

Accounting Test Question With Answers On Accounting Equation and Debit And Credit



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NOTE:

This Accounting test paper on Accounting Basics is divided into four sections:

- **Section A:10 questions on True Or False**
- **Section B:15 questions on Fill The Blank**
- **Section C:15 questions on Multiple Choice Question**
- **Section D: 2 questions on Solved Questions**

SECTION A: Question on True Or False

		True	False
1.	The prime function of accounting is to classify and record business transactions		
2.	Assets + Capital =Liabilities		
3.	Capital = Assets - Liabilities		
4.	To record an increase in any given asset account, that account must be debited		
5.	Is the accounting entry correct when : (a) Company bought a motor vehicle Debit Motor Vehicle Credit: Bank (b) Company repaid loan owing to Jim Debit : Jim Credit: Bank		
6.	Jim bring his private motor car into business, the entry would be: Debit: Motor Car Credit Capital		
7.	Jim introduces additional \$100,000 cash into his business. The entries would be: Debit : Cash Credit Capital		

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8.	In a T Account, Debit is on the left side.		
9.	Is the following rules of Debit and Credit correct? <div style="text-align: center;"> $\text{Assets} = \text{Capital} + \text{Liabilities}$ $\text{Increase Dr} = \text{Cr} + \text{Cr}$ $\text{Decrease Cr} = \text{Dr} + \text{Dr}$ </div>		
10.	Accounting is more of an information system rather than a mere recording system		

Section B: Questions On Fill In The Blanks

1.	The Accounting Equation is _____ = _____ + _____
2.	Items owned by a business that have monetary value are _____
3.	_____ is the interest of the owners in a business
4.	Money owed to an outsider is a(n) _____
5.	The difference between assets and liabilities is _____
6.	An investment in the business increases _____ and _____
7.	To purchase "on account" is to create a _____
8.	The Company buy Stationery on credit, so the accounting entries should be Debit: _____ Credit: _____
9.	The Dual Accounting Concept is for every _____, there is an equivalent _____
10.	Assets or any other item of the accounting equation can increase or decrease but assets will always be equal to _____ + _____

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Section C: Questions On Multiples Choice Questions

1.

The company pays its creditors by cheque. What is the effect on assets and liabilities

Effect upon Assets

Effects upon Liabilities

- | | |
|-----------------------|--------------------|
| (a) Reduce Bank | Reduce Creditors |
| (b) Increase Bank | Increase Creditors |
| (c) Reduce Bank | Increase Creditors |
| (d) None of the above | |

2.

Jim owns a company called Jim Associates and Jim purchase goods on credit from his personal funds. What is the effect on assets and liabilities?

Effect upon Assets

Effects upon Liabilities

- | | |
|-----------------------|------------------|
| (a) Reduce Bank | Reduce Creditors |
| (b) Increase Cash | No effect |
| (c) Increase Stock | Increase Capital |
| (d) None of the above | |

3.

The company recently obtained a loan from a bank. What is the effect on assets and liabilities?

Effect upon Assets

Effects upon Liabilities

- | | |
|-------------------|---------------|
| (a) Reduce Bank | Reduce Loan |
| (b) Reduce Bank | Increase Loan |
| (c) Increase Bank | Increase Loan |

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(d) None of the above

- 4.** The company has collected money from its debtors by cheque. What is the effect on assets and liabilities?

<u>Effect upon Assets</u>	<u>Effects upon Liabilities</u>
(a) Reduce Bank	Reduce Debtors
(b) Increase Bank	Decrease Debtors
(c) Increase Cash	Increase Creditor
(d) None of the above	

- 5.** If assets=\$65,000 and liabilities =\$25,000, what is the net worth of the business?

- (a) \$30,000
- (b) \$40,000
- (c) \$50,000
- (d) \$25,000

- 6.** Mr. A , a sole-proprietor has the following:
Premises\$55,000, Cash at Bank\$6,500, Inventory \$12,500 and creditors \$5,000. What is the amount of capital?

- (a) \$31,000
- (b) \$35,000
- (c) \$10,500
- (d) \$69,000

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7. Example of an asset is

- (a) Factory owned by the company
- (b) A loan given to the company
- (c) Amount owed by the company to one of its suppliers for purchase of goods on credit.
- (d) The capital of the company

8. Which of the following is not asset?

- (a) Factory
- (b) Building
- (c) Cash at bank
- (d) Loan from Jim

9. Which one of the following is a liability?

- (a) An overdrawn balance on the firm's bank account
- (b) Money owed by the firm by its debtors
- (c) Cash in the firm's safe
- (d) A factory owned by the firm

10. What is the purpose of double entry bookkeeping?

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- (a) To ensure every transaction will be posted on the debit and credit side with the same amount in at least two accounts
- (b) To prepare books of prime entry accurately
- (c) To record the cash in and out of business transactions
- (d) To avoid careless mistakes

11. Which of the following is true about the double entry system?

- (a) Each transaction should be entered into two accounts in the ledger
- (b) Each transaction involves two person/parties
- (c) Each transaction involves a debit entry and a corresponding credit entry in the ledger
- (d) The total debits should be equal to the total credits

12. Which of the following statement is correct?

- (a) When assets increase, are credited
- (b) When assets increase, are debited and credited
- (c) When assets increase, are not entered into the books
- (d) when assets increase, are debited

13. In bookkeeping, posting a transaction means:

- (a) Entering items in a cash book

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- (b) Making the first entry of a double entry system
- (c) Transferring the debit and credit items from the journal to their respective accounts in the ledger
- (d) None of the above

14.

The company wrote a cheque to repay a loan owing to Jim , the entries would be:

- (a) Debit Loan Account Credit Bank Account
- (b) Debit Bank Account Credit Loan Account
- (c) Debit Loan Interest Credit Bank Account
- (d) None of the above

15.

Jim, a sole proprietor paid a creditor Mr. A from his money outside the firm. The entry to record the transaction would be:

- (a) Debit Cash Credit Bank
- (b) Debit Mr. A Credit Capital
- (c) Debit Creditor Credit Cash
- (d) None of the above

Section D: Solved Problems

1.

Classify each of the following as elements of the accounting equation using the

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	following abbreviations: A=Assets; L=Liabilities; C=Capital (a) Land (b) Accounts Payable (c) Owners' Investment (d) Accounts Receivable
2.	Determine the effect of the following transaction on capital. (a) Bought machinery on account (b) Paid the above bill (c) Withdrew money for personal use (d) Inventory of supplies decreased by the end of the month



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Section A: Answers-True or False

1.	F
2.	F
3.	T
4.	T
5.	(a) T (b) T
6.	T
7.	T
8.	F
9.	T
10.	T

Answers to Section B: Fill In The Blanks

1.	Assets, liabilities, capital
2.	Assets
3.	Capital
4.	Liability
5.	Capital
6.	Assets, capital
7.	Liability
8.	Stationery, Creditors
9.	Debit, Credit
10.	Capital, Liabilities

Answers to Section C: Multiple Choice Questions

1.	A	11	D
2.	C	12	D
3.	C	13	C
4.	B	14	A
5.	B	15	B
6.	D		
7.	A		
8.	D		
9.	A		

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**Accounting Test Question With Answers
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10.

A

Section D: Answers-Solved Problems

1.

- (a) A**
- (b) L**
- (c) C**
- (d) A**

2.

- (a) No effect-only the asset and liability are affected**
- (b) No effect -only the asset and liability are affected**
- (c) Decrease in capital-capital is withdrawn**
- (e) Decrease in capital-supplies that are used represent an expense**

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