

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.