

Unit 1 Self-assessment test

*Required

1.

*

Name and surname

.....

2.

What is the periodicity assumption?

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- 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?

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- 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:

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- 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:

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- 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.

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- 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?

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- (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?

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- 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?

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- €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?

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- 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....

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

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