

Accounting Principles – Dr. Mishari Alfraih

Exercises

1. The owner of ABC Co., had the following transactions occur during the month of May 2018:

Date	Transaction
May 2	The owner begins business with a cash investment of \$222,000.
May 6	Buys an office building for \$120,000 cash.
May 10	Hires new employees
May 14	Performs services for Simon Co. worth \$10,000 but is not paid by Simon Co. at this time.
May 17	Purchases supplies for \$500 on credit.
May 20	Receives a \$10,000 check from Simon Co.
May 28	Pays employees salaries of \$2000 cash

Instructions

Prepare the general journal entries for each of these transactions.

General Journal			
Date	Account Title	Debit	Credit
May 2			
May 6			
May 10			

Accounting Principles – Dr. Mishari Alfraih

May 14			
May 17			
May 20			
May 28			

2. The left side of an account is called:

- a. Debit.
- b. Journal.
- c. Credit.
- d. Asset.

3. Credits are used to record increases in:

- a. Assets, revenues, liabilities, and owner's capital.
- b. Expenses, liabilities, and owner's capital.
- c. Revenues, owner's drawings, and assets.
- d. Revenues, liabilities, and owner's capital.

4. Which of the following accounts is increased by credits?

- a. Cash.
- b. Supplies.
- c. Prepaid Rent.
- d. Accounts Payable.

5. The payment of rent is recorded in the accounts by a debit to:

- a. Rent Expense and a credit to Cash.
- b. Rent Expense and a credit to Owner's Capital.
- c. Cash and a credit to Accounts Payable.
- d. Cash and a credit to Rent Expense.

6. A trial balance that is in balance proves that:

- a. All entries have been entered in the journal correctly.
- b. Total debits equal total credits in the ledger accounts.
- c. All entries have been posted from the journal to the ledger correctly.
- d. No significant errors exist in the ledger accounts.

7. Of the following account types, which would be increased by a debit?

- a. Liabilities and expenses
- b. Assets and equity
- c. Assets and Expenses
- d. Equity and revenues

8. The company received \$500 cash as service revenue. The journal entry to record this transaction is:

a.	Cash	500	
	Accounts Receivable		500
b.	Accounts Receivable	500	
	Capital Stock		500
c.	Accounts Receivable	500	
	Service Revenue		500
d.	Cash	500	
	Service Revenue		500

Accounting Principles – Dr. Mishari Alfraih

- 9. The owner invested land valued at \$5,000 in her business. This transaction would be recorded by:**

a.	Cash	5,000	
	Capital Stock		5,000
b.	Land	5,000	
	Capital Stock		5,000
c.	Land	5,000	
	Service Revenue		5,000
d.	Capital Stock	5,000	
	Land		5,000

- 10. The owner started his business with the following:**

\$10,000 Cash	\$5,000 Inventory	\$20,000 Equipment
\$5,000 Loans	\$5,000 Account Payable	\$15,000 Bank

Which of these accounts will be debit?

- a. Account payable, cash, inventory, bank
 - b. Cash, inventory, equipment, bank
 - c. Account payable, loans, inventory
 - d. Loans, account payable
- 11. Based on Question 10, which of these accounts will be credit?**
- a. Account payable, cash, inventory, bank
 - b. Cash, inventory, equipment, bank
 - c. Account payable, loans, inventory
 - d. Loans, account payable
- 12. The company purchased equipment for \$5000 by signing note payable. The journal entry to record this transaction is:**

Accounting Principles – Dr. Mishari Alfraih

a. Equipment	5,000	
Account receivable		5,000
b. Equipment	5,000	
Notes Payable		5,000
c. Equipment	5,000	
Cash		5,000
d. Notes Payable	5,000	
Equipment		5,000

13. The company paid rent of \$3000 in cash. The journal entry will be:

a. Cash	3,000	
Rent Expense		3,000
b. Rent Expense	3,000	
Account receivable		3,000
c. Rent Expense	3,000	
Account Payable		3,000
d. Rent Expense	3,000	
Cash		3,000

14. The owner withdraws \$1000 cash. The journal entry will be::

a. Drawing	1,000	
Capital		1,000
b. Cash	1,000	
Drawing		1,000
c. Drawing	1,000	
Cash		1,000
d. Capital	1,000	
Cash		1,000

15. The owner invested additional \$5000 cash and \$10,000 land. The journal entry will be:

Accounting Principles – Dr. Mishari Alfraih

a. Cash		5,000	
Capital		5,000	
	Land		10,000
b. Land		10,000	
	Cash		5,000
	Capital		5,000
c. Cash		5,000	
Land		10,000	
	Capital		15,000
d. Capital		15,000	
	Cash		5,000
	Land		10,000

16. The company received \$2000 in cash for providing a service to customers. The journal entry will be:

a. Service revenue		2,000	
Cash			2,000
b. Account payable		2,000	
Service revenue			2,000
c. Account Receivable		2,000	
Service revenue			2,000
d. Cash		2,000	
Service revenue			2,000

17. Based on Question 10 to Question 16, what is the balance of cash account?

- a. \$11,000
- b. \$12,000
- c. \$13,000
- d. \$14000

18. The company purchased land for \$15,000 cash. The debit side will be:

- a. Building
- b. Bank
- c. Cash
- d. Land

Accounting Principles – Dr. Mishari Alfraih

19. For each of the following account indicate the normal balance of the account:

Account	Normal Balance
Assets	
Liabilities	
Revenues	
Expenses	

20. For each account indicate (a) whether it is an asset, liability, or owner's equity item, and (b) its normal balance. Use the following format for your answer. The account, Cash, is given as an example.

Account	(a) Type of Account	(b) Normal Balance
Cash		
Equipment		
Salaries Payable		
Account Payable		
Account Receivable		
Supplies		
Capital		
Loans		

Accounting Principles – Dr. Mishari Alfraih

21. The ledger for the Media Advertising Agency at December 31, 2009 contains the data listed below.

Accounts Receivable	\$ 9,500
Accounts Payable	7,500
Capital	10,500
Drawing	500
Cash	10640
Advertising Revenue	7,000
Supplies	600
Rent Expense	900
Salaries Expense	4,060
Notes payable	1,200

Instructions: Prepare a trial balance at December 31, 2018

Trail Balance December 31, 2018		
Account Title	Debit	Credit
Total		

Accounting Principles – Dr. Mishari Alfraih

22. The owner of Car Repair Shop had the following transactions occur during the month of August 2018:

Date	Transaction
August 1	The owner began the business with a cash investment of \$5,000
August 3	Rent a shop
August 8	Paid the shop rent of \$800 cash.
August 15	Purchased supplies of \$3,000 cash.
August 18	Repaired a car for a customer. The customer paid cash of \$1,300 for services rendered
August 21	Repaired a car for a customer on account for \$500
August 23	purchased supplies for \$900 by paying cash of \$200 and charging the rest on account
August 30	Paid \$200 cash for cleaning services

Instructions: Prepare (a) journal entries for the transactions, (b) T-accounts, and (c) a trial balance.