Chapter 2—Analyzing Transactions: The Accounting Equation

1. A business entity is an individual, association, or organization with control over economic resources and which engages in economic activities.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS: AICPA BB-Industry
BUSPROG: Communication
TOPICS: ACBSP: APC-03-Business Forms
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

2. Liabilities represent an "inside" interest in a business.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS: AICPA BB-Industry
BUSPROG: Communication
TOPICS: ACBSP: APC-03-Business Forms
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

3. The accounting equation shows the relationship among the three basic accounting elements—assets, expenses, and owner's equity.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.2 - LO: 2-2
ACCREDITING STANDARDS: AICPA BB-Industry
BUSPROG: Communication
TOPICS: ACBSP: APC-02-GAAP
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

4. If owner's equity and liabilities increased during the period, then assets must also have increased.

a. True
b. False

ANSWER: True

POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.2 - LO: 2-2
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

5. An accounts payable is an unwritten promise to pay a supplier for assets purchased or services rendered.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

6. If the revenue of a period exceeds the expenses, the excess represents a net loss.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Evaluating
NOTES:	1 min.

7. Any accounting period of twelve months' duration is usually referred to as a fiscal year.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP

KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

8. Revenues received during an accounting period increase owner's equity.

a. True
b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

9. Since supplies last for several months, they are recorded as assets.

a. True
b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

10. Since insurance lasts for several months, it is recorded as owner's equity.

a. True
b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

11. The income statement provides information about events over a period of a month, year, or other period of time.

a. True
b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

12. The terms "profit and loss statement" or "operating statement" are sometimes used as synonyms for the balance sheet.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

13. Other terms used for owner's equity include net worth and capital.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

14. Any item a business owns that will provide future benefits is called owner's equity.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication

TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

15. It is not necessary to measure a business transaction in dollars.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.5 - LO: 2-3
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

16. The accounting equation may be expressed as assets − liabilities = owner's equity.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.2 - LO: 2-2
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

17. According to the business entity concept, a proprietor may include nonbusiness assets and liabilities in the business entity's accounting records.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

18. Recognizing the effects of transactions on assets, liabilities, owner's equity, revenue, and expenses of a business is the

processing function.

a. True

b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.6 - LO: 2-6
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Communication
TOPICS: ACBSP: APC-06-Recording Transactions
KEYWORDS: Bloom's: Understanding
NOTES: 1 min.

19. Expenses represent a decrease in liabilities.

a. True

b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Communication
TOPICS: ACBSP: APC-02-GAAP
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

20. Expenses that are incurred in operating the enterprise increase owner's equity.

a. True

b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Communication
TOPICS: ACBSP: APC-02-GAAP
KEYWORDS: Bloom's: Understanding
NOTES: 1 min.

21. Withdrawing cash from a business entity will result in an increase in owner's equity.

a. True

b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy

LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

22. An increase in a revenue account may also result in an increase in the accounts receivable account.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

23. Financial statements commonly prepared by businesses include an income statement, a statement of owner's equity, and a balance sheet.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

24. The statement of owner's equity shows the state of the business on a specific date.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering

NOTES: 1 min.

25. The balance sheet reports assets, liabilities, and owner's equity on a specific date.
   a. True
   b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Communication
TOPICS: ACBSP: APC-09-Financial Statements
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

26. The income statement and statement of owner's equity provide information covering a period of time.
   a. True
   b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Communication
TOPICS: ACBSP: APC-09-Financial Statements
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

27. The accounting equation may be expressed as
   a. owner's equity = assets − liabilities.
   b. revenue − expenses = net income.
   c. revenue = net income − expenses.
   d. liabilities − owner's equity = assets.

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.2 - LO: 2-2
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Communication
TOPICS: ACBSP: APC-02-GAAP
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

28. Jason purchased office equipment for $4,800 in cash. This transaction would
   a. increase assets and increase owner's equity.

b. increase assets and increase liabilities.
c. increase one asset and decrease another asset.
d. decrease assets and decrease liabilities.

ANSWER:	c
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

29. Stephen purchased office supplies for $800 on account. This transaction would
a. increase assets and increase owner's equity.
b. increase one asset and decrease another asset.
c. increase assets and increase liabilities.
d. decrease assets and decrease liabilities.

ANSWER:	c
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

30. Meghan started her business by investing $30,000 in cash. This transaction would
a. increase assets and increase owner's equity.
b. increase assets and increase liabilities.
c. increase one asset and decrease another asset.
d. decrease assets and decrease liabilities.

ANSWER:	a
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

31. Any accounting period of twelve months' duration is usually referred to as a(n)

a. fiscal year.
b. calendar year.
c. physical year.
d. operational year.

ANSWER:	a
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

32. Increases to owner's equity may be from
a. expenses that are incurred.
b. expenses exceeding revenue for the period.
c. withdrawals of cash from the business by the owner.
d. revenue that is derived from sales of goods or services.

ANSWER:	d
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA BB-Critical thinking BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

33. Tyler paid $3,700 on account to the company from which equipment was purchased on credit. This transaction would
a. decrease assets and decrease liabilities.
b. increase assets and increase owner's equity.
c. increase assets and increase liabilities.
d. increase one asset and decrease another asset.

ANSWER:	a
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

34. An example of an expense is

a. investments.
b. supplies consumed.
c. prepaid insurance.
d. withdrawals by the owner.

ANSWER:	b
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

35. A decrease in owner's equity may result from a(n)

a. purchase of office supplies for cash.
b. withdrawal of cash from the business by the owner.
c. revenue that is derived from sales of goods or services.
d. investment of cash in the business by the owner.

ANSWER:	b
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA BB-Critical thinking BUSPROG: Analytic
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

36. Which phase of the accounting process involves recognizing the effect of transactions on assets, liabilities, owner's equity, revenue, and expenses of a business?

a. input
b. processing
c. output
d. summarizing

ANSWER:	b
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.6 - LO: 2-6
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-06-Recording Transactions
KEYWORDS:	Bloom's: Remembering

NOTES: 1 min.

37. The financial statement that should be completed first is the
    a. balance sheet.
    b. statement of financial position.
    c. statement of financial condition.
    d. income statement.

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Communication
TOPICS: ACBSP: APC-09-Financial Statements
KEYWORDS: Bloom's: Analyzing
NOTES: 1 min.

38. Falana received $7,000 in cash from a client for professional services rendered. This transaction would
    a. increase assets and increase owner's equity.
    b. decrease assets and increase owner's equity.
    c. increase liabilities and decrease owner's equity.
    d. decrease assets and decrease owner's equity.

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Analytic
TOPICS: ACBSP: APC-02-GAAP
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

39. The financial statement that shows the state of the firm's assets, liabilities, and owner's equity on a specific date is called a(n)
    a. balance sheet.
    b. statement of operations.
    c. statement of owner's equity.
    d. income statement.

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Communication
TOPICS: ACBSP: APC-09-Financial Statements

KEYWORDS:	Bloom's: Analyzing
NOTES:	1 min.

40. Sue Lee paid $1,200 for her employees' salaries. This transaction would
   a. increase assets and decrease owner's equity.
   b. increase assets and increase liabilities.
   c. decrease assets and decrease liabilities.
   d. decrease assets and decrease owner's equity.

ANSWER:	d
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

41. Match the letter corresponding to one of the basic elements of accounting to each of the accounts below.

A = Asset
L = Liability
OE = Owner's Equity
R = Revenue
E = Expense

1. Utility Expense ____________
2. Accounts Payable ____________
3. Prepaid Rent ____________
4. Supplies ____________
5. P. Coyote, Drawing ____________
6. Wages Expense ____________
7. P. Coyote, Capital ____________
8. Cash ____________
9. Advertising Expense ____________
10. Fees Earned ____________

ANSWER:
1. E
2. L
3. A
4. A
5. OE
6. E
7. OE
8. A
9. E
10. R

POINTS:	1
DIFFICULTY:	Easy

LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	5 min.

42. Show the effect of each transaction on the three basic accounting elements by indicating the dollar amount of the increase or decrease under the proper element heading. Compute the resulting accounting equation.

a. Owner invested $16,500 cash in the business.
b. Paid premium for two-year insurance policy, $1,500.
c. Purchased a van valued at $35,000 with $5,000 down payment; the balance to be paid over three years.
d. Paid the rent for the month, $900.
e. Purchased $470 of supplies for cash.
f. Cash sales for the month, $8,750.
g. Billed credit customers $14,200 for monthly services.
h. Paid monthly utility bill, $210.
i. Owner withdrew $2,200 for personal use.
j. Received payments of $3,300 from credit customers.

					ASSETS					=	>
	Cash	+	**Accounts Rec.**	+	**Supplies**	+	**Prepaid Ins.**	+	**Van**	=	>
											>
a.	_____		_____		_____		_____		_____		>
b.	_____		_____		_____		_____		_____		>
c.	_____		_____		_____		_____		_____		>
d.	_____		_____		_____		_____		_____		>
e.	_____		_____		_____		_____		_____		>
f.	_____		_____		_____		_____		_____		>
g.	_____		_____		_____		_____		_____		>
h.	_____		_____		_____		_____		_____		>
i.	_____		_____		_____		_____		_____		>
j.	_____		_____		_____		_____		_____		>
	_____		_____		_____		_____		_____		>

<		**LIAB.**	+			**OWNER'S EQUITY**				
<		**Notes Payable**	+	**Capital**	–	**Drawing**	+	**Revenues**	–	**Expenses**
<										
<	a.	_____		_____		_____		_____		_____
<	b.	_____		_____		_____		_____		_____
<	c.	_____		_____		_____		_____		_____
<	d.	_____		_____		_____		_____		_____
<	e.	_____		_____		_____		_____		_____
<	f.	_____		_____		_____		_____		_____
<	g.	_____		_____		_____		_____		_____
<	h.	_____		_____		_____		_____		_____
<	i.	_____		_____		_____		_____		_____
<	j.	_____		_____		_____		_____		_____

< _____ _____ _____ _____ _____

PROOF

Cash	_____	Notes Payable	_____
Accounts Receivable	_____	Capital	_____
Supplies	_____	Drawing	_____
Prepaid Insurance	_____	Revenues	_____
Van	_____	Expenses	_____
	_____		_____

ANSWER:

ASSETS				
Cash	Accounts Rec.	Supplies	Prepaid Ins.	Van
16,500				
(1,500)			1,500	
(5,000)				35,000
(900)				
(470)		470		
8,750				
	14,200			
(210)				
(2,200)				
3,300	(3,300)			
18,270	10,900	470	1,500	35,000

	LIAB.	+	OWNER'S EQUITY						
<	Note Payable	+	Capital	–	Drawing	+	Revenues	–	Expenses
<									
< a.			16,500						
< b.									
< c.	30,000								
< d.									900
< e.									
< f.							8,750		
< g.							14,200		
< h.									210
< i.					2,200				

< <	j.	30,000	16,500	2,200	22,950	1,110

PROOF

Cash	18,270	Notes Payable	30,000
Accounts Receivable	10,900	Capital	16,500
Supplies	470	Drawing	(2,200)
Prepaid Insurance	1,500	Revenues	22,950
Van	35,000	Expenses	(1,110)
	66,140		66,140

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: COLL.HEIN.17.2 - LO: 2-2
COLL.HEIN.17.4 - LO: 2-4
COLL.HEIN.17.5 - LO: 2-3

ACCREDITIN AICPA FN-Measurement
BUSPROG: Analytic

GSTANDARDS:

TOPICS: ACBSP: APC-06-Recording Transactions

KEYWORDS: Bloom's: Applying

NOTES: 15 min.

43. Show the effects of each transaction on the accounting equation by indicating under the proper heading the dollar amount of increase or decrease for each transaction listed below. Compute the resulting accounting equation.

a. Owner deposited $20,000 in his new business checking account.
b. Supplies were purchased for $300 on account.
c. Paid a $1,200 premium for six months of liability insurance.
d. Purchased supplies for $200 cash.
e. Purchased equipment for $4,000 by paying $1,000; the rest to be paid in six months.
f. Paid the $300 bill outstanding (from transaction b).
g. Owner withdrew $700 from the business for personal use.

	ASSETS							=	LIAB.	+	OWNER'S EQUITY		
	Cash	+	Supp.	+	Prep. Insur.	+	Equip	=	Accts. Pay.	+	Capital	–	Drawing
a.	_____		_____		_____		_____		_____		_____		_____
b.	_____		_____		_____		_____		_____		_____		_____
c.	_____		_____		_____		_____		_____		_____		_____
d.	_____		_____		_____		_____		_____		_____		_____
e.	_____		_____		_____		_____		_____		_____		_____
f.	_____		_____		_____		_____		_____		_____		_____
g.	_____		_____		_____		_____		_____		_____		_____
	_____		_____		_____		_____		_____		_____		_____

ANSWER:

ASSETS	=	LIAB.	+	OWNER'S EQUITY

	Cash	+	**Supp.**	+	**Prep. Insur.**	+	**Equip**	=	**Accts. Pay.**	+	**Capital**	–	**Drawing**
a.	20,000										20,000		
b.			300						300				
c.	(1,200)				1,200								
d.	(200)		200										
e.	(1,000)						4,000		3,000				
f.	(300)								(300)				
g.	(700)												700
	16,600		500		1,200		4,000		3,000		20,000		700

PROOF

Cash	16,600	Accounts Payable	3,000
Supplies	500	Capital	20,000
Prepaid Insurance	1,200	Drawing	(700)
Equipment	4,000		
	22,300		22,300

POINTS: 1

DIF Easy
FIC
ULT
Y:
LEA COLL.HEIN.17.2 - LO: 2-2
RNI COLL.HEIN.17.4 - LO: 2-4
NG COLL.HEIN.17.5 - LO: 2-3
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ACC AICPA FN-Measurement
RED BUSPROG: Analytic
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TOP ACBSP: APC-06-Recording Transactions
ICS:

KEY Bloom's: Applying
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NOT 15 min.
ES:

44. Madame Shira began a fortune telling business on May 1. The following transactions occurred:

1. Owner Madame Shira invested $5,000 cash in the business.
2. Purchased $2,000 of furniture with a down payment of $500; the rest by issuing an account payable to be paid in three monthly installments.
3. Paid $700 rent.
4. Purchased a crystal ball for $300.
5. Paid $1,700 for a 12-month insurance policy.
6. During the first month received $2,500 from cash customers.
7. Sent billings of $2,000 for services rendered to credit customers.
8. Paid assistant $1,500 wages for the month.
9. Received $600 in payments from credit customers.
10. Borrowed $3,200 by signing a note.
11. Made a $500 payment on the furniture bill (from transaction 2).
12. Owner withdrew $300 cash for personal use.
13. Paid bills for advertising $60, utilities $39, and repairs $52.

Required:
1. Enter the above transactions in an accounting equation work sheet.
2. Prepare an income statement for Madame Shira for the month of May.
3. Prepare a statement of owner's equity for the month of May.

ANS 1.
WER

	ASSETS				**= LIABILITIES**	>
	Crys	**Accou**	**Prep**	**Accou**	**Note**	>

:

	Cash	+	Furniture	+	tal Ball	+	nts Rec.	+	aid Ins.	=	nts Payable	+	s Payable	
1.	5,000													>
2.	(500)		2,000								1,500			>
3.	(700)													>
4.	(300)				300									>
5.	(1,700)								1,700					>
6.	2,500													>
7.							2,000							>
8.	(1,500)													>
9.	600						(600)							>
10.	3,200												3,200	>
11.	(500)										(500)			>
12.	(300)													>
13.	(60)													>
	(39)													>
	(52)													>
	5,649		2,000		300		1,400		1,700		1,000		3,200	>

			OWNER'S EQUITY						
<	+								
<	+	Shira, Capital	–	Shira, Drawing	+	Revenues	–	Expenses	Desc.
<		5,000							
<									
<								700	Rent
<									
<									
<						2,500			
<						2,000			
<								1,500	Wages
<									
<									
<									

<		300			
<				60	Advertising
<				39	Utilities
<				52	Repairs
<	5,000	300	4,500	2,351	

2.

Madame Shira Fortune Telling
Income Statement
For Month Ended May 31, 20--

Revenues:		
Fortune telling fees		$4,500
Expenses:		
Rent expense	$ 700	
Wages expense	1,500	
Advertising expense	60	
Utilities expense	39	
Repairs expense	52	
Total expenses		2,351
Net income		$2,149

3.

Madame Shira Fortune Telling
Statement of Owner's Equity
For Month Ended May 31, 20--

Madame Shira, capital May 1, 20--		$ 0
Investment by owner		5,000
Net income for May	$2,149	
Less withdrawals for May	300	
Increase in capital		1,849
Madame Shira, capital May 31, 20--		$6,849

POINTS: 1

DIFFICULTY: Moderate

LEARNING OBJECTIVES: COLL.HEIN.17.3 - LO: 2-5
COLL.HEIN.17.4 - LO: 2-4
COLL.HEIN.17.5 - LO: 2-3

ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Analytic

TOPICS: ACBSP: APC-06-Recording Transactions

KEYWORDS: Bloom's: Applying

NOTES: 15 min.

45. From the following list of accounts, prepare an income statement, statement of owner's equity, and balance sheet for the year ended or at December 31, 20--, for Milner's Star Express Cleaning Service.

Cash	$ 2,026
Fees Earned	13,835
Accounts Payable	7,530
D. Milner, Capital January 1, 20--	6,000
D. Milner, Drawing	1,750
Utilities Expense	153
Prepaid Insurance	1,216
Rent Expense	1,200
Accounts Receivable	4,080
Equipment	15,290
Wages Expense	1,650

ANSWER:

Milner's Star Express Cleaning Service
Income Statement
For the Year Ended December 31, 20--

Revenues:		
Fees earned		$13,835
Expenses:		
Utilities expense	$ 153	
Rent expense	1,200	
Wages expense	1,650	
Total expenses		3,003
Net income		$10,832

Milner's Star Express Cleaning Service
Statement of Owner's Equity
For the Year Ended December 31, 20--

D. Milner, capital January 1, 20--		$ 6,000
Net income for the year	$10,832	
Less withdrawals for the year	1,750	
Increase in capital		9,082
D. Milner, capital December 31, 20--		$15,082

Milner's Star Express Cleaning Service
Balance Sheet
December 31, 20--

Assets		Liabilities	
Cash	$ 2,026	Accounts payable	$ 7,530
Prepaid insurance	1,216		

Accounts receivable	4,080	**Owner's Equity**	
Equipment	15,290	D. Milner, capital	15,082
Total assets	$22,612	Total liab. & owner's equity	$22,612

POINTS: 1

DIFFICULTY: Moderate

LEARNING OBJECTIVES: COLL.HEIN.17.3 - LO: 2-5

ACCREDITING STANDARDS: AICPA FN-Reporting
BUSPROG: Analytic

TOPICS: ACBSP: APC-09-Financial Statements

KEYWORDS: Bloom's: Applying

NOTES: 15 min.

46. From the following list of accounts, prepare an income statement, statement of owner's equity, and balance sheet for the year ended or at December 31, 20--, for J. Carr's Delivery Service.

Cash	$11,450
Accounts Payable	4,450
Fees Earned	41,500
J. Carr, Capital January 1, 20--	14,500
J. Carr, Drawing	7,000
Office Supplies	250
Rent Expense	10,000
Accounts Receivable	7,000
Equipment	6,000
Wages Expense	14,000
Repairs Expense	250
Furniture	4,500

ANSWER:

J. Carr's Delivery Service
Income Statement
For the Year Ended December 31, 20--

Revenues:		
Fees earned		$41,500
Expenses:		
Rent expense	$10,000	
Wages expense	14,000	
Repairs expense	250	
Total expenses		24,250
Net income		$17,250

J. Carr's Delivery Service

Statement of Owner's Equity
For the Year Ended December 31, 20--

J. Carr, capital January 1, 20--		$14,500
Net income for the year	$17,250	
Less withdrawals for the year	7,000	
Increase in capital		10,250
J. Carr, capital December 31, 20--		$24,750

J. Carr's Delivery Service
Balance Sheet
December 31, 20--

Assets		**Liabilities**	
Cash	$11,450	Accounts Payable	$ 4,450
Accounts receivable	7,000		
Office supplies	250		
Equipment	6,000	**Owner's Equity**	
Furniture	4,500	J. Carr, capital	24,750
Total assets	$29,200	Total liab. & owner's equity	$29,200

POINTS: 1

DIFFICULTY: Moderate

LEARNING OBJECTIVES: COLL.HEIN.17.3 - LO: 2-5

ACCREDITING STANDARDS: AICPA FN-Reporting
BUSPROG: Analytic

TOPICS: ACBSP: APC-09-Financial Statements

KEYWORDS: Bloom's: Applying

NOTES: 15 min.

47. Dr. Etana Jenson is a podiatrist. As of December 31, Jenson owned the following assets related to the professional practice:

Cash	$6,600	X-ray Equipment	$9,000
Office Equipment	3,500	Laboratory Equipment	3,000

As of that date, Jenson owed business suppliers as follows:

Top Flight Office Equipment Co.	$3,000
Dunhill Medical Supplies Company	1,000
Island Gas Company	2,200

Required:

a. Compute the amount of assets, liabilities, and owners' equity as of December 31.

Assets	=	Liabilities	+	Owner's Equity
________		________		________

b. Assuming that during January there is an increase of $4,600 in Dr. Jenson's business assets and an increase of $2,500 in the business liabilities, compute the resulting equation as of January 31.

________ ________ ________

c. Assuming that during February there is a decrease of $1,500 in assets and a decrease of $1,200 in liabilities, compute the resulting accounting equation as of February 28.

________ ________ ________

ANSWER:

	Assets	**=**	**Liabilities**	**+**	**Owner's Equity**
a.	$22,100	=	$6,200	+	$15,900
b.	26,700	=	8,700	+	18,000
c.	25,200	=	7,500	+	17,700

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.4 - LO: 2-4
COLL.HEIN.17.5 - LO: 2-3
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Analytic
TOPICS: ACBSP: APC-02-GAAP
KEYWORDS: Bloom's: Understanding
NOTES: 3 min.

48. Kristin Holden started her own consulting business in July, 20--. During the first month, the following transactions occurred:

a. Owner invested $12,000 cash in the business.
b. Purchased office equipment for $7,500 cash.
c. Purchased computer equipment costing $11,500 on account.
d. Paid $1,100 office rent for the month.
e. Received $1,700 cash from a client for services rendered.
f. Paid water bill for the month, $170.
g. Paid $2,400 on account for computer equipment purchased in transaction (c).
h. Paid the electric bill for the month, $200.

Required:

Record the effects of these transactions in an accounting equation worksheet.

			ASSETS			**= LIABILITIES**			>
			Office		**Computer**		**Accounts**		**K.**	>
	Cash	**+**	**Equip.**	**+**	**Equip.**	**=**	**Payable**	**+**	**Holden, Capital**	
a.	_____		_____		_____		_____		_____	>

Bal.	_____	_____	_____	_____	_____	>
b.	_____	_____	_____	_____	_____	>
Bal.	_____	_____	_____	_____	_____	>
c.	_____	_____	_____	_____	_____	>
Bal.	_____	_____	_____	_____	_____	>
d.	_____	_____	_____	_____	_____	>
Bal.	_____	_____	_____	_____	_____	>
e.	_____	_____	_____	_____	_____	>
Bal.	_____	_____	_____	_____	_____	>
f.	_____	_____	_____	_____	_____	>
Bal.	_____	_____	_____	_____	_____	>
g.	_____	_____	_____	_____	_____	>
Bal.	_____	_____	_____	_____	_____	>
h.	_____	_____	_____	_____	_____	>
Bal.	_____	_____	_____	_____	_____	>

<		+			**OWNER'S EQUITY**		
<			**Client**				**Utilities**
		+	**Fees**	–	**Rent Expense**	–	**Expense**
<	a.		_____		_____		_____
<	Bal.		_____		_____		_____
<	b.		_____		_____		_____
<	Bal.		_____		_____		_____
<	c.		_____		_____		_____
<	Bal.		_____		_____		_____
<	d.		_____		_____		_____
<	Bal.		_____		_____		_____
<	e.		_____		_____		_____
<	Bal.		_____		_____		_____
<	f.		_____		_____		_____
<	Bal.		_____		_____		_____
<	g.		_____		_____		_____
<	Bal.		_____		_____		_____
<	h.		_____		_____		_____
<	Bal.		_____		_____		_____

ANSWER:			**ASSETS**			**= LIABILITIES**				>
	Cash	+	**Office Equip.**	+	**Computer Equip.**	=	**Accounts Payable**	+	**K. Holden, Capital**	>
a.	12,000								12,000	>
Bal.	12,000								12,000	>
b.	(7,500)		7,500							>
Bal.	4,500		7,500						12,000	>
c.					11,500		11,500			>
Bal.	4,500		7,500		11,500		11,500		12,000	>
d.	(1,100)									>
Bal.	3,400		7,500		11,500		11,500		12,000	>
e.	1,700									>
Bal.	5,100		7,500		11,500		11,500		12,000	>
f.	(170)									>
Bal.	4,930		7,500		11,500		11,500		12,000	>
g.	(2,400)						(2,400)			>
Bal.	2,530		7,500		11,500		9,100		12,000	>
h.	(200)									>

Bal.	2,330	7,500	11,500	9,100	12,000	>

<		+		**OWNER'S EQUITY**				
<		+	**Client Fees**	-	**Rent Expense**	-	**Utilities Expense**
<	a.						
<	Bal.						
<	b.						
<	Bal.						
<	c.						
<	Bal.						
<	d.				1,100		
<	Bal.						
<	e.		1,700		1,100		
<	Bal.		1,700		1,100		
<	f.						170
<	Bal.		1,700		1,100		170
<	g.						
<	Bal.		1,700		1,100		170
<	h.						200
<	Bal.		1,700		1,100		370

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: COLL.HEIN.17.4 - LO: 2-4

ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Analytic

TOPICS: ACBSP: APC-06-Recording Transactions

KEYWORDS: Bloom's: Remembering

NOTES: 10 min.

49. Most businesses recognize ____________________ when earned, even if cash has not yet been received.

ANSWER:	revenue
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-04-Cash vs. Accrual
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

50. ____________________ represent the decrease in assets (or increase in liabilities) as a result of efforts made to produce revenues.

ANSWER:	Expenses
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Reporting BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

51. The ____________________, sometimes called the profit and loss statement, reports the profitability of business operations for a specific period of time.

ANSWER:	income statement
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

52. ____________________ represent the amount a business charges customers for products sold or services performed.

ANSWER:	Revenues
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering

NOTES:	1 min.

53. The relationship between the three basic accounting elements: ____________________, ____________________, and ____________________, can be expressed in the form of a simple equation known as the accounting equation.

ANSWER:	assets, liabilities, owner's equity assets, owner's equity, liabilities liabilities, assets, owner's equity liabilities, owner's equity, assets owner's equity, assets, liabilities owner's equity, liabilities, assets
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.2 - LO: 2-2
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

54. ____________________ represent probable future benefits.

ANSWER:	Assets
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

55. A(n) ____________________ is an unwritten promise to pay a supplier for assets purchased or services received.

ANSWER:	accounts payable
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

56. The report which shows a firm's assets, liabilities, and owner's equity as of a specific date is called the ____________________.

ANSWER:	balance sheet
POINTS:	1
DIFFICULTY:	Easy

LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Reporting BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

57. The ____________________ reports the investments and withdrawals by the owner, the profits and losses generated through operations, and how they have affected the capital account.

ANSWER:	statement of owner's equity
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Reporting BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

58. A(n) ____________________ is a reduction in owner's equity as a result of the owner taking cash or other assets out of the business for personal use.

ANSWER:	withdrawal
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Reporting BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

59. ____________________ is the amount by which business assets exceed the business liabilities.

ANSWER:	Owner's equity
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA FN-Reporting BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

60. Amounts owed to the business by its customers are called ____________________.

ANSWER:	accounts receivable
POINTS:	1

DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA FN-Reporting BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

61. A(n) ____________________ is an economic event that has a direct impact on the business.

ANSWER:	business transaction
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.5 - LO: 2-3
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

62. A(n) ____________________ is a separate record used to summarize changes in assets, liabilities, and owner's equity of a business.

ANSWER:	account
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.5 - LO: 2-3
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

63. According to the ____________________, nonbusiness assets and liabilities are not included in the business entity's accounting records.

ANSWER:	business entity concept
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

64. ____________________ is a measure of the ease with which an asset will be converted to cash.

ANSWER:	Liquidity

POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

Match the terms with the definitions.

a. account
b. accounts payable
c. accounts receivable
d. accounting equation
e. assets
f. balance sheet
g. business entity
h. business entity concept
i. business transaction
j. drawing
k. expenses
l. income statement
m. liability
n. net income
o. net loss
p. notes payable
q. owner's equity
r. revenues
s. statement of owner's equity

DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1 COLL.HEIN.17.2 - LO: 2-2 COLL.HEIN.17.3 - LO: 2-5 COLL.HEIN.17.4 - LO: 2-4 COLL.HEIN.17.5 - LO: 2-3
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

65. The amount by which the business assets exceed the business liabilities.

ANSWER:	q
POINTS:	1

66. Reports assets, liabilities, and owner's equity on a specific date.
ANSWER: f
POINTS: 1

67. Withdrawals that reduce owner's equity as a result of the owner taking cash or other assets out of the business for personal use.
ANSWER: j
POINTS: 1

68. The decrease in assets (or increase in liabilities) as a result of efforts to produce revenues.
ANSWER: k
POINTS: 1

69. A formal written promise to pay a supplier or lender a specified sum of money at a definite future time.
ANSWER: p
POINTS: 1

70. The excess of total revenues over total expenses for the period.
ANSWER: n
POINTS: 1

71. Reports the profitability of business operations for a specific period of time.
ANSWER: l
POINTS: 1

72. Reports beginning capital, plus net income, less withdrawals to compute ending capital.
ANSWER: s
POINTS: 1

73. An economic event that has a direct impact on the business.
ANSWER: i
POINTS: 1

74. The concept that nonbusiness assets and liabilities are not included in the business' accounting records.
ANSWER: h
POINTS: 1

75. Consists of the three basic accounting elements: assets = liabilities + owner's equity.
ANSWER: d
POINTS: 1

76. Items a business owns that will provide future benefits.
ANSWER: e
POINTS: 1

77. An unwritten promise to pay a supplier for assets purchased or services rendered.
ANSWER: b

POINTS: 1

78. A separate record used to summarize changes in each asset, liability, and owner's equity of a business.
ANSWER: a
POINTS: 1

79. An amount owed to a business by its customers as a result of the sale of goods or services.
ANSWER: c
POINTS: 1

80. An individual, association, or organization that engages in economic activities and controls specific economic resources.
ANSWER: g
POINTS: 1