

Introduction to Accounting Review Questions

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In questions 1-4 circle the letter of the correct answer.

1. Which of the following lists shows the correct order of the accounting cycle?
 - a) Post to journals → post to ledgers → obtain source documents → extract TB
 - b) Extract TB → obtain source documents → post to ledgers → post to journals
 - c) Obtain source documents → post to journals → post to ledgers → extract TB
 - d) Post to ledgers → obtain source documents → extract TB → post to ledgers
2. Which of the following is INCORRECT?
 - a) $\text{Assets} = \text{Capital} + \text{Liabilities}$
 - b) $\text{Capital} = \text{Assets} - \text{Liabilities}$
 - c) $\text{Capital} = \text{Assets} + \text{Liabilities}$
 - d) $\text{Liabilities} = \text{Assets} - \text{Capital}$
3. Assets will include:
 - a) Expenses owing
 - b) Bank overdraft
 - c) Accounts payable (creditors)
 - d) Equipment
4. Assets and capital both increase when:
 - a) A debtors is paid by cheque
 - b) The owner brings a new motor van
 - c) Goods are returned to the creditor
 - d) The owner withdraws cash for his personal use
5. Classify the following items as either assets (A) or liabilities (L).

A	Land	A
B	Loan from T. Percy	
C	Motor vehicles	
D	Interest on loan not paid	
E	Debtors	
F	Cash at bank	

6. Calculate the missing figures from the table.

Assets \$	Liabilities \$	Capital \$	Equation used
4,000	3,000	1,000	$A = L + C$
3,300		1,300	$L = A - C$
10,500		6,700	
	8,600	3,200	
	6,450	7,330	
18,620	13,440		
25,800	20,700		
132,500		102,000	
	25,330	52,700	

7. T. Venom is starting a new business. Before he begins trading, he buys premises for \$15,000, a motor vehicle at \$7,400 and goods costing \$4,200. He owes \$1,000 for some of the goods and has taken a loan of \$3,500 from FBY Bank. He deposited \$1,400 into the business bank account and has \$700 cash in hand. Calculate his capital.

8. Given the information below, calculate the owner's equity.

	\$	
Fixtures and fittings	12,000	
Bank overdraft	2,000	
Inventory	7,950	
Cash (in hand)	1,380	
Machinery	8,400	
Accounts receivables (Debtors)	3,625	
Accounts payables (Creditors)	2,490	
Motor vehicles	8,500	
Loan	7,000	