

# DATABASE OF QUESTIONS FOR FINANCE DEPARTMENT JOB APPLICANTS

## True/False, Multiple Choice & Fill-in-the-Blank Questions

### DEBIT OR CREDIT

1. An entry on the right side of an account. **Debit Credit**
2. Will increase an asset account. **Debit Credit**
3. Will decrease the balance in Accounts Payable. **Debit Credit**
4. A general journal entry will have this listed first. **Debit Credit**
5. The normal balance for Rent Expense. **Debit Credit**
6. To decrease Accounts Receivable. **Debit Credit**
7. The expected balance in Prepaid Insurance. **Debit Credit**
8. A negative Cash balance will have this account balance. **Debit Credit**
9. Will increase the account Inventory. **Debit Credit**
10. The expected balance in the account Petty Cash. **Debit Credit**
11. The usual entry for an expense. **Debit Credit**
12. Will increase a liability account. **Debit Credit**
13. An entry on the left side of an account. **Debit Credit**
14. A revenue account's normal balance. **Debit Credit**
15. The expected balance in Allowance for Doubtful Accounts. **Debit Credit**
16. The balance you would expect in Unearned Revenues. **Debit Credit**
17. The entry to Accounts Payable for a purchase on credit. **Debit Credit**
18. A general journal entry will have this account indented. **Debit Credit**
19. The expected balance in Purchase Discounts. **Debit Credit**
20. The expected balance for Land. **Debit Credit**
21. The balance you would expect in Notes Payable. **Debit Credit**
22. Which term is associated with "left" or "left-side"? **Debit Credit**
23. The expected balance in Accumulated Depreciation. **Debit Credit**
24. The expected balance in the account Supplies. **Debit Credit**
25. The expected balance in Depreciation Expense. **Debit Credit**
26. The entry to Machinery and Equipment when a machine is scrapped. **Debit Credit**
27. The entry to Accumulated Depreciation to remove an amount associated with a machine that was scrapped. **Debit Credit**
28. The entry to reduce the balance in Supplies. **Debit Credit**
29. The entry to Accounts Receivable when an account is collected. **Debit Credit**
30. The entry to increase the balance in Prepaid Insurance. **Debit Credit**
31. The entry to Cash when recording a bank service charge. **Debit Credit**
32. The entry to Payroll Withholdings Payable when remitting payroll taxes **Debit Credit**
33. The entry to increase Sales Taxes Payable. **Debit Credit**
34. The usual entry to Sales Tax Revenues. **Debit Credit**

### TRUE or FALSE

35. The Cash account is credited when the petty cash fund is replenished. **True False**
36. Accumulated Depreciation is a contra asset account. **True False**
37. Payroll withholdings are current liabilities. **True False**
38. Both assets and expenses will normally have debit balances. **True False**
39. Both liabilities and revenues will normally have credit balances. **True False**
40. Liabilities are claims against the government's assets. **True False**
41. Under the accrual-basis of accounting, the amount collected from accounts receivable should be reported as revenues. **True False**
42. Recording \$1,000 of Rent Expense as Insurance Expense will cause the trial balance to be out of balance. **True False**
43. The trial balance will be out of balance if a journal entry is recorded twice. **True False**
44. An error in counting the ending inventory will cause the net income to be incorrect. **True False**
45. An hourly employee's take-home pay is referred to as gross wages. **True False**
46. If a government has a loan payable, it is reasonable to expect a debit balance in the account Interest Expense. **True False**
47. Unexpired insurance premiums should be deferred to an asset account until they expire. **True False**
48. The end of year balances in asset accounts will become the following year's beginning balances. **True False**
49. The end of year balances in revenue accounts will become the following year's beginning balances. **True False**
50. When the amount of an asset's accumulated depreciation is equal to the cost of the asset, no depreciation expense will be recorded in the next accounting year even though the asset is in service. **True False**
51. If equipment is sold for more than its book value, a gain is recorded. **True False**
52. The cost of the land used for the site of a new warehouse should be depreciated. **True False**
53. When an asset has the same amount of depreciation expense each year, it is being depreciated under the straight-line method. **True False**
54. Checks received from customers, but not yet deposited should be considered as part of the government's cash. **True False**
55. Land, buildings, and equipment are often referred to as fixed assets. **True False**
56. The annual wage statement given to employees in January that shows the amounts earned and withheld in the previous year is the form W-4. **True False**
57. Under the accrual-basis of accounting, receipts are revenues. **True False**
58. Under the accrual-basis of accounting, the collection of accounts receivable will increase net position. **True False**
59. The balance sheet is also known as the statement of financial position. **True False**
60. The book value of a government's equipment is generally the same as the equipment's fair market value. **True False**

### FILL IN THE BLANK

61. A listing of account numbers and titles without account balances is the \_\_\_\_\_ of accounts
62. Resources owned by a government (such as cash, accounts receivable, vehicles) are reported on the statement of net position and are referred to as \_\_\_\_\_.

63. Obligations (amounts owed) are reported on the statement of net position and are referred to as \_\_\_\_\_.
64. A small amount of currency and coins on hand that is used to pay small amounts is a \_\_\_\_\_ cash fund.
65. Making certain that the amounts in a government's general ledger's Cash account agrees with the amounts on the government's bank statement is known as a bank \_\_\_\_\_.
66. Checks written but not yet clearing the bank are referred to as \_\_\_\_\_ checks.
67. If an amount is recorded with two of its digits transposed, the amount of the difference is evenly divisible by the digit \_\_\_\_\_.
68. Recognizing revenues when the money is received is the \_\_\_\_\_-basis of accounting.
69. Recognizing revenues when they are earned is the \_\_\_\_\_-basis of accounting.
70. A report that shows the accounts receivable sorted by the length of time invoices have been open is an \_\_\_\_\_ of accounts receivable.
71. The financial statement that reports revenues and expenses is the \_\_\_\_\_.
72. The financial statement that reports assets and liabilities is the \_\_\_\_\_.
73. Cash and other assets that will turn to cash within one year are \_\_\_\_\_ assets.
74. Generally, the amounts reported in the accounts Land, Buildings, and Equipment are the historical \_\_\_\_\_ and not the current market values.
75. When depreciation is recorded, the account Depreciation \_\_\_\_\_ is debited
76. When depreciation is recorded, the account \_\_\_\_\_ Depreciation is credited.
77. When a purchase is made on credit, Accounts \_\_\_\_\_ is credited.
78. The unexpired cost of insurance premiums should be reported in the account \_\_\_\_\_ Insurance.
79. Prepaid expenses should appear on the balance sheet as \_\_\_\_\_.
80. Money received in advance of being earned should be recorded in the asset account Cash and in the \_\_\_\_\_ account Unearned Revenues.
81. The net of a fixed asset's cost minus its accumulated depreciation is the asset's \_\_\_\_\_ value or carrying value.
82. Entries made at the end of the accounting year so that all of the income statement accounts begin the following year with balances of zero are \_\_\_\_\_ entries.
83. Entries to accrue expenses that have occurred during an accounting period but were not recorded through the normal paperwork are part of the \_\_\_\_\_ entries.
84. The financial statement that explains how the cash and cash equivalents have changed is the statement of \_\_\_\_\_.
85. A cost that has been used up, expired, or matched with revenues is an \_\_\_\_\_.
86. Amounts spent to acquire property, plant, and equipment are referred to as \_\_\_\_\_ expenditures.
87. The amount of supplies used during the current accounting period should be reported in the account Supplies \_\_\_\_\_.
88. If the amount of supplies on hand is significant, it should be reported as an \_\_\_\_\_.
89. An internal report that lists all general ledger accounts and their balances in order to verify that the total of the debit balances equals the total of the credit balances is a \_\_\_\_\_.
90. The balance sheet reports amounts as of a \_\_\_\_\_ in time.
91. The income statement reports amounts for a \_\_\_\_\_ of time.
92. Prior to approving a vendor's invoice for payment, the invoice, receiving ticket, and \_\_\_\_\_ order should be compared.
93. The account that is credited when replenishing the petty cash fund is the \_\_\_\_\_ account.

94. The accounting year of July 1 through June 30 is referred to as a \_\_\_\_\_ year (as opposed to a calendar year).

95. FICA is the combination of Social Security tax and \_\_\_\_\_ tax.

96. EFT is the acronym for electronic \_\_\_\_\_ transfer.

### MULTIPLE CHOICE

97. Under the accrual basis of accounting, revenues are reported in the accounting period when the \_\_\_\_\_.

**Cash is Received    Goods/Services Have Been Delivered**

98. Which of the following accounts is **not** an asset?

**Accounts Payable    Accounts Receivable    Prepaid Insurance**

99. Under the accrual basis of accounting, expenses are reported in the accounting period when the \_\_\_\_\_.

**Cash is Paid    Expense Matches the Revenues or is Used Up**

100. Assets are usually reported on the statement of net position at which amount?

**Cost    Current Market Value    Expected Selling Price**

101. Which of the following accounts is a balance sheet account?

**Interest Receivable    Interest Revenue    Interest Expense**

102. Which of the following accounts is a liability account?

**Wages Expense    Supplies    Unearned Revenues**

103. Accounting entries involve a minimum of how many accounts?

**One    Two    Three**

104. Which account is closed at the end of the accounting year?

**Petty Cash    Miscellaneous Expense    Accumulated Depreciation**

105. Which is a contra account?

**Bonds Payable    Interest Expense    Allowance for Doubtful Accts**

106. When the terms of a sale are FOB shipping point, the freight cost is the responsibility of the **buyer    seller**

107. When the terms of a sale are FOB destination, the freight cost is the responsibility of the **buyer    seller**

108. Which amount should be added to the balance per bank in a bank reconciliation?

**bank service charge    deposits in transit    outstanding checks**

109. Which amount should be deducted from the balance per bank when preparing a bank reconciliation?

**bank service charge    deposits in transit    outstanding checks**

110. Which amount should be added to the balance per books when preparing a bank reconciliation?

**bank service charge    deposits in transit    interest received on the bank account**

111. Which one of the following payroll taxes is withheld from an employee's pay but is not matched by the employer?

**federal income tax    Medicare tax    Social Security tax**

112. Which one of the following is not withheld from an employee's wages or salary?

**federal income tax    federal unemployment tax    FICA tax**

113. Which one of the following taxes applies to every dollar of every employee's wages or salary?

**federal unemployment tax    Medicare tax    Social Security tax**

114. Which financial statement does **not** cover a period of time?

**balance sheet    income statement    statement of cash flows**

115. When a long-term asset is sold for more than its carrying amount, which of the following is the best way to report the transaction?

**Gain on Sale of Asset    Income from Sale    Sales Revenues**

116. Entries at the end of an accounting period to accrue revenues and expenses or to defer revenues and expenses are

**adjusting entries    closing entries    correcting entries**

117. The chart of accounts usually begins with this group of accounts

**assets    revenues    owner's equity**

118. Reporting expenses with the corresponding revenues is associated with which of the following accounting principles?

**cost    full disclosure    matching**

119. Losses due to accounts receivable not being collected are reported as

**bad debts expense    sales discounts    sales returns and allowances**

## **Analytical Questions**

120. An invoice for \$500 has credit terms of 2/10, n/30. If the invoice is paid within the discount period, the amount to be remitted is \$\_\_\_\_\_.

121. An invoice has credit terms of 1/10, n/30. The invoice is for \$1,000 but \$100 of merchandise was returned within two days. The amount to be remitted within the discount period is \$\_\_\_\_\_.

122. A promissory note for \$10,000 specifies interest of 8.25% per year. The interest for one year is \$\_\_\_\_\_.

123. A promissory note of \$100,000 has an interest rate of 9% per year. The interest for one month is \$\_\_\_\_\_.

124. At the beginning of the year, the asset Supplies had a balance of \$1,000. At the end of the year it had a balance of \$1,300. During the year \$3,000 of supplies were purchased. The amount of Supplies Expense during the year was \$\_\_\_\_\_.

125. The bank statement has an ending balance of \$1,700. There are \$600 of deposits in transit and \$2,100 of outstanding checks. The adjusted balance per the bank statement is \$\_\_\_\_\_.

126. The Cash account has a balance of \$830 before it is reconciled with the bank statement. The bank reconciliation shows a bank service charge of \$30, a check printing fee of \$100, outstanding checks of \$300, and a \$60 deposit in transit. The adjusted or corrected balance for the Cash account is \$\_\_\_\_\_.

127. Total assets are \$500,000; current liabilities are \$100,000; working capital is \$150,000. The amount of current assets is \$\_\_\_\_\_.

128. The Allowance for Doubtful Accounts has a credit balance of \$1,000. After an analysis of its accounts receivable, the government estimates that 3% of its \$100,000 in accounts receivable are uncollectible. The balance needed in the Allowance for Doubtful Accounts is \$\_\_\_\_\_. Therefore, \$\_\_\_\_\_ must be credited to the account.

129. A petty cash fund has an imprest balance of \$100. The custodian has \$18.00 on hand and is preparing a check request to replenish the fund. The petty cash receipts show disbursements of \$81.00 (\$30.00 for supplies expense and \$51 of travel expense). The check being requested should be in the amount of \$\_\_\_\_\_.

130. Using the information in Question 129, indicate the amount (if any) of the debit or credit to the account Cash Short and Over:  
\$\_\_\_\_\_ debit; \$\_\_\_\_\_ credit.

131. On June 1, a government purchased a parcel of land at its appraised value of \$200,000. The financing arrangement required no down payment and monthly payments of interest and principal for 10 years. The interest is at a fixed rate of 9%. Over the life of the loan the company will be paying \$100,000 of interest. The amount to be recorded on June 1 for the land is \$\_\_\_\_\_. The amount to be recorded on June 1 for the note payable is \$\_\_\_\_\_.

132. A machine was purchased on January 1, 2018 at a cost of \$80,000. Its expected salvage value is \$10,000 at the end of its useful life of 10 years. The government's accounting year is the fiscal year ending June 30. If the government uses straight-line depreciation, the machine's accumulated depreciation on June 30, **2019** will be \$\_\_\_\_\_.

133. Several years ago a truck had a cost of \$22,000 and an expected salvage value of \$3,000. Today, the truck's accumulated depreciation is \$15,000. If the truck is sold for \$5,000, the amount of the gain or loss will be: \$\_\_\_\_\_ gain; \$\_\_\_\_\_ loss.

## **Narrative Questions**

134. Explain the convention of materiality.

135. What are contingent liabilities?

136. What is double entry bookkeeping? What are its rules?

137. What is the difference between accrual accounting and cash accounting?

**\*\*\*ANSWER KEY\*\*\*:**

**True/False, Multiple Choice & Fill-in the Blank Questions**

**DEBIT OR CREDIT**

- 1 Credit
- 2 Debit
- 3 Debit
- 4 Debit
- 5 Debit
- 6 Credit
- 7 Debit
- 8 Credit
- 9 Debit
- 10 Debit
- 11 Debit
- 12 Credit
- 13 Debit
- 14 Credit
- 15 Credit
- 16 Credit
- 17 Credit
- 18 Credit
- 19 Credit
- 20 Debit
- 21 Credit
- 22 Debit
- 23 Credit
- 24 Debit
- 25 Debit
- 26 Credit
- 27 Debit
- 28 Credit
- 29 Credit
- 30 Debit
- 31 Credit
- 32 Debit
- 33 Credit
- 34 Credit

**TRUE or FALSE**

- 35 True
- 36 True

- 37 True
- 38 True
- 39 True
- 40 True
- 41 False
- 42 False
- 43 False
- 44 True
- 45 False
- 46 True
- 47 True
- 48 True
- 49 False
- 50 True
- 51 True
- 52 False
- 53 True
- 54 True
- 55 True
- 56 False
- 57 False
- 58 False
- 59 True
- 60 False

FILL-IN-THE-BLANK

- 61 chart
- 62 assets
- 63 liabilities
- 64 petty
- 65 reconciliation
- 66 outstanding
- 67 nine
- 68 cash
- 69 accrual
- 70 aging
- 71 statement of revenues and expenses
- 72 statement of net position
- 73 current
- 74 costs
- 75 Expense
- 76 Accumulated
- 77 Payable
- 78 Prepaid
- 79 assets

80 liability  
81 book  
82 closing  
83 adjusting  
84 cash flows  
85 expense  
86 capital  
87 Expense  
88 asset  
89 trial balance  
90 point  
91 period or interval  
92 purchase  
93 Cash  
94 fiscal  
95 Medicare  
96 funds

MULTIPLE CHOICE

97 Goods/Services Have Been Delivered  
98 Accounts Payable  
99 Expense Matches the Revenues or is Used Up  
100 Cost  
101 Interest Receivable  
102 Unearned Revenues  
103 Two  
104 Miscellaneous Expense  
105 Allowance for Doubtful Accounts  
106 buyer  
107 seller  
108 deposits in transit  
109 outstanding checks  
110 interest received on the bank account  
111 federal income tax  
112 federal unemployment tax  
113 Medicare tax  
114 balance sheet  
115 Gain on Sale of Asset  
116 adjusting entries  
117 assets  
118 matching  
119 bad debts expense

## Analytical Questions

- 120 490  $\$500 - [2\% \times \$500]$   
121 891  $\$900 - [1\% \times \$900]$   
122 825  $\$10,000 \times 0.0825$   
123 750  $\$100,000 \times 0.09 = \$9,000$  per yr. / 12 mos. = \$750  
124 2,700  $\$1,000 + \$3000 = \$4,000 - \$1,300 = \$2,700$   
125 200  $(\$1,700 + \$600 - \$2,100)$   
126 700  $(\$830 - \$30 - \$100 = \$700)$   
127 250,000 Working capital = Current Assets – Current Liabilities  $\$150,000 = \text{Current Assets} - \$100,000$   
128 3,000; 2,000  
129 82.00 (Imprest amount of \$100.00 minus actual cash of \$18.00)  
130 1.00 debit; 0 credit  
131 200,000; 200,000  
132 10,500  $\$80,000 - \$10,000 / 10 \text{ yrs} = \$7,000 \times 1.5 \text{ yrs} = \$10,500$   
133 0 gain; 2,000 loss  $\$5000 \text{ vs. } [\$22,000 - \$15,000] = \$2,000 \text{ loss}$

## Narrative Questions

134. This convention proposes that while accounting for the various transactions, only those transactions will be considered which have material impact on profitability or financial status of the organization and other insignificant transactions will be ignore. In keeping with the principle of materiality, unimportant line items in the financial statements are frequently merged with other line items.

135. Contingent liability is an obligation, relating to a past transaction or other event or condition, that *may* arise in the future event. Thus contingent liabilities are deemed possible but not probable. For example: settlement of lawsuits, guarantee to a bank for loan advanced to a third party, possible penalties, fines and penalties payable to the government or income tax authorities etc.

136. Double entry bookkeeping follows the principle according to which every debit has a corresponding credit; hence total of all debits is always equal to the total of all credits. In this system, one account is debited and at the same time another account is credited by the similar amount.

137. The Cash Basis of accounting reports only transactions that have been completed in the current reporting period, or what has “hit” the checking account (assuming all funds are deposited and disbursed only from that account). The Accrual Basis of accounting reports all transactions that the entity has entered into and includes the asset, liability, income and expense related them.