

# Study Guide 8

Name	Perfect Score	Your Score
Identifying Accounting Terms	5 Pts.	
Analyzing Accounts Affected by Adjusting and Closing Entries	10 Pts.	
Analyzing Closing Entries	10 Pts.	
Identifying the Accounting Cycle for a Service Business	8 Pts.	
<b>Total</b>	<b>33 Pts.</b>	

## 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. accounting cycle	1. Accounts used to accumulate information from one fiscal period to the next. (p. 214)	1. _____
B. closing entries	2. Accounts used to accumulate information until it is transferred to the owner's capital account. (p. 214)	2. _____
C. permanent accounts	3. Journal entries used to prepare temporary accounts for a new fiscal period. (p. 214)	3. _____
D. post-closing trial balance	4. A trial balance prepared after the closing entries are posted. (p. 227)	4. _____
E. temporary accounts	5. The series of accounting activities included in recording financial information for a fiscal period. (p. 228)	5. _____

## Part Two—Analyzing Accounts Affected by Adjusting and Closing Entries

**Directions:** Use the partial chart of accounts given below. For each closing entry described, decide which accounts are debited and credited. Write the account numbers identifying your choice in the proper Answers column.

<b>Account Titles</b>	<b>Acct. No.</b>
K. Schenk, Capital	310
K. Schenk, Drawing	320
Income Summary	330
Sales	410
Advertising Expense	510
Insurance Expense	520
Supplies Expense	550

<b>Accounts to Be</b>	
<b>Debited</b>	<b>Credited</b>
1-2. Closing entry for Sales. (p. 217)	1. _____ 2. _____
3-4. Closing entry for all expense accounts. (p. 219)	3. _____ 4. _____
5-6. Closing entry for Income Summary with a net income. (p. 220)	5. _____ 6. _____
7-8. Closing entry for Income Summary with a net loss. (p. 220)	7. _____ 8. _____
9-10. Closing entry for owner's drawing account. (p. 221)	9. _____ 10. _____

**Part Three—Analyzing Closing Entries**

**Directions:** For each of the following items, select the choice that best completes the statement. Print the letter identifying your choice in the Answers column.

**Answers**

1. Which accounting concept applies when a work sheet is prepared at the end of each fiscal cycle to summarize the general ledger information needed to prepare financial statements? (A) Business Entity (B) Accounting Period Cycle (C) Going Concern (D) Full Disclosure. (p. 214) 1. \_\_\_\_\_
2. The ending account balances of permanent accounts for one fiscal period are (A) the same as the prior period's ending balance (B) equal to the capital account balance (C) all equal to zero (D) the beginning account balances for the next fiscal period. (p. 214) 2. \_\_\_\_\_
3. Which of the following accounts is a temporary account? (A) Cash (B) Accounts Payable (C) Clyde Sullivan, Capital (D) Rent Expense. (p. 214) 3. \_\_\_\_\_
4. Which accounting concept applies when expenses are reported in the same fiscal period that they are used to produce revenue? (A) Business Entity (B) Going Concern (C) Matching Expenses with Revenue (D) Full Disclosure. (p. 214) 4. \_\_\_\_\_
5. When revenue is greater than total expenses, resulting in a net income, the Income Summary account has a (A) debit balance (B) credit balance (C) normal debit balance (D) normal credit balance. (p. 216) 5. \_\_\_\_\_
6. Information needed for recording the closing entries is obtained from the (A) general ledger accounts' Debit Balance columns (B) work sheet's Income Statement and Balance Sheet columns (C) balance sheet (D) income statement. (p. 216) 6. \_\_\_\_\_
7. Income Summary is (A) an asset account (B) a liability account (C) a temporary account (D) a permanent account. (p. 216) 7. \_\_\_\_\_
8. After the closing entries are posted, the Sales account balance should be (A) equal to the Sales account balance on the unadjusted trial balance (B) equal to the Sales account balance on the adjusted trial balance (C) zero (D) the same as the beginning balance for that same fiscal period. (p. 218) 8. \_\_\_\_\_
9. After the closing entries are posted, the owner's capital account balances should be the same as shown (A) on the balance sheet for the fiscal period (B) in the work sheet's Balance Sheet Debit column (C) in the work sheet's Balance Sheet Credit column (D) in the work sheet's Income Statement Debit column. (p. 221) 9. \_\_\_\_\_
10. The accounts listed on a post-closing trial balance are (A) general ledger accounts with balances after the closing entries are posted (B) all general ledger accounts (C) those that have no balances after adjusting and closing entries (D) those that appear in the work sheet's Trial Balance columns. (p. 227) 10. \_\_\_\_\_

## ***Part Four—Identifying the Accounting Cycle for a Service Business***

**Directions:** Arrange the series of accounting activities listed below for the accounting cycle for a service business. Indicate the sequence of the steps by writing a number from 1 to 8 to the left of each activity. (p. 228)

### **Answers**

1. \_\_\_\_\_ A work sheet, including a trial balance, is prepared from the general ledger.
2. \_\_\_\_\_ Transactions, from information on source documents, are recorded in a journal.
3. \_\_\_\_\_ Source documents are checked for accuracy, and transactions are analyzed into debit and credit parts.
4. \_\_\_\_\_ Adjusting entries are journalized and posted to the general ledger.
5. \_\_\_\_\_ Financial statements are prepared from the work sheet.
6. \_\_\_\_\_ Closing entries are journalized and posted to the general ledger.
7. \_\_\_\_\_ A post-closing trial balance of the general ledger is prepared.
8. \_\_\_\_\_ Journal entries are posted to the general ledger.