

Survey of Accounting, 5e (Edmonds)

Chapter 1 An Introduction to Accounting

- 1) Which of the following groups has the primary responsibility for establishing generally accepted accounting principles for business entities in the United States?
 - A) Securities and Exchange Commission.
 - B) U.S. Congress.
 - C) International Accounting Standards Board.
 - D) Financial Accounting Standards Board.

- 2) The Heritage Company is a manufacturer of office furniture. Which term best describes Heritage's role in society?
 - A) Conversion agent
 - B) Regulatory agency
 - C) Consumer
 - D) Resource owner

- 3) Which resource providers lend financial resources to a business with the expectation of repayment with interest?
 - A) Consumers
 - B) Creditors
 - C) Investors
 - D) Owners

- 4) Which type of accounting information is intended to satisfy the needs of external users of accounting information?
 - A) Cost accounting
 - B) Managerial accounting
 - C) Tax accounting
 - D) Financial accounting

- 5) Which of the following is false regarding managerial accounting information?
 - A) It is often used by investors.
 - B) It is more detailed than financial accounting information.
 - C) It can include nonfinancial information.
 - D) It focuses on divisional rather than overall profitability.

- 6) Financial accounting standards are known collectively as GAAP. What does that acronym stand for?
 - A) Generally Accepted Accounting Principles
 - B) Generally Applied Accounting Procedures
 - C) Governmentally Approved Accounting Practices
 - D) Generally Authorized Auditing Principles

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

- A) Internationally Accepted Standards Board
- B) International Accounting Standards Board
- C) International Accountability Standards Bureau
- D) International Accounting and Sustainability Board

8) Which of the following items is an example of revenue?

- A) Cash received from a bank loan
- B) Cash received from investors from the sale of common stock
- C) Cash received from customers at the time services were provided
- D) Cash received from the sale of land for its original selling price

9) Which of the following is not an element of the financial statements?

- A) Net income
- B) Revenue
- C) Assets
- D) Cash

10) The balance sheet of the Algonquin Company reported assets of \$50,000, liabilities of \$22,000 and common stock of \$15,000. Based on this information only, the amount or balance for retained earnings must be:

- A) \$7,000
- B) \$57,000
- C) \$13,000
- D) \$87,000

11) 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. If Retained Earnings on the balance sheet as of December 31, Year 2, amount to \$18,000 and Stosch paid a \$14,000 dividend during Year 2, then the amount of net income for Year 2 was which of the following?

- A) \$17,000
- B) \$19,000
- C) \$13,000
- D) \$21,000

12) Hazeltine Company issued common stock for \$200,000 cash. As a result of this event:

- A) assets increased.
- B) equity increased.
- C) claims increased.
- D) assets, claims, and equity all increased.

- 13) If Ballard Company reported assets of \$500 and liabilities of \$200, Ballard's stockholders' equity equals:
- A) \$300.
 - B) \$500.
 - C) \$700.
 - D) Cannot be determined.
- 14) If a company's total assets increased while liabilities and common stock were unchanged, then:
- A) revenues were greater than expenses.
 - B) retained earnings were less than net income during the period.
 - C) no dividends were paid during the period.
 - D) the company must have purchased assets with cash.
- 15) Li Company paid cash to purchase land. As a result of this accounting event:
- A) total assets decreased.
 - B) total assets were unaffected.
 - C) total equity decreased.
 - D) both assets and total equity decreased.
- 16) 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?
- A) 25% of Turner's assets are the result of prior earnings.
 - B) \$5,000 is the maximum dividend that can be paid to shareholders.
 - C) 40% of Turner's assets are the result of borrowing from creditors.
 - D) 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.
- 17) At the time of liquidation, Fairchild Company reported assets of \$200,000, liabilities of \$120,000, common stock of \$90,000 and retained earnings of (\$10,000). What amount of Fairchild's assets are the shareholders entitled to receive?
- A) \$200,000
 - B) \$80,000
 - C) \$90,000
 - D) \$100,000
- 18) 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?
- A) 60%
 - B) 25%
 - C) 40%
 - D) 35%

19) On January 1, Year 2, Chavez Company had beginning balances as follows:

Assets	=	\$ 12,500
Liabilities	=	\$ 4,500
Common Stock	=	\$ 3,000

During Year 2, Chavez paid dividends to its stockholders of \$2,000. Given that ending retained earnings was \$6,000, what was Chavez's net income for the Year 2?

- A) \$3,000
- B) \$5,000
- C) \$7,000
- D) \$2,000

20) The transaction, "provided services for cash," affects which two accounts?

- A) Revenue and Expense
- B) Cash and Revenue
- C) Cash and Expense
- D) Cash and Dividends

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

- A) Assets increased by \$6,500.
- B) Assets increased by \$1,500.
- C) Equity increased by \$2,500.
- D) Assets increased by \$5,500.

22) 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, retained earnings at the beginning of Year 2 was:

- A) \$3,300.
- B) \$3,700.
- C) \$2,800.
- D) \$3,800.

23) Which of the following is not an asset use transaction?

- A) Paying cash dividends
- B) Paying cash expenses
- C) Paying off the principal of a loan
- D) Paying cash to purchase land

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

- A) Asset source
- B) Claims exchange
- C) Asset use
- D) Asset exchange

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

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow
A.	NA	=	NA	+	NA	NA	-	NA	=	NA	+OA
B.	+	=	NA	+	+	NA	-	NA	=	NA	+FA
C.	-	=	NA	+	-	NA	-	NA	=	NA	NA
D.	+	=	+	+	NA	NA	-	NA	=	NA	+FA

- A) Option A
- B) Option B
- C) Option C
- D) Option D

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

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow
A.	-	=	-	+	NA	NA	-	NA	=	NA	-OA
B.	-	=	-	+	NA	NA	-	NA	=	NA	-FA
C.	-	=	NA	+	-	NA	-	+	=	-	-OA
D.	NA	=	+	+	NA	+	-	+	=	-	NA

- A) Option A
- B) Option B
- C) Option C
- D) Option D

27) Which of the following cash transactions results in no net change in assets?

- A) Borrowing cash from a bank
- B) Issuing common stock for cash
- C) Purchasing land for cash
- D) Providing services for cash

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

- A) Cash inflow from interest revenue.
- B) Cash inflow from the issuance of common stock.
- C) Cash outflow for the payment of dividends.
- D) Cash outflow for the purchase of land.

29) 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, then net cash change from investing activities was:

- A) an outflow or decrease of \$1,000.
- B) an inflow or increase of \$2,000.
- C) an inflow or increase of \$1,000.
- D) zero.

30) The year-end financial statements of Calloway Company 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, the amount of expenses on Calloway's income statement was:

- A) \$18,500.
- B) \$13,000.
- C) \$16,500.
- D) \$10,000.

31) The year-end financial statements of Calloway Company 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.

The amount of liabilities reported on the end-of-period balance sheet was:

- A) \$27,500.
- B) \$31,500.
- C) \$35,000.
- D) \$42,500.

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

- A) Income statement
- B) Balance sheet
- C) Statement of cash flows
- D) Statement of changes in stockholders' equity

- 33) Which of the following accounts are permanent?
- A) Retained earnings.
 - B) All income statement accounts.
 - C) Dividends.
 - D) All balance sheet accounts including dividends.
- 34) In which section of a statement of cash flows would the payment of cash dividends be reported?
- A) Investing activities.
 - B) Operating activities.
 - C) Financing activities.
 - D) Dividends are not reported on the statement of cash flows.
- 35) Which financial statement matches asset increases from operating a business with asset decreases from operating the business?
- A) Balance sheet.
 - B) Statement of changes in equity.
 - C) Income statement.
 - D) Statement of cash flows.
- 36) 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?
- A) The net cash inflow from operating activities was \$100.
 - B) The net cash outflow for investing activities was \$200.
 - C) The net cash inflow from operating activities was \$300.
 - D) The net cash outflow for investing activities was \$100.
- 37) Yi Company provided services to a customer for \$5,500 cash. As a result of this event:
- A) total assets increased and total equity decreased.
 - B) total assets were unchanged and cash flows from operating activities increased.
 - C) liabilities decreased and net income increased.
 - D) total assets increased and net income increased.
- 38) 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 is **not** correct?
- A) Net income amounted to \$350.
 - B) Total assets increased by \$200.
 - C) Cash inflow from operating activities was \$350.
 - D) Cash inflow from operating activities was \$200.
- 39) Glavine Company repaid a bank loan with cash. The cash flow from this event should be shown on the horizontal statements model as:
- A) an operating activity that decreases cash, decreases equity, and decreases net income.
 - B) a financing activity that decreases cash and decreases liabilities.
 - C) a financing activity that decreases cash, decreases equity, and decreases net income.
 - D) an investing activity that decreases cash and decreases liabilities.

40) Retained Earnings at the beginning and ending of the accounting period was \$300 and \$800, respectively. If revenues were \$1,100 and dividends paid to stockholders were \$200, expenses for the period must have been:

- A) \$500.
- B) \$400.
- C) \$900.
- D) \$700.

41) 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 cash
- 4) paid back \$15,000 of the bank loan
- 5) paid rent expense for \$9,000
- 6) purchased equipment for \$12,000 cash
- 7) paid \$3,000 dividends to stockholders
- 8) paid employees' salaries of \$21,000

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

- A) Inflow of \$6,000
- B) Inflow of \$9,000
- C) Inflow of \$18,000
- D) Inflow of \$30,000

42) 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 cash
- 4) paid back \$15,000 of the bank loan
- 5) paid rent expense for \$9,000
- 6) purchased equipment for \$12,000 cash
- 7) paid \$3,000 dividends to stockholders
- 8) paid employees' salaries of \$21,000

What is Yowell's notes payable balance at the end of Year 1?

- A) \$0
- B) \$25,000
- C) (\$15,000)
- D) \$10,000

43) 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 cash
- 4) paid back \$15,000 of the bank loan
- 5) paid rent expense for \$9,000
- 6) purchased equipment for \$12,000 cash
- 7) paid \$3,000 dividends to stockholders
- 8) paid employees' salaries of \$21,000

What is Yowell's net income for Year 1?

- A) \$9,000
- B) \$30,000
- C) \$18,000
- D) \$6,000

44) 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 cash.
- 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 cash.
- 4) Incurred expenses of \$360.
- 5) Paid dividends of \$100.

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

- A) \$220 outflow
- B) \$320 outflow
- C) \$5 inflow
- D) \$225 inflow

45) 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 cash.
- 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 cash.
- 4) Incurred expenses of \$360.
- 5) Paid dividends of \$100.

What is Packard's retained earnings account balance at the end of Year 1 before the process of closing the accounts has been undertaken?

- A) \$400
- B) \$0
- C) \$350
- D) \$450

46) 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 cash.
- 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 cash.
- 4) Incurred expenses of \$360.
- 5) Paid dividends of \$100.

The amount of total equity on Packard's balance sheet at the end of Year 1 is:

- A) \$1,350.
- B) \$900.
- C) \$250.
- D) \$1,300.

47) 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 cash.
- 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 cash.
- 4) Incurred expenses of \$360.
- 5) Paid dividends of \$100.

The amount of retained earnings on Packard's Year 2 balance sheet is:

- A) \$640.
- B) \$800.
- C) \$290.
- D) \$740.

48) 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 cash.
- 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 cash.
- 4) Incurred expenses of \$360.
- 5) Paid dividends of \$100.

Total assets on Packard's balance sheet at the end of Year 2 will equal:

- A) \$2,115.
- B) \$440.
- C) \$2,215.
- D) \$395.

49) 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 cash.
- 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 cash.
- 4) Incurred expenses of \$360.
- 5) Paid dividends of \$100.

The net cash inflow from operating activities on Packard's statement of cash flows for Year 2 is:

- A) \$390.
- B) \$650.
- C) \$350.
- D) \$820.

50) Which of the following items would appear in the cash flow from financing activities section of a statement of cash flows?

- A) Paid cash for dividends.
- B) Received cash for common stock.
- C) Sold land for cash.
- D) paying cash for dividends and receiving cash from common stock would both appear in the cash flow from financing activities section.

51) 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. Based on this information,

- A) The balance sheet at December 31, Year 1 would show total equity of \$8,750.
- B) The Year 1 income statement would show net income of \$500.
- C) The Year 1 statement of cash flows would show net cash inflow from operating activities of \$4,500.
- D) The Year 1 statement of cash flows would show a net cash flow from financing activities of \$8,750.

52) Robertson Company paid \$1,850 cash for rent expense. As a result of this business event:

- A) Total equity decreased.
- B) Liabilities decreased.
- C) The net cash flow from operating activities decreased.
- D) Both total equity and net cash flow for operating activities decreased.

53) Mayberry Company paid \$30,000 cash to purchase land. As a result of this business event:

- A) Total equity was not affected.
- B) The net cash flow from investing activities decreased.
- C) Total assets were not affected.
- D) Total assets and total equity were not affected, and net cash flow from investing activities decreased.

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

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

Lexington Company engaged in the following transactions during Year 2:

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

The net cash flow from financing activities on Lexington's Year 2 statement of cash flows was

- A) \$2,880 outflow
- B) \$2,880 inflow
- C) \$1,000 outflow
- D) \$1,000 inflow

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

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

Lexington Company engaged in the following transactions during Year 2:

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

The amount of total assets on Lexington's balance sheet at the end of Year 1 was:

- A) \$11,000.
- B) \$12,000.
- C) \$1,600.
- D) \$7,600.

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

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

Lexington Company engaged in the following transactions during Year 2:

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

The amount of retained earnings on Lexington's balance sheet at the end of Year 1 was:

- A) \$6,200.
- B) \$5,400.
- C) \$1,400.
- D) \$600.

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

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

Lexington Company engaged in the following transactions during Year 2:

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

Total liabilities on Lexington's balance sheet at the end of Year 1 equal:

- A) \$1,000.
- B) \$4,400.
- C) (\$2,600).
- D) \$480.

58) 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. The amount of cash shown on the balance sheet at the end of Year 2 would be:

- A) \$900.
- B) \$400.
- C) \$1,700.
- D) \$2,500.

59) Expenses are shown on the:

- A) income statement.
- B) balance sheet.
- C) statement of changes in stockholders' equity.
- D) the income statement and the statement of changes in stockholders' equity.

60) Dividends paid by a company are shown on the:

- A) income statement.
- B) statement of changes in stockholders' equity.
- C) statement of cash flows.
- D) the statement of changes in stockholders' equity and the statement of cash flows.

61) Liabilities are shown on the:

- A) income statement.
- B) balance sheet.
- C) statement of cash flows.
- D) statement of changes in stockholders' equity.

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

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow
A.	15,000	=	NA	+	15,000	NA	-	NA	=	NA	15,000 OA
B.	15,000	=	NA	+	15,000	15,000	-	NA	=	15,000	NA
C.	15,000	=	NA	+	15,000	15,000	-	NA	=	15,000	15,000 OA
D.	15,000	=	15,000	+	NA	15,000	-	NA	=	15,000	15,000 OA

- A) Option A
- B) Option B
- C) Option C
- D) Option D

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

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow
A.	NA	=	500	+	(500)	NA	-	500	=	(500)	NA
B.	(500)	=	NA	+	(500)	NA	-	500	=	(500)	(500) OA
C.	(500)	=	NA	+	(500)	NA	-	NA	=	NA	(500) OA
D.	(500)	=	NA	+	(500)	NA	-	500	=	(500)	(500) IA

- A) Option A
- B) Option B
- C) Option C
- D) Option D

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

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow
A.	NA	=	300	+	(300)	NA	-	300	=	(300)	NA
B.	(300)	=	NA	+	(300)	NA	-	300	=	(300)	(300) FA
C.	(300)	=	NA	+	(300)	NA	-	NA	=	NA	(300) FA
D.	(300)	=	NA	+	(300)	NA	-	NA	=	NA	(300) OA

- A) Option A
- B) Option B
- C) Option C
- D) Option D

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

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow
A.	23,000	=	NA	+	23,000	NA	-	NA	=	NA	23,000 FA
B.	23,000	=	NA	+	23,000	23,000	-	NA	=	23,000	23,000 FA
C.	23,000	=	23,000	+	NA	23,000	-	NA	=	NA	23,000 FA
D.	23,000	=	23,000	+	NA	23,000	-	NA	=	23,000	23,000 OA

- A) Option A
- B) Option B
- C) Option C
- D) Option D

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

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow
A.	32,000	=	32,000	+	NA	32,000	-	NA	=	32,000	32,000 FA
B.	32,000	=	NA	+	32,000	NA	-	NA	=	NA	32,000 FA
C.	32,000	=	NA	+	32,000	32,000	-	NA	=	32,000	32,000 FA
D.	32,000	=	32,000	+	NA	NA	-	NA	=	NA	32,000 FA

- A) Option A
- B) Option B
- C) Option C
- D) Option D

67) Zimmerman Company sold land for \$25,000 cash. The original cost of the land was \$25,000. Select the answer that indicates how this event affects the company's financial statements.

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow
A.	NA	=	NA	+	NA	NA	-	NA	=	NA	25,000 IA
B.	(25,000)	=	NA	+	(25,000)	NA	-	NA	=	NA	(25,000) IA
C.	25,000	=	25,000	+	NA	NA	-	NA	=	NA	25,000 FA
D.	None of these.										

- A) Option A
- B) Option B
- C) Option C
- D) Option D

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

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow
A.	+	=	NA	+	+	NA	-	NA	=	NA	+OA
B.	+	=	+	+	NA	NA	-	+	=	+	+IA
C.	+	=	NA	+	+	+	-	NA	=	+	+OA
D.	None of these could represent the effects of an asset source transaction.										

- A) Option A
- B) Option B
- C) Option C
- D) Option D

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

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow
A.	+-	=	NA	+	NA	NA	-	NA	=	NA	-IA
B.	+-	=	+	+	NA	NA	-	+	=	+	NA
C.	-	=	NA	+	-	NA	-	NA	=	NA	-OA
D.	None of these could represent the effects of an asset exchange transaction.										

- A) Option A
- B) Option B
- C) Option C
- D) Option D

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

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow
A.											
B.	-	=	-	+	NA	NA	-	-	=	-	-IA
C.	-	=	NA	+	-	-	-	NA	=	-	-OA
D.	None of these could represent the effects of an asset source transaction.										

- A) Option A
- B) Option B
- C) Option C
- D) Option D

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

Assets +	=	Liab. NA	+	Equity +	Rev. +	-	Exp. NA	=	Net Inc. +	Cash Flow +OA
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Which of the following accounting events could have caused these effects on Reynolds' statements?

- A) Paid a cash dividend.
- B) Earned cash revenue.
- C) Borrowed money from a bank.
- D) The information provided does not represent a completed event.

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

Assets +	=	Liab. NA	+	Equity +	Rev NA	-	Exp NA	=	Net Inc. NA	Cash Flow +FA
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Which of the following accounting events could have caused these effects on Chico's statements?

- A) Issued common stock.
- B) Earned cash revenue.
- C) Borrowed money from a bank.
- D) Paid a cash dividend.

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

Assets -	=	Liab. NA	+	Equity -	Rev NA	-	Exp +	=	Net Inc. -	Cash Flow -OA
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Which of the following accounting events could have caused these effects on Delta's statements?

- A) Paid a cash dividend.
- B) Incurred a cash expense.
- C) Borrowed money from a bank.
- D) Earned cash revenue.

74) Northern Corporation invested \$800 cash in South Company stock.

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

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow
A.	-	=	+	+	NA	NA	-	-	=	-	-IA
B.	+	=	NA	+	+	NA	-	NA	=	NA	+FA
C.	NA	=	NA	+	NA	+	-	NA	=	+	-FA
D.	+/-	=	NA	+	NA	NA	-	NA	=	NA	-IA

A) Option A

B) Option B

C) Option C

D) Option D

75) Northern Corporation invested \$800 cash in South Company stock.

As a result of this transaction:

A) The balance in the Cash account on Northern's books would decrease, while the balance in the Cash account on South Company's books would increase.

B) South Company would have a cash inflow from investing activities.

C) Northern Corporation would have a cash outflow from financing activities.

D) All of these statements are true.

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

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow
A.	+	=	+	+	NA	NA	-	NA	=	NA	+ FA
B.	+	=	NA	+	+	NA	-	NA	=	NA	+ FA
C.	+	=	NA	+	+	+	-	NA	=	+	+ OA
D.	NA	=	NA	+	NA	NA	-	NA	=	NA	- IA

A) Option A

B) Option B

C) Option C

D) Option D

77) Indicate whether each of the following statements about markets is true or false.

- ☐ a) Financial resources can be provided to a business by conversion agents.
- ☐ b) Resource owners are the businesses that transform resources into products that satisfy consumer desires.
- ☐ c) Labor resources include the both the physical and intellectual labor of a business's employees.
- ☐ d) Conversion agents purchase their resources from resource owners.
- ☐ e) Consumers are the main providers of resources in any market.

78) Indicate whether each of the following statements about accounting information is true or false.

- ☐ a) Financial accounting is primarily intended to satisfy the information needs of internal stakeholders.
- ☐ b) Managerial accounting information includes financial and nonfinancial information.
- ☐ c) The accounting information intended to satisfy the needs of a company's employees is managerial accounting information.
- ☐ d) GAAP requires that companies adhere to financial accounting standards.
- ☐ e) Managerial accounting information is usually less detailed than financial accounting information.

79) Indicate whether each of the following statements about liabilities is true or false.

- ☐ a) A net loss on the income statement decreases liabilities.
- ☐ b) The acquisition of a bank loan increases both assets and liabilities.
- ☐ c) The accounting equation requires that liabilities be equal to equity.
- ☐ d) The amount of a company's liabilities is equal to (assets — equity).
- ☐ e) Liabilities are reported on the statement of cash flows of a business.

80) Indicate whether each of the following statements about retained earnings is true or false.

- ☐ a) A dividend paid to stockholders decreases retained earnings.
- ☐ b) Issuing common stock for cash increases retained earnings.
- ☐ c) The amount of net income for a period must equal retained earnings.
- ☐ d) The purchase of a truck decreases retained earnings.
- ☐ e) The amount of net income for a period increases retained earnings.

81) Indicate whether each of the following statements about the types of transactions is true or false.

- ☐ a) An asset source transaction increases total assets and increases claims to assets.
- ☐ b) The issuance of stock to owners for cash would be an example of an asset exchange transaction.
- ☐ c) Purchasing equipment for cash is an example of an asset use transaction.
- ☐ d) Paying a dividend to stockholders is an example of an asset use transaction.
- ☐ e) Making a payment on a bank loan is an example of an asset exchange transaction.

82) Indicate whether each of the following statements about financial statements is true or false.

_____ a) A cash dividend paid to stockholders is shown in the investing activities section of the statement of cash flows.

_____ b) A cash dividend paid to stockholders is shown on the statement of changes in stockholders' equity.

_____ c) A cash dividend paid to stockholders is shown on the income statement.

_____ d) The balance sheet shows ending balances of permanent accounts as of the last day of the accounting period.

_____ e) Changes in retained earnings for the accounting period are shown on the income statement.

83) Indicate whether each of the following statements about equity is true or false.

_____ a) Operating expenses reported on the income statement decrease retained earnings.

_____ b) Owners' equity and liabilities can be viewed either as sources of assets or claims to assets of the business.

_____ c) Retained earnings is increased by loans received from a bank.

_____ d) Dividends paid to stockholders decrease common stock.

_____ e) Owners' equity is the residual interest in the company resulting from the difference between assets and liabilities.

84) In a market, creditors are resource providers.

85) In a market, a company that manufactures cars would be referred to as a conversion agent.

86) The value created by a business may be called assets.

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

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

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

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

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

92) Detailed information about accounts is maintained in the various elements of the financial statements.

93) Liabilities represent the future obligations of a business entity.

94) Equity is a source of a business's assets, but liabilities are not.

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

- 96) The historical cost concept requires that most assets be recorded at the amount paid for them, regardless of increases in market value.
- 97) An asset source transaction increases a business's assets and the claims to assets.
- 98) Borrowing money from the bank is an example of an asset source transaction.
- 99) An asset use transaction does not affect the total amount of claims to a company's assets.
- 100) The four financial statements prepared by a business bear no relationship to each other.
- 101) All of a business's temporary accounts appear on the income statement.