

Student name: _____

A business entity's accounting system creates financial accounting reports which are provided to external decision makers.

true

false

Business managers utilize internal management reports to plan and manage the daily operations.

true

false

Borrowing money is an investing activity.

true

false

The balance sheet includes assets, liabilities, and stockholders' equity at a point in time.

true

false

Revenue is recognized within the income statement during the period in which cash is collected.

true

false

Total assets are \$37,500, total liabilities are \$20,000 and common stock is \$10,000; therefore, retained earnings are \$7,500.

true

false

For the current year, net income of Carol Company is \$20,000 and dividends declared are \$6,000; therefore, retained earnings have increased \$26,000 during the year.

true

false

The income statement is a measure of an entity's economic performance for a period of time.

true

false

The accounting equation states that $\text{Assets} = \text{Liabilities} + \text{Stockholders' Equity}$.

true

false

A decision maker who wants to understand a company's financial statements must carefully read the notes to the financial statements because these disclosures provide useful supplemental information.

true

false

The balance sheet shows what the company owns and what the company owes to creditors and owners.

true

false

Stockholders' equity on the balance sheet includes common stock and retained earnings.

true

false

The amount of cash paid by a business for dividends would be reported as an operating activity cash flow on the statement of cash flows.

true

false

A company's retained earnings balance increased \$50,000 last year; therefore, net income last year must have been \$50,000.

true

false

Due to the relationships among financial statements, the statement of stockholders' equity links the income statement to the balance sheet.

true

false

The statement of stockholders' equity explains the change in the retained earnings balance caused by stockholder investments in common stock and dividend declarations.

true

false

The Financial Accounting Standards Board (FASB) has been given the authority by the Securities and Exchange Commission (SEC) to develop generally accepted accounting principles.

true

false

If a U.S. domestic company does business in a foreign country, the Securities and Exchange Commission (SEC) requires the use of International Financial Reporting Standards (IFRS) for the company's financial reporting in the U.S.

true

false

In the United States, generally accepted accounting principles are published in the FASB Accounting Standards Codification.

true

false

The primary responsibility for the content of the financial statements lies with the external auditor.

true

false

An audit is an examination of the financial statements to ensure that they represent what they claim and to make sure that they are in compliance with generally accepted accounting principles.

true

false

Auditors can be held legally liable for fraudulent financial statements.

true

false

One of the advantages of a corporation when compared to a partnership is the limited liability of the owners.

true

false

Which of the following describes the primary objective of the balance sheet?

To measure the net income of a business up to a particular point in time.

To report the difference between cash inflows and cash outflows for the period.

To report the financial position of the reporting entity at a particular point in time.

To report changes in common stock and retained earnings for the period.

The Slugger and K Corporation produces custom-made dog toys. During the current fiscal year, Slugger and K had revenues of \$330,000 and cost of goods sold of \$210,000. The company pays 34 percent in taxes. What was Slugger and K's net income in the current fiscal year?

\$330,000

\$120,000

\$79,200

\$240,800

The Slugger and K Corporation produces custom-made dog toys. During the current fiscal year, Slugger and K had revenues of \$250,000 and cost of goods sold of \$180,000. The company pays 25 percent in taxes. What was Slugger and K's net income in the current fiscal year?

\$250,000

\$70,000

\$52,500

\$187,500

Beacon, Incorporated reported the following amounts at the end of the first year of operations:

Common stock	\$ 306,000
Sales revenue	\$ 1,224,000
Total assets	\$ 918,000
Dividends declared	\$ 63,000
Total liabilities	\$ 495,000

What are the retained earnings of Beacon at the end of the year, and what amount of expenses were incurred during the year?

Retained earnings are \$117,000 and expenses incurred totaled \$1,044,000.

Retained earnings are \$117,000 and expenses incurred totaled \$1,107,000.

Retained earnings are \$423,000 and expenses incurred totaled \$801,000.

Retained earnings are \$423,000 and expenses incurred totaled \$729,000.

Beacon, Incorporated reported the following amounts at the end of the first year of operations:

Common stock	\$ 300,000
Sales revenue	\$ 1,200,000
Total assets	\$ 900,000
Dividends declared	\$ 60,000
Total liabilities	\$ 480,000

What are the retained earnings of Beacon at the end of the year, and what amount of expenses were incurred during the year?

Retained earnings are \$120,000 and expenses incurred totaled \$1,020,000.

Retained earnings are \$120,000 and expenses incurred totaled \$1,080,000.

Retained earnings are \$420,000 and expenses incurred totaled \$720,000.

Retained earnings are \$420,000 and expenses incurred totaled \$780,000.

Which of the following best describes the balance sheet?

It includes the amount of revenues minus expenses for the period.

It includes three primary categories of cash flows.

It provides information pertaining to a company's economic resources and the sources of financing for those resources.

It provides information pertaining to a company's liabilities for a period of time.

Which of the following statements about financial statements and components is correct?

Assets on the balance sheet include retained earnings.

Retained earnings includes common stock.

The balance sheet equation states that assets equal liabilities.

A corporation's net income does not necessarily equal its net cash flow from operations.

Which of the following correctly describes a particular financial statement?

An income statement covers a period of time.

The cash flow statement is a financial statement at a specific point in time.

The balance sheet is a financial statement that covers a period of time.

The statement of stockholders' equity is a financial statement at a specific point in time.

Which of the following accounts would **not** be reported on the balance sheet?

Retained earnings

Inventory

Accounts payable

Dividends

Which of the following would **not** be found on the statement of cash flows?

Cost flow from manufacturing activities.

Cash flow from operating activities.

Cash flow from investing activities.

Cash flow from financing activities.

Which of the following accounts is **not** a liability on the balance sheet?

Retained earnings

Notes payable

Accounts payable

Interest payable

What financial statement would you look at to determine the dividends declared by a business?

Income statement

Statement of stockholders' equity

Statement of cash flows

Balance sheet

Which financial statement would you utilize to determine whether a company will be able to pay liabilities which are due in 30 days?

Income statement

Balance sheet

Statement of stockholders' equity

Statement of cash flows

Which of the following is an expense on the income statement?

Accounts payable

Notes payable

Salaries payable

Cost of goods sold

Which of the following best describes assets?

They are equal to liabilities minus stockholders' equity.

They are the economic resources of the business.

They are all reported on the cash flow statement because they can be converted into cash.

They equal financing provided by creditors.

Which of the following accounts would be reported as assets on the balance sheet?

Cash, accounts payable, and notes payable.

Cash, retained earnings, and accounts receivable.

Cash, accounts receivable, and inventories.

Inventories, property and equipment, and common stock.

Which of the following statements describes the balance sheet?

It reports a company's revenues and expenses.

Assets are generally reported on the balance sheet at the cost incurred to acquire them.

Stockholders' equity includes only retained earnings.

It reports a company's cash flow from operations.

Which of the following best describes liabilities and stockholders' equity?

They are the sources of financing an entity's assets.

They are the economic resources owned by a business entity.

They are reported on the income statement.

They both increase when assets increase.

Which of the following equations is the balance sheet equation?

Assets + Liabilities = Stockholders' Equity

Assets + Stockholder's Equity = Liabilities

Assets = Liabilities + Stockholders' Equity

Assets = Liabilities + Common Stock

Duck Corporation's retained earnings increased \$43,600 during the current year. What was Duck's current year net income or loss given that Duck declared \$53,600 of dividends during this year?

Net income was \$10,000.

Net income was \$97,200.

Net loss was \$97,200.

Net loss was \$10,000.

Duck Corporation's retained earnings increased \$40,000 during the current year. What was Duck's current year net income or loss given that Duck declared \$50,000 of dividends during this year?

Net income was \$10,000.

Net income was \$90,000.

Net loss was \$90,000.

Net loss was \$10,000.

Which of the following are the components of stockholders' equity on the balance sheet?

Common stock and liabilities

Common stock and assets

Retained earnings and dividends

Common stock and retained earnings

The statement of stockholders' equity:

reports the amount of the three primary cash flows of a business.

measures the company's performance and the amount of profit generated.

reports issuances and repurchases of common stock during the period.

reports the changes in financing provided from creditors and stockholders.

Which financial statement would a manager use to determine a company's earnings performance during an accounting period?

Balance sheet

Statement of stockholders' equity

Income statement

Statement of cash flows

Which of the following equations best describes the income statement?

$\text{Assets} - \text{Liabilities} = \text{Stockholders' Equity}$

$\text{Net income} = \text{Revenues} + \text{Expenses}$

$\text{Net income} = \text{Revenues} - \text{Expenses}$

$\text{Retained earnings} = \text{Net Income} + \text{Dividends}$

Kelly Tiles Incorporated has provided the following data for its 2024 operations (ignore income taxes):

2024 revenues were \$150,200.

2024 expenses were \$75,100.

Dividends declared and paid during 2024 totaled \$15,100.

Total assets at December 31, 2024 were \$317,000.

Total liabilities at December 31, 2024 were \$174,000.

Common stock at December 31, 2024 was \$47,000.

Which of the following is correct?

2024 net income was \$60,000.

Total stockholders' equity at December 31, 2024 was \$231,600.

Retained earnings at December 31, 2024 were \$96,000.

Retained earnings at December 31, 2024 were \$60,000.

Kelly Tiles Incorporated has provided the following data for its 2024 operations (ignore income taxes):

2024 revenues were \$148,500.

2024 expenses were \$71,700.

Dividends declared and paid during 2024 totaled \$14,250.

Total assets at December 31, 2024 were \$300,000.

Total liabilities at December 31, 2024 were \$140,000.

Common stock at December 31, 2024 was \$30,000.

Which of the following is correct?

2024 net income was \$62,550.

Total stockholders' equity at December 31, 2024 was \$354,000.

Retained earnings at December 31, 2024 were \$130,000.

Retained earnings at December 31, 2024 were \$62,550.

Lorenta Company has provided the following data (ignore income taxes):

2024 revenues were \$103,900.

2024 expenses were \$48,900.

Dividends declared and paid during 2024 totaled \$8,000.

Total assets at December 31, 2024 were \$188,000.

Total liabilities at December 31, 2024 were \$111,000.

Common stock at December 31, 2024 was \$30,000.

Which of the following is **not** correct?

2024 net income was \$55,000.

Total stockholders' equity at December 31, 2024 was \$77,000.

Total liabilities and stockholders' equity at December 31, 2024 was \$188,000.

Retained earnings on December 31, 2024 were \$188,000.

Lorenta Company has provided the following data (ignore income taxes):

2024 revenues were \$117,300.

2024 expenses were \$47,800.

Dividends declared and paid during 2024 totaled \$9,500.

Total assets at December 31, 2024 were \$177,000.

Total liabilities at December 31, 2024 were \$89,000.

Common stock at December 31, 2024 was \$28,000.

Which of the following is **not** correct?

2024 net income was \$69,500.

Total stockholders' equity at December 31, 2024 was \$88,000.

Total liabilities and stockholders' equity at December 31, 2024 was \$177,000.

Retained earnings on December 31, 2024 were \$41,700.

Madrid Company has provided the following data (ignore income taxes):

2024 revenues were \$98,500.

2024 net income was \$36,300.

Dividends declared and paid during 2024 totaled \$8,100.

Total assets at December 31, 2024 were \$241,000.

Total stockholders' equity at December 31, 2024 was \$166,000.

Retained earnings at December 31, 2024 were \$98,000.

Which of the following is **not** correct?

2024 expenses were \$62,200.

Total liabilities at December 31, 2024 were \$75,000.

Retained earnings increased \$36,300 during 2024.

Common stock at December 31, 2024 was \$68,000.

Madrid Company has provided the following data (ignore income taxes):

2024 revenues were \$77,500.

2024 net income was \$33,900.

Dividends declared and paid during 2024 totaled \$5,700.

Total assets at December 31, 2024 were \$217,000.

Total stockholders' equity at December 31, 2024 was \$123,000.

Retained earnings at December 31, 2024 were \$83,000.

Which of the following is **not** correct?

2024 expenses were \$43,600.

Total liabilities at December 31, 2024 were \$94,000.

Retained earnings increased \$33,900 during 2024.

Common stock at December 31, 2024 was \$40,000.

Madrid Company has provided the following data (ignore income taxes):

2024 revenues were \$91,500.

2024 net income was \$35,600.

Dividends declared and paid during 2024 totaled \$7,400.

Total assets at December 31, 2024 were \$234,000.

Total stockholders' equity at December 31, 2024 was \$152,000.

Retained earnings at December 31, 2024 were \$66,000.

Which of the following is correct?

2024 expenses were \$48,500.

Total liabilities at December 31, 2024 were \$16,000.

Retained earnings increased \$28,200 during 2024.

Common stock at December 31, 2024 was \$218,000.

Madrid Company has provided the following data (ignore income taxes):

2024 revenues were \$77,500.

2024 net income was \$33,900.

Dividends declared and paid during 2024 totaled \$5,700.

Total assets at December 31, 2024 were \$217,000.

Total stockholders' equity at December 31, 2024 was \$123,000.

Retained earnings at December 31, 2024 were \$83,000.

Which of the following is correct?

2024 expenses were \$37,900.

Total liabilities at December 31, 2024 were \$11,000.

Retained earnings increased \$28,200 during 2024.

Common stock at December 31, 2024 was \$206,000.

Which of the following is the amount of revenue reported on the income statement of a retail company?

The cash collected from customers during the current period.

Both cash and credit sales for the period.

Cash sales for the period and collections from customers.

Cash sales and stockholders' investments.

On January 1, 2024, Teton Corporation had retained earnings of \$11,540,000. During 2024, Teton reported net income of \$2,185,000, declared dividends of \$785,000, and issued common stock for \$1,570,000. What were Teton's retained earnings on December 31, 2024?

\$13,725,000

\$12,940,000

\$9,970,000

\$10,755,000

On January 1, 2024, Teton Corporation had retained earnings of \$11,200,000. During 2024, Teton reported net income of \$2,100,000, declared dividends of \$700,000, and issued common stock for \$1,400,000. What were Teton's retained earnings on December 31, 2024?

\$9,800,000

\$13,300,000

\$12,600,000

\$7,500,000

What are the categories of cash flows that appear on a statement of cash flows?

Cash flows from investing, financing, and service activities.

Cash flows from operating, production, and internal activities.

Cash flows from financing, production, and growth activities.

Cash flows from operating, investing, and financing activities.

When would a company report a net loss on the income statement?

When revenues are less than the sum of expenses plus dividends during an accounting period.

If assets decreased during an accounting period.

If liabilities increased during an accounting period.

When expenses exceeded revenues for an accounting period.

Which of the following describes the amount of insurance expense reported on the income statement?

The amount of cash paid for insurance in the current period.

The amount of cash paid for insurance in the current period less any unpaid insurance at the end of the period.

The amount of insurance used (incurred) in the current period to help generate revenue.

The amount of cash paid for insurance that is reported within the statement of cash flows.

Which of the following would immediately cause a change in a corporation's retained earnings?

Net income or net loss and declaration of dividends.

Declaration of dividends and issuance of common stock to new stockholders.

Net income and issuance of stock to new stockholders.

Declaration of dividends and purchase of new machinery.

Which of the following describes the operating activities section of a cash flow statement?

It provides information about how operations have been financed.

It provides information pertaining to dividend payments to stockholders.

It provides information with respect to a company's ability to generate cash flows that are directly related to earning income.

It provides the net increase or decrease in cash during the period.

Which of the following statements regarding the presentation of financial statements is correct?

Dollar signs (or other monetary unit signs) are included beside each item listed on a financial statement.

Assets are listed on the income statement by ease of conversion to cash.

Liabilities are listed on the balance sheet by their maturity date.

A double underline is used below the last item in a group before a total or subtotal.

At the beginning of 2024, Ironwood Company had assets of \$242,000 and liabilities of \$154,000. During 2024, assets increased \$26,500 and liabilities increased \$6,600. What was stockholders' equity at December 31, 2024?

\$134,100

\$107,900

\$160,600

\$54,900

At the beginning of 2024, Ironwood Company had assets of \$216,000 and liabilities of \$128,000. During 2024, assets increased \$20,000 and liabilities increased \$4,000. What was stockholders' equity at December 31, 2024?

\$112,000

\$104,000

\$152,000

\$64,000

During 2024, Grover Company's assets increased \$193,200 and the liabilities decreased \$35,700. Grover Company's stockholders' equity at December 31, 2024 was \$428,500. What amount was stockholders' equity at January 1, 2024?

\$199,600

\$657,400

\$271,000

\$586,000

During 2024, Grover Company's assets increased \$191,000 and the liabilities decreased \$34,600. Grover Company's stockholders' equity at December 31, 2024 was \$423,000. What amount was stockholders' equity at January 1, 2024?

\$197,400

\$648,600

\$266,600

\$579,400

Sources of financing for the company's economic resources include:

Assets and liabilities.

Common stock and retained earnings.

Liabilities and stockholders' equity.

Cash inflows and cash outflows.

In what order would the items on the balance sheet appear?

Assets, retained earnings, liabilities, and common stock.

Common stock, retained earnings, liabilities, and assets.

Assets, liabilities, common stock, and retained earnings.

Common stock, assets, liabilities, and retained earnings.

Which of the following would most likely increase retained earnings?

An increase in expenses.

An increase in revenues.

Declaring a cash dividend.

Issuing additional common stock.

The retained earnings of Tink Company increased \$220,500 last year and its assets increased \$300,500. Tink declared a \$44,500 cash dividend during the year. What was last year's net income?

\$80,600

\$178,000

\$265,000

\$257,000

The retained earnings of Tink Company increased \$220,000 last year and its assets increased \$300,000. Tink declared a \$44,000 cash dividend during the year. What was last year's net income?

\$80,000

\$176,000

\$256,000

\$264,000

Which of the following items is **not** reported as an expense on the income statement?

Interest expense

Dividends paid

Selling, general, and administrative expenses

Cost of goods sold

Which of the following has primary responsibility to develop Generally Accepted Accounting Principles?

Financial Accounting Standards Board

Company Executives

Securities and Exchange Commission

Public Company Accounting Oversight Board

Which of the following has the legal authority to determine financial reporting in the United States?

Financial Accounting Standards Board

American Accounting Association

Securities and Exchange Commission

Public Company Accounting Oversight Board

Which of the following is **not** reported as a liability on a balance sheet?

Income taxes payable

Common stock

Accounts payable

Dividends payable

Which of the following transactions increases both cash and net income?

Cash receipts from a bank loan.

Cash receipts from sale of common stock.

Cash receipts from customers for services provided.

Cash payments for cost of goods sold.

Which of the following is **not** an alternate title for the financial statement that reports revenues and expenses?

Income Statement

Statement of Net Income

Statement of Operations

Statement of Income

A calendar year reporting company preparing its annual financial statements should use the phrase "At December 31, 2024" in the heading of which financial statement(s)?

On all of the required financial statements.

On the income statement only.

On the income statement and balance sheet, but not the statement of cash flows.

On the balance sheet only.

Which of the following properly describes the impact on the financial statements when a company borrows \$29,000 from a local bank?

Net income increases \$29,000.

Assets decrease \$29,000.

Stockholders' equity increases \$29,000.

Liabilities increase \$29,000.

Which of the following properly describes the impact on the financial statements when a company borrows \$20,000 from a local bank?

Net income increases \$20,000.

Assets decrease \$20,000.

Stockholders' equity increases \$20,000.

Liabilities increase \$20,000.

Which of the following would **not** be reported in the operating activities section of a cash flow statement?

Cash paid for dividends to stockholders.

Cash paid for interest expense.

Cash paid for employee salaries.

Cash received from customers.

Which of the following would be reported in the financing activities section of a cash flow statement?

Cash paid for dividends to stockholders.

Cash paid for interest expense.

Cash paid to acquire equipment.

Cash received from sale of investments.

Which of the following would be reported in the investing activities section of a cash flow statement?

Cash received from customers.

Cash received from the issue of common stock.

Cash paid to repay a bank loan.

Cash paid to acquire common stock of another company.

Which of the following statements is correct regarding activities and how they impact financial statements?

The payment of a cash dividend reduces net income.

Cash received from issuing common stock to stockholders is reported as a financing activity cash flow within the statement of cash flows.

Providing services to a customer on account does not impact net income.

The purchase of manufacturing equipment is reported within the statement of cash flows as a financing activity.

Husky Company has provided the following information for its most recent year of operation:

Cash collected from customers totaled \$90,600.

Cash borrowed from banks totaled \$34,300.

Cash paid to employees for salaries totaled \$33,400.

Cash received from selling Husky common stock to stockholders totaled \$54,000.

Cash payments to banks for repayment of money borrowed totaled \$8,800.

Cash paid to suppliers totaled \$13,800.

Land costing \$32,000 was sold for \$32,000 cash.

Cash paid for dividends to stockholders totaled \$4,600.

How much was Husky's cash flow from operating activities?

\$48,000

\$43,400

\$37,900

\$33,700

Husky Company has provided the following information for its most recent year of operation:

Cash collected from customers totaled \$89,300.
Cash borrowed from banks totaled \$31,700.
Cash paid to employees for salaries totaled \$32,100.
Cash received from selling Husky common stock to stockholders totaled \$41,000.
Cash payments to banks for repayment of money borrowed totaled \$7,500.
Cash paid to suppliers totaled \$12,500.
Land costing \$25,000 was sold for \$25,000 cash.
Cash paid for dividends to stockholders totaled \$3,300.

How much was Husky's cash flow from operating activities?

\$47,600

\$44,700

\$41,400

\$37,200

Husky Company has provided the following information for its most recent year of operation:

Cash collected from customers totaled \$90,900.
Cash borrowed from banks totaled \$34,900.
Cash paid to employees for salaries totaled \$33,700.
Cash received from selling Husky common stock to stockholders totaled \$57,000.
Cash payments to banks for repayment of money borrowed totaled \$9,100.
Cash paid to suppliers totaled \$14,100.
Land costing \$35,000 was sold for \$35,000 cash.
Cash paid for dividends to stockholders totaled \$4,900.

How much was Husky's cash flow from financing activities?

\$91,900

\$71,800

\$82,800

\$77,900

Husky Company has provided the following information for its most recent year of operation:

Cash collected from customers totaled \$89,300.

Cash borrowed from banks totaled \$31,700.

Cash paid to employees for salaries totaled \$32,100.

Cash received from selling Husky common stock to stockholders totaled \$41,000.

Cash payments to banks for repayment of money borrowed totaled \$7,500.

Cash paid to suppliers totaled \$12,500.

Land costing \$25,000 was sold for \$25,000 cash.

Cash paid for dividends to stockholders totaled \$3,300.

How much was Husky's cash flow from financing activities?

\$72,700

\$59,000

\$65,200

\$61,900

Anchor Corporation has provided the following information for its most recent year of operation:

Revenues earned were \$61,200, of which \$6,400 were uncollected at the end of the year.

Operating expenses incurred were \$24,400, of which \$5,200 were unpaid at the end of the year.

Dividends declared were \$7,600, of which \$2,800 were unpaid at the end of the year.

Income tax expense is \$11,040.

What is the amount of net income reported on Anchor's income statement?

\$20,440

\$24,980

\$21,560

\$25,760

Anchor Corporation has provided the following information for its most recent year of operation:

Revenues earned were \$58,200, of which \$5,400 were uncollected at the end of the year.
Operating expenses incurred were \$23,400, of which \$4,200 were unpaid at the end of the year.

Dividends declared were \$6,600, of which \$1,800 were unpaid at the end of the year.

Income tax expense is \$10,440.

What is the amount of net income reported on Anchor's income statement?

\$19,740

\$23,580

\$20,160

\$24,360

Which of the following statements regarding income is correct?

Revenues are reported on the income statement regardless of whether the customer has paid for the goods or services.

Expenses are reported on the income statement during the period they are paid for.

Net income includes a deduction for dividend payments made to stockholders.

Net income normally equals the net cash generated by operations.

During the current year, Rock Company's cash balance increased from \$79,000 to \$92,300.
Rock's net cash flow from operating activities was \$38,300 and its net cash flow from financing activities was \$13,100. How much was Rock's net cash flow from investing activities?

A net cash flow of \$40,900.

A net cash flow of (\$38,100).

A net cash flow of \$64,700.

A net cash flow of (\$64,700).

During the current year, Rock Company's cash balance increased from \$79,000 to \$91,300.
Rock's net cash flow from operating activities was \$37,300 and its net cash flow from financing activities was \$11,100. How much was Rock's net cash flow from investing activities?

A net cash flow of \$42,900.

A net cash flow of (\$36,100).

A net cash flow of \$60,700.

A net cash flow of (\$60,700).

Which of the following statements about relationships in financial statements is **false**?

A positive net income results in an increase in retained earnings.

The ending retained earnings balance from the retained earnings portion of the statement of stockholders' equity is reported on the balance sheet.

The change in the cash balance on the statement of cash flows added to the beginning cash balance equals the ending cash balance.

The dividends reported on the statement of stockholders' equity are also reported as dividend expense on the income statement.

Which of the following is **not** a consequence to a company resulting from the issuance of their financial statements?

The effect on the selling price of their stock.

The providing of information to their competitors.

The effect of bonus payments to its employees.

The providing of information to their auditors.

Which of the following statements pertaining to the audit function is **incorrect**?

The primary responsibility for the information in the financial statements lies with the auditors.

The audit report describes the auditor's opinion of the fairness of the financial statements.

An audit ensures that the financial statements conform to generally accepted accounting principles.

The auditor is a person who is independent of the reporting company.

The International Accounting Standards Board has worked to develop global accounting standards known as:

generally accepted accounting principles.

globally accepted financial standards.

international financial reporting standards.

generally accepted international financial standards.

An examination of the financial statements of a business to ensure that they conform to generally accepted accounting principles is called:

a certification.

an audit.

a verification.

a validation.

Which of the following best describes the purpose of an audit?

To prove the accuracy of an entity's financial statements.

To lend credibility to an entity's financial statements.

To audit every transaction that an entity entered into.

To establish that a corporation's stock is a sound investment.

Why does a company hire independent auditors?

To guarantee the accuracy of both annual and quarterly financial statements.

To verify the accounting accuracy of every transaction entered into.

To report on the fairness of financial statement presentation.

The auditors are responsible for the content of the financial statements.

Why is the certified public accountant's role in performing audits important to our economic system?

The auditors provide direct financial advice to potential investors.

The auditors have the primary responsibility for the information contained in financial statements.

The auditors issue reports on the accuracy of each financial transaction.

The audit of financial statements helps investors and others to know that they can rely on the information presented in the financial statements.

Which of the following is **not** one of the three steps taken by a corporation to assure the accuracy of its records?

Implementing a system of controls over the company's records and assets.

Hiring an independent auditor to report on the fairness of the financial statements.

Hiring a financial analyst to ensure the actual results of operations are similar to planned results.

Forming a committee made up of board of directors' members to oversee the integrity of the corporation's system of controls and the hiring of the independent auditors.

Which of the following groups has primary responsibility for the information contained in the financial statements?

The company's management

The company's auditors

The company's investors

SEC

Since 2002, 147 jurisdictions have adopted International Financial Reporting Standards (IFRS) issued by the:

Financial Accounting Standards Board.

Securities and Exchange Commission.

International Accounting Standards Board.

American Institute of Certified Public Accountants.

Which of the following is **not** a formal requirement to become a licensed certified public accountant (CPA)?

A college education

Professional experience

Membership in the American Institute of Certified Public Accountants (AICPA)

A professional examination

Which of the following is a disadvantage of a corporation when compared to a partnership?

The stockholders have limited liability.

The corporation is treated as a separate legal entity from the stockholders.

The corporation and its stockholders are subject to double taxation.

The corporation must account for the transactions of the business as separate and apart from those of the owners.

Which of the following statements is true about a sole proprietorship?

The owner and the business are separate legal entities but not separate accounting entities.

The owner and the business are separate accounting entities but not separate legal entities.

The owner and the business are separate legal entities and separate accounting entities.

Most large businesses in this country are organized as sole proprietorships.

For a business organized as a general partnership, which statement is true?

The owners and the business are separate legal entities.

Each partner is potentially responsible for the debts of the business.

Formation of a partnership requires getting a charter from the state of incorporation.

A partnership is not considered to be a separate accounting entity.

Which of the following would **not** be reported on a statement of stockholders' equity?

Dividend payments

Net income

Beginning retained earnings

Ending retained earnings

Which of the following answer choice is most accurate regarding financial statements?

Expenses reported on the income statement are equal to the cash paid for operating activities on the statement of cash flows.

The statement of cash flows has a relationship with the balance sheet.

Dividends paid are reported on the statement of cash flows as an operating cash flow and on the income statement as a financing cash flow.

Net income is reported on the income statement but not on the statement of stockholders' equity.

The declaration of a \$5,000 dividend by JLH Company would be reported on which of JLH's financial statements?

The income statement only

The statement of stockholders' equity

The balance sheet only

The statement of cash flows

Which of the following transactions affects both retained earnings and net income?

The payment of a cash dividend.

The recording of revenue for services provided.

The issuance of stock in exchange for cash.

The borrowing of money from a bank.

Which of the following transactions affects both the income statement and the statement of cash flows?

Selling stock in exchange for cash.

Declaring and paying a cash dividend.

Selling a product to a customer which creates an account receivable.

Paying employee salaries as they are earned.

With regard to relationships among financial statements, which of the following is true?

The results of the statement of stockholders' equity affect the income statement.

The income statement affects the results of the statement of stockholders' equity.

The statement of cash flows affects the income statement.

The results of the statement of cash flows affect the statement of stockholders' equity.

Which of the following would **not** be found within the investing activities section of the statement of cash flows?

Cash paid to purchase a building for manufacturing facilities.

Cash received from the sale of common stock to stockholders.

Cash received from the sale of equipment used in manufacturing a product.

Cash paid to purchase land.

Which of the following is primarily responsible for the information provided in the financial statements?

Chief Executive Officer

External Auditors

Board of Directors

Internal Accounting Staff

Which of the following does **not** represent a professional accounting certification?

Certified Management Accountant

Certified Public Accountant

Certified Internal Auditor

Certified Tax Accountant

Bayside Company began the current year with assets of \$630,000 and liabilities of \$436,000. By the end of the year, assets had increased by \$58,000 and liabilities had increased by \$26,000. What was Bayside's stockholders' equity at the end of the year?

\$252,000

\$226,000

\$194,000

\$168,000

Bayside Company began the current year with assets of \$432,000 and liabilities of \$256,000. By the end of the year, assets had increased by \$40,000 and liabilities had increased by \$8,000. What was Bayside's stockholders' equity at the end of the year?

\$216,000

\$208,000

\$176,000

\$168,000

During 2024, Well Corporation's assets decreased \$6,600 and liabilities increased \$22,800. Well's stockholders' equity at December 31, 2024 was \$222,500. What amount was stockholders' equity at January 1, 2024?

\$251,900

\$193,100

\$206,300

\$238,700

During 2024, Well Corporation's assets decreased \$5,500 and liabilities increased \$17,300. Well's stockholders' equity at December 31, 2024 was \$211,500. What amount was stockholders' equity at January 1, 2024?

\$234,300

\$188,700

\$199,700

\$223,300

Simic Place Corporation's retained earnings increased \$78,000 during the current year. Simic declared \$180,000 of dividends during the current year. What was Simic's current year net income or loss?

Net income was \$180,000.

Net income was \$258,000.

Net loss was \$258,000.

Net loss was \$88,000.

Simic Place Corporation's retained earnings increased \$50,000 during the current year. Simic declared \$110,000 of dividends during the current year. What was Simic's current year net income or loss?

Net income was \$160,000.

Net income was \$110,000.

Net loss was \$160,000.

Net loss was \$60,000.

Kiwi Plating Company's retained earnings decreased \$23,000 last year and its assets decreased \$14,200. Kiwi declared a \$51,000 cash dividend during the year. What was last year's net income?

\$36,200

\$51,000

\$28,000

\$65,800

Kiwi Plating Company's retained earnings decreased \$20,000 last year and its assets decreased \$13,000. Kiwi declared a \$54,000 cash dividend during the year. What was last year's net income?

\$54,000

\$41,000

\$34,000

\$67,000

Shingle Industries has provided the following information for its most recent year of operation:

Cash collected from customers	\$ 190,600
Cash borrowed from banks	64,600
Cash paid to employees for salaries	65,400
Cash received from selling Shingle common stock to stockholders	88,000
Cash payments to banks for repayment of money borrowed	16,200
Cash paid to suppliers	27,400
Land costing \$32,000 was sold for	56,000
Cash paid for dividends to stockholders	7,800

How much was Shingle's cash flow from operating activities?

\$103,600

\$97,800

\$90,000

\$81,600

Shingle Industries has provided the following information for its most recent year of operation:

Cash collected from customers	\$ 178,600
Cash borrowed from banks	63,400
Cash paid to employees for salaries	64,200
Cash received from selling Shingle common stock to stockholders	82,000
Cash payments to banks for repayment of money borrowed	15,000
Cash paid to suppliers	25,000
Land costing \$20,000 was sold for	50,000
Cash paid for dividends to stockholders	6,600

How much was Shingle's cash flow from operating activities?

\$95,200

\$89,400

\$82,800

\$74,400

Shingle Industries has provided the following information for its most recent year of operation:

Cash collected from customers	\$ 179,600
Cash borrowed from banks	63,500
Cash paid to employees for salaries	64,300
Cash received from selling Shingle common stock to stockholders	82,500
Cash payments to banks for repayment of money borrowed	15,100
Cash paid to suppliers	25,200
Land costing \$21,000 was sold for	50,500
Cash paid for dividends to stockholders	6,700

How much was Shingle's cash flow from financing activities?

\$146,000

\$118,300

\$130,900

\$124,200

Shingle Industries has provided the following information for its most recent year of operation:

Cash collected from customers	\$ 178,600
Cash borrowed from banks	63,400
Cash paid to employees for salaries	64,200
Cash received from selling Shingle common stock to stockholders	82,000
Cash payments to banks for repayment of money borrowed	15,000
Cash paid to suppliers	25,000
Land costing \$20,000 was sold for	50,000
Cash paid for dividends to stockholders	6,600

How much was Shingle's cash flow from financing activities?

\$145,400

\$118,000

\$130,400

\$123,800

Shingle Industries has provided the following information for its most recent year of operation:

Cash collected from customers	\$ 192,600
Cash borrowed from banks	64,800
Cash paid to employees for salaries	65,600
Cash received from selling Shingle common stock to stockholders	89,000
Cash payments to banks for repayment of money borrowed	16,400
Cash paid to suppliers	27,800
Land costing \$34,000 was sold for	57,000
Cash paid for dividends to stockholders	8,000

How much was Shingle's cash flow from investing activities?

\$146,000

\$123,900

\$32,800

\$57,000

Shingle Industries has provided the following information for its most recent year of operation:

Cash collected from customers	\$ 178,600
Cash borrowed from banks	63,400
Cash paid to employees for salaries	64,200
Cash received from selling Shingle common stock to stockholders	82,000
Cash payments to banks for repayment of money borrowed	15,000
Cash paid to suppliers	25,000
Land costing \$20,000 was sold for	50,000
Cash paid for dividends to stockholders	6,600

How much was Shingle's cash flow from investing activities?

\$132,000

\$112,000

\$30,000

\$50,000

Orange Company has provided the following information for its most recent year of operation:

Revenues earned were \$58,800, of which \$5,700 were uncollected at the end of the year.

Operating expenses incurred were \$23,700, of which \$4,500 were unpaid at the end of the year.

Dividends declared were \$6,900, of which \$2,100 were unpaid at the end of the year.

Income tax expense is \$11,040, all of which was paid during the current year.

What is the amount of cash flow from operating activities reported on Orange's statement of cash flows?

\$18,360

\$29,400

\$25,260

\$22,860

Orange Company has provided the following information for its most recent year of operation:

Revenues earned were \$58,200, of which \$5,400 were uncollected at the end of the year.

Operating expenses incurred were \$23,400, of which \$4,200 were unpaid at the end of the year.

Dividends declared were \$6,600, of which \$1,800 were unpaid at the end of the year.

Income tax expense is \$10,440, all of which was paid during the current year.

What is the amount of cash flow from operating activities reported on Orange's statement of cash flows?

\$18,960

\$29,400

\$25,560

\$23,160

Which of the following statements regarding financial statement relationships is correct?

A positive net income results in a decrease in retained earnings.

Ending retained earnings is reported on the balance sheet.

The change in the cash balance on the statement of cash flows added to the beginning cash balance equals the dividends paid.

Dividends are reported as dividends expense on the income statement.

Which statement is most accurate regarding International Financial Reporting Standards (IFRS)?

The European Union is a jurisdiction that does not require the use of IFRS.

The United States requires the use of IFRS.

Australia requires the use of IFRS.

Canada has banned the use of IFRS.

When faced with an ethical dilemma, it is recommended that people follow a three-step process that concludes with which step?

Identify the drawbacks of a decision that impact the person financially.

Identify the benefits of a decision that result in the highest economic impact.

Choose the course of action that one would like reported on the local news.

Identify alternative courses of action.

At the beginning of the year, Kettle More Company had retained earnings of \$8,280,000. During the year, Kettle More reported net income of \$1,850,000, declared dividends of \$640,000, and issued common stock for \$1,060,000. What were Kettle More's retained earnings at the end of the year?

\$9,490,000

\$10,130,000

\$10,770,000

\$11,830,000

At the beginning of the year, Kettle More Company had retained earnings of \$8,000,000. During the year, Kettle More reported net income of \$1,500,000, declared dividends of \$500,000, and issued common stock for \$990,000. What were Kettle More's retained earnings at the end of the year?

\$9,000,000

\$9,500,000

\$10,000,000

\$10,990,000

Which form of business organization is dominant in the United States in terms of economic importance?

General partnership

Sole proprietorship

Corporation

Limited liability partnership

Answer Key

Test name: Ch1 Algorithmic_Financial Accounting_12e

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