

Student name: _____

- A) firm's address.
- B) firm's name.
- C) date of the report.

2) If the income statement covered a six-month period ending on November 30, 2019, the third line of the income

- A) Month Ended November 30, 2019.
- B) Month of November, 2019.
- C) November 30, 2019.

3) At the end of its first year of operations, Shapiro's Consulting Services reported net income of \$27,000. They also had account balances of: Cash, \$16,000; Office Supplies, \$3,200, Equipment, \$24,000 and Accounts Receivable, \$8,000. The owner's total investment for this first year was \$15,000 and the owner withdrew \$2,000 for personal use.

- A) \$58,000
- B) \$40,000

4) If the owner takes cash out of the business for personal use, the withdrawal should be recorded as an expense of the business.

- ☐ true
- ☐ false

5) Revenue by definition is:

1) The Balance Sheet heading includes each of the following except:

D) title of the report.

statement heading would read:

D) Six-month Period Ended November 30, 2019.

Calculate the **ending** balance to be reported on the Statement of Owner's Equity in the Owner's Capital account.

- C) \$42,200
- D) \$27,000

- A) the collection of amounts owed by customers.
- B) amounts earned from the sale of goods or services.
- C) an amount a business must pay in the future.

D) the payment of
amounts owed to creditors.

6) The statement of owner's equity is prepared before the balance sheet so that the ending capital balance is available.

- ☐ true
- ☐ false

7) Assets always equal debts of the business plus the financial interest of the owner.

- ☐ true
- ☐ false

8) If assets are \$17,000 and owner's equity is \$10,000, liabilities are _____.

- A) \$17,000
- B) \$7,000

- C) \$27,000
- D) \$10,000

9) What is the correct order in which to prepare the three financial statements?

- A) Income Statement; Balance Sheet; Statement of Owner's Equity
- B) Income Statement; Statement of Owner's Equity; Balance Sheet
- C) Balance Sheet; Income Statement; Statement of

Owner's Equity
D) Statement of
Owner's Equity; Balance
Sheet; Income Statement

10) Owner's equity is:

- A) the financial interest of the owner of a business.
- B) the amount the owner owes the business.
- C) the amount taken out of a business by the owner for

personal use.

D) the revenues
less the expenses.

11) The entire process of analyzing, recording, and reporting business transactions is based on the fundamental accounting equation.

- Ⓐ true
- Ⓑ false

12) The three-line heading of a financial statement shows who, what, and _____.

- A) when
- B) why

- C) where
- D) how

13) Identify the account below that is classified as an asset account and would therefore appear on the left side of the accounting equation.

- A) Accounts Payable.
- B) Owner's Capital.

- C) Fees Income.
- D) Accounts Receivable.

14) Which of the following is a liability account?

- A) fees income
- B) salary expense

- C) accounts payable
- D) equipment

15) Owner's equity is alternatively referred to as which of the following?

- A) net worth
- B) withdrawals

- C) assets
- D) accounts payable

16) A withdrawal of funds by the owner for personal use decreases owner's equity.

- ☐ true
- ☐ false

17) Which of the following equations is the Fundamental Accounting Equation?

- A) $\text{Assets} = \text{Liabilities} - \text{Owner's Equity}$
- B) $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$
- C) $\text{Assets} + \text{Liabilities} = \text{Owner's Equity}$

- D) $\text{Assets} + \text{Owner's Equity} = \text{Liabilities}$

18) Which of these accounts would appear on a firm's income statement?

- A) revenues and expenses
- B) assets and revenues
- C) assets and liabilities

- D) liabilities and expenses

19) Which of the following statements regarding the fundamental accounting equation is accurate?

- A) It is in balance after only certain transactions.

- B) It is in balance after every transaction.

- C) It is out of balance when a company has a net loss. income.
D) It is out of balance when a company has net

20) The financial statement that is prepared first is:

- A) up to the accountant.
B) the income statement.
C) the balance sheet.
D) the statement of owner's equity.

21) The Daniel Insurance Agency reported revenues of \$30,000 and expenses of \$32,460 for the current period. What was the final figure reported on the company's income statement?

- A) \$2,460 net income
B) \$30,000 net income
C) \$2,460 net loss
D) \$32,460 net loss

22) At the end of the first month of operations for SloMo Delivery Service, the business had the following accounts: Accounts Receivable, \$11,350; Prepaid Insurance, \$400; Equipment, \$26,200 and Cash, \$21,650. On the same date, SloMo owed the following creditors: Simpson Supply Company, \$17,000; Allen Office Equipment, \$14,500.

The total assets for the SloMo Delivery Service are:

- A) \$33,400
B) \$59,600
C) \$33,000
D) \$21,650

23) When the owner invests equipment in a business,

- A) assets and

owner's equity increase.

B) assets and revenue increase.

C) liabilities decrease and owner's equity increases.

D) assets increase
and owner's equity
decreases.

24) The _____ reports the changes that have occurred in the owner's financial interest during the reporting period.

A) statement of owner's equity

B) balance sheet

C) income statement

D) profit and loss
statement

25) On the income statement, revenues minus expenses equals _____ for a period of time.

A) accounts receivable

B) working capital

C) net income or
net loss

D) current assets

26) When revenue and expenses are equal, the firm is said to _____.

A) be profitable

B) experience a loss

C) break even
D) experience a
gain

27) A company has assets of \$57,820 and liabilities of \$29,500. The owner's equity is \$88,220.

Ⓐ true

Ⓑ false

28) When a business sells services for cash, assets increase and revenue _____.

- A) increases
- B) may either increase or decrease

- C) is unchanged
- D) decreases

29) The _____ is the financial report that shows the assets, liabilities, and owner's equity of a business on a specific date.

- A) income statement
- B) statement of owner's equity

- C) balance sheet
- D) profit and loss statement

30) Which of the following is an example of an expense?

- A) the receipt of cash from a credit customer
- B) the payment of the monthly utility bill
- C) the payment of a creditor on account

- D) an owner withdrawal for personal use

31) The Income Statement shows:

- A) the financial position of a business at a given time.
- B) assets and liabilities.
- C) the change in owner's equity for a period of time.

- D) the amount of net income or net loss.

32) If the following are the only accounts of Jones Supply Company, what is the missing Supplies balance?

Cash: \$8,000
Supplies: ?????
Accounts Payable: \$4,000

John Smith, Capital:
\$9,000

- A) \$5,000
- B) \$13,000

- C) \$21,000
- D) \$3,000

33) The Daniel Insurance Agency reported revenues of \$29,000 and expenses of \$31,000 for the current period. What was the final figure reported on the company's income statement?

- A) \$2,000 net income
- B) \$31,000 net loss

- C) \$29,000 net income
- D) \$2,000 net loss

34) The balance sheet shows each of the following except the:

- A) amount owed creditors.
- B) amount and types of property the business owns.

- C) net income of the business.
- D) owner's interest.

35) Which financial statement is reported as of a specific date?

- A) Income Statement
- B) Statement of Changes in Financial Position

- C) Statement of Owner's Equity
- D) Balance Sheet

- A) Income Statement
- B) Profit and Loss Statement

- C) Balance Sheet
- D) Statement of
Owner's Equity

37) If assets are \$8,000 and liabilities are \$2,000, owner's equity is \$6,000.

- ☐ true
- ☐ false

38) Funds taken from the business by the owner for personal use are called _____.

- A) liabilities
- B) expenses

- C) assets
- D) withdrawals

39) At the end of the first month of operations for SloMo Delivery Service, the business had the following accounts: Accounts Receivable, \$11,950; Prepaid Insurance, \$490; Equipment, \$27,400 and Cash, \$22,250. On the same date, SloMo owed the following creditors: Simpson Supply Company, \$18,200; Allen Office Equipment, \$15,700.

The total amount of Liabilities is:

- A) \$22,250
- B) \$33,900

- C) \$15,700
- D) \$27,400

⊙ true

41) If during the year total assets increase by \$76,000 and total liabilities decrease by \$16,500, by how much did owner's equity increase/decrease?

- A) \$76,000 increase
- B) \$92,500 increase
- C) \$92,500 decrease

D) \$59,500
decrease

42) If during the year total assets increase by \$75,000 and total liabilities decrease by \$16,000, by how much did owner's equity increase/decrease?

- A) \$91,000 decrease
- B) \$75,000 increase
- C) \$91,000 increase

D) \$59,000
decrease

43) At the end of its first year of operations, Shapiro's Consulting Services reported net income of \$31,300. They also had account balances of: Cash, \$18,900; Office Supplies, \$3,200, Equipment, \$25,800 and Accounts Receivable, \$8,000. The owner's total investment for this first year was \$20,400 and the owner withdrew \$2,740 for personal use.

Calculate the **ending** balance to be reported on the Statement of Owner's Equity in the Owner's Capital account.

- A) \$70,600
- B) \$31,300

- C) \$50,500
- D) \$48,960

44) Ginger Yale Ice Company receives money from a customer on account. Recording this transaction will:

- A) decrease Accounts Payable.
- B) increase Cash.
- C) increase Accounts Receivable.

D) decrease G.
Yale, Capital.

45) Withdrawals are reported on which of the following financial statements?

A) balance sheet
B) income statement
C) profit and loss statement
D) statement of owner's equity

46) In a business transaction, when revenue increases, owner's equity will _____.

A) either increase or decrease
B) remain unchanged
C) increase
D) decrease

47) The expenses for a period are reported on the balance sheet.

☐ true
☐ false

48) The account used to record amounts that are owed for goods or services purchased on credit is known as _____.

A) accounts receivable
B) withdrawals
C) accounts payable
D) merchandise inventory

49) If the following are the only accounts of Jones Supply Company, what is the missing Supplies balance?

Cash: \$10,330
Supplies: ?????
Accounts Payable: \$4,000
John Smith, Capital: \$11,210

A) \$25,540
B) \$15,210
C) \$3,120

D) \$4,880

50) When analyzing the effect of a business transaction, which of the following is not a step taken to describe the financial event?

- A) identify the property
- B) determine the amount of the increase or decrease
- C) determine the location of the property

D) identify who owns the property

51) The first step in the accounting process is the analysis of business transactions.

- ☐ true
- ☐ false

52) Al Dunn Bakery bought a new oven for \$1,480. Al paid \$450 as a cash down payment and will pay the balance in

30 days. Total assets increased by \$1,030.

- ☐ true
- ☐ false

53) When using the fundamental accounting equation, an accountant must make sure that total assets are always equal

to total liabilities minus owner's equity.

- ☐ true
- ☐ false

54) At the end of the first month of operations for Jackson's Catering Service, the business had the following accounts: Cash, \$21,000; Prepaid

Rent, \$500; Equipment, \$7,500 and Accounts Payable \$4,000. By the end of the month, Jackson's had earned \$32,000 of Revenues, and used \$1,800 of Utilities Expenses, \$4,000 of Rent Expense and \$3,600 of Salaries Expenses. Calculate the

net income to be reported by the company for this first month.

- A) \$23,100
- B) \$22,600

- C) \$26,200
- D) \$32,000

55) A double line drawn under the figures in a money column shows that the computation is complete.

- ☐ true
- ☐ false

56) If the beginning capital balance for William's Consulting Service is \$23,000, net income is \$4,000, and the ending capital balance is \$20,000, what were the withdrawals for the period?

- A) \$7,000
- B) \$20,000

- C) \$3,000
- D) \$1,000

57) At the end of the first month of operations for Jackson's Catering Service, the business had the following accounts: Cash, \$19,350; Prepaid Rent, \$500; Equipment, \$7,500 and Accounts Payable \$4,000. By the end of the month, Jackson's had earned \$40,550 of Revenues, and used \$2,640 of Utilities Expenses, \$5,800 of Rent Expense and

\$4,080 of Salaries Expenses. Calculate the net income to be reported by the company for this first month.

- A) \$28,530
- B) \$28,030

- C) \$40,550
- D) \$32,110

58) Al Dunn Bakery

bought a new oven for \$1,380. Al paid \$300 as a cash down payment and will pay the balance in 30 days. Total assets increased by \$1,080.

- ☐ true
- ☐ false

59) At the end of its first year of operations, Shapiro's Consulting Services reported net income of \$27,000. They also had account balances of: Cash, \$16,000; Office Supplies, \$3,200; Equipment, \$24,000 and Accounts Receivable, \$8,000. The owner's total investment for this first year was \$15,000 and the owner withdrew \$2,000 for personal use.

- A) \$11,200
- B) \$42,000

What are the total liabilities of Shapiro's Consulting Services at the end of the first year of operations?

- C) \$24,200
- D) \$27,000

60) If the beginning capital balance for William's Consulting Service is \$26,150, net income is \$4,000, and the ending capital balance is \$22,800, what were the withdrawals for the period?

- A) \$3,350
- B) \$650

- C) \$22,800
- D) \$7,350

61) In a business transaction, when expenses increase, owner's equity will _____.

- A) remain unchanged
- B) decrease

- C) increase
- D) either increase or decrease

A) beginning capital + net income + withdrawals + additional investments = ending capital

B) beginning capital + net loss – withdrawals + additional investments = ending capital

C) beginning capital + net income – withdrawals + additional investments = ending capital

D) beginning capital + net loss + withdrawals + additional investments = ending capital

63) The balance sheet shows:

A) the results of business operations.

B) all revenues and expenses.

C) the financial position of a business at a given time.

D) the amount of net income or loss.

64) Pepper Company reported revenues of \$13,200, supplies expense of \$3,000, and net income of \$3,200 for the most recent period. If the company's only other expense was

Rent Expense, what was its balance at the end of the period?

A) \$10,200

B) \$7,000

C) \$16,200

D) \$16,400

65) At the end of the first month of operations for SloMo Delivery Service, the business had the following accounts: Accounts Receivable, \$11,350; Prepaid Insurance, \$400; Equipment, \$26,200 and Cash, \$21,650. On the same date, SloMo owed the following creditors: Simpson Supply Company, \$17,000; Allen Office Equipment, \$14,500.

The total amount of Liabilities is:

A) \$17,000

B) \$14,500

C) \$28,100

D) \$31,500

66) When a business pays cash for salaries, assets decrease and expenses

- A) decrease
- B) may increase or decrease
- C) increase
- D) are unchanged

67) The account used to record amounts that will be collected from charge account customers in the future is referred to as _____.

- A) accounts receivable
- B) accounts payable

- C) merchandise inventory
- D) withdrawals

68) If a business receives \$5,000 on account from clients who owed money for services previously billed, identify the

- A) assets remain the same and owner's equity remains the same.
- B) liabilities decrease and owner's equity decreases.
- C) owner's equity increases and revenue increases.

effect on the accounting equation:

- D) assets decrease and liabilities increase.

69) The debts or obligations of a business are known as its _____.

- A) liabilities
- B) owner's equity

- C) assets
- D) capital

70) When an electric bill is paid, which of the following increases?

- A) liabilities
- B) expenses

- C) owner's equity
- D) assets

71) If a business issues a check for \$100 to purchase office supplies, what is the effect on the accounting equation?

- A) Total Assets

will remain the same

- B) Owner's Equity will decrease
- C) Owner's Equity will increase

D) Assets will decrease

72) The rent paid for future months is a(n):

- A) revenue.
- B) expense.

- C) asset.
- D) liability.

73) When the owner withdraws cash for personal use,

- A) assets decrease and owner's equity increases.
- B) assets decrease and expenses increase.
- C) assets decrease and owner's equity decreases.

D) owner's equity decreases and revenue decreases.

74) When assets equal liabilities + owner's equity, a company is said to break even.

- Ⓐ true
- Ⓑ false

75) When services are provided on credit, the total amount of liabilities increases.

- Ⓐ true
- Ⓑ false

76) The amount of net income or net loss is needed to complete the statement of owner's equity.

- Ⓐ true
- Ⓑ false

77) When revenue is greater than expenses, the result is net _____.

- A) sales
- B) loss

- C) income
- D) receivable

78) Amounts that a business must pay in the future are known as:

- A) capital.
- B) expenses.

- C) liabilities.
- D) assets.

79) The owner's capital balance at the beginning of the period is required on the statement of owner's equity.

- ☐ true
- ☐ false

80) When cash is paid to a creditor, the firm's liabilities decrease.

- ☐ true
- ☐ false

81) If there is an excess of expenses over revenues, the excess represents a profit.

- ☐ true
- ☐ false

82) When equipment is purchased on credit,

- A) assets and liabilities increase.
- B) assets and owner's equity increase.
- C) assets and expenses increase.

D) assets increase
and liabilities decrease.

83) When rent is prepaid, which of the following occurs?

- A) assets increase
- B) liabilities increase
- C) assets are unchanged

D) owner's equity
decreases

84) The three-line heading at the top of a financial statement displays what information on the second line?

- A) name of the financial statement
- B) result of the financial statement
- C) period of time covered by the financial statement

D) name of the
company

85) At the end of the first month of operations for SloMo Delivery Service, the business had the following accounts: Accounts Receivable, \$11,450; Prepaid Insurance, \$510; Equipment, \$26,400 and Cash, \$21,750. On the same date, SloMo owed the following creditors: Simpson Supply Company, \$17,200; Allen Office Equipment, \$14,700.

The total assets for the SloMo Delivery Service are:

- A) \$48,150
- B) \$33,200

C) \$60,110
D) \$33,710

86) The capital balance at the end of the period is reported on both the statement of owner's equity and the balance sheet.

- ☐ true
- ☐ false

87) The financial interest of the owner in a business is called _____.

- A) assets
- B) liabilities

- C) owner's equity
- D) accounts receivable

88) Pepper Company reported revenues of \$12,000, supplies expense of \$3,000, and net income of \$2,000 for the most recent period. If the company's only other expense was

- A) \$15,000
- B) \$7,000

Rent Expense, what was its balance at the end of the period?

- C) \$14,000
- D) \$9,000

89) The property that a business owns is referred to as its _____.

- A) assets
- B) liabilities

- C) owner's equity
- D) capital

Answer Key

Test name: College
Accounting , Price
16th ch2 al

- 1) A
- 2) D
- 3) B
- 4) FALSE
- 5) B
- 6) TRUE
- 7) TRUE
- 8) B
- 9) B
- 10) A
- 11) TRUE
- 12) A
- 13) D
- 14) C
- 15) A
- 16) TRUE
- 17) B
- 18) A
- 19) B
- 20) B
- 21) C

- 22) B
- 23) A
- 24) A
- 25) C
- 26) C
- 27) FALSE
- 28) A
- 29) C
- 30) B
- 31) D
- 32) A
- 33) D
- 34) C
- 35) D
- 36) C
- 37) TRUE
- 38) D
- 39) B
- 40) FALSE
- 41) B
- 42) C

- 43) D
- 44) B
- 45) D
- 46) C
- 47) FALSE
- 48) C
- 49) D
- 50) C
- 51) TRUE
- 52) TRUE
- 53) FALSE
- 54) B
- 55) TRUE
- 56) A
- 57) B
- 58) TRUE
- 59) A
- 60) D
- 61) B
- 62) C
- 63) C

- 64) B
- 65) D
- 66) C
- 67) A
- 68) A
- 69) A
- 70) B
- 71) A
- 72) C
- 73) C
- 74) FALSE
- 75) FALSE
- 76) TRUE
- 77) C
- 78) C
- 79) TRUE
- 80) TRUE
- 81) FALSE
- 82) A
- 83) C
- 84) A

85) C

86) TRUE

87) C

88) B

89) A