on January 1. It costs $18,000, has an estimated $3,000 residual value, and has a five-year useful life. Under straight-line depreciation, what are its first-year depreciation expense and December 31 book value?

A. $15,000 expense and $3,000 book value
B. $3,000 expense and $12,000 book value
C. $3,600 expense and $14,400 book value
D. $3,000 expense and $15,000 book value

14. A corporation starts the year with $8,400 in retained earnings. It has $3,750 in revenue, $2,570 in expenses, and declares and pays $320 in dividends. With no other changes, what amount of retained earnings goes on its year-end balance sheet?

A. $9,260
B. $9,580
C. $9,900
D. $8,720

15. At December close, a design firm finds $300 of work completed in December that it has yet to record or bill. It also finds $120 of unrecorded December utility costs to be paid in January. What changes when it records both accrual adjustments?

A. December net income rises by $420, and Cash is unchanged.
B. December net income rises by $180, and Cash rises by $180.
C. December net income rises by $180, and Cash is unchanged.
D. December net income falls by $120, and Cash falls by $120.