

Student name: _____

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) Accounting is an information and measurement system that identifies, records, and communicates an organization's business activities.

- ☐ true
- ☐ false

2) Recordkeeping, or bookkeeping, is the recording of transactions and events, either manually or electronically.

This is just one part of accounting.

- ☐ true
- ☐ false

3) Accounting includes the analysis and interpretation of information.

- ☐ true
- ☐ false

4) Financial accounting focuses on the needs of external users, who get accounting information from general-purpose financial statements.

- ☐ true
- ☐ false

5) Internal users of accounting information do *not* directly run the organization and have limited access to its accounting information.

- ☐ true
- ☐ false

6) Auditors verify the effectiveness of internal controls.

- ☐ true
- ☐ false

7) External auditors examine financial statements to verify that they are prepared according to generally accepted accounting principles.

- ☐ true
- ☐ false

8) External users include lenders, shareholders, customers, and regulators.

- ☐ true
- ☐ false

9) Regulators have legal authority over certain activities of organizations.

- ☐ true
- ☐ false

10) Internal users include lenders, shareholders, brokers, and nonexecutive employees.

- ☐ true
- ☐ false

11) Opportunities in accounting include auditing, consulting, market research, and tax planning.

- ☐ true
- ☐ false

12) Ethics is defined as maximizing personal wealth, regardless the cost.

- ☐ true
- ☐ false

13) The fraud triangle shows three factors that push a person to commit fraud are opportunity, effective internal controls, and ethics.

- ☐ true
- ☐ false

14) The fraud triangle shows that three factors that push a person to commit fraud are opportunity, pressure, and rationalization.

- ☐ true
- ☐ false

15) Internal controls are procedures to protect assets, ensure reliable accounting, promote efficiency, and uphold company policies.

- ☐ true
- ☐ false

16) A partnership is a business owned by two or more people.

- ☐ true
- ☐ false

17) Owners of a corporation are called shareholders or stockholders.

- ☐ true

18) In a partnership the owners are called stockholders.

- ☐ true
- ☐ false

19) The balance sheet shows a company's net income or loss over a period of time.

- ☐ true
- ☐ false

20) The Financial Accounting Standards Board (FASB) is given the task of setting generally accepted accounting principles (GAAP) from the Securities and Exchange Commission.

- ☐ true
- ☐ false

21) The business entity assumption means that accounting information reflects a presumption that the business will

continue operating instead of being closed or sold.

- ☐ true
- ☐ false

22) General principles are the basic assumptions, concepts, and guidelines for preparing financial statements.

- ☐ true
- ☐ false

23) The business entity assumption means that a business is accounted for separately from other business entities and its owner(s).

☐ true

☐ false

24) As a general rule, revenues should not be recognized in the accounting records when earned, but rather when cash is received.

☐ true

☐ false

25) Specific accounting principles are basic assumptions, concepts, and guidelines for preparing financial statements and arise out of long-used accounting practice.

☐ true

☐ false

26) Limited liability and indefinite business life are characteristics of a corporation.

☐ true

☐ false

27) A sole proprietorship is a business with multiple owners.

☐ true

☐ false

28) Unlimited liability and separate taxation of the business are advantages of a sole proprietorship.

☐ true

☐ false

⊙ true

30) Objectives, qualitative characteristics, elements, and recognition and measurement are components of the FASB conceptual framework.

- ☐ true
- ☐ false

31) Objectivity means that information is supported by independent, unbiased evidence

- ☐ true
- ☐ false

32) The going-concern assumption presumes that a business will continue operating instead of being closed or sold.

- ☐ true
- ☐ false

33) The measurement principle (cost principle) prescribes that accounting information is based on subjective opinion rather than cost.

- ☐ true
- ☐ false

34) The monetary unit assumption means that companies should express transactions in terms such as “a lot” or “very little”.

- ☐ true
- ☐ false

35) The International Accounting Standards

Board (IASB) issues International Financial Reporting Standards (IFRS) that identify preferred accounting practices.

- ☐ true
- ☐ false

36) A limited liability company (LLC) offers the limited liability of a partnership or proprietorship and the tax treatment of a corporation.

- ☐ true
- ☐ false

37) A limited liability company (LLC) offers the limited liability of a corporation and the tax treatment of a partnership or proprietorship.

- ☐ true
- ☐ false

38) The Securities and Exchange Commission (SEC) is a U.S. government agency that oversees proper use of GAAP by companies that sell stock and debt to the public.

- ☐ true
- ☐ false

39) The four common forms of business ownership include sole proprietorship, partnership, corporation, and non-profit.

- ☐ true
- ☐ false

40) The four common forms of business

ownership include sole proprietorship, partnership, limited liability company (LLC), and corporation.

- ☐ true
- ☐ false

41) The statement of cash flows reports cash flows from operating activities, financing activities, and investing activities.

- ☐ true
- ☐ false

42) The statement of cash flows contains a section that presents cash flows from investing activities.

- ☐ true
- ☐ false

43) Financing activities on the statement of cash flows include long-term borrowing and repaying of cash from lenders.

- ☐ true
- ☐ false

44) Investing activities on the statement of cash flows include long-term borrowing and repaying of cash from lenders.

- ☐ true
- ☐ false

45) Investing activities on the statement of cash flows include buying equipment that is held for long-term use.

☐ true

☐ false

46) Return on assets equals total revenues divided by average total assets.

☐ true

☐ false

47) Revenues increase equity (via net income) from sales of products and services to customers.

☐ true

☐ false

48) A net loss occurs when revenues exceed expenses.

☐ true

☐ false

49) Net income occurs when revenues exceed expenses.

☐ true

☐ false

50) Liabilities are owners' claims on assets.

☐ true

☐ false

51) Assets are the resources a company owns or controls and are expected to yield future benefits.

☐ true

☐ false

52) Dividends are subtracted as expenses in the calculation of net income.

- ☐ true
- ☐ false

53) The accounting equation can be restated as: $\text{Assets} - \text{Equity} = \text{Liabilities}$.

- ☐ true
- ☐ false

54) The accounting equation can be restated as: $\text{Assets} + \text{Liabilities} = \text{Equity}$.

- ☐ true
- ☐ false

55) Stock issuances are increases in equity from the sale of products or services.

- ☐ true
- ☐ false

56) Every business transaction leaves the accounting equation in balance.

- ☐ true
- ☐ false

57) An external transaction is an exchange within an entity that may or may not affect the accounting equation.

- ☐ true
- ☐ false

58) From an accounting perspective, an event is a happening that affects the accounting equation but cannot be measured.

- ☐ true
- ☐ false

59) Equity is increased when cash is received from customers in payment of previously recorded accounts receivable.

- ☐ true
- ☐ false

60) Owner investments increase equity via net income.

- ☐ true
- ☐ false

61) Return on assets is often stated in ratio form as the amount of average total assets divided by revenue.

- ☐ true
- ☐ false

62) Return on assets is often stated in ratio form as the amount of net income divided by average total assets.

- ☐ true
- ☐ false

63) Return on assets helps evaluate if management is effectively using assets to generate net income.

- ☐ true
- ☐ false

64) Arrow's net income of \$120 million and average total assets of \$1,700 million results in a return on assets of 7.06%.

- ☐ true
- ☐ false

65) Arrow's net income of \$120 million and average total assets of \$1,500 million results in a return on assets of 8%.

- ☐ true
- ☐ false

66) Net income occurs when expenses are greater than revenues.

- ☐ true
- ☐ false

67) A net loss occurs when liabilities are greater than assets.

- ☐ true
- ☐ false

68) Owner investments and dividends are not part of net income.

- ☐ true
- ☐ false

69) The four basic financial statements include the balance sheet, income statement, statement of retained earnings, and statement of cash flows.

☐ true

☐ false

70) An income statement reports on investing and financing activities.

☐ true

☐ false

71) A balance sheet covers activities over a period of time such as a month or year.

☐ true

☐ false

72) The income statement reports revenues and expenses and computes net income or loss over a period of time.

☐ true

☐ false

73) The statement of cash flows shows the net effect of revenues and expenses for a reporting period.

☐ true

☐ false

74) The income statement shows the financial position of a business on a specific date.

☐ true

☐ false

75) The first section of the income statement reports cash flows from operating activities.

☐ true

☐ false

76) The left side of the balance sheet lists a company's assets.

☐ true

☐ false

77) Investing activities on the statement of cash flows involve selling assets such as equipment that is held for long-term use.

☐ true

☐ false

78) Operating activities on the statement of cash flows include long-term borrowing and repaying cash from lenders, stockholder investments and dividends paid to stockholders.

☐ true

☐ false

79) The purchase of supplies appears on the statement of cash flows as an investing activity because it involves the purchase of assets.

☐ true

☐ false

80) The income statement reports on operating activities at a point in time.

☐ true

☐ false

81) The statement of cash flows identifies cash flows over a period of time and separates them into operating, investing, and financing activities.

- ☐ true
- ☐ false

82) Ending retained earnings, reported on the statement of retained earnings, is computed by adding cash flows and net

income and subtracting net losses and dividends.

- ☐ true
- ☐ false

83) The cost-benefit constraint prescribes that only information with benefits of disclosure less than the costs of

providing it, need be disclosed.

- ☐ true
- ☐ false

84) The cost-benefit constraint says that information disclosed must have benefits to the user that are greater than the costs of providing it.

- ☐ true
- ☐ false

85) Net income is sometimes called earnings or profit.

- ☐ true
- ☐ false

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

system that does all of the following *except*:

86) Accounting is an information and measurement

A) Identifies

business activities.

- B) Records business activities.
- C) Communicates business activities.
- D) Eliminates the need for interpreting financial

data.

E) Helps people make better decisions.

87) Which of the following is an external user of accounting information?

- A) Purchasing manager.
- B) Human resource manager.
- C) Lender.

D) Chief executive officer (CEO).

E) Marketing manager.

88) The primary objective of financial accounting is to:

- A) Serve the decision-making needs of internal users.
- B) Provide accounting information that serves external users.
- C) Monitor consumer needs, tastes, and price concerns.
- D) Provide information on both the costs and

benefits of looking after products and services.

E) Know what, when, and how much product to produce.

89) The area of accounting aimed at serving the decision-making needs of internal users is:

- A) Financial accounting.
- B) Managerial accounting.
- C) External auditing.

D) SEC reporting.

E) Bookkeeping.

90) External users of accounting information include all of the following *except*:

A) Shareholders.

- B) Customers.
- C) Purchasing managers.

- D) Government regulators.
- E) Creditors.

91) Which of the following is not true regarding a Certified Public Accountant?

- A) Must meet education and experience requirements.
- B) Must pass an examination.
- C) Must exhibit ethical character.
- D) May also be a Certified Management

Accountant.

- E) Cannot hold any certificate other than a CPA.

92) Which of the following factors is not a component of the fraud triangle?

- A) Opportunity
- B) Pressure
- C) Rationalization

- D) Summarization.

93) Which of the following is *false* regarding ethics?

- A) Ethics are beliefs that separate right from wrong.
- B) Good ethics are good business.
- C) Ethics do not affect the operations or outcome of a company.

- D) Accountants face ethical choices as they prepare financial reports.
- E) Ethics are accepted standards of good and bad behavior.

94) A corporation is:

- A) A business legally separate from its owners.
- B) Controlled by the FASB.

- C) Not responsible for its own acts and own debts.
- D) The same as a limited liability partnership.

E) Not subject to double taxation.

95) The group that sets international preferred accounting practices is called the:

- A) AICPA.
- B) IASB.

- C) CAP.
- D) SEC.
- E) FASB.

96) The Securities and Exchange Commission (SEC) has given the task of setting GAAP to the:

- A) APB.
- B) FASB.

- C) AAA.
- D) AICPA.
- E) IASB.

97) The accounting concept that requires every business to be accounted for separately from other business entities,

including its owner(s), is known as the:

- A) Time period assumption.
- B) Business entity assumption.
- C) Going-concern assumption.

- D) Revenue recognition principle.
- E) Measurement (Cost) principle.

98) The rule that requires financial statements to reflect the assumption that a business will continue operating instead

of being closed or sold is the:

- A) Going-concern assumption.
- B) Business entity assumption.
- C) Objectivity principle.

- D) Measurement (Cost) principle.
- E) Monetary unit assumption.

99) If a company is considering the purchase of a parcel of land that was originally acquired by the seller for \$93,000 is currently offered for sale at \$166,000, is considered by the purchaser as easily being worth \$156,000, and is finally purchased for \$153,000, the land should be recorded in the purchaser's books at:

- A) \$103,000.
- B) \$153,000.
- C) \$154,500.
- D) \$156,000.
- E) \$166,000.

100) If a company is considering the purchase of a parcel of land that was originally acquired by the seller for \$85,000, is currently offered for sale at \$150,000, is considered by the purchaser as easily being worth \$140,000, and is finally purchased for \$137,000, the land should be recorded in the purchaser's books at:

- A) \$95,000.
- B) \$137,000.
- C) \$138,500.
- D) \$140,000.
- E) \$150,000.

101) To include the personal assets and transactions of a business's owner(s) in the records and reports of the business

would be in conflict with the:

- A) Objectivity principle.
- B) Monetary unit assumption.
- C) Business entity assumption.
- D) Going-concern assumption.
- E) Revenue recognition principle.

102) The accounting principle that requires accounting information to be based on actual cost and requires assets and services to be recorded initially at the cash or cash-equivalent

amount given in exchange, is the:

- A) Accounting equation.
- B) Measurement (Cost) principle.
- C) Going-concern assumption.

- D) Cost-benefit constraint.
- E) Business entity assumption.

103) The rule that requires revenue to be recognized (1) when goods or services are provided to customers and (2) at the amount expected to be received from the customer is called the:

- A) Going-concern assumption.
- B) Measurement (Cost) principle.
- C) Revenue recognition principle.

- D) Objectivity principle.
- E) Business entity assumption.

104) The question of when revenue should be recognized on the income statement according to generally accepted accounting principles (GAAP) is addressed by the:

- A) Revenue recognition principle.
- B) Going-concern assumption.
- C) Objectivity principle.

- D) Business entity assumption.
- E) Measurement (Cost) principle.

105) The Superior Company acquired a building for \$500,000. The building was appraised at a value of \$575,000. The seller had paid \$300,000 for the building 6 years ago. Which accounting principle would require Superior to record

the building on its records at \$500,000?

- A) Monetary unit assumption.
- B) Going-concern assumption.
- C) Measurement (Cost) principle.

- D) Business entity assumption.
- E) Revenue recognition principle.

106) On December 15 of the current year, Conrad Accounting Services received \$40,000 from a client to provide bookkeeping services for the client in the following year. Which accounting principle would require Conrad Accounting Services to record the bookkeeping revenue in the

- A) Monetary unit assumption.
- B) Going-concern assumption.
- C) Measurement (Cost) principle.

following year and not in the year the cash was received?

- D) Business entity assumption.
- E) Revenue recognition principle.

107) Marsha Bogswell is the sole shareholder of Bogswell Legal Services. Which accounting principle requires Marsha to keep her personal financial information separate from the

- A) Monetary unit assumption.
- B) Going-concern assumption.
- C) Measurement (Cost) principle.
- D) Business entity assumption.

financial information of Bogswell Legal Services?

- E) Expense recognition (Matching) principle.

108) A limited liability company (LLC):

- A) Has owners called members.
- B) Is subject to double taxation.
- C) Includes a general owner with unlimited liability.

D) Is the same as a corporation.

- E) Must have more than one owner.

109) A partnership:

- A) Is also called a sole proprietorship.
- B) Has unlimited liability for its partners.
- C) Must have a written agreement in order to be legal.

D) Is a legal organization separate from its owners.

- E) Has owners called shareholders.

110) Which of the following accounting principles require that all goods and services purchased be recorded at actual cost?

- A) Going-concern assumption.
- B) Expense recognition (Matching) principle..
- C) Measurement (Cost) principle.

- D) Business entity assumption.
- E) Consideration assumption.

111) Which of the following accounting principles prescribes that a company record its expenses incurred to

generate the revenue reported?

- A) Going-concern assumption.
- B) Expense recognition (Matching) principle.
- C) Measurement (Cost) principle.

- D) Business entity assumption.
- E) Consideration assumption.

112) Revenue is properly recognized:

- A) When the customer makes an order.
- B) Only if the transaction creates an account receivable.
- C) At the end of the accounting period.
- D) When goods or services are provided to

customers and at the amount expected to be received from the customer.

- E) When cash from a sale is received.

113) All of the following are external users of accounting information except:

- A) Lenders.
- B) Shareholders.
- C) Board of directors.

- D) Chief executive officer (CEO).
- E) Customers.

114) All of the following are external users of accounting

information except:

- A) Customers.
- B) Internal Revenue Service.
- C) Human resource managers.

- D) Shareholders.
- E) Lenders.

115) If a company uses \$1,430 of its cash to purchase supplies, the effect on the accounting equation would be:

- A) Assets increase \$1,430 and liabilities decrease \$1,430.
- B) One asset increases \$1,430 and another asset decreases \$1,430, causing no effect.
- C) Assets decrease \$1,430 and equity decreases \$1,430.

- D) Assets decrease \$1,430 and equity increases \$1,430.
- E) Assets increase \$1,430 and liabilities increase \$1,430.

116) If a company uses \$1,300 of its cash to purchase supplies, the effect on the accounting equation would be:

- A) Assets increase \$1,300 and liabilities decrease \$1,300.
- B) One asset increases \$1,300 and another asset decreases \$1,300, causing no effect.
- C) Assets decrease \$1,300 and equity decreases \$1,300.

- D) Assets decrease \$1,300 and equity increases \$1,300.
- E) Assets increase \$1,300 and liabilities increase \$1,300.

117) If a company receives \$10,800 from a stockholder, the effect on the accounting equation would be:

\$10,800.

- A) Assets decrease \$10,800 and equity decreases \$10,800.
- B) Assets increase \$10,800 and liabilities decrease \$10,800.
- C) Assets increase \$10,800 and liabilities increase

- D) Liabilities increase \$10,800 and equity decreases \$10,800.
- E) Assets increase \$10,800 and equity increases \$10,800.

118) If a company receives \$12,000 from a stockholder, the effect on the accounting equation would be:

- A) Assets decrease \$12,000 and equity decreases \$12,000.
- B) Assets increase \$12,000 and liabilities decrease \$12,000.
- C) Assets increase \$12,000 and liabilities increase \$12,000.

- D) Liabilities increase \$12,000 and equity decreases \$12,000.
- E) Assets increase \$12,000 and equity increases \$12,000.

119) If a company purchases equipment costing \$6,100 on credit, the effect on the accounting equation would be:

- A) Assets increase \$6,100 and liabilities decrease \$6,100.
- B) Equity decreases \$6,100 and liabilities increase \$6,100.
- C) One asset increases \$6,100 and another asset decreases \$6,100.

- D) Assets increase \$6,100 and liabilities increase \$6,100.
- E) Equity increases \$6,100 and liabilities decrease \$6,100.

120) If a company purchases equipment costing \$4,500 on credit, the effect on the accounting equation would be:

- A) Assets increase \$4,500 and liabilities decrease \$4,500.
- B) Equity decreases \$4,500 and liabilities increase \$4,500.
- C) One asset increases \$4,500 and another asset decreases \$4,500.

- D) Assets increase \$4,500 and liabilities increase \$4,500.
- E) Equity increases \$4,500 and liabilities decrease \$4,500.

121) An example of a financing activity reported on the statement of cash flows is:

- A) Buying office

supplies.

- B) Obtaining a long-term loan.
- C) Buying office equipment.

- D) Selling inventory.
- E) Buying land.

122) Increases in equity that result from providing products or services to customers are called:

- A) Liabilities.
- B) Revenues.
- C) Financing activities.

- D) Investing activities.
- E) Expenses.

123) Which of the following decreases equity:

- A) Investing activities.
- B) Assets.
- C) Accounts receivable.

- D) Revenues.
- E) Expenses.

124) An example of an investing activity on the statement of cash flows is:

- A) Paying wages of employees.
- B) Paying cash dividends.
- C) Purchasing land.

- D) Selling inventory.
- E) Issuing common stock for cash.

125) Net Income:

- A) Decreases equity.
- B) Represents the amount of assets owners put into a business.
- C) Equals assets minus liabilities.

- D) Is the excess of revenues over expenses.
- E) Represents owners' claims against assets.

126) If equity is \$330,000 and liabilities are \$194,000, then assets equal:

- A) \$136,000.
- B) \$194,000.
- C) \$330,000.
- D) \$524,000.
- E) \$854,000.

127) If equity is \$300,000 and liabilities are \$192,000, then assets equal:

- A) \$108,000.
- B) \$192,000.
- C) \$300,000.
- D) \$492,000.
- E) \$792,000.

128) If assets are \$328,000 and liabilities are \$189,000, then equity equals:

- A) \$139,000.
- B) \$189,000.
- C) \$328,000.
- D) \$517,000.
- E) \$845,000.

129) If assets are \$300,000 and liabilities are \$192,000, then equity equals:

- A) \$108,000.
- B) \$192,000.
- C) \$300,000.
- D) \$492,000.
- E) \$792,000.

130) Resources a company owns or controls that are expected to yield future benefits are:

- A) Assets.

- B) Revenues.
- C) Liabilities.

- D) Payables.
- E) Expenses.

131) Increases in equity from sales of products or services to customers are:

- A) Assets.
- B) Revenues.
- C) Liabilities.

- D) Stockholders' Equity.
- E) Expenses.

132) The difference between a company's assets and its liabilities, or net assets is:

- A) Net income.
- B) Expense.

- C) Equity.
- D) Revenue.
- E) Net loss.

133) Creditors' claims on assets are called:

- A) Net losses.
- B) Expenses.

- C) Revenues.
- D) Equity.
- E) Liabilities.

134) Decreases in equity from costs of providing products or services to customers are called:

- A) Liabilities.
- B) Equity.
- C) Assets.

- D) Expenses.
- E) Stockholders' Investment.

135) The description of

the relation between a company's assets, liabilities, and equity, which is expressed as $\text{Assets} = \text{Liabilities} + \text{Equity}$, is known as the:

- A) Income statement equation.
- B) Accounting equation.
- C) Business equation.
- D) Return on equity ratio.
- E) Net income.

136) Revenues are:

- A) The same as net income.
- B) The excess of expenses over assets.
- C) Resources owned or controlled by a company.
- D) The increase in equity from a company's sales of products and services.
- E) The costs of assets or services used.

137) If assets are \$90,000 and liabilities are \$28,800, then equity equals:

- A) \$28,800.
- B) \$61,200.
- C) \$90,000.
- D) \$118,800.
- E) \$208,800.

138) If assets are \$99,000 and liabilities are \$32,000, then equity equals:

- A) \$32,000.
- B) \$67,000.
- C) \$99,000.
- D) \$ 131,000.
- E) \$198,000.

139) Another name for equity is:

- A) Net income.
- B) Expenses.
- C) Net assets.

- D) Revenue.
- E) Net loss.

140) When expenses exceed revenues, the result is called:

- A) Net assets.
- B) Negative equity.
- C) Net loss.
- D) Net income.
- E) A liability.

141) Outflows of cash and other resources to shareholders are:

- A) Liabilities.
- B) Dividends.
- C) Expenses.
- D) Stock issuances.
- E) Revenues.

142) Outflows of cash or other resources from a business to its shareholders:

- A) Reduce assets and equity.
- B) Increase assets and equity.
- C) Reduce assets and equity (via net income).
- D) Increases assets and reduces equity.
- E) Reduce contributed capital.

143) The assets of a company total \$706,000; the liabilities, \$203,000. What is the amount of equity?

- A) \$909,000.
- B) \$706,000.
- C) \$503,000.
- D) \$203,000.
- E) It is impossible to determine unless the amount of the stock issuances is known.

144) The assets of a company total \$700,000; the liabilities, \$200,000. What is the amount of equity?

- A) \$900,000.
- B) \$700,000.
- C) \$500,000.
- D) \$200,000.

E) It is impossible to determine unless the amount of the stock issuances is known.

145) On May 31 of the current year, the assets and liabilities of Riser, Incorporated are as follows: Cash \$22,000; Accounts Receivable, \$7,500; Supplies, \$850; Equipment, \$12,250; Accounts Payable, \$9,550. What is the amount of

equity as of May 31 of the current year?

- A) \$52,150.
- B) \$13,100.

- C) \$22,000.
- D) \$33,050.
- E) \$42,600.

146) On May 31 of the current year, the assets and liabilities of Riser, Incorporated are as follows: Cash \$20,500; Accounts Receivable, \$7,250; Supplies, \$650; Equipment, \$12,000; Accounts Payable, \$9,300. What is the amount of

equity as of May 31 of the current year?

- A) \$49,700.
- B) \$13,050.

- C) \$20,500.
- D) \$31,100.
- E) \$40,400.

147) On August 31 of the current year, the assets and liabilities of Gladstone, Incorporated are as follows: Cash \$31,500; Supplies, \$730; Equipment, \$11,100; Accounts Payable, \$9,900. What is the amount of equity as of August 31 of the current year?

- A) \$32,700.
- B) \$31,970.

- C) \$33,430.
- D) \$9,770.
- E) \$11,230.

148) On August 31 of the current year, the assets and liabilities of Gladstone, Incorporated are as follows: Cash \$30,000; Supplies, \$600; Equipment, \$10,000; Accounts

- A) \$49,100.
- B) \$32,100.

Payable, \$8,500. What is the amount of equity as of August 31 of the current year?

- C) \$12,100.
- D) \$10,900.
- E) \$30,900.

149) Assets created by selling goods and services on credit are:

- A) Accounts payable.
- B) Accounts receivable.

- C) Liabilities.
- D) Expenses.
- E) Equity.

150) An exchange of value between two entities which causes a change in the accounting equation is called:

- A) The accounting equation.
- B) Recordkeeping or bookkeeping.
- C) An external transaction.

- D) An asset.
- E) Net Income.

151) Saddleback Company paid off \$48,000 of its accounts payable in cash. What would be the effects of this transaction

- A) Assets increase \$48,000; equity increase \$48,000.
- B) Assets decrease \$48,000; liabilities decrease \$48,000.
- C) Assets decrease \$48,000; liabilities increase \$48,000.

on the accounting equation?

- D) Liabilities decrease \$48,000; equity increase \$48,000.
- E) Assets decrease \$48,000; equity decrease \$48,000.

152) Saddleback Company paid off \$30,000 of its accounts payable in cash. What would be the effects of this transaction

- A) Assets increase \$30,000; equity increases \$30,000.
- B) Assets decrease \$30,000; liabilities decrease \$30,000.
- C) Assets decrease \$30,000; liabilities increase \$30,000.

on the accounting equation?

- D) Liabilities decrease \$30,000; equity increase \$30,000.
- E) Assets decrease \$30,000; equity decreases \$30,000.

153) If Houston Company billed a client for \$28,000 of consulting work completed, the accounts receivable asset increases by \$28,000 and:

- A) Accounts payable decreases \$28,000.
- B) Accounts payable increases \$28,000.
- C) Cash increases \$28,000.

- D) Revenue increases \$28,000.
- E) Revenue decreases \$28,000.

154) If Houston Company billed a client for \$10,000 of consulting work completed, the accounts receivable asset increases by \$10,000 and:

- A) Accounts payable decreases \$10,000.
- B) Accounts payable increases \$10,000.
- C) Cash increases \$10,000.

- D) Revenue increases \$10,000.
- E) Revenue decreases \$10,000.

155) Alpha Company has assets of \$604,000, liabilities of \$252,000, and equity of \$352,000. It buys office equipment on credit for \$77,000. What would be the effects of this

- A) Assets increase by \$77,000 and expenses increase by \$77,000.
- B) Assets increase by \$77,000 and expenses

transaction on the accounting equation?

- decrease by \$77,000.
- C) Liabilities increase by \$77,000 and expenses decrease by

\$77,000.

D) Assets decrease by \$77,000 and expenses decrease by \$77,000.

E) Assets increase by \$77,000 and liabilities

increase by \$77,000.

156) Alpha Company has assets of \$600,000, liabilities of \$250,000, and equity of \$350,000. It buys office equipment on credit for \$75,000. What would be the effects of this

A) Assets increase by \$75,000 and expenses increase by \$75,000.

B) Assets increase by \$75,000 and expenses decrease by \$75,000.

C) Liabilities increase by \$75,000 and expenses decrease by \$75,000.

D) Assets decrease by \$75,000 and expenses

transaction on the accounting equation?

decrease by \$75,000.

E) Assets increase by \$75,000 and liabilities increase by \$75,000.

157) Contessa Company collected \$42,000 cash on its accounts receivable. The effects of this transaction as

A) Total assets decrease and equity increases.

B) Both total assets and total liabilities decrease.

C) Total assets, total liabilities, and total equity are unchanged.

D) Both total assets and equity are unchanged and

reflected in the accounting equation are:

liabilities increase.

E) Total assets increase and equity decreases.

158) If the liabilities of a business increased \$83,000 during a period of time and the stockholders' equity in the business decreased \$34,000 during the same period, the assets of the business must have:

A) Decreased \$117,000.

B) Decreased \$49,000.

C) Increased \$34,000.

D) Increased \$49,000.

E) Increased \$117,000.

159) If the liabilities of a business increased \$75,000 during a period of time and the stockholders' equity in the business decreased \$30,000 during the same period, the assets of the business must have:

- A) Decreased \$105,000.
- B) Decreased \$45,000.
- C) Increased \$30,000.

- D) Increased \$45,000.
- E) Increased \$105,000.

160) If the assets of a business increased \$125,000 during a period of time and its liabilities increased \$85,000 during the

same period, equity in the business must have:

- A) Increased \$40,000.
- B) Decreased \$40,000.
- C) Increased \$125,000.

- D) Decreased \$210,000.
- E) Increased \$210,000.

161) If the assets of a business increased \$89,000 during a period of time and its liabilities increased \$67,000 during the

same period, equity in the business must have:

- A) Increased \$22,000.
- B) Decreased \$22,000.
- C) Increased \$89,000.

- D) Decreased \$156,000.
- E) Increased \$156,000.

162) If the liabilities of a company increased \$98,000 during a period of time and equity in the company decreased \$31,000 during the same period, what was the effect on the assets?

- A) Assets would have increased \$67,000.
- B) Assets would have decreased \$67,000.

- C) Assets would have increased \$129,000.
- D) Assets would

have decreased \$129,000.

E) None of the above.

163) If the liabilities of a company increased \$74,000 during a period of time and equity in the company decreased \$19,000 during the same period, what was the effect on the assets?

A) Assets would have increased \$55,000.

B) Assets would have decreased \$55,000.

C) Assets would have increased \$93,000.

D) Assets would have decreased \$93,000.

E) None of the above.

164) If a company paid \$38,000 of its accounts payable in cash, what was the effect on the accounting equation?

A) Assets would decrease \$38,000, liabilities would decrease \$38,000, and equity would decrease \$38,000.

B) Assets would decrease \$38,000, liabilities would decrease \$38,000, and equity would increase \$38,000.

C) Assets would decrease \$38,000, liabilities would decrease \$38,000, and equity remains unchanged.

D) There would be no effect on the accounts because

the accounts are affected by the same amount.

E) Assets would increase \$38,000 and liabilities would decrease \$38,000.

165) If assets are \$367,000 and equity is \$121,000, then liabilities are:

A) \$121,000.

B) \$246,000.

C) \$367,000.

D) \$488,000.

E) \$613,000.

166) If assets are \$365,000 and equity is \$120,000, then liabilities are:

- A) \$120,000.
- B) \$245,000.

- C) \$365,000.
- D) \$485,000.
- E) \$610,000.

167) Rushing had net income of \$180 million and average total assets of \$1,910 million. Its return on assets (ROA) is:

- A) 9.4%.
- B) 94.2%.

- C) 11.0%.
- D) 106.0%.
- E) 18.8%.

168) Rushing had net income of \$240 million and average total assets of \$2,000 million. Its return on assets (ROA) is:

- A) 12%.
- B) 120%.

- C) 80%.
- D) 8%.
- E) 800%.

169) Cage Company had net income of \$416 million and average total assets of \$2,170 million. Its return on assets (ROA) is:

- A) 1.9%.
- B) 38.0%.

- C) 19.2%.
- D) 5.2%.
- E) 3.8%.

170) Cage Company had net income of \$160 million and average total assets of \$2,000 million. Its return on assets (ROA) is:

- A) 80%.
- B) 0.8%.

- C) 8%.
- D) 12.5%.
- E) 125%.

171) Speedy has net income of \$24,955, and assets at the beginning of the year of \$206,000. Assets at the end of the year total \$252,000. Compute its return on assets.

- A) 9.9%.
- B) 10.9%.

- C) 12.1%.
- D) 11.2%.
- E) 14.9%.

172) Speedy has net income of \$18,955, and assets at the beginning of the year of \$200,000. Assets at the end of the year total \$246,000. Compute its return on assets.

- A) 7.7%.
- B) 8.5%.

- C) 9.5%.
- D) 11.8%.
- E) 13.0%.

173) Chou Company has a net income of \$47,000, assets at the beginning of the year are \$254,000 and assets at the end of the year are \$304,000. Compute its return on assets.

- A) 9.1%.
- B) 18.5%.

- C) 15.5%.
- D) 16.8%.
- E) 1.6%.

174) Chou Company has a net income of \$43,000, assets at the beginning of the year are \$250,000 and assets at the end of the year are \$300,000. Compute its return on assets.

- A) 8.4%.
- B) 17.2%.

- C) 14.3%.
- D) 15.6%.
- E) 1.5%.

175) Return on assets (ROA) falls into which area of financial statement analysis.

- A) Liquidity and efficiency.
- B) Solvency.
- C) Profitability.

- D) Market prospects.
- E) Market research.

176) Equity is:

- A) Net income divided by average total assets.
- B) Equal to assets plus liabilities.
- C) The owner's claim on assets.

- D) Increased by expenses.
- E) Decreased by revenue.

177) The statement of cash flows reports all of the following *except*:

- A) Cash flows from operating activities.
- B) Cash flows from investing activities.
- C) Cash flows from financing activities.
- D) The net increase or decrease in assets for the

period reported.

- E) The net increase or decrease in cash for the period reported.

178) Which of the following is *not* a financial statement?

- A) Balance Sheet.
- B) Income Statement.
- C) Statement of Retained Earnings.

- D) Statement of Cash Flows.
- E) Statement of Changes in Assets.

179) The statement of retained earnings:

- A) Reports changes in equity due to stockholder investments.
- B) Reports changes in equity due to net income, net losses and dividends.
- C) Reports on cash flows for operating, financing, and investing activities over a period of time.
- D) Reports on cash flows for operating, financing,

and investing activities at a point in time.

E) Reports on amounts for assets, liabilities, and equity at a point in time.

180) The financial statement that reports whether the business earned a profit and also lists the revenues and expenses is called the:

- A) Balance sheet.
- B) Statement of retained earnings.
- C) Statement of cash flows.

D) Income statement.

E) Statement of financial position.

181) A balance sheet lists:

- A) The types and amounts of the revenues and expenses of a business.
- B) Only the information about what happened to equity during a time period.
- C) The types and amounts of assets, liabilities, and equity of a business as of a specific date.

D) The inflows and outflows of cash during the period.

E) The assets and liabilities of a company but not the stockholders' equity.

182) A financial statement providing information that helps users understand a company's financial status, and which lists the types and amounts of assets, liabilities, and equity as of a specific date, is called a(n):

- A) Balance sheet.
- B) Income statement.

C) Statement of cash flows.

D) Statement of

retained earnings.

E) Financial Status Statement.

183) The financial statement that identifies a company's cash inflows (receipts) and cash outflows (payments) over a period of time is the:

- A) Statement of financial position.
- B) Statement of cash flows.
- C) Balance sheet.
- D) Income statement.

E) Statement of changes in stockholders' equity.

184) The financial statement that shows the changes in equity that resulted from net income (or net loss); and

dividends to stockholders is the:

- A) Statement of financial position.
- B) Statement of cash flows.
- C) Balance sheet.

D) Income statement.

E) Statement of retained earnings.

185) Cash investments by stockholders are listed on which of the following statements?

- A) Statement of retained earnings and income statement.
- B) Income statement only.
- C) Statement of retained earnings only.

D) Statement of retained earnings and statement of cash flows.

E) Statement of cash flows only.

186) Accounts payable appear on which of the following statements?

- A) Balance sheet.

B) Income statement.

- C) Statement of retained earnings.
- D) Statement of cash flows.

E) Transaction statement.

187) The income statement reports all of the following *except*:

- A) Revenues earned by a business.
- B) Expenses incurred by a business.
- C) Assets owned by a business.
- D) Net income or loss earned by a business.

E) The time period over which the earnings occurred.

188) Use the following information as of December 31 to determine equity.

Cash	\$ 73,000
Buildings	191,000
Equipment	222,000
Liabilities	157,000

- A) \$73,000.
- B) \$157,000.
- C) \$329,000.
- D) \$486,000.
- E) \$643,000.

189) Use the following information as of December 31 to determine equity.

Cash	\$ 57,000
Buildings	175,000
Equipment	206,000
Liabilities	141,000

- A) \$57,000.
- B) \$141,000.
- C) \$297,000.
- D) \$438,000.
- E) \$579,000.

190) Use the following information for Meeker Corporation to determine the amount of equity to report.

Cash	\$ 57,000	
Buildings	118,000	A) \$14,000.
Land	199,000	B) \$498,000.
Liabilities	124,000	C) \$250,000.
		D) \$262,000.
		E) \$374,000.
		F) \$14,000.
		G) \$250,000.

191) Use the following information for Meeker Corporation to determine the amount of equity to report.

Cash	\$ 70,000	
Buildings	125,000	A) \$20,000.
Land	205,000	B) \$390,000.
Liabilities	130,000	C) \$530,000.
		D) \$140,000.
		E) \$270,000.

192) Determine the net income of a company for which the following information is available for the month of July.

Employee salaries expense	\$ 197,000	
Interest expense	27,000	A) \$207,000.
Rent expense	37,000	
Consulting revenue	468,000	B) \$261,000.
		C) \$281,000.
		D) \$468,000.
		E) \$729,000.

193) Determine the net income of a company for which the following information is available for the month of July.

Employee salaries expense	\$ 180,000	
Interest expense	10,000	A) \$190,000.
Rent expense	20,000	
Consulting revenue	400,000	B) \$210,000.
		C) \$230,000.
		D) \$400,000.
		E) \$610,000.

194) Determine the net income of a company for which the following information is available for the month of September.

Service revenue	\$ 300,000	
Rent expense	48,000	A) \$263,800.
Utilities expense	3,200	
Salaries expense	81,000	B) \$432,200.
		C) \$171,000.
		D) \$167,800.
		E) \$252,000.

195) A company purchases equipment for \$75,000 cash. This represents a(n):

- | | |
|------------------------|----------------------|
| A) Operating activity. | D) Revenue activity. |
| B) Investing activity. | E) Expense activity. |
| C) Financing activity. | |

196) A company borrows \$125,000 from the Northern Bank and receives the loan proceeds in cash. This represents a(n):

- A) Revenue activity.
- B) Operating activity.
- C) Expense activity.

- D) Investing activity.
- E) Financing activity.

197) Zippy had cash inflows from operations of \$72,500; cash outflows from investing activities of \$57,000; and cash inflows from financing of \$35,000. The net change in cash was:

- A) \$50,500 increase.
- B) \$50,500 decrease.
- C) \$164,500 decrease.

- D) \$164,500 increase.
- E) \$19,500 decrease.

198) Zippy had cash inflows from operations of \$60,500; cash outflows from investing activities of \$47,000; and cash inflows from financing of \$25,000. The net change in cash was:

- A) \$38,500 increase.
- B) \$38,500 decrease.
- C) \$132,500 decrease.

- D) \$132,000 increase.
- E) \$11,500 decrease.

199) Zapper has beginning equity of \$281,000, net income of \$63,000, dividends paid of \$52,000 and stockholder investments of \$18,000. Its ending total equity as reported on the balance sheet is:

- A) \$247,000.
- B) \$252,000.

- C) \$292,000.
- D) \$310,000.
- E) \$378,000.

200) Zapper has beginning equity of \$257,000, net income of \$51,000, dividends paid of \$40,000 and stockholder investments of \$6,000. Its ending total equity as reported on the balance sheet is:

- A) \$223,000.
- B) \$240,000.
- C) \$268,000.
- D) \$274,000.
- E) \$208,000.

201) Cragmont has beginning equity of \$277,000, net income of \$63,000, dividends of \$25,000 and no additional investments by stockholders during the period. Its ending equity is:

- A) \$365,000.
- B) \$239,000.
- C) \$189,000.
- D) \$315,000.
- E) \$277,000.

202) Rent expense appears on which of the following statements?

- A) Balance sheet.
- B) Income statement.
- C) Statement of retained earnings.
- D) Income statement and balance sheet.
- E) Statement of cash flows and balance sheet.

203) A company's balance sheet shows: cash \$30,000, accounts receivable \$20,000, office equipment \$54,000, and accounts payable \$21,000. What is the amount of stockholders' equity?

- A) \$21,000.
- B) \$33,000.
- C) \$83,000.
- D) \$104,000.
- E) \$125,000.

204) A company's balance sheet shows: cash \$22,000, accounts receivable \$16,000, office equipment \$50,000, and accounts payable \$17,000. What is the amount of stockholders' equity?

- A) \$17,000.
- B) \$29,000.
- C) \$71,000.
- D) \$88,000.
- E) \$105,000.

205) A company reported total equity of \$165,000 at the beginning of the year. The company reported \$230,000 in revenues and \$175,000 in expenses for the year. Liabilities at the end of the year totaled \$102,000. What are the total assets

of the company at the end of the year?

- A) \$55,000.
- B) \$102,000.
- C) \$118,000.
- D) \$230,000.
- E) \$322,000.

206) A company reported total equity of \$145,000 at the beginning of the year. The company reported \$210,000 in revenues and \$165,000 in expenses for the year. Liabilities at the end of the year totaled \$92,000. What are the total assets

of the company at the end of the year?

- A) \$45,000.
- B) \$92,000.
- C) \$98,000.
- D) \$210,000.
- E) \$282,000.

207) Flitter reported net income of \$22,000 for the past year. At the beginning of the year the company had \$209,000 in assets and \$59,000 in liabilities. By the end of the year, assets had increased to \$309,000 and liabilities were \$84,000. Calculate its return on assets:

- A) 10.5%.
- B) 8.5%.

- C) 7.1%.
- D) 35.5%.
- E) 25.3%.

208) Flitter reported net income of \$17,500 for the past year. At the beginning of the year the company had \$200,000 in assets and \$50,000 in liabilities. By the end of the year, assets had increased to \$300,000 and liabilities were \$75,000.

Calculate its return on assets:

- A) 8.8%.
- B) 7.0%.

- C) 5.8%.
- D) 35.0%.
- E) 23.3%.

209) Dawson Electronic Services had revenues of \$88,000 and expenses of \$54,000 for the year. Its assets at the beginning of the year were \$404,000. At the end of the year

assets were worth \$454,000. Calculate its return on assets.

- A) 7.9%.
- B) 8.4%.

- C) 7.5%.
- D) 21.8%.
- E) 20.5%.

210) Dawson Electronic Services had revenues of \$80,000 and expenses of \$50,000 for the year. Its assets at the beginning of the year were \$400,000. At the end of the year

assets were worth \$450,000. Calculate its return on assets.

- A) 7.1%.
- B) 7.5%.

- C) 6.7%.
- D) 20.0%.
- E) 18.8%.

211) Rico's Taqueria had cash inflows from operating activities of \$34,000; cash outflows from investing activities of \$29,000, and cash outflows from financing activities of \$19,000. Calculate the net increase or decrease in cash.

- A) \$82,000 increase.
- B) \$44,000 increase.
- C) \$14,000 decrease.

- D) \$14,000 increase.
- E) \$48,000 decrease.

212) Rico's Taqueria had cash inflows from operating activities of \$27,000; cash outflows from investing activities of \$22,000, and cash outflows from financing activities of

\$12,000. Calculate the net increase or decrease in cash.

- A) \$61,000 increase.
- B) \$37,000 increase.
- C) \$7,000 decrease.

- D) \$7,000 increase.
- E) \$34,000 decrease.

213) Charlie's Chocolates' had stock issuances of \$74,000 and dividends of \$32,000. The company has revenues of \$107,000 and expenses of \$76,000. Calculate its net income.

- A) \$42,000.
- B) \$107,000.

- C) \$76,000.
- D) \$31,000.
- E) \$73,000.

214) Charlie's Chocolates' had stock issuances of \$50,000 and dividends of \$20,000. The company has revenues of \$83,000 and expenses of \$64,000. Calculate its net income.

- A) \$30,000.
- B) \$83,000.

- C) \$64,000.
- D) \$19,000.
- E) \$49,000.

215) Savvy Sightseeing had beginning equity of

\$82,000; revenues of \$120,000, expenses of \$75,000, and dividends to stockholders of \$10,000; there were no stock

- A) \$117,000.
- B) \$45,000.

issuances. Calculate the ending equity.

- C) \$127,000.
- D) \$27,000.
- E) \$37,000.

216) Savvy Sightseeing had beginning equity of \$72,000; revenues of \$90,000, expenses of \$65,000, and dividends to stockholders of \$9,000; there were no stock issuances.

- A) \$88,000.
- B) \$25,000.

Calculate the ending equity.

- C) \$97,000.
- D) \$38,000.
- E) \$47,000.

217) WorkFit had beginning equity of \$52,000; net income of \$35,000, and dividends of \$12,000. There were no stockholder investments during the year. Calculate the ending equity.

- A) \$(5,000).
- B) \$29,000.

- C) \$5,000.
- D) \$99,000.
- E) \$75,000.

218) A company's balance sheet shows: cash \$32,000, accounts receivable \$38,000, equipment \$66,000, and equity

- A) \$136,000.
- B) \$116,000.

\$80,000. What is the amount of liabilities?

- C) \$56,000.
- D) \$76,000.
- E) \$216,000.

219) A company's balance sheet shows: cash \$24,000, accounts receivable \$30,000, equipment \$50,000, and equity

\$72,000. What is the amount of liabilities?

- A) \$104,000.
- B) \$76,000.

- C) \$32,000.
- D) \$68,000.
- E) \$176,000.

220) If a company has excess space in its building that it rents to another company for \$700, what is the effect on the

- A) Assets would decrease \$700 and liabilities would decrease \$700.
- B) Assets would decrease \$700 and equity would increase \$700.
- C) Assets would increase \$700 and equity would decrease \$700.

accounting equation during the first month?

- D) Assets would increase \$700 and equity would increase \$700.
- E) Liabilities would decrease \$700 and equity would increase \$700.

221) All of the following are classified as assets *except*:

- A) Accounts Receivable.
- B) Supplies.
- C) Equipment.

- D) Accounts Payable.
- E) Land.

222) Which of the following accounts is not included in the calculation of a company's ending retained earnings?

- A) Revenues.
- B) Expenses.
- C) Dividends.

- D) Beginning Retained Earnings.
- E) Cash.

223) All of the following are classified as liabilities *except*:

- A) Accounts Receivable.
- B) Notes Payable.

- C) Wages Payable.
- D) Accounts

Payable.

E) Taxes Payable.

224) Billington Corporation borrows \$80,000 cash from U.S. Bank. How does this transaction affect the accounting equation for Billington?

A) Assets would decrease \$80,000 and liabilities would decrease \$80,000.

B) Assets would decrease \$80,000 and equity would increase \$80,000.

C) Assets would increase \$80,000 and equity would decrease \$80,000.

D) Assets would increase \$80,000 and liabilities

would increase \$80,000.

E) Liabilities would decrease \$80,000 and equity would increase \$80,000.

225) If the assets of a company increase by \$55,000 during the year and its liabilities increase by \$25,000 during the same year, then the change in equity of the company during the year must have been:

A) An increase of \$80,000.

B) A decrease of \$80,000.

C) An increase of \$30,000.

D) A decrease of \$30,000.

E) An increase of \$25,000.

226) All of the following are classified as assets *except*:

A) Accounts Payable.

B) Accounts Receivable.

C) Cash.

D) Supplies.

E) Prepaid Insurance.

227) Grandmark Printing pays the current month's rent of \$2,000 to

the landlord of the building where its facilities are located.
How does this transaction affect the accounting equation for Grandmark?

- A) Assets would decrease \$2,000 and liabilities would decrease \$2,000.
- B) Assets would decrease \$2,000 and equity would decrease \$2,000.
- C) Assets would increase \$2,000 and equity would increase \$2,000.
- D) Assets would increase \$2,000 and liabilities

would increase \$2,000.

- E) Liabilities would decrease \$2,000 and equity would increase \$2,000.

228) Atkins Company collected \$1,750 as payment for the amount owed by a customer from services provided the prior month on credit. How does this transaction affect the

accounting equation for Atkins?

- A) Assets would decrease \$1,750 and liabilities would decrease \$1,750.
- B) One asset would increase \$1,750 and a different asset would decrease \$1,750, causing no net change in the accounting equation.
- C) Assets would increase \$1,750 and equity would increase \$1,750.

- D) Assets would increase \$1,750 and liabilities would increase \$1,750.

- E) Liabilities would decrease \$1,750 and equity would increase \$1,750.

229) The accounting equation for Ying Company shows a decrease in its assets and a decrease in its equity. Which of the following transactions could have caused that effect?

- A) Cash was received from providing services to a customer.
- B) The company paid an amount due on credit.
- C) Equipment was purchased for cash.
- D) A utility bill was received for the current month,

to be paid in the following month.

- E) Advertising expense for the month was paid in cash.

230) The accounting equation for Long Company shows an increase in its assets and an increase in its liabilities. Which of the following transactions could have caused that effect?

- A) Cash was received from providing services to a customer.
- B) Cash was received as a stockholder investment.
- C) Equipment was purchased on credit.
- D) Supplies were purchased for cash.
- E) Advertising expense for the month was paid in cash.

231) The expense recognition principle, also called the matching principle:

- A) Prescribes that accounting information is based on actual cost.
- B) Provides guidance on when a company must recognize revenue.
- C) Prescribes that a company report the details behind financial statements that would impact users' decisions.
- D) Prescribes that a company record the expenses it incurred to generate the revenue reported.
- E) Means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.

232) The measurement principle, also called the cost principle:

- A) Prescribes that accounting information is based on actual cost.
- B) Provides guidance on when a company must recognize revenue.
- C) Prescribes that a company report the details behind financial statements that would impact users' decisions.
- D) Prescribes that a company record the expenses it incurred to generate the revenue reported.
- E) Means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.

233) The revenue recognition principle:

A) Prescribes that accounting information is based on actual cost.

B) Provides guidance on when a company must recognize revenue.

C) Prescribes that a company report the details behind financial statements that would impact users' decisions.

D) Prescribes that a company record the expenses it

incurred to generate the revenue reported.

E) Means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.

234) The full disclosure principle:

A) Prescribes that accounting information is based on actual cost.

B) Provides guidance on when a company must recognize revenue.

C) Prescribes that a company report the details behind financial statements that would impact users' decisions.

D) Prescribes that a company record the expenses it

incurred to generate the revenue reported.

E) Means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.

235) The cost-benefit constraint:

A) Prescribes that accounting information is based on actual cost.

B) Provides guidance on when a company must recognize revenue.

C) Says that information disclosed by an entity must have benefits to the user that are greater than the costs of providing it.

D) Prescribes that a company record the expenses it

incurred to generate the revenue reported.

E) Means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.

236) The going concern assumption:

A) Means that accounting information presumes that

the business will continue operating instead of being

closed or sold.

B) Means that we can express transactions and events in monetary, or money, units.

C) Presumes that the life of a company can be divided into time periods, such as months and years, and that useful reports can be prepared for those periods.

D) Means that a business is accounted for separately from other business entities, including its owner.

E) Prescribes that a company record the expenses it incurred to generate the revenue reported.

237) The monetary unit assumption:

A) Means that accounting information presumes that the business will continue operating instead of being closed or sold.

B) Means that transactions and events are expressed in monetary, or money, units.

C) Presumes that the life of a company can be divided into time periods, such as months and years, and that useful reports can be prepared for those periods.

D) Means that a business is accounted for separately

from other business entities, including its owner.

E) Prescribes that a company record the expenses it incurred to generate the revenue reported.

238) The time period assumption:

A) Means that accounting information presumes that the business will continue operating instead of being closed or sold.

B) Means that transactions and events are expressed in monetary, or money, units.

C) Presumes that the life of a company can be divided into time periods, such as months and years, and that useful reports can be prepared for those periods.

D) Means that a business is accounted for separately

from other business entities, including its owner.

E) Prescribes that a company record the expenses it incurred to generate the revenue reported.

239) The business entity assumption:

A) Means that accounting information presumes that the business will continue operating instead of being closed or sold.

B) Means that transactions and events are expressed in monetary, or money, units.

C) Presumes that the life of a company can be divided into time periods, such as months and years, and that useful reports can be prepared for those periods.

D) Means that a business is accounted for separately

from other business entities, including its owner.

E) Prescribes that a company record the expenses it incurred to generate the revenue reported.

240) Internal controls are:

A) Beliefs that separate right from wrong.

B) Procedures to protect assets, ensure reliable accounting, promote efficiency, and uphold company policies.

C) An example of a general principle.

D) An example of a specific principle.

E) The same across all companies.

241) The Financial Accounting Standards Board (FASB) is given the task of setting GAAP from the:

A) U.S. State Department.

B) Securities and Exchange Commission (SEC).

C) International Accounting Standards Board (IASB).

D) International Financial Reporting Standards

(IFRS).

E) American Institute of Certified Public Accountants (AICPA).

242) Which of the following accounts is not included in the asset section of the balance sheet?

A) Cash.

B) Accounts receivable.

C) Supplies.

D) Land.

E) Services revenue.

243) Which of the following accounts is not included in the asset section of the balance sheet?

- A) Buildings.
- B) Wages expense.
- C) Supplies.
- D) Land.
- E) Furniture.

244) Which of the following accounts is *not* included in the liabilities section of the balance sheet?

- A) Accounts receivable.
- B) Wages payable.
- C) Accounts payable.
- D) Notes payable.
- E) Taxes payable.

245) Which of the following accounts is *not* included in the calculation of net income?

- A) Services revenue.
- B) Wages expense.
- C) Rent expense.
- D) Cash.
- E) Rent revenue.

246) Which of the following combinations results in a net loss reported on the income statement?

- A) Total revenues of \$80,000 and total expenses of \$74,000.
- B) Total revenues of \$70,000 and total expenses of \$74,000.
- C) Total revenues of \$60,000 and total expenses of \$52,000.
- D) Total revenues of \$20,000 and total expenses of \$16,000.
- E) Total revenues of \$40,000 and total expenses of \$31,000.

247) Which of the following combinations results does not result in \$20,000 of net income reported on the income statement?

- A) Total revenues of \$80,000 and total expenses of \$60,000.
- B) Total revenues of \$170,000 and total expenses of \$150,000.
- C) Total revenues of \$60,000 and total expenses of \$40,000.
- D) Total revenues of \$70,000 and total expenses of \$60,000.
- E) Total revenues of \$40,000 and total expenses of \$20,000.

Answer Key

Static

Test name: John Wild Ch01 Algorithmic and

- 1) TRUE
- 2) TRUE
- 3) TRUE
- 4) TRUE
- 5) FALSE
- 6) TRUE
- 7) TRUE
- 8) TRUE
- 9) TRUE
- 10) FALSE
- 11) TRUE
- 12) FALSE
- 13) FALSE
- 14) TRUE
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- 16) TRUE
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- 80) FALSE
- 81) TRUE
- 82) FALSE

83) FALSE

84) TRUE

85) TRUE

86) D

87) C

88) B

89) B

90) C

91) E

92) D

93) C

94) A

95) B

96) B

97) B

98) A

99) B

100) B

101) C

102) B

103) C

104) A

105) C

106) E

107) D

108) A

109) B

110) C

111) B

112) D

113) D

114) C

115) B

116) B

117) E

118) E

119) D

120) D

121) B

122) B

123) E

124) C

125) D

126) D

127) D

128) A

129) A

130) A

131) B

132) C

133) E

134) D

135) B

136) D

137) B

138) B

139) C

140) C

141) B

142) A

143) C

144) C

145) D

146) D

147) C

148) B

149) B

150) C

151) B

152) B

153) D

154) D

155) E

156) E

157) C

158) D

159) D

160) A

161) A

162) A

163) A

164) C

165) B

166) B

167) A

168) A

169) C

170) C

171) B

172) B

173) D

174) D

175) C

176) C

177) D

178) E

179) B

180) D

181) C

182) A

183) B

184) E

185) E

186) A

187) C

188) C

189) C

190) C

190) G

191) A

191) E

192) A

193) A

194) D

195) B

196) E

197) A

198) A

199) D

200) D

201) D

202) B

203) C

204) C

205) E

206) E

190) C

190) G

191) A

191) E

207) B

208) B

209) A

210) A

211) C

212) C

213) D

214) D

215) A

216) A

217) E

218) C

219) C

220) D

221) D

222) E

223) A

224) D

225) C

226) A

227) B

228) B

229) E

230) C

231) D

232) A

233) B

234) C

235) C

236) A

237) B

238) C

239) D

240) B

241) B

242) E

243) B

244) A

245) D

246) B

247) D