Unit 1 Self-assessment test

*Required

1.

Name and surname

2.

What is the periodicity assumption?
Mark only one oval.

- Companies should recognize revenue in the accounting period in which it is earned.
- Companies should match expenses with revenues.
- The economic life of a business can be divided into artificial time periods.
- The fiscal year should correspond with the calendar year.

3.

Which one of these statements about the accrual basis of accounting is false?
Mark only one oval.

- Companies record events that change their financial statements in the period in which events occur, even if cash was not exchanged.
- Companies recognize revenue in the period in which it is earned.
- This basis is in accord with generally accepted accounting principles.
- Companies record revenue only when they receive cash, and record expense only when they pay out cash.

4.

Adjusting entries are made to ensure that:
Mark only one oval.

- expenses are recognized in the period in which they are incurred.
- revenues are recorded in the period in which they are earned.
- balance sheet and income statement accounts have correct balances at the end of an accounting period.
- All of the above.
5. Adjustments for unearned revenues: 
   Mark only one oval.
   - decrease liabilities and increase revenues.
   - increase liabilities and increase revenues.
   - increase assets and increase revenues.
   - decrease revenues and decrease assets

6. Peter earned a salary of $400 for the last week of December. He will be paid on January 1. 
   Mark only one oval.
   - No entry is required.
   - Salaries and Wages Expense 400 (Db) Salaries and Wages Payable 400 (Cb)
   - Salaries and Wages Expense 400 (Db) Cash 400 (Cb)
   - Salaries and Wages Payable 400 (Db) Cash 400 (Cb)

7. Which statement is incorrect concerning the adjusted trial balance? 
   Mark only one oval.
   - (a) An adjusted trial balance proves the equality of the total debit balances and the total credit balances in the ledger after all adjustments are made.
   - The adjusted trial balance provides the primary basis for the preparation of financial statements.
   - The adjusted trial balance does not list temporary accounts.
   - The company prepares the adjusted trial balance after it has journalized and posted the adjusting entries.

8. Which account will have a zero balance after a company has journalized and posted closing entries? 
   Mark only one oval.
   - Service Revenue
   - Trade receivables
   - Prepaid Insurance.
   - Accumulated Depreciation.
9. The original cost of a physical asset was €50,000. It was purchased on July 1, 2010. It has an estimated useful life of 10 years and has been depreciated under the straight-line method. At the end of 2015, after adjusting entries have been recorded and posted, the book value of the physical asset is which of the following? 
Mark only one oval.

- €5,000.
- €25,000
- €20,000
- €22,500

10. On November 25, the company received €24,000 for services to be performed over the following three months. Cash was debited for $24,000 and Unearned Services Revenue was credited for $24,000. None of the services were provided in November. One-third of the services were completed by December 31. The adjusting entry for December 31 would include which of the following? 
Mark only one oval.

- a debit to Unearned Services Revenue of $8,000.
- a credit to Services Revenue of $16,000.
- a credit to Services Revenue of $8,000.
- (a) and (c)

11. A company may have produced some environmental damage, so the company was sued. The plaintiffs seek damages for 2,000 Euros. The company believes that this dispute is going to imply a future disbursement of 1,000 Euros. The company should record….
Mark only one oval.

- Nothing until the decision is not final
- A provision for €1,000
- A provision for €2,000
- A provision for €1,500