

# Study Guide 22

Name	Perfect Score	Your Score
Identifying Accounting Concepts and Practices for End-of-Fiscal-Period Work	17 Pts.	
Analyzing End-of-Fiscal-Period Entries for a Corporation	34 Pts.	
<b>Total</b>	<b>51 Pts.</b>	

## Part One—Identifying Accounting Concepts and Practices for End-of-Fiscal-Period Work

**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.

- |                                                                                                                                                                                       |           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| 1. The unadjusted trial balance and other financial data are used to plan and record adjustments. (p. 674)                                                                            | 1. _____  |
| 2. Financial statements are prepared using an unadjusted trial balance. (p. 674)                                                                                                      | 2. _____  |
| 3. All accounts that need to be brought up to date are adjusted after financial statements are prepared. (p. 677)                                                                     | 3. _____  |
| 4. To bring the Supplies account up to date, the balance of supplies needs to be decreased by the cost of supplies used during the year. (p. 679)                                     | 4. _____  |
| 5. The tax rate for federal income tax varies depending on the amount of net income earned. (p. 680)                                                                                  | 5. _____  |
| 6. After all adjusting entries are journalized and posted, an adjusted trial balance is prepared. (p. 682)                                                                            | 6. _____  |
| 7. Gains and losses from the sale of plant assets are listed before income from operations on the income statement. (p. 686)                                                          | 7. _____  |
| 8. On an income statement, the difference between other revenues and other expenses is reported as a net addition or net deduction. (p. 686)                                          | 8. _____  |
| 9. If a company has issued both common and preferred stock, its statement of stockholders' equity will contain only two major sections: capital stock and retained earnings. (p. 687) | 9. _____  |
| 10. Bonds Payable is an example of a long-term liability account. (p. 688)                                                                                                            | 10. _____ |
| 11. The statement of cash flows is prepared on a cash basis rather than an accrual basis. (p. 691)                                                                                    | 11. _____ |
| 12. The purchase of office equipment for cash would be listed as a financing activity on the statement of cash flows. (p. 692)                                                        | 12. _____ |
| 13. The payment of interest would be listed as a cash outflow in the operating activities section on the statement of cash flows. (p. 692)                                            | 13. _____ |
| 14. The sale of office equipment would be listed as a cash inflow in the operating activities section on the statement of cash flows. (p. 692)                                        | 14. _____ |
| 15. The payment of cash dividends would be listed as an investing activity on the statement of cash flows. (p. 692)                                                                   | 15. _____ |
| 16. Closing entries for a corporation are made from information in a balance sheet. (p. 700)                                                                                          | 16. _____ |
| 17. A reversing entry is desirable if an adjusting entry creates a balance in an asset or a liability account. (p. 703)                                                               | 17. _____ |

### Answers

## Part Two—Analyzing End-of-Fiscal-Period Entries for a Corporation

**Directions:** For each closing or reversing entry described, decide which accounts are debited and credited. Print the letter identifying your choice in the proper Answers columns. (Accounts are listed in alphabetical order.)

<b>Account Titles</b>	<b>Transactions</b>	<b>Answers</b>	
		<b>Debit</b>	<b>Credit</b>
A. Cash Short and Over	1–2. Closing entry for the Sales account. (p. 700)	1. _____	2. _____
B. Depreciation Expense— Store Equipment	3–4. Closing entry for the Purchases Discount account. (p. 700)	3. _____	4. _____
C. Dividends	5–6. Closing entry for the Purchases Returns and Allowances account. (p. 700)	5. _____	6. _____
D. Dividends Payable			
E. Federal Income Tax Expense	7–8. Closing entry for the Interest Income account. (p. 700)	7. _____	8. _____
F. Federal Income Tax Payable	9–10. Closing entry for the Rent Income account. (p. 700)	9. _____	10. _____
G. Gain on Plant Assets			
H. Income Summary	11–12. Closing entry for the Gain on Plant Assets account. (p. 700)	11. _____	12. _____
I. Insurance Expense			
J. Interest Expense	13–14. Closing entry for the Sales Discount account. (p. 701)	13. _____	14. _____
K. Interest Income	15–16. Closing entry for the Purchases account. (p. 701)	15. _____	16. _____
L. Interest Payable			
M. Interest Receivable	17–18. Closing entry for the Cash Short and Over account (cash is short). (p. 701)	17. _____	18. _____
N. Loss on Plant Assets			
O. Purchases	19–20. Closing entry for the Depreciation Expense— Store Equipment account. (p. 701)	19. _____	20. _____
P. Purchases Discount	21–22. Closing entry for the Federal Income Tax Expense account. (p. 701)	21. _____	22. _____
Q. Purchases Returns and Allowances	23–24. Closing entry for the Income Summary account (net income). (p. 702)	23. _____	24. _____
R. Rent Income			
S. Retained Earnings	25–26. Closing entry for the Income Summary account (net loss). (p. 702)	25. _____	26. _____
T. Sales	27–28. Closing entry for the Dividends account. (p. 702)	27. _____	28. _____
U. Sales Discount	29–30. Reversing entry for accrued interest income. (p. 703)	29. _____	30. _____
	31–32. Reversing entry for accrued interest expense. (p. 703)	31. _____	32. _____
	33–34. Reversing entry for the Federal Income Tax Payable account. (p. 703)	33. _____	34. _____