



accountests

DEBITS AND CREDITS

Example Questions

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Debits and Credits Test

Example Question

1

Example Question

1

You expect to pay bonuses at the end of the year.

What would be the monthly journal to spread this cost over 12 months?

A

Dr Payables (B/S), Cr Bonus expense (P&L)

B

Dr Bonus expense (P&L), Cr Payables (B/S)

C

Dr Bonus expense (P&L), Cr Bonus accrual (B/S)

D

Dr Payables (B/S), Cr Bonus accrual (B/S)

E

Dr Bonus expense (P&L), Cr Bank (B/S)

Answer

1

Dr Bonus expense (P&L), Cr Bonus accrual (B/S)

As the cost has been committed to we want to expense this in the P&L. However as the payment hasn't been made and no invoice has been received an accrual is required

A

Dr Payables (B/S), Cr Bonus expense (P&L)

B

Dr Bonus expense (P&L), Cr Payables (B/S)

C

Dr Bonus expense (P&L), Cr Bonus accrual (B/S)

D

Dr Payables (B/S), Cr Bonus accrual (B/S)

E

Dr Bonus expense (P&L), Cr Bank (B/S)

Debits and Credits Test

Example Question

2

Example Question

2

Your trade terms allow customers a discount for early payment.

You issue an invoice for the full amount and then pass a credit if the customer pays early.

What is the underlying journal entry for the credit that you pass for early payment?

A

Dr Discount allowed expense, Cr Receivables

B

Dr Receivables, Cr Discount allowed expense

C

Dr Discount allowed expense, Cr Sales

D

Dr Sales, Dr Payables

E

Dr Receivables, Cr Sales

**Dr Discount allowed expense, Cr
Receivables**

This journal entry shows the discount allowed as a cost (Dr Expense) along with the reduction in the receivables to reflect the portion the customer did not pay (Cr Receivables)

A

Dr Discount allowed expense, Cr
Receivables

B

Dr Receivables, Cr Discount allowed
expense

C

Dr Discount allowed expense, Cr Sales

D

Dr Sales, Dr Payables

E

Dr Receivables, Cr Sales

Debits and Credits Test

Example Question

3

Example Question

3

Which of these accounts in the ledger would normally have a credit balance?

A

Receivables

B

Interest paid

C

Administration expense

D

Property, plant and equipment

E

Bank overdraft

Bank overdraft

The bank overdraft will be a liability and therefore a credit balance. Other options are either expense or asset accounts which would have debit balances

A

Receivables

B

Interest paid

C

Administration expense

D

Property, plant and equipment

E

Bank overdraft

Debits and Credits Test

Example Question

4

Example Question

4

What transaction is happening from this journal entry?

Dr Interest paid / Cr Accrued expenses

A

Payment of interest on a term loan

B

Accrual for interest payable on a term loan

C

Receipt of interest on a term deposit

D

Accrual for interest receivable on a term deposit

E

Accrual for interest receivable on overdue receivable balances

Accrual for interest payable on a term loan

The Dr is to interest expenses, the Cr is to the liability of accrued costs. Therefore interest costs are being accrued.

A

Payment of interest on a term loan

B

Accrual for interest payable on a term loan

C

Receipt of interest on a term deposit

D

Accrual for interest receivable on a term deposit

E

Accrual for interest receivable on overdue receivable balances

Thanks for your interest in the
Debits and Credits Test
Example Questions

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