

Student name: \_\_\_\_\_

Which of the following groups has the primary responsibility for establishing generally accepted accounting principles for business entities in the United States?

Securities and Exchange Commission

U.S. Congress

International Accounting Standards Board

Financial Accounting Standards Board

The Heritage Company is a manufacturer of office furniture. Which term best describes Heritage's role in society?

Business

Regulatory agency

Consumer

Resource owner

Which resource providers lend financial resources to a business with the expectation of repayment with interest?

Consumers

Creditors

Investors

Owners

Which type of accounting information is intended to satisfy the needs of external users of accounting information?

Cost accounting

Managerial accounting

Tax accounting

Financial accounting

Which of the following statements is **false** regarding managerial accounting information?

It is often used by investors.

It is more detailed than financial accounting information.

It can include nonfinancial information.

It focuses on divisional rather than overall profitability.

Financial accounting standards are known collectively as GAAP. What does that acronym stand for?

Generally Accepted Accounting Principles

Generally Applied Accounting Procedures

Governmentally Approved Accounting Practices

Generally Authorized Auditing Principles

International accounting standards are formulated by the IASB. What does that acronym stand for?

Internationally Accepted Standards Board

International Accounting Standards Board

International Accountability Standards Bureau

International Accounting and Sustainability Board

Jack Henry borrowed \$800,000 from Walt Bank to open a new bike store called Wooden Wheels. Jack transferred \$650,000 of the cash he borrowed to the store on the first day of the year. How many reporting entities exist in this scenario?

one reporting entity.

two reporting entities.

three reporting entities.

four reporting entities.

Jack Henry borrowed \$863,000 from Walt Bank to open a new bike store called Wooden Wheels. Jack transferred \$657,000 of the cash he borrowed to Wooden Wheels on the first day of the year. Which of the following appropriately reflects the cash transactions between these reporting entities?

**J W Walt**

**a o Bank**

**c o**

**k d**

**H e**

**e n**

**n W**

**r h**

**y e**

**e**

**l**

**s**

**\$   \$   \$**

**n   n**

**2   6   8**

**0   5   5**

**6   7   3**

**,   a   a**

**0   9   9**

**0   4   4**

**0   0   0**

**\$   \$   \$**

**n   n**

**8   6   2**

**6   5   5**

**3   7   5**

**,   a   a**

**0   9   9**

**0   4   4**

**0   0   0**

**\$   \$   \$**

**e   n**

**8   8   6**

**6   5   5**

**3   7   7**

**,   a   a**

**0   9   9**

**0   4   4**

**0   0   0**

\$	\$	\$
n	n	
6	2	8
5	10	16
7	6	8
,	2	2
0	5	5
0	4	4
0	0	0

Option A

Option B

Option C

Option D

Jack Henry borrowed \$800,000 from Walt Bank to open a new bike store called Wooden Wheels. Jack transferred \$650,000 of the cash he borrowed to Wooden Wheels on the first day of the year. Which of the following appropriately reflects the cash transactions between these reporting entities?

**JW Wal**

**ao t**

**co Ban**

**kd k**

**e**

**Hn**

**e**

**nW**

**rh**

**ye**

**e**

**l**

**s**

**A\$ i\$ i\$**

. n n

1 c6 c8

5 r5 r0

0 e0 e0

, a, a,

0 s0 s0

0 e0 e0

0 0 0

**B\$ i\$ i\$**

. n n

8 c6 c1

0 r5 r5

0 e0 e0

, a, a,

0 s0 s0

0 e0 e0

0 0 0

**C\$ d\$ i\$**

. e n

8 c8 c6

0 r0 r5

0 e0 e0

, a, a,

0 s0 s0

0 e0 e0

0 0 0

**D\$ i\$ i\$**  
. n n  
6 c1 c8  
5 r5 r0  
0 e0 e0  
, a, a,  
0 s0 s0  
0 e0 e0  
0 0 0

Option A

Option B

Option C

Option D

Ellen Gatsby and her siblings, Ben and Sarah, started Gatsby Company when they each invested \$100,000 in the company. After the investments there will be

one reporting entity.

two reporting entities.

three reporting entities.

four reporting entities.

Which of the following is an example of revenue?

Cash received as a result of a bank loan

Cash received from investors from the sale of common stock

Cash received from customers at the time services were provided

Cash received from the sale of land for its original selling price

Which of the following is **not** an element of the financial statements?

Liabilities

## Stockholders' Equity

Assets

Cash

Which of the following is an accurate definition of the term asset?

An obligation to creditors.

A resource that will be used to produce revenue.

A transfer of wealth from the business to its owners.

A sacrifice incurred from operating the business.

Which of the following is a source of assets?

Creditors

Investors

Operations

All the answers represent sources of assets.

If total assets decrease, then

liabilities must increase and retained earnings must decrease.

common stock must decrease and retained earnings must increase.

liabilities, common stock, or retained earnings must decrease.

liabilities, common stock, or retained earnings must increase.

Liabilities

represent obligations to repay debts.

may increase when assets increase.

are found on the claims side of the accounting equation.

All of the answers are characteristics of liabilities.

Which term describes assets earned from operations that have been reinvested into the business?

liability

dividend

common stock

retained earnings

Which of the following is the most accurate depiction of the accounting equation?

Assets = Liabilities + Common Stock + Retained Earnings

Assets = Liabilities + Common Stock – Expenses

Assets = Liabilities + Retained Earnings – Dividends

Assets = Liabilities + Common Stock + Dividends

Which term describes a distribution of the Company's assets back to the owners of the business?

liability

dividend

retained earnings

common stock

Finn Company reported assets of \$1,790 and stockholders' equity of \$520. What amount will Finn report for liabilities?

\$2,310

\$1,270

\$520

Cannot be determined

Finn Company reported assets of \$1,000 and stockholders' equity of \$600. What amount will Finn report for liabilities?

\$400

\$600

\$1,600

Cannot be determined

Algonquin Company reported assets of \$50,000, liabilities of \$22,000 and common stock of \$15,000. Based on this information only, what is the amount of the company's retained earnings?

\$7,000.

\$57,000.

\$13,000.

\$87,000.

Stosch Company's balance sheet reported assets of \$67,000, liabilities of \$20,000 and common stock of \$17,000 as of December 31, Year 1. Retained Earnings on the December 31, Year 2 balance sheet is \$38,000 and Stosch paid a \$19,000 dividend during Year 2. What is the amount of net income for Year 2?

\$30,000

\$27,000

\$8,000

\$19,000

Stosch Company's balance sheet reported assets of \$40,000, liabilities of \$15,000 and common stock of \$12,000 as of December 31, Year 1. Retained earnings on the December 31, Year 2 balance sheet is \$18,000 and Stosch paid a \$14,000 dividend during Year 2. What is the amount of net income for Year 2?

\$17,000

\$19,000

\$13,000

\$21,000

Hazeltine Company issued common stock for \$200,000 cash. What happened as a result of this event?

Assets increased.

Stockholders' equity increased.

Claims increased.

Assets, claims, and equity all increased.

Ballard Company reported assets of \$470 and liabilities of \$260. What amount will Ballard's report for stockholders' equity?

\$210

\$470

Cannot be determined

\$730

Ballard Company reported assets of \$500 and liabilities of \$200. What amount will Ballard's report for stockholders' equity?

\$300

\$500

\$700

Cannot be determined

A company's total assets increased during the period while its liabilities and common stock were unchanged. No dividends were declared or paid during the period. Which of the following would explain this situation?

Revenues were greater than expenses during the period.

Retained earnings were less than net income during the period.

No dividends were paid during the period.

The company must have purchased assets with cash during the period.

Li Company paid cash to purchase land. What happened as a result of this business event?

Total assets decreased.

Total assets were unaffected.

Total stockholders' equity decreased.

Both assets and total equity decreased.

Turner Company reported assets of \$20,000 (including cash of \$9,000), liabilities of \$8,000, common stock of \$7,000, and retained earnings of \$5,000. Based on this information, what can be concluded?

25% of Turner's assets are the result of prior earnings.

\$5,000 is the maximum dividend that can be paid to shareholders.

40% of Turner's assets are the result of borrowing from creditors.

25% of Turner's assets are from prior earnings, \$5,000 is the maximum possible dividend, and 40% of assets are the result of borrowed resources.

At the time of liquidation, Fairchild Company reported assets of \$214,000, liabilities of \$115,000, common stock of \$70,000 and retained earnings of \$29,000. What is the maximum amount of Fairchild's assets that the shareholders are entitled to receive?

\$107,000

\$99,000

\$128,000

\$214,000

At the time of liquidation, Fairchild Company reported assets of \$200,000, liabilities of \$120,000, common stock of \$70,000 and retained earnings of \$10,000. What is the maximum amount of Fairchild's assets that the shareholders are entitled to receive?

\$200,000

\$80,000

\$90,000

\$100,000

As of December 31, Year 2, Bristol Company had \$127,000 of assets, \$42,000 of liabilities and \$29,120 of retained earnings. What percentage of Bristol's assets were obtained through investors?

44%

23%

53%

33%

As of December 31, Year 2, Bristol Company had \$100,000 of assets, \$40,000 of liabilities and \$25,000 of retained earnings. What percentage of Bristol's assets were obtained through investors?

60%

25%

40%

35%

On January 1, Year 2, Chavez Company had beginning balances as follows: total assets of \$12,500, total liabilities of \$4,500, and common stock of \$3,000. During Year 2, Chavez paid dividends to its stockholders of \$2,000. Given that retained earnings amounted to \$6,000 at the end of Year 2, what was Chavez's net income for Year 2?

\$3,000

\$5,000

\$7,000

\$2,000

When a business provides services for cash, which elements of the accounting equation are affected?

Revenue and Expense

Cash and Revenue

Cash and Expense

Cash and Dividends

During Year 2, Millstone Company provided \$6,500 of services for cash, paid cash dividends of \$1,000 to owners, and paid \$4,000 cash for expenses. Liabilities were unchanged. Which of the following statements accurately describes the effect of these events on the elements of the company's financial statements?

Assets increased by \$6,500.

Assets increased by \$1,500.

Stockholders' equity increased by \$2,500.

Assets increased by \$5,500.

At the end of Year 2, retained earnings for the Baker Company was \$3,650. Revenue earned by the company in Year 2 was \$3,900, expenses paid during the period were \$2,050, and dividends paid during the period were \$1,450. Based on this information alone, what was the amount of retained earnings at the beginning of Year 2?

\$3,250.

\$4,050.

\$7,800.

\$1,800.

At the end of Year 2, retained earnings for the Baker Company was \$3,500. Revenue earned by the company in Year 2 was \$1,500, expenses paid during the period were \$800, and dividends paid during the period were \$500. Based on this information alone, what was the amount of retained earnings at the beginning of Year 2?

\$3,300

\$3,700

\$2,800

\$3,800

Which of the following is **not** an example of an asset use transaction?

Paying cash dividends

Paying cash expenses

Paying off the principal of a loan

Paying cash to purchase land

Borrowing cash from the bank is an example of which type of transaction?

Asset source

Claims exchange

Asset use

Asset exchange

Which of the following could describe the effects of an asset exchange transaction on the company's financial statements?

		Assets	=	Liabilities	Stockholders' Equity	Revenue	- Expense	=	Net Income	Cash Flows
<b>A.</b>	+ and -	n/a		n/a	n/a	n/a	n/a	n/a	n/a	+OA
<b>B.</b>	+	n/a		+	n/a	n/a	n/a	n/a	n/a	+FA
<b>C.</b>	-	n/a		-	n/a	n/a	n/a	n/a	n/a	n/a
<b>D.</b>	+		+	n/a	n/a	n/a	n/a	n/a	n/a	+FA

Option A

Option B

Option C

Option D

Which of the following does **not** describe the effects of an asset use transaction on the company's financial statements?

**Assets = Liabilities + Stockholders' Equity** **Revenue - Expenses = Net Income** **Cash Flows**

	<b>ties</b>	<b>ders'</b>	<b>e</b>	<b>e</b>			
	<b>Equity</b>						
<b>A.</b>	-	-	n/a	n/a	n/a	n/a	-OA
<b>B.</b>	-	-	n/a	n/a	n/a	n/a	-FA
<b>C.</b>	-	n/a	-	n/a	+	-	-OA
<b>D.</b>	n/a	+	n/a	+	+	-	n/a

Option A

Option B

Option C

Option D

Which of the following cash transactions would **not** affect total assets?

Borrowing cash from a bank

Issuing common stock for cash

Purchasing land for cash

Providing services for cash

Kelly Company experienced the following events during its first accounting period.

1. Issued common stock for \$10,000 cash.
2. Earned \$8,000 of cash revenue.
3. Paid \$1,000 cash to purchase land.
4. Paid cash dividends amounting to \$500.
5. Paid \$4,400 of cash expenses.

Based on this information the amount of net income is  
\$2,100.

\$2,600.

\$3,600.

\$5,600.

Which of the following shows the effects of paying a cash dividend on the accounting equation?

Account

ing

Equatio

n

**A = L + S**

s i t

s a o

e b c

t i k

s l h

i o

t l

i d

e e

s r

s

,

E

q

u

i

t

y

**A** - + NA

.

**B** + NA NA

. a

n

d

-

**C** - NA +

.

**D** - NA -

.

Option A

Option B

Option C

Option D

Which of the following shows the effects of providing services for cash on the accounting equation?

Account  
ing  
Equatio  
n  
**A = L + S**  
s i t  
s a o  
e b c  
t i k  
s l h  
i o  
t l  
i d  
e e  
s r  
s  
,  
E  
q  
u  
i  
t  
y

**A** + NA NA

.

**B** + NA +

.

**C** - NA +

.

**D** + NA -

.

Option A

Option B

Option C

Option D

The statement of changes in stockholders' equity shows changes in which of the following accounts?

Retained Earnings and Assets

Assets and Liabilities

Common Stock and Retained Earnings

Liabilities and Common Stock

Which of the following transactions would be reported on the statement of changes in stockholders' equity?

Borrowed \$5,000 cash from the bank.

Paid a \$100 cash dividend to the owners.

Purchased land for \$2,000 cash.

Paid \$1,500 cash to pay off a portion of its note payable.

At the beginning of Year 2, Jones Company had a balance in common stock of \$304,000 and a balance of retained earnings of \$15,900. During Year 2, the following transactions occurred:

- Issued common stock for \$92,000
- Earned net income of \$50,500
- Paid dividends of \$8,400
- Issued a note payable for \$20,500

Based on the information provided, what is the total stockholders' equity on December 31, Year 2?

\$150,000

\$362,000

\$454,000

\$433,500

At the beginning of Year 2, Jones Company had a balance in common stock of \$300,000 and a balance of retained earnings of \$15,000. During Year 2, the following transactions occurred:

- Issued common stock for \$90,000
- Earned net income of \$50,000
- Paid dividends of \$8,000
- Issued a note payable for \$20,000

Based on the information provided, what is the total stockholders' equity on December 31, Year 2?

\$147,000

\$357,000

\$427,000

\$447,000

Which of the following appears in the investing activities section of the statement of cash flows?

Cash inflow from interest revenue

Cash inflow from the issuance of common stock

Cash outflow for the payment of dividends

Cash outflow for the purchase of land

Jackson Company had a net increase in cash from operating activities of \$14,750 and a net decrease in cash from financing activities of \$3,900. If the beginning and ending cash balances for the company were \$4,950 and \$12,900, respectively, what is the net cash change from investing activities?

An outflow or decrease of \$2,900.

An inflow or increase of \$2,900.

An inflow or increase of \$3,900.

Zero.

Jackson Company had a net increase in cash from operating activities of \$10,000 and a net decrease in cash from financing activities of \$2,000. If the beginning and ending cash balances for the company were \$4,000 and \$11,000, What was the net cash change from investing activities?

An outflow or decrease of \$1,000

An inflow or increase of \$2,000

An inflow or increase of \$1,000

Zero

The financial statements of Calloway Company prepared at the end of the current year contained the following elements and corresponding amounts: Assets = \$30,000; Liabilities = ?; Common Stock = \$6,000; Revenue = \$13,000; Dividends = \$1,250; Beginning Retained Earnings = \$4,250; Ending Retained Earnings = \$8,000.

Based on this information, what was the amount of expenses reported on Calloway's income statement for the current year?

\$16,000

\$3,750

\$8,000

\$9,250

The financial statements of Calloway Company prepared at the end of the current year contained the following elements and corresponding amounts: Assets = \$50,000; Liabilities = ?; Common Stock = \$15,000; Revenue = \$22,000; Dividends = \$1,500; Beginning Retained Earnings = \$3,500; Ending Retained Earnings = \$7,500.

Based on this information, what was the amount of expenses reported on Calloway's income statement for the current year?

\$18,500

\$13,000

\$16,500

\$10,000

The financial statements of Calloway Company prepared at the end of the current year contained the following elements and corresponding amounts: Assets = \$34,000; Liabilities = ?; Common Stock = \$6,400; Revenue = \$13,800; Dividends = \$1,450; Beginning Retained Earnings = \$4,450; Ending Retained Earnings = \$8,400.

What was the amount of total liabilities reported on the balance sheet as of the end of the current year?

\$23,150

\$12,850

\$10,850

\$19,200

The financial statements of Calloway Company prepared at the end of the current year contained the following elements and corresponding amounts: Assets = \$50,000; Liabilities = ?; Common Stock = \$15,000; Revenue = \$22,000; Dividends = \$1,500; Beginning Retained Earnings = \$3,500; Ending Retained Earnings = \$7,500.

What was the amount of total liabilities reported on the balance sheet as of the end of the current year?

\$27,500

\$31,500

\$35,000

\$42,500

Which of the following financial statements provides information about a company as of a specific point in time?

Income statement

Balance sheet

Statement of cash flows

## Statement of changes in stockholders' equity

Which of the following is a (are) permanent account(s)?

The Retained Earnings account

All income statement accounts

The Dividend account

All balance sheet accounts and the Dividend account

In which section of a statement of cash flows would the payment of cash dividends be reported?

Investing activities.

Operating activities.

Financing activities.

Dividends are not reported on the statement of cash flows.

Which financial statement matches asset increases from operating a business with asset decreases from operating the business?

Balance sheet

Statement of changes in stockholders' equity

Income statement

Statement of cash flows

Chow Company earned \$3,700 of cash revenue, paid \$2,100 for cash expenses, and paid a \$750 cash dividend to its owners. Which of the following statements is **true**?

The net cash outflow from investing activities was \$1,600.

The net cash inflow from operating activities was \$1,600.

The net cash inflow from operating activities was \$850.

The net cash outflow from investing activities was \$750.

Chow Company earned \$1,500 of cash revenue, paid \$1,200 for cash expenses, and paid a \$200 cash dividend to its owners. Which of the following statements is **true**?

The net cash inflow from operating activities was \$100.

The net cash outflow from investing activities was \$200.

The net cash inflow from operating activities was \$300.

The net cash outflow from investing activities was \$100.

Yi Company provided services to a customer for \$5,500 cash. Based on this information alone, which of the following statements is **true**?

Total assets increased, and total stockholders' equity decreased.

Total assets were unchanged.

Liabilities decreased and net income increased.

Total assets increased, and net income increased.

During Year 2, Chico Company earned \$2,450 of cash revenue, paid \$1,100 of cash expenses, and paid a \$600 cash dividend to its owners. Based on this information alone, which of the following statements is **not true**?

Cash outflow from investing activities was \$600.

Net income amounted to \$1,350.

Total assets increased by \$750.

Cash inflow from operating activities was \$1,350.

During Year 2, Chico Company earned \$1,950 of cash revenue, paid \$1,600 of cash expenses, and paid a \$150 cash dividend to its owners. Based on this information alone, which of the following statements is **not** true?

Net income amounted to \$350.

Total assets increased by \$200.

Cash inflow from operating activities was \$350.

Cash outflow from investing activities was \$150.

Glavine Company repaid a bank loan with cash. How should the cash flow from this event be shown on the horizontal statements model?

An operating activity that decreases cash, decreases stockholders' equity, and decreases net income

A financing activity that decreases cash and decreases liabilities

A financing activity that decreases cash, decreases stockholders' equity, and decreases net income

An investing activity that decreases cash and decreases liabilities

Retained earnings at the beginning and ending of the accounting period were \$850 and \$1,800, respectively. Revenues of \$3,300 and dividends paid to stockholders of \$750 were reported during the period. What was the amount of expenses reported for the period?

\$2,350.

\$2,550.

\$1,600.

\$950.

Retained earnings at the beginning and ending of the accounting period were \$300 and \$800, respectively. Revenues of \$1,100 and dividends paid to stockholders of \$200 were reported during the period. What was the amount of expenses reported for the period?

\$500

\$400

\$900

\$700

Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:

1. issued stock for \$80,000
2. borrowed \$45,000 from its bank
3. provided consulting services for \$78,000
4. paid back \$35,000 of the bank loan
5. paid rent expense for \$19,000
6. purchased equipment costing \$32,000
7. paid \$5,000 dividends to stockholders
8. paid employees' salaries, \$41,000

What is Yowell's net cash flow from operating activities?

Inflow of \$63,000

Inflow of \$37,000

Inflow of \$13,000

Inflow of \$18,000

Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:

1. issued stock for \$40,000
2. borrowed \$25,000 from its bank
3. provided consulting services for \$39,000
4. paid back \$15,000 of the bank loan
5. paid rent expense for \$9,000
6. purchased equipment costing \$12,000
7. paid \$3,000 dividends to stockholders
8. paid employees' salaries, \$21,000

What is Yowell's net cash flow from operating activities?

Inflow of \$6,000

Inflow of \$9,000

Inflow of \$18,000

Inflow of \$30,000

Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:

1. issued stock for \$42,000
2. borrowed \$26,000 from its bank
3. provided consulting services for \$40,000
4. paid back \$16,000 of the bank loan
5. paid rent expense for \$9,500
6. purchased equipment costing \$13,000
7. paid \$3,100 dividends to stockholders
8. paid employees' salaries, \$22,000

What is Yowell's ending notes payable balance?

\$10,000

\$0

\$(16,000)

\$26,000

Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:

1. issued stock for \$40,000
2. borrowed \$25,000 from its bank
3. provided consulting services for \$39,000
4. paid back \$15,000 of the bank loan
5. paid rent expense for \$9,000
6. purchased equipment costing \$12,000
7. paid \$3,000 dividends to stockholders
8. paid employees' salaries, \$21,000

What is Yowell's ending notes payable balance?

\$0

\$25,000

(\$15,000)

\$10,000

Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:

1. issued stock for \$62,000
2. borrowed \$36,000 from its bank
3. provided consulting services for \$60,000
4. paid back \$26,000 of the bank loan
5. paid rent expense for \$14,500
6. purchased equipment costing \$23,000
7. paid \$4,100 dividends to stockholders
8. paid employees' salaries, \$32,000

What is Yowell's net income?

\$57,900

\$26,000

\$13,500

\$4,100

Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:

1. issued stock for \$40,000
2. borrowed \$25,000 from its bank
3. provided consulting services for \$39,000
4. paid back \$15,000 of the bank loan
5. paid rent expense for \$9,000
6. purchased equipment costing \$12,000
7. paid \$3,000 dividends to stockholders
8. paid employees' salaries, \$21,000

What is Yowell's net income?

\$9,000

\$30,000

\$18,000

\$6,000

Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)

1. Acquired \$1,500 cash from the issue of common stock.
2. Borrowed \$970 from a bank.
3. Earned \$1,150 of revenues.
4. Paid expenses of \$360.
5. Paid a \$160 dividend.

During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)

1. Issued an additional \$875 of common stock.
2. Repaid \$605 of its debt to the bank.
3. Earned revenues of \$1,300.
4. Incurred expenses of \$580.
5. Paid dividends of \$210.

What is Packard Company's net cash flow from financing activities for Year 2?

\$605 outflow

\$815 inflow

\$665 outflow

\$60 inflow

Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)

1. Acquired \$950 cash from the issue of common stock.
2. Borrowed \$420 from a bank.
3. Earned \$650 of revenues.
4. Paid expenses of \$250.
5. Paid a \$50 dividend.

During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)

1. Issued an additional \$325 of common stock.
2. Repaid \$220 of its debt to the bank.
3. Earned revenues of \$750.
4. Incurred expenses of \$360.
5. Paid dividends of \$100.

What is Packard Company's net cash flow from financing activities for Year 2?

\$220 outflow

\$320 outflow

\$5 inflow

\$225 inflow

Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)

1. Acquired \$1,850 cash from the issue of common stock.
2. Borrowed \$1,320 from a bank.
3. Earned \$1,500 of revenues.
4. Paid expenses of \$430.
5. Paid a \$230 dividend.

During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)

1. Issued an additional \$1,225 of common stock.
2. Repaid \$850 of its debt to the bank.
3. Earned revenues of \$1,650.
4. Incurred expenses of \$720.
5. Paid dividends of \$280.

What was the balance of Packard's Retained Earnings account **before** closing in Year 1?

\$840

\$0

\$1,090

\$1,070

Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)

1. Acquired \$950 cash from the issue of common stock.
2. Borrowed \$420 from a bank.
3. Earned \$650 of revenues.
4. Paid expenses of \$250.
5. Paid a \$50 dividend.

During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)

1. Issued an additional \$325 of common stock.
2. Repaid \$220 of its debt to the bank.
3. Earned revenues of \$750.
4. Incurred expenses of \$360.
5. Paid dividends of \$100.

What was the balance of Packard's Retained Earnings account **before** closing in Year 1?

\$400

\$0

\$350

\$450

Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)

1. Acquired \$1,300 cash from the issue of common stock.
2. Borrowed \$770 from a bank.
3. Earned \$950 of revenues.
4. Paid expenses of \$320.
5. Paid a \$120 dividend.

During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)

1. Issued an additional \$675 of common stock.
2. Repaid \$465 of its debt to the bank.
3. Earned revenues of \$1,100.
4. Incurred expenses of \$500.
5. Paid dividends of \$170.

What is the amount of total stockholders' equity that will be reported on Packard's balance sheet at the end of Year 1?

\$1,930

\$1,180

\$1,810

\$510

Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)

1. Acquired \$950 cash from the issue of common stock.
2. Borrowed \$420 from a bank.
3. Earned \$650 of revenues.
4. Paid expenses of \$250.
5. Paid a \$50 dividend.

During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)

1. Issued an additional \$325 of common stock.
2. Repaid \$220 of its debt to the bank.
3. Earned revenues of \$750.
4. Incurred expenses of \$360.
5. Paid dividends of \$100.

What is the amount of total stockholders' equity that will be reported on Packard's balance sheet at the end of Year 1?

\$1,350

\$900

\$250

\$1,300

Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)

1. Acquired \$1,850 cash from the issue of common stock.
2. Borrowed \$1,320 from a bank.
3. Earned \$1,500 of revenues.
4. Paid expenses of \$430.
5. Paid a \$230 dividend.

During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)

1. Issued an additional \$1,225 of common stock.
2. Repaid \$850 of its debt to the bank.
3. Earned revenues of \$1,650.
4. Incurred expenses of \$720.
5. Paid dividends of \$280.

What is the after-closing amount of retained earnings that will be reported on Packard's balance sheet at the end of Year 2? (Assume that closing entries have been posted).

\$1,490

\$2,355

\$2,150

\$1,770

Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)

1. Acquired \$950 cash from the issue of common stock.
2. Borrowed \$420 from a bank.
3. Earned \$650 of revenues.
4. Paid expenses of \$250.
5. Paid a \$50 dividend.

During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)

1. Issued an additional \$325 of common stock.
2. Repaid \$220 of its debt to the bank.
3. Earned revenues of \$750.
4. Incurred expenses of \$360.
5. Paid dividends of \$100.

What is the after-closing amount of retained earnings that will be reported on Packard's balance sheet at the end of Year 2? (Assume that closing entries have been posted).

\$640

\$800

\$290

\$740

Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)

1. Acquired \$1,800 cash from the issue of common stock.
2. Borrowed \$1,270 from a bank.
3. Earned \$1,450 of revenues.
4. Paid expenses of \$420.
5. Paid a \$220 dividend.

During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)

1. Issued an additional \$1,175 of common stock.
2. Repaid \$815 of its debt to the bank.
3. Earned revenues of \$1,600.
4. Incurred expenses of \$700.
5. Paid dividends of \$270.

What is the amount of assets that will be reported on Packard's balance sheet at the end of Year 2?

\$3,880

\$990

\$4,870

\$5,140

Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)

1. Acquired \$950 cash from the issue of common stock.
2. Borrowed \$420 from a bank.
3. Earned \$650 of revenues.
4. Paid expenses of \$250.
5. Paid a \$50 dividend.

During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)

1. Issued an additional \$325 of common stock.
2. Repaid \$220 of its debt to the bank.
3. Earned revenues of \$750.
4. Incurred expenses of \$360.
5. Paid dividends of \$100.

What is the amount of assets that will be reported on Packard's balance sheet at the end of Year 2?

\$2,115

\$440

\$2,215

\$395

Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)

1. Acquired \$1,600 cash from the issue of common stock.
2. Borrowed \$1,070 from a bank.
3. Earned \$1,250 of revenues.
4. Paid expenses of \$380.
5. Paid a \$180 dividend.

During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)

1. Issued an additional \$975 of common stock.
2. Repaid \$675 of its debt to the bank.
3. Earned revenues of \$1,400.
4. Incurred expenses of \$620.
5. Paid dividends of \$230.

What is the net cash inflow from operating activities that will be reported on Packard's statement of cash flows for Year 1?

\$745

\$1,670

\$975

\$870

Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)

1. Acquired \$950 cash from the issue of common stock.
2. Borrowed \$420 from a bank.
3. Earned \$650 of revenues.
4. Paid expenses of \$250.
5. Paid a \$50 dividend.

During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)

1. Issued an additional \$325 of common stock.
2. Repaid \$220 of its debt to the bank.
3. Earned revenues of \$750.
4. Incurred expenses of \$360.
5. Paid dividends of \$100.

What is the net cash inflow from operating activities that will be reported on Packard's statement of cash flows for Year 1?

\$400

\$650

\$350

\$820

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

Paid cash for dividends

Received cash for common stock

Sold land for cash

Paying cash for dividends and receiving cash from common stock

Santa Fe Company was started on January 1, Year 1, when it acquired \$9,300 cash by issuing common stock. During Year 1, the company earned cash revenues of \$5,450, paid cash expenses of \$3,400, and paid a cash dividend of \$950. Which of the following is true based on this information?

The Year 1 statement of cash flows would show net cash inflow from operating activities of \$5,450.

The Year 1 statement of cash flows would show a net cash inflow from financing activities of \$8,350.

The Year 1 income statement would show net income of \$1,100.

The December 31, Year 1 balance sheet would show total stockholders' equity of \$8,350.

Santa Fe Company was started on January 1, Year 1, when it acquired \$9,000 cash by issuing common stock. During Year 1, the company earned cash revenues of \$4,500, paid cash expenses of \$3,750, and paid a cash dividend of \$250. Which of the following is true based on this information?

The December 31, Year 1 balance sheet would show total stockholders' equity of \$8,750.

The Year 1 income statement would show net income of \$500.

The Year 1 statement of cash flows would show net cash inflow from operating activities of \$4,500.

The Year 1 statement of cash flows would show a net cash inflow from financing activities of \$8,750.

Robertson Company paid \$1,850 cash for rent expense. What happened as a result of this business event?

Total equity decreased.

Liabilities decreased.

The net cash flow from operating activities decreased.

Both total equity and net cash flow from operating activities decreased.

Mayberry Company paid \$30,000 cash to purchase land. What happened as a result of this business event?

Total equity was not affected.

The net cash flow from investing activities decreased.

Total assets were not affected.

Total assets and total stockholders' equity were not affected, and net cash flow from investing activities decreased.

Lexington Company engaged in the following transactions during Year 1, its first year in operation: (*Assume all transactions are cash transactions*)

- Acquired \$3,600 cash from issuing common stock.
- Borrowed \$2,500 from a bank.
- Earned \$3,400 of revenues.
- Incurred \$2,460 in expenses.
- Paid dividends of \$460.

Lexington Company engaged in the following transactions during Year 2: (*Assume all transactions are cash transactions*)

- Acquired an additional \$800 cash from the issue of common stock.
- Repaid \$1,510 of its debt to the bank.
- Earned revenues, \$4,800.
- Incurred expenses of \$2,870.
- Paid dividends of \$1,000.

What was the net cash flow from financing activities reported on Lexington's statement of cash flows for Year 2?

\$1,710 outflow

\$200 inflow

\$1,710 inflow

\$800 outflow

Lexington Company engaged in the following transactions during Year 1, its first year in operation: (*Assume all transactions are cash transactions*)

- Acquired \$6,000 cash from issuing common stock.
- Borrowed \$4,400 from a bank.
- Earned \$6,200 of revenues.
- Incurred \$4,800 in expenses.
- Paid dividends of \$800.

Lexington Company engaged in the following transactions during Year 2: (*Assume all transactions are cash transactions*)

- Acquired an additional \$1,000 cash from the issue of common stock.
- Repaid \$2,600 of its debt to the bank.
- Earned revenues, \$9,000.
- Incurred expenses of \$5,500.
- Paid dividends of \$1,280.

What was the net cash flow from financing activities reported on Lexington's statement of cash flows for Year 2?

\$2,880 outflow.

\$2,880 inflow.

\$1,000 outflow.

\$1,000 inflow.

Lexington Company engaged in the following transactions during Year 1, its first year in operation: (*Assume all transactions are cash transactions*)

- Acquired \$3,900 cash from issuing common stock.
- Borrowed \$2,650 from a bank.
- Earned \$3,550 of revenues.
- Incurred \$2,490 in expenses.
- Paid dividends of \$490.

Lexington Company engaged in the following transactions during Year 2: (*Assume all transactions are cash transactions*)

- Acquired an additional \$950 cash from the issue of common stock.
- Repaid \$1,615 of its debt to the bank.
- Earned revenues, \$4,950.
- Incurred expenses of \$2,930.
- Paid dividends of \$1,180.

What is the amount of total assets that will be reported on Lexington's balance sheet at the end of Year 1?

\$1,250

\$3,890

\$7,260

\$7,120

Lexington Company engaged in the following transactions during Year 1, its first year in operation: *(Assume all transactions are cash transactions)*

- Acquired \$6,000 cash from issuing common stock.
- Borrowed \$4,400 from a bank.
- Earned \$6,200 of revenues.
- Incurred \$4,800 in expenses.
- Paid dividends of \$800.

Lexington Company engaged in the following transactions during Year 2: *(Assume all transactions are cash transactions)*

- Acquired an additional \$1,000 cash from the issue of common stock.
- Repaid \$2,600 of its debt to the bank.
- Earned revenues, \$9,000.
- Incurred expenses of \$5,500.
- Paid dividends of \$1,280.

What is the amount of total assets that will be reported on Lexington's balance sheet at the end of Year 1?

\$11,000

\$12,000

\$1,600

\$7,600

Lexington Company engaged in the following transactions during Year 1, its first year in operation: *(Assume all transactions are cash transactions)*

- Acquired \$4,400 cash from issuing common stock.
- Borrowed \$2,900 from a bank.
- Earned \$3,800 of revenues.
- Incurred \$2,540 in expenses.
- Paid dividends of \$540.

Lexington Company engaged in the following transactions during Year 2: (*Assume all transactions are cash transactions*)

- Acquired an additional \$1,200 cash from the issue of common stock.
- Repaid \$1,790 of its debt to the bank.
- Earned revenues, \$5,200.
- Incurred expenses of \$3,030.
- Paid dividends of \$1,480.

What was the amount of retained earnings that will be reported on Lexington's balance sheet at the end of Year 1?

\$720

\$1,200

\$280

\$8,020

Lexington Company engaged in the following transactions during Year 1, its first year in operation: (*Assume all transactions are cash transactions*)

- Acquired \$6,000 cash from issuing common stock.
- Borrowed \$4,400 from a bank.
- Earned \$6,200 of revenues.
- Incurred \$4,800 in expenses.
- Paid dividends of \$800.

Lexington Company engaged in the following transactions during Year 2: (*Assume all transactions are cash transactions*)

- Acquired an additional \$1,000 cash from the issue of common stock.
- Repaid \$2,600 of its debt to the bank.
- Earned revenues, \$9,000.
- Incurred expenses of \$5,500.
- Paid dividends of \$1,280.

What was the amount of retained earnings that will be reported on Lexington's balance sheet at the end of Year 1?

\$6,200

\$5,400

\$1,400

\$600

Lexington Company engaged in the following transactions during Year 1, its first year in operation: (*Assume all transactions are cash transactions*)

- Acquired \$4,900 cash from issuing common stock.
- Borrowed \$3,150 from a bank.
- Earned \$4,050 of revenues.
- Incurred \$2,590 in expenses.
- Paid dividends of \$590.

Lexington Company engaged in the following transactions during Year 2: (*Assume all transactions are cash transactions*)

- Acquired an additional \$1,450 cash from the issue of common stock.
- Repaid \$1,965 of its debt to the bank.
- Earned revenues, \$5,450.
- Incurred expenses of \$3,130.
- Paid dividends of \$1,780.

What was the amount of liabilities on Lexington's balance sheet at the end of Year 2?

\$1,185

(\$1,965)

\$1,450

\$1,190

Lexington Company engaged in the following transactions during Year 1, its first year in operation: (*Assume all transactions are cash transactions*)

- Acquired \$6,000 cash from issuing common stock.
- Borrowed \$4,400 from a bank.
- Earned \$6,200 of revenues.
- Incurred \$4,800 in expenses.
- Paid dividends of \$800.

Lexington Company engaged in the following transactions during Year 2: *(Assume all transactions are cash transactions)*

- Acquired an additional \$1,000 cash from the issue of common stock.
- Repaid \$2,600 of its debt to the bank.
- Earned revenues, \$9,000.
- Incurred expenses of \$5,500.
- Paid dividends of \$1,280.

What was the amount of liabilities on Lexington's balance sheet at the end of Year 2?

\$1,000.

\$1,800.

(\$2,600).

\$480.

As of December 31, Year 1, Mason Company had \$620 cash. During Year 2, Mason earned \$2,900 of cash revenue and paid \$800 of cash expenses. What is the amount of cash that will be reported on the balance sheet at the end of Year 2?

\$2,100

\$3,520

\$2,720

\$4,320

As of December 31, Year 1, Mason Company had \$500 cash. During Year 2, Mason earned \$1,200 of cash revenue and paid \$800 of cash expenses. What is the amount of cash that will be reported on the balance sheet at the end of Year 2?

\$900

\$400

\$1,700

\$2,500

Expenses are reported on which of the following financial statement(s)?

Income statement

Balance sheet

Statement of changes in stockholders' equity

Income statement and statement of changes in stockholders' equity

Dividends paid by a company are reported on which of the following financial statement(s)?

Income statement

Statement of changes in stockholders' equity

Statement of cash flows

Statement of changes in stockholders' equity and statement of cash flows

Liabilities are reported on which of the following financial statement(s)?

Income statement

Balance sheet

Statement of cash flows

Statement of changes in stockholders' equity

Frank Company earned \$15,000 of cash revenue. Which of the following accurately reflects how this event affects the company's financial statements?

<b>Ba In</b>	<b>Statement of Cash</b>					
<b>la co</b>	<b>Flows</b>					
<b>nc me</b>						
<b>e St</b>						
<b>Sh at</b>						
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<b>t</b>						
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<b>A = Lia + Sto Rev - Exp = Net</b>						
<b>s bil</b>	<b>ckh</b>	<b>enu</b>	<b>ens</b>	<b>Incom</b>		
<b>s iti</b>	<b>old</b>	<b>e</b>	<b>e</b>	<b>e</b>		
<b>e es</b>	<b>ers</b>					
<b>t</b>	'					
<b>s</b>	<b>Equ</b>					
	<b>ity</b>					
<b>A</b> 15	n/	15,	n/	n/a	15,0	
. ,0	a	000	a	a	00	
00					OA	
<b>B</b> 15	n/	15,	15	n/	15,0	n/a
. ,0	a	000	,0	a	00	
00					00	
<b>C</b> 15	n/	15,	15	n/	15,0	15,0
. ,0	a	000	,0	a	00	00
00					00	OA
<b>D</b> 15	15	n/a	15	n/	15,0	15,0
. ,0	,0		,0	a	00	00
00	00		00			OA

Option A

Option B

Option C

Option D

Jackson Company paid \$500 cash for salary expenses. Which of the following accurately reflects how this event affects the company's financial statements?

Balance Sheet Statement		Statement of Cash Flows			
		Stockholders' Equity	Revenue	Expense	Net Income
	<b>A = Liabilities + Stockholders' Equity</b>				
<b>s</b>	<b>s</b>				
<b>e</b>					
<b>t</b>					
<b>s</b>					
<b>A.</b>	n/a	500	(500)	n/a	500
<b>B.</b>	(500)	n/a	(500)	n/a	500
<b>C.</b>	(500)	n/a	(500)	n/a	n/a
<b>D.</b>	(500)	n/a	(500)	n/a	500

Option A

Option B

Option C

Option D

Perez Company paid a \$580 cash dividend. Which of the following accurately reflects how this event affects the company's financial statements?

Balance Sheet Statement			Statement of Cash Flow		
	Income Statement		Revenue	Expense	Net Income
<b>A</b>	<b>A = Liabilities + Stockholders' Equity</b>				
<b>B</b>					
<b>C</b>					
<b>D</b>					

A      n/a      580      (580)      n/a      580  
 B      (580)      n/a      (580)      n/a      580  
 C      (580)      n/a      (580)      n/a      n/a  
 D      (580)      n/a      (580)      n/a      n/a

Option A

Option B

Option C

Option D

Perez Company paid a \$300 cash dividend. Which of the following accurately reflects how this event affects the company's financial statements?

Balance Sheet Statement		Statement of Cash Flows			
		Stockholders' Equity	Revenue	Expense	Net Income
	<b>A = Liabilities + Stockholders' Equity</b>				
	<b>s</b>				
	<b>s</b>				
	<b>e</b>				
	<b>t</b>				
	<b>s</b>				
<b>A.</b>	n/a	300	(300)	n/a	300
<b>B.</b>	(300)	n/a	(300)	n/a	300
<b>C.</b>	(300)	n/a	(300)	n/a	n/a
<b>D.</b>	(300)	n/a	(300)	n/a	n/a

Option A

Option B

Option C

Option D

Garrison Company acquired \$23,000 by issuing common stock. Which of the following accurately reflects how this event affects the company's financial statements?

Balance Sheet Statement		Statement of Cash Flows			
		Stockholders' Equity	Revenue	Expense	Net Income
	<b>A = Liabilities + Stockholders' Equity</b>				
<b>s</b>	<b>s</b>				
<b>e</b>					
<b>t</b>					
<b>s</b>					
<b>A.</b>	23,000	n/a	23,000	n/a	n/a
<b>B.</b>	23,000	n/a	23,000	23,000	n/a
<b>C.</b>	23,000	23,000	n/a	23,000	n/a
<b>D.</b>	23,000	23,000	n/a	23,000	n/a

Option A

Option B

Option C

Option D

Tandem Company borrowed \$32,000 of cash from a local bank. Which of the following accurately reflects how this event affects the company's financial statements?

Balance Sheet Statement		Statement of Cash Flows		
		Stockholders' Equity	Revenue - Expense	= Net Income
	<b>A = Liabilities + Stockholders' Equity</b>			
<b>s</b>	<b>s</b>			
<b>s</b>	<b>e</b>			
<b>s</b>	<b>t</b>			
<b>s</b>	<b>s</b>			
<b>A.</b>	32,000	32,000	n/a	32,000
<b>B.</b>	32,000	n/a	32,000	n/a
<b>C.</b>	32,000	n/a	32,000	32,000
<b>D.</b>	32,000	32,000	n/a	n/a

Option A

Option B

Option C

Option D

Zimmerman Company sold land for \$25,000 cash. The original cost of the land was \$25,000. Which of the following accurately reflects how this event affects the company's financial statements?

Balance Sheet Statement		Statement of Cash Flows		
		Stockholders' Equity	Revenue - Expense	= Net Income
	<b>A = Liabilities + Stockholders' Equity</b>			
	<b>s</b>			
	<b>s</b>			
	<b>e</b>			
	<b>t</b>			
	<b>s</b>			
<b>A.</b>	25,000	n/a	n/a	n/a
	(25,000)			
<b>B.</b>	(25,000)	n/a	(25,000)	(25,000)
<b>C.</b>	25,000	25,000	15,000	n/a
<b>D.</b>	25,000	n/a	n/a	25,000
	(25,000)			

Option A

Option B

Option C

Option D

Which of the following could represent the effects of an asset source transaction on a company's financial statements?

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A n+nnn+  
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**D**None  
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Option A

Option B

Option C

Option D

Which of the following could represent the effects of an asset exchange transaction on a company's financial statements?

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tm  
e  
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AESREIN  
site xe  
sa ovpt  
d bce e I  
ti kn nn  
sl hus c  
i oe eo  
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A nnnnnn-  
/ / / / / I  
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a aa a

**C**n-nnn-

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**D**None

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Option A

Option B

Option C

Option D

Which of the following describes the effects of an asset use transaction on a company's financial statements?

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**A**ESREN  
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ti kn nn  
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**A**n-nnn-  
. / /// F  
a aaaA  
**B**-nn+-  
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aa A

**C**n-+n+-

. / / O  
a a A

**D**None

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Option A

Option B

Option C

Option D

Reynolds Company experienced an accounting event that affected its financial statements as indicated below:

<b>Assets</b>	<b>=</b>	<b>Liabilities</b>	<b>+</b>	<b>Stockholders' Equity</b>	<b>=</b>	<b>Revenue - Expense</b>	<b>=</b>	<b>Net Income</b>	<b>Statement of Cash Flows</b>
+		n/a		+		+		n/a	+
									+OA

Which of the following accounting events could have caused these effects on Reynolds' financial statements?

Paid a cash dividend.

Earned cash revenue.

Borrowed money from a bank.

The information provided does not represent a completed event.

Chico Company experienced an accounting event that affected its financial statements as indicated below:

Assets	=	Liabilities	+	Stockholders' Equity	Revenue	-	Expenses	= Net Income	Statement of Cash Flows
+		n/a			+		n/a	n/a	n/a +FA

Which of the following accounting events could have caused these effects on Chico's financial statements?

Issued common stock

Earned cash revenue

Borrowed money from a bank

Paid a cash dividend

Delta Company experienced an accounting event that affected its financial statements as indicated below:

Assets	=	Liabilities	+	Stockholders' Equity	Revenue	-	Expenses	= Net Income	Statement of Cash Flows	
-		n/a	-		-		n/a	+	-	-OA

Which of the following accounting events could have caused these effects on Delta's statements?

Paid a cash dividend

Incurred a cash expense

Borrowed money from a bank

Earned cash revenue

Northern Corporation purchased land from South Company for \$800 cash.

Which of the following describes the effects of this transaction on the elements of Northern Corporation's books?

<b>Ba</b>	<b>In</b>	<b>Statement of Cash</b>					
<b>la</b>	<b>co</b>	<b>Flows</b>					
<b>nc</b>	<b>me</b>						
<b>e</b>	<b>St</b>						
<b>Sh</b>	<b>at</b>						
<b>ee</b>	<b>em</b>						
<b>t</b>	<b>en</b>						
	<b>t</b>						
<hr/>							
<b>A = Lia + Sto Rev - Exp = Net</b>							
<b>s</b>	<b>bil</b>	<b>ckh</b>	<b>enu</b>	<b>ens</b>	<b>Incom</b>		
<b>s</b>	<b>iti</b>	<b>old</b>	<b>e</b>	<b>e</b>	<b>e</b>		
<b>e</b>	<b>es</b>	<b>ers</b>					
<b>t</b>		<b>'</b>					
<b>s</b>	<b>Equ</b>						
	<b>ity</b>						
<b>A</b>	-	+	n/a	n/	-	-	-IA
.				a			
<b>B</b>	+	n/	+	n/	n/	n/a	+FA
.	a		a	a			
<b>C</b>	n/	n/	n/a	+	n/	+	-FA
.	a	a			a		
<b>D</b>	+/	n/	n/a	n/	n/	n/a	-IA
.	-	a		a	a		

Option A

Option B

Option C

Option D

Northern Corporation purchased land from South Company for \$800 cash.

What happened as a result of this transaction?

The balance in the Cash account on Northern's books decreased, while the balance in the Cash account on South Company's books increased.

South Company has a cash inflow from financing activities.

Northern Corporation has a cash outflow from financing activities.

All of these statements are true.

Which of the following would **not** describe the effects of an asset source transaction on the company's financial statements?

Ba	In	Statement of Cash				
la	co	Flows				
nc	me					
e	St					
Sh	at					
ee	em					
t	en					
	t					
<hr/>						
A = Lia + Sto Rev - Exp = Net						
s	bil	ckh	enu	ens	Incom	
s	iti	old	e	e	e	
e	es	ers				
t		'				
s	Equ					
	ity					
<b>A</b>	+	+	n/a	n/	n/a	+FA
.			a	a		
<b>B</b>	+	n/	+	n/	n/a	+FA
.	a		a	a		
<b>C</b>	+	n/	+	+	n/	+ OA
.	a			a		
<b>D</b>	n/	n/	n/a	n/	n/a	- IA
.	a	a		a	a	

Option A

Option B

Option C

Option D

A company experienced a business event that had the following effect on its accounting equation.

<b>Assets</b>	<b>=</b>	<b>Liabilitie</b>	<b>+</b>	<b>Common Stock</b>	<b>+</b>	<b>Retained Earnings</b>
<b>s</b>						
(30,000)		(30,000)		NA		NA

Which of the events would have caused this effect?

Paid off debt.

Issued common stock for cash.

Incurred cash expense.

Paid a cash dividend.

A company experienced a business event that had the following effect on its accounting equation.

<b>Assets</b>	<b>=</b>	<b>Liabilitie</b>	<b>+</b>	<b>Common Stock</b>	<b>+</b>	<b>Retained Earnings</b>
<b>s</b>						
70,000		70,000		NA		NA

Which of the events would have caused this effect?

Paid off debt.

Issued common stock for cash.

Incurred cash expense.

Loan from a creditor

Smokey Enterprises began operations by receiving \$134,000 cash from its sole owner, Jessica Jones. During its first year of operations, the business earned \$26,800 in cash from operations and paid \$20,100 in cash expenses. What is Smokey Enterprises' net income for its first year of operations?

\$26,800

\$140,700

\$20,100

\$6,700

The land that Martin Company paid \$92,000 to purchase in the prior year had an appraised market value of \$134,000 at the end of the current reporting period. Which of the following shows how the change in market value will affect the company's accounting equation? The letters "NA" indicate that the component of the equation is not affected.

	<b>Assets</b>	<b>=</b>	<b>Liabiliti</b>	<b>+</b>	<b>Common Stock</b>	<b>+</b>	<b>Retained Earnings</b>
			<b>es</b>				
<b>A.</b>	\$ 92,000	=	NA	+	NA	+	\$ 92,000
<b>B.</b>	\$ 42,000	=	NA	+	NA	+	\$ 42,000
<b>C.</b>	NA	=	NA	+	NA	+	NA
<b>D.</b>	\$ 134,000	=	NA	+	NA	+	\$ 134,000

Option A

Option B

Option C

Option D

The accounting records of Coastal Company contained the following account balances.

<b>Cash</b>	\$550
<b>Land</b>	\$800
<b>Notes Payable</b>	\$250
<b>Common Stock</b>	\$460

The records also contained an account titled Retained Earnings. Based on this information the balance of the retained earnings account must be \$550.

\$460.

\$640.

\$800.

The following accounting equation represents the financial position of Qualtro Company.

```

Ass = Lia + Stockholders'
ets bil Equity
  iti
  es
Cas+Lan= Notes + Commo +Retaine
  h d Payabl n d
    e Stock Earning
      s
800 +4,2 = 1,600 + 2,200 + 1,200
  00

```

Based on this equation, Qualtro:  
can pay off its note payable.

can pay a \$1,200 cash dividend.

can pay a \$600 cash dividend.

can pay only \$1,200 of its note payable.

The following accounting equation represents the financial position of Bentley Company.

```

Ass = Lia + Stockholders'
ets bil Equity
  iti
  es
Cas+Lan= Notes + Commo +Retaine
  h d Payabl n d
    e Stock Earning
      s
760 +2,3 = 1,320 + 1,080 + 670
  60

```

Based on this equation, Bentley:  
can pay a cash dividend of \$710.

can pay off its note payable.

can pay only \$670 of its note payable.

None of the answers is correct.

Alexis Company was started in Year 1. At the end of Year 1, the Company had the following accounting equation.

```
Ass = Lia + Stockholders'  
ets bil Equity  
    iti  
    es  
Cas+Lan= Notes + Commo +Retaine  
    h d Payabl n d  
        e Stock Earning  
        s  
750 +2,3 = 1,300 + 1,100 + 700  
      50
```

During Year 2, the company experienced the following accounting events.

- Paid off \$650 of its notes payable.
- Earned \$850 of cash revenue.
- Paid \$550 of cash expenses.
- Paid a \$250 cash dividend.

Based on this information alone, what percent of the company's assets at the end of Year 2 was provided by creditors?

26.0%

30.0%

62.0%

Some other percentage

Alexis Company was started in Year 1. At the end of Year 1, the Company had the following accounting equation.

<b>Ass = Lia + Stockholders'</b>	
<b>ets bil</b>	<b>Equity</b>
iti	
es	
<b>Cas + Lan = Notes + Commo + Retaine</b>	
h d Payabl n d	
e Stock Earning	
s	
760 + 2,3 = 1,320 + 1,080 + 720	
60	

During Year 2, the company experienced the following accounting events.

- Paid off \$660 of its note payable
- Earned \$860 of cash revenue.
- Paid \$560 of cash expenses.
- Paid a \$260 cash dividend.

Based on this information alone, what percent of the company's assets at the end of Year 2 was provided by earnings?

26.4%

30.4%

62.4%

Some other percentage

Watt Company was established in January, Year 1. During Year 1 the company experienced the following events.

- Collected \$7,200 cash from the issue of common stock.
- Borrowed \$3,300 cash from the state bank.
- Earned \$4,000 of cash revenue.
- Paid \$3,100 cash expenses.

The company was liquidated at the end of Year 1. Based on this information: the creditor (the bank) would receive \$7,200.

the creditor (the bank) would receive \$900.

the stockholders would receive \$8,100.

the stockholders would receive \$7,200.

Emerald Company was established in January, Year 1. During Year 1 the company experienced the following events:

- Collected \$60,000 cash from the issue of common stock.
- Borrowed \$52,000 cash from the state bank.
- Earned \$160,000 of cash revenue.
- Paid \$230,000 cash expenses.

The company was liquidated at the end of Year 1. Based on this information: the creditor (the bank) would receive \$52,000.

the creditor (the bank) would receive \$42,000.

the stockholders would receive \$150,000.

the stockholders would receive \$60,000.

Kilgore Company experienced the following events during its first accounting period.

1. (1) Issued common stock for \$6,600 cash.
2. (2) Earned \$4,600 of cash revenue.
3. (3) Paid \$5,600 cash to purchase land.
4. (4) Paid cash dividends amounting to \$480.
5. (5) Paid \$2,360 of cash expenses.

Based on this information the amount of net income is:

\$2,240.

\$4,720.

\$1,120.

\$2,360.

Kilgore Company experienced the following events during its first accounting period.

1. (1) Borrowed \$12,800 cash from a creditor.
2. (2) Earned \$6,400 of cash revenue.
3. (3) Paid \$2,560 cash to pay off a portion of its note payable.
4. (4) Paid cash dividends amounting to \$380.
5. (5) Paid \$2,900 cash for operating cash expenses.

Based on this information, what is the amount of expense shown on the income statement?

\$2,900

\$5,840

\$5,460

\$3,280

At the end of Year 1, Clayton Company had \$9,400 of cash, \$12,100 land, \$3,700 of liabilities, \$6,400 of common stock, and \$11,400 of retained earnings. During Year 2, Clayton experienced the following events.

1. Borrowed \$4,900 cash.
2. Earned \$9,900 of cash revenue.
3. Paid \$7,400 of cash expenses.
4. Paid \$8,400 cash to purchase land.

Based on this information the amount of total assets, total liabilities, and retained earnings appearing on the Year 2 financial statements is

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Retained Earnings</b>
<b>A.</b>	\$ 8,400	\$ 8,900	\$ 15,300
<b>B.</b>	\$ 28,900	\$ 8,600	\$ 13,900
<b>C.</b>	\$ 17,800	\$ 3,700	\$ 13,900
<b>D.</b>	\$ 17,800	\$ 2,500	\$ 8,900

Option A

Option B

Option C

Option D

The following information was drawn from Gore, Incorporated's statement of cash flows.

1. (1) \$3,200 net cash outflow from investing activities.
2. (2) \$4,200 net cash inflow from financing activities.
3. (3) \$7,200 net increase in the cash balance.

Based on this information, the amount of cash flow from operating activities appearing on the statement of cash flows must be a(n):

\$10,400 net cash outflow.

\$6,200 net cash inflow.

\$8,200 net cash inflow.

\$1,000 net cash outflow.

A company experienced the following events during its first accounting period.

1. Issued common stock for \$5,000 cash.
2. Earned \$3,000 of cash revenue.
3. Paid \$4,000 cash to purchase land.
4. Paid cash dividends amounting to \$400.
5. Paid \$2,200 of cash expenses.

Based on this information, the amount of cash flow from investing activities appearing on the statement of cash flows is

\$5,000 inflow.

\$1,800 inflow.

\$4,000 outflow.

\$400 outflow

At the end of Year 1 Bowers Company had \$7,300 of assets, \$3,000 of liabilities, \$3,200 of common stock, and \$1,100 of retained earnings. During Year 2 Bowers experienced the following events.

1. (1) Borrowed \$4,900 cash.
2. (2) Earned \$6,400 of cash revenue.
3. (3) Paid \$3,300 of cash expenses.
4. (4) Paid \$7,900 cash to purchase land

Based on this information, the amount of net income, cash flow from investing activities, and total liabilities appearing on the Year 2 financial statements is:

<b>Net Income</b>	<b>Cash Flow from Investing Activities</b>	<b>Total Liabilities</b>
\$7,300	\$7,900	\$3,000

<b>Net Income</b>	<b>Cash Flow from Investing Activities</b>	<b>Total Liabilities</b>
\$6,400	Zero	\$4,900

<b>Net Income</b>	<b>Cash Flow from Investing Activities</b>	<b>Total Liabilities</b>
\$3,100	\$8,000	Zero

<b>Net Income</b>	<b>Cash Flow from Investing Activities</b>	<b>Total Liabilities</b>
\$3,100	(\$7,900)	\$7,900

During its first year of operation, Cade Company experienced the following events.

1. (1) Issued common stock for \$8,100 cash.
2. (2) Earned \$6,900 of cash revenue.
3. (3) Paid \$3,900 of cash expenses.
4. (4) Paid cash dividends amounting to \$2,200.

Before closing on December 31, the balance in the retained earning account would be \$10,300.

\$800.

\$1,200.

zero.

During its first year of operation, Cade Company experienced the following events.

1. (1) Issued common stock for \$8,400 cash.
2. (2) Earned \$6,700 of cash revenue.
3. (3) Paid \$3,700 of cash expenses.
4. (4) Paid cash dividends amounting to \$1,500.

After closing on December 31, the balance in the retained earning account would be zero.

\$9,900.

\$1,500.

\$1,700.

At the beginning of Year 2, Clair Company had a \$5,800 balance in its retained earnings account. During January of Year 2 Clair earned \$2,400 of revenue and incurred \$1,700 of

expenses. Based on this information, the balance in retained earnings account on January 31, Year 2 is

\$8,200.

\$6,500.

\$5,800.

\$5,900.

In a market, creditors are resource providers.

true

false

In a market, a company that manufactures cars would be referred to as business.

true

false

The value created by a business is created by its assets.

true

false

The stockholders of a business have a priority claim to its assets in the event of liquidation.

true

false

The types of resources needed by a business are financial, physical, and labor resources.

true

false

Financial accounting information is usually less detailed than managerial accounting information.

true

false

The Financial Accounting Standards Board is a privately funded organization with authority for establishing accounting standards for businesses in the US.

true

false

A business and the person who owns the business are separate reporting entities.

true

false

The information reported in financial statements is organized into ten categories known as accounts.

true

false

Liabilities are obligations of a business to relinquish assets, provide services, or accept other obligations.

true

false

Liabilities are not a source of assets for a business.

true

false

Retained earnings reduces a company's commitment to use its assets for the benefit of its stockholders.

true

false

The historical cost concept requires that most assets be recorded at the amount paid for them, regardless of increases in market value.

true

false

An asset source transaction increases a business's assets and the claims to assets.

true

false

Borrowing money from the bank is an example of an asset source transaction.

true

false

An asset use transaction does not affect the total amount of claims to a company's assets.

true

false

The four financial statements prepared by a business bear no relationship to each other.

true

false

All of a business's temporary accounts appear on the income statement.

true

false

## Answer Key

Test name: Ch1 Algorithmic\_Fundamental Financial Accounting Concepts\_11e

D

A

B

D

A

A

B

C

A

A

D

C

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