

Study Guide 21

Name	Perfect Score	Your Score
Identifying Accounting Terms	7 Pts.	
Analyzing Accounts Affected by Accruals and Deferrals	30 Pts.	
Analyzing Accruals and Deferrals	13 Pts.	
Total	50 Pts.	

Part One—Identifying Accounting Terms

Directions: Select the one term in Column I that best fits each definition in Column II. Print the letter identifying your choice in the Answers column.

Column I	Column II	Answers
A. accrual	1. An entry recording revenue before the cash is received or an expense before the cash is paid. (p. 648)	1. _____
B. accrued interest expense	2. An entry recording the receipt of cash before the related revenue is earned or payment of cash before the related expense is incurred. (p. 648)	2. _____
C. accrued expenses	3. An entry made at the beginning of one fiscal period to reverse an adjusting entry made in a previous fiscal period. (p. 649)	3. _____
D. deferral	4. Expenses incurred in one fiscal period but not paid until a later fiscal period. (p. 652)	4. _____
E. deferred expenses	5. Interest incurred but not yet paid. (p. 652)	5. _____
F. deferred revenue	6. Cash received for goods or services which have not yet been provided. (p. 658)	6. _____
G. reversing entry	7. Payments for goods or services which have not yet been received. (p. 660)	7. _____

Part Two—Analyzing Accounts Affected by Accruals and Deferrals

Directions: Determine in which journal each of the transactions is to be recorded. Analyze each of the following entries into debit and credit parts. Print letters (A through K) in the proper Answers columns identifying the accounts to be debited and credited.

G—General Journal; CP—Cash Payments Journal; CR—Cash Receipts Journal

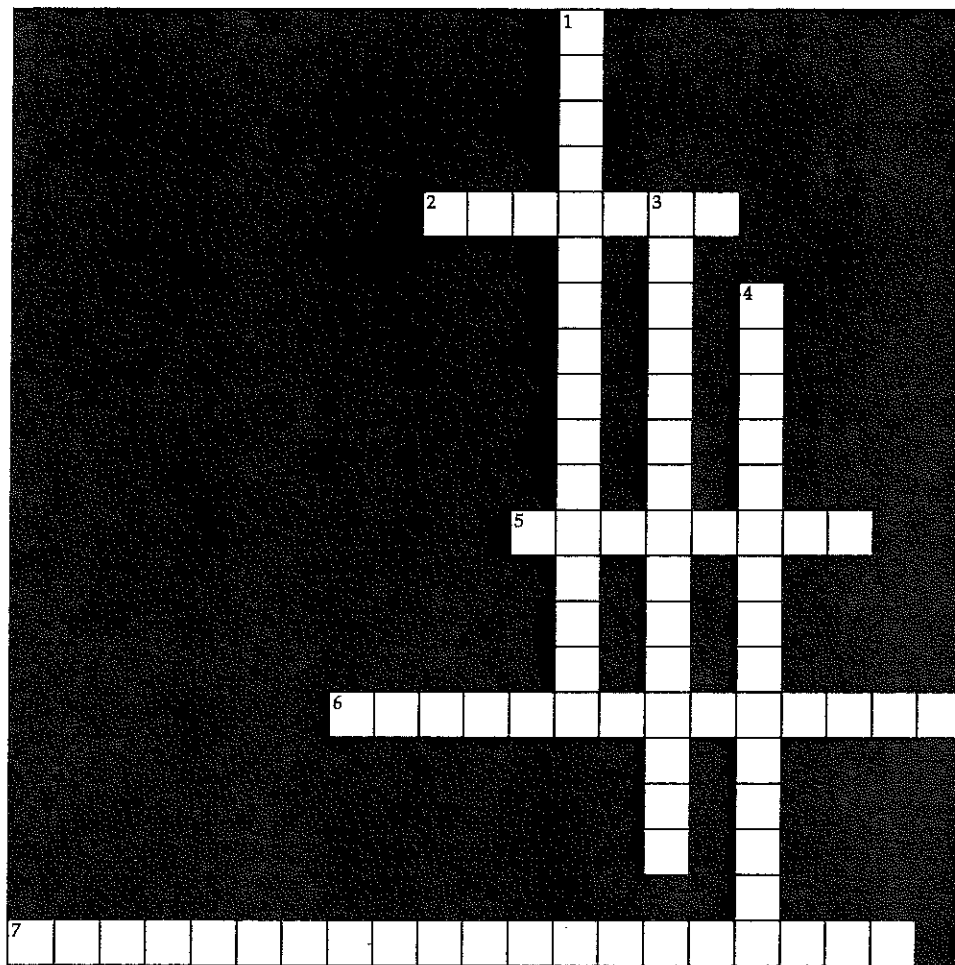
Account Titles	Transactions	Answers		
		1 Journal	2 Debit	3 Credit
A. Cash	1–2–3. Recorded an adjustment for accrued interest income. (p. 649)	1. _____	2. _____	3. _____
B. Interest Expense	4–5–6. Reversed an adjusting entry for accrued interest income. (p. 649)	4. _____	5. _____	6. _____
C. Interest Income	7–8–9. Received cash for the maturity value of a 120-day, 10% note. (p. 650)	7. _____	8. _____	9. _____
D. Interest Payable	10–11–12. Recorded an adjustment for accrued interest expense. (p. 652)	10. _____	11. _____	12. _____
E. Interest Receivable	13–14–15. Reversed an adjusting entry for accrued interest expense. (p. 653)	13. _____	14. _____	15. _____
F. Notes Payable	16–17–18. Paid cash for the maturity value of a note payable plus interest. (p. 654)	16. _____	17. _____	18. _____
G. Notes Receivable	19–20–21. Recorded rent revenue received in advance. (p. 658)	19. _____	20. _____	21. _____
H. Prepaid Rent	22–23–24. Recorded adjusting entry for rent income earned which had previously been received. (p. 659)	22. _____	23. _____	24. _____
I. Rent Expense	25–26–27. Recorded rent expense paid in advance. (p. 660)	25. _____	26. _____	27. _____
J. Rent Income	28–29–30. Recorded adjusting entry for rent expense incurred which had previously been paid. (p. 661)	28. _____	29. _____	30. _____
K. Unearned Rent Income				

Part Three—Analyzing Accruals and Deferrals

Directions: Place a T for True or an F for False in the Answers column to show whether each of the following statements is true or false.

Answers

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|--|-----------|
| 1. Revenue and expenses should be recorded when the revenue is earned and expenses are incurred. (p. 648) | 1. _____ |
| 2. Accrued interest income is credited to the Interest Income account. (p. 649) | 2. _____ |
| 3. The reversing entry for accrued interest earned includes a credit to the Interest Income account. (p. 649) | 3. _____ |
| 4. Recording an adjusting entry for an accrued expense is an application of the Realization of Revenue concept. (p. 652) | 4. _____ |
| 5. At the end of a fiscal period, the Interest Expense balance after adjustments shows the amount of interest expense that has been incurred in that fiscal period. (p. 653) | 5. _____ |
| 6. When a reversing entry is made for accrued interest expense, a credit entry to Interest Payable is required. (p. 653) | 6. _____ |
| 7. Reversing entries are not required in accounting. (p. 654) | 7. _____ |
| 8. If cash is received for revenue that has not been earned, a liability is increased. (p. 658) | 8. _____ |
| 9. The adjusting entry for deferred rent revenue earned increases the Unearned Rent Income account. (p. 659) | 9. _____ |
| 10. The adjusting entry for deferred rent revenue earned includes a credit to Rent Income. (p. 659) | 10. _____ |
| 11. If cash is paid for a deferred expense, an asset is increased. (p. 660) | 11. _____ |
| 12. The adjusting entry for deferred rent expense increases the Rent Expense account. (p. 661) | 12. _____ |
| 13. The adjusting entry for deferred rent expense incurred includes a credit to Prepaid Rent. (p. 661) | 13. _____ |



Across

2. An entry recording revenue before the cash is received, or an expense before the cash is paid.
5. An entry recording the receipt of cash before the related revenue is earned, or payment of cash before the related expense is incurred.
6. An entry made at the beginning of one fiscal period to reverse an adjusting entry made in the previous fiscal period.
7. Anything, or any process, that is protected by patent, trademark, or copyright.

Down

1. Payments for goods or services which have not yet been received.
3. Expenses incurred in one fiscal period, but not paid until a later fiscal period.
4. Cash received for goods or services which have not yet been provided.