

Student name: _____

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

- 1) In a market, creditors are resource providers.
 - ☐ true
 - ☐ false

- 2) In a market, a company that manufactures cars would be referred to as a business.
 - ☐ true
 - ☐ false

- 3) The value created by a business may be called assets.
 - ☐ true
 - ☐ false

- 4) The stockholders of a business have a priority claim to its assets in the event of liquidation.
 - ☐ true
 - ☐ false

- 5) The types of resources needed by a business are financial, physical, and labor resources.
 - ☐ true
 - ☐ false

- 6) Financial accounting information is usually less detailed than managerial accounting information.

☐ true

☐ false

7) The Financial Accounting Standards Board is a privately funded organization with authority for establishing

accounting standards for businesses in the US.

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

10) Stockholders' equity is a source of a business's assets, but liabilities are not.

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

⊙ true

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

18) 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

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

- A) Business
- B) Regulatory agency

C) Consumer
D) Resource
owner

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

- A) Consumers
- B) Creditors

C) Investors
D) Owners

21) 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

22) 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.

23) 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

24) 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

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

- A) One reporting entity
- B) Two reporting entities
- C) Three reporting entities

D) Four reporting entities

26) 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?

Option	Jack Henry	Wooden Wheels	Walt Bank
A.	\$ increases 150,000 e		\$ 65 inc

B.	\$ increase	\$ 650,000	\$ 150,000	
	800,000 e	increase	decrease	A) Option A
C.	\$ decrease	\$ 800,000	\$ 650,000	B) Option B
	800,000 e	increase	decrease	C) Option C
D.	\$ increase	\$ 150,000	\$ 800,000	D) Option D
	650,000 e	increase	decrease	

- 27) 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
- A) One reporting entity
B) Two reporting entities
C) Three reporting entities
D) Four reporting entities

- 28) Which of the following is an accurate definition of the term “asset?”
- A) An obligation to creditors
B) A resource that will be used to produce revenue
C) A transfer of wealth from the business to its stockholders
D) A sacrifice incurred from operating the business

- 29) Which of the following is (are) source(s) of assets to a business?
- A) Creditors
B) Investors
C) Operations
D) All the answers represent sources of assets.

- 30) If total assets decrease, then which of the following statements is true?
- A) Liabilities must increase and retained earnings must decrease.
B) Common

stock must decrease and retained earnings must increase.

C) Liabilities, common stock, or retained earnings must decrease.

D) Liabilities, common stock, or retained earnings must increase.

31) Which of the following statements about liabilities is true?

- A) They represent obligations to repay debts.
- B) They may increase when assets increase.
- C) They are found on the claims side of the

accounting equation.

D) All of the answers are characteristics of liabilities.

32) Which term describes assets generated through operations that have been reinvested into the business?

- A) Liability
- B) Dividend
- C) Common stock

D) Retained earnings

33) Which of the following is an accurate depiction of the accounting equation?

- A) $\text{Assets} = \text{Liabilities} + \text{Common Stock} + \text{Retained Earnings}$
- B) $\text{Assets} = \text{Liabilities} + \text{Common Stock} - \text{Expenses}$
- C) $\text{Assets} = \text{Liabilities} + \text{Retained Earnings} -$

Dividends

D) $\text{Assets} = \text{Liabilities} + \text{Common Stock} + \text{Dividends}$

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

- A) Liability
- B) Dividend

C) Retained

earnings

D) Common stock

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

- A) \$400
- B) \$600

- C) \$1,600
- D) Cannot be determined

36) 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

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

- A) Net income
- B) Revenue

- C) Assets
- D) Cash

38) 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, what is the amount of retained earnings?

- A) \$7,000.
- B) \$57,000.

- C) \$13,000.
- D) \$87,000.

39) Stosch Company's balance sheet reported

assets of \$142,000, liabilities of \$35,000 and common stock of \$32,000 as of December 31, Year 1. If Retained Earnings on the balance sheet as of December 31, Year 2, amount to \$98,000 and Stosch paid a \$34,000 dividend during Year 2,

- A) \$23,000
- B) \$57,000

then the amount of net income for Year 2 was which of the following?

- C) \$75,000
- D) \$34,000

40) 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

- A) \$17,000
- B) \$19,000

amount of net income for Year 2 was which of the following?

- C) \$13,000
- D) \$21,000

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

- A) Assets increased.
- B) Stockholders' equity increased.
- C) Claims increased.

following statements is true?

- D) Assets, claims, and stockholders' equity all increased.

42) 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.

43) If a company's total assets increased while

liabilities and common stock were unchanged, then which of the following statements is true?

- 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.

44) Li Company paid cash to purchase land. As a result of this accounting event, which of the following statements is true?

- A) Total assets decreased.
- B) Total assets were unaffected.
- C) Total stockholders' equity decreased.
- D) Both assets and total stockholders' equity decreased.

45) Wyatt Company was formed on January 1, Year 1, when it acquired \$50,000 cash from issuing common stock. Which of the following shows the impact of this transaction on Wyatt's accounting equation?

	Assets	=	Liabilities	+	Stockholders' Equity	
A	+/-		n/a		n/a	D + + n/a
.						.
B	+		n/a		+	A) Option A
.						B) Option B
C	-		n/a		-	C) Option C
.						D) Option D

	Assets	=	Liabilities	+	Stockholders'
					Equity
A	+/-		n/a		n/a
.					
B	+		n/a		+
.					
C	-		n/a		-
.					
D	+		+		n/a
.					

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

47) Wing Company provided services for \$30,000 cash. Which of the following shows the impact of this transaction on Wing's accounting equation?

	Assets	=	Liabilities	+	Stockholders' Equity		D	+		+	n/a
							.				
A	+/-		n/a		n/a						
.											
B	+		n/a		+						
.											
C	-		n/a		-						
.											

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

48) Wing Company paid \$20,000 cash in salaries to its employees. Which of the following shows the impact of this transaction on Wing's accounting equation?

	Assets	=	Liabilities	+	Stockholders' Equity		D	+		+	n/a
							.				
A	+/-		n/a		n/a						
.											
B	+		n/a		+						
.											
C	-		n/a		-						
.											

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

49) Wing Company paid \$5,000 cash to purchase land. Which of the following shows the impact of this transaction

on Wing's accounting equation?

	Assets	=	Liabilities	+	Stockholders' Equity		D	+		+	n/a
							.				
A	+/-		n/a		n/a						
.											
B	+		n/a		+						
.											
C	-		n/a		-						
.											

- A) Option A
- B) Option B

- C) Option C
- D) Option D

50) 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.

51) 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

52) 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 from investors?

- A) 60%
- B) 25%

- C) 40%
- D) 35%

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

54) 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

55) During the year, Millstone Company earned \$6,500 of cash revenue, paid cash dividends of \$1,000 to stockholders 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) Stockholders' equity increased by \$2,500.
- D) Assets increased by \$5,500.

56) At the end of Year 2, retained earnings for the Baker Company was \$2,650. Revenue earned by the company in Year 2 was \$2,900, expenses paid during the period were \$1,550, and dividends paid during the period were \$950. Based on this information alone, what was the amount of retained earnings at the beginning of Year 2?

- A) \$3,050
- B) \$2,250

- C) \$5,800
- D) \$1,300

57) 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?

- A) \$3,300
- B) \$3,700

- C) \$2,800
- D) \$3,800

58) 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

59) 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

60) Which of the following could describe the effects of an asset exchange transaction on the accounting equation?

	Assets	=	Liabilities	+	Stockholders' Equity				
						C	-	n/a	-
						.			
A	+/-		n/a		n/a	D	+	+	n/a
.						.			
B	+		n/a		+				
.									

- A) Option A
- B) Option B

- C) Option C
- D) Option D

61) Which of the following does not describe the effects of an asset use transaction on the accounting equation?

Statement of Cash Flow

Balance Sheet

$$A = Liab + Equi \quad Rev - Exp = Net$$

Assets	Liabilities	Equity	Revenue	Expenses	Income
-	=	-	+ NA	NA	-NA =NA -OA
-	=	-	+ NA	NA	-NA =NA -FA
-	=NA	+	-	NA	- + = - -OA
NA	= +	+ NA	+	- +	= - NA

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

62) Which of the following cash transactions results in an increase to one asset account and a decrease to another asset account?

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

D) Providing services for cash

63) 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.

64) Jackson Company had a net increase in cash from operating activities of \$11,400 and a net decrease in cash from financing activities of \$4,000. If the beginning and ending cash balances for the company were \$5,000 and \$10,600, respectively, what is the net cash change from investing activities?

- A) An outflow or decrease of \$1,800.
- B) An inflow or increase of \$4,000.

- C) An inflow or increase of \$1,800.
- D) Zero.

65) 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, respectively, what is the net cash change from investing activities?

- 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

66) The year-end financial statements of Calloway Company contained the following elements and corresponding amounts: Assets = \$33,000; Liabilities = ?; Common Stock = \$6,300; Revenue = \$13,600; Dividends = \$1,400; Beginning Retained Earnings = \$4,400; Ending

- A) \$8,300.
- B) \$500.

Retained Earnings = \$8,300. Based on this information, the amount of expenses on Calloway's income statement was

- C) \$10,700.
- D) \$3,900.

67) 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

- A) \$18,500.
- B) \$13,000.

on this information, the amount of expenses on Calloway's income statement was:

- C) \$16,500.
- D) \$10,000.

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

- A) \$22,000.
- B) \$24,000.

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

- C) \$16,000.
- D) \$19,750.

69) 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.

- A) \$27,500.
- B) \$31,500.

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

- C) \$35,000.
- D) \$42,500.

70) 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

71) 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.

- A) \$2,100
- B) \$2,600

(5) Paid \$4,400 of cash expenses.

Based on this information, what is the amount of net income?

- C) \$3,600
- D) \$5,600

72) Which of the following shows the effects of paying a cash dividend on the balance sheet and income statement?

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- C) Option C
D) Option D

73) Which of the following shows the effects of providing services for cash on the balance sheet and income statement?

Income Statement
ISSN 0890-6460
Issue No. 10
Volume 10
October 1978

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

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

- A) Retained Earnings and Assets
B) Assets and Liabilities

- C) Common Stock and Retained Earnings
- D) Liabilities and Common Stock

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

- A) Borrowed \$5,000 cash from the bank
- B) Paid a \$100 cash dividend to the stockholders
- C) Purchased land for \$2,000 cash

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

76) Dividends are reported on which financial statement?

- A) Balance Sheet
- B) Income Statement
- C) Statement of Changes in Stockholders' Equity

D) Both the income statement and statement of changes in stockholders' equity

77) Salaries expense appears in the:

- A) Liabilities section of the balance sheet
- B) Financing activities section of the statement of cash flows
- C) Asset section of the balance sheet

D) Expense section of the income statement

78) 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?

- A) \$147,000
- B) \$357,000
- C) \$427,000
- D) \$447,000

79) Which of the following accounts are permanent?

- A) Retained earnings
- B) All income statement accounts
- C) Dividends
- D) All balance sheet accounts including dividends.

80) 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.

81) 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 stockholders' equity
- C) Income statement
- D) Statement of cash flows

82) The amount of retained earnings is shown on the

- A) income statement.
- B) balance sheet.
- C) statement of

cash flows.

- D) statement of changes in stockholders' equity.
- E) balance sheet and statement of changes in

stockholders' equity.

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

- A) The net cash inflow from operating activities was \$850.
- B) The net cash outflow for investing activities was \$750.
- C) The net cash inflow from operating activities was

\$1,600.

- D) The net cash outflow for investing activities was \$850.

84) Chow Company earned \$1,500 of cash revenue, paid \$1,200 for cash expenses, and paid a \$200 cash dividend to its stockholders. 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.

85) Yi Company provided services to a customer for \$5,500 cash. As a result of this event:

- A) total assets increased and total stockholders' 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.

86) During Year 2,

Chico Company earned \$3,500 of cash revenue, paid \$1,450 of cash expenses, and paid a \$950 cash dividend to its stockholders. Based on this information alone, which of the

- A) Net income amounted to \$2,050.
- B) Total assets increased by \$1,100.
- C) Cash inflow from operating activities was

following statements is not true?

\$2,050.

- D) Cash outflow from financing activities was \$1,100.

87) 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 stockholders. Based on this information alone,

- A) Net income amounted to \$350.
- B) Total assets increased by \$200.
- C) Cash inflow from operating activities was \$350.

which of the following statements is not true?

- D) Cash outflow from financing activities was \$200.

88) Which of the following items would appear in the financing activities section of the statement of cash flows?

- A) Cash outflow for the purchase of land.
- B) Cash inflow from sales revenue
- C) Cash inflow from issuance of common stock

- D) Cash outflow for the payment of accounts payable

89) Glavine Company repaid a bank loan with cash. How should the cash flow from this event be shown on the

- A) As an operating activity that decreases cash, decreases stockholders' equity, and decreases net income.
- B) As a financing activity that decreases cash and decreases liabilities.
- C) As a financing activity that decreases cash, decreases stockholders' equity, and decreases net income.

horizontal financial statements model?

- D) As an investing activity that decreases cash and decreases liabilities.

90) Retained Earnings at the beginning and ending of the period were \$650 and \$1,400, respectively. If revenues were \$2,500 and dividends paid to stockholders were \$550, what

- A) \$1,750.
- B) \$750.

was the amount of expenses for the period?

- C) \$1,950.
- D) \$1,200.

91) Retained Earnings at the beginning and ending of the period were \$300 and \$800, respectively. If revenues were \$1,100 and dividends paid to stockholders were \$200, what

- A) \$500
- B) \$400

was the amount of expenses for the period?

- C) \$900
- D) \$700

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

1) issued stock for \$56,000
2) borrowed \$33,000 from its bank
3) provided consulting services for \$55,000 cash
4) paid back \$23,000 of the bank loan
5) paid rent expense for \$13,000
6) purchased equipment for \$20,000 cash
7) paid

- A) Inflow of \$13,000
- B) Inflow of \$42,000
- C) Inflow of \$9,200

\$3,800 dividends to stockholders
8) paid employees' salaries of \$29,000

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

- D) Inflow of \$26,000

93) 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

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

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

- D) Inflow of \$30,000

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

- 1) issued stock for \$48,000
- 2) borrowed \$29,000 from its bank
- 3) provided consulting services for \$47,000 cash
- 4) paid back \$19,000 of the bank loan
- 5) paid rent expense for \$11,000
- 6) purchased equipment for \$16,000 cash
- 7) paid

- A) \$29,000
- B) \$0

\$3,400 dividends to stockholders

8) paid employees' salaries of \$25,000

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

- C) \$19,000
- D) \$10,000

95) 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

- A) \$0
- B) \$25,000

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

- C) (\$15,000)
- D) \$10,000

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

1) issued stock for \$76,000
2) borrowed \$43,000 from its bank
3) provided consulting services for \$75,000 cash
4) paid back \$33,000 of the bank loan
5) paid rent expense for \$18,000
6) purchased equipment for \$30,000 cash
7) paid

- A) \$57,000
- B) \$18,000

\$4,800 dividends to stockholders
8) paid employees' salaries of \$39,000

What is Yowell's net income for Year 1?

- C) \$13,200
- D) \$34,200

97) 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

- A) \$9,000
- B) \$30,000

7) paid \$3,000 dividends to stockholders

8) paid employees' salaries of \$21,000

What is Yowell's net income for Year 1?

- C) \$18,000
- D) \$6,000

98) 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 cash.
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 cash. 4) Incurred expenses of \$720. 5) Paid

- A) Net inflow of \$945.
- B) Net outflow of \$1,130.
- C) Net outflow of \$850.

99) 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.

- A) Net outflow of \$220
- B) Net outflow of \$320
- C) Net inflow of \$5

dividends of \$280. What is the amount of Packard Company's net cash flow from financing activities for Year 2?

- D) Net inflow of \$95.

3) Earned revenues of \$750 cash.

4) Incurred expenses of \$360.

5) Paid dividends of \$100.

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

- D) Net inflow of \$225

100) Packard Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.) 1) Acquired \$1,900 cash from the issue of common stock. 2) Borrowed \$1,370 from a bank. 3) Earned \$1,550 of revenues cash. 4)

Paid expenses of \$440.5) Paid a \$240 dividend. During Year 2, Packard engaged in the following transactions. (Assume all transactions are cash transactions.) 1) Issued an additional \$1,275 of common stock. 2) Repaid \$885 of its debt to the bank. 3) Earned revenues of \$1,700 cash. 4) Incurred expenses of \$740. 5) Paid dividends of \$290. What is Packard's retained

- A) \$1,110.
- B) \$0

earnings account balance at the end of Year 1 before the process of closing the accounts has been undertaken?

- C) \$870.
- D) \$1,210.

101) 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.

- A) \$400
- B) \$0

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?

- C) \$350
- D) \$450

102) Packard Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.) 1) Acquired \$1,250 cash from the issue of common stock. 2) Borrowed \$720 from a bank. 3) Earned \$900 of revenues cash. 4)

Paid expenses of \$310.5) Paid a \$110 dividend. During Year 2, Packard engaged in the following transactions. (Assume all transactions are cash transactions.) 1) Issued an additional \$625 of common stock. 2) Repaid \$430 of its debt to the bank. 3) Earned revenues of \$1,050 cash. 4) Incurred expenses of \$480. 5) Paid dividends of \$160. What was the amount of

- A) \$1,840
- B) \$310

total stockholders' equity on Packard's balance sheet at the end of Year 1?

- C) \$1,730
- D) \$1,140

103) 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.

- A) \$1,350
- B) \$900

3) Earned revenues of \$750 cash.
4) Incurred expenses of \$360.
5) Paid dividends of \$100.

What was the amount of total stockholders' equity on Packard's balance sheet at the end of Year 1?

- C) \$250
- D) \$1,300

104) Packard Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.) 1) Acquired \$1,700 cash from the issue of common stock. 2) Borrowed \$1,170 from a bank. 3) Earned \$1,350 of revenues cash. 4) Paid expenses of \$400. 5)

Paid a \$200 dividend. During Year 2, Packard engaged in the following transactions. (Assume all transactions are cash transactions.) 1) Issued an additional \$1,075 of common stock. 2) Repaid \$745 of its debt to the bank. 3) Earned revenues of \$1,500 cash. 4) Incurred expenses of \$660. 5) Paid

- A) \$985
- B) \$1,590

dividends of \$250. What is the amount of retained earnings that will be reported on Packard's Year 2 balance sheet?

- C) \$1,340
- D) \$1,700

105) 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 the amount of retained earnings that will be reported on Packard's Year 2 balance sheet?

- A) \$640
- B) \$800

- C) \$290
- D) \$740

106) 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 cash.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 cash.4) Paid expenses of \$620.5) Paid dividends of

- A) \$850
- B) \$4,210

107) 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.

- A) \$2,115
- B) \$440

\$230.What is the amount of total assets that will be reported on Packard's balance sheet at the end of Year 2?

- C) \$780
- D) \$4,440

3) Earned revenues of \$750 cash.
4) Paid expenses of \$360.
5) Paid dividends of \$100.

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

- C) \$2,215
- D) \$395

108) Packard Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)1) Acquired \$1,550 cash from the issue of common stock.2) Borrowed \$1,020 from a bank.3) Earned \$1,200 of revenues cash.4)

Paid expenses of \$370.5) Paid a \$170 dividend. During Year 2, Packard engaged in the following transactions. (Assume all transactions are cash transactions.) 1) Issued an additional \$925 of common stock. 2) Repaid \$640 of its debt to the bank. 3) Earned revenues of \$1,350 cash. 4) Incurred expenses of \$600. 5) Paid dividends of \$220. What is the net cash inflow

- A) \$660
- B) \$1,615

from operating activities on Packard's statement of cash flows for Year 2?

- C) \$1,200
- D) \$750

109) 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.

- A) \$390
- B) \$650

3) Earned revenues of \$750 cash.
4) Incurred expenses of \$360.
5) Paid dividends of \$100.

What is the net cash inflow from operating activities on Packard's statement of cash flows for Year 2?

- C) \$350
- D) \$820

110) 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 as well as receiving cash from common stock

111) Santa Fe Company

was started on January 1, Year 1, when it acquired \$9,100 cash by issuing common stock. During Year 1, the company earned cash revenues of \$5,150, paid cash expenses of \$3,300, and paid a cash dividend of \$850. Based on this

- A) The Year 1 statement of cash flows would show a net cash flow from financing activities of \$8,250.
- B) The balance sheet at December 31, Year 1 would show total stockholders' equity of \$14,250.
- C) The Year 1 income statement would show net

information, which of the following statements is true?

income of \$1,000.

- D) The Year 1 statement of cash flows would show net cash inflow from operating activities of \$9,100.

112) 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, which of the following statements is true?

- A) The balance sheet at December 31, Year 1 would show total stockholders' 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.

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

- A) Total stockholders' equity decreased.
- B) Liabilities decreased.
- C) The net cash flow from operating activities decreased.

- D) Both total stockholders' equity and net cash flow for operating activities decreased.

114) Mayberry Company paid \$30,000 cash to purchase land. As a result of this

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

115) Lexington Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.) 1) Acquired \$3,100 cash from issuing common stock. 2) Borrowed \$2,250 from a bank. 3) Earned \$3,150 of revenues. 4) Incurred \$2,410 in expenses. 5) Paid dividends of \$410. Lexington Company engaged in the following transactions during Year 2: 1) Acquired an additional \$550 cash from the issue of common stock. 2) Repaid \$1,335 of its debt to the bank. 3) Earned

- A) \$150 outflow
- B) \$550 inflow
- C) \$1,485 outflow

116) Lexington Company engaged in the following transactions during Year 1, its first year of operations. (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: Acquired an additional \$1,000 cash from the issue of common stock. Repaid \$2,600 of its debt to the bank. Earned revenues,

- A) \$2,880 outflow
- B) \$2,880 inflow

revenues, \$4,550. 4) Incurred expenses of \$2,770. 5) Paid dividends of \$700.

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

- D) \$1,485 inflow
- E) \$150 outflow

\$9,000. Incurred expenses of \$5,500. Paid dividends of \$1,280. What is the net cash flow from financing activities on Lexington's statement of cash flows for Year 2?

- C) \$1,000 outflow
- D) \$1,000 inflow

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

\$3,600 cash from issuing common stock.2) Borrowed \$2,500 from a bank.3) Earned \$3,400 of revenues.4) Incurred \$2,460 in expenses.5) Paid dividends of \$460.Lexington Company engaged in the following transactions during Year 2:1) Acquired an additional \$800 cash from the issue of common stock.2) Repaid \$1,510 of its debt to the bank.3) Earned revenues, \$4,800.4) Incurred expenses of \$2,870.5) Paid

- A) \$1,100.
- B) \$6,840.

118) Lexington Company engaged in the following transactions during Year 1, its first year of operations. (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:Acquired an additional \$1,000 cash from the issue of common

- A) \$11,000
- B) \$12,000

119) Lexington Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)1) Acquired \$3,900 cash from issuing common stock.2) Borrowed \$2,650 from a bank.3) Earned \$3,550 of revenues.4) Incurred \$2,490 in expenses.5) Paid dividends of \$490.Lexington Company engaged in the following transactions during Year 2:1) Acquired an additional \$950 cash from the issue of common stock.2) Repaid \$1,615 of its debt to the bank.3) Earned revenues, \$4,950.4) Incurred expenses of \$2,930.5) Paid

- A) \$1,060.

dividends of \$1,000.

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

- C) \$6,580.
- D) \$3,860.

stock.Repaid \$2,600 of its debt to the bank.Earned revenues, \$9,000.Incurred expenses of \$5,500.Paid dividends of \$1,280.The amount of total assets on Lexington's balance sheet at the end of Year 1 was:

- C) \$1,600
- D) \$7,600

dividends of \$1,180.

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

- B) \$570.
- C) \$3,550.

D) \$3,060.

120) Lexington Company engaged in the following transactions during Year 1, its first year of operations. (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: Acquired an additional \$1,000 cash from the issue of common stock. Repaid \$2,600 of its debt to the bank. Earned revenues,

- A) \$6,200
- B) \$5,400

\$9,000. Incurred expenses of \$5,500. Paid dividends of \$1,280. The amount of retained earnings on Lexington's balance sheet at the end of Year 1 was:

- C) \$1,400
- D) \$600

121) Lexington Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.) 1) Acquired \$4,800 cash from issuing common stock. 2) Borrowed \$3,100 from a bank. 3) Earned \$4,000 of revenues. 4) Incurred \$2,580 in expenses. 5) Paid dividends of \$580. Lexington Company engaged in the following transactions during Year 2: 1) Acquired an additional \$1,400 cash from the issue of common stock. 2) Repaid \$1,930 of its debt to the bank. 3) Earned revenues, \$5,400. 4) Incurred expenses of \$3,110. 5) Paid dividends of \$1,720.

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

- A) \$1,400.
- B) \$1,140.

- C) \$3,100.
- D) (\$1,930).

122) Lexington Company engaged in the following transactions during Year 1, its first year of operations. (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: 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

- A) \$1,000
- B) \$4,400

expenses of \$5,500. Paid dividends of \$1,280. Total liabilities on Lexington's balance sheet at the end of Year 1 equal:

- C) (\$2,600)
- D) \$480

123) 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

- A) \$900.
- B) \$400.

of cash that would be reported on the balance sheet at the end of Year 2?

- C) \$1,700.
- D) \$2,500.

124) Expenses are shown on the:

- A) income statement
- B) balance sheet
- C) statement of changes in stockholders' equity

D) the income statement and statement of changes in stockholders' equity

125) At the beginning of Year 2, X Company had assets of \$300, liabilities of \$150, and common stock of \$50. During Year 2, the company earned revenue of \$500, incurred expenses of \$200, and paid dividends of \$50. All transactions were **cash** transactions. The amount of net income reported on

- A) \$500
- B) \$300

X Company's December 31, Year 2 income statement would be

- C) \$250
- D) None of these answers are correct.

126) At the beginning of Year 2, X Company had assets of \$300, liabilities of \$150, and common stock of \$50. During Year 2, the company earned revenue of \$500, incurred expenses of \$200, and paid dividends of \$50. All transactions were **cash** transactions. The amount of retained earnings

- A) \$100
- B) \$250

reported on X Company's December 31, Year 2 balance sheet would be

- C) \$350
- D) None of these answers are correct.

127) At the beginning of Year 2, X Company had assets of \$300, liabilities of \$150, and common stock of \$50. During Year 2, the company earned revenue of \$500, incurred expenses of \$200, and paid dividends of \$50. All transactions were **cash** transactions. The amount of total assets reported on

- A) \$550
- B) \$250

X Company's December 31, Year 2 balance sheet would be

- C) \$300
- D) None of these answers are correct.

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

129) Liabilities are shown on the:

- A) Income statement
- B) Balance sheet
- C) Statement of cash flows

D) Statement of changes in stockholders' equity

130) Which of the following would appear in the investing activities section of the statement of cash flows?

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

131) Which of following illustrates how earning \$4,000 cash for providing services to customers affects the financial statements?

	Balance Sheet	Income Statement			
	Liabilities	+	Stockholders' Equity		
A.	4,000	n/a	4,000	D.	4,000 4,000
B.	4,000	n/a	4,000	A) Option A	
C.	4,000	n/a	4,000	B) Option B	
				C) Option C	
				D) Option D	

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

	Balance Sheet	Income Statement			
	Assets	=	Liabilities	+ Stockholder s' Equity	
A.	n/a		500	D.	(500)
B.	(500)		n/a	A) Option A	
C.	(500)		n/a	B) Option B	
				C) Option C	
				D) Option D	

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

	Balance Sheet	Income Statement	D.	(300)
	Assets	= Liabilities	+ Stockholders' Equity	
A.	n/a	300	A) Option A	
B.	(300)	n/a	B) Option B	
C.	(300)	n/a	C) Option C	
			D) Option D	

134) 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?

	Balance Sheet	Income Statement	D.	23,000	23,000
	Assets	= Liabilities	+ Stockholders' Equity		
A.	23,000	n/a	A) Option A		
B.	23,000	n/a	B) Option B		
C.	23,000	23,000	C) Option C		
			D) Option D		

135) 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?

Bal Inc	Statement of Cash Flows	ets	ties	lders'
anc ome				Equity
e Sta		A 32	32,000	n/a 32,00
She tem		. ,0		0
et ent		00		
Ass = Liabili +Stockho Revenue -Expense = Net				

B	32,000	n/a	32,000	n/a	n/a	n/a	32,000	FA	00
C	32,000	n/a	32,000	32,000	n/a	32,000	32,000	FA	
D	32,000	32,000	n/a	n/a	n/a	n/a	32,000	FA	

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

136) Which of following illustrates how selling land for cash affects the financial statements?

	Bal Inc	anc ome	e Sta	She tem	et ent	Statement of Cash Flows					
A	n/a	n/a	n/a	n/a	n/a	n/a	n/a	+	+	n/a	n/a
B	-	n/a	-	n/a	n/a	n/a	n/a	-	n/a	-	n/a

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

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

	Bal Inc	anc ome	e Sta	She tem	et ent	Statement of Cash Flows					
A	+	n/a	+	n/a	n/a	n/a	n/a	+	+	+	n/a
B	+	+	n/a	n/a	+	+	+	+	+	+	IA

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

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

	Bal Inc				Statement of Cash Flows		
	anc ome						
	e Sta						
	She tem						
	et ent						
	Ass =Liabil	+Stockhol	Revenu	-Expens	=	Net	
	ets ities	ders'	e	e		Income	
		Equity					
A +/	n/a	n/a	n/a	n/a	n/a	- IA	
.	-						
B +/	+	n/a	n/a	+	+	n/a	

.	-				
C -	n/a	-	n/a	n/a	
.					
D -	n/a	-	n/a	n/a	
.					

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

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

	Bal Inc				Statement of Cash Flows		
	anc ome						
	e Sta						
	She tem						
	et ent						
	Ass =Liabilit	+Stockh	Revenu	-Expens	=	Net	
	ets ies	olders	e	e		Income	
		Equity					
A -	n/a	-	n/a	+	-	- OA	
.							

B +/	n/a	n/a	n/a	n/a	
.	-				
C +	n/a	+	+	n/a	
.					
D +	+	n/a	n/a	n/a	
.					

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

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

Bal Inc	Statement of Cash Flows
anc ome	
e Sta	

She tem
et ent
Ass =Liabili +Stock Reve -Expens

Assets	Liabilities	Shareholders' Equity	Income
+	n/a	+	+
		+	OA

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.

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

Bal Inc	Statement of Cash Flows
anc ome	
e Sta	
She tem	
et ent	
Ass = Liabil + Stoc Revenu - Expens = Net	
ets ities khol e e Income	
	ders

	Equity
+	n/a
+	n/a
	n/a
	n/a

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

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

Ba In	Statement of Cash Flows
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	t
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ets litie khol ue nse In	
	s ders
	Equity

- n/a - n/a + - -OA

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

143) Northern Corporation invested \$800 cash in South Company stock. Which of the following describes the effects of this transaction on Northern Corporation's books?

	Bal	Inc						
	anc	ome						
	e	Sta						
	She	tem						
	et	ent						
As = Liabil + Stockho Revenu - Expens = Net								
	se	ities	lders'	e				Income
	ts	Equity						
A	-	+	n/a	n/a	-	-		-IA
B	+	n/a	+	n/a	n/a	n/a		+FA

.
C n/a n/a n/a + n/a
.
D +/- n/a n/a n/a n/a
.

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

144) Northern Corporation invested \$800 cash in South Company stock. As a result of this transaction:

- A) The balance in the Cash account on Northern Corporation'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.

145) Which of the

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

	Bal Inc								Statement of Cash Flows
	anc ome								
	e Sta								
	She tem								
	et ent								
	Assets=Liabil+Stockho Revenu -Expens = Net								
		ities	lders'	e	e				Income
			Equity						
A	+	+	n/a	n/a	n/a	n/a			+FA
B	+	n/a	+	n/a	n/a	n/a			+FA

.
C + n/a + + n/a
.
D n/a n/a n/a n/a n/a
.

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

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

146) Indicate how this event affects the accounting equation. Use the following letters to record your answer in the box shown below each element. If an event increases one account and decreases another account within the same element, record I/D. If an event has no impact on the element, record NA. You do not need to enter amounts. Increase = I

Balance Sheet		
Assets	=	Liabilities + Stockholders' Equity

Decrease = D Not Affected = NA
Walker Company was formed on January 1, Year 1, when it acquired \$150,000 cash from issuing common stock.

147) Indicate how this event affects the accounting equation. Use the following letters to record your answer in the box shown below each element. If an event increases one account and decreases another account within the same element, record I/D. If an event has no impact on the element, record NA. You do not need to enter amounts. Increase = I

Decrease = D Not Affected
= N
Nguyen Company
borrowed \$50,000 cash
from Metropolitan Bank.

Balance Sheet

**Assets = Liabilities + Stockholders'
Equity**

148) Indicate how this event affects the accounting equation. Use the following letters to record your answer in the box shown below each element. If an event increases one account and decreases another account within the same element, record I/D. If an event has no impact on the element, record NA. You do not need to enter amounts. Increase = I

Decrease = D Not Affected
= NABell Company
provided consulting
services for \$20,000 cash.

Balance Sheet

**Assets = Liabilities + Stockholders'
Equity**

149) Indicate how this event affects the accounting equation. Use the following letters to record your answer in the box shown below each element. If an event increases one account and decreases another account within the same element, record I/D. If an event has no impact on the element, record NA. You do not need to enter amounts. Increase = I

Decrease = D Not Affected
= NA
Pierce Company paid
\$40,000 cash to purchase
land.

Balance Sheet

**Assets = Liabilities + Stockholders'
Equity**

150) Indicate how this event affects the accounting equation. Use the following letters to record your answer in the box shown below each element. If an event increases one account and decreases another account within the same element, record I/D. If an event has no impact on the element, record NA. You do not need to enter amounts. Increase = I

Decrease = D Not Affected
= NA
Perez Company paid \$220,000 cash in salaries to its employees.

Balance Sheet

**Assets = Liabilities + Stockholders'
Equity**

151) Indicate how this event affects the accounting equation. Use the following letters to record your answer in the box shown below each element. If an event increases one account and decreases another account within the same element, record I/D. If an event has no impact on the element, record NA. You do not need to enter amounts. Increase = I

Decrease = D Not Affected
= NA
Epstein Company
paid a \$20,000 cash
dividend to its
stockholders.

Balance Sheet

**Assets = Liabilities + Stockholders'
Equity**

152) Indicate how this event affects the accounting equation. Use the following letters to record your answer in the box shown below each element. If an event increases one account and decreases another account within the same element, record I/D. If an event has no impact on the element, record NA. You do not need to enter amounts. Increase = I

Decrease = D Not Affected
= NANorth Company
issued a note to purchase a
building.

Balance Sheet

**Assets = Liabilities + Stockholders'
Equity**

153) Indicate how this event affects the accounting equation. Use the following letters to record your answer in the box shown below each element. If an event increases one account and decreases another account within the same element, record I/D. If an event has no impact on the element, record NA. You do not need to enter amounts.

Increase = I Decrease = D Not Affected = NA Walker Company issued common stock for \$150,000 cash.

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154) Indicate how this event affects the accounting equation. Use the following letters to record your answer in the box shown below each element. If an event increases one account and decreases another account within the same element, record I/D. If an event has no impact on the element, record NA. You do not need to enter amounts. Increase = I Decrease = D Not Affected = NA Nguyen Company borrowed

\$50,000 cash from
Metropolitan Bank.

B I Statement of
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155) Indicate how this event affects the accounting equation. Use the following letters to record your answer in the box shown below each element. If an event increases one account and decreases another account within the same element, record I/D. If an event has no impact on the element, record NA. You do not need to enter amounts. Increase = I Decrease = D Not Affected = NA
Bell Company provided consulting services for \$20,000 cash.

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156) Indicate how this event affects the accounting equation. Use the following letters to record your answer in the box shown below each element. If an event increases one account and decreases another account within the same element, record I/D. If an event has no impact on the element, record NA. You do not need to enter amounts. Increase = I Decrease = D Not Affected = NA
Pierce Company paid \$40,000 cash to purchase land.

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157) Indicate how this

event affects the accounting equation. Use the following letters to record your answer in the box shown below each element. If an event increases one account and decreases another account within the same element, record I/D. If an event has no impact on the element, record NA. You do not need to enter amounts. Increase = I Decrease = D Not Affected

= NA
Perez Company paid \$220,000 cash in salaries to its employees.

B I Statement of
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158) Indicate how this event affects the accounting equation. Use the following letters to record your answer in the box shown below each element. If an event increases one account and decreases another account within the same element, record I/D. If an event has no impact on the element, record NA. You do not need to enter amounts. Increase = I Decrease = D Not Affected = NA Epstein Company paid a \$20,000 cash dividend to its stockholders.

B I Statement of
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159) Indicate how this event affects the accounting equation. Use

the following letters to record your answer in the box shown below each element. If an event increases one account and decreases another account within the same element, record I/D. If an event has no impact on the element, record NA. You do not need to enter amounts. Increase = I Decrease = D

B I Statement of
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Not Affected = N
 North Company issued a note to purchase a building.

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160) What is the name of the group that has the primary authority for establishing U.S. GAAP?

161) Who are the three distinct types of participants in a market? Briefly describe the role of each group of participants.

162) What is meant by the term "stakeholders?"

163) What is meant by the term "global GAAP"? How does it impact U.S. companies? What body is responsible for setting global standards?

164) Briefly distinguish between financial accounting and managerial accounting.

165) What are some of the similarities and differences between not-for-profit organizations and for-profit businesses from an accounting standpoint?

166) What is reported on a balance sheet?

167) From what three sources does a business obtain its assets?

168) How does providing services for cash affect the accounting equation? Is it considered an asset source, asset use, or asset exchange transaction?

169) How does the payment of cash dividends to stockholders affect the accounting equation? Is it considered an asset source, asset use, or asset exchange transaction?

170) If the total stockholders' equity is \$150,000 and liabilities are \$75,000, what are total assets?

171) What is meant by the term double-entry bookkeeping?

172) Give three examples of asset use transactions.

173) What does a company's statement of cash flows tell you about the company?

information. The accounting information intended to satisfy the needs of a company's employees is managerial accounting information. GAAP requires that companies adhere to financial accounting standards. Managerial accounting information is usually less detailed than financial accounting information.

180) Indicate whether each of the following statements about liabilities is true or false. A net loss on the income statement decreases liabilities. The acquisition of a bank loan increases both assets and liabilities. The accounting equation requires that liabilities be equal to stockholders' equity. The amount of a company's liabilities is equal to its assets minus its stockholders' equity. Liabilities are reported on the statement of cash flows of a business.

181) ABC Company earned \$2,000 cash for

providing services to customers. Indicate whether each of the following statements about the transaction is true or false. Total liabilities would decrease. Total stockholders' equity would increase. The operating activities section of the

statement of cash flows would show a cash inflow. This is an asset exchange transaction.

182) Indicate whether each of the following statements about retained earnings is true or false. A dividend paid to stockholders decreases retained earnings. Issuing common stock for cash increases retained earnings. The amount of net income for a period must equal retained earnings. The purchase of a truck decreases retained earnings. The amount of net income for a period increases retained earnings.

183) Indicate whether each of the following statements about the types of transactions is true or false. An asset source transaction increases total assets and increases claims to assets. The issuance of

stock to stockholders for cash would be an example of an asset exchange transaction. Purchasing equipment for cash is an example of an asset use transaction. Paying a dividend to stockholders is an example of an asset use transaction. Making

a payment on a bank loan is an example of an asset exchange transaction.

184) Indicate whether each of the following statements about financial statements is true or false. A cash dividend paid to stockholders is shown in the investing activities section of the statement of cash flows. A cash dividend paid to stockholders is shown on the statement of changes in stockholders' equity. A cash dividend paid to stockholders is shown on the income statement. The balance sheet shows ending balances of permanent accounts as of the last day of the accounting period. Changes in retained earnings for the accounting period are shown on the income statement.

185) Indicate whether each of the following statements about stockholders' equity is true or false. Operating expenses reported on the income statement decrease retained

earnings. Stockholders' equity and liabilities can be viewed either as sources of assets or claims to assets of the business. Retained earnings is increased by loans received from a bank. Dividends paid to stockholders decrease common stock. Stockholders' equity is the residual interest in the

company resulting from the difference between assets and liabilities.

186) Jessup Company was founded in Year 1. It acquired \$45,000 cash by issuing stock to investors and an additional \$15,000 cash by borrowing from creditors. During Year 1, it received \$25,000 cash revenues and paid \$32,000 in cash expenses. The company then went out of business. **Required:** Explain the term, "business liquidation." What amount of cash should Jessup Company have had on hand immediately before going out of business? What amount of cash will Jessup's creditors receive? What amount of cash will Jessup's stockholders receive?

187) The transactions listed below apply to Bates Company for its first year in business. Assume that all transactions involve the receipt or payment of cash. Transactions for Year 1: Issued common stock to

investors for \$25,000 cashBorrowed \$18,000 from the local bankProvided services to customers for \$28,000 cashPaid expenses amounting to \$21,400Purchased a plot of land for \$22,000 cashPaid a dividend of \$15,000 to its stockholdersRepaid \$12,000 of the loan listed in number 2

Required: Fill in the headings to the accounting equation shown below. Show the effects of the above transactions on

the accounting
equation. _____ =
_____ +
_____ Event Number

188) Each of the following requirements is independent of the others. Valdez Corporation has liabilities of \$95,000 and stockholders' equity of \$115,000. What is the amount of Valdez's assets? Global Company has assets of \$320,000 and liabilities of \$95,000. What is the amount of Global's stockholders' equity? Brown Company has assets of \$90,000 and liabilities of \$25,000. What is the amount of Brown's claims?

189) The following events occurred for Ringgold Company during Year 1, its first year of operations: Issued stock to investors for \$45,000 cashBorrowed \$25,000

you. After entering all the events, calculate the total amounts of assets, liabilities, and stockholders' equity at the end of the year.

Event number	Assets	=	Liabilities	+	SH Equity
1.	45,000		NA		45,000
2.					
3.					
4.					
5.					
6.					

190) Ramirez Company experienced the following events during Year 1: Acquired \$50,000 cash by issuing common stock Borrowed \$25,000 cash from a creditor Provided services to customers for \$38,000 cash Paid \$32,000 cash for operating expenses Paid a cash dividend of \$2,500 to stockholders Purchased land with cash, \$30,000 **Required:** Show how each of these events affects the accounting equation. Enter NA for items not affected. The first event is done as an example. Calculate the total amount of assets, liabilities, common stock, and retained earnings at the end of the period.

Event number	Stockholders' Equity	1.	50,000	NA
As = Liabilities + Common Stock + Retained				

2.

3.

4.

5.

6.

Total

191) At the beginning of Year 2, Grace Company's accounting records had the general ledger accounts and balances shown in the table below. During Year 2, the following transactions occurred: Received \$95,000 cash for providing services to customers; Paid salaries expense, \$50,000; Purchased land for \$12,000 cash; Paid \$4,000 on note payable; Paid operating expenses, \$22,000; Paid cash dividend, \$2,500. **Required:** Record the transactions in the appropriate general ledger accounts. Record the amounts of revenue, expense, and dividends in the retained earnings column. Enter 0 for items not affected. Provide appropriate titles for these accounts in the last column of the table.

Event	Assets		Liabilities	Stockholders' Equity		Account Title
	Cash	Land		Notes Payable	+ Common Stock	
Beginning	29,000	32,000	18,000	33,000	10,000	
1						
2						
3						
4						
5						
6						

E	Stockhol	.
v	der's	3
e	Equity	.
n	Li + Co Ret	4
t	sab mm ain	.
n	sil on ed	5
u	e it St Ear	.
m	tie oc nin	6
b	s s k gs	.
e		
r		
1	I I NA NA	
.		
2		

193) Indicate how each of the following transactions affect assets by entering + for increase, – for decrease, or NA if total assets are not affected. Enter only one item for each answer. _____ 1) Issued stock to investors _____ 2) Borrowed cash from the bank _____ 3) Provided services for cash _____ 4) Paid operating expenses _____ 5) Purchased land for cash _____ 6) Paid cash dividend to the stockholders _____ 7) Repaid the bank loan

194) Classify each of the following events as an

asset source (AS), asset use (AU), asset exchange (AX), or not applicable (NA). _____ 1) Borrowed cash from the bank. _____ 2) Issued stock for cash. _____ 3) Invested cash in the common stock of another company. _____ 4) Performed services and collected cash. _____ 5) Paid cash for operating expense. _____ 6) Purchased equipment for

cash. _____ 7) Paid dividends to stockholders. _____ 8) Repaid the bank loan with cash.

195) Grimes Corporation reports the following cash transactions for the year ending December 31, Year 1, its first year of operation: Issued common stock for \$35,000 cash Borrowed \$25,000 from a local bank Purchased land for \$40,000 cash Provided services to clients for \$38,000 cash Paid operating expenses of \$30,500 Paid \$2,000 cash dividends to stockholders **Required:** What are the total assets for Grimes Corporation at December 31, Year 1? Prepare an income statement for Year 1.

196) Young Company reported the following balance sheet for the end of Year 1:

Young Company
Balance Sheet
For the Year Ended December 31, Year 1

Assets:

Cash \$5

	<u>8,800</u>
Land	25,500
Total assets	<u>\$84,300</u>
	<u>0</u>
Liabilities:	
Notes payable	\$18,000
	<u>0</u>
Stockholders' equity:	
Common stock	50,000
Retained earnings	16,300
Total stockholders' equity	<u>66,300</u>
Total liabilities and stockholders' equity	<u>\$84,300</u>
	<u>0</u>

During Year 2, Young reported the following transactions: Repaid \$9,000 to a local bank on a note payable. Provided services to clients for \$27,400 cash. Paid operating expenses of \$20,200. Paid \$4,500 cash dividends to stockholders.

Required:

Prepare Young Company's balance sheet as of December 31, Year 2.

197) Use the following information to prepare an income statement for Penelope Company for the period ending December 31, Year 1. All transactions were for cash. Received revenue from services provided to customers, \$30,500. Paid \$19,000 cash for land. Issued \$16,000 of common stock. Paid dividends to stockholders, \$3,000. Paid operating expenses, \$25,400.

Required:

Prepare the income statement at the end of Year 1.

198) The following events are for Holiday Travel Services for Year 1, the first year of operations.

Assume that all transactions involve the receipt or payment of cash. The business acquired \$50,000 from stock issued to stockholders. Creditors loaned the company \$27,500. The company provided services to its customers and received \$75,400. The company paid expenses amounting to \$63,250. The company purchased land for \$25,000. The company paid a dividend of \$5,500 to its stockholders.

Required: Show the effects of the above transactions on the accounting equation (use appropriate element and account headings). For those events that affect retained earnings,

indicate the appropriate temporary account titles in a separate column. Enter 0 for items not affected. Prepare an income statement and balance sheet for and at the end of Year 1.

199) The following transactions apply to Wilson Fitness Center for Year 2.

Started the business by issuing \$48,000 of common stock for cash. Provided services to clients and received \$65,500 cash. Borrowed \$10,500 from the bank. Paid \$8,500 for rent of equipment. Purchased land for \$15,000. Paid \$46,600 of salary expense. Paid cash dividends of \$4,000 to stockholders.

Required: What are the total assets of the business at the end of Year 2? Prepare a statement of cash flows for Year 2.

Income Statement

Revenue	\$ a
Expense	6,200
Net income	<u>\$ b</u>

Statement of Changes in Stockholders' Equity

Beginning common stock	\$ 0
Plus: Issuance of common stock	11,000
	<u>0</u>
Ending common stock	11,000
	0
Beginning retained earnings	\$ 0
Add: net income	3,500
Ending retained earnings	<u>\$ c</u>
Total stockholders' equity	<u>\$ d</u>

201) Fill in the blanks indicated by the alphabetic letters in the following financial statements. These financial statements were prepared for the company's first year of operations, and all transactions were for cash.

Income Statement

Service revenue	\$ 44,000
Operating expenses	a
Net income	\$ b

Statement of Changes in Stockholders' Equity

Beginning common stock	\$80,000
Add: Common stock issued	0
Ending common stock	80,000
Beginning retained earnings	0
Add: Net income	c
Less: Dividends	d
Ending retained earnings	16,000
Total stockholders' equity	\$ e

Balance Sheet

Assets:

Cash	\$ f
Land	20,000
Total assets	\$120,000
Liabilities	\$ g

Stockholders' equity:

Common stock	80,000
Retained earnings	h
Total stockholders' equity	i
Total liabilities and stockholders' equity	\$120,000

202) The following transactions apply to the Garber Corporation for Year 1, its first year in business.

The company issued stock to investors, \$48,000. The company borrowed \$42,000 cash from the bank. Services were provided to customers and \$50,000 cash was received from those customers. The company acquired land for \$44,000. The company paid \$34,000 rent for the building in which it operates its business. The company paid \$3,200 for supplies that were used during the period. The company sold the land acquired in number 5 for \$44,000. The company paid a dividend of \$1,000 to its stockholders. The company repaid

\$20,000 of the loan described in number 2.

Required: Prepare an income statement, statement of changes in stockholders' equity, and balance sheet for Year 1. Prepare a statement of cash flows for Year 1.

203) Rosemont Company began operations on January 1, Year 1, and on that date issued stock for \$60,000 cash. In addition, Rosemont borrowed \$50,000 cash from the local bank. The company provided services to its customers during Year 1 and received \$35,000. It purchased land for \$70,000. During the year, it paid \$10,000 cash for salaries and \$9,000 cash for supplies that were used up in its operations. Stockholders were paid cash dividends of \$8,000 during the year.

Required: List the transactions from the information above (for example, issued common stock for \$60,000) and indicate in which section of the statement of cash flows each transaction would be reported. What would the amount be for

net cash flows from operating activities? What would be the end-of-year balance for the cash account? What would be the amount of the total assets for the Rosemont Company at the end of Year 1? What would be the end-of-year balance for the retained earnings account?

204) The Campbell Company began operations on January 1, Year 1 and on that date issued \$60,000 of common stock for cash. In addition, the company borrowed \$40,000 from the bank. It provided services to its customers during Year 1 and received \$72,000 cash. During the year, it paid \$80,000 cash for land, \$50,000 for salaries, and \$10,000 in cash dividends to the stockholders.

Required: Write an accounting equation and record the effects of each transaction under the appropriate heading.

(Use specific accounting titles below the statement elements.) Enter 0 for items not affected. Prepare an income statement and a balance sheet for the Year 1 accounting period.

205) Pinehurst Company was formed in Year 1 and experienced the following accounting events during the year:

Issued common stock for \$15,000 cash. Earned cash revenue of \$28,000. Paid cash expenses of \$20,500. These were the only events that affected the company during the year.

Required: Write the accounting equation and record the effects of each accounting event under the appropriate general ledger account heading. Enter 0 for items not affected. Prepare an income statement for Year 1 and a balance sheet as of December 31, Year 1.

206) Fieldstone Company was founded on January 1, Year 1. During Year 1, the company experienced the following

events:

Received cash revenue of \$25,500
Paid cash expenses of \$20,000
Issued common stock for \$30,000 cash
Paid cash dividend of \$2,000 to stockholders.

Required: Write an accounting equation and record effects of each accounting event under appropriate general ledger account headings, showing dollar amounts of increases

and decreases and totals at the end of the year. Enter 0 for items not affected. Prepare the Year 1 income statement and balance sheet for Fieldstone Company.

207) During Year 1, Sawyer Company earned \$42,000 of cash revenue and paid \$28,200 of cash expenses and \$1,600 in dividends to the company's stockholders. Enter each of these three events into the horizontal financial statements model, below. Indicate dollar amounts of increases and decreases. For cash flows, show whether they are operating activities (OA), investing activities (IA), or financing activities (FA). Enter 0 if there would be no entry in a column.

Eve Asse = Liabi + Equi Reve - Expe = Net Cash
 nt ts litie ty nue nse Incom Flow
 s e

a)

b)

c)

208) During Year 1, Pace Company issued common stock to stockholders for \$12,000, purchased land for \$3,200 cash, and paid cash dividends of \$1,000 to the company's stockholders. Enter each of these three events into the horizontal financial statements model, below. Indicate dollar amounts of increases and decreases. For cash flows, show

whether they are operating activities (OA), investing activities (IA), or financing activities (FA). Enter 0 if there would be no entry in a column.

Event	Assets	=	Liabilities	+	Equity	Revenue	-	Expenses	=	Net Income	Cash Flow

a)

b)

c)

209) During Year 1, Moersch Company issued common stock to stockholders for \$10,000; purchased land for \$2,000 cash; provided services to customers for \$8,000; paid cash operating expenses of \$6,200; and paid cash dividends of \$1,000 to the company's stockholders. Enter each of these events into the horizontal financial statements model, below. Indicate dollar amounts of increases and decreases. For cash flows, show whether they are operating activities (OA), investing activities (IA), or financing activities (FA). Enter 0 if there would be no entry in a column.

Event	Assets	=	Liabilities	+	Equity	Revenue	e)
a)							
b)							
c)							
d)							

Answer Key

Test name: chapter 1

- 1) TRUE
- 2) TRUE
- 3) FALSE
- 4) FALSE
- 5) TRUE
- 6) TRUE
- 7) TRUE
- 8) FALSE
- 9) TRUE
- 10) FALSE
- 11) FALSE
- 12) TRUE
- 13) TRUE
- 14) TRUE
- 15) FALSE
- 16) FALSE
- 17) FALSE
- 18) D
- 19) A

20) B

21) D

22) A

23) A

24) B

25) C

26) A

27) D

28) B

29) D

30) C

31) D

32) D

33) A

34) B

35) A

36) C

37) D

38) C

39) B

40) B

41) D

42) A

43) A

44) B

45) B

46) D

47) B

48) C

49) A

50) D

51) B

52) D

53) A

54) B

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56) B

57) A

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59) A

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62) C

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64) A

65) A

66) A

67) C

68) C

69) A

70) B

71) C

72) D

73) B

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87) D

88) C

89) B

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92) A

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94) D

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96) B

97) A

98) D

99) C

100) B

101) B

102) C

103) D

104) C

105) A

106) B

107) A

108) D

109) A

110) D

111) A

112) D

113) D

114) D

115) C

116) A

117) C

118) A

119) B

120) D

121) C

122) B

123) A

124) A

125) B

126) C

127) A

128) D

129) B

130) D

131) C

132) B

133) C

134) A

135) D

136) A

137) C

138) A

139) A

140) B

141) A

142) B

143) D

144) A

145) D

146)

Balance Sheet			
Assets	=	Liabilities	+ Stockholders'
			Equity
I		NA	I

Issuing common stock is an asset source transaction that increases the business's assets (cash) and its stockholders' equity (common stock).

147)

Balance Sheet			
Assets	=	Liabilities	+ Stockholders'
			Equity
I		I	NA

Borrowing cash is an asset source transaction that increases a business's assets (cash) and its liabilities (notes payable).

148)

Balance Sheet			
Assets	=	Liabilities	+ Stockholders'
			Equity
I		NA	I

This is an asset source transaction that increases the business's assets (cash). When a business provides services, it earns revenue. Revenue increases net income, which will increase stockholders' equity (retained earnings) at the end of the accounting period.

149)

Balance Sheet		
Assets	= Liabilities +	Stockholders'
		Equity
I / D	NA	NA

Purchasing land for cash is an asset exchange transaction that increases one asset (land) and decreases another asset (cash). Liabilities and stockholders' equity are not affected.

150)

Balance Sheet		
Assets	= Liabilities +	Stockholders'
		Equity
D	NA	D

Paying expenses such as salaries is an asset use transaction that decreases the business's assets (cash) and decreases its stockholders' equity (retained earnings).

151)

Balance Sheet		
Assets	= Liabilities +	Stockholders'
		Equity
D	NA	D

Paying a cash dividend is an asset use transaction that decreases a business's assets (cash) and its stockholders' equity. The dividends account will decrease the retained earnings at the end of the accounting period.

152)

Balance Sheet			Equity
Assets	= Liabilities +	Stockholders'	

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Issuing a note to purchase a building is an asset source transaction that increases a business's assets (building) and increases its liabilities (notes payable).

153)

B I Statement of Cash
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Issuing common stock is an asset source transaction that increases the business's assets (cash) and its stockholders' equity (common stock). It does not affect the income statement, but is reported as a cash inflow from financing activities in the statement of cash flows.

154)

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Borrowing cash is an asset source transaction that increases a business's assets (cash) and its liabilities (notes payable). It does not affect the income statement, but is reported as a cash inflow from financing activities in the statement of cash flows.

155)

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This is an asset source transaction that increases the business's assets (cash). When a business provides services, it earns revenue. Revenue increases net income, which will increase stockholders' equity (retained earnings) at the end of the accounting period.

156)

B I Statement of Cash
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157)

B I Statement of Cash
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This event is reported as a cash inflow from operating activities in the statement of cash flows.

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Purchasing land for cash is an asset exchange transaction that increases one asset (land) and decreases another asset (cash). It does not affect the income statement. The statement of cash flows reports a cash outflow from investing activities.

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Paying expenses such as salaries is an asset use transaction that decreases the business's assets (cash) and decreases its stockholders' equity (retained earnings). Note that the expense decreases net income, and will decrease retained earnings at the end of the accounting period. It is reported as a cash flow for operating activities in the statement of cash flows.

158)

B I Statement of Cash
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Paying a cash dividend is an asset use transaction that decreases a business's assets (cash) and its stockholders' equity. The dividends account will decrease the retained earnings at the end of the accounting period. It does not affect net income, and is reported as

159)

B I Statement of Cash
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160) The Financial Accounting Standards Board (FASB) is a privately funded organization with the primary authority for

161) The market for business resources involves three distinct participants:

a cash outflow for financing activities in the statement of cash flows.

ity
I I NA NA NA NA NA

Issuing a note to purchase a building is an asset source transaction that increases a business's assets (building) and increases its liabilities (notes payable). It does not affect net income or the statement of cash flows.

establishing accounting standards in the United States.

consumers, businesses, and

resource owners. Consumers use resources. Businesses convert resources to the form that consumers want. Resource owners control the

162) Stakeholders are the parties that are interested in the operations of an organization. Stakeholders often are users or potential users of accounting information. Stakeholders include resource providers, financial analysts,

163) International Financial Reporting Standards (IFRS) have been adopted by most countries outside of the United States, and are becoming "global GAAP." Many believe that U.S. companies will be allowed to use either IFRS or U.S. GAAP in the future, and there is an ongoing process to reduce the differences between IFRS and GAAP. The International

164) Financial accounting is designed to satisfy the needs of external resource providers (external users), and must adhere to Generally Accepted Accounting Principles (GAAP). Managerial accounting, however, provides information that is useful to

165) Similarities: Both types of organizations add value through resource transformation. Accounting information can be useful in measuring the goods and services provided and the efficiency and effectiveness in producing goods and providing

distribution of resources to businesses.

brokers, attorneys, government regulators and news reporters.

Accounting Standards Board (IASB), headquartered in London, is responsible for forming these standards.

managers within a business (internal users), and does not have to follow GAAP.

services. Difference: Not-for-profit organizations exist for a purpose other than earning a

profit, while making a profit is a primary goal for businesses.

166) A balance sheet shows the company's assets, liabilities, and stockholders' equity.

167) A business obtains its assets from creditors, from investors, and from operations.

168) Providing services for cash increases assets and increases stockholders' equity. It is

169) Paying dividends decreases assets (cash) and decreases stockholders' equity (retained

170) Assets = Liabilities of \$75,000 + Stockholders' Equity of \$150,000; Assets = \$225,000

171) All transactions affect the accounting equation in at least two places. Double-entry bookkeeping is necessary to maintain the balance of the accounting equation: Assets =

172) Paid loan, paid expense, and paid dividends to stockholders. Asset use transactions involve a decrease in assets (for example, cash) and will also result in a decrease in either liabilities (paid loan) or

173) The statement of cash flows tells how a company obtained and used cash during the accounting period. In other words, it explains

174) Issuing stock is reported in the financing

considered an asset source transaction.

earnings). It is considered an asset use transaction.

Liabilities + Stockholders' Equity.

stockholders' equity (paid expense or dividends).

the change in cash from the beginning to the end of the period.

activities section. All

cash exchanged between a company and its stockholders is considered a financing activity.

175) Revenues, expenses, and dividends are temporary accounts and are closed to retained earnings at the end of the accounting period. These accounts are called temporary, or nominal, accounts. Note that dividends are

176) The balance sheet lists the assets of a business and corresponding claims (liabilities and stockholders' equity) on those assets. It draws its name from the accounting equation. The income statement matches revenue (benefits) with the expenses (sacrifices) that were incurred to generate the revenue. The statement of changes in stockholders' equity is used to explain the effects of transactions on stockholders' equity during an accounting period. The statement of cash flows explains how a company obtained and used cash during the accounting period.

177) An accounting period is the span of time covered by the financial statements, normally

178) FTTFF Financial resources are provided to a business by investors and creditors. Businesses, not resource owners, transform resources into products. Resource owners are

reported on neither the income statement nor the balance sheet.

The statement classifies cash receipts (inflows) and payments (outflows) into three categories: financing activities, investing activities, and operating activities.

one year; the span of time for which income is measured.

the main providers of resources in any market.

179) FTTTFFinancial accounting is primarily intended for external, not internal, stakeholders. Managerial accounting information is usually more detailed than

financial accounting information.

180) FTFTFA net loss decreases a company's stockholders' equity, not its liabilities. The accounting equation requires that assets be equal to liabilities plus stockholders' equity. Liabilities are reported on the balance sheet,

not on the statement of cash flows.

181) FTTFEEarning cash revenue for providing services to customers will increase assets (cash) and increase stockholders' equity (retained earnings). Total liabilities will not be affected. It will be reported as a cash inflow

from operating activities on the statement of cash flows. It is an asset source transaction.

182) TF FFTIssuing common stock for cash increases the common stock account, not retained earnings. Net income increases retained earnings, but does not equal its total. The purchase of a truck increases one asset (truck) and decreases another asset (cash) or increases a liability (note payable). Retained

earnings includes all net income that a company has earned in its existence that has not been paid out in dividends.

183) TFFTFTThe issuance of stock to stockholders for cash is an example of an assets source, not asset exchange, transaction. Purchasing equipment for cash is an example of an asset exchange transaction in which one asset (cash) decreases and another asset (equipment) increases. Making a payment on a

bank loan is an example of an asset use, not asset exchange, transaction.

184) FTFTF

A cash dividend paid to stockholders is shown in the financing activities section of the statement of cash flows. A cash dividend paid to stockholders is shown on the statement of changes in stockholders' equity, not on the income statement. That is shown on the statement of cash flows. Changes in retained

earnings for the accounting period are shown on the statement of changes in stockholders' equity, not on the income statement.

185) TTFFTL
Loans received from a bank increase assets and liabilities, but do not affect retained earnings. Dividends paid to

stockholders decrease retained earnings, not common stock.

186) Liquidation is the process of dividing up assets and allocating them to resource providers (creditors and investors). Amount of cash on hand = \$45,000 + \$15,000 + \$25,000 – \$32,000 = \$53,000
Creditors would have first claim on Jessup's cash. Therefore, they

would receive \$15,000. Stockholders would receive the remaining cash, or a total of \$38,000

187) Accounting Equation(a) and (b)

	Assets	=	Liabilities	+	SH Equity		
1.	25,000				25,000	(	
						2	
2.	18,000		18,000			,	
						0	
3.	28,000				28,000	0	
						0	
4.	(21,400)				(21,400)	)	
						(	(
5.	22,000					1	1
						5	5
						,	,

000) 000)

7. (12,000 (12,000
) 0)

188) Liabilities + Stockholders' equity =
Assets. Assets = \$95,000 + 115,000 =
\$210,000. Assets – Liabilities = Stockholders'
equity; Stockholders' equity = \$320,000 –
95,000 = \$225,000. Liabilities and
Stockholders' equity = Claims. If assets are
\$90,000, then liabilities plus stockholders'
equity = \$90,000. Total amount of claims =
\$90,000.

189)

Event number	Assets	= Liabilities +	SH Equity	7(	(	N
1.	45,000	NA	45,000	1	1	A
2.	25,000	25,000	NA	0	0	
3.	32,000	NA	32,000	0	0	
4.	(28,000)	NA	(28,000)	0	0	
5.	22,000	NA	NA	0	0	
	(22,000)	NA	NA	0	0	
6.	(12,000)	NA	(12,000)	0	0	

190)

Event number	Assets	=	Liabilities	+	Common	+	Stockholders' Equity	Retained	Stockholders' Equity
1.	50,000		NA		50,000		50,000		50,000
2.	25,000		25,000		NA		NA		NA
3.	38,000		NA		NA		NA		NA

4.	(32,000)	NA	NA	(32,000)
5.	(2,500)	NA	NA	(2,500)
6.	NA	NA	NA	NA
Total	78,150	25,000	50,000	3,500

191) <ol style="list-style-type: lower-alpha; font-weight: bold; padding-left: 18px;">

Event	Assets		Liabilities		Stockholders' Equity	Titles for RE
	Cash	Land	=	Notes Payable	+ Common Stock	+ Retained Earnings
Beginning	29,000	32,000	18,000	33,000	10,000	
1	95,000	0	0	0	95,000	Service Revenue
2	(50,000)	0	0	0	(50,000)	Salaries Expense
3	(12,000)	12,000	0	0	0	
4	(4,000)	0	(4,000)	0	0	
5	(22,000)	0	0	0	(22,000)	Operating Expense
6	2,500	0	0	0	(2,500)	Dividend