

Question	Answer
Internal controls (help ensure/guarantee) reliable accounting information.	help ensure reliability of accounting info
If you post a debit to insurance expense as \$1,200 not \$120 this is called a ____ error.	Slide error
If you calculate bad debt expense as 1% of sales rather than 5% of sales this is a _____ error.	use of improper estimate
Capitalizing repairs rather than expensing them is an example of a ____ error	use of an incorrect accounting principle
If you debit cash when recording the payment of the telephone bill, it is a ____ error.	posting
When deciding how to correct an error, you need to know . . .	when the error was discovered and which accounts were affected.
Accounting errors are sometimes found . . .	preparing bank reconciliations, preparing the trial balance, reviewing periodic adjustments, during internal audits, during year end financial audit, by chance.
Crediting cash \$340 rather than \$430 is a ____ error.	transposition error
Forgetting to record an interest revenue is a ____ error.	accrual.
Most of the differences between the bank balance and the book balance are caused by differences in _____.	timing
Outstanding checks are (added/deducted) from the (bank/book) balance.	Deducted; bank.
If you issued a check for \$595, but recorded it as \$955, what will you do on the bank reconciliation?	Add to book balance.
If you find another company's cancelled check on your bank statement, what would you do on the bank reconciliation?	Add the check to the bank balance.
On your bank statement "debit memorandums" are amounts (added/deducted) from your account.	Deducted
On your bank statement "credit" memorandums" are amounts (added/deducted) from your account.	Added
A note collected by the bank on behalf of your company would be (added/deducted) to the (bank/book) balance.	Added; book
Deposits in transit from the current period are . . .	added to the bank balance
Bank charges are . . .	Deducted from the book balance
Interest earned on your account is . . .	Added to the book balance
A customer's NSF check is . . .	Deducted from the book balance
Direct deposits or wire transfers are . . .	Added to the book balance

A credit memo for a bank error you reported the prior month is . . .	not added or deducted from the bank or book balance because both parties have recorded it.
Cash on hand is . . .	added to the bank balance
Showing accumulated depreciation on the trial balance as a debit for \$5,000 would result in a difference to the trial balance of . . .	\$10,000
If your trial balance difference is \$710 , which account might contain a transposition (A/R 7,100 ; A/P 5,300; Capital 10,000; Cash 9,100 ; COGS 540)	Cash 9,100
Depreciation expense would be listed on which of the following: unadjusted trial balance, adjusted trial balance, post-closing trial balance.	unadjusted & adjusted trial balances.
Failure to adjust Prepaid Insurance, Office Supplies, Prepaid Rent, or Unearned Revenue are considered _____ errors .	Deferral
Failure to record interest expense, salary expense, interest revenue, or commission revenue is an _____ error .	Accrual error
Asset accounts have a _____ balance	Dr.
Liability accounts have a _____ balance.	Cr.
Three errors that won't cause a difference in the trial balance.	Transactions never recorded on company books, Incorrect amount recorded in the debit and credit of an entry, Amount recorded in the wrong account (debit office supplies instead of equipment)
Failure to record an adjusting entry, an overstated liability and overstated expense, a transaction that was omitted are all examples of errors that . . .	Can't be detected by viewing the trial balance
Which accounts appear on the post closing trial balance?	Real or permanent accounts (balance sheet accounts)
Current period errors are those made and found	Before income statement accounts have been closed
If an error is discovered after the books have been closed, then you'll need to make a _____ correction	Prior period
If interest revenue was not accrued then the revenues will be _____ and the net income _____.	Under; Understated
If salary expense was not accrued, then the expenses will be _____ and the net income _____.	Understated; overstated
If interest revenue was not accrued, then assets will be _____.	understated
If interest expense was not accrued then assets will be _____.	unaffected
If salary expense was not accrued, then liabilities will be _____.	understated
If interest revenue was incorrectly accrued as \$3,000 instead of 4,000, what is the correcting entry?	Dr. interest receivable \$1,000 & Cr. Interest revenue \$1,000
If salary expense was incorrectly accrued as \$5,500 instead of \$5,000 what is the correcting entry?	Dr. Salary payable \$500 & Cr. Salary expense \$500

If interest expense was incorrectly accrued as \$2,000 instead of \$200, what is the correcting entry?	Dr. Interest payable \$1,800 & Cr. Interest expense 1,800
Missing or inaccurate accruals are often found when . . .	an expense is paid, a revenue received, the financial statements are prepared.
The type of correction depends upon the ___ in which the error is discovered.	Period
You prepay insurance for 2 years and debit insurance expense. At the end of the current period, you will need to . . .	Reducing insurance expense
You prepay advertising expense several months and debit prepaid advertising. At the end of this month you'll need to . . .	Reduce prepaid advertising
On 10/1 you prepay 1 year's rent of \$6,000 and debit prepaid rent. After this year's books are closed (12/31) you discover that you didn't adjust prepaid rent. What was the effect on NI and assets?	NI over \$1,500; assets overstated \$1,500
Deferral errors affect the (income statement and/or balance sheet)?	both income statement and balance sheet.
A deferred expense is one where you've _____ that expense.	Prepaid or paid in advance
On 8/1 Your Co. pays out 3 years of rent in advance \$18,000 and debits rent expense. Just before the books are closed, you discovered that the year end adjustment debited Prepaid rent and credited rent expense \$12,000. What is the 12/31 correcting entry?	Dr. Prepaid rent \$3,500 & Cr. Rent expense \$3,500
On 10/1 Your Co. receives a \$24,000 advance for a year long consulting engagement, which you record in consulting revenue. Just before the books are closed, you discover that the year-end adjusting entry mistakenly debited \$4,000 to consulting revenue and credited \$4,000 to unearned revenue. What is the correcting entry?	Dr. consulting revenue \$2,000 and credit unearned rev 2,000
On 9/1/01 Your Co. takes out a \$15,000 6% note payable that is due 9/1/02. No interest was accrued at year end '01. If you discover the error before the books are closed, the correcting entry 12/31 is . . .	Dr. Int Exp. 300 & Cr. Int Payable 300 (\$15k x .06 = 900 x 4/12 = 300)
On 10/1 Jones received a \$12,000 advance on a job that will last four months. Jones credited consulting revenue. Before the books were closed, you discover that no adjusting entry was made to consulting revenue. To correct it 12/31 you would . . .	Dr. consulting rev \$3,000 & Cr. Unearned Rev \$3,000 (12k /4 = 3k ; record 1 mo unearned)
The trial balance has total debits of \$3,000 and total credits of \$2,550. Which account may contain the transposition error? Cash \$320 ; A/P \$720 ; COGS \$940; Retained Earnings \$610	COGS\$3,000 – 2,550 = 450 4+1= 5COGS 9-4 = 5 and change from 940 to 490 decreases debit balance (changing A/P from 720 to 270 would make difference greater).

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<p data-bbox="338 159 1087 248">You are given the following complete trial balance which contains one transposition error. What account appears to have the error?</p> <table data-bbox="638 315 894 704" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Debit</u></th> <th style="text-align: center;"><u>Credit</u></th> </tr> </thead> <tbody> <tr><td style="text-align: center;">510</td><td></td></tr> <tr><td style="text-align: center;">350</td><td></td></tr> <tr><td style="text-align: center;">490</td><td></td></tr> <tr><td style="text-align: center;">630</td><td></td></tr> <tr><td></td><td style="text-align: center;">190</td></tr> <tr><td></td><td style="text-align: center;">320</td></tr> <tr><td></td><td style="text-align: center;">620</td></tr> <tr><td></td><td style="text-align: center;">130</td></tr> <tr><td style="text-align: center;">1,980</td><td style="text-align: center;">1,260</td></tr> </tbody> </table>	<u>Debit</u>	<u>Credit</u>	510		350		490		630			190		320		620		130	1,980	1,260	<p data-bbox="1150 159 1514 248">\$190 Difference = 720 (1,980-1,260) 7+1 = 8</p> <table data-bbox="1318 315 1575 704" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Debit</u></th> <th style="text-align: center;"><u>Credit</u></th> </tr> </thead> <tbody> <tr><td style="text-align: center;">510</td><td></td></tr> <tr><td style="text-align: center;">350</td><td></td></tr> <tr><td style="text-align: center;">490</td><td></td></tr> <tr><td style="text-align: center;">630</td><td></td></tr> <tr><td></td><td style="text-align: center;">910</td></tr> <tr><td></td><td style="text-align: center;">320</td></tr> <tr><td></td><td style="text-align: center;">620</td></tr> <tr><td></td><td style="text-align: center;">130</td></tr> <tr><td style="text-align: center;">1,980</td><td style="text-align: center;">1,980</td></tr> </tbody> </table>	<u>Debit</u>	<u>Credit</u>	510		350		490		630			910		320		620		130	1,980	1,980
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