

## **Accounting and QuickBooks Test**

1. What does  $A = L + E$  mean? Please explain.
  
2. In QuickBooks, what does a negative amount in an expense account mean:
  - a. There was a refund posted to the expense account
  - b. An invoice was posted to the expense account
  - c. A check was written using the expense account
  - d. A and B are correct
  
3. What are the differences between a Balance Sheet report and an Income Statement (also known as a Profit & Loss)? Please explain.
  
  
  
  
  
  
  
  
  
  
4. When entering payroll into QuickBooks, there needs to be an entry into:
  - a. Income and Expense account(s)
  - b. Income, Expense and Liability account(s)
  - c. Expense and a Liability account(s)
  - d. Income and a Liability account(s)
  
5. What is a T account and how does one work? Please give an example.
  
  
  
  
  
  
  
  
  
  
6. TRUE OR FALSE: In QuickBooks, Credit Cards should be entered as a liability account and reconciled like a bank statement.
  
  
  
  
  
  
  
  
  
  
7. What is a journal entry and when should they be used? Please explain.
  
  
  
  
  
  
  
  
  
  
8. In the newer versions of QuickBooks, what is the Client Data Review? Please explain.
  
  
  
  
  
  
  
  
  
  
9. What is the difference between Cash basis and Accrual basis reporting? Please explain.

10. TRUE OR FALSE: An increase in an expense account is done using a credit.
11. A way to make sure that all transactions have been entered correctly, you should:
- Reconcile all bank, credit card and loan account
  - Review the Balance Sheet and Income Statement to make sure the numbers are reasonable
  - You don't have to worry about it – you know you entered it all just fine
  - A and B are correct
12. How do you enter the accumulated depreciation for the fixed assets? Please explain.
13. TRUE OR FALSE: After setting up the Chart of Accounts and balances, a zero in the Open Balance Equity Account means that something was posted incorrectly.
14. What is the difference between a calendar year and a fiscal year? Please explain.
15. What color is the carpeting in the office?

## ANSWER KEY

If you prefer, for a minimal fee, you are welcome to forward the test that the bookkeeper filled out to Victoria and she will review the answers for you. Her e-mail address is [vdotson@slacktax.com](mailto:vdotson@slacktax.com) or her fax number is 714-755-1041.

1. This is the accounting equation – Assets = Liabilities + Equity (which includes expenses). This equation always has to be in balance.
2. D
3. The Balance Sheet is a snapshot as of a specific date and is reporting on all of the assets, including cash, all of the liabilities and all of the equity (including the net profit or loss to date) information. The Income Statement (or Profit & Loss) is based on a period of time, like a month, a quarter, etc. and is reporting on all of the income, cost of goods sold and expenses. The Income Statement will tell you what your net profit or net income is and what you will potentially be taxed on. The Balance Sheet will tell you what your liquidity status is – what long term loans do you have and what assets can be sold off. Banks will use the Balance Sheet to determine if you are able to handle a loan.

4. C

5. A T account is a way to keep track of the accounting equation; specifically the debits and credits for each account. For example:

	Utilities		Cash	
	Debit	Credit	Debit	Credit
		\$200.00	\$200.00	

6. TRUE – Credit cards are created as a liability account with all expenses being entered in QuickBooks using the Enter Credit Card Charges function. This allows you to post the expenses to the proper expense account. The payments are made using the Write Checks function, with the credit card liability account as the assigned account. The liability account, like the bank account, is used to track all expenses and all payments and should be reconciled at the end of each month.
7. Journal entries are used to close out accounts, to post out of pocket expenses and to make correcting adjustments. They should be used cautiously and sparingly.
8. The Client Data Review is a pre-set review in QuickBooks that allows you to do end of period reviews. The review covers Account Balances, Review List Changes, Accounts Receivable, Accounts Payable, Bank Reconciliation and Miscellaneous items. It is available in the 2009, 2010 and 2011 versions of QuickBooks.
9. Cash basis reporting is done based on when the cash comes in and when the cash goes out. Accrual basis reporting is done based on when the invoice or bill is created, not when they're paid.
10. FALSE – to increase an expense account, you would put the amount in the debit column, not the credit.
11. D

12. In QuickBooks, you would do this using a journal entry. The Depreciation expense account would be debited and the Accumulated Depreciation contra asset account would be credited. This can be done at the end of a period (i.e. month or quarter) or at the end of the year.
13. FALSE– this is a temporary holding account that should be cleared out when you are done setting up the chart of accounts. A balance in the Open Balance Equity account signifies an error in posting that needs to be corrected.
14. A calendar year is from January to December and follows a standard calendar. A fiscal year can be from the beginning of any month to the end of the prior month, the following year. For example, a fiscal year could be from April 1<sup>st</sup> to March 31<sup>st</sup>.
15. This question is designed to see how observant the bookkeeper is. This is not a make it or break it question, but if they're observant, they should have the right answer. The idea is to have someone who is cognizant of their surroundings and will pay attention (and hopefully anticipate) your needs as a small business owner.