

Study Guide 6

Name	Perfect Score	Your Score
Identifying Accounting Terms	13 Pts.	
Analyzing Accounting Practices Related to a Work Sheet and Adjusting Entries	20 Pts.	
Analyzing Adjustments and Extending Account Balances on a Work Sheet	17 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 basis of accounting	1. The length of time for which a business summarizes its financial information and reports its financial performance. (p. 159)	1. _____
B. adjusting entries	2. A fiscal period consisting of 12 consecutive months. (p. 159)	2. _____
C. adjustments	3. A columnar accounting form used to summarize the general ledger information needed to prepare financial statements. (p. 159)	3. _____
D. balance sheet	4. A proof of equality of debits and credits in a general ledger. (p. 160)	4. _____
E. cash basis of accounting	5. Cash paid for an expense in one fiscal period that is not used until a later period. (p. 163)	5. _____
F. fiscal period	6. Reporting income when it is earned and expenses when they are incurred. (p. 163)	6. _____
G. fiscal year	7. Reporting income when the cash is received and expenses when the cash is paid. (p. 163)	7. _____
H. income statement	8. Changes recorded on a work sheet to update general ledger accounts at the end of a fiscal period. (p. 163)	8. _____
I. net income	9. A financial statement that reports assets, liabilities, and owner's equity on a specific date. (p. 169)	9. _____
J. net loss	10. A financial statement showing the revenue and expenses for a fiscal period. (p. 170)	10. _____
K. prepaid expense	11. The difference between total revenue and total expenses when total revenue is greater. (p. 171)	11. _____
L. trial balance	12. The difference between total revenue and total expenses when total expenses are greater. (p. 172)	12. _____
M. work sheet	13. Journal entries recorded to update general ledger accounts at the end of a fiscal period. (p. 176)	13. _____

Part Two—Analyzing Accounting Practices Related to a Work Sheet and Adjusting Entries

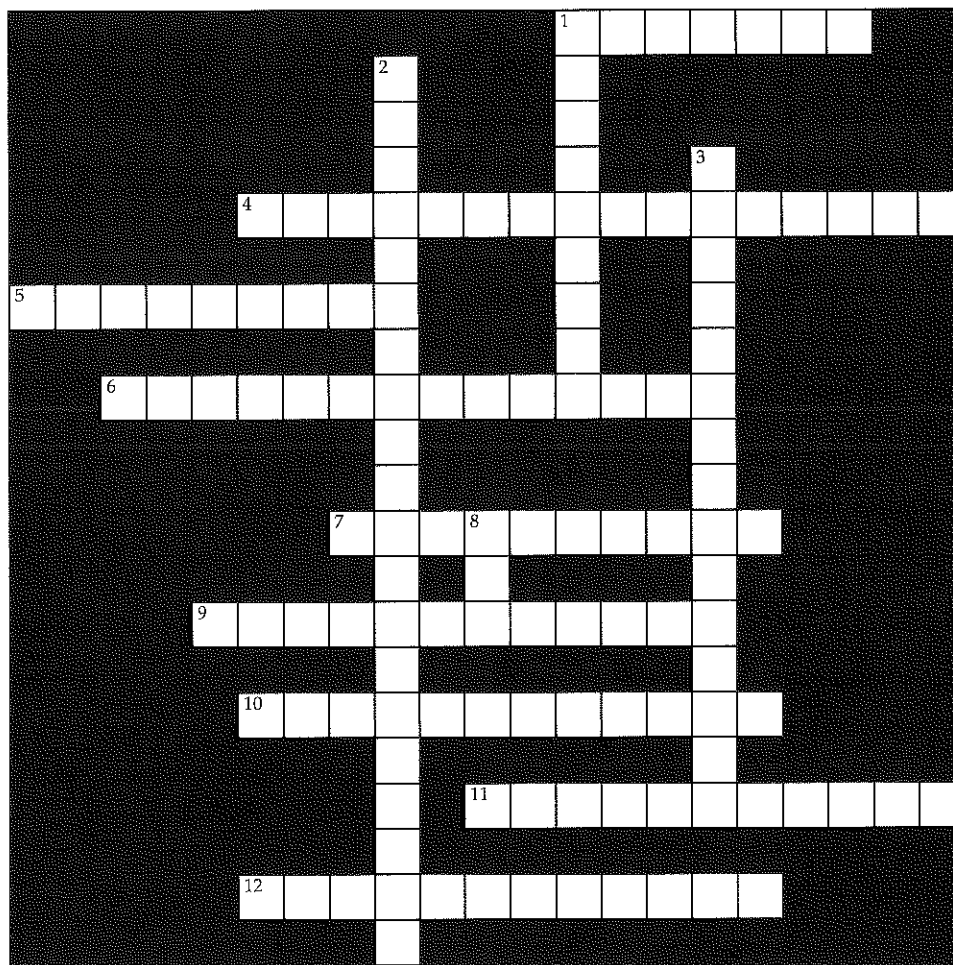
Directions: Place a *T* for True or an *F* for False in the Answers column to show whether each of the following statements is true or false.

- | | Answers |
|--|----------------|
| 1. The accounting concept Consistent Reporting is being applied when a delivery business reports revenue for the number of deliveries made one year and the amount of revenue received for the deliveries made the next year. (p. 158) | 1. _____ |
| 2. A fiscal period must be 12 months in length. (p. 159) | 2. _____ |
| 3. Journals, ledgers, and work sheets are considered permanent records. (p. 159) | 3. _____ |
| 4. The heading on a work sheet contains the name of the business, the name of the report, and the date of the report. (p. 159) | 4. _____ |
| 5. Only accounts with a balance are listed on a trial balance. (p. 160) | 5. _____ |
| 6. The four questions asked when analyzing an adjustment are: Why? Where? When? and How? (p. 164) | 6. _____ |
| 7. The two accounts affected by the adjustment for supplies are Supplies and Supplies Expense. (p. 164) | 7. _____ |
| 8. The two accounts affected by the adjustment for insurance are Prepaid Insurance Expense and Insurance. (p. 165) | 8. _____ |
| 9. The balance in Prepaid Insurance after adjusting entries are recorded represents the amount of insurance premium still remaining. (p. 165) | 9. _____ |
| 10. Totaling and ruling the Adjustments columns of a work sheet are necessary to prove the equality of debits and credits. (p. 166) | 10. _____ |
| 11. The income statement and balance sheet are prepared from the Trial Balance columns on the work sheet. (p. 169) | 11. _____ |
| 12. Net income on a work sheet is calculated by subtracting the Income Statement Debit column total from the Income Statement Credit column total. (p. 171) | 12. _____ |
| 13. If errors are found on a work sheet, they must be erased and corrected before any further work is completed. (p. 173) | 13. _____ |
| 14. When two column totals are not in balance on the work sheet, the difference between the two totals is calculated and checked. (p. 173) | 14. _____ |
| 15. If the difference between the totals of Debit and Credit columns on a work sheet can be evenly divided by 9, then the error is most likely a transposed number. (p. 173) | 15. _____ |
| 16. If there are errors in the work sheet's Trial Balance columns, it might be because a general ledger account balance was recorded in the wrong Trial Balance column. (p. 174) | 16. _____ |
| 17. Most errors occur in doing arithmetic. (p. 174) | 17. _____ |
| 18. The best way to prevent errors is to use a calculator. (p. 174) | 18. _____ |
| 19. Adjusting entries must be posted to the general ledger accounts. (p. 176) | 19. _____ |
| 20. The balance in Supplies Expense after adjusting entries are recorded represents the amount of supplies used during the fiscal period. (p. 176) | 20. _____ |

Part Three—Analyzing Adjustments and Extending Account Balances on a Work Sheet

Directions: For each account listed below, determine in which work sheet column(s) an amount typically will be written. Place a check mark in the proper Answers column to show your answer.

	Adjustments		Income Statement		Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit
	(pp. 164–166)		(p. 170)		(p. 169)	
1. Cash	_____	_____	_____	_____	_____	_____
2. Petty Cash	_____	_____	_____	_____	_____	_____
3. Accounts Receivable—Corner Bakery	_____	_____	_____	_____	_____	_____
4. Supplies	_____	_____	_____	_____	_____	_____
5. Prepaid Insurance	_____	_____	_____	_____	_____	_____
6. Accounts Payable—Suburban Office Supplies	_____	_____	_____	_____	_____	_____
7. K. Strand, Capital	_____	_____	_____	_____	_____	_____
8. K. Strand, Drawing	_____	_____	_____	_____	_____	_____
9. Income Summary	_____	_____	_____	_____	_____	_____
10. Sales	_____	_____	_____	_____	_____	_____
11. Advertising Expense	_____	_____	_____	_____	_____	_____
12. Cash Short and Over (Debit Balance)	_____	_____	_____	_____	_____	_____
13. Insurance Expense	_____	_____	_____	_____	_____	_____
14. Miscellaneous Expense	_____	_____	_____	_____	_____	_____
15. Rent Expense	_____	_____	_____	_____	_____	_____
16. Supplies Expense	_____	_____	_____	_____	_____	_____
17. Utilities Expense	_____	_____	_____	_____	_____	_____



Across

1. The difference between total revenue and total expenses when total expenses are greater.
4. Journal entries recorded to update general ledger accounts at the end of a fiscal period.
5. A columnar accounting form used to summarize the general ledger information needed to prepare financial statements.
6. Cash paid for an expense in one fiscal period that is not used until a later period.
7. A fiscal period consisting of 12 consecutive months.
9. A proof of the equality of debits and credits in a general ledger.
10. A financial statement that reports assets, liabilities, and owner's equity on a specific date.
11. Changes recorded on a work sheet to update general ledger accounts at the end of a fiscal period.
12. The length of time for which a business summarizes its financial information and reports its financial performance.

Down

1. The difference between total revenue and total expenses when total revenue is greater.
2. A trial balance prepared after adjusting entries are posted.
3. A financial statement showing the revenue and expenses for a fiscal period.
8. An accountant who has passed the uniform certified public accounting exam and met the licensing requirement for a state. (Note: Please enter into the puzzle as an acronym.)