

Chapter 7

Working with Balance Sheet Accounts and Budgets

Name: _____

Class: _____

Date: _____

1. In a sole proprietorship, equity is what shareholders have invested in the company.
 - A. True
 - B. False

2. Amortization is the process of a balance increasing over time.
 - A. True
 - B. False

3. Treating bad debt as a discount is recommended because it reduces sales tax liability.
 - A. True
 - B. False

4. A fixed asset is something you DON'T plan to use up or turn into cash within the next year.
 - A. True
 - B. False

5. When the fiscal year ends, you must manually transfer your net income/loss into the Retained Earnings account.
 - A. True
 - B. False

6. The Loan Manager tracks the principle and interest payments without having to set up separate amortization schedules.
 - A. True
 - B. False

7. If you've made an error in charging sales tax, you will NOT be able to correct that error; you must make up the difference yourself.
 - A. True
 - B. False

8. Accumulated Depreciation is a contra account and a fixed-asset account.
 - A. True
 - B. False

9. Credit memos used to write off bad debt are applied to the original invoice.
 - A. True
 - B. False

10. The Loan Manager pulls information from your Long Term Liability or Other Current Liability accounts.
 - A. True
 - B. False

11. What QuickBooks feature allows you to easily enter repeated transactions?
 - A. Efficiency Tracking
 - B. Memorizing Transactions
 - C. Register Recording
 - D. Auto Entry

12. Why should you use the QuickBooks Loan Manager?
 - A. It finds the best loan terms for your situation.
 - B. It includes a “what if” tool that allows you to experiment with loan scenarios.
 - C. It can accurately predict the future earnings of your company.
 - D. All of these options

13. What is the term for when an owner takes money out of the company?
 - A. Payroll
 - B. Draw
 - C. Embezzlement
 - D. Equity disbursement

14. What can you choose when memorizing transactions?
 - A. Not to be reminded and to have the transaction listed on the Memorized Transaction List
 - B. To have QuickBooks automatically enter the transaction based on a set schedule
 - C. To be reminded about the transaction
 - D. All of these options

15. Which of these is a way to record petty cash?
 - A. The General Journal method
 - B. The Write Checks method
 - C. Both the General Journal and Write Checks methods
 - D. None of these options

16. What account is credited when you use an Other Charge item to route bad debt to an expense account?
- A. Accounts Receivable
 - B. Checking
 - C. Bad Debt
 - D. Accounts Payable
17. Which statement about fixed assets is true?
- A. Businesses use fixed assets to promote the main operations of the business.
 - B. Fixed assets are depreciable.
 - C. Fixed assets are usually land, buildings, furniture, and vehicles.
 - D. All of these options
18. Sayid is entering the purchase of a new truck for the company. He starts the transaction; selects the correct account; and enters the date, vendor, and amount before realizing that he did not first create the fixed asset item for the new truck. Does Sayid have to cancel the transaction and start over?
- A. Yes; he must cancel, create the item, and start again.
 - B. Yes; he must cancel and start again, but if he enters the item first, he can create it before completing the rest of the transaction.
 - C. No; he can just leave the fixed asset item space blank.
 - D. No; he can create the fixed asset item while entering the transaction.
19. Tax a business collects is considered a current _____ until paid.
- A. expense
 - B. asset
 - C. liability
 - D. account
20. What tool shows how much money a company has set aside for sales taxes?
- A. The Pay Tax window
 - B. The Pay Tax Liability report
 - C. The Sales Tax Liability report
 - D. The Taxes window

21. While getting ready to remit her sales taxes, Jackie notices that the incorrect tax jurisdiction has been used for a certain customer. How can Jackie correct the problem?
- She can delete the original transactions and create new ones, making sure to choose the correct tax item or group.
 - She can go back to the original transactions and choose the correct tax item or group.
 - She can void the original transactions and create new ones, making sure to choose the correct item or group.
 - She can create a new, higher tax item to use from now on, in order to collect the missing tax.
22. Jasmine is considering purchasing a backhoe for her construction business. What QuickBooks tool can help Jasmine consider and compare different loan options?
- Loan Manager What If Scenarios
 - Loan Manager Scheduler
 - Loan Manager Tracker
 - Loan Manager Goal Seek
23. What QuickBooks tool allows you to see a prediction of future revenue for your business?
- The Cash Flow report
 - The Future Revenue report
 - The Revenue Projector
 - The Cash Flow Projector
24. Match each balance sheet account type to its description.
- | | | |
|------------------------|-------|--|
| A. Other Current Asset | _____ | 1. Loans you don't plan to pay off within the next year |
| B. Fixed Asset | _____ | 2. Assets you plan to use or convert to cash within a year |
| C. Long Term Liability | _____ | 3. The owner's investment in the company |
| D. Equity | _____ | 4. Assets you don't plan to convert to cash within a year |
25. Match each equity account to its description.
- | | | |
|---------------------------|-------|---|
| A. Retained Earnings | _____ | 1. Where net income/loss is transferred at the end of the fiscal year |
| B. Owner's Equity | _____ | 2. Not an equity account |
| C. Opening Balance Equity | _____ | 3. Amount of owner investment in the company |
| D. Sales Discounts | _____ | 4. Offset account for initial balances when starting a company |