

# CHAPTER 7

## ACCOUNTING INFORMATION SYSTEMS

### SUMMARY OF QUESTIONS BY LEARNING OBJECTIVES AND BLOOM'S TAXONOMY

Item	LO	BT	Item	LO	BT	Item	LO	BT	Item	LO	BT	Item	LO	BT
<b>True-False Statements</b>														
1.	1	K	8.	2	C	15.	3	K	22.	3	C	<sup>sg</sup> 29.	3	K
2.	1	C	9.	2	K	16.	3	K	23.	3	K	<sup>sg</sup> 30.	3	K
3.	1	K	10.	2	C	17.	3	C	24.	3	K	<sup>sg</sup> 31.	3	K
4.	1	K	11.	2	K	18.	3	K	25.	3	K			
5.	2	K	12.	2	C	19.	3	K	<sup>sg</sup> 26.	1	K			
6.	2	K	13.	3	K	20.	3	K	<sup>sg</sup> 27.	1	K			
7.	2	K	14.	3	K	21.	3	K	<sup>sg</sup> 28.	2	K			
<b>Multiple Choice Questions</b>														
32.	1	K	49.	2	K	66.	3	C	83.	3	K	<sup>st</sup> 100.	1	K
33.	1	K	50.	3	K	67.	3	K	84.	3	K	<sup>sg</sup> 101.	1	C
34.	1	K	51.	3	K	68.	3	K	85.	3	K	<sup>st</sup> 102.	2	K
35.	1	C	52.	3	K	69.	3	K	86.	3	K	<sup>sg</sup> 103.	2	K
36.	1	K	53.	3	K	70.	3	C	87.	3	K	<sup>st</sup> 104.	3	C
37.	1	C	54.	3	K	71.	3	C	88.	3	C	<sup>sg</sup> 105.	3	K
38.	1	K	55.	3	K	72.	3	C	89.	3	K	<sup>sg</sup> 106.	3	K
39.	1	C	56.	3	C	73.	3	K	90.	3	C	<sup>st</sup> 107.	3	K
40.	1	C	57.	3	K	74.	3	K	91.	3	K	<sup>sg</sup> 108.	3	K
41.	2	K	58.	3	K	75.	3	C	92.	3	K	<sup>sg</sup> 109.	3	K
42.	2	K	59.	3	K	76.	3	C	93.	3	K	110.	4	K
43.	2	K	60.	3	C	77.	3	K	94.	3	K	111.	4	K
44.	2	K	61.	3	K	78.	3	K	95.	3	C	112.	4	K
45.	2	K	62.	3	K	79.	3	K	96.	3	K	113.	4	K
46.	2	C	63.	3	K	80.	3	K	97.	3	C	114.	4	K
47.	2	K	64.	3	K	81.	3	C	98.	3	K			
48.	2	K	65.	3	K	82.	3	K	99.	3	K			
<b>Brief Exercises</b>														
115.	1	C	117.	3	C	119.	3	K						
116.	2	K	118.	3	C	120.	3	C						
<b>Exercises</b>														
121.	2	AN	125.	3	AP	129.	3	C	133.	3	AP	137.	3	C
122.	2	AP	126.	3	AP	130.	3	C	134.	3	AP	138.	3	AN
123.	2	AP	127.	3	AP	131.	3	C	135.	3	AP			
124.	2	AP	128.	3	AN	132.	3	AN	136.	3	C			

<sup>sg</sup> This question also appears in the Study Guide.

<sup>st</sup> This question also appears in a self-test at the student companion website.

<sup>a</sup> This question covers a topic in an appendix to the chapter.

**SUMMARY OF QUESTIONS BY LEARNING OBJECTIVES AND BLOOM'S TAXONOMY**

Completion Statements											
139.	1	K	141.	3	K	143.	3	K	145.	3	K
140.	2	K	142.	3	K	144.	3	K	146.	3	K
Matching Statements											
147.	1	K									
Short-Answer Essay											
148.	1	K	150.	2	K	152.	1	C			
149.	2	K	151.	3	K	153.	1	K			

<sup>sg</sup> This question also appears in the Study Guide.

<sup>st</sup> This question also appears in a self-test at the student companion website.

<sup>a</sup> This question covers a topic in an appendix to the chapter.

**SUMMARY OF LEARNING OBJECTIVES BY QUESTION TYPE**

Item	Type	Item	Type	Item	Type	Item	Type	Item	Type	Item	Type	Item	Type
Learning Objective 1													
1.	TF	26.	TF	34.	MC	38.	MC	101.	MC	148.	SA		
2.	TF	27.	TF	35.	MC	39.	MC	115.	BE	152.	SA		
3.	TF	32.	MC	36.	MC	40.	MC	139.	C	153.	SA		
4.	TF	33.	MC	37.	MC	100.	MC	147.	MA				
Learning Objective 2													
5.	TF	10.	TF	42.	MC	47.	MC	116.	BE	140.	C		
6.	TF	11.	TF	43.	MC	48.	MC	121.	Ex	149.	SA		
7.	TF	12.	TF	44.	MC	49.	MC	122.	Ex	150.	SA		
8.	TF	28.	TF	45.	MC	102.	MC	123.	Ex				
9.	TF	41.	MC	46.	MC	103.	MC	124.	Ex				
Learning Objective 3													
13.	TF	50.	MC	66.	MC	82.	MC	98.	MC	130.	Ex		
14.	TF	51.	MC	67.	MC	83.	MC	99.	MC	131.	Ex		
15.	TF	52.	MC	68.	MC	84.	MC	104.	MC	132.	Ex		
16.	TF	53.	MC	69.	MC	85.	MC	105.	MC	133.	Ex		
17.	TF	54.	MC	70.	MC	86.	MC	106.	MC	135.	Ex		
18.	TF	55.	MC	71.	MC	87.	MC	107.	MC	136.	C		
19.	TF	56.	MC	72.	MC	88.	MC	108.	MC	137.	C		
20.	TF	57.	MC	73.	MC	89.	MC	109.	MC	138.	C		
21.	TF	58.	MC	74.	MC	90.	MC	117.	BE	141.	C		
22.	TF	59.	MC	75.	MC	91.	MC	118.	BE	142.	C		
23.	TF	60.	MC	76.	MC	92.	MC	119.	BE	143.	C		
24.	TF	61.	MC	77.	MC	93.	MC	120.	BE	144.	C		
25.	TF	62.	MC	78.	MC	94.	MC	126.	Ex	145.	C		
29.	TF	63.	MC	79.	MC	95.	MC	127.	Ex	146.	C		
30.	TF	64.	MC	80.	MC	96.	MC	128.	Ex	151.	SA		
31.	TF	65.	MC	81.	MC	97.	MC	129.	Ex				
Learning Objective 4													
110.	MC	111.	MC	112.	MC	113.	MC	114.	MC				

Note: TF = True-False

MC = Multiple Choice

BE = Brief Exercise

Ex = Exercise

C = Completion

MA = Matching

**FOR INSTRUCTOR USE ONLY**

SA = Short-Answer Essay

## CHAPTER LEARNING OBJECTIVES

1. **Identify the basic concepts of an accounting information system.** The basic principles in developing an accounting information system are cost effectiveness, useful output, and flexibility. Most companies use a computerized accounting system. Smaller companies use entry-level software such as QuickBooks or Sage 50. Larger companies use custom-made software packages, which often integrate all aspects of the organization.
2. **Describe the nature and purpose of a subsidiary ledger.** A subsidiary ledger is a group of accounts with a common characteristic. It facilitates the recording process by freeing the general ledger from details of individual balances.
3. **Explain how companies use special journals in journalizing.** Companies use special journals to group similar types of transactions. In a special journal, generally only one line is used to record a complete transaction.

## TRUE-FALSE STATEMENTS

1. An accounting information system should be cost effective; that is, the benefits of the information must outweigh the cost of providing it.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: Project Management, IMA: Business Applications

2. An accounting system has flexibility if it is able to be used by many different companies at the same time.

Ans: F, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: None, IMA: Business Applications

3. General ledger accounting systems are software programs that integrate the various accounting functions related to sales, purchases, cash receipts and disbursements, and payroll.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: None, IMA: Business Applications

4. Enterprise resource planning systems integrate all aspects of the organization, including accounting, sales, human resource management, and manufacturing.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: None, IMA: Business Applications

5. A subsidiary ledger is a group of control accounts which provides information to the managers for controlling the operation of the company.

Ans: F, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: None, IMA: Business Applications

6. An accounts receivable subsidiary ledger has all the detailed information about the cash sales to individual customers.

Ans: F, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: None, IMA: Business Applications

7. The accounts payable subsidiary ledger provides detailed information about amounts owed to creditors.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: None, IMA: Business Applications

**FOR INSTRUCTOR USE ONLY**

## 7 - 4 Test Bank for Accounting Principles, Eleventh Edition

---

8. The total of the individual account balances in the accounts receivable subsidiary ledger should agree with the total of the individual account balances in the accounts payable subsidiary ledger.

Ans: F, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

9. Control accounts are always located in the general ledger.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

10. A control account and subsidiary ledger can be established for inventory.

Ans: T, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

11. A subsidiary ledger provides up-to-date information on specific account balances.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

12. An advantage of using a subsidiary ledger is that one employee must post to both the subsidiary ledger and the general ledger.

Ans: F, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Applications

13. Special journals are used to record unique transactions which do not occur very often.

Ans: F, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

14. A cash receipts journal can be used to record all transactions involving cash coming into the business, regardless of the source.

Ans: T, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

15. The cash payments journal only has one column because all entries recorded in this journal require a credit to the Cash account.

Ans: F, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

16. A cash payments journal should **not** be used to record transactions which require payment by check.

Ans: F, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

17. If a transaction cannot be recorded in a special journal, it indicates that the company should adopt an electronic accounting system.

Ans: F, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

18. A debit column for Sales Returns and Allowances may be found in the cash payments journal.

Ans: T, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

19. A one-column purchases journal is used to record purchases of merchandise on account.

Ans: T, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

20. Using special journals can save time in posting because column totals are often posted rather than individual entries.

Ans: T, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

21. The reference column in a sales journal is used to indicate the general ledger account number when the entry is posted.

Ans: F, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

22. Postings are generally made more frequently to the general ledger control accounts than to the individual accounts in the subsidiary ledgers.

Ans: F, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

23. The amounts appearing in the Inventory column of the cash payments journal are posted individually to the accounts in the accounts payable subsidiary ledger.

Ans: F, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

24. Transaction amounts recorded in the general journal are never posted to accounts in the subsidiary ledger.

Ans: F, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

25. When control and subsidiary accounts are involved, there must be a dual posting.

Ans: T, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

26. An accounting information system involves data collection, data processing, and information dissemination.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

27. The basic principles of an accounting information system are cost awareness, usefulness, and fixed structure.

Ans: F, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: Project Management, IMA: Business Applications

28. Each general ledger control account balance must equal the composite balance of the individual accounts in the related subsidiary ledger at the end of an accounting period.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

29. When special journals are employed, all postings must be monthly or daily but cannot be both.

Ans: F, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

30. Totaling the columns of a journal and proving the equality of the totals is called footing and cross-footing a journal.

Ans: T, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

## 7 - 6 Test Bank for Accounting Principles, Eleventh Edition

31. Only transactions that cannot be entered in a special journal are recorded in the general journal.

Ans: T, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

### Answers to True-False Statements

Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.
1.	T	6.	F	11.	T	16.	F	21.	F	26.	T	31.	T
2.	F	7.	T	12.	F	17.	F	22.	F	27.	F		
3.	T	8.	F	13.	F	18.	T	23.	F	28.	T		
4.	T	9.	T	14.	T	19.	T	24.	F	29.	F		
5.	F	10.	T	15.	F	20.	T	25.	T	30.	T		

### MULTIPLE CHOICE QUESTIONS

32. The principle of an efficient accounting system that states that an accounting system should accommodate a variety of users is
- cost effectiveness.
  - flexibility.
  - useful output.
  - implementation.

Ans: B, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: Business Applications

33. Which of the following is **not** a basic principle of designing and developing an effective accounting information system?
- Approval by the SEC
  - Usefulness
  - Flexibility
  - Cost effectiveness

Ans: A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: Business Applications

34. A company will usually replace a manual accounting information system with an electronic system as the operations increase in
- efficiency.
  - complexity.
  - simplicity.
  - productivity.

Ans: B, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Decision Modeling, AICPA PC: Project Management, IMA: Business Applications

35. In developing an accounting system, cost effectiveness does **not** imply that
- the benefits obtained from the system outweigh the costs.
  - an electronic system must be cheaper than the system it is replacing.
  - the system should be cost effective.
  - the value of an accounting report should be at least equal to the cost of producing it.

Ans: B, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Decision Modeling, AICPA PC: Project Management, IMA: Business Applications

36. To be useful, the information outputs of a system should be
- relevant, reliable, timely, and accurate.
  - reliable, flexible, understandable and timeless.
  - such that one report meets all different users needs.
  - distributed only to management personnel.

Ans: A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Decision Modeling, AICPA PC: Project Management, IMA: Business Applications

37. The accounting environment does **not** change as a result of
- technological advances.
  - government regulation.
  - the double entry system.
  - organizational growth.

Ans: C, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Decision Modeling, AICPA PC: Project Management, IMA: Business Applications

38. The principles of developing an accounting information system do **not** include
- usefulness.
  - flexibility.
  - cost effectiveness.
  - elimination of human involvement.

Ans: D, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Decision Modeling, AICPA PC: Project Management, IMA: Business Applications

39. A student should recognize a need to study manual accounting systems because
- the structure of electronic systems differs greatly from manual systems.
  - all small companies only use manual accounting systems.
  - the software and hardware of electronic systems vary greatly, which makes manual procedures more practical to study.
  - companies that use manual systems hire more accountants.

Ans: C, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Decision Modeling, AICPA PC: Project Management, IMA: Business Applications

40. Which of the following is a true statement about manual and electronic accounting systems?
- Few small companies begin with manual systems.
  - The design and structure of manual and electronic systems are essentially the same.
  - Many companies convert from electronic to manual systems.
  - The design and structure of manual and electronic systems are fundamentally different.

Ans: B, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: Project Management, IMA: Business Applications

41. Postings to the control accounts in the general ledger are made
- annually.
  - daily.
  - monthly.
  - weekly.

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: Project Management, IMA: Business Applications

## 7 - 8 Test Bank for Accounting Principles, Eleventh Edition

---

42. The balance of a control account in the general ledger
- must always be zero.
  - must equal the amount of total assets.
  - is always greater than the composite balance of individual accounts in a related subsidiary ledger.
  - must equal the composite balance of individual accounts in a related subsidiary ledger.

Ans: D, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

43. A subsidiary ledger is
- used in place of the general ledger if the general ledger is destroyed or stolen.
  - a group of accounts used by branches and subsidiaries of a corporate business.
  - a group of accounts with a common characteristic that provides detailed information about a control account in the general ledger.
  - used to post excess transactions if a general ledger account becomes full during an accounting period.

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: Project Management, IMA: Business Applications

44. Postings are made daily to the
- Accounts Receivable control account.
  - Accounts Payable control account.
  - Accounts Receivable subsidiary ledger.
  - control accounts in the general ledger.

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

45. A subsidiary ledger frees the general ledger from details of
- individual balances.
  - external transactions.
  - internal transactions.
  - the control account.

Ans: A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: Project Management, IMA: Business Applications

46. A company would **not** likely use subsidiary ledgers for
- inventory.
  - owner's capital.
  - equipment.
  - accounts receivable.

Ans: B, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: Project Management, IMA: Business Applications

47. Postings are made daily to subsidiary ledgers so that
- employees are kept busy.
  - debits equal credits.
  - individual account information is kept current.
  - the control account will balance to the subsidiary ledger.

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: Project Management, IMA: Business Applications



48. Accounts Receivable and Accounts Payable are examples of
- nominal accounts.
  - controlling accounts.
  - subsidiary ledger accounts.
  - both nominal accounts and controlling accounts.

Ans: B, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

49. The composite balance of individual accounts in the accounts payable subsidiary ledger must
- equal the composite balance of the individual accounts in the accounts receivable subsidiary ledger.
  - always be zero.
  - equal the balance of the accounts payable account in the general ledger.
  - agree with the total of the Accounts payable column in the cash receipt journal.

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

50. The one characteristic that all entries recorded in a cash payments journal have in common is
- that they all represent purchases of merchandise.
  - a credit to the cash account.
  - that they are all posted to the accounts payable subsidiary ledger.
  - a debit to the accounts payable or purchases accounts.

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

51. In which journal would a customer's partial payment on account be recorded?
- Sales journal
  - Cash receipts journal
  - General journal
  - Cash payments journal

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

52. In which journal would a cash purchase of inventory be recorded?
- Purchases journal
  - General journal
  - Cash payments journal
  - None of these answer choices are correct.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

53. The individual amounts in the sales journal are posted to the accounts receivable subsidiary ledger
- daily.
  - weekly.
  - monthly.
  - yearly.

Ans: A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

## 7 - 10 Test Bank for Accounting Principles, Eleventh Edition

---

54. A sales journal is used to record
- only cash sales of merchandise.
  - sales of all assets on credit and for cash.
  - only credit sales of merchandise.
  - credit sales of merchandise, sales returns and allowances, and sales discounts.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

55. If a transaction cannot be recorded in a special journal
- the company must refuse to enter into the transaction.
  - it is recorded in the general journal.
  - it is recorded directly in the accounts in the general ledger.
  - it is recorded as an adjustment on the work sheet.

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

56. The one characteristic that all entries recorded in a cash receipts journal have in common is
- a credit to the Cash account.
  - that they all represent collections from customers.
  - that they originate from the sales of merchandise.
  - a debit to the Cash account.

Ans: D, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

57. A one column purchases journal indicates that
- only purchases of merchandise on account can be recorded.
  - all purchases of merchandise can be recorded.
  - all acquisitions on account can be recorded.
  - another column must be added so that debits and credits can be recorded.

Ans: A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

58. The one characteristic that all entries recorded in a multi-column purchases journal have in common is a
- credit to the Cash account.
  - debit to the Cash account.
  - debit to the Accounts Payable account.
  - credit to the Accounts Payable account.

Ans: D, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

59. A company which uses special journals should record a transaction involving the purchase of merchandise for cash in a
- one column purchases journal.
  - multi-column purchases journal.
  - cash payments journal.
  - general journal.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

60. If merchandise from a cash sale is returned by a customer for a refund, the sales return is recorded in the
- general journal.
  - cash receipts journal.
  - cash payments journal.
  - sales journal.

Ans: C, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

61. Which of the following is **not** a special journal?
- Sales journal
  - Purchases journal
  - General journal
  - Cash receipts journal

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

62. Correcting entries are journalized in
- a special journal.
  - the general journal.
  - the general ledger.
  - a correcting journal.

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

63. Adjusting entries are recorded
- only on the worksheet.
  - only in the general ledger.
  - in the general journal.
  - in the special journals.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

64. All of the column totals in the cash receipts journal are posted to general ledger accounts **except** the
- Accounts Receivable column total.
  - Cash column total.
  - Sales column total.
  - Other Accounts column total.

Ans: D, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

65. If a transaction cannot be recorded in a special journal, it is
- not recorded.
  - a correcting entry.
  - recorded in the general journal.
  - an error.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

## 7 - 12 Test Bank for Accounting Principles, Eleventh Edition

---

66. A company uses a sales journal, cash receipts journal, purchases journal, cash payments journal, and a general journal. A cash sales return would be recorded in the
- sales journal.
  - cash receipts journal.
  - cash payments journal.
  - general journal.

Ans: C, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

67. The entries in a sales journal will show
- all sales of merchandise.
  - the cash sales of the company.
  - the credit sales of merchandise.
  - all sales of the company.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

68. Entries in a sales journal
- are made from sales invoices.
  - will indicate the invoice number in the reference column of the sales journal.
  - will occupy two lines of the sales journal.
  - indicate either a cash debit or accounts receivable debit.

Ans: A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

69. Journalizing in a sales journal will not
- require a debit to Accounts Receivable.
  - show a sales invoice number.
  - affect the reference column of the journal.
  - include a credit to the Sales Revenue account.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

70. If an owner withdraws cash for personal use, the transaction should be recorded in the
- sales journal.
  - cash receipts journal.
  - general journal.
  - cash payments journal.

Ans: D, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

71. If a company purchases merchandise for cash, the transaction should be recorded in the
- purchases journal.
  - general journal.
  - cash payments journal.
  - sales journal.

Ans: C, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

72. Cash from sales of merchandise will be recorded in the
- purchases journal.
  - sales journal.
  - cash receipts journal.
  - general journal.

Ans: C, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

73. Postings from the purchases journal to the general ledger are made
- daily.
  - monthly.
  - weekly.
  - yearly.

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

74. The individual amounts in the Accounts Payable column in the cash payments journal are posted to the subsidiary ledger
- daily.
  - monthly.
  - weekly.
  - yearly.

Ans: A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

75. Debit postings to the individual accounts in an accounts receivable subsidiary ledger generally come from the
- sales journal.
  - cash receipts journal.
  - purchases journal.
  - cash payments journal.

Ans: A, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

76. Entries in a sales journal are
- posted only to accounts in an accounts receivable subsidiary ledger.
  - posted only to accounts in the general ledger.
  - posted to accounts in an accounts receivable subsidiary ledger and to accounts in the general ledger.
  - never posted.

Ans: C, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

77. Which one of the following columns in a cash receipts journal is **not** posted in total to an account in the general ledger?
- Cash column
  - Sales Discounts column
  - Accounts Receivable column
  - Other Accounts column

Ans: D, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

## 7 - 14 Test Bank for Accounting Principles, Eleventh Edition

---

78. The use of special journals to record transactions
- eliminates the need for a general ledger.
  - can save time in the posting process.
  - eliminates the need for a general journal.
  - should only be used if the volume of transactions is small.

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

79. Posting a sales journal to the accounts in the general ledger requires a
- debit to Cash and a credit to Sales Revenue.
  - debit to Sales Revenue and a credit to Inventory.
  - debit to Accounts Receivable and a credit to Inventory.
  - debit to Accounts Receivable and a credit to Sales Revenue.

Ans: D, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: None, IMA: Business Applications

80. The entries recorded in the Other Accounts column of a cash payments journal
- are posted to the accounts payable subsidiary ledger daily.
  - are posted individually to accounts in the general ledger.
  - are not posted individually but are posted as a column total to the general ledger.
  - do not require posting.

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

81. The entry to record the granting of credit to a customer for a sales return is posted to
- the accounts receivable subsidiary ledger only.
  - the general ledger only.
  - both the accounts receivable subsidiary ledger and the general ledger.
  - both the accounts payable subsidiary ledger and the general ledger.

Ans: C, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Applications

82. Proving the equality of the totals in the columns of multiple-column special journals is called
- posting to the subsidiary.
  - debiting and crediting.
  - footing and crossfooting.
  - updating the master file.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

83. If a company records merchandise it returns to suppliers in the general journal, then
- a posting must be made only to the accounts payable control account.
  - a posting must be made only to the accounts payable subsidiary ledger account.
  - a dual posting must be made.
  - there will be a debit to Inventory.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

84. Richmond's Wholesale uses a sales journal. An entry in this journal represents a
- debit to Cash; credit to Sales Revenue.
  - debit to Accounts Receivable; credit to Sales Revenue.
  - debit to Sales Discounts; credit to Cash.
  - debit to Accounts Payable; credit to Sales Returns and Allowances.

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

85. Which accounts in the general ledger are affected when the monthly posting is made from the sales journal?
- Accounts Receivable; accounts receivable subsidiary accounts
  - Accounts receivable subsidiary accounts; Sales Revenue
  - Accounts Receivable; Sales Revenue
  - Accounts Receivable; Purchases

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

86. Which of the following is **not** a true statement about the daily posting of the sales journal?
- There is a debit posting to accounts in the accounts receivable subsidiary ledger.
  - There is no credit posting.
  - The reference column in the sales journal is checked when the posting is complete for each entry in the journal.
  - The invoice number supporting the sales transaction is posted to the reference column in the subsidiary ledger.

Ans: D, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

87. Evidence that the monthly posting of the sales journal total has been accomplished is indicated by
- a signature of the accountant doing the posting.
  - a date under the double-line total.
  - the general ledger account numbers under the double-lined total.
  - inspecting the postings in the accounts payable subsidiary ledger.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Internal Controls

88. Which of the following economic events would **not** be recorded in the cash receipts journal?
- Cash sales of merchandise
  - Collections of accounts receivable
  - Cash from sale of land
  - Cash purchases of merchandise

Ans: D, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

89. The "Other Accounts" column in a cash receipts journal is also referred to as the
- miscellaneous column.
  - excess column.
  - sundry accounts column.
  - compound-entry column.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

## 7 - 16 Test Bank for Accounting Principles, Eleventh Edition

---

90. An entry in the "Other Accounts" column in a cash receipts journal could occur when the credit is to
- Owner's Drawings.
  - Accounts Payable.
  - Owner's Capital.
  - Inventory.

Ans: C, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

91. The process of totaling the columns of a journal is termed
- ruling.
  - columnizing.
  - sizing.
  - footing.

Ans: D, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

92. An (x) below the "Other Accounts" column in a cash receipts journal indicates the
- total has been posted to the general ledger.
  - total is not posted to the general ledger.
  - column has been footed.
  - column has been cross-footed.

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

93. Cross-footing a cash receipts journal means
- the equality of debits and credits in the journal have been proved.
  - each line of the journal has a horizontal total.
  - the columns of the journal have been cross-referenced.
  - all necessary postings have been completed.

Ans: A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

94. Which of the following would **not** be an appropriate heading for a column in the cash receipts journal?
- Cash
  - Accounts Payable
  - Sales Discounts
  - Sales Revenue

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

95. Entries in the purchases journal are made
- from sales invoices.
  - from the general journal.
  - without supporting documentation.
  - from purchase invoices.

Ans: D, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA



96. Proving the postings of a one-column purchases journal would involve comparing the
- general ledger posting to Accounts Payable to the debit postings of the accounts receivable subsidiary ledger.
  - general ledger debit posting to Accounts Payable to the general ledger credit posting to Inventory.
  - general ledger credit posting to Accounts Payable to the general ledger debit posting to Inventory.
  - debit postings to the accounts payable subsidiary ledger to the credit postings to the accounts payable subsidiary ledger.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

97. If a company uses a multi-column purchases journal, which of the following possible headings for debit columns of the journal would **not** be appropriate?
- Accounts Payable
  - Inventory
  - Supplies
  - Other Accounts

Ans: A, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

98. The reference column of a multi-column cash payments journal after posting
- will only contain check marks.
  - will be blank.
  - will only contain account numbers.
  - may contain either account numbers or check marks.

Ans: D, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

99. The reference column of the accounts in the accounts payable subsidiary ledger after posting may show
- only P references.
  - CP, P, or G references.
  - G, P, or S references.
  - only CP references.

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

100. Principles of an efficient and effective accounting information system include all of the following **except**
- cost effectiveness.
  - flexibility.
  - useful output.
  - All of these answer choices are principles.

Ans: D, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: None, IMA: Business Applications

## 7 - 18 Test Bank for Accounting Principles, Eleventh Edition

---

101. Which of the following statements is **incorrect**?
- A major consideration in developing an accounting system is cost effectiveness.
  - When an accounting system is designed, no consideration needs to be given to the needs and knowledge of the various users.
  - The accounting system should be able to accommodate a variety of users and changing information needs.
  - To be useful, information must be understandable, relevant, reliable, timely, and accurate.

Ans: B, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: None, IMA: Business Applications

102. All of the following are advantages of using subsidiary ledgers **except** they
- eliminate errors in individual accounts.
  - free the general ledger of excessive details.
  - show, in a single account, transactions affecting one customer or one creditor.
  - make possible a division of labor.

Ans: A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: Business Applications

103. Which of the following is **not** an advantage of a subsidiary ledger?
- Shows transactions affecting one customer or one creditor in a single account.
  - Helps locate errors in individual accounts.
  - Puts greater detail in the general ledger.
  - Makes possible a division of labor.

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

104. Credit sales of assets other than merchandise are recorded in the
- cash payments journal.
  - cash receipts journal.
  - general journal.
  - sales journal.

Ans: C, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

105. When the totals of the sales journal are posted at the end of the month, there will be credits to
- Sales Revenue and Inventory and debits to Accounts Receivable and Cost of Goods Sold.
  - Accounts Receivable and Cost of Goods Sold and debits to Sales Revenue and Inventory.
  - Sales Revenue and debits to each individual customer account.
  - the Sales Revenue account only, and no debits.

Ans: A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

106. The Other Accounts column of a multi-column journal is often referred to as the
- Sundry Accounts column.
  - Controlling Account column.
  - Credit Account column.
  - Debit Account column.

Ans: A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

107. Companies record credit purchases of equipment or supplies in the
- cash payments journal.
  - cash receipts journal.
  - general journal.
  - one-column purchases journal.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

108. In the expanded purchases journal, debits are made in which columns?
- Accounts Payable, Inventory, and Supplies
  - Inventory, Supplies, and Other Accounts
  - Cash, Supplies, and Other Accounts
  - Accounts Payable, Cash, and Inventory

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

109. If a customer takes a sales discount, an entry is made in the
- cash receipts journal.
  - sales journal.
  - cash payments journal.
  - general journal.

Ans: A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

110. Information in a company's first IFRS statements must include each of the following **except**
- be transparent.
  - provide a suitable starting point.
  - have a cost that does not exceed the benefits.
  - explain differences between IFRS and GAAP statements.

IFRS Ans: D, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

111. When converting to IFRS statements, a company must do each of the following **except**
- identify the timing of its first IFRS statements.
  - prepare an income statement at the date of transition to IFRS.
  - select accounting principles that comply with IFRS.
  - make extensive disclosures to explain the transition to IFRS.

IFRS Ans: B, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

112. Once a company decides to convert to IFRS, the transition date is the
- end of the period for which full comparative IFRS information is presented.
  - closing balance sheet date for the first IFRS financial statements.
  - beginning of the earliest period for which full comparative IFRS information is presented.
  - reporting date for the first IFRS financial statements.

Ans: C, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

## 7 - 20 Test Bank for Accounting Principles, Eleventh Edition

113. Once a company decides to convert to IFRS, the reporting date is the
- closing balance sheet date for the first IFRS financial statements.
  - beginning of the earliest period for which full comparative IFRS information is presented.
  - end of the period for which full comparative IFRS information is presented.
  - beginning of the first IFRS reporting date.

IFRS Ans: A, LO: 4 Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

114. Upon first-time adoption of IFRS, a company must present at least how many years of comparative information under IFRS?
- 5
  - 3
  - 2
  - 1

IFRS Ans: D, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

### Answers to Multiple Choice Questions

Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.
32.	b	44.	c	56.	d	68.	a	80.	b	92.	b	104.	c
33.	a	45.	a	57.	a	69.	c	81.	c	93.	a	105.	a
34.	b	46.	b	58.	d	70.	d	82.	c	94.	b	106.	a
35.	b	47.	c	59.	c	71.	c	83.	c	95.	d	107.	c
36.	a	48.	b	60.	c	72.	c	84.	b	96.	c	108.	b
37.	c	49.	c	61.	c	73.	b	85.	c	97.	a	109.	a
38.	d	50.	b	62.	b	74.	a	86.	d	98.	d	110.	d
39.	c	51.	b	63.	c	75.	a	87.	c	99.	b	111.	b
40.	b	52.	c	64.	d	76.	c	88.	d	100.	d	112.	c
41.	c	53.	a	65.	c	77.	d	89.	c	101.	b	113.	a
42.	d	54.	c	66.	c	78.	b	90.	c	102.	a	114.	d
43.	c	55.	b	67.	c	79.	d	91.	d	103.	c		

### BRIEF EXERCISES

#### BE 115

Match each of the principles and phases in the development of an accounting system with the statement that best describes them.

- Cost effectiveness
  - Flexibility
  - Useful output
- Information must be understandable, relevant, reliable, timely, and accurate.
  - Benefits of information must outweigh the cost of providing it.
  - The system should accommodate a variety of users and changing information needs.
  - The accounting system must consider the needs and knowledge of various users.
  - The system should be capable of meeting the changes in the demands made upon it.

**FOR INSTRUCTOR USE ONLY**

Ans: N/A, LO: 1, Bloom: C, Difficulty: Easy, Min: 3, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: None, IMA: Business Applications

**Solution 115** (3 min.)

- |      |      |      |
|------|------|------|
| 1. c | 3. b | 5. b |
| 2. a | 4. c |      |

**BE 116**

Indicate whether each of the following accounts would be shown in the general ledger or subsidiary ledger.

- |                               |       |
|-------------------------------|-------|
| 1. Cash                       | _____ |
| 2. Accounts Receivable—Larson | _____ |
| 3. Equipment                  | _____ |
| 4. Accounts Payable—Parks     | _____ |
| 5. Common Stock               | _____ |
| 6. Sales Revenue              | _____ |

Ans: N/A, LO: 2, Bloom: K, Difficulty: Easy, Min: 3, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: None, IMA: Business Applications

**Solution 116** (3 min.)

- |                      |                      |
|----------------------|----------------------|
| 1. General ledger    | 4. Subsidiary ledger |
| 2. Subsidiary ledger | 5. General ledger    |
| 3. General ledger    | 6. General ledger    |

**BE 117**

Richey Company maintains four special journals and a general journal to record its transactions. Using the code below, indicate in the space provided the appropriate journal for recording the transactions listed.

<u>Code</u>	<u>Journals</u>
S	Sales journal
CR	Cash receipts journal
CP	Cash payments journal
P	Single-column purchases journal
G	General journal

- \_\_\_\_\_ 1. Mr. Richey invested cash in the business.
- \_\_\_\_\_ 2. Purchased store supplies on account.
- \_\_\_\_\_ 3. Sold merchandise to customer on account.
- \_\_\_\_\_ 4. Purchased a 2-year fire insurance policy for cash.
- \_\_\_\_\_ 5. Received a check from a customer as payment on account.

**FOR INSTRUCTOR USE ONLY**

## 7 - 22 Test Bank for Accounting Principles, Eleventh Edition

---

- \_\_\_ 6. Paid for store supplies purchased in transaction 2.
- \_\_\_ 7. Purchased merchandise on account.
- \_\_\_ 8. Issued a credit memorandum to a customer who returned defective merchandise previously sold on account.
- \_\_\_ 9. Purchased office equipment for cash.
- \_\_\_ 10. Made an adjusting entry for store supplies used during the period.

Ans: N/A, LO: 3, Bloom: C, Difficulty: Easy, Min: 5, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: None, IMA: Business Applications

### Solution 117 (5 min.)

- |       |       |
|-------|-------|
| 1. CR | 6. CP |
| 2. G  | 7. P  |
| 3. S  | 8. G  |
| 4. CP | 9. CP |
| 5. CR | 10. G |

### BE 118

Indicate in which journal each of the following transactions is recorded.

- 1. Cash purchase of merchandise. \_\_\_\_\_
- 2. Owner investment of cash. \_\_\_\_\_
- 3. Sale of merchandise on account. \_\_\_\_\_
- 4. Purchase of supplies for cash. \_\_\_\_\_
- 5. Credit purchase of merchandise. \_\_\_\_\_
- 6. Collection on account from customers. \_\_\_\_\_

Ans: N/A, LO: 3, Bloom: C, Difficulty: Easy, Min: 5, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: None, IMA: Business Applications

### Solution 118 (5 min.)

- |                          |                          |
|--------------------------|--------------------------|
| 1. Cash Payments Journal | 4. Cash Payments Journal |
| 2. Cash Receipts Journal | 5. Purchases Journal     |
| 3. Sales Journal         | 6. Cash Receipts Journal |

**BE 119**

Indicate the special journal(s) in which the following column headings appear.

1. Cash Cr. \_\_\_\_\_
2. Cost of Goods Sold Dr. \_\_\_\_\_
3. Accounts Receivable Dr. \_\_\_\_\_
4. Accounts Payable Cr. \_\_\_\_\_
5. Inventory Cr. \_\_\_\_\_
6. Sales Discounts Dr. \_\_\_\_\_

Ans: N/A, LO: 3, Bloom: K, Difficulty: Medium, Min: 3, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: Business Applications

**Solution 119** (3 min.)

- |                                   |                                   |
|-----------------------------------|-----------------------------------|
| 1. Cash Payments Journal          | 4. Purchases Journal              |
| 2. Sales or Cash Receipts Journal | 5. Sales or Cash Receipts Journal |
| 3. Sales Journal                  | 6. Cash Receipts Journal          |

**E 120**

Indicate which of the following cash payments journal columns are posted only in total, only daily, or both in total and daily.

1. Other Accounts \_\_\_\_\_
2. Accounts Payable \_\_\_\_\_
3. Inventory \_\_\_\_\_
4. Cash \_\_\_\_\_

Ans: N/A, LO: 3, Bloom: C, Difficulty: Medium, Min: 3, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

**Solution 120** (3 min.)

- |                            |             |
|----------------------------|-------------|
| 1. Only daily              | 3. In total |
| 2. Both in total and daily | 4. In total |

## EXERCISES

## Ex. 121

After Picard Company had completed all posting for the month of December, the sum of the balances in the following accounts payable subsidiary ledger did not agree with the balance of the control account in the general ledger.

Name Ryker's  
Address 286 Buck Avenue

Date	Item	Post. Ref.	Debit	Credit	Balance
Dec. 2		P25		2,400	2,400

Name Geordie Company  
Address 818 Western Avenue

Date	Item	Post. Ref.	Debit	Credit	Balance
Dec. 1	Balance				7,600
10		CP23	7,600		—
20		P32		3,300	3,300
29		J15	800		4,100

Name Laforge Company  
Address 90210 Baker Boulevard

Date	Item	Post. Ref.	Debit	Credit	Balance
Dec. 1	Balance				9,900
18		CP28	9,900		—
29		P34		10,500	600

Name Deanna Troi  
Address 2720 Sommers Avenue

Date	Item	Post. Ref.	Debit	Credit	Balance
Dec. 8		P27		6,000	6,000
27		P33		8,000	14,000

Name OBrien Supplies  
Address 1560 Puckett Street

Date	Item	Post. Ref.	Debit	Credit	Balance
Dec. 1	Balance				8,200
7		P26		5,600	13,800
12		J11	620		12,180
20		CP29		6,000	18,180

FOR INSTRUCTOR USE ONLY



The balance in the Accounts Payable control account of \$36,580 has been verified as correct. Also assume that the journals references in the Post Ref. columns of the accounts payable subsidiary ledger have been verified as correct.

### Instructions

Determine the errors in the preceding accounts payable subsidiary accounts and prepare a corrected schedule of accounts payable.

Ans: N/A, LO: 2, Bloom: AN, Difficulty: Hard, Min: 20, AACSB: Analytic, AICPA BB: Strategic/Critical Thinking, AICPA FN: Research, AICPA PC: Problem Solving, IMA: Internal Controls

### Solution 121 (20 min.)

#### IDENTIFICATION OF ERRORS:

##### Geordie Company

The \$800 represents merchandise returned and should be subtracted from the balance owed. Correct balance is \$2,500.

##### Laforge Company

The \$10,500 represents new purchases on account and should be added to the previous balance of zero. The correct balance is \$10,500.

##### OBrien Supplies

There is an addition error. Adding \$5,600 to the beginning balance of \$8,200 yields a balance of \$13,800. Subtracting merchandise returned of \$620 leaves a balance of \$13,180. The \$6,000 is a payment on account, not an increase. The correct balance is \$7,180.

#### ACCOUNTS PAYABLE SUBSIDIARY LEDGER ACCOUNT BALANCES

Ryker's	\$ 2,400
Geordie Company	2,500
Laforge Company	10,500
Deanna Troi	14,000
OBrien Supplies	<u>7,180</u>
Total	<u>\$36,580</u>

### Ex. 122

On December 1, the accounts receivable control account balance in the general ledger of the Worf Company was \$9,000. The accounts receivable subsidiary ledger contained the following detailed customer balances: Stewart \$2,000, Gates \$2,100, Burton \$2,600, and Levar \$2,300. The following information is available from the company's special journals for the month of December:

Cash Receipts Journal: Cash received from Burton \$2,200, from Stewart \$1,600, from Mirana \$1,700, and from Gates \$1,800.

Sales Journal: Sales to Mirana \$3,900, to Burton \$1,700, to Stewart \$3,100, and to Levar \$1,900.

Additionally, Burton returned defective merchandise for credit for \$650. Stewart returned defective merchandise for \$600 which he had purchased for cash.

### Instructions

**FOR INSTRUCTOR USE ONLY**

**7 - 26 Test Bank for Accounting Principles, Eleventh Edition**

- (a) Using T-accounts for Accounts Receivable Control and the detail customer accounts, post the activity for the month of December.
- (b) Reconcile the accounts receivable control account with the subsidiary ledger by preparing a detail list of customer balances at December 31.

Ans: N/A, LO: 2, Bloom: AP, Difficulty: Hard, Min: 15, AACSB: Analytic, AICPA BB: Strategic/Critical Thinking, AICPA FN: Research, AICPA PC: Problem Solving, IMA: Internal Controls

**Solution 122 (15 min.)**

(a) Control Account:

Accounts Receivable			
	9,000	(CR)	7,300
(SJ)	10,600	(G)	650
Bal.	11,650		

Subsidiary Accounts:

Stewart				Gates			
	2,000	(CR)	1,600		2,100	(CR)	1,800
(S)	3,100			Bal.	300		
Bal.	3,500						

  

Burton				Levar			
	2,600	(CR)	2,200		2,300		
(S)	1,700	(G)	650	(S)	1,900		
Bal.	1,450			Bal.	4,200		

  

Mirana			
(S)	3,900	(CR)	1,700
Bal.	2,200		

- (b) Listing of accounts receivable at end of the month:

Stewart	\$ 3,500	
Gates	300	
Burton	1,450	
Levar	4,200	
Mirana	<u>2,200</u>	
Total	<u>\$11,650</u>	Accounts receivable balance

**Ex. 123**

Maldonado Company has a balance in its Accounts Payable control account of \$10,500 on January 1, 2014. The subsidiary ledger contains three accounts: Smith Company, balance \$3,000; White Company, balance \$2,500 and Marino Company. During January, the following payable-related transactions occurred.

	<u>Purchases</u>	<u>Payments</u>	<u>Returns</u>
Smith Company	\$8,500	\$6,000	\$ -0-
White Company	5,250	2,500	1,500
Marino Company	6,100	6,250	-0-

**Instructions**

**FOR INSTRUCTOR USE ONLY**

- (a) What is the January 1 balance in the Marino Company subsidiary account?  
 (b) What is the January 31 balance in the control account?  
 (c) Compute the balances in the subsidiary accounts at the end of the month.  
 (d) Which January transaction would not be recorded in a special journal?

Ans: N/A, LO: 2, Bloom: AP, Difficulty: Medium, Min: 10, AACSB: Analytic, AICPA BB: Strategic/Critical Thinking, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

**Solution 123** (10 min.)

- (a) \$5,000 [ $\$10,500 - (\$3,000 + \$2,500)$ ].  
 (b) \$14,100 [ $\$10,500 + (\$8,500 + \$5,250 + \$6,100) - (\$6,000 + \$2,500 + \$6,250) - \$1,500$ ].  
 (c) Smith (\$3,000 + \$8,500 - \$6,000) \$ 5,500  
 White (\$2,500 + \$5,250 - \$2,500 - \$1,500) 3,750  
 Marino (\$5,000 + \$6,100 - \$6,250) 4,850  
\$14,100

- (d) The purchase return (\$1,500) would be recorded in the general journal.

**Ex. 124**

Mangino Company has a balance in its Accounts Receivable control account of \$15,000 on January 1, 2014. The subsidiary ledger contains three accounts: Jones Company, balance \$6,000; Black Company, balance \$2,500 and Denny Company. During January, the following receivable-related transactions occurred.

	<u>Credit Sales</u>	<u>Collections</u>	<u>Returns</u>
Jones Company	\$12,000	\$8,000	\$ -0-
Black Company	9,000	2,500	2,000
Denny Company	8,500	6,000	-0-

**Instructions**

- (a) What is the January 1 balance in the Denny Company subsidiary account?  
 (b) What is the January 31 balance in the control account?  
 (c) Compute the balances in the subsidiary accounts at the end of the month.  
 (d) Which January transaction would not be recorded in a special journal?

Ans: N/A, LO: 2, Bloom: AP, Difficulty: Medium, Min: 10, AACSB: Analytic, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Reporting

**Solution 124** (10 min.)

- (a) \$6,500 [ $\$15,000 - (\$6,000 + \$2,500)$ ].  
 (b) \$26,000 [ $\$15,000 + (\$12,000 + \$9,000 + \$8,500) - (\$8,000 + \$2,500 + \$6,000) - \$2,000$ ].  
 (c) Jones (\$6,000 + \$12,000 - \$8,000) \$ 10,000  
 Black (\$2,500 + \$9,000 - \$2,500 - \$2,000) 7,000  
 Denny (\$6,500 + \$8,500 - \$6,000) 9,000  
\$26,000

- (d) The sales return (\$2,000) would be recorded in the general journal.

**Ex. 125**

Devotchka Co. uses special journals and a general journal. The following transactions occurred during May 2014.

May 1 Z. Devotchka invested \$25,000 cash in the business.

**7 - 28 Test Bank for Accounting Principles, Eleventh Edition**

- 2 Sold merchandise to A. A. Bondy for \$5,600 cash. The cost of the merchandise sold was \$3,500.
- 3 Purchased merchandise for \$4,300 from Y. Vandyver using check no. 101.
- 14 Paid salary to D. Dilego \$1,200 by issuing check no. 102.
- 16 Sold merchandise on account to S. Stevens for \$840, terms n/30. The cost of the merchandise sold was \$500.
- 22 A check of \$7,200 is received from S. Sufjan in full for invoice 101; no discount given.

**Instructions**

- (a) Prepare a multiple-column cash receipts journal and a multiple-column cash payments journal. (Use page 1 for each journal.)
- (b) Record the transaction(s) for May that should be journalized in the cash receipts journal and cash payments journal.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 20, AACSB: Analytic, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

**Solution 125 (20 min.)**

(a) & (b)

**DEVOTCHKA CO.**  
Cash Receipts Journal CR1

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Revenue Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Inventory Cr.
2014								
May 1	Owner's, Cap.		25,000				25,000	
2			5,600			5,600		3,500
22	S. Sufjan		<u>7,200</u>		<u>7,200</u>	<u>5,600</u>	<u>25,000</u>	<u>3,500</u>
			<u>37,800</u>		<u>7,200</u>	<u>5,600</u>	<u>25,000</u>	<u>3,500</u>

**DEVOTCHKA CO.**  
Cash Payments Journal CP1

Date	Ck No	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Cash Cr.
2014						
May 3	101	Inventory		4,300		4,300
14	102	Salaries/Wages Expense		<u>1,200</u>		<u>1,200</u>
				<u>5,500</u>		<u>5,500</u>

**Ex. 126**

Danielson Company uses a sales journal, a cash receipts journal, and a general journal to record transactions with its customers. Record the following transactions in the appropriate journals. The cost of all merchandise sold was 60% of the sales price.

- July 2 Sold merchandise for \$18,000 to B. Pine on account. Credit terms 2/10, n/30. Sales invoice No. 100.
- July 5 Received a check for \$1,100 from R. Giger in payment of his account.

- July 8 Sold merchandise to F. Wenger for \$900 cash.
- July 10 Received a check in payment of Sales invoice No. 100 from B. Pine minus the 2% discount.
- July 15 Sold merchandise for \$9,000 to J. Long on account. Credit terms 2/10, n/30. Sales invoice No. 101.
- July 18 Borrowed \$20,000 cash from United Bank signing a 6-month, 10% note.
- July 20 Sold merchandise for \$12,000 to C. Judd on account. Credit terms 2/10, n/30. Sales invoice No. 102.
- July 25 Issued a credit (reduction) of \$700 to C. Judd as an allowance for damaged merchandise previously sold on account.
- July 31 Received a check from J. Long for \$6,500 as payment on account.

DANIELSON COMPANY  
Sales Journal

S1

Date	Account Debited	Invoice No.	Ref.	Acct. Rec. Dr. Sales Rev. Cr.	C. of G. S. Dr. Inventory. Cr.

DANIELSON COMPANY  
General Journal

G1

Date	Explanation	Ref.	Debit	Credit

**7 - 30 Test Bank for Accounting Principles, Eleventh Edition**

DANIELSON COMPANY  
Cash Receipts Journal

CR1

Date	Accounts Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Rec. Cr.	Sales Rev. Cr.	Other Accounts Cr.	C. of G. S. Dr. Inventory. Cr.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 20, AACSB: Analytic, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

**Solution 126 (20 min.)**

DANIELSON COMPANY  
Sales Journal

S1

Date	Account Debited	Invoice No.	Ref.	Acct. Rec. Dr. Sales Rev. Cr.	C. of G. S. Dr. Inventory. Cr.
July 2	B. Pine	100		18,000	10,800
July 15	J. Long	101		9,000	5,400
July 20	C. Judd	102		12,000	7,200

DANIELSON COMPANY  
General Journal

G1

Date	Explanation	Ref.	Debit	Credit
July 25	Sales Returns and Allowances		700	
	Accounts Receivable—C. Judd			700

DANIELSON COMPANY  
Cash Receipts Journal

CR1

Date	Accounts Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Rec. Cr.	Sales Rev. Cr.	Other Accounts Cr.	C. of G. S. Dr. Inventory. Cr.
July 5	R. Giger		1,100		1,100			
July 8			900			900		540
July 10	B. Pine		17,640	360	18,000			
July 18	Notes Pay.		20,000				20,000	
July 31	J. Long		6,500		6,500			

**Ex. 127**

Hawk Company uses a single-column purchases journal, a cash payments journal, and a general journal to record transactions with its suppliers and others. Record the following transactions in the appropriate journals.

Transactions

- Oct. 5 Purchased merchandise on account for \$19,000 from Harrelson Company. Terms: 2/10, n/30; FOB shipping point.
- Oct. 6 Paid \$6,600 to Ken's Insurance Company for a two-year fire insurance policy.
- Oct. 8 Purchased store supplies on account for \$600 from Stone Pony Supply Company. Terms: 2/10, n/30.
- Oct. 11 Purchased merchandise on account for \$15,000 from Steve Corporation. Terms: 2/10, n/30; FOB shipping point.
- Oct. 13 Granted a reduction of \$3,000 from Steve Corporation for merchandise purchased on October 11 and returned because of damage.
- Oct. 15 Paid Harrelson Company for merchandise purchased on October 5, less discount.
- Oct. 16 Purchased merchandise for \$9,000 cash from Williams Company.
- Oct. 21 Paid Steve Corporation for merchandise purchased on October 11, less merchandise returned on October 13, less discount.
- Oct. 25 Purchased merchandise on account for \$21,000 from Ozzle Company. Terms: 2/10, n/30; FOB shipping point.
- Oct. 31 Purchased equipment for \$27,000 cash from Guillen Office Supply Company.

**7 - 32 Test Bank for Accounting Principles, Eleventh Edition**

HAWK COMPANY  
Purchases Journal

P1

Date	Account Credited	Ref.	Inventory Accounts Payable	Dr. Cr.

HAWK COMPANY  
General Journal

G1

Date	Explanation	Ref.	Debit	Credit

HAWK COMPANY  
Cash Payments Journal

CP1

Date	Accounts Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Inventory Cr.	Cash Cr.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 20, AACSB: Analytic, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

**FOR INSTRUCTOR USE ONLY**



**Solution 127** (20 min.)HAWK COMPANY  
Purchases Journal

P1

Date	Account Credited	Ref.	Inventory Dr. Accounts Payable Cr.
Oct. 5	Harrelson Company		19,000
Oct. 11	Steve Corporation		15,000
Oct. 25	Ozzle Company		21,000

HAWK COMPANY  
General Journal

G1

Date	Explanation	Ref.	Debit	Credit
Oct. 8	Supplies		600	
	Accounts Payable—Stone Pony			
	Supply Company			600
Oct. 13	Accounts Payable—Steve Corp.		3,000	
	Inventory			3,000

HAWK COMPANY  
Cash Payments Journal

CP1

Date	Accounts Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Inventory Cr.	Cash Cr.
Oct. 6	Prepaid Insurance		6,600			6,600
Oct. 15	Harrelson Company			19,000	380	18,620
Oct. 16	Inventory		9,000			9,000
Oct. 21	Steve Corp.			12,000	240	11,760
Oct. 31	Equipment		27,000			27,000

**FOR INSTRUCTOR USE ONLY**

**Ex. 128**

Reinsdorf Company uses both special journals and a general journal. The company accountant made the following errors during July.

1. Incorrectly added the credit entries in a customer's account in the accounts receivable subsidiary ledger. The total was listed as \$2,690; it should have been \$2,890.
2. A remittance of \$500 from Harold Baines was correctly recorded in the cash receipts journal, but the amount was posted incorrectly to the account of customer Henry Balinco in the subsidiary ledger.
3. A purchase of merchandise on account from Manny Company for \$2,000 was incorrectly entered in the purchases journal at \$20,000.
4. In the sales journal, the entries were incorrectly added for the month. The monthly total was listed as \$24,920; it should have been \$24,290.

**Instructions**

Indicate how each of the above errors might be discovered.

Ans: N/A, LO: 3, Bloom: AN, Difficulty: Medium, Min: 10, AACSB: Analytic, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Internal Controls

**Solution 128** (10 min.)

1. The subsidiary ledger will not agree with the general ledger control account. Refooting the subsidiary ledger should locate the error.
2. The error will be discovered when the customer receives his statement. Mr. Harold Baines' statement will indicate a balance of \$500 more than he owes.
3. The error may not be discovered until the payment is sent to the supplier. Then, hopefully Manny will send back the excess payment. Additionally, analysis of gross profit may indicate it is inordinately out of line with prior periods.
4. When the accounts receivable control account is reconciled with the accounts receivable subsidiary ledger, it will be \$630 higher than the subsidiary ledger. Refooting the sales journal should then locate the error.

**Ex. 129**

Below are some typical transactions incurred by Piper Company.

- \_\_\_ 1. Purchase of merchandise on account.
- \_\_\_ 2. Collection on account from customers.
- \_\_\_ 3. Payment of employee's wages.
- \_\_\_ 4. Sales of merchandise for cash.
- \_\_\_ 5. Close Income Summary to owner's capital.
- \_\_\_ 6. Adjusting entry for depreciation on machinery.
- \_\_\_ 7. Payment of creditors on account.
- \_\_\_ 8. Purchase of office equipment on credit.
- \_\_\_ 9. Sales discount taken on goods sold on credit.
- \_\_\_ 10. Sales of merchandise on account.

- \_\_\_ 11. Purchase of a delivery truck for cash.  
 \_\_\_ 12. Return of merchandise purchased on credit.  
 \_\_\_ 13. Payment of rent in advance.  
 \_\_\_ 14. Adjusting entry for accrued interest expense.  
 \_\_\_ 15. Purchase of office supplies for cash.

**Ex. 129 (Cont.)**

For each transaction, indicate by the code letter the appropriate journal where the transaction would be journalized.

- CR — Cash Receipts Journal  
 CP — Cash Payments Journal  
 S — Sales Journal  
 P — Single-Column Purchases Journal  
 G — General Journal

Ans: N/A, LO: 3, Bloom: C, Difficulty: Easy, Min: 10, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

**Solution 129 (10 min.)**

- |       |       |        |
|-------|-------|--------|
| 1. P  | 6. G  | 11. CP |
| 2. CR | 7. CP | 12. G  |
| 3. CP | 8. G  | 13. CP |
| 4. CR | 9. CR | 14. G  |
| 5. G  | 10. S | 15. CP |

**Ex. 130**

Circle the correct answer to each situation.

- (a) A sales journal will be used for:

Credit Sales	Cash Sales	Sales Discounts
Yes    No	Yes    No	Yes    No

- (b) A single-column purchases journal will be used for:

Cash Purchases	Purchases on Account	Purchase Returns and Allowances
Yes    No	Yes    No	Yes    No

- (c) A multi-column purchases journal will be used for:

Cash Purchases	Supplies Purchased on Account	Equipment Purchased on Account
Yes    No	Yes    No	Yes    No

- (d) A cash payments journal will be used for:

Payments to	Purchases	Owner Cash
-------------	-----------	------------

**FOR INSTRUCTOR USE ONLY**

**7 - 36 Test Bank for Accounting Principles, Eleventh Edition**

Creditors		Discounts		Investment	
Yes	No	Yes	No	Yes	No

(e) A cash receipts journal will be used for:

Owner Cash		Purchases Discounts		Cash Sales	
Withdrawals					
Yes	No	Yes	No	Yes	No

Ans: N/A, LO: 3, Bloom: C, Difficulty: Easy, Min: 10, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

**Solution 130 (10 min.)**

- |                  |                  |
|------------------|------------------|
| (a) Yes, No, No  | (d) Yes, Yes, No |
| (b) No, Yes, No  | (e) No, No, Yes  |
| (c) No, Yes, Yes |                  |

**Ex. 131**

Listed below are various column headings that may appear in special journals. Using the following code letters, identify for each column heading (1) the special journal where the column heading would appear, and (2) whether the amounts entered under the column heading would be posted in total, individually, or both in total and individually. (Note: column headings may appear in more than one special journal)

<u>Code:</u> <u>Special Journals</u>	<u>Code:</u> <u>Posting</u>
S = Sales journal	I = Individual posting
P = Single-column purchases journal	T = Total posting
CR = Cash receipts journal	B = Both individual and total posting
CP = Cash payments journal	

<u>Heading</u>	<u>Special Journal</u>	<u>Posting</u>
1. Accounts Payable—Cr.	_____	___
2. Sales Revenue—Cr.	_____	___
3. Sales Discounts—Dr.	_____	___
4. Inventory—Dr.	_____	___
5. Cash—Cr.	_____	___
6. Accounts Receivable—Dr.	_____	___
7. Other Accounts—Cr.	_____	___
8. Inventory—Cr.	_____	___
9. Accounts Receivable—Cr.	_____	___
10. Accounts Payable—Dr.	_____	___

Ans: N/A, LO: 3, Bloom: C, Difficulty: Easy, Min: 15, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

**Solution 131 (15 min.)**

<u>Heading</u>	<u>Special Journal</u>	<u>Posting</u>
----------------	------------------------	----------------

1. Accounts Payable—Cr.	<u>P</u>	<u>B</u>
2. Sales Revenue—Cr.	<u>S, CR</u>	<u>T, T</u>
3. Sales Discounts—Dr.	<u>CR</u>	<u>T</u>
4. Inventory—Dr.	<u>P, CP</u>	<u>T, T</u>
5. Cash—Cr.	<u>CP</u>	<u>T</u>
6. Accounts Receivable—Dr.	<u>S</u>	<u>B</u>
7. Other Accounts—Cr.	<u>CR</u>	<u>I</u>
8. Inventory—Cr.	<u>CP, CR</u>	<u>T, T</u>
9. Accounts Receivable—Cr.	<u>CR</u>	<u>B</u>
10. Accounts Payable—Dr.	<u>CP</u>	<u>B</u>

**Ex. 132**

Marks Company uses four special journals, (cash receipts, cash payments, sales, and purchases journal) in addition to a general journal. On November 1, 2014, the control accounts in the general ledger had the following balances: Cash \$12,000, Accounts Receivable \$200,000 and Accounts Payable \$42,000. Selected information on the final line of the special journals for the month of November is presented below:

Cash Receipts Journal:

Cash	Sales Discount	Accounts Receivable	Sales Rev.	Other Accounts Cr.	C. of G. S. Dr.
<u>Dr.</u>	<u>Dr.</u>	<u>Cr.</u>	<u>Cr.</u>	<u>Acct. Ref.</u>	<u>Inventory Cr.</u>
?	\$1,080	\$49,000	\$29,000	(X)	\$1,000
					\$17,400

Cash Payments Journal:

Other Accounts Dr.	Accounts Payable	Office Supplies	Store Supplies	Inventory	Cash
<u>Acct. Ref.</u>	<u>Amount</u>	<u>Dr.</u>	<u>Dr.</u>	<u>Cr.</u>	<u>Cr.</u>
(X)	\$1,600	?	\$1,300	\$1,100	\$700
					\$32,600

Purchases Journal:

Accounts Payable	Merchandise Inventory	Office Supplies	Store Supplies	Other Accounts Dr.
<u>Cr.</u>	<u>Dr.</u>	<u>Dr.</u>	<u>Dr.</u>	<u>Acct. Ref.</u>
?	\$34,000	\$800	\$650	(X)
				\$3,300

## Additional Data:

The Sales Journal totaled \$42,000. A customer returned merchandise for credit for \$460 and Marks Company returned store supplies to a supplier for credit for \$500.

**Instructions**

- Determine the missing amounts in the special journals.
- Determine the balances in the general ledger accounts (Cash, Accounts Receivable, and Accounts Payable) at the end of November.

Ans: N/A, LO: 3, Bloom: AN, Difficulty: Medium, Min: 20, AACSB: Analytic, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

**Solution 132** (20 min.)

- The missing amounts can be determined by crossfooting the journals.

**FOR INSTRUCTOR USE ONLY**

**7 - 38 Test Bank for Accounting Principles, Eleventh Edition**

<u>Cash Receipts</u>	
Credits (\$49,000 + \$29,000 + \$1,000)	\$79,000
Debits	<u>1,080</u>
Cash debit	<u>\$77,920</u>
<u>Cash Payments</u>	
Credits (\$700 + \$32,600)	\$33,300
Debits (\$1,600 + \$1,300 + \$1,100)	<u>4,000</u>
Accounts payable debit	<u>\$29,300</u>
<u>Purchases</u>	
Debits (\$34,000 + \$800 + \$650 + \$3,300)	\$38,750
Credits	<u>-0-</u>
Accounts payable credit	<u>\$38,750</u>

(b)

<u>Cash</u>		<u>Accounts Receivable</u>	
12,000	(CP) 32,600	200,000	(CR) 49,000
(CR) 77,920		(S) 42,000	(G) 460
Bal. 57,320		Bal. 192,540	

  

<u>Accounts Payable</u>	
(CP) 29,300	42,000
(G) 500	(P) 38,750
	Bal. 50,950

**Ex. 133**

Gaston Company began business on October 1. The partial sales journal, as it appeared at the end of the month, follows:

SALES JOURNAL

Page 1

Date	Account Debited	Invoice Number	Post. Ref.	Amount
Oct. 5	Robin Pryor	1001		375
11	Ted Haag	1002		335
16	Robin Pryor	1003		718
19	Betty Frye	1004		147
26	Nancy Sloan	1005		<u>1,184</u>
				<u>2,759</u>

1. Open general ledger T-accounts for Accounts Receivable (No. 112) and Sales Revenue (No. 401) and an accounts receivable subsidiary T-account ledger with an account for each customer. Make the appropriate postings from the sales journal. Fill in the appropriate posting references in the sales journal above.
2. Prove the accounts receivable subsidiary ledger by preparing a schedule of accounts receivable.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 20, AACSB: Analytic, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

**Solution 133 (20 min.)**

1.	SALES JOURNAL	Page 1
----	---------------	--------

Date	Account Debited	Invoice Number	Post Ref.	Amount
Oct. 5	Robin Pryor	1001	√	375
11	Ted Hagg	1002	√	335
16	Robin Pryor	1003	√	718
19	Betty Fyre	1004	√	147
26	Nancy Sloan	1005	√	<u>1,184</u>
				<u>2,759</u>
				(112)/(401)

## GENERAL LEDGER

## SUBSIDIARY LEDGER

Accounts Receivable		112
10/31 (S1)	2,759	
Sales Revenue		401
	10/31 (S1)	2,759

Frye, Betty	
10/19 (S1)	147
Haag, Ted	
10/11 (S1)	335
Pryor, Robin	
10/5 (S1)	375
10/16 (S1)	<u>718</u>
	1,093
Sloan, Nancy	
10/26 (S1)	1,184

## 2. SCHEDULE OF ACCOUNTS RECEIVABLE

Betty Frye	\$ 147
Ted Haag	335
Robin Pryor	1,093
Nancy Sloan	<u>1,184</u>
Total Accounts Receivable	<u>\$2,759</u>

**Ex. 134**

Selected account balances for Lightning Company at January 1, 2014, are presented below.

Accounts Payable	\$20,000
Accounts Receivable	22,000
Cash	12,000
Inventory	13,500

Lightning's sales journal for January shows a total of \$140,000 in the selling price column, and its one-column purchases journal for January shows a total of \$93,000.

The column totals in Lightning's cash receipts journal are: Cash Dr. \$101,000; Sales Discounts Dr. \$1,100; Accounts Receivable Cr. \$80,000; Sales Revenue Cr. \$6,000; and Other Accounts Cr. \$11,100.

## 7 - 40 Test Bank for Accounting Principles, Eleventh Edition

The column totals in Lightning's cash payments journal for January are: Cash Cr. \$85,000; Inventory Cr. \$1,000; Accounts Payable Dr. \$76,000; and Other Accounts Dr. \$10,000. Hernandez's total cost of goods sold for January is \$83,000.

Accounts Payable, Accounts Receivable, Cash, Inventory, and Sales Revenue are not involved in the "Other Accounts" column in either the cash receipts or cash payments journal, and are not involved in any general journal entries.

### Instructions

Compute the January 31 balance for Lightning in the following accounts.

- Accounts Payable.
- Accounts Receivable.
- Cash.
- Inventory.
- Sales Revenue.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 10, AACSB: Analytic, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

### Solution 134 (10 min.)

- $\$20,000 + \$93,000 - \$76,000 = \underline{\$37,000}$
- $\$22,000 + \$140,000 - \$80,000 = \underline{\$82,000}$
- $\$12,000 + \$101,000 - \$85,000 = \underline{\$28,000}$
- $\$13,500 + \$93,000 - \$1,000 - \$83,000 = \underline{\$22,500}$
- $\$140,000 + \$6,000 = \underline{\$146,000}$

### Ex. 135

Kappy Products uses both special journals and a general journal as described in this chapter. Kappy also posts customers' accounts in the accounts receivable subsidiary ledger. The postings for the most recent month are included in the subsidiary T accounts below.

Ski		Mulley	
Bal.	340 310	Bal.	150 290
	340		150
Holmes		Vizquel	
Bal.	-0- 220	Bal.	120 230 360
	175		120

### Instructions

Determine the correct amount of the end-of-month posting from the sales journal to the Accounts Receivable control account.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 15, AACSB: Analytic, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

### Solution 135 (15 min.)

\$1,410 (\$310 + \$290 + \$220 + \$230 + \$360). All of the debit postings to the subsidiary ledger accounts should be from sales invoices. The total of all these debits should therefore be the total



credit sales for the month, which would be the same amount as the end-of-month debit to Accounts Receivable.

**Ex. 136**

## CASH PAYMENTS JOURNAL

Page 45

Date	Ck. No.	Account Debited	Post. Ref.	Other Accounts Dr.	Accounts Payable Dr.	Inventory Cr.	Cash Cr.
20—							
Jan. 4	659	N. Barger	(a)		4,000	40	3,960
11	660	Prepaid Rent	(b)	1,000			1,000
13	661	Inventory	(c)	565			565
14	662	Owner's Drawings	(d)	2,000			2,000
18	663	Yount	(e)		1,300		1,300
20	664	Inventory	(f)	450			450
29	665	Equipment	(g)	<u>3,400</u>			<u>3,400</u>
				<u>7,415</u>	<u>5,300</u>	<u>40</u>	<u>12,675</u>
				(h)	(i)	(j)	(k)

Using the cash payments journal above, identify each of the posting references indicated by a letter, as representing:

- (1) a posting to a general ledger account.
- (2) a posting to a subsidiary ledger account.
- (3) that no posting is required.

Ans: N/A, LO: 3, Bloom: C, Difficulty: Medium, Min: 10, AACSB: Analytic, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

**Solution 136** (10 min.)

- |      |      |
|------|------|
| a. 2 | g. 1 |
| b. 1 | h. 3 |
| c. 1 | i. 1 |
| d. 1 | j. 1 |
| e. 2 | k. 1 |
| f. 1 |      |

**Ex. 137**

Shown below is a page from a special journal.

1. What is the name of this journal?
2. Give an explanation for each of the transactions in this journal.
3. Explain the following:
  - (a) the numbers under the bottom lines.
  - (b) the checks entered into the Post. Ref. column.
  - (c) the numbers 113 and 416 in the Post. Ref. column.
  - (d) the (x) below the Other Accounts column.

Accounts	Post	Cash	Sales Discounts	Accounts Receivable	Sales Revenue	Other Accounts	C. of G. S. Dr.
----------	------	------	-----------------	---------------------	---------------	----------------	-----------------

**FOR INSTRUCTOR USE ONLY**

## 7 - 42 Test Bank for Accounting Principles, Eleventh Edition

Date	Credited	Ref.	Dr.	Dr.	Cr.	Cr.	Cr.	Inventory Cr.
May 27	Tony Karr	√	1,960	40	2,000			
28	Notes Receivable	113	5,480				5,000	
	Interest Revenue	416					480	
29			425			425		250
31	Jim Borke	√	<u>500</u>		<u>500</u>			
			<u>8,365</u>	<u>40</u>	<u>2,500</u>	<u>425</u>	<u>5,480</u>	<u>250</u>
			(101)	(414)	(112)	(401)	(x)	(505)(120)

Ans: N/A, LO:3, Bloom: C, Difficulty: Medium, Min: 10, AACSB: Analytic, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

### Solution 137 (10 min.)

- Cash receipts journal.
- May 27— Tony Karr has paid for merchandise previously purchased on account. He is paying within the discount period and taking the discount.

May 28— A note receivable has matured. Payment is received for the \$5,000 face value and \$480 of interest revenue.

May 29— A cash sale of merchandise is made for \$425. The cost of the merchandise sold was \$250.

May 31— Jim Borke has paid \$500 on account.
- (a) The numbers in parentheses under the bottom line of the journal indicate that these column totals have been posted to the general ledger accounts with these account numbers.

(b) The check in the posting reference column of the journal indicated that the accounts receivable subsidiary account for that customer has been credited for the amount shown in the accounts receivable column of this journal.

(c) The 113 indicates that account No. 113 in the general ledger, Notes Receivable, has been credited for the \$5,000. The 416 indicates that account No. 416 in the general ledger, Interest Revenue, has been credited for \$480.

(d) The (x) below the Other Accounts column indicates that this column total is not posted. All the amounts in this column have already been posted individually to the appropriate general ledger account.

### Ex. 138

On September 30, after all monthly postings had been completed, the Accounts Receivable control account in the general ledger had a debit balance of \$250,000; the Accounts Payable control account had a credit balance of \$105,000.

The October transactions recorded in the special journals are presented below.

<u>Special Journals</u>	<u>October Transactions</u>	
Sales journal	Total sales	\$180,000
Purchases journal	Total purchases	72,000
Cash receipts journal	Accounts receivable column total	120,000
Cash payments journal	Accounts payable column total	41,000

**FOR INSTRUCTOR USE ONLY**

**Instructions**

Compute the balances of the (1) Accounts Receivable and (2) Accounts Payable control accounts after the monthly postings on October 31.

Ans: N/A, LO: 3, Bloom: AN, Difficulty: Medium, Min: 8, AACSB: Analytic, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

**Solution 138 (8 min.)**

(1) Accounts Receivable balance = \$310,000 (\$250,000 + \$180,000 – \$120,000)

(2) Accounts Payable balance = \$136,000 (\$105,000 + \$72,000 – \$41,000)

**COMPLETION STATEMENTS**

139. The basic principles in the development of an accounting information system are (1) \_\_\_\_\_, (2) \_\_\_\_\_, and (3) \_\_\_\_\_.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: Project Management, IMA: Business Applications

140. The accounts receivable \_\_\_\_\_ provides detailed information about customer accounts which is summarized in one \_\_\_\_\_ account in the general ledger.

Ans: N/A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

141. If a certain type of transaction occurs with great frequency, it is more efficient to create a \_\_\_\_\_ to record that type of transaction.

Ans: N/A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: Business Applications

142. If a company maintains special journals, sales of merchandise on credit should be recorded in a \_\_\_\_\_ whereas sales of merchandise for cash should be recorded in the \_\_\_\_\_.

Ans: N/A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: Business Applications

143. The use of special journals often saves time in the \_\_\_\_\_ process.

Ans: N/A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: Business Applications

144. The entries in the Accounts Receivable Credit column of the cash receipts journal must be posted \_\_\_\_\_ to the accounts in the accounts receivable subsidiary ledger and in \_\_\_\_\_ to the control account in the general ledger.

Ans: N/A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: Business Applications

145. Transactions that cannot be entered in a special journal are recorded in the \_\_\_\_\_, and if control and subsidiary accounts are involved, there must be a \_\_\_\_\_ posting.

Ans: N/A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

146. Only transactions that cannot be entered in a \_\_\_\_\_ journal are recorded in the \_\_\_\_\_ journal.

## 7 - 44 Test Bank for Accounting Principles, Eleventh Edition

---

Ans: N/A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

### Answers to Completion Statements

- |   |                            |
|---|----------------------------|
| 139. cost effectiveness, useful output, flexibility | 143. posting               |
| 140. subsidiary ledger, control                     | 144. individually, total   |
| 141. special journal                                | 145. general journal, dual |
| 142. sales journal, cash receipts journal           | 146. special, general      |

### MATCHING

147. Match the items below by entering the appropriate code letter in the space provided.

- |   |                                  |
|---|----------------------------------|
| A. Cost effectiveness                   | F. Subsidiary ledger             |
| B. Enterprise resource planning systems | G. Control account               |
| C. General ledger accounting system     | H. Accounts receivable ledger    |
| D. Manual accounting system             | I. Accounting information system |
| E. Special journals                     | J. Flexibility                   |
- 
- \_\_\_ 1. A general ledger account which summarizes detailed information in a subsidiary ledger.
- \_\_\_ 2. Benefits of information must exceed the cost of providing it.
- \_\_\_ 3. The accounting system should accommodate a variety of users.
- \_\_\_ 4. Software programs that integrate various accounting functions.
- \_\_\_ 5. Group of accounts with a common characteristic which provides detailed information.
- \_\_\_ 6. Collects and processes transaction data and communicates financial information.
- \_\_\_ 7. Integrate all aspects of the organization, including accounting, sales, and manufacturing.
- \_\_\_ 8. Used to record high volume, similar type transactions.
- \_\_\_ 9. Transactions are journalized and posted by hand.
- \_\_\_ 10. A subsidiary ledger that contains individual customer accounts.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 5, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: Business Applications

**Answers to Matching**

- |      |       |
|------|-------|
| 1. G | 6. I  |
| 2. A | 7. B  |
| 3. J | 8. E  |
| 4. C | 9. D  |
| 5. F | 10. H |

**SHORT-ANSWER ESSAY QUESTIONS****S-A E 148**

Angie Rizzoli operates a small business and uses a manual system of accounting. Transactions are entered in the general journal and posted to accounts in the general ledger at the end of the month. Although the volume of transactions has increased significantly in the past year, Ms. Rizzoli does not feel that it would be cost-effective to install an electronic accounting system. She hires you as a consultant to make recommendations about how to record transactions more efficiently. Briefly describe the principles that you would consider in making recommendations to Ms. Rizzoli.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 5, AACSB: Technology, AICPA BB: Industry/Sector Perspective, AICPA FN: Leverage Technology, AICPA PC: Project Management, IMA: Business Applications

**Solution 148**

In order for Ms. Rizzoli to have a more efficient accounting system, three principles must be followed. These principles are cost effectiveness, usefulness, and flexibility. Cost effectiveness simply means that the benefits received must outweigh the costs. Usefulness refers to the fact that the system must provide the users with timely, accurate, and understandable information. And flexibility means that the system must be able to adapt to changing needs. Applying these principles to Ms. Rizzoli's situation would lead to the recommendation for the use of special journals.

**S-A E 149**

(a) When do companies normally post to (1) subsidiary accounts and (2) the general ledger control accounts? (b) Describe the relationship between a control account and a subsidiary ledger.

Ans: N/A, LO: 2, Bloom: K, Difficulty: Easy, Min: 5, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

**Solution 149**

- (a) (1) Transactions to subsidiary accounts are generally posted daily.  
 (2) In contrast, postings to the control accounts are usually made in total at the end of the month.
- (b) A control account is a general ledger account that summarizes subsidiary ledger data. Subsidiary ledger accounts keep track of specific account activity (i.e., specific debtors or creditors). A subsidiary ledger is an addition to, and an expansion of, the general ledger.

**S-A E 150**

At the end of the month, the accountant for Seneca Company prepared a schedule of accounts receivable from the accounts receivable subsidiary ledger. Its total did not agree with the balance

## 7 - 46 Test Bank for Accounting Principles, Eleventh Edition

---

in the Accounts Receivable control account in the general ledger. Briefly describe the procedure that should be followed in reconciling the two balances.

Ans: N/A, LO: 2, Bloom: K, Difficulty: Easy, Min: 5, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Research, AICPA PC: Problem Solving, IMA: Internal Controls

### Solution 150

The first step would be to go back and double check the total of the accounts receivable subsidiary ledger. There may have been a math error which caused the total to be incorrect. If the math is accurate, then the next step would be to review the postings in the accounts receivable control account. This review includes checking both the accuracy of the math and the accuracy of the posting from the journals. If the control account is correct, then the next step is to repeat the procedure with each individual subsidiary account. If the error still has not been found, then the final step is to look at the journals to see if there were any entries that failed to get recorded.

### S-A E 151

Why would special journals used in different businesses not be identical in format? What type of business would maintain a cash receipts journal but not include a column for accounts receivable?

Ans: N/A, LO: 3, Bloom: K, Difficulty: Easy, Min: 5, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Measurement, AICPA PC: Professional Demeanor, IMA: Business Applications

### Solution 151

The purpose of special journals is to facilitate the recording process of the business entity. Therefore, the columns included in any special journal should correspond to the unique needs of the entity. In particular, one type of business which might not require an Accounts Receivable column would be grocery stores. These businesses rarely sell on credit to their customers. The minimum frequency of the transaction implies no need for an Accounts Receivable column in the cash receipts journal.

### S-A E 152 (Ethics)

Sasha Isles has been a manager at MoonBeam, a large telecommunications company, for ten years. She has worked very hard, but she had to take two unpaid leaves of absence to assist her sick mother, and then later, she took unpaid leave when her children needed care. As a result, she has received only two promotions during that time. She realizes that she probably will not receive any more promotions, since the company views her as somewhat unstable.

Last week, a newly promoted manager bragged that he could just "sniff out" accounting errors. Sasha, angered at his arrogance, deliberately recorded sales salaries as rent expense. Other accountants were present when she did so. The dollar amounts of her changes were not significant.

#### Required:

Has there been a violation of ethical standards? Explain.

Ans: N/A, LO: 1, Bloom: C, Difficulty: Easy, Min: 5, AACSB: Ethics, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Professional Demeanor, IMA: Internal Controls

### Solution 152

There has certainly been a violation of integrity. Sasha has no right to let her personal animosity toward a fellow employee cause her to misrecord journal entries. The fact that others knew of her actions does not make what she did right—in fact it causes them to be accomplices. Even though the amounts are not significant, and net income is not affected, Sasha's action is wrong. There is

also reason for concern that Sasha's frustration will show itself in more serious forms of sabotage.

### **S-A E 153** (Communication)

You are a supervisor in the accounting department of a large manufacturing company. Two weeks ago, you were anxious to leave for your vacation, and so you hurriedly recorded a whole stack of journal entries so that the others would not have as much to do while you were gone. When you returned, you realized that you had entered a payment on account of a customer, Horton, as payment on another customer's account, Holten. Even worse, you realized that Horton's payment had been on an overdue account, and that Holten had received a refund for overpayment.

#### **Required:**

Write a memo to Paula Prezzoli, your boss, explaining your mistake.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 5, AACSB: Communications, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Communications, IMA: Internal Controls

### **Solution 153**

#### M E M O

TO: Paula Prezzoli, Controller  
 FROM: Marty Kline, Accounting Supervisor  
 DATE: October 15, 200x

I'm ba-ack! Unfortunately, I already have a problem. It seems that my mind went on vacation before the rest of me did. You remember that I sent you a note telling you that I had recorded all those journal entries—well, I got almost all of them right.

I recorded Horton's payment in Holten's account. I found it out when I saw Horton's account in the file of accounts sent for collection. I thought I remembered a payment—and I had. When I checked further, I found out that I had recorded the payment in Holten's account. Unfortunately, Customer Service was on the ball and sent Holten a refund—of a payment they never made!

I am trying to sort all this out—I've already removed Horton from the collection list and I'm sending them an apology letter. What do you wish to do about the refund that Holten got?

I'm really sorry about all this. Next year, I'll try not to be so "helpful."

(signature)