

**Chapter 4**

40. The information for preparing a trial balance on a worksheet is obtained from

- a. financial statements.
- b. general ledger accounts.
- c. general journal entries.
- d. business documents.

53. If the total debits exceed total credits in the balance sheet columns of the worksheet, owner's equity

- a. will increase because net income has occurred.
- b. will decrease because a net loss has occurred.
- c. is in error because a mistake has occurred.
- d. will not be affected.

54. The income statement and balance sheet columns of Iron and Wine Company's worksheet reflect the following totals:

	Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.
Totals	\$72,000	\$48,000	\$60,000	\$84,000

The net income (or loss) for the period is

- a. \$48,000 income.
- b. \$24,000 income.
- c. \$24,000 loss.
- d. not determinable.

76. The income statement for the month of June, 2012 of Camera Obscura Enterprises contains the following information:

Revenues		\$7,000
Expenses:		
Salaries and Wages Expense	\$3,000	
Rent Expense	1,000	
Advertising Expense	800	
Supplies Expense	300	
Insurance Expense	100	
Total expenses		<u>5,200</u>
Net income		<u>\$1,800</u>

The entry to close the expense accounts includes a

- a. debit to Income Summary for \$1,800.
- b. credit to Rent Expense for \$1,000.
- c. credit to Income Summary for \$5,200.
- d. debit to Wages Expense for \$3,000.

77. The income statement for the month of June, 2012 of Camera Obscura Enterprises contains the following information:

Revenues		\$7,000
Expenses:		
Salaries and Wages Expense	\$3,000	
Rent Expense	1,000	
Advertising Expense	800	
Supplies Expense	300	
Insurance Expense	100	
Total expenses		<u>5,200</u>
Net income		<u>\$1,800</u>

After the revenue and expense accounts have been closed, the balance in Income Summary will be

- a. \$0.
- b. a debit balance of \$1,800.
- c. a credit balance of \$1,800.
- d. a credit balance of \$7,000.

91. A post-closing trial balance will show

- a. zero balances for all accounts.
- b. zero balances for balance sheet accounts.
- c. only balance sheet accounts.
- d. only income statement accounts.

155. Balance sheet accounts are considered to be

- a. temporary owner's equity accounts.
- b. permanent accounts.
- c. capital accounts.
- d. nominal accounts.

84. The income statement for the year 2012 of Fugazi Co. contains the following information:

Revenues		\$70,000
Expenses:		
Salaries and Wages Expense	\$45,000	
Rent Expense	12,000	
Advertising Expense	8,000	
Supplies Expense	6,000	
Utilities Expense	2,500	
Insurance Expense	<u>2,000</u>	
Total expenses		<u>75,500</u>
Net income (loss)		<u><u>\$(5,500)</u></u>

At January 1, 2012, Fugazi reported owner's equity of \$50,000. Owner drawings for the year totalled \$10,000. At December 31, 2012, the company will report owner's equity of

- a. \$15,500.
- b. \$34,500.
- c. \$40,000.
- d. \$45,500.

61. If Income Summary has a credit balance after revenues and expenses have been closed into it, the closing entry for Income Summary will include a

- a. debit to the owner's capital account.
- b. debit to the owner's drawings account.
- c. credit to the owner's capital account.
- d. credit to the owner's drawings account.

57. Each of the following accounts is closed to Income Summary *except*

- a. Expenses.
- b. Owner's Drawings.
- c. Revenues.
- d. All of these are closed to Income Summary.

**BE 178 (closing steps 3 & 4)**

At April 1, 2012, Spiderland Company reported a balance of \$20,000 in the Owner's Capital account. Spiderland Company earned revenues of \$47,000 and incurred expenses of \$32,000 during April 2012. The company had owner drawings of \$10,000 during the month.

(a) Prepare the entries to close Income Summary and the Owner's Drawings account at April 30, 2012.

Income Summary	15000	
Capital		15000
Capital	10000	
Drawing		10000

**Ex. 197 ( all steps 1-4)**

At March 31, account balances after adjustments for Vizzini Cinema are as follows:

<u>Accounts</u>	<u>Account Balances (After Adjustment)</u>
Cash	\$ 6,000
Supplies	4,000
Equipment	50,000
Accumulated Depreciation—Equipment	12,000
Accounts Payable	5,000
Owner's, Capital	20,000
Owner's, Drawings	12,000
Admission Ticket Revenues	60,000
Popcorn Revenues	32,000
Candy Revenues	21,000
Advertising Expense	18,000
Supplies Expense	19,000
Depreciation Expense	4,000
Rent Expense	28,000
Salaries and Wages Expense	24,000
Utilities Expense	5,000

**Instructions**

Prepare the closing journal entries for Vizzini Cinema.

Admission Ticket Revenues	60,000
Popcorn Revenues	32,000
Candy Revenues	21,000
Income Summary	113000

Income Summary	98000	
Advertising Expense		18,000
Supplies Expense		19,000
Depreciation Expense		4,000
Rent Expense		28,000
Salaries and Wages Expense		24,000
Utilities Expense		5,000

Income Summary	15000	
Capital		15000

Capital	12000	
Drawing		12000