

Module 1: Chapter 2: Review Questions Assignment

1. Provide the names of two (a) asset accounts, (b) liability accounts, and (c) equity accounts.

(a): cash in hand and accounts receivable.

(b): accounts payable and bank debt.

(c ): common stock and retained earnings.

2. What is the difference between a note payable and an account payable?

Note payable: written agreements for debt arrangements or liabilities.

Account payable: a current liability used to record purchases on credit from a company's suppliers.

3. List the steps in processing business transactions.
  - The company enters into a business transaction as the result of a management decision.
  - The company transaction is evidenced by a source document.
  - The source document serves as the basis for preparing a journal entry.
  - The journal entry is posted to the accounts in the ledger.

4. What kinds of transactions can be recorded in the general journal?

Debit and credit transactions.

5. Are debits or credits typically listed in general journal entries? Are the debits or credits indented?

Debits and credits are typically listed in journal entries and credits are indented.

6. Should a transaction be recorded first in a journal or the ledger? Why?

A transaction should be recorded in a journal before a ledger because they are recorded in journal entries before getting to the ledger.

7. What does a bookkeeper prepare a trial balance?

To see if there are errors in the accounting system and to make sure debits equal the credits.

8. Identify the four financial statements of a business.

Balance sheets, income statements, cash flow statements, stockholders' equity.

9. What information is reported in the balance sheet?

Assets, liabilities, and stockholders' equity.

10. What information is reported in the income statement?

A businesses revenue minus expenses and losses throughout a period of time.