

JPIA DAY ACADEMIC LEAGUE
CUP-1 BASIC ACCOUNTING
FINAL ROUND

EASY

1. Suppose a debtor repays his debt of P50,000 by transferring the money into the bank account of the business. The effect of the transaction on the accounting equation would be:

- a. Both assets and liabilities increase by P50,000
- b. Both assets and liabilities decrease by P50,000**
- c. Only assets decrease by P50,000
- d. Assets and liabilities remain unchanged

2. Aldous Company purchases P10,000 fixtures for entity use on credit. Which of the following will be affected?

- 1) Assets 2) Liabilities 3) Capital
- a. **1 and 2 only** b. 1 and 3 only c. 2 and 3 only d. 1, 2, and 3

3. Under the double entry system, what is the value of X if assets, current liabilities, non-current liabilities and capital are X, P40,000, P60,000, and P350,000 respectively?

Answer: P450,000

4. As the usefulness of the asset Property and Equipment expires,

- a. a liability is created
- b. an amount is transferred from one asset account to another
- c. a related expense account is reduced
- d. the cost of the asset is allocated to an expense account**

5. An accrued expense should be reported

- a. by a buyer when a service is received on payment of cash
- b. by a seller when a service is rendered before payment of cash
- c. when an expense is incurred as cash is paid.
- d. when an expense is incurred before cash is paid**

6. The purchase of a prepaid insurance policy would initially be recorded as

- a. a deferred expense
 - b. a deferred revenue
 - c. an accrued expense
 - d. an accrued revenue
7. Worksheet are prepared because
- a. they aid in the preparation of the financial statements, adjusting entries, and closing entries.
 - b. they are necessary for the preparation of the financial statements.
 - c. they are required by GAAP
 - d. they constitute a permanent record of all adjusting entries made for the period.
8. The statement of changes in equity would not show
- a. revenues and expense
 - b. the owner's ending capital balance
 - c. the owner's initial capital balance
 - d. the owner's withdrawals for the period
9. The profit figure appears in all the following financial statements except the
- a. balance sheet
 - b. income statement
 - c. statement of cash flows
 - d. statement of changes in equity
10. The owner's capital account is found on the
- a. balance sheet debit column and nowhere else
 - b. trial balance credit column, adjusted trial balance credit column, and balance sheet credit column of a worksheet
 - c. trial balance credit column and income statement debit column of a worksheet
 - d. trial balance debit column, adjustments debit column, adjusted trial balance credit column, and income statement credit column of a worksheet

AVERAGE

1. Which of the following is not cash flows activities?

- a. Cash flows from operating activities
- b. Cash flows from investing activities
- c. Cash flows from financing activities
- d. Cash flows from depreciation activities

2. A complete set of financial statements comprises of how many statements?

- a. 3
- b. 4
- c. 5
- d. 6

3. The process of posting is

- a. transferring the debits and credits from the journal to ledger
- b. transferring the credits and debits from ledger to journal
- c. transferring all nominal accounts from journal to worksheet
- d. transferring all permanent accounts from ledger to worksheet

4. Which of the following comes last in the accounting process?

- a. journalizing external transactions
- b. preparation of an adjusted trial balance
- c. preparation of a post-closing trial balance
- d. worksheet preparation

5. Which of the following is not a component of operating cycle?

- a. Collection of cash from merchandise sales
- b. Ordering of merchandise
- c. Purchase of merchandise
- d. Sale of merchandise

6. Each of the following companies is merchandising except a

- a. candy store
- b. car wash
- c. wholesale parts company
- d. furniture store

7. Gross profit equals the difference between net sales and
a. **cost of goods sold** b. operating expenses c. administrative expenses d. profit
8. Which of the following is an intangible asset?
a. patents b. copyright c. trademarks d. **all of the above**
9. When an entity pays employees for their services, the effect is an increase in
a. assets b. liabilities c. **expenses** d. capital
10. A P1,000,000 machine is purchased by paying P500,000 cash and issuing a long-term promissory note for the remainder. The journal entry should include a
a. credit to machinery b. **credit to notes payable**
c. debit cash d. debit notes receivable

DIFFICULT

1. Which of the following does not directly affect the capital account?

- a. Earning revenue b. Incurring of expenses
 - c. Paying an accounts payable** d. Withdrawals by the owners
2. Unearned revenue are recorded by companies that
- a. pay money at the time the performance of a service is complete
 - b. pay money in advance of the performance of a service
 - c. receive money at the time the performance of a service is complete
 - d. receive money in advance of the performance of a service**
3. The journal entry to record an accrued revenue results in which of the following times of accounts being debited and credited?
- a. asset and liability **b. assets and income**
 - c. expense and asset d. expense and liability
4. Which of the following is an application of accrual accounting?
- a. depreciating a building as quickly as allowed by income tax regulation
 - b. expensing a machine in its entirety when purchased**
 - c. recoding revenue at the time payment is received
 - d. recoding utilities expense when monthly bill is received
5. A customer's promise to pay for goods or services
- a. creates a liability for the company
 - b. decreases assets, liabilities and owner's equity of the company
 - c. increases assets of the company**
 - d. increases the company's cash and cash equivalents account
6. Leneth Piala Company weekly payroll of P5,000 is paid on Fridays. Assume that the last day of the month falls on Wednesday. Which of the following is required?
- a. Dr. Salaries Expense P2,000 and Cr. Salaries Payable P2,000
 - b. Dr. Salaries Expense P3,000 and Cr. Salaries Payable P3,000**
 - c. Dr. Salaries Payable P3, 000 and Cr. Salaries Expense 3,000
 - d. Dr. Salaries Payable P2, 000 and Cr. Salaries Expense 2,000

7. Which is not correct concerning the rules of the debit and credit?
- a. The left side of an account is always the debit side and the right side is always the credit side.
 - b. The word "debit" means to increase and the word "credit" is to decrease.**
 - c. Increases in assets and expenses are debited entries and increases in liabilities, equity and revenue are credited entries.
 - d. The normal balance of any account appears on the side for recording increases.
8. Which of the following is an assets of the firm?
- a. An overdrawn balance on the firm's bank account
 - b. Petty cash fund**
 - c. Money owed by Talib Company to one of its suppliers in respect of goods purchased on credit
 - d. The P500,000 capital of the firm
9. The following cannot be found in an income statement except
- a. Time deposits
 - b. Prepaid Expenses
 - c. bad debt expense**
 - d. Petty Cash
10. At the beginning of the year, the assets of Nanol Company were P360,000 and its owner's equity was P200,000. During the year, assets increased by P120,000 and liabilities increased by 20,000. What was the owner's equity at the end of the year?

Answer: P300,000