

Chapter 10

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 1. The amount of sales tax a business collects is _____.
A. an asset C. a liability
B. an expense D. revenue
- _____ 2. The amount of sales tax collected is recorded in a _____.
A. combined revenue account C. separate liability account
B. separate ledger D. separate revenue account
- _____ 3. The amount of sales tax on a sale is calculated as price of goods _____.
A. plus the sales tax rate C. minus the sales tax rate
B. times the sales tax rate D. divided by the sales tax rate
- _____ 4. If a customer buys \$300.00 worth of merchandise and the sales tax is 8%, the total bill the customer must pay is _____.
A. \$300.00 C. \$324.00
B. \$304.00 D. \$342.00
- _____ 5. An increase in revenue resulting from a sale on account should be recorded _____.
A. at the time of the sale C. at the end of the fiscal period
B. at the end of each month D. when the final payment is made
- _____ 6. Recording revenue from transactions at the time goods or services are sold is an application of the accounting concept _____.
A. Matching Expenses with Revenue
B. Objective Evidence
C. Realization of Revenue
D. Business Entity
- _____ 7. A sale in which cash is received for the total amount of the sale at the time of the transaction is a _____.
A. credit card sale C. convenience sale
B. cash sale D. deferred-payment sale
- _____ 8. Using a cash register tape as a source document for weekly cash and credit card sales is an application of the accounting concept _____.
A. Matching Expenses with Revenue
B. Objective Evidence
C. Realization of Revenue
D. Business Entity
- _____ 9. The journal entry for a cash and credit card sales transaction is _____.
A. debit Cash; credit Sales; credit Sales Tax Payable
B. debit Cash; debit Sales Tax Payable; credit Sales
C. debit Sales; credit Cash; credit Sales Tax Payable
D. debit Sales Tax Payable; debit Cash; credit Sales

Name: _____

ID: A

- _____ 10. In a cash sales transaction with sales tax, the _____.
A. sales tax amount collected is an asset
B. sales tax amount collected is a liability
C. balance of the sales account is decreased
D. balance of the cash account is decreased
- _____ 11. The total amount due from all charge customers is summarized in a general ledger account titled _____.
A. Accounts Receivable C. Revenue
B. Accounts Payable D. Sales
- _____ 12. Sales invoices should be _____.
A. numbered in sequence
B. prepared in triplicate
C. used as source documents for sales on account
D. all of these
- _____ 13. A sale on account transaction _____.
A. increases the balance of the Accounts Payable account
B. increases the amount to be collected later from a customer
C. decreases the amount to be collected later from a customer
D. decreases the balance of the Accounts Receivable account
- _____ 14. When merchandise is sold on account and sales tax is also collected, _____.
A. Accounts Receivable is credited for the total sale and sales tax
B. the accounts receivable account balance is increased
C. Sales is debited for the price of the goods
D. the sales tax is not reported
- _____ 15. When cash is received on account, the balance of the _____.
A. cash account decreases
B. sales account increases
C. sales tax payable account decreases
D. accounts receivable account decreases
- _____ 16. The journal entry for a cash receipt on account is _____.
A. debit Cash; credit Accounts Receivable
B. debit Cash; credit Accounts Payable
C. debit Accounts Payable; credit Cash
D. debit Accounts Payable; credit Accounts Receivable
- _____ 17. A special journal used to record only sales on account is _____.
A. a cash journal C. a cash receipts journal
B. a purchases journal D. none of the above
- _____ 18. Using a sales invoice as a source document for recording a sale on account is an application of the accounting concept _____.
A. Matching Expenses with Revenue
B. Objective Evidence
C. Realization of Revenue
D. Business Entity

