**Multiple choice**

Where does the prepaid rent expenses belong to before it is incurred?

a) Asset    b) Liability    c) Equity  d) Expenses

Answer: A

Explanation

a) Correct!

b) Liabilities will not be affected in this case.

c) Equity will not be affected in this case.

d) It will only be written off as expenses when it is actually incurred.

Costa purchased $50 000 dollars of coffee beans last month on credit. Complete the relevant journal entry for Costa.

Inventory 50 000

 ? 50 000

a Cash

b Cost of goods sold

c Accounts receivable

d Accounts payable

Answer: d Paid on credit

Explanation: Costa wants to settle their debt of $25 000 with the coffee supplier. Complete the relevant journal entry for Costa.

**True/False**

Share capital refers to funds raised through the issuance of shares and therefore is an asset.

FALSE Share capital is a form of equity. It is not a resource that pays out in the long run, but a source of funding (promise to owners of a share of profits in exchange for cash)

**Equation**

The total utilities bill to be paid is X ($15,000-$20,000). The utilities payable incurred previously in the adjusting entry is Y ($5,000-$8,000). How much will the utilities expenses be in this journal entry?

Answer: X - Y

Explanation: Since part of the utilities expenses are already incurred during the adjusting entry, only the remaining amount from the total utilities bill will be recognized as the utilities expenses.