

Basic Accounting Self-Assessment Questions

1. The “promise of cash” in exchange for a good or service is considered an:
 - A. Asset of the business
 - B. Liability of the business
 - C. Expense of the business

2. According to the accrual system of accounting, transactions should be recorded
 - A. When the obligation is made
 - B. When cash changes hands
 - C. Only on the last day of the accounting period

3. If adjusting entries are not made, what will be the effect on income?
 - A. It will be underestimated
 - B. It will be overestimated

4. Which of the following appear on the balance sheet?
 1. Contributed capital account
 2. Revenue accounts
 3. Expenses accounts
 4. Retained earnings
 5. Asset accounts
 6. Liability accounts
 - A. 2 and 3
 - B. 1, 2, 4 and 6
 - C. 2, 3, 4 and 5
 - D. 1, 4, 5 and 6

5. How is the purchase of inventory by the business “on account” with the wholesaler recorded?
 - A. Debit “Inventory”; credit “Wholesaler account payable”
 - B. Debit “Account Receivable”; credit “Inventory”
 - C. Debit “Wholesaler account payable”; credit “Inventory”
 - D. Debit “Inventory”; credit “Account Receivable”

6. How is sale of goods by the business for cash recorded?
 - A. Debit “Inventory expense”; credit “Sales revenue”
 - B. Debit “Cash”; credit “Sales revenue”
 - C. Debit “Sales revenue”; credit “Inventory expense”
 - D. Debit “Sales revenue”; credit “Cash”

7. Expense accounts typically carry
 - A. A debit balance
 - B. A credit balance

8. Which of the following statements present the result of operations for the accounting period?
 - A. Income statement
 - B. Balance sheet