# accountests DEBITS AND CREDITS

**Example Questions** 

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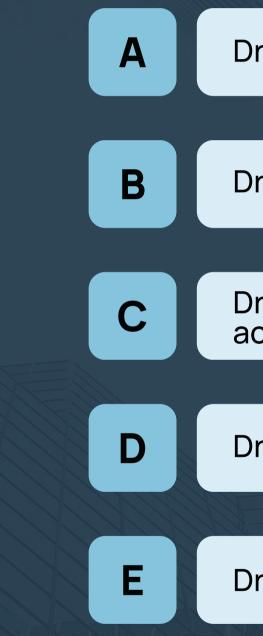


# Example Question



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

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



1

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

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

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

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

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

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



1

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

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

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

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

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

## Example Question

2

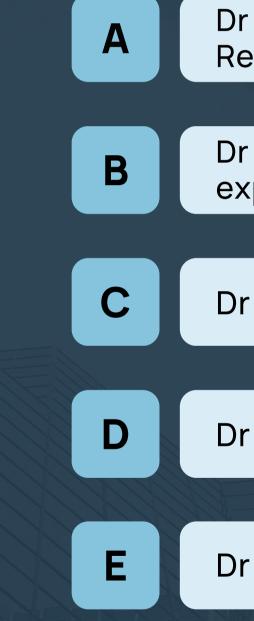


2

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?



Dr Discount allowed expense, Cr Receivables

Dr Receivables, Cr Discount allowed expense

Dr Discount allowed expense, Cr Sales

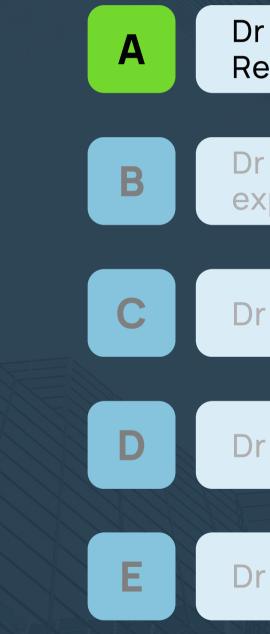
Dr Sales, Dr Payables

Dr Receivables, Cr Sales

2

#### 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)



Dr Discount allowed expense, Cr Receivables

Dr Receivables, Cr Discount allowed expense

Dr Discount allowed expense, Cr Sales

Dr Sales, Dr Payables

Dr Receivables, Cr Sales

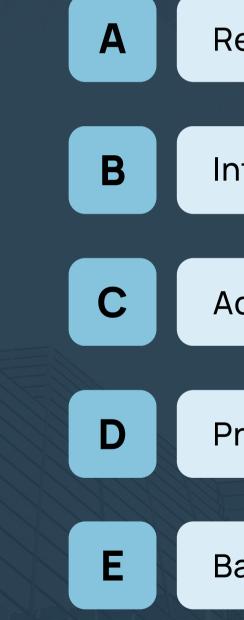
## Example Question

3



3

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



Receivables

Interest paid

Administration expense

Property, plant and equipment

Bank overdraft

3

#### 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



#### Receivables

#### Interest paid

#### Administration expense

#### Property, plant and equipment

#### Bank overdraft

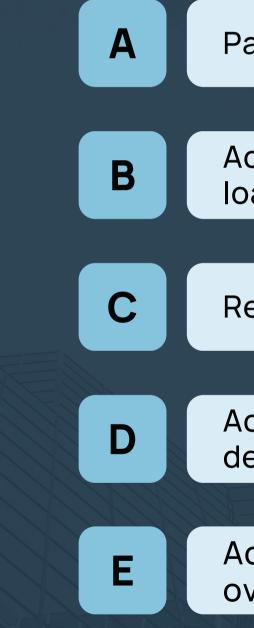
# Example Question



4

What transaction is happening from this journal entry?

Dr Interest paid / Cr Accrued expenses



Payment of interest on a term loan

Accrual for interest payable on a term loan

Receipt of interest on a term deposit

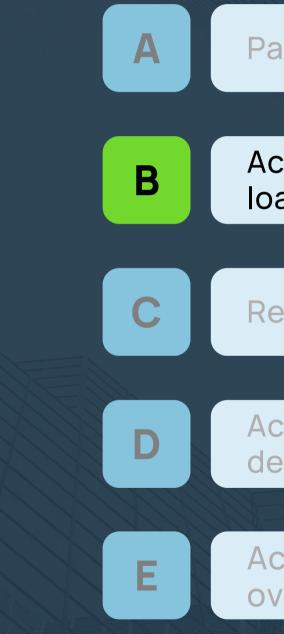
Accrual for interest receivable on a term deposit

Accrual for interest receivable on overdue receivable balances

4

#### 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.



#### Payment of interest on a term loan

Accrual for interest payable on a term loan

#### Receipt of interest on a term deposit

Accrual for interest receivable on a term deposit

Accrual for interest receivable on overdue receivable balances

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

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Still not sure? Check out the Which Test Table